Spire Healthcare Group plc

# **Spire Healthcare reports its results for the year ended 31 December 2015**

**London, UK, 17 March 2016**, Spire Healthcare Group plc (LSE: SPI), one of the UK’s leading independent hospital groups, today announces its preliminary results for the year ended 31 December 2015.

### SUMMARY Group Results for the year ended 31 December 2015

|  |  |
| --- | --- |
|  | Year ended 31 December |
| (£ million) | **2015** | 2014 | Variance % | Variance excluding acquisitions / disposals % (1) |
| **Revenue** | **884.8** | **856.0** | **3.4%** | **2.5%** |
| Operating profit before exceptional items | 111.2 | 114.1 | (2.5%) | (5.5%) |
| Exceptional items | (15.7) | (54.0) |  |  |
| Operating profit | 95.5 | 60.1 | 58.9% | 53.9% |
| Profit after tax | 60.0 | 6.0 |  |  |
|  |  |  |
| **Adjusted EBITDA (2)** | **160.1** | **156.7** | **2.2%** | **(0.2%)** |
| Adjusted operating profit before exceptional items (3) | 111.2 | 111.6 | (0.4%) | (3.3%) |
| Pro-forma profit after tax (4) | 73.0 | 71.6 | 2.0% |  |
| **Adjusted, basic earnings per share, pence (5)** | **18.3** | **17.9** | **2.2%** |  |
| Total dividend paid / proposed per share, pence (6) | 3.7 | 1.8 | 105.6% |  |
| Operating cash flow, before exceptional items and income tax (7) | 166.7 | 164.2 | 1.5% |  |
| Capital investments and acquisitions | 109.5 | 105.1 | 4.2% |  |
| **Net debt at the year end** | **419.5** | **424.3** | **(1.1%)** |  |

### Group financial highlights

* Revenue increased by 3.4% to £884.8m (2014: £856.0m) with growth across all payor groups
* In-patient and daycase admissions grew 3.7% to 270,000 cases (2014: 260,300) with growth across all payor groups
* Adjusted EBITDA (2) up 2.2% to £160.1m (2014: £156.7m)
* Adjusted basic EPS (5) of 18.3p per share (2014: 17.9p)
* Adjusted EBITDA conversion to operating cash flow before exceptional items and income tax was 104.1% (2014: 104.8%)
* Capital investments totalled £109.5m (2014: £105.1m, including the St Anthony’s Hospital acquisition)
* Net debt reduced to £419.5m, with leverage at 2.6 times Adjusted EBITDA (2014: £424.3m and 2.7 times Adjusted EBITDA)
* Final dividend proposed of 2.4p per share payable on 28 June 2016 (2014: 1.8p). Total dividend paid or proposed for 2015 of 3.7p per share (2014: 1.8p)

### Operating highlights

* In November 2015, we opened our second dedicated Specialist Care Centre in Baddow, offering radiotherapy and chemotherapy services; further sites are being evaluated for future development
* We successfully integrated Spire St Anthony’s Hospital (acquired in 2014) into the Spire Healthcare network, and commenced building the new 6-theatre block (due to open in summer 2016)
* We continue the development of our new hospitals at Manchester and Nottingham, both of which are on schedule to complete in Q1 2017

Rob Roger, Chief Executive Officer of Spire Healthcare, said:

*“2015 saw the eighth consecutive year of sales growth and, in the year, growth across all three payor groups. The unexpected regulatory guidance from Monitor in August 2015, which resulted in the falling-off of the Local Contract component of NHS activity in the second half of the year, reduced revenue growth to 3.4% compared to the compound annual growth rate of 6.7% from 2009-14. Our EBITDA(2) margin remained above 18% and our EBITDA to operating cash flow conversion was 104%. All of this illustrates the resilience of our business model.*

*“We believe Spire’s business proposition is more valid than ever. NHS waiting lists have continued to lengthen and NHS funding is increasingly tight. The target of £22 billion of savings and cost efficiencies by 2021 continues to look very challenging and Hospital Trust capital budgets have been constrained to help fund trading deficits.*

*“We remain confident of significant business growth in the independent sector in the next five years, and we will continue to increase our asset base to accommodate increased patient numbers. The construction of our two new hospitals in Manchester and Nottingham is on schedule – we expect both to open in Q1 2017 – whilst the integration and development of Spire St Anthony’s Hospital is ahead of plan – with a new six theatre block to open this summer.  We will open more operating theatres at existing hospitals as local capacity requirements dictate, and will move ahead with additional specialist cancer treatment centres.*

*“We anticipate continued growth in 2016, with sales ahead by 3% to 5% and EBITDA margins in line with 2015. We continue to expect growth rates in the medium term to exceed this range as demand from all three of our payor groups rises.”*

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### Notes

1 Excludes the impact of Spire St Saviour’s Hospital closed in September 2015, St Anthony’s Hospital acquired on 22 May 2014, and the disposal of trade and assets of the fertility business on 15 August 2014 (referred to as ‘Underlying’ in this announcement).

2 Operating profit, adjusted to add back depreciation and exceptional items, referred to hereafter as ‘Adjusted EBITDA’ (2014 EBITDA adjusted to conform the property rental base and PLC operating costs base).

3 Operating profit, adjusted to add back exceptional items, referred to hereafter as ‘Adjusted operating profit before exceptional items’ (2014 operating profit adjusted to conform the property rental base and PLC operating costs base).

4 Pro-forma profit is calculated as earnings after tax adjusted for exceptional items. For 2014, pro-forma profit is calculated as earnings after tax adjusted for the capital restructuring, exceptional items, to conform the property rental base, PLC operating costs and the net profit arising on the sale of property and other assets.

5 Calculated as pro-forma profit after tax divided by the number of ordinary shares in issue. For 2014, the number of ordinary shares in issue was the number on Admission of 401,081,391 shares.

6 A final dividend of 2.4 pence per ordinary share will be proposed at the Company’s annual general meeting in May 2016. If approved, it will be paid on 28 June 2016 to shareholders on the register of members as at 3 June 2016.

7 Operating cash flow adjusted to add back the cash flow effect of exceptional items and income tax.

### About Spire HEALTHCARE

Spire Healthcare is a leading independent hospital group in the United Kingdom, with 38 private hospitals, 12 clinics and two Specialist Cancer Care Centres across England, Wales and Scotland. The Group delivered tailored, personalised care to 270,000 in-patients and daycase patients in 2015, and is the leading independent provider, by volume, of knee and hip operations in the United Kingdom.

### Cautionary statement

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

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

### Analyst and investor meeting

There will be an analyst and investor meeting today at 9.30am at 18 Lincoln’s Inn Fields, London WC2A 3ED.

A live audiocast of the presentation will be available at 9.30am from the Spire Healthcare website at <http://webcast.openbriefing.com/spire_healthcare_full_year_results_2015/>.

# Operating Review

### MARKET TRENDS

We operate in the UK, a healthcare market dominated by the NHS and Government spending, but increasingly subject to a number of major trends. The population is growing and ageing. Acute and chronic long-term conditions such as cancer, obesity and diabetes are rising. The costs of healthcare provision are increasing faster than general inflation, whilst slow economic growth constrains Government spending and the NHS’s ability to provide universal healthcare. The ability to take up the opportunities for improved patient care affected by technological advancement is constrained by the funding challenge.

The funding gap is growing and could be in the range of £20 billion to £35 billion per annum by 2020/21. All of which presents opportunities to the private sector generally and to Spire.

Following Monitor’s intervention in August 2015 to reduce penalties imposed for exceeding waiting list times for local CCGs and Trust contract work, these activities declined markedly in the second half of the year. We believe the NHS’s drive for cost control and further efficiencies will constrain local contract work going forward. That, in turn, is likely to result in lengthening waiting lists and further rationing of non-essential treatments. We therefore believe that, in the medium to long term, Spire should benefit from its inherent ‘payor hedge’ as individuals recognising the resulting increases in NHS waiting lists are likely to elect to be PMI or self-paying patients.

### PERFORMANCE

In-patient and daycase admissions grew 3.7% to 270,000 cases (2014: 260,300) with growth across all payor groups.

Our financial performance in 2015 was good. Overall revenue for the year grew 3.4% to £884.8 million (2014: £856.0 million) with growth reported across all payor groups. Adjusted EBITDA grew 2.2% to £160.1 million (2014: £156.7 million).

We continue to invest significantly in our people, services, treatments, hospitals and equipment. In the year, we invested £109.5 million across the business, further reinforcing our position as the pre-eminent provider of private healthcare in the UK. Despite this, net debt reduced to £419.5 million, with leverage at 2.6 times Adjusted EBITDA and interest costs were covered 7.5 times by Adjusted EBITDA (2014: £424.3 million and 2.7 times Adjusted EBITDA).

### Business Development

Our strategy is based on four pillars and aims to build value by offering a wider range of treatments, more efficiently, to an increasing number of patients.

First, we will continue to focus on our relationships with each of our three major payor groups – PMI, Self-pay and the NHS – developing targeted responses to their individual requirements.

Second, we will leverage and develop our existing well-invested and scaleable hospitals, maximising capacity and opening new theatres to meet growing demand. We will continue to build relationships with our patients, their referring GPs and the consultants who provide treatment in our hospitals.

Third, we will develop new sites and services, targeting identified growth areas such as radiotherapy and cancer care, orthopaedics, cardiac and general surgery. We will look to acquire or build new hospitals in areas of identified demand and where Spire is underrepresented, including London.

Fourth, we will continue to drive productivity improvement, cost management and operational efficiency, both centrally and locally.

### INVESTING IN OUR CORE BUSINESSES

* Since we acquired Spire St Anthony’s Hospital in May 2014, we have trimmed the cost base and realised the planned back office synergies. Our expansion from 4 to 6 theatres (in a new block), with 84 ward beds, an 8 bed ITU and 19 consulting rooms, remains on track and is expected to complete in July 2016.
* Construction of the new Manchester hospital (6 theatres, 71 beds, clinical trials unit, ITU and conference suite) remains on track and is expected to complete Q1 2017.
* Construction of the new Nottingham hospital (4 theatres, 54 Beds and ITU) remains on track and is expected to complete Q1 2017.
* We currently have 121 operating theatres, including the new theatre opened last June at Spire Elland Hospital. Construction of a further 3 theatres (at Spire Methley Park, Hull and East Riding and Parkway hospitals) is underway.
* In September 2015, the Spire St Saviour’s Hospital in Kent was closed on the grounds that it was uneconomic to develop.

### DEVELOPING OUR SERVICE OFFERING

* We continue to develop our offering of higher acuity procedures in hospitals where it is appropriate to do so, taking into account the local payor demographics and availability of consultants with the requisite specialisations and skills in the local NHS facilities.
* In November 2015, we opened our second Specialist Care Centre in Baddow, offering external beam radiotherapy and state-of-the-art cancer planning and treatment techniques to patients in Essex and beyond.
* In 2016, we will be introducing a Da Vinci surgical robot in a dedicated theatre in our Spire Southampton Hospital.

### DEVELOPING LOWER COST OF DELIVERY

* Improved utilisation of spare theatre capacity provides the opportunity to improve the recovery of fixed and semi-variable costs in the business.
* Additional volumes improve our ability to deliver economies of scale in procurement, distribution and logistics and other in-house support services such as pathology and sterilisation.
* Recent investment in IT platforms has enabled us to reduce administration costs whilst improving the quality of our management information systems. This enables us more effectively to conform practice across the Group and to identify and cultivate best operating practice across our hospital network.
* Ongoing focus on standardising and improving our clinical pathways and practices across the Group, employing new technologies to improve outcomes and reduce length of stay.
* Improved recruitment and retention – ‘growing our own’ – to increase our flexible ‘bank’ nursing resource, reduce our use of relatively expensive ‘agency’ nurses, and make Spire Healthcare an employer of choice.

### RELATIONSHIPS WITH PATIENTS

* We continue to work to improve our patient proposition and clinical experience in all areas of our business.
* Our recent implementation of a dedicated customer relationship management (CRM) system allows us to have a more consistent relationship and communication with patients, ensuring the patient experience is smoother with quicker response times to enquiries.
* We have introduced monthly patient satisfaction monitoring and reporting (which had previously been on an annual basis).

### Board changes

During the year, we saw the exit of Cinven, our long standing private equity investor, and the resignation from the Board of their representative, Dr Supraj Rajagopalan. We wish Cinven and Supraj well in their future ventures.

We were delighted that Simon Rowlands consented to remain on the Board, given his experience both with the Company since 2007 and in the healthcare sector more generally.

In June, we welcomed Mediclinic International to our share register when they took a 29.9% strategic stake in Spire Healthcare. Mediclinic International is an international private healthcare group operating in South Africa, Switzerland and the United Arab Emirates. Danie Meintjes, chief executive officer, joined our Board and we are already benefiting from his knowledge and international experience as we explore new ways in which we can develop our business.

In March we announced that Rob Roger, our CEO, will be leaving the business in June 2016 after over nine years at Spire to take up a new CEO role at Vero Group, a large privately financed property business.

As CFO, he played an integral part in the formation of Spire Healthcare in 2007 and became CEO in 2011. He has overseen the significant growth of the Group, both organically and through acquisitions, and led it through its successful stock market debut in 2014. We will be sorry to see Rob depart and wish him well in his new role.

Garry Watts has resumed the role of Executive Chairman, and Andrew White, Chief Operating Officer, will join Garry and Simon Gordon on the Board as an Executive Director with effect from 1 July 2016. Andrew became part of Spire Healthcare in November 2015, and brings significant professional experience to the role. Further announcements regarding the CEO role will be made as appropriate.

### REGULATION AND GOVERNANCE

We welcome the increase in scrutiny that the CQC’s new inspections bring. Experience of the process so far indicates that our hospitals are, in the main, ‘Good’, and are ‘Outstanding’ in some areas, but there are areas for improvement. We address all such areas as a matter of urgency. We have revised the format of our own clinical reviews to mirror the CQC’s approach.

We are also subject to compliance with the Competition and Markets Authority (‘CMA’). New CMA regulations came into effect in 2015 aimed at increasing competition in the independent healthcare market. Our legal team undertook a detailed review of any potentially non-compliant contractual and non-contractual arrangements at each of our hospitals. This involved unwinding agreements and helping hospitals find pragmatic and workable changes to ensure minimal impact on our patients’ operations or our business. All our hospitals were compliant by the designated deadline in April 2015.

### Outlook for the financial year 2016

The new financial year has begun satisfactorily, with revenue growth in all payor groups. For the financial year as a whole:

* we expect to see low single-digit revenue growth in a PMI market expected to be stable in volume terms through the year;
* in the Self-pay business, we expect high single-digit revenue growth, arising from both volume and price increases arising from our more complex service offering;
* in the NHS business, the new tariff at an uplift of 1.5% commences on 1 April 2016. We expect NHS e-Referral Service (formerly known as “Choose & Book”) revenue growth to be low double-digit; our NHS Local Contract revenue will be down materially in H1 compared with 2015, but is expected to stabilise in H2. In total across 2016, we expect NHS revenue growth to be mid-single digit.

Because of the high H1 2015 NHS revenue comparator (arising from the extra Local Contract work carried out by the private sector, including Spire Healthcare, before the May 2015 General Election), the relative revenue and EBITDA growth profiles between H1 2016 and H2 2016 is expected to be the reverse of 2015.

Overall, we expect that in 2016:

* full year revenue will grow by between 3.0% and 5.0%;
* the Group’s adjusted for comparable EBITDA margin for the year as a whole will remain consistent with that for 2015; and
* capital expenditure will be between £170 million and £190 million.

# Financial review

Revenue growth continued in 2015, up £28.8 million in the year (+3.4% on 2014). Growth was reported across all payor groups, flowing through to increased EBITDA. Strong conversion of earnings to cash flow reduced net debt, notwithstanding significant investment in capital expenditure in the year.

### SELECTED FINANCIAL INFORMATION

|  |  |
| --- | --- |
|  | Year ended 31 December |
| **(£ million)** | **2015** | 2014 | Variance % | Variance excluding acquisitions / disposals % (1) |
| **Revenue** | **884.8** | **856.0** | **3.4%** | **2.5%** |
| Cost of sales | **(460.0)** | (436.6) |  (5.4%) |  (4.1%) |
| Gross margin | **424.8** | 419.4 | 1.3% | 0.9% |
| Other operating costs | **(329.3)** | (359.3) | 8.3% | 8.2% |
| **Operating profit** | **95.5** | **60.1** | **58.9%** | **53.9%** |
| Exceptional items included within other operating costs | **(15.7)** | (54.0) |  |  |
| **Operating profit before exceptional items** | **111.2** | **114.1** | **(2.5%)** | **(5.5%)** |
| (Loss) / profit on sale of property, plant and equipment | **(0.8)** |  18.5 |
| Net finance costs | **(21.1)** | (85.6) |  |  |
| **Profit / (loss) before tax** | **73.6** | **(7.0)** |  |  |
| Taxation | **(13.6)** | 13.0 |  |  |
| **Profit for the year** | **60.0** | **6.0** |  |  |
|  |  |  |
| **Adjusted EBITDA (2)** | **160.1** | **156.7** | **2.2%** | **(0.2%)** |
| **Adjusted operating profit before exceptional items (3)** | **111.2** | **111.6** | **(0.4%)** | **(3.3%)** |
| **Pro-forma profit after tax (4)** | **73.0** | **71.6** | **2.0%** |  |
| **Adjusted, basic earnings per share, pence (5)** | **18.3** | **17.9** | **2.2%** |  |
| Total dividend paid / proposed per share, pence (6) | **3.7** | 1.8 | 105.6% |  |
| Operating cash flow, before exceptional items and income tax (7) | **166.7** | 164.2 | 1.5% |  |
| Capital investments and acquisitions | **109.5** | 105.1 | 4.2% |  |
| **Net debt at the year end** | **419.5** | **424.3** | **(1.1%)** |  |

1 Excludes the impact of Spire St Saviour’s Hospital closed in September 2015, St Anthony’s Hospital acquired on 22 May 2014, and the disposal of trade and assets of the fertility business on 15 August 2014 (referred to as ‘Underlying’ in this announcement).

2 Operating profit, adjusted to add back depreciation and exceptional items, referred to hereafter as ‘Adjusted EBITDA’ (2014 EBITDA adjusted to conform the property rental base and PLC operating costs base).

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5 Calculated as pro-forma profit after tax divided by the number of ordinary shares in issue. For 2014, the number of ordinary shares in issue was the number on Admission of 401,081,391 shares.

6 A final dividend of 2.4 pence per ordinary share will be proposed at the Company’s annual general meeting in May 2016. If approved, it will be paid on 28 June 2016 to shareholders on the register of members as at 3 June 2016.

7 Operating cash flow adjusted to add back the cash flow effect of exceptional items and income tax.

|  |  |
| --- | --- |
| **Analysis by Payor** | Year ended 31 December |
| **(£ million)** | **2015** | 2014 | Variance % | Variance excluding acquisitions % (1) |
| **Total revenue** | **884.8** | **856.0** | **3.4%** | **2.5%** |
| Of which: |  |  |  |  |
| PMI | **434.8** | 432.4 | 0.6% | (1.1%) |
| NHS | **262.0** | 245.9 | 6.5% | 6.7% |
| Self-pay | **156.2** | 146.1 | 6.9% | 6.6% |
| Other (2) | **31.8** | 31.6 | 0.6% | 0.3% |
|  | **884.8** | **856.0** | **3.4%** | **2.5%** |
| Of which: | **598.3** | 572.9 | 4.4% | 3.1% |
| In-patient/daycase |
| Out-patient | **254.7** | 251.5 | 1.3% | 1.4% |
| Other | **31.8** | 31.6 | 0.6% | 0.3% |
|  | **884.8** | **856.0** | **3.4%** | **2.5%** |
|  |  |  |
| **Number (’000s)** | **270.0** | **260.3** | **3.7%** | **3.3%** |
| **Total in-patient/daycase admissions** |
| Of which: |  |  |  |  |
| PMI volumes | **126.4** | 124.4 | 1.6% | 0.2% |
| NHS volumes | **100.2** | 95.5 | 4.9% | 5.7% |
| Self-pay volumes | **43.4** | 40.4 | 7.4% | 6.8% |

1 Excludes the impact of Spire St Saviour’s Hospital closed in September 2015, St Anthony’s Hospital acquired on 22 May 2014, and the disposal of trade and assets of the fertility business on 15 August 2014 (referred to as ‘Underlying’ in this announcement).

2 Other revenue includes consultant revenue, third-party revenue streams (e.g. pathology services), secretarial services and commissioning for quality and innovation payments (earned for meeting quality targets on NHS work) (‘CQUIN’).

### GROWING REVENUE

|  |  |  |  |
| --- | --- | --- | --- |
|  | In-patient/daycase | In-patient/daycase |  |
| **(£ million)**  | 2014 | volume | rate | Out-patient | Other | **2015** | **Growth** |
| Underlying revenue | 826.6 | 18.1 | (0.9) | 3.5 | 0.1 | **847.4** | **2.5%** |
| Acquisitions/disposals | 29.4 |  |  |  |  | **37.4** |  |
| Total revenue | 856.0 |  |  |  |  | **884.8** | **3.4%** |

Revenue for the year ended 31 December 2015 increased by £28.8 million, or 3.4%, to £884.8 million (2014: £856.0 million).

Underlying growth, excluding revenue of £5.8 million (2014: £8.3 million) relating to Spire St Saviour’s Hospital which was closed in September 2015, £31.6 million (2014: £19.2 million) arising from Spire St Anthony’s Hospital since its acquisition in May 2014, and £nil (2014: £1.9 million) from the disposal of the fertility business in August 2014, was 2.5%.

Of the underlying revenue growth of 2.5%:

* an increase of 3.3% in the volume of in-patient and daycase admissions accounted for a 2.2% increase in revenue in the year with volume growth across all payor groups;
* the Group reported a nominal decline in the rate for in-patient and daycase (average revenue per case) equivalent to a 0.1% decline in total revenue. This was the result of year-on-year NHS tariff reductions and a shift in PMI case mix towards lower yielding daycase admissions in the year; and
* out-patient activities increased with the volume of admissions but growth has been tempered by PMI out-patient pricing in the year. Out-patient revenue growth accounted for an increase in underlying total revenue of 0.4%.

#### PMI

|  |  |  |  |
| --- | --- | --- | --- |
|  | In-patient/daycase | In-patient/daycase |  |
| **(£ million)** | 2014 | volume | rate | Out-patient | **2015** | **Growth** |
| Underlying PMI revenue | 416.9 | 0.7 | (0.7) | (4.7) | **412.2** | **(1.1%)** |
| Acquisitions/disposals | 15.5 |  |  |  | **22.6** |  |
| Total PMI revenue | 432.4 |  |  |  | **434.8** | **0.6%** |

PMI revenue for the year ended 31 December 2015 increased by £2.4 million, or 0.6%, to £434.8 million (2014: £432.4 million). Underlying growth, excluding revenue relating to Spire St Saviour’s and Spire St Anthony’s hospitals, fell by 1.1%.

Of the underlying fall in PMI revenue of 1.1%:

* an increase of 0.2% in the volume of in-patient and daycase admissions accounted for a 0.2% increase in PMI revenue in the year;
* overall the proportion of daycase admissions increased from 73.9% of PMI admissions in 2014 to 75.8% of PMI admissions in 2015. This mix shift in admissions had an adverse impact on average revenue per case and on out-patient revenue associated with the patient episodes;
* the Group reported a comparable decline of 0.3% in the rate of in-patient and daycase (average revenue per case). As explained above this is largely a product of mix. Relative to 2014, the average rate per case for 2015, on an equivalent mix of PMI admissions, increased by 2.4%;
* inflation plus rate rises for in-patient and daycase admissions tempered overall by reductions in the rates achieved for out-patient activities. Overall PMI price increases for 2015 were positive but sub-inflationary; and
* out-patient revenue declined in the year, equivalent to a 1.1% decline in overall underlying PMI revenue. This was a combination of lower out-patient activity levels arising from the daycase surgery mix and the bias of 2015 price increases towards in-patient and daycase surgical activities.

#### NHS

|  |  |  |  |
| --- | --- | --- | --- |
|  | In-patient/daycase | In-patient/daycase |  |
| **(£ million)** | 2014 | volume | rate | Out-patient | **2015** | **Growth** |
| Underlying NHS revenue | 238.8 | 11.2 | (1.2) | 6.1 | **254.9** | **6.7%** |
| Acquisitions/disposals | 7.1 |  |  |  | **7.1** |  |
| Total NHS revenue | 245.9 |  |  |  | **262.0** | **6.5%** |

NHS revenue for the year ended 31 December 2015 increased by £16.1 million, or 6.5%, to £262.0 million (2014: £245.9 million). Underlying growth, excluding revenue relating to Spire St Saviour’s and Spire St Anthony’s hospitals, was 6.7%.

Of the underlying growth in NHS revenue of 6.7%:

* the underlying increase in NHS e-Referral Service revenue was 12.5% in the year;
* the underlying decline in non-NHS e-Referral Service revenue was 10.0% in the year. The Group has been impacted by a significant and abrupt curtailment of outsourcing work from NHS Trusts in the second half of 2015 as a direct response to directives designed to address NHS funding deficits;
* overall the Group reported a net increase of 5.7% in the volume of in-patient and daycase admissions. This accounted for a 4.7% increase in NHS revenue in the year;
* the Group reported a decline in rate for in-patient and daycase (average revenue per case) equivalent to a 0.5% decline in NHS revenue. Although case mix complexity increased in the year, this was mitigated by an overall effective reduction in NHS tariffs of approximately 2.0% for the year; and
* out-patient activities increased with the volume of NHS admissions accounting for an overall increase in NHS revenue of 2.6% over 2015.

#### SELF-PAY

|  |  |  |  |
| --- | --- | --- | --- |
|  | In-patient/daycase | In-patient/daycase |  |
| **(£ million)** | 2014 | volume | rate | Out-patient | **2015** | **Growth** |
| Underlying Self-pay revenue | 140.1 | 6.2 | 1.0 | 2.1 | **149.4** | **6.6%** |
| Acquisitions/disposals | 6.0 |  |  |  | **6.8** |  |
| Total Self-pay revenue | 146.1 |  |  |  | **156.2** | **6.9%** |

Self-pay revenue for the year ended 31 December 2015 increased by £10.1 million, or 6.9%, to £156.2 million (2014: £146.1 million). Underlying growth, excluding revenue from Spire St Saviour’s Hospital, Spire St Anthony’s Hospital and the fertility business, was 6.6%.

Of the underlying growth in Self-pay revenue of 6.6%:

* an increase of 6.8% in the volume of in-patient and daycase admissions accounted for a 4.4% increase in Self-pay revenue in the year;
* the Group reported an increase in the rate for in-patient and daycase (average revenue per case) equivalent to a 0.7% increase in Self-pay revenue; and
* out-patient activities increased with the volume of admissions, accounting for an overall increase in Self-pay revenue of 1.5% over 2014.

#### OTHER REVENUE

Other revenue, which includes fees paid to the Group by consultants (e.g. for the use of Group facilities and services) and third-party revenue (e.g. pathology services to third-parties), increased by £0.2 million, or 0.6%, in the year, to £31.8 million (2014: £31.6 million).

### COST OF SALES AND GROSS PROFIT

Cost of sales increased in the year by £23.4 million, or 5.4%, to £460.0 million (2014: £436.6 million).

Underlying cost of sales (excluding Spire St Saviour’s and Spire St Anthony’s hospitals and the fertility business) increased in the year by £17.1 million, or 4.1%, to £436.8 million (2014: £419.7 million).

Underlying gross margin for the year of 2015 was 48.5%, compared to 49.2% in 2014.

On an underlying basis, and as a percentage of relevant revenue:

* clinical staffing costs increased from 17.3% of revenue for the year ended 31 December 2014 to 18.4% of revenues for the year ended 31 December 2015. The increase in costs reflects the current overall shortage in the supply of qualified nursing staff across the UK and a consequent increase in agency staffing spend;
* fees paid to clinicians for services provided to the NHS increased from 5.8% of revenue for the year ended 31 December 2014 to 6.0% of revenue for the year ended 31 December 2015. This increase reflects the weighting of overall revenue growth in the year. Fees as a percentage of NHS revenue have reduced in the year from 19.9% of NHS revenue for the year ended 31 December 2014 to 19.8% for the year ended 31 December 2015;
* other direct costs, which includes drugs, consumables and prosthesis spend, has reduced in the year from 22.0% of revenue for the year ended 31 December 2014 to 21.7% of revenue for the year ended 31 December 2015. This has been achieved notwithstanding a relative increase in NHS activities and a reduction in equivalent NHS tariff reimbursement rates; and
* other fees payable to consultants for out-patient and diagnostic activities reduced as a percentage of revenue, from 5.7% for the year ended 31 December 2014 to 5.6% of revenue for the year ended 31 December 2015.

### OTHER OPERATING COSTS

Other operating costs for the year ended 31 December 2015 decreased by £30.0 million, or 8.3%, to £329.3 million (2014: £359.3 million).

Underlying other operating costs (excluding Spire St Saviour’s and Spire St Anthony’s hospitals and the fertility business) decreased in the year by £28.4 million, or 8.2%, to £318.9 million (2014: £347.3 million).

Included within these costs are exceptional costs of £54.0 million for 2014 and £15.7 million for 2015 relating to the business reorganisation, hospital closure, and regulatory and governance costs. Before exceptional items, underlying operating costs increased by £9.9 million, or 3.4% from £293.3 million for the year ended 31 December 2014 to £303.2 million for the year ended 31 December 2015 on revenue growth of 2.5% in the year.

#### DEPRECIATION

Excluding £1.5 million relating to Spire St Saviour’s and Spire St Anthony’s hospitals, the underlying charge for depreciation for the year ended 31 December 2015 has increased by £3.4 million, or 7.7%, relative to 2014, to £47.4 million.

#### RENT

Rent of land and buildings before exceptional items for the year, excluding £0.1 million relating to Spire St Anthony’s Hospital, increased by £1.6 million, or 2.6%, to £62.2 million. The increase is largely the consequence of the annualised impact of Spire Washington Hospital rent and commencement of rental of Spire Hesslewood Clinic, Hull.

#### SHARE-BASED PAYMENTS IN OTHER OPERATING COSTS

During the year, grants were made to Executive Directors and members of the senior management team under the Company’s Deferred Bonus Plan and Long Term Incentive Plan. For the year ended 31 December 2015, the charge to the income statement was £0.7 million, or £0.8 million inclusive of NI. Further details are contained in note 20 of this preliminary announcement.

For the year ended 31 December 2014, the charge to the income statement was £2.8 million (£3.7 million inclusive of NI), of which £2.5 million (£3.4 million inclusive of NI) related to the Directors’ Share Bonus Award and was charged to exceptional items, as it related to performance during the period prior to the IPO.

#### EXCEPTIONAL ITEMS INCLUDED IN OTHER OPERATING COSTS

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| IPO related costs | **–** | 46.1 |
| Business reorganisation | **3.1** | 3.9 |
| Hospital impairment | **5.7** | – |
| Hospital closure | **6.9** | – |
| Regulatory | **–** | 4.0 |
| Total | **15.7** | 54.0 |

Full details of exceptional items are disclosed in note 7 of this preliminary statement.

### EBITDA AND ADJUSTED EBITDA

EBITDA for the year ended 31 December 2015 increased by £0.9 million, or 0.6% from £159.2 million to £160.1 million. After account is taken of the basis of differences between reported EBITDA results in 2015 versus 2014, adjusted EBITDA increased by 2.2%, from £156.7 million to £160.1 million.

### OPERATING PROFITS BEFORE AND AFTER EXCEPTIONAL COSTS

Operating profit after exceptional costs increased by 58.9% in the year to £95.5 million. Before exceptional costs, operating profits decreased by 2.5%, to £111.2 million (2014: £114.1 million). After taking into consideration the basis of differences between 2015 versus 2014, adjusted operating profit before exceptional costs decreased by 0.4%, from £111.6 million to £111.2 million.

### PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

The loss on disposal of £0.8 million for the year ended 31 December 2015 relates principally to obsolete equipment. The profit in the prior year of £18.5 million relates principally to the sale, subject to lease, of the Spire Washington Hospital.

### FINANCE COSTS

Finance costs in the prior year include those incurred in respect of borrowings drawn under the capital structure of the Group prior to the listing on the London Stock Exchange (the “Admission” or the “IPO”). On Admission, indebtedness reduced significantly and, therefore, finance costs also reduced.

Finance costs for the year ended 31 December 2015 totalled £21.4 million, a reduction of £64.5 million, or 75.1%, over the prior year. This reduction mainly comprised £54.8 million of interest on shareholder debt and £13.7 million on bank loans, net of the mark-to-market movement on interest rate swap instruments settled on Admission.

### TAXATION

The taxation charge for the year ended 31 December 2015 consisted of a £7.9 million charge for corporation tax and a charge of £5.7 million for deferred tax. Before exceptional items, the effective tax rate for the year ended 31 December 2015 was 18.3%.

The taxation credit for the year ended 31 December 2014 consisted of a £0.7 million charge for corporation tax and a credit of £13.7 million for deferred tax. The UK corporation tax charge on 2014 profits was £nil, reflecting the significant allowable costs arising from the Admission, including the settlement of out-of-the-money interest rate swaps. The UK corporation tax charge in the income statement was an adjustment to prior years. The credit for deferred taxation for the year ended 31 December 2014 was £13.7 million, comprising deferred tax assets previously unrecognised, in relation to losses carried forward following the reorganisation of the Spire group into a single tax group. Before exceptional items, the effective tax rate for the year ended 31 December 2014 was 21.6%.

### PROFIT AFTER TAXATION

The profit after taxation for the year ended 31 December 2015 was £60.0 million, compared with a profit after taxation for the year ended 31 December 2014 of £6.0 million. The capital restructuring of the Group on Admission substantially reduced finance costs, contributing £64.5 million to the increase in profit after tax in the year.

### PRO-FORMA FINANCIAL INFORMATION

The pro-forma financial information set out below, as presented in the Group’s Annual Report and Accounts for the year ended 31 December 2014, was prepared to illustrate the effect of the IPO on pro-forma profit after tax. This statement was prepared for illustrative purposes only and did not represent the Group’s actual earnings. The information was prepared on a basis consistent with the accounting policies of the Group and as described in the notes set out below.

#### PRO-FORMA PROFIT AFTER TAX AND EARNINGS PER SHARE

The prior year’s income statement for the year ended 31 December 2014 included finance costs that related to debt which was settled on Admission on 23 July 2014, reducing the borrowings outstanding on that date and finance costs that will arise in future periods. Therefore, profit after tax is presented below on a pro-forma basis, under which finance costs are restated as if the Group had been refinanced on 1 January 2014. In addition, adjustments are made to include the overhead costs associated with operating as a listed company and to remove the impact of a number of other significant non-recurring items.

|  |  |
| --- | --- |
|  | Year ended 31 December |
| **(£ million)** | **2015** | 2014 |
| Profit / (loss) before taxation | **73.6** | (7.0) |
| Operating adjustments: |  |  |
| Exceptional items – IPO | **–** | 46.1 |
| Exceptional items – other | **15.7** | 7.9 |
| Profit on disposal of property, plant and equipment (note 1) | **–** | (18.5) |
| Adjustment to rent (note 2) | **–** | (0.5) |
| PLC cost normalisation (note 3) | **–** | (2.0) |
| Financing adjustments: |  |  |
| Finance costs shareholder loans (note 4) | **–** | 54.8 |
| Finance costs bank loans (note 5) | **–** | 10.4 |
| Pro-forma profit before tax | **89.3** | 91.2 |
| Taxation (note 6) | **(16.3)** | (19.6) |
| Pro-forma profit after tax | **73.0** | 71.6 |
| Weighted average number of ordinary shares in issue (No.) | **399,885,547** | 401,081,391 |
| Pro-forma basic earnings per share (pence) | **18.3** | 17.9 |

Note 1 Profit on disposal of the long leasehold interest in the Spire Washington Hospital, net of the loss arising on the disposal of trade and assets of a fertility business.

Note 2 Adjust to conform the property rental base, to include this cost on the same basis as for 2015, following the sale, subject to lease, of the Spire Washington Hospital premises in March 2014 and the commencement of Spire Hesslewood Clinic, Hull lease from 1 January 2015.

Note 3 Increases other operating expenses for the additional overhead costs associated with operating as a listed company, as if Admission had occurred on 1 January 2014.

Note 4 Removes finance costs in the year relating to shareholder loans capitalised on Admission.

Note 5 Reduces bank finance costs; revised costs calculated as if the bank refinancing had occurred on 1 January 2014 and the new loan facility had been entered into on that date.

Note 6 For 2015, reported tax charge for the year is adjusted for the tax effect of exceptional items. For 2014, taxation is adjusted to eliminate the tax originally charged/credited to the income statement, calculated at 21.5%, before taking account of available tax losses.

Other than the adjustments detailed above, no other adjustments have been made for events occurring after 31 December 2014.

### CASH FLOW ANALYSIS OF CASHFLOWS IN YEAR

|  |  |  |
| --- | --- | --- |
| **(£ million)** | **2015** | 2014 |
| Opening cash balance | **74.5** | 111.5 |
| **Operating cashflow before exceptional items and income tax paid** | **166.7** | 164.2 |
| Exceptional items | **(4.5)** | (51.2) |
| Income tax paid | **(6.9)** | – |
| Operating cashflow after exceptional items | **155.3** | 113.0 |
| Net cash used in from investing activities | **(109.6)** | (70.0) |
| Net cash used in financing activities | **(41.3)** | (80.0) |
| **Closing cash balance** | **78.9** | 74.5 |
| **Closing net indebtedness** | **419.5** | 424.3 |

### OPERATING CASHFLOWS

The cash inflow from operating activities before exceptional items and income tax paid for the year was £166.7 million, which constitutes a cash conversion rate from Adjusted EBITDA for the year of 104.1% (2014: £164.2 million or 104.8%).

### INVESTING AND FINANCING CASHFLOWS

Net cash used in investing activities for the year was £109.6 million. Capital expenditure for the purchase of property, plant and equipment in the year totalled £109.5 million, which included the development of the Manchester and Nottingham hospitals, the Spire Specialist Cancer Care Centre in Baddow and theatre developments at Spire St Anthony’s and Spire Elland hospitals.

Net cash used in investing activities for the prior year ended 31 December 2014 was £70.0 million, which included the acquisition of St Anthony’s Hospital in May 2014 for £38.5 million and other capital expenditure of £66.6 million, offset by the proceeds from the disposal of the long leasehold interest in Spire Washington Hospital and the disposal of a fertility business, totalling £34.8 million, and interest received of £0.3 million. Capital expenditure comprised the completion of the radiotherapy centre in Bristol, new theatres in Harpenden and South Bank, the completion of a cardiac catheterisation laboratory and theatre in Cardiff, MRI at Clare Park and a major reconfiguration and development of facilities in Tunbridge Wells, including investment in out-patient areas and static MRI and CT machines at this hospital.

Net cash used in financing activities for the year ended 31 December 2015 was £41.3 million, including interest paid of £21.4 million, purchase of treasury shares for the Company’s Employee Benefit Trust of £5.6 million and dividend paid to shareholders of £12.4 million.

Net cash used in financing activities for the year ended 31 December 2014 of £80.0 million comprised net proceeds from the issue of shares of £306.9 million, the net repayment of bank debt after cash raised from new borrowings of £345.6 million and interest paid of £41.3 million. On Admission, 150,100,341 new ordinary shares were issued by the Company, which generated cash proceeds of £306.9 million. The proceeds, combined with a restructuring of existing shareholder interests in the Group and the refinancing of the bank facilities served to reduce overall Group indebtedness and materially reduce the net funding costs of the Group.

### BORROWINGS

At 31 December 2015, the Group had bank debt of £423.1 million (2014: £422.2 million), drawn under facilities which mature in 2019 and finance lease debt of £75.3 million (2014: £76.6 million). Additionally, the Group has a revolving loan facility of £100.0 million (2014: £100.0 million) available until July 2019, which was undrawn at 31 December 2015.

|  |  |  |
| --- | --- | --- |
| **(£ million)** | **2015** | 2014 |
| Cash | **(78.9)** | (74.5) |
| External debt (incl. finance leases) | **498.4** | 498.8 |
| Net debt | **419.5** | 424.3 |

Net debt as at 31 December 2015 was 2.6 times Adjusted EBITDA (2014: 2.7 times Adjusted EBITDA).

The consolidated cash and cash equivalents as at 31 December 2015 was £78.9 million (2014: £74.5 million). Surplus cash balances are held with UK-based investment-grade banks.

### DIVIDEND

Subject to shareholder approval, the Company will pay a final dividend in respect of the financial year ended 31 December 2015 of 2.4 pence (2014: 1.8 pence) per ordinary share.

### PRINCIPAL RISKS

The principal risk factors faced by the Group are identified in the ‘Principal Risks’ section.

# Principal risks

There are a number of risks facing the business in the forthcoming financial year. The table below details the principal risks and how the Group mitigates these risks:

|  |  |
| --- | --- |
| **Risk** | **Mitigation of risk** |
| Availability of key medical staff | The Board focuses on staff retention, evidenced by very high levels of staff satisfaction and, hence, low staff turnover, and its excellent reputation to attract new staff. |
| Clinical care | The Group continually monitors its clinical standards, policies and procedures through the Board’s Clinical Governance and Safety Committee. |
| Macroeconomic conditions | The Board regularly reviews market conditions and economic indicators to assess whether actions are required. |
| Government policy  | The Board continually monitors government policy, NHS requirements and associated tariff structures to consider the need for cost and/or investment reduction, whether in the short, medium or long term. |
| Compliance with laws, regulations and other applicable requirements  | The Group is in the process of strengthening its group-wide risk management framework (and associated policies and procedures) to ensure that risks are mitigated as far as possible.  |
| Competitor challenge | The Group maintains a watching brief on new and existing competitor activity and retains the ability to react quickly to changes in patients and market demand. |
| Insurance | The Group holds third-party liability insurance to partially cover patient, third-party and employee personal injury claims, and is partially self-insured up to pre-determined levels, above which its third-party liability insurance applies. The Group reviews and maintains insurance adequacy of cover annually with the Group’s brokers.  |
| Cyber security | The Group has a three-year IT Plan outlining the IT strategy developed in order to support the business. The Group’s Information Technology Continuity Plans continue to be reviewed, updated and tested to ensure relevance.  |
| Concentration of the private medical insurance (‘PMI’) market  | The Group works hard to maintain good relationships with the PMI companies in delivering high-quality patient care. The Board believes continuing to invest in its well-placed portfolio of hospitals should provide a natural fit to the local requirements of all the PMI providers. |
| Investment plans and execution | The Group conducts a detailed financial and operational appraisal process to evaluate the expected returns on capital during the evaluation phase of the project. Regular reporting of all significant projects to the executive sponsor and the Board. |
| Liquidity and covenant risk | The Group actively monitors and manages its liquid asset position, its financial liabilities falling due and the cover against its loan covenants. |

# Directors’ responsibility statement

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

* the preliminary financial information, which has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (‘IFRS’), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company on a consolidated and individual basis; and
* the preliminary announcement includes a fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks that it faces.

By order of the Board,

**Rob Roger Simon Gordon**
Chief Executive Officer Chief Financial Officer

16 March 2016

# Consolidated income statement

### For the year ended 31 December 2015

|  |  |  |  |
| --- | --- | --- | --- |
| (£ million) | Notes | **2015** | 2014 |
| **Revenue** | 6 | **884.8** | **856.0** |
|  |  |  |  |
| Cost of sales |  | (460.0) | (436.6) |
| **Gross profit** |  | **424.8** | **419.4** |
| Other operating costs |  | (329.3) | (359.3) |
| **Operating profit** | 5 | **95.5** | **60.1** |
|  |  |  |  |
| Exceptional items included within other operating costs | 7 | (15.7) | (54.0) |
| Operating profit before exceptional items |  | 111.2 | 114.1 |
|  |  |  |  |
| (Loss) / profit on disposal of property, plant and equipment | 8 | (0.8) | 18.5 |
| Interest income |  | 0.3 | 0.3 |
| Finance costs | 9 | (21.4) | (85.9) |
| **Profit / (loss) before taxation** |  | **73.6** | **(7.0)** |
| Taxation | 10 | (13.6) | 13.0 |
| **Profit for the year** |  | **60.0** | **6.0** |
|  |  |  |  |
| **Profit for the year attributable to owners of the Parent** |  | **60.0** | **6.0** |
|  |  |  |  |
| **Earnings per share (in pence per share)** |  |  |  |
| **– basic**  | 12 | **15.0** | **1.9** |
| **– diluted**  | 12 | **14.9** | **1.9** |

# Consolidated statement of comprehensive income

### For the year ended 31 December 2015

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| **Profit for the year** | **60.0** | 6.0 |
|  |  |  |
| Total comprehensive income for the year | **–** | – |
|  |  |  |
| **Total comprehensive income for the year attributable to owners of the Parent** | **60.0** | 6.0 |

# Consolidated statement of changes in equity

### For the year ended 31 December 2015

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| (£ million) | Notes | Sharecapital | Sharepremium | Capitalreserves | Treasurysharereserves | Retainedearnings | Totalequity |
| As at 1 January 2014 as previously reported |  | – | – | – | – | (256.2) | (256.2) |
| Restatement (note 14) |  | – | – | – | – | (5.0) | (5.0) |
| **As at 1 January 2014 as restated** |  | **–** | **–** | **–** | **–** | **(261.2)** | **(261.2)** |
| Profit for the year  |  | – | – | – | – | 6.0 | 6.0 |
| Other comprehensive income for the year |  | – | – | – | – | – | – |
| Group reorganisation |  | 2.5 | 525.0 | 376.1 | – | – | 903.6 |
| Shares issued on Admission |  | 1.5 | 313.3 | – | – | – | 314.8 |
| Transaction costs of shares issued |  | – | (11.4) | – | – | – | (11.4) |
| Share-based payments |  | – | – | – | – | 2.8 | 2.8 |
| Deferred tax on share-based payments  |  | – | – | – | – | 0.4 | 0.4 |
| **As at 1 January 2015 as restated** |  | **4.0** | **826.9** | **376.1** | **–** | **(252.0)** | **955.0** |
| Profit for the period  |  | – | – | – | – | 60.0 | 60.0 |
| Other comprehensive income for the year  |  | – | – | – | – | – | – |
| Share-based payments |  | – | – | – | – | 0.7 | 0.7 |
| Deferred tax on share-based payments  |  | – | – | – | – | (0.1) | (0.1) |
| Purchase of treasury shares | 19 | – | – | – | (5.6) | – | (5.6) |
| Dividend paid  | 11 | – | – | – | – | (12.4) | (12.4) |
| **Balance at 31 December 2015** |  | **4.0** | **826.9** | **376.1** | **(5.6)** | **(203.8)** | **997.6** |

# Consolidated balance sheet

### As at 31 December 2015

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (£ million) | Notes | **2015** | 2014(As restated)1 | 1 January 2014(As restated)1 |
| **ASSETS** |  |  |  |  |
| **Non–current assets** |  |  |  |  |
| Intangible assets | 13 | 519.1 | 519.1 | 514.9 |
| Property, plant and equipment | 14 | 895.5 | 846.6 | 808.6 |
| Deferred tax asset |  | – | – | 17.1 |
|  |  | 1,414.6 | 1,365.7 | 1,340.6 |
| **Current assets** |  |  |  |  |
| Inventories |  | 29.0 | 26.0 | 26.2 |
| Trade and other receivables | 15 | 134.7 | 139.9 | 131.2 |
| Cash and cash equivalents |  | 78.9 | 74.5 | 111.5 |
|  |  | 242.6 | 240.4 | 268.9 |
| **Total assets** |  | **1,657.2** | **1,606.1** | **1,609.5** |
|  |  |  |  |  |
| **EQUITY AND LIABILITIES** |  |  |  |  |
| **Equity** |  |  |  |  |
| Share capital | 19 | 4.0 | 4.0 | – |
| Share premium |  | 826.9 | 826.9 | – |
| Capital reserves | 19 | 376.1 | 376.1 | – |
| Treasury share reserves | 19 | (5.6) | – | – |
| Retained earnings |  | (203.8) | (252.0) | (261.2) |
| Equity attributable to owners of the Parent |  | 997.6 | 955.0 | (261.2) |
| Non–controlling interests |  | – | – | – |
| **Total equity** |  | **997.6** | **955.0** | **(261.2)** |
| **Non–current liabilities** |  |  |  |  |
| Borrowings | 16 | 493.5 | 493.5 | 882.1 |
| Derivative financial instrument |  | – | – | 52.4 |
| Deferred tax liability |  | 53.6 | 47.8 | 77.1 |
|  |  | 547.1 | 541.3 | 1,011.6 |
| **Current liabilities** |  |  |  |  |
| Provisions | 17 | 15.6 | 6.2 | 3.2 |
| Borrowings | 16 | 4.9 | 5.3 | 746.8 |
| Derivative financial instrument |  | – | – | 22.1 |
| Trade and other payables | 18 | 90.3 | 97.6 | 87.0 |
| Income tax payable  |  | 1.7 | 0.7 | – |
|  |  | 112.5 | 109.8 | 859.1 |
| **Total liabilities** |  | **659.6** | **651.1** | **1,870.7** |
| **Total equity and liabilities** |  | **1,657.2** | **1,606.1** | **1,609.5** |

1 Details of the restatement are set out in note 14.

# Consolidated statement of cash flows

### For the year ended 31 December 2015

|  |  |  |  |
| --- | --- | --- | --- |
| (£ million) | Notes | **2015** | 2014 |
| **Cash flows from operating activities** |  |  |  |
| Profit / (loss) before taxation |  | **73.6** | (7.0) |
| Adjustments for: |  |  |  |
| Depreciation | 5 | **48.9** | 45.1 |
| Impairment of property, plant and equipment | 5 | **11.2** | – |
| Goodwill impairment | 13 | **–** | 1.0 |
| Share–based payments | 20 | **0.7** | 2.8 |
| Loss / (profit) on disposal of property, plant and equipment | 8 | **0.8** | (18.5) |
| Interest income |  | **(0.3)** | (0.3) |
| Finance costs | 9 | **21.4** | 85.9 |
|  |  | **156.3** | 109.0 |
| Movements in working capital: |  |  |  |
| Decrease/(increase) in trade and other receivables  |  | **11.7** | (9.3) |
| (Increase)/decrease in inventories |  | **(3.0)** | 1.5 |
| (Decrease)/increase in trade and other payables |  | **(4.4)** | 9.5 |
| Increase in provisions |  | **1.6** | 2.3 |
| Income tax paid  |  | **(6.9)** | – |
| **Net cash from operating activities** |  | **155.3** | 113.0 |
| **Cash flows from investing activities** |  |  |  |
| Acquisition of business and trading assets, net of cash acquired |  | **–** | (38.5) |
| Purchase of property, plant and equipment |  | **(109.5)** | (66.6) |
| (Costs of)/proceeds from disposal of property, plant and equipment |  | **(0.4)** | 34.8 |
| Interest received |  | **0.3** | 0.3 |
| **Net cash used in investing activities** |  | **(109.6)** | (70.0) |
| **Cash flows from financing activities** |  |  |  |
| Proceeds from issue of share capital |  | **–** | 317.2 |
| Share issue costs |  | **–** | (10.3) |
| Payment of share issue costs relating to prior year’s IPO |  | **(1.1)** | – |
| Interest paid |  | **(21.4)** | (41.3) |
| Repayments of borrowings |  | **(0.8)** | (805.0) |
| Proceeds from drawdown of long–term borrowing |  | **–** | 465.0 |
| Debt issuance costs |  | **–** | (5.6) |
| Purchase of treasury shares |  | **(5.6)** | – |
| Dividend paid to equity holders of the Parent |  | **(12.4)** | – |
| **Net cash used in financing activities** |  | **(41.3)** | (80.0) |
| Net increase/(decrease) in cash and cash equivalents |  | **4.4** | (37.0) |
| Cash and cash equivalents at beginning of year |  | **74.5** | 111.5 |
| **Cash and cash equivalents at end of year** |  | **78.9** | 74.5 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Exceptional costs** |  |  |  |
| Exceptional costs paid included in the cash flow from operating activities |  | **4.5** | 51.2 |
| Total exceptional costs | 7 | **15.7** | 54.0 |

### 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 Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK (registered number: 9084066). The address of its registered office is 3 Dorset Rise, London, EC4Y 8EN.

### 2. Basis of preparation

The preliminary financial information for the year ended 31 December 2015 included in this report was approved by the Board on 16 March 2016. The financial information set out here does not constitute the Company’s statutory accounts for the year ended 31 December 2015, but is derived from those accounts. Statutory accounts for 2015 will be delivered following the Company’s annual general meeting. The auditor has reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

Refer to note 14, property, plant and equipment, which provides further details on the restatement of the Consolidated balance sheet.

#### Group reorganisation during 2014

As a result of the Group’s reorganisation implemented on 23 July 2014 through an exchange of equity interests, the Company became the legal parent of Spire Healthcare Group UK Limited and Spire UK Holdco 2A Limited, together with each of their subsidiaries. These companies were under common management and control throughout the periods presented and, therefore, the comparative periods have been prepared as if the reorganisation had taken place as at the beginning of the earliest period presented herein.

As the Group reorganisation did not lead to a change in control of the companies included in the Group, it was accounted for using the pooling-of-interest method by aggregating the assets, liabilities, results, share capital and reserves, after eliminating intercompany balances and unrealised profits. The consolidated financial statements, therefore, reflect the assets, liabilities and results of operations of the components of the Group that constituted the property ownership and trading businesses.

#### Going concern

The Group is financed by a bank loan facility that matures in 2019. The Directors have considered the Group’s forecasts and projections, and the risks associated with their delivery, and are satisfied that, the Group will be able to operate within the covenants imposed by the bank loan facility for the foreseeable future. In relation to available cash resources, the Directors have had regard to both cash at bank and a £100.0 million committed undrawn revolving credit facility. Accordingly, they have adopted the going concern basis in preparing this preliminary announcement.

### 3. Accounting policies

In preparing this preliminary announcement the same accounting policies have been applied as those set out in the Group’s Annual Report and Accounts for the year ended 31 December 2014, a copy of which can be found on the Company’s website at [www.spirehealthcare.com](http://www.spirehealthcare.com).

The auditors have reported on those accounts. Their reports were not qualified and did not contain any emphasis of matter paragraph.

#### New and amended standards and interpretations

The following amendments to existing standards and interpretations were effective for the Group from 1 January 2015, but either they were not applicable to or did not have a material impact on the Group:

* IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)
* Annual Improvements to IFRSs 2010–2012 Cycle
* Annual Improvements to IFRSs 2011–2013 Cycle

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective on 1 January 2015.

### 3. Accounting policies (CONTINUED)

#### Standards and interpretations issued but not yet applied

The following new and amended standards and interpretations in issue are not yet effective and have not been applied by the Group:

|  |  |
| --- | --- |
|  | Effective date\* |
| Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation  | 1 January 2016 |
| Amendments to IAS 27: Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to IAS 1: Disclosure Initiative | 1 January 2016 |
| Annual Improvements to IFRSs 2012–2014 Cycle | 1 January 2016 |
| IFRS 14 Regulatory Deferral Accounts | 1 January 2016**†** |
| Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying Consolidation Exception | 1 January 2016**†** |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2017**†** |
| Amendment to IAS 7 Statement of Cash Flows: Changes in Financing Liabilities | 1 January 2017**†** |
| IFRS 9 Financial Instruments | 1 January 2018**†** |
| IFRS 16 Leases  | 1 January 2019**†** |

\* 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 adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group’s discretion to early adopt standards.

**†** At the date of authorisation of these financial statements, these standards and interpretation have not yet been endorsed or adopted by the EU.

The Directors do not expect the adoption of these standards and interpretations to have a material impact on the Consolidated financial statements in the period of initial application, except for IFRS 16 Leases. The impact of this standard will be evaluated.

### 4. Significant judgements and estimates

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

In preparing this preliminary announcement, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2014, except for the following:

#### Provisions for patient claims

In the measurement of such provisions where the recognition criteria are met, the typical complexity of claims – for example in respect of their outcome and the extent of damages (if any) assessed on the Group – requires management to use estimation. Such estimates are typically based on professional advice on expected outcomes and historic information on similar claims.

In some cases, judgement is also required, for example, as to whether the criteria for recognising provisions are met and whether a reliable estimate of the outcomes can be made.

Further details of claims and the amounts provided are given in note 17.

### 5. Operating profit

Operating profit has been arrived at after charging:

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Rent of land and buildings under operating leases | **62.9** | 60.7 |
| Depreciation of property, plant and equipment | **48.9** | 45.1 |
| Impairment of property, plant and equipment  | **11.2** | – |
| Impairment of intangible assets | **–** | 1.0 |
| Staff costs  | **253.0** | 285.9 |

### 6. Segmental reporting

In determining the Group's operating segment, management has primarily considered the financial information in the internal reports that are reviewed and used by the executive management team and the Board of Directors (in aggregate the chief operating decision maker) 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.

Revenue by wider customer (payor) group is shown below:

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Insured | **434.8** | 432.4 |
| NHS | **262.0** | 245.9 |
| Self-pay | **156.2** | 146.1 |
| Other | **31.8** | 31.6 |
| Total | **884.8** | 856.0 |

### 7. Exceptional items

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Initial Public Offering (‘IPO’) related: |  |  |
| Costs incurred in relation to the IPO | **–** | 43.6 |
| Share-based payment (Directors’ Share Bonus Award) (note 20) | **–** | 2.5 |
|  | **–** | 46.1 |
| Non-IPO related: |  |  |
| Business reorganisation  | **3.1** | 3.9 |
| Hospital impairment | **5.7** | – |
| Hospital closure | **6.9** | – |
| Regulatory costs | **–** | 4.0 |
|  | **15.7** | 7.9 |
|  |  |  |
| Total exceptional costs | **15.7** | 54.0 |

### 7. Exceptional items (CONTINUED)

#### IPO related

In July 2014, the Company was listed on the London Stock Exchange. The costs charged to the income statement relate to costs incurred as a result of the listing, but not directly related to the issues of new shares. These costs include such items as IPO bonuses, marketing expenditure, professional and other services. These costs were largely tax deductible. A deferred tax asset was recognised in relation to the share-based payments.

#### Non-IPO related

In the year ended 31 December 2015, business reorganisation costs mainly comprised staff restructuring costs. Hospital impairment relates to an impairment charge of £5.7 million on leasehold improvements and equipment associated with the existing Spire Manchester Hospital, as a result of the development of a new hospital facility in West Didsbury, South Manchester. Hospital closure costs relate to the closure of the Spire St Saviour’s Hospital announced in June 2015 and includes an impairment charge on freehold property and equipment of £5.5 million. Exceptional items give rise to a tax credit of £2.7 million.

In the year ended 31 December 2014, reorganisation and set-up costs were mainly associated with the costs of acquisition of St Anthony’s Hospital, which as a material acquisition in 2014, has been treated as exceptional. Regulatory costs include costs relating to the Competition and Markets Authority (‘CMA’) enquiry and £3.3 million provision for the estimated liabilities payable to third parties, arising from uninsured, or partly uninsured, claims for damages in respect of the supply of medical products and other legal claims made in respect of services previously supplied to patients. These costs were largely tax deductible, except for the costs of acquisition of St Anthony’s Hospital.

### 8. Profit on disposal of property, plant and equipment

On 15 August 2014, the Group completed the disposal of the assets of Spire Fertility (Disposal) Limited (formerly London Fertility Centre Limited) for a consideration of £3.0 million. The assets had a net book value at the disposal date of £3.8 million.

On 11 March 2014, the Group completed the sale of a long leasehold interest in the land and buildings of the Spire Washington Hospital, Washington, Tyne and Wear, for a consideration of £32.3 million. The property and associated plant and equipment had a net book value at the disposal date of £12.3 million.

### 9. Finance costs

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Interest on loans from former ultimate parent undertakings and management | **–** | 54.8 |
| Interest on bank facilities | **13.2** | 26.9 |
| Finance charges payable under finance leases | **8.5** | 7.6 |
| Change in fair value of interest rate derivatives | **–** | (2.8) |
|  | **21.7** | 86.5 |
| Finance costs capitalised in the year | **(0.3)** | (0.6) |
| Total finance costs | **21.4** | 85.9 |

Finance costs capitalised during the year were calculated based on a weighted cost of borrowing of 3.6% (2014: 8.0%).

### 10. Taxation

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Current tax |  |  |
| UK Corporation tax arising in subsidiaries on profit/(loss) for the year | **8.1** | – |
| Adjustments in respect of prior years | **(0.2)** | 0.7 |
| Total current tax | **7.9** | 0.7 |
|  |  |  |
| Deferred tax |  |  |
| Origination and reversal of other temporary differences | **9.4** | (11.9) |
| Change in tax rates | **(5.8)** | – |
| Adjustments in respect of prior years | **2.1** | (1.8) |
| Total deferred tax | **5.7** | (13.7) |
|  |  |  |
| Tax expense/(credit) on profit/(loss) | **13.6** | (13.0) |

Corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated taxable profit or loss for the year.

### 11. Dividend

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Amounts recognised as distributions to equity holders in the year: |  |  |
| - final dividend for the year ended 31 December 2014 of 1.8 pence per share (2014: £nil) | **7.2** | – |
| - interim dividend for the year ended 31 December 2015 of 1.3 pence per share (2014: £nil) | **5.2** | – |
| Total | **12.4** | – |

A final dividend of 2.4 pence per share, amounting to a total final dividend of approximately £9.4 million, is to be proposed at the Company’s annual general meeting on 19 May 2016. In accordance with IAS 10 ‘Events after the balance sheet date’, dividend declared after the balance sheet date is not recognised as a liability in these financial statements.

### 12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. For year ended 31 December 2014, the calculation is based on the 401,081,391 shares that were in issue on Admission on 23 July 2014. For shares prior to the Admission date, as a proxy, the calculation is based on the 250,000,000 shares that were issued to Cinven, the former ultimate parent undertaking of the Group, and current and former management on Admission on 23 July 2014 in exchange for the liabilities to the former ultimate shareholders and management.

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Profit for the year attributable to owners of the Parent (£ million) | 60.0 | 6.0 |
| Weighted average number of ordinary shares | 401,081,391 | 317,055,302 |
| Adjustment for weighted average number of treasury shares | (1,195,844) | – |
| Weighted average number of ordinary shares in issue (No.) | 399,885,547 | 317,055,302 |
| **Basic earnings per share (in pence per share)** | **15.0** | **1.9** |

### 12. Earnings per share (CONTINUED)

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options.

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Profit for the year attributable to owners of the Parent (£ million) | 60.0 | 6.0 |
| Weighted average number of ordinary shares in issue | 399,885,547 | 317,055,302 |
| Adjustment for weighted average number of contingently issuable shares | 2,052,534 | 875,653 |
| Diluted weighted average number of ordinary shares in issue (No.) | 401,938,081 | 317,930,955 |
| **Diluted earnings per share (in pence per share)** | **14.9** | **1.9** |

### 13. Intangible assets

|  |  |
| --- | --- |
| (£ million) | Goodwill |
| **Cost** |  |
| At 1 January 2014 | 516.2 |
| Additions in the year | 6.6 |
| Disposal in the year | (2.7) |
| At 1 January 2015 | 520.1 |
| Additions in the year | – |
| **At 31 December 2015** | **520.1** |
|  |  |
| **Impairment** |  |
| At 1 January 2014 | 1.3 |
| Charge for the year | 1.0 |
| Disposal in the year  | (1.3) |
| At 1 January 2015 | 1.0 |
| Charge for the year | – |
| **At 31 December 2015** | 1.0 |
|  |  |
| **Net book value** |  |
| At 31 December 2015 | **519.1** |
| At 31 December 2014 | 519.1 |

The goodwill arising on acquisitions is reviewed annually for impairment or when there is an event that may indicate impairment. The prior year’s impairment of £1.0 million relates to the Group’s goodwill in relation to an investment in a medical practice following a CMA Final Order. The Directors do not believe that any impairment is required in the current financial year.

### 14. Property, plant and equipment

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| (£ million) | Freeholdproperty | Long leasehold property | Equipment | Assets in the course of construction | Total |
| **Cost** |  |  |  |  |  |
| At 1 January 2014 as previously reported | 567.8 | 186.5 | 234.4 | 6.2 | 994.9 |
| Restatement | – | (5.3) | – | – | (5.3) |
| **At 1 January 2014 as restated** | **567.8** | **181.2** | **234.4** | **6.2** | **989.6** |
| Additions | 23.1 | 10.2 | 32.5 | 1.4 | 67.2 |
| Additions on business combination | 27.1 | – | 3.4 | – | 30.5 |
| Disposals | (0.2) | (17.4) | (7.3) | – | (24.9) |
| Transfers | 6.1 | – | 0.1 | (6.2) | – |
| At 1 January 2015 | 623.9 | 174.0 | 263.1 | 1.4 | 1,062.4 |
| Additions | 21.8 | 13.5 | 37.4 | 37.1 | 109.8 |
| Disposals | – | (0.7) | (2.2) | – | (2.9) |
| Reclassification  | (0.7) | – | 0.6 | 0.1 | – |
| **At 31 December 2015** | **645.0** | **186.8** | **298.9** | **38.6** | **1,169.3** |
|  |  |  |  |  |  |
| **Depreciation** |  |  |  |  |  |
| At 1 January 2014 | 68.5 | 28.6 | 83.9 | – | 181.0 |
| Charge for the year | 15.6 | 9.4 | 20.1 | – | 45.1 |
| Disposals | (0.2) | (3.8) | (6.3) | – | (10.3) |
| At 1 January 2015 | 83.9 | 34.2 | 97.7 | – | 215.8 |
| Charge for the year | 11.3 | 5.4 | 32.2 | – | 48.9 |
| Impairment | 4.9 | 2.7 | 3.6 | – | 11.2 |
| Disposals | – | (0.6) | (1.5) | – | (2.1) |
| Reclassification  | (5.4) | (1.0) | 6.4 | – | – |
| **At 31 December 2015** | **94.7** | **40.7** | **138.4** | **–** | **273.8** |
|  |  |  |  |  |  |
| **Net book value:** |  |  |  |  |  |
| **At 31 December 2015** | **550.3** | **146.1** | **160.5** | **38.6** | **895.5** |
| At 31 December 2014 | 540.0 | 139.8 | 165.4 | 1.4 | 846.6 |
| At 1 January 2014 | 499.3 | 152.6 | 150.5 | 6.2 | 808.6 |

On 11 March 2014, the long leasehold interest in the Spire Washington Hospital, with a net book value of £12.3 million, was disposed of.

As at 31 December 2015, included in the net book value of property, plant and equipment above is £22.5 million (2014 as restated: £23.6 million) relating to assets held under finance leases on which there was a depreciation charge of £1.1 million in the year (2014: £1.5 million).

#### Prior year balance sheet restatement

The carrying amount of long leasehold property at 31 December 2014 has been restated from £145.1 million to £139.8 million, with an equivalent £5.0 million (£5.3 million less £0.3 million deferred tax impact) adjustment to equity. This is the result of a correction to the initial measurement of certain of the associated lease liabilities, from their inception in January 2010, to account for all minimum annual increases in the rental payable under those leases and a consequential reassessment of the appropriate discount rate (see also note 16). There is no material resultant change to the income statements for any of the periods presented.

### 15. Trade and other receivables

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| **Amounts falling due within one year:**  |  |  |
| Trade receivables – net | **95.7** | 108.0 |
| Other receivables  | **10.2** | 4.0 |
| Prepayments  | **28.8** | 27.9 |
|  | **134.7** | 139.9 |

Trade receivables comprise amounts due from private medical insurers, the NHS, patients, and consultants and other third parties who use the Group’s facilities. Invoices to customers fall due within 60 days of the date of issue. Some of the agreements with NHS customers operate on the basis of monthly payments on account with quarterly reconciliations, which can lead to invoices being paid after their due date.

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date. A provision for doubtful receivables has been recognised at the reporting date through consideration of the ageing profile of the Group’s receivables and the perceived credit quality of its customers. The carrying amount of trade receivables is considered to be an approximation to its fair value.

The ageing of trade receivables at the reporting date was:

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Not past due and net of impairment | **57.1** | 62.0 |
| Past due 0–30 days, net of impairment | **17.0** | 20.1 |
| Past due 31–90 days, net of impairment | **9.2** | 13.1 |
| Past due and more than 91 days, net of impairment | **12.4** | 12.8 |
| Total  | **95.7** | 108.0 |

Trade receivables comprise the following wider customer/payor groups:

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Private medical insurers  | **41.4** | 48.0 |
| NHS  | **39.4** | 49.9 |
| Patient debt  | **2.2** | 1.0 |
| Other  | **12.7** | 9.1 |
| Total  | **95.7** | 108.0 |

### 16. Borrowings

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| **Secured borrowings** |  |  |
| Bank loans  | **423.1** | 422.2 |
| Obligations under finance leases | **75.3** | 76.6 |
|   | **498.4** | 498.8 |

The bank loans and finance leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the Group.

|  |  |  |
| --- | --- | --- |
| **Total borrowings (measured at amortised cost)** |  |  |
| (£ million) | **2015** | 2014 |
| Amount due for settlement within 12 months | **4.9** | 5.3 |
| Amount due for settlement after 12 months | **493.5** | 493.5 |
|   | **498.4** | 498.8 |

### 16. Borrowings (CONTINUED)

#### Obligations under finance leases

The Group has finance leases in respect of three hospital properties and medical equipment. Future minimum lease payments under finance leases are as follows:

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014(As restated) |
|  | **Minimum payments**  | **Present value of payments** | Minimum payments  | Present value of payments |
| Within one year  | **8.5** | **7.5** | 8.2 | 7.3 |
| After one year but not more than five years  | **35.2** | **23.6** | 34.3 | 23.1 |
| More than five years  | **239.1** | **44.2** | 250.5 | 46.2 |
| Total minimum lease payments  | **282.8** | **75.3** | 293.0 | 76.6 |
| Less amounts representing finance charges  | **(207.5)** | **–** | (216.4) | – |
| **Present value of minimum lease payments**  | **75.3** | **75.3** | **76.6** | **76.6** |

Property leases, with a present value liability of £74.2 million (2014: £75.1 million), expire in 2040 and carry an implicit interest rate of 12.9% (2014 as restated: 12.9%). Rent is reviewed annually with reference to RPI, subject to a floor of 3.0% and a cap at 5.0%.

#### Terms and debt repayment schedule

The maturity date is the date on which the relevant bank loans are due to be fully repaid, as at the balance sheet date.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (£ million) | Maturity | Margin over LIBOR | **2015** | 2014 |
| Senior finance facility | July 2019 | 2.00% | **423.1** | 422.2 |
|  |  |  |  |
| Revolving credit facility (undrawn committed facility) |  | **100.0** | 100.0 |

On 23 July 2014, the Group was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising a five-year, £425.0 million term loan and a five-year £100.0 million revolving facility. The loan is non-amortising and carries interest at a margin of 2.00% over LIBOR (2014: 2.25% over LIBOR).

### 17. Provisions

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| At beginning of year | **6.2** | 3.2 |
| Acquired on acquisition of subsidiary undertaking | **–** | 0.7 |
| Additional provisions for the year | **8.5** | 3.5 |
| Cash received for settlement of claims | **4.5** | – |
| Utilised during the year | **(3.6)** | (1.2) |
| At end of year | **15.6** | 6.2 |

Provisions relate to onerous tenancy contracts, end of life dilapidations under leases, commitments to patients in respect of the removal or replacement of the PIP brand of breast implants, and estimated liabilities arising from claims for damages in respect of services previously supplied to patients.

The provisions are shown gross of any expected reimbursement from insurers of the related risks. The reimbursement is recognised as a separate receivable when receipt of it is judged sufficiently probable. The amount in receivables in that respect was £6.2 million (2014: £nil). In prior years, the provision represented the net amount expected to be paid under excess arrangements with the insurers, but no adjustment has made to the presentation of the prior year numbers as any change is considered immaterial.

Provisions as at 31 December 2015 are expected to be utilised within three years.

The Group has received claims and notifications from patients of a consultant, who previously had practising privileges at Spire Healthcare. The patients are claiming against the consultant and other involved parties including the Group. Court hearings are scheduled for a limited number of claims in June 2017 through which precedent will be established regarding how future claims will be treated. The Group is defending such claims and the legal process is expected to take place over a period of several years. There is significant uncertainty regarding the number of claims, the outcome of the claims, any amounts to be awarded to each claimant and the apportionment of damages between the parties. It is, therefore, not possible to reliably estimate any liability of the Group. The Group maintains comprehensive medical malpractice insurance, and in the event that the Group is found liable, the Directors consider that insurers will meet any such liabilities, subject to certain terms and excess limitations.

### 18. Trade and other payables

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Trade payables  | **46.8** | 50.8 |
| Other payables  | **7.1** | 4.8 |
| Other taxation and social security  | **4.2** | 6.1 |
| Accruals  | **32.2** | 35.9 |
| Total  | **90.3** | 97.6 |

### 19. Share capital and reserves

|  |  |  |
| --- | --- | --- |
|  | £0.01 ordinary shares | £1 redeemable preference shares |
| Share capital of Spire Healthcare Group plc | Shares | £’000 | Shares | £’000 |
| **Issued and fully paid** |  |  |  |  |
| At date of incorporation (a) | 100 | – | 49,999 | 50 |
| Acquisition of a subsidiary undertaking (b) | 1 | – | – | – |
| On capitalisation of loans: |  |  |  |  |
| – shareholder loans (c) | 248,699,063 | 2,487 | – | – |
| – managers’ loan notes (c) | 1,300,836 | 13 | – | – |
| New shares issued: |  |  |  |  |
| Directors’ and managers’ Accrued Incentive Payments (d) | 1,036,156 | 10 | – | – |
| Subscribed for by Non-Executive Directors (e) | 45,235 | – | – | – |
| New shares (f) | 150,000,000 | 1,500 | – | – |
| Redemption (a) | – | – | (49,999) | (50) |
| At 31 December 2014 | 401,081,391 | 4,010 | – | – |
| **At 31 December 2015** | **401,081,391** | **4,010** | **–** | **–** |

#### Group reorganisation

1. On 12 June 2014, the Company issued 100 ordinary shares of £0.01 each to the initial shareholder, Spire Healthcare Limited Partnership. Also on this date, the Company issued 49,999 non-voting redeemable preference shares of £1 each to Spire Healthcare Limited Partnership. These shares were subsequently redeemed on 23 July 2014.
2. On 23 July 2014, the Company acquired the entire issued share capital of Spire Healthcare Group UK Limited in exchange for the issue of one new ordinary share of £0.01 to Spire Healthcare Limited Partnership.
3. The Company subsequently reorganised its share capital. On 23 July 2014, the Company issued 248,699,063 ordinary shares and 1,300,836 ordinary shares of £0.01 each at a premium of £2.09 per share to Rozier S.à. r.l in exchange for settlement of the former ultimate parent loan notes and to the management team in exchange for settlement of the management loan notes, respectively.
4. On 23 July 2014, the Company issued 1,036,156 ordinary £0.01 shares at a premium of £2.09 each to members of the executive management team and a Director, Simon Gordon, in order to reflect their contribution to the past performance of the Group and to the Group achieving Admission (‘Accrued Incentive Payments’).
5. On 23 July 2014, certain Non-Executive Directors, namely, John Gildersleeve, Tony Bourne, Dame Janet Husband and Robert Lerwill, subscribed to 45,235 ordinary £0.01 shares at a premium of £2.09 each in the Company.
6. On Admission on 23 July 2014, the Company issued 150,000,000 new ordinary shares of £0.01 each, generating cash proceeds of £306.9 million, net of costs.

#### Capital reserves

This reserve represents the loans of £376.1 million due to the former ultimate parent undertakings and management that were forgiven by those counterparties as part of the reorganisation of the Group prior to the IPO in 2014.

#### Treasury share reserves

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

Where the EBT purchases the Company’s equity share capital (treasury shares) 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 2015 1,692,242 shares (2014: nil) were held by the EBT in relation to the Directors’ share bonus award and long-term incentive plan.

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

### 20. Share-based payments

The Group operates a number of share-based payment schemes for Executive Directors and other employees, all of which are equity settled. The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost recognised in the income statement was £0.7 million in the year ended 31 December 2015 (2014: £2.8 million). Employer’s NI is being accrued, where applicable, at the rate of 13.8%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total NI charge for the year was £0.1 million (2014: £0.9 million).

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

|  |  |  |
| --- | --- | --- |
|  | **2015** | 2014 |
| (£ million) | **Charge £m** | **Number of options (thousands)** | Charge £m | Number ofoptions (thousands) |
| Directors’ Share Bonus Award\* | **–** | **–** | 2.5 | 1,671 |
| Long Term Incentive Plan | **0.7** | **944** | 0.3 | 1,063 |
| Deferred Bonus Plan | **–** | **29** | – | – |
|  | **0.7** | **973** | 2.8 | 2,734 |

\* disclosed as an exceptional item in 2014 – see note 7

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

#### Directors’ Share Bonus Award

At the time of the IPO on 23 July 2014, the Company granted nil cost share options to Executive Directors to reflect their contribution prior to Admission. The maximum number of shares underlying the awards total 1,671,200. Each award was divided into two equal tranches, the first of which vested on 23 July 2015 and the second tranche will vest on 23 July 2016. The number of options that will vest will depend on conditions relating to share price on the relevant date. The first tranche, which vested on 23 July 2015, resulted in 801,824 options being issued.

#### 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.

#### Deferred Bonus Plan

The Deferred 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.

### 21. Commitments

#### Operating leases

The Group had future minimum lease payments under non-cancellable operating leases, based on rents prevailing at the year end, as set out below:

|  |  |  |
| --- | --- | --- |
|  | **2015** | 2014 |
| (£ million) | **Land andbuildings** | **Other** | Land andbuildings | Other |
| Not later than one year  | **62.9** | **0.9** | 61.9 | 0.7 |
| Later than one year and not later than five years  | **250.1** | **1.7** | 244.0 | 1.4 |
| Later than five years  | **1,334.2** | **–** | 1,353.0 | – |
|  | **1,647.2** | **2.6** | 1,658.9 | 2.1 |

The Group has a number of long-term institutional lease arrangements. These include leases over 12 properties with a term up to December 2042, subject to renewal or extension over 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. Rent is indexed annually in line with RPI, subject to a floor of 0.0% and a cap of 5.0%. 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 each year, such being subject to indexation in line with RPI.

#### Capital expenditure commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the 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:

|  |  |  |
| --- | --- | --- |
| (£ million) | **2015** | 2014 |
| Contracted but not provided for | **39.4** | 6.4 |

### 22. Contingent liabilities

The Group had the following guarantees at 31 December 2015:

* Spire Healthcare Limited, a subsidiary undertaking of the Company, has entered into an Authorised Guarantee Agreement (‘AGA’) with regard to the premises of the former customer contact centre at Victoria Harbour City, Manchester. Under the AGA, Spire Healthcare Limited will act as a guarantor to the new tenants until the end of the lease term, in January 2016. The maximum contingent liability at the balance sheet date was £0.3 million (2014: £0.8 million). The guarantee has since lapsed and Spire Healthcare Limited is no longer liable to any contingent liability.
* The bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5 million (2014: £1.5 million) in relation to contractual pension obligations and statutory insurance cover in respect of the Group’s potential liability to claims made by employees under the Employers’ Liability (Compulsory Insurance) Act 1969.
* Under certain lease agreements entered into on 26 January 2010, the Group has given undertakings relating to obligations in the lease documentation and the assets of the Group are subject to a fixed and floating charge.

### 23. Related party transactions

#### Trading transactions

Group companies entered into the following transactions:

|  |  |  |  |
| --- | --- | --- | --- |
| (£ million)Counterparty | Nature of relationship | **2015** | 2014 |
| Former parent undertakings: |  |  |  |
| Cinven Limited | Monitoring fees \* | **–** | 0.4 |
| Rozier Finco Limited | Interest payable | **–** | 45.1 |
| Rozier Finco 2 Limited | Interest payable | **–** | 9.1 |
| Other related party: |  |  |  |
| Management team of the Group | Interest payable  | **–** | 0.3 |

\* In respect of the monitoring of the performance of the Group on behalf of Cinven Funds prior to IPO.

#### Amounts owed to related parties

As part of Admission, the loans due to former parent undertakings and the management team were either capitalised or repaid. Those loans carried interest of 12.0% per annum.

### 24. Events after the reporting period

#### 2015 final dividend

For 2015, the Board has recommended a final dividend of 2.4 pence per share, amounting to approximately £9.4 million, to be paid on 28 June 2016 to shareholders on the register at the close of business on 3 June 2016.

# Shareholders’ information

### Registered office and group head office

Spire Healthcare Group plc
3 Dorset Rise
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Tel +44 (0)20 7427 9000
Fax +44 (0)20 7427 9001

(Registered in England & Wales No. 09084066)

### Corporate website

Shareholder and other information about the Company can be accessed on the Company’s website: [www.spirehealthcare.com](http://www.spirehealthcare.com).

### Financial Calendar

2016 Annual General Meeting (London) 19 May 2016

Ex-div date for 2015 final dividend 2 June 2016

Record date for 2015 final dividend 3 June 2016

Payment date of 2015 final dividend 28 June 2016

Announcement of 2016 half year results August 2016