Spire Healthcare

Annual Report and Accounts
For the year ended 31 December 2019

Company No. 09084066

Making a positive difference to our patients' lives through outstanding personalised care

Spire Healthcare at a glance

Who we are:
Spire Healthcare is the largest private hospital group by turnover in the United Kingdom. Working in partnership with almost 7,300 experienced Consultants, our hospitals delivered tailored, personalised care to almost 810,000 insured, self-pay and NHS patients in 2019.

We provide high-quality diagnostics, in-patient, daycase and out-patient care in our 39 hospitals and eight clinics across England, Wales and Scotland. We also own and operate the sports medicine, physiotherapy and rehabilitation brand, Perform.

Our vision and values
We want to be the go-to healthcare brand, famous for clinical quality and care. We will achieve that by fulfilling our Purpose and living our values:

- Driving clinical excellence
- Doing the right thing
- Caring is our passion
- Keeping it simple
- Delivering on our promises
- Succeeding and celebrating together

Our services

Primary care
We invest in hospital-based private GP services to speed up the referrals process and help patients take control of their health sooner.

Diagnostics
Our skilled clinicians and comprehensive pathology services provide prompt and accurate diagnoses, giving patients reassurance and a quick answer to the question "What's wrong with me?"

Treatment and surgery
At our hospitals, we offer a wide range of treatment and surgery when you need it – from routine procedures, such as knee and hip replacements, to more specialist procedures.

Recovery and rehabilitation
Our high dependency and intensive care units offer outstanding individual care through early recovery, while our rehabilitation facilities make a real difference in building longer-term strength, health and fitness.

Our purpose is simple – we exist to make a positive difference to our patients' lives through outstanding personalised care.

Service coverage where it is needed

Quality healthcare
Quality of care and patient safety are the bedrock of Spire's philosophy and strategy, and are the key to achieving our Purpose. We consistently invest in our facilities, services, technology and people to improve the quality of care and customer experience at each stage of the care pathway: from initial GP referral, through consultation, diagnosis and treatment, to recovery and rehabilitation.

A growing need
Demand for healthcare continues to be driven by the needs of a growing and ageing population, and we have invested in higher acuity services, which now account for 24.3% of revenue (2018: 23.8%).

The NHS has to manage competing demands in the face of funding and capacity constraints. We are a valued partner to the NHS, providing access to treatments and choice for patients.

Spire Healthcare Hospitals
39

Spire Healthcare Clinics
8

Map key
Spire Healthcare Hospitals
Spire Healthcare Clinics

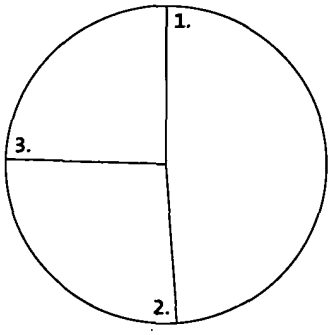
People per sq km
0–250
250–500
500–1,000
1,000–1,500
1,500–2,500

Revenue
£980.8m
+5.3%

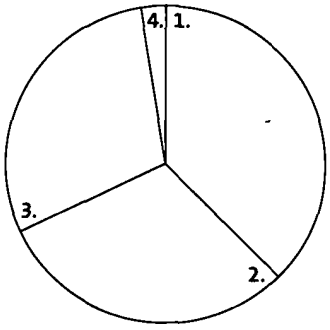
Adjusted operating profit
£97.6m
+0.9%

Basic earnings per share
1.8p
2018: 0.0p

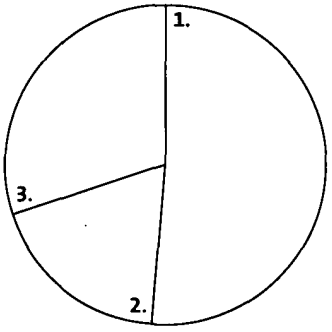
Sites rated 'Good' or 'Outstanding'
85%
2018: 79%

Revenue split by service


1. Orthopaedics **48.9%**
2. Gynaecology, plastic surgery, urology and others **26.7%**
3. High acuity services[1] **24.3%**

Revenue split by type of patient


1. In-patient **37.8%**
2. Daycase **30.5%**
3. Out-patient **29.3%**
4. Other **2.5%**

Revenue split by source[2]


1. PMI **51.4%**
2. Self Pay **18.7%**
3. NHS **29.9%**

1 Including cardiology, cardiothoracic, neurosurgery, oncology and general surgery.
2 Excluding other revenue sources of £24.5m.

Our clear Purpose and strategy guide how we invest in and operate our business.

In 2019, we involved colleagues, patients and Consultants in the creation of our new Purpose. Everyone across our business is now aligned to that Purpose: **to make a positive difference to our patients' lives through outstanding personalised care**. All of us at Spire Healthcare will use it to continue to deliver high-quality, safe care and positive outcomes for patients – it's a big part of what differentiates us.

Justin Ash
Chief Executive Officer

Chairman's statement

Our investment proposition
Our ability to deliver on our Purpose is enhanced by our key strengths:

1. Attractive UK healthcare fundamentals
- The UK's leading private provider, by volume of knee and hip operations
- Long-term relationships with the top five Private Medical Insurance providers
- Continued self-pay demand
- Trusted partner to the NHS

2. Well-invested, geographically diverse profile
- 39 private hospitals
- Eight clinics
- Highest postcode coverage of any private provider in the UK, not centred around single cities or areas
- Significant existing capacity offering potential for growth

3. Solid financial position
- Balanced payor mix (PMI 51.4%, NHS 29.9%, self-pay 18.7%)
- EBITDA £189.0 million (2018: £185.7 million) and cash generative
- 109% EBITDA conversion to cash (2018: 103%)
- Strong asset base, 20 freehold hospital assets, valued at around £1.138 billion

4. Focus on quality and clinical excellence
- 85% rated 'Good' or 'Outstanding' by CQC (2018: 79%)
- Strong Ward-to-Board governance
- Quality push is driving market-leading private revenue growth

5. Strong management team
- Diverse, proven experience
- Strong alignment between operational and clinical teams
- Entire C-Suite focused on the same outcomes, driving for high-quality care and improved financial performance

"Quality, safety and a genuine commitment to patient care from colleagues across the business are making a real difference to our patients' lives and are essential in delivering value to our shareholders and other stakeholders."

Garry Watts
Chairman

Dear shareholder,
2019 was a year in which we responded to the challenges the business faced by raising the bar on patient safety and clinical governance, and by further investing in our infrastructure, people and technology. We have developed and articulated a clear purpose that is enhancing the performance of the business, and improving the sense of engagement of all who work at Spire Healthcare.

Paterson Inquiry
The report of the Independent Inquiry which was set up following the conviction and imprisonment of surgeon Ian Paterson, was published in February 2020. On behalf of everyone at Spire Healthcare, I would like to say sorry, once again, to the patients in our care for the pain and suffering caused to them by Paterson. We fully support the report's recommendations and we will engage with the wider healthcare sector to ensure their implementation. We will also take time to reflect on the report's conclusions, to consider what further lessons we could learn, to supplement the many changes we have made in the decade or so since Paterson practised in our hospitals.

Clinical standards and patient safety
We continue to drive improvements in our quality and clinical governance, which are key to laying down solid foundations for the future growth of our business. Notably, we established a new National Medical Governance Committee, which reports to the Board Clinical Governance and Safety Committee and is chaired by our Chief Operating Officer and attended by executive team members, including our Interim Group Medical Director and Group Clinical Director. The new committee plays a key role in bringing together our operational and clinical colleagues, and our Consultant partners, to work towards common goals.

Our overall quality of care rating from the Care Quality Commission (CQC) continued to progress during the year, building the Spire Healthcare brand and delivering on our strategy. Five of our hospitals are now rated 'Outstanding', and 85% are rated 'Good' or 'Outstanding' by the CQC or regional equivalents, compared with 79% a year ago and 83% for the acute independent sector as a whole.

Performance
Our focus on quality made a real difference to the business in 2019. We increased Group revenue by 5.3%, while operating profit was up 33% year-on-year. We met all our financial targets, including net cash generation, underlining the strength and commitment of our Executive Committee, senior hospital management and colleagues up and down the country.

Dividend
The Company was strongly cash-generative in the year, with net bank debt falling by 11.5% to £330.0m. The Board has proposed a final dividend of 2.5 pence per ordinary share for the year, subject to shareholder approval. Together with the interim dividend of 1.3 pence per ordinary share, this amounts to a total annual dividend of 3.8 pence per ordinary share. This is consistent with 2018.

Our people
Spire Healthcare is very much a people business and it is our strong patient focus that sits at the core of what we do. We have refreshed our culture, purpose and values over the last few years, and it is pleasing that we achieved an overall engagement score of 81% in our 2019 autumn employee survey, well in excess of the external benchmark rate of 71% and ahead of 79%, which we achieved in our previous survey.

I would very much like to extend my thanks to Justin Ash, our Chief Executive Officer, and all his teams working across the Group, as well as to our Consultant partners, who have made this year such a successful one. I would also like to add my personal thanks to Dame Janet Husband, whose regular hospital visits continue to provide an additional and highly valued link between the Board and our frontline employees and patients.

Board changes
The Board's main focus this year has been to support our senior management in stabilising the business and driving performance in all areas. We made two Board appointments. Martin Angle joined us as an independent Non-Executive Director on 14 March 2019 and replaced Peter Bamford as Deputy Chairman and Senior Independent Director in May. Peter did not seek re-election at the Company's annual general meeting. Martin chairs the Nomination Committee and is a member of both the Audit and Risk, and the Remuneration Committees. He brings extensive PLC, Board and leadership experience to the business.

On 1 June 2019, Jenny Kay was also appointed as an independent Non-Executive Director and a member of the Clinical Governance and Safety Committee. Jenny brings considerable clinical experience, a knowledge of healthcare and NHS expertise to the Board. Her appointment supports Spire Healthcare's commitment to the continual improvement of quality in our hospitals.

Governance
As a Board we discussed our responsibilities under the 2018 UK Corporate Governance Code (the Code) and implemented its requirements as required. Stakeholder engagement has been a focus particularly with regard to our colleagues and you can read how we have applied the Code in this regard on pages 41 to 43.

Outlook
Over the next year, and possibly beyond, the precise outcomes of the UK's exit from the European Union remain unpredictable. However, the overall dynamics in our market are unchanged – with an ever larger ageing population in need of better clinical care and lengthening NHS waiting lists.

We will continue to improve engagement with our patients, consultants and colleagues, through better digitalisation, backed by constant pressure to drive stronger clinical governance and the highest standards of quality at all our sites. We will also make structured, targeted investments which satisfy clinical opportunities and enhance our capabilities, including in higher acuity work.

During 2019, we demonstrated that we have the leadership and the scale to drive efficiency, expand the services we offer and to grow our business in both private provision and working with the NHS. We are developing new partnerships and joint ventures with other health providers, as well as deepening our relationships with leading health insurers. By setting new standards centrally, while empowering local colleagues to make decisions at the appropriate level, I believe we can maintain and even extend our leading position in the UK's private healthcare market.

Garry Watts
Chairman
4 March 2020

Our Purpose drives:

- Our approach to the market/page 14
- How we do business/page 18
- Our strategy/page 20
- The impact we have/page 40
- The delivery of outstanding care/page 68
- Our financial performance /page 76

"I'm delighted to report that we achieved our key objectives in 2019 and this has been reflected in a very good business performance over the year. Our continued investments and the improvements we have made in patient care are paying off, and we are seizing the opportunities in our market with a renewed sense of purpose."

Justin Ash
Chief Executive Officer

A year of stabilisation, growth and rising standards
This has been a good year for Spire Healthcare. Following last year's challenges, we have stabilised the business and driven revenue growth, while maintaining our push for quality. We saw growth in both private insurance and self-pay, with a particularly strong result in private insurance, reflecting rising consumer awareness following our successful marketing campaigns.

Our NHS revenue growth has also outperformed expectations as we worked in close partnership with local trusts and Clinical Commissioning Groups (CCGs) to open new services selectively that respond to their changing needs. We continued to develop our private revenue streams in key areas such as oncology, including an exciting new partnership with GenesisCare to create an end-to-end private cancer treatment pathway at Spire Bristol Hospital.

Focus on quality and outstanding personalised patient care
We remain uncompromising in our focus on patient safety and quality of care and 85% of our sites were rated 'Good', 'Outstanding' or the equivalent at year end, up from 71% just two years ago. I would like to thank all of our teams for the hard work they have put in to make this possible. We have empowered our people, so that they can better meet patients' needs. Their hard work is delivering tangible benefits and fuelling private growth through improved Consultant engagement and relationships with PMI providers.

I was delighted to see that both our new hospitals in Manchester and Nottingham have been rated 'Outstanding', taking the Group total to five, the highest number of 'Outstanding' sites of any independent provider. Spire Liverpool Hospital retained its 'Good' rating, while Spire Fylde Coast and Spire Parkway hospitals were both upgraded to 'Good'. I was disappointed that Spire Leeds Hospital was rated 'Requires Improvement' but our team is working closely with the CQC to implement the necessary improvements.

Investing in patient care
Our investments in patient care are helping us to set new standards. Spire Healthcare cared for 810,000 in-patient and daycase patients during the year (2018: 777,000). Clinical quality continues to improve, with good outcomes in our safety metrics.

We invested £62.5 million (2018: £65.2 million) in capital expenditure during the year, having consulted with our hospitals and Consultants on priorities. A significant proportion of this investment was used for maintenance, with the rest spent on capacity enhancements, including a new theatre and out-patient bedrooms at Spire Bushey Hospital and a new orthopaedic out-patient centre at Spire Manchester Hospital.

Report of the Independent Inquiry into Ian Paterson
Since the end of 2019, the Independent Inquiry into the issues raised by Paterson, led by the former Bishop of Norwich, the Rt Rev Graham James, has published its final report. We apologise again to the victims and are very sorry that they suffered at the hands of Paterson in our hospitals. Spire Healthcare is a changed organisation from the time that Paterson was practising, in the years up to 2011. We have fundamentally overhauled our culture, our governance and our standards so that patient safety now sits at the heart of everything we do. We are constantly striving to improve, and we will reflect long and hard on the Inquiry's conclusions in the months ahead to judge what further lessons we can learn and what further changes we need to make. We support the recommendations and have begun to work with the local NHS commissioners and Trust to implement them.

Driving efficiencies
We have complemented our investment programme with a focus on driving efficiencies. We have identified and implemented savings in procurement, for example through a standardised menu in our hospitals, and rationalised suppliers of items such as hip and knee prostheses. We have streamlined our local and regional non-clinical teams and standardised our approach to handling patient records. Our digital strategy is key to delivering these efficiency improvements and we stepped up work to bring greater automation to our processes and systems. We have identified further opportunities to reduce costs in the future, and generating efficiencies in everything we do will be an even greater focus in 2020.

Moving forward with a renewed sense of purpose
Colleagues, patients and Consultants across the country worked together with our Senior Leadership Team and Medical Advisory Committee Chairs over the course of the year to define Spire Healthcare's Purpose – 'making a positive difference to our patients' lives through outstanding personalised care'. This is helping us to bring our strategy to life by aligning our teams and partners and has been launched across all hospitals and central functions with dedicated toolkits, designed to help all of our people embody the Purpose.

"We apologise again to Paterson's victims and are very sorry that they suffered at his hands in our hospitals. Spire Healthcare is a changed organisation from the time that Paterson was practising."

Strategy driving revenue growth
Our continued investments in clinical quality, together with our targeted marketing campaigns, have driven pleasing growth in revenue. PMI achieved a particularly strong performance, with new long-term contracts agreed with Bupa and AXA and revenue up 7.0%. We are seeing encouraging momentum in self-pay with increasing numbers of enquiries as consumer awareness improves. NHS revenue accelerated in the second half of the year, partly as a result of our opening new service lines to meet the changing needs of the local commissioners, including the provision of more complex treatments and thoracic services.

In line with our expectations, the strong revenue growth was offset by our investment in clinical quality, which resulted in broadly flat EBITDA[1].

Overall, then, 2019 was a year of stability for Spire Healthcare. We have put in place what was needed across the business to help us build confidence and drive future growth. This was reflected in our newer hospital portfolio, where both Spire Manchester and Spire St Anthony's hospitals generated increased revenues and profits. Spire Nottingham Hospital is also growing fast and achieved break even late in the year.

Charity Bike Ride
An initiative I personally enjoyed this year was our Charity Bike Ride, as we set out to ride 40,000km between us during the last week in June. I'd like to thank all of my colleagues who rode with us and raised £50,000 to help THET, an international organisation that supports healthcare in some of the countries where we find our overseas hires, as well as dozens of local good causes chosen by each hospital or site. The event also promoted good health and reinforced our Company's values.

Our people – improving retention and recruitment
Recruitment remains an issue across the Group, but this has improved during the year. We are filling vacancies with both domestic and international recruits and improving workforce planning. We have also implemented initiatives such as an increase in holiday allowance for contracted colleagues.

Our strategy remains to reduce agency costs through improved retention and recruitment. I was delighted to see the launch of our first Save as You Earn scheme at Spire Healthcare this year, encouraging employee share ownership and offering them a stake in the success of our business. The scheme generated a very positive response, with close to 20% of eligible employees taking part.

Group Medical Director
Dr Jean-Jacques (JJ) de Gorter left us during 2019 after many years as Group Medical Director. I would like to thank JJ for his significant contribution and service to Spire Healthcare. Dr Fergus Macpherson, the Regional Business Unit Director for our North Region, has replaced JJ as Medical Director on an interim basis while we recruit a permanent postholder.

Looking ahead
We have built a strong platform for growth in 2019. Our prospects for the next five years remain good and I expect to see continued revenue growth. The private medical market is set to grow, with self-pay continuing to increase and great potential for growth in our PMI market share. Our focused investments on clinical quality will continue to enhance our capabilities and enable us to take advantage of the opportunities ahead.

We are now in a great position to use our scale to improve our position and reputation in the market further, generate good margins and improve execution. I am confident we can grow our profit and effectively counter any challenges ahead around medical inflation and staff costs. We have the right strategy and our people have a renewed Purpose that will help us deliver value for our shareholders and other stakeholders, and make a positive difference to our patients' lives through outstanding personalised care.

Justin Ash
Chief Executive
4 March 2020

1 Which we define as operating profit adjusted to add back depreciation, profit or loss arising from the disposal of assets, and Adjusting items.

Introducing the Executive Committee

Justin Ash, Chief Executive Officer
For a full biography go to page 96.

Jitesh Sodha, Chief Financial Officer
For a full biography go to page 97.

Daniel Toner, General Counsel and Group Company Secretary
For a full biography go to page 99.

John Forrest, Chief Operating Officer
See our website for more information.

Alison Dickinson, Group Clinical Director
See our website for more information.

Shelley Thomas, Group HR Director
See our website for more information.

Peter Corfield, Chief Commercial Officer
See our website for more information.

Fergus Macpherson, Interim Group Medical Director
See our website for more information.

Our Purpose – what it means to our people

Our new Purpose was co-produced with **colleagues, patients and consultants** during 2019. It represents a real cultural shift for Spire Healthcare.

It is not just about making a positive difference to patients' lives through outstanding personalised care. It is also making a positive difference to all our colleagues, instilling a culture of respect, inclusion and collaboration across the business.

How we arrived at our Purpose
We knew that having a clear Purpose could enhance the performance of the business as well as give colleagues a sense of belonging. That is why we involved people from across the business over a six-month period in its development.

We looked at how our Purpose might fit with our values and it was considered vital that it should both encourage a positive mindset and be customer-centric. We came up with three options and the final choice was decided on by a vote of over 200 attendees at our annual leadership conference.

Launching the Purpose
We launched the Purpose across Spire Healthcare through a series of interactive workshops, co-designed with colleagues. Every colleague in every location attended a launch session, during Quarter 3 and 4. We have also added it to our induction programme, so that everyone is immersed in our Purpose and culture from day one.

Far from being a simple nod to a governance code, our Purpose sits at the heart of our culture, drives what we do and inspires us to strive to be better every day of every week.

I've worked here for 17 years and I can honestly say that people at Spire Parkway have never been so engaged."

Kennedy Kaonga
Theatre Manager,
Spire Parkway Hospital

Read more about Our Purpose in action: Spire Parkway Hospital on page 12.

"We are demonstrating how collaboration between the independent sector and the NHS can make a positive difference to patients' lives."

Sam Chapman
Collaborative Lead,
Spire Manchester Hospital

Read more about Our Purpose in action: Spire Manchester Hospital on page 38.

"The CQC liked the disability report we produced at Spire London East. They regard it as carrying real substance because it was done by a disabled person and recognises real needs."

Peter Harrington-Brain
Operations Manager,
Spire London East Hospital

Read more about Our Purpose in action: Spire London East Hospital on page 48.

"Patients come here for months, get to know us well, then it is all over. That's a big adjustment. Sometimes they want to come back to talk with the people who cared for them."

Kate Smith
Oncology Nurse,
Spire Leicester Hospital

Read more about Our Purpose in action: Spire Leicester Hospital on page 74.

Purpose in action: Spire Parkway Hospital

Our Purpose – making a positive difference to our patients' lives through outstanding personalised care – has proved inspirational in transforming the culture and standards of care at Spire Parkway Hospital. This has resulted in an improved 'Good' CQC rating in 2019, with an 'Outstanding' rating for Caring.

Spire Parkway Hospital has four operating theatres, two in-patient wards, a day-care unit, a specialist cancer centre, and an endoscopy suite. Our colleagues at the hospital provide surgery, oncology services, services for children and young people, as well as out-patients and diagnostic imaging.

Spire Parkway Hospital is a busy place and we care for hundreds of patients every week, but the senior management faced several challenges which had built up over the previous few years. Some concerns had been raised through our internal clinical audits and so a renewed focus on raising standards and improving communications was needed in 2019.

The Hospital Director, Silvie Adams, has been in post at Spire Parkway Hospital for around a year and has acquired a reputation for tackling any issues at the hospital head on. She has improved communications for colleagues and patients, increased staffing levels in the theatres, made new appointments to the senior leadership team and changed the hospital's reporting culture.

"It's about doing the right thing – helping our colleagues to provide the best possible patient care and making this a better place to work," says Amelia Littler, who has been working with Silvie and the team at Spire Parkway Hospital as Business Improvement Lead. "The hospital has better leadership, we hold effective meetings with the right people, and there is better communications and training."

Amelia has helped to put our Purpose as a business at the heart of this change. She organised 19 sessions at the hospital to discuss 'making a positive difference to our patients' lives through outstanding personalised care,' with a strong mix of colleagues from different departments in each session. "We were expecting some negatives, but there was much more positive feedback than negative," explains Amelia. "People at the hospital have never been so engaged."

"We challenged our teams to really understand our organisational Purpose, starting with their own personal purpose," adds Amelia. This helped to break the ice for many colleagues across the hospital. We asked everyone to 'bin, bank and build' behaviours and practices – what we can stop, what we should continue and the things we need to start doing to improve the hospital. This was backed up by a commitment card on 'living the Purpose' which each person took back to their daily jobs. These sessions have taken things to another level and I genuinely feel that this has been the most fulfilling and rewarding year of my time at Spire."

"There is a great atmosphere at the hospital and our patients can see it too. We have a happy, more engaged and satisfied workforce – everyone from the housekeepers to the Head of Nursing believes that they are making a difference to patients' lives through the personalised care they provide every day."

Kennedy Kaonga, Theatre Manager, who has seen considerable change during his time at Spire Parkway Hospital, has also noticed the new positivity around the hospital. "I've worked here for 17 years and I can honestly say that people at Parkway have never been so engaged," he says.

Just before Christmas, the CQC upgraded the hospital's rating from 'Requires Improvement' to 'Good,' with 'Outstanding' for Caring. "The new CQC rating has been the icing on the cake for us at Spire Parkway Hospital," explains Silvie. "But we're not resting on our laurels – the hard work to build on what we have achieved will continue into the years ahead, and we want to be 'Outstanding' overall the next time the CQC visit us."

CQC rating

Overall	*Safe*	*Effective*	*Caring*	*Responsive*	*Well-led*
Good	Good	Good	Outstanding	Good	Good
●	●	●	☆	●	●

Our Purpose drives our approach to the market.
Understanding the trends that influence our business helps us to develop our services and how we market them. That's how we will become the go-to healthcare brand, famous for clinical quality and care, and fulfil our Purpose as a business.

Peter Corfield
Chief Commercial Officer

Population of the UK

66.5m
in 2018

71.1m
by 2028 (forecast)
Source: ONS

Ageing population

+19%
people 55+ by 2028 (forecast)

+37%
people 74+ by 2028 (forecast)
Source: ONS

Average increase in self-pay market value per annum

+5.1%
2018-2021 (LaingBuisson forecast)
(2015-18 market growth was 8.8%)

The major trends that affect our market have remained unchanged over the last year – the UK's population continues to grow, and people are living longer, often with multiple co-morbidities. The demands placed on the NHS remain intense, and waiting lists continue to grow, while the private medical insurance sector is largely funded by the corporate market and remains sensitive to uncertainties in the economic landscape.

Key trends in the UK's healthcare market
The ageing population and greater prevalence of long-term conditions continue to put pressure on the UK's healthcare resources. The NHS delivers comprehensive healthcare to the nation, but faces unprecedented demand and is subject to long-term budgetary pressures.

Treatment and care for people with long-term conditions already account for an estimated 70% of total health and social care expenditure. People with long-term health conditions account for about 50% of all GP appointments, 64% of all out-patient appointments and more than 70% of all in-patient bed days. The number of people with three or more long-term conditions was projected to reach around 2.9 million in 2018.[1]

Private healthcare has an important role to play in meeting the UK's increasing healthcare needs – we are proud to work in partnership with the NHS and are also committed to providing easier access to quality care in the self-pay sector. During 2019, we invested in our people, infrastructure and equipment to improve further the quality of care for all our patients, including those who access the higher acuity services we offer, such as cancer and cardiac treatment.

The NHS – an important partner facing unprecedented challenges
While the NHS operates on a vast scale, offering care to all, free at the point of care, the service remains under intense pressure. Over the last 30 years the number of NHS beds has halved, in part because of medical treatment advances, while admissions have doubled. The systemic division between health and social care and funding constraints in social care add to the pressures on the NHS.

Vacancy levels remain high across the NHS; at the end of 2019, there were over 43,000 unfilled nursing vacancies in England.[2]

Meanwhile, waiting times in the NHS, both for assessment and then the start of treatment, continue to rise. For example, the proportion of patients waiting less than two months to start cancer treatment following an urgent GP referral has decreased significantly over time. In Q1 2010/11, 87.5% of patients in England started treatment within 62 days, compared to 77.8% in Q1 2019/20.[3]

Against this background, the independent sector can help to alleviate some of the pressures on the NHS and we have strong partnerships with NHS commissioners and trusts. Our hospitals are integrated into their patient pathways, which means that we are able to carry out certain types of surgery for NHS patients and take surgical referrals directly from GPs. We also provide waiting list support for nearby acute trusts and direct access to complex diagnostic scanning in a number of localities.

The NHS accounts for around 30% of our business, so we are working to create greater integration between our care systems. We are also expanding the range of services we offer to the NHS into more complex medical areas, such as the thoracic surgery offered by Spire Manchester Hospital to the local NHS Trust. However, as NHS decision-making continues to be fragmented, and performance levels vary geographically, the way our NHS contracts are managed may require more resource to maintain the level of service required.

Additional Government funding of around £20 billion over five years was announced in 2018, and this may result in increased NHS spending in the independent sector. Further spending on the NHS was promised during the 2019 election.

A shortage of skilled healthcare professionals
The UK healthcare sector as a whole is facing a severe skills shortage which is expected to worsen over time. The current staff shortage in the NHS in England alone is estimated to be over 100,000 people, and this is forecast to rise to 250,000 by 2030.[4] Part of the challenge is the number of healthcare professionals leaving the industry – for example, 5.0% of nurses left the profession in 2016/17.[5] The UK's departure from the European Union is adding to the challenge, with many EU nationals working in healthcare returning to their home country from the UK. The ending of freedom of movement from the end of 2020 is set to reduce the number of potential future healthcare workers coming to the UK.

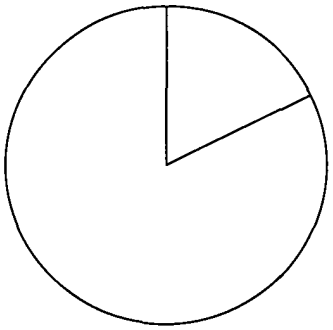
1 Department of Health (2012) Report. Long-term conditions compendium of Information: 3rd edition.
2 *Nursing Times, 8 October 2019, based on NHS England data for Q1 2019/20*
3 Source: Nuffield Foundation and Health Foundation, based on NHS England data.
4 The health care workforce in England, The Health Foundation, Nuffield Trust and The King's Fund, 2018.
5 *The Nursing Workforce*, House of Commons Health Select Committee, 2018.

+16%

Spire self-pay patient enquiries grew 16% in 2019 vs. 2018

18%

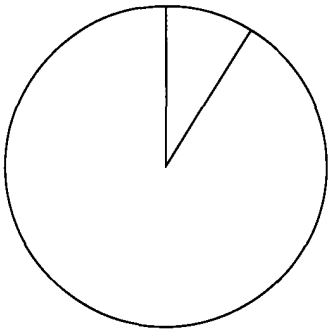
of the UK adult population would be willing to pay for easy access to diagnosis



Source: Proprietary research commissioned by Spire Healthcare among 2,016 nationally representative adults

9%

of the UK adult population would be willing to move from the NHS to using a private GP



Source: Proprietary research commissioned by Spire Healthcare among 2,016 nationally representative adults

Investment in people development at all stages of their careers is going to be critical for Spire Healthcare if we are to attract and retain the people we need to future proof our business. We are working hard to ensure our employment brand is as strong as possible, so that we are perceived as employer of choice by potential recruits. This includes being attractive to people in Generation Z, who want to join employers that are well-led and have a strong culture.

Quality driving our private medical insurance (PMI) business

The majority of private patients are funded by private medical insurers, with most PMI being funded by the corporate market. Insurers build their business by marketing the end-benefits to corporates – highlighting increases in productivity and reductions in sickness absence as key selling points – but they also need to ensure they are offering a quality product.

Insurers look closely at the CQC ratings of any hospital group they plan to do business with, which is why we seek to reinforce Spire Healthcare's quality credentials through our marketing, and highlight the fact that we are making significant investments across the estate to reinforce this.

As insurers seek to expand the sector further by creating their own patient pathways and broadening their services to cover health and fitness, GP services and emergency care, we are well positioned to meet their demands both on quality and capacity. We have also invested in digital portals that allow more efficient interactions with our patients and, where applicable, their insurers.

Self-pay and the rise in out-patient admissions

Self-pay market growth slowed to 4.5% in 2019 from 7.5% in 2018, according to LaingBuisson, due to declining demand for cosmetic surgery and a trend towards less invasive or more conservative treatments.

However, spending on non-cosmetic treatment remains positive, with LaingBuisson forecasting 7.4% growth in 2019, with strong demand for out-patient services.

There are a number of reasons why people opt to self-pay. A growing number of people without access to PMI are seeking a fast track to diagnostic services and high-quality, paid-for healthcare. Longer NHS waiting times are a key driver of demand, while thresholds for NHS surgery have been raised on several treatments and others deemed to be of 'limited clinical value' have been restricted altogether.

The proportion of the national workforce who are self-employed has also risen. More of these people are looking to self-fund healthcare as they cannot afford to take too much time away from work without the security of sick-pay and other corporate benefits.

Increasingly, our self-pay business is driven through digital channels, mostly through mobile or tablet devices. We have also launched Spire Healthcare's improved finance offer this year, with new online tools to help patients apply for the funding they need.

We saw the trend for growth in out-patient visits continue in 2019, covering a wide range of symptoms and women's health issues. In many cases, patients are unable to get the rapid service they want from the NHS and can find out what's wrong with them much quicker at one of our hospitals. Following their diagnosis, patients may decide whether to switch back to the NHS or continue with private treatment.

Looking ahead

We are confident that the trend towards customers wanting to know what's wrong with them will continue, while NHS waiting lists will increase and stresses in local NHS markets will have an impact. The lack of awareness from many people of how to access private care remains an issue the industry must address, though the growth in out-patient admissions is likely to continue.

The CQC will maintain its push for quality and is likely to raise the bar further. We will need sound clinical governance to meet this challenge, but the commitment across our business to our new Purpose means we are ready to do that.

There may be further consolidation in our market, but we do not expect to see plans for many new hospitals to be built in the independent sector over the coming year. Rather than build new hospitals, at Spire Healthcare our focus remains on adding value at our existing sites and investing in them, balanced by the need to remove unnecessary cost from the business. We may also consider opportunities to open more joint ventures near our existing hospitals.

Our Purpose drives how we do business.

We provide high-quality diagnostics, in-patient, daycase and out-patient care in our 39 hospitals and eight clinics across England, Wales and Scotland.

Our success is underpinned by our unwavering commitment to patient safety, providing the best quality of care, and the highest standards of clinical governance.

Where we work

We own and run hospitals and clinics across the country, serving a diversified patient mix.

39
Hospitals

8
Clinics

7,300
Consultants

810,000
Patients

How we operate

We invest our resources and build relationships to ensure the highest standards of safety, quality and care.

Where we invest our resources:
Financial strength
We benefit from financial strength and stability, supported by a cash-generative operating model and properties in commercially attractive locations across the UK.

Well-invested hospitals
Our portfolio of hospitals is equipped with modern technology and comfortable treatment facilities.

Highly-skilled employees
Our employees are highly skilled, and our nursing and medical support employees have the expertise to provide excellent, personalised patient care.

We work closely with GPs and Consultants:
Referrers
We work with GPs to facilitate speedy, convenient and fully informed referrals. We are investing in our own hospital-based primary care to offer patients convenience and facilitate speedier referrals.

Consultants
Consultants are integral to providing high levels of medical care to our patients and we offer them the facilities and support they need. Most Consultants are independent of the Group, but we want them to make us their first choice to work with.

We have two main sources of revenue[1]:
1. Private patients
(revenue split 70.1%)
We offer treatments for patients who have private health insurance or wish to pay for their own treatment. We offer them choice of when and where they are treated, in hospitals that combine excellent clinical outcomes and levels of infection control with 'hotel-style' levels of service.

PMI (revenue split 51.4%)
We have long-term relationships with the top five private medical insurance providers.

Self pay (revenue split 18.7%)
We invest in services which enable patients to take control of their own health, such as online bookings for GP and Consultant appointments.

2. NHS
(revenue split 29.9%)
Spire Healthcare offers the NHS capacity, capability and flexibility. At the same tariff (price) as an NHS trust, we perform complex operations which help move thousands of patients off waiting lists across the country. The capital we invest in our sites is at no charge to the NHS but allows us to make clinical teams, theatre time and beds available quickly. Patients really appreciate the service with 96% of NHS patients saying they would recommend Spire Healthcare to friends and family.

1 Excluding other revenue sources of £24.5m.

The value we create

We aim to create and deliver measurable value for our stakeholders and make a positive difference to patients' lives.

Our key stakeholders:
Patients
Patients
We provide high-quality, personalised clinical care.

Colleagues
We provide our colleagues with the opportunity to make a difference in people's lives.

Consultants
We invest in the best people, facilities and equipment to make Spire Healthcare the partner of choice for our Consultants.

NHS
We help the NHS reduce waiting lists, ease capacity constraints and reduce their need for capex expenditure. We work with NHS centrally and in local communities, with commissioners and trusts.

Shareholders
We aim to create value through total shareholder returns.

During 2019, we refocused our strategy, ensuring that our Purpose drives our first three strategic priorities. In turn, these underpin our financial performance and strength:

- First choice for private healthcare/page 22
- Key partner of the NHS /page 23
- Uncompromising on patient safety and clinical care/page 24
- Improving revenue, profit and cash/page 25

Strategic priority 1:

First choice for private healthcare

2019 highlights

- Improving quality (confirmed by the CQC inspections) and ease of doing business is delivering growth, with around 5,000 appointments per month on our digital patient and partner booking portals.
- Our centrally coordinated marketing campaign is stimulating self-pay and PMI demand, with significant out-patient growth and strengthened brand awareness.
- New long-term contracts agreed with Bupa and AXA and access gained to new networks within AVIVA and Police Mutual.
- We continued to develop our new website, launched a new social media platform and developed our portals, including patient booking, online payment and the GP and allied health professionals referral system.
- We have achieved strong growth in Spire GP revenue.

Read more about how our Purpose drives our first strategic priority on page 22.

Strategic priority 2:

Key partner of the NHS

2019 highlights

- We widened our Directory of Services (DoS), which underpinned positive growth in eReferrals.
- We implemented the capture of spinal outcome data, delivering £400,000 incremental revenue through the NHS best practice tariff incentive.
- New local contract models were piloted in Wirral and Tunbridge Wells, in addition to an existing model in Norwich and new tenders that were delivered in Edinburgh and Cardiff.
- We supported NHS digital services with new developments to support eDischarge and eClinic letters.
- We purchased a new NHS analytic tool to support market analysis and targeted business development.

Read more about how our Purpose drives our second strategic priority on page 23.

Strategic priority 3:

Uncompromising on patient safety and clinical care

2019 highlights

- 100% of hospitals inspected during the year achieved a 'Good' or 'Outstanding' rating or a positive report for unrated services.
- We set up a new Medical Governance Committee, revised our medical governance policy and strengthened our central clinical team with more specialists who have a patient safety focus.
- We now have Freedom to Speak Up Guardians at all sites.
- We have developed our Safety-II culture, which is a predictive, proactive and anticipatory approach that ensures as much as possible goes right.
- Our clinical competency framework has been rolled out and we have established new standards for critical care, cardiac and cardiology services.

Read more about how our Purpose drives our third strategic priority on page 24.

Strategic priority 4:

Improving revenue, profit and cash

2019 highlights

- We delivered 5.3% revenue growth in 2019, the highest since IPO, with a particularly strong performance in PMI.
- We were able to grow profit, despite significant investment in personnel to improve quality and the accrual of a Group-wide management bonus for the first time in five years.
- We introduced a capital expenditure committee to provide greater control and oversight, whilst maintaining high-quality infrastructure across the estate.
- We generated £43.1 million cash in the year after capex and dividends, and reduced net bank debt to £330m.
- Our covenant leverage is now at 3.0 x net debt to EBITDA.

Read more about how our Purpose drives our fourth strategic priority on page 25.

1. First choice for private healthcare

As a preferred provider and partner, we offer an outstanding patient experience and ensure we are easy to do business with.

Preferred provider and partner
We aim to forge long-term market-leading partnerships with all PMI networks, agreeing value-based contracts based on price, clinical outcomes and patient satisfaction.

Strong network of sites with a comprehensive product range
We are investing in diagnostics and our core surgical proposition, while also developing oncology within new specialist centres. We are also developing our high-acuity proposition, while growing our new networked specialist services, Spire GP and Children and Young People.

Effective sales and marketing
We are optimising our multi-channel marketing strategy and increasing our marketing investment to make us the leading private healthcare brand.

Easy to do business with
We are creating an outstanding patient experience by integrating our systems with our partners' platforms and enabling direct patient and partner bookings through dedicated portals.

Pricing excellence
We continue to strengthen our pricing governance and reporting, through the development of new, market-leading dynamic self-pay pricing capability, to support improved revenue management.

Plans for 2020
- Build our new imaging/diagnostics booking portal
- Open new cancer and musculoskeletal specialist centres
- Open Spire Nottingham High Acuity Centre
- Collection and sharing of outcome data to support value-based commissioning
- Develop new GenesisCare partnerships

Patients say they would be 'likely' or 'extremely likely' to recommend Spire Healthcare

96%

Source: Patient Discharge Survey

Private revenue growth 2019 vs 2018

5.8%

PMI revenue growth 2019 vs 2018

7.0%

Self-pay revenue growth 2019 vs 2018

2.7%

2. Key partner of the NHS

We are building on our strong local relationships with NHS commissioners and GPs and maintaining our compliance with NHS requirements.

Strong relationships
We will maintain effective engagement with key influencers of NHS policy and strong local relationships with key local partners – clinical commissioning groups, trusts and the GP network.

New contractual models
Alongside standard acute contracts, we will look for long-term sub-contracts with commissioners in chosen markets and value-based commissioning/sharing value for incremental volume.

Operating discipline
We will seek alignment of NHS services to prevailing tariff/contractual models and maintain operating discipline to ensure commercial outcomes and optimal efficiency.

Compliance
We are working towards full integration with NHS digital development, while maintaining compliance with NHS contractual requirements, rules and regulations.

Plans for 2020
- Deploy NHS analytic tool to all hospitals
- Continue to be an active partner to the NHS integrated care systems in key markets
- Identify key NHS development markets for value-based contracts and/or partnerships
- Rollout of NHS digital services

NHS revenue growth 2019 vs 2018

5.0%

Increase in NHS e-referrals 2019 vs 2018

7.8%

Increase in admissions from NHS e-referrals 2019 vs 2018

0.9%

3. Uncompromising on patient safety and clinical care

With a proven governance model and the lowest level of patient harm in our sector, we are fully focused on patient safety.

Outstanding clinical quality
We will match, then exceed best in class, with 'Good' or 'Outstanding' CQC ratings across all our sites and a focus on consistently good patient engagement and feedback.

Uncompromising patient safety
We aspire to have the lowest level of patient harm incidents in the sector – our patients, colleagues and Consultants have the skills and support needed to improve patient safety in the whole system.

Outstanding medical and clinical governance
We have a proven medical governance model, with an intelligent, dynamic and effective Ward-to-Board governance reporting system and an embedded learning culture.

Plans for 2020
- *Reduction in use of agency staff*
- Expand our high acuity business in Manchester and Nottingham
- Pilot electronic pre-operative assessment
- Improve patient engagement

Unplanned returns
per 100 theatre visits

0.13

Regulatory inspections
Hospitals inspected during the year

11

(2018: 7 inspected)

Hospitals rated 'Good' or 'Outstanding' by the CQC and its equivalents in Wales and Scotland

85%

Patients say they 'felt in safe hands' when receiving care at Spire Healthcare (source: Patient Discharge Survey)

98%

4. Improving revenue, profit and cash

Improving quality, efficiency and providing personalised care is helping us grow revenue and profit.

Improving revenue growth
By improving quality, building strong partnerships with PMI providers, and through effective sales and marketing, we aim to make market share gains in PMI. In addition, as we refine our self-pay product suite and selectively partner with the NHS, we aim to deliver improved revenue growth for the Group.

Focus on efficiencies to improve profit conversion
We are identifying numerous opportunities to improve efficiency within our operations to ensure a greater conversion of revenue to profit in the future.

Generate cash to reduce debt
We remain focused on cash generation through a disciplined approach to capital expenditure and intend to further reduce net bank debt, and therefore leverage, over time.

Plans for 2020
- Continue PMI market share gains through strong relationships with our partners
- Deliver savings on prostheses
- Continue to reduce debt and the covenant leverage

Revenue growth
Revenue growth delivered in 2019, the highest since our IPO

5.3%

EBITDA converted to cash

109%

(2018: 103%)

Net debt to EBITDA as determined by our banking covenant

2.99x

(2018: 3.27x)

Key performance indicators

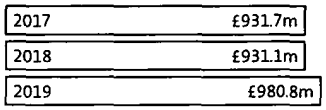
Strategic priority 1:

First choice for private healthcare

Group revenue

£980.8m

Revenue grew by 5.3% in 2019.



Private revenue

£670.6m

Private revenue increased by 5.8% in the year.

Patient satisfaction

96%

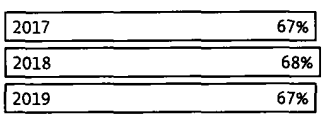
When asked 'How likely would you be to recommend Spire Healthcare?' 96% of patients responded 'Likely' or 'Extremely Likely', with 80% responding 'Extremely Likely'.

* In April 2018, a new patient satisfaction survey was introduced. This online survey is offered to all discharged patients and is issued two to three days post-discharge to allow patients time to reflect on their experience.

Consultant satisfaction

67%

When asked 'How would you rate the quality of service you receive from this hospital?' Consultant satisfaction fell very slightly to 67% in 2019.



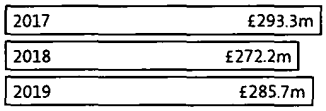
Strategic priority 2:

Key partner of the NHS

NHS revenue

£285.7m

NHS revenue increased by 5.0% in the year.



Strategic priority 3:

Uncompromising on patient safety and clinical care

Unplanned readmissions

per 100 discharges (2018: 0.21)

0.19

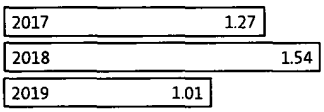
We continued a low level of unplanned returns and *readmissions, reflecting our strong record of* treatment effectiveness.

Post-operative mortality

per 10,000 theatre visits

1.01

Post-operative mortality within 31 days of surgery decreased in 2019.

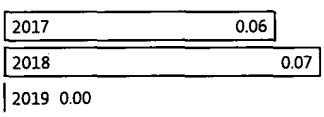


MRSA

infection rate per 10,000 bed days.

0.00

In 2019 there were no reported cases of MRSA in our 39 hospitals.

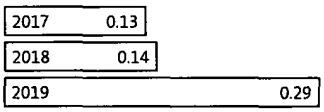


C.difficile

infection rate per 10,000 bed days*.

0.29

Infection rates increased slightly but remained low.

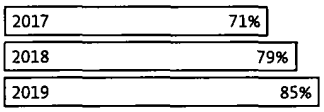


* 4 cases.

CQC rating

85%

Percentage of sites rated 'good' or 'outstanding' by CQC and Scottish and Welsh equivalents (2018: 79%).



Unplanned returns

per 100 theatre visits (2018: 0.11)

0.13

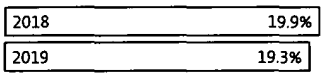
We measure our strategic and operating progress using a range of financial and non-financial performance indicators

Strategic priority 4:

Improving revenue, profit and cash

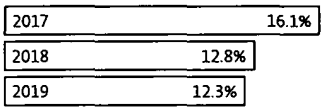
EBITDA margin
Post IFRS 16

19.3%



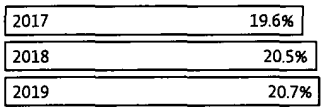
EBITDA margin
Pre IFRS 16

12.3%



Clinical staff costs as a percentage of revenue

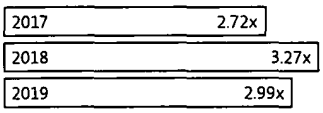
20.7%



Net debt/EBITDA

2.99x

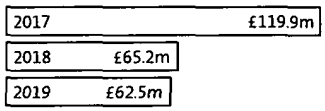
With improved capex allocation and working capital control, we have reduced net bank debt by £43m, leading to a reduction in net debt to EBITDA.



Total Capex*

£62.5m

Capex reduced by only £2.7m. We consulted with our hospitals and Consultants to help prioritise our spending.

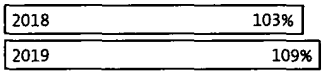


* Capex in 2017 included investment relating to the completion of the new Spire Manchester and Spire Nottingham hospitals, and the redevelopment of Spire St Anthony's Hospital.

Conversion of EBITDA to cash

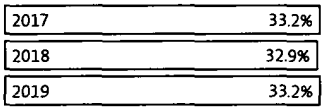
109%

Conversion of EBITDA post IFRS 16 to operating cash flow before exceptional items and taxation increased to 109%.



Other direct costs* as a percentage of revenue

33.2%



* Comprises direct costs and medical fees. For more information, see page 80.

Other key measures:

Employee Engagement Index

81%

Percentage of colleagues engaged at work, based on a series of key engagement questions in the autumn employee survey, up from 79% in 2018.

Our strategic initiatives

Our four strategic initiatives will allow us to deliver on our Purpose and transform the business

We have worked hard this year to create an operational and HR model that works in partnership, to support the care we offer patients every day. We are focused on our Purpose and have clear common goals that maintain our collective commitment to putting patient safety and clinical quality at the top of our agenda, while hitting our targets, investing in our people and keeping our promises.

We have embarked on an exciting three to five-year transformation programme centred around four strategic initiatives that cover **our people, our patients, growth** and **operational efficiency**. Together, we have put in place a framework to ensure we have the right people and processes to deliver high-quality patient care consistently, grow the business and to maximise returns for shareholders.

John Forrest
Chief Operating Officer

Shelley Thomas
Group HR Director

Strategic initiative 1:

Our people

Colleague engagement

81%

By focusing on our people, we were able to record a high colleague engagement score again in our autumn 2019 survey.

Investing in our people and partners

A strong focus on our people and partners in 2019 enabled us to achieve 85% 'Good' and 'Outstanding' CQC ratings across the Group by the close of the year, along with an 81% colleague overall engagement score. We invested in our teams, introducing new forms of recognition, additional holiday entitlements, enhanced private medical cover and other benefits. We also released every single colleague to take part in offsite and onsite sessions to launch our new Purpose.

We invested time in 2019 to get the balance right between those things we do that need to be standardised across the Group, while also empowering our colleagues locally. Some things can be done more efficiently at the support centre, while others are better served by decisions made at local level. Our new Purpose is helping us get this right and, in doing so, is strengthening our culture across the business.

Leadership

As a people business, it is important that our leadership team is fit for the future. We have been working with our leadership teams across the country throughout the year to ensure all of our major initiatives are leader-led by our hospital directors to secure local commitment and buy-in. We have also reviewed our structures to create more efficient regional support teams who work in partnership with local hospital senior management teams.

We have streamlined our local, non-clinical teams into three regional operations, each led by a regional director. The function of the regional teams is to make sure the hospital directors are supported to deliver our Purpose, to create a culture of continuous learning and to hit our targets. Our business and sales are founded on local relationships, as all Consultant bodies are local – what's important is that we can use Spire Healthcare's national brand and our central commercial expertise to develop local operations, local best practice and local relationships.

Attracting and retaining great people

We are very fortunate to have a team of clinicians and other colleagues who are passionate about patient safety and providing the very best in patient care. However, talented healthcare people are scarce and highly sought after. We face the same recruitment pressures as others in our sector, so need to offer the best place to practise and work. We have asked our people to think about 'Why Spire is for me' and are looking deeper into how we find the right people, keep them at Spire, help them grow and develop their careers, and reward them fairly.

With a highly talented and sought after workforce, we have had to focus really hard on retention. Recognising the importance of stable teams, we've introduced a new measure this year called the 'rookie ratio', focusing our leaders on reducing the number of colleagues who have worked with us for less than one year through improved retention. This is all managed at the hospital level and we have seen a distinct reduction in the volatility of our workforce.

We are actively seeking to reduce our reliance on agencies by recruiting new permanent teams from the UK and overseas and also expanding our employed flexible workforce. We are also building our internal pipeline through robust succession planning, growing our own and promoting from within. We are proud to be maximising our apprenticeship levy and have had 328 apprentices on our programme, since it began in 2017. This includes nurses who are studying for degrees via this route.

Our new Purpose is strengthening our culture across the business.

Strategic initiative 2:

Patient satisfaction and safety

Patient satisfaction

96%

Patients saying they would be 'extremely likely' or 'likely' to recommend Spire Healthcare.

Source: Patient Discharge Survey

Committed to quality, safety and patient care
We continue to openly share our Quality Governance Report online to demonstrate our performance and progress against 10 key indicators, along with details of our CQC inspection results. This is a key part of our commitment to quality, safety and patient care, and the information we provide helps to inform patients considering their choice of healthcare provider. Our levels of patient satisfaction remain high, with 96% saying they would be 'extremely likely' or 'likely' to recommend Spire Healthcare. This figure is based on online surveys which patients complete at home, following discharge.

Clear patient proposition
During 2019, we outlined a clear patient proposition that will guide us over the next five years. We want to be recognised for the specialist care we provide, and we are developing high acuity centres for cardiothoracic, neurology and complex orthopaedic surgery in key locations, as well as specialist centres for oncology and musculo-skeletal orthopaedics. Our use of innovative techniques and technology, such as robotic assisted surgery, will also be important.

Easier and faster access to services
There is a growing demand by healthcare consumers to find out "What's wrong with me?" quickly, in a high-quality environment. We want to be known as experts in diagnosis and are investing in developing our diagnostic capability, including imaging and pathology. We have developed a successful out-patient diagnostic centre model at Watford and are rolling this out, along with expanding our hospital capacity. We offer a leading pathology service and are forming new partnerships to extend our reach. With our new digital patient and partner portals, which are now taking over 5,000 bookings a month, we are also making it easier and faster for patients and our GP and PMI partners to access our services.

We are making it easier and faster for patients, GPs and PMI partners to access our services.

Strategic initiative 3:

Growth

Revenue growth

5.3%

Our investment in quality, together with our targeted marketing campaigns, have driven good growth across the Group.

Revenue growth across all payor groups
Private Medical Insurance (PMI) is a key long term driver for the business and represents just over 50% of our sales. Our targeted direct marketing campaigns and investments in quality have driven good growth, with revenue up 7.0%.

In self-pay, we focused on core clinical procedures in 2019, and reduced our volumes of procedures such as bariatric surgery. As a result, revenue growth of 2.7% was lower than in previous years, although out-patient revenue growth was strong at 7.4%, with patients seeking to find out "What's wrong with me?" quickly.

We are selectively opening new service lines in the NHS and achieved revenue growth of 5.0% in 2019, including out-patient revenue growth of 4.7%. Growth in higher revenue total hip and knee replacements and NHS tariff increases offset a decline in the volume of lower revenue arthroscopic surgery.

Improving our marketing and retailing
We recognise the importance of being a leader in marketing and retailing private healthcare, since the most effective way of expanding our market is to ensure people are more aware of the options to self-fund their medical treatment.

Understanding our patients' needs is vital to tapping this demand effectively, as is knowing what the barriers are, and how can we overcome them. Over the past few years, we have invested in our insight capabilities, to understand consumer drivers for choosing private healthcare, barriers to going private, and what patients need from their hospital experience.

Our research shows that providing quick and easy access to diagnosis meets a fundamental need for our target market – when people have a health problem or notice a symptom, it is normal to want to quickly find out "What's wrong with me?"

Quality of care, with access to leading Consultants and the most advanced technology, well-organised personalised care, a choice of treatments not always available on the NHS and flexibility in the choice of appointment times are all important factors for patients.

At Spire Healthcare, our aim is to enable patients to access our services quickly, efficiently and on a cost-assured basis. We are seeing significant growth in our online booking system for self-pay consultations, and our patients can also book private GP appointments. We continue to improve our overall digital platform, including the patient portal, which will become a key vehicle for patient communications.

Along with the investments we are making in our estate, people, IT and equipment, we are looking towards new partnerships that add value to the Group and our patients. For example, in 2019 we partnered with the OrthTeam, a leading group of Orthopaedic Consultants in the North who work with many top sports stars, to open a joint venture facility next to Spire Manchester Hospital.

Our centrally coordinated marketing campaign is driving growth and brand awareness in the sector and helping us to build a strong reputation for quality with insurance providers. They are responding well to our campaigns and we have agreed new long-term contracts with Bupa and AXA during the year, whilst capitalising on new networks within AVIVA and Police Mutual which we entered at the end of 2018.

Our marketing activity overall has contributed towards an increase in the number of patients using our services over the year.

Building Consultant relationships
Our relationships with Consultants are vital to growing our business and we have focused on engagement in 2019, with our Executive Team and Medical Advisory Committee Chairs getting out to meetings at our hospitals and at medical societies. We've been running a series of dinners with Consultants – some recently qualified, others well established and those looking to retire – trying to understand their needs, to determine what influences their choice of where to practise and to enable us to outline our uncompromising focus on patient safety and quality.

We also continue to enhance our Consultant proposition – making it safe and easy to practise with us, helping Consultants set up and build their own practice, providing great facilities and equipment, and offering them the chance to work with great hospital teams.

Consultants have told us that they need better information, and so we have developed an app for Consultants and medical secretaries, which allows them to manage their patient lists and interact with our colleagues and systems more effectively. Usage of the app increased over the course of the year with over 6,000 registered users by year end.

At Spire Healthcare, our aim is to enable patients to access our services quickly, efficiently and on a cost-assured basis.

GenesisCare

Our partnership with GenesisCare
Oncology is an important specialty for Spire Healthcare, with significant potential for profitable expansion, generating 16% revenue growth in 2019. We announced a new partnership with GenesisCare in Bristol during the year, to create an integrated, end-to-end, private cancer proposition. We believe this will present PMI providers with a credible, high-quality, alternative to the NHS and an improvement on the current private treatment pathway. This often requires a patient to switch between various providers, including the NHS, for diagnosis, treatment planning, chemotherapy, radiotherapy and surgery. The new integrated pathway will deliver an improvement in patient coordination and oversight.

The first stage of this partnership entailed the disposal of Spire Oncology Centre South West in Bristol and the transfer of some of our colleagues to GenesisCare. However, we will retain a 50% share of chemotherapy gross profits generated at the site, and provide diagnostics and surgery. GenesisCare will contribute its leading expertise in radiotherapy, treatment planning, and innovation in areas such as its electronic multidisciplinary team approach.

This partnership in Bristol is expected to form the template for future partnerships and we have signed a Memorandum of Understanding with GenesisCare to work towards rolling out similar care pathways at other sites.

Strategic initiative 4:

Operational efficiency

Investment

£62.5m

Invested this year on enhancing our facilities and purchasing new equipment.

One best way

We started a transformation programme in 2019, to improve our processes and work more efficiently across the Group. Because our hospitals were all run independently, we recognised that there was an opportunity to drive efficiency and improvements through business standardisation. The change was largely a 'bottom-up' process. We talked to colleagues at our hospitals to find out the 'One best way' to do things and share best practice. An early success was a new standardised approach to handling patient records, saving around £1 million across our 39 hospitals.

Rebuilding our IT

The aims of the transformation are wide ranging – from integrating and automating our systems, to making procurement synergies and transforming our Imaging and Pathology services. We have built new IT capabilities and recruited a highly-experienced new Chief Information Officer to lead this transformation, and we have now identified more than 85 digital projects to work on over a five to seven-year period.

We have put these projects into a priority order, and we are now moving forward with them – for example, we have been building a new people management system, we are trialling the automation of NHS referrals and we are building and testing electronic pre-assessments, the first step in a patient's electronic journey. These initiatives will provide efficiency benefits – freeing up more time to deal with patients and helping us to increase our capacity.

There are many more projects in the pipeline, such as standardising and automating our approach to theatre management, optimising our out-patients process, and moving towards a more efficient revenue and capacity management model.

Investments and procurement

Our investments in quality and our core estate continue, with around £62 million this year going towards enhancing our facilities and purchasing new equipment. A significant proportion of this has been committed to maintenance, with around £4m funding for theatre and bedroom refurbishments. The remainder has been spent on capacity enhancements, including a new theatre and out-patient bedrooms at Spire Bushey Hospital, a new orthopaedic out-patient centre at Spire Manchester Hospital and the purchase of a site to build a new out-patient facility at Spire Yale Hospital.

We have also developed a more standardised approach to our procurement activities this year. This has allowed us to procure capital equipment in bulk and drive cost savings or, in some cases, buy premium products and Consultant-preferred equipment at a standard price. In some areas, such as knees and hip prostheses, we have been able to rationalise the number of suppliers we use, streamlining the list to help us simplify the process, negotiate discounts and achieve better control of what we are buying and when.

We undertook a condition audit across the estate in 2019 and this will feed into our £70 million capital plan for next year. We already have refurbishments scheduled for the fabric of buildings and plans in place for new equipment and technology over the next five years.

We are also investing in regulatory compliance, to address fire safety and engineering requirements, and we will be making significant upgrades to our imaging, diagnostics and pathology departments. We are targeting areas where our Consultants and patients will really notice the difference and benefit from an enhanced healthcare experience. Crucially, by providing even more rapid access to diagnostics, we will make it easier for patients to find out "What's wrong with me?"

By providing even more rapid access to diagnostics, we will make it easier for patients to find out "What's wrong with me?"

Healthier food, healthier patients
When looking at the scope of our transformation programme, we realised that there are many areas where we can work together and drive improvements across the business. One of these concerned the food we serve to patients at our hospitals. With every hospital offering its own menu, we were not providing a consistent patient experience and had no real control of the nutritional value of the food on offer. We now have a standardised menu across all sites and use fewer suppliers. This means we can maintain the quality of all food served, control any allergens that may be present and target menus towards different kinds of patients, to maximise the benefit of their diet during their stay with us. So far, the new menu has been very well received with excellent patient reviews.

Purpose in action: Spire Manchester Hospital

When the local NHS Trust began a lung health check pilot in Manchester in 2018, it proved so successful that it quadrupled lung cancer early diagnosis rates. This inevitably led to more patients requiring thoracic surgery and an urgent need to increase capacity to meet the demand.

The grim reality of lung cancer is that so many people live with the disease, undetected, until there is nothing that can be done. That's why the Manchester University NHS Foundation Trust devised and implemented a targeted screening pilot to offer on-the-spot CT scans in shopping area car parks. Four in five of the cancers diagnosed in the pilot were still in the more curable early stages (1 and 2), compared with one in five patients diagnosed through the usual pathways after reporting symptoms.

The success of the screening programme saw it expanded in 2019 and with the early diagnoses came new demand for thoracic (lung) surgery. The main centre in Manchester providing thoracic surgery is Wythenshawe Hospital, which is located in South Manchester. Wythenshawe is an exceptional NHS hospital and is also the region's leading heart transplant centre, but their leading thoracic surgeons soon realised that there was a need to build capacity to save more lives.

They approached the Hospital Director at Spire Manchester, our flagship hospital, also in South Manchester, to discuss the possibility of collaboration between Spire Healthcare and the Trust. Our hospital is very modern, built over three storeys in 2017, with a state-of-the art critical care unit and a suite of six very well equipped theatres. We certainly had the facilities to take on this kind of complex surgery, but we had to convince them that we had the right people and capabilities.

Sam Chapman, our lead on the collaboration project, knew that bringing people from the NHS and Spire together wouldn't always be easy, but the common theme throughout was putting the patient at the centre of every process, emphasising safety and quality of care at all times.

In 2020, we hope to take on even more complex lung surgery and to increase the number of thoracic procedures carried out at Spire Manchester Hospital. We are building our own confidence and the confidence our NHS partners have in us, replicating further the type of care they provide, so that the transition between hospitals is as seamless as possible. This project demonstrates how collaboration between the independent sector and the NHS can make a positive difference to patients' lives.

CQC rating

Overall	Safe	Effective	Caring	Responsive	Well-led
Outstanding	Good	Good	Outstanding	Outstanding	Outstanding
☆	●	●	☆	☆	☆

Making a positive difference
"The passion from both sides to achieve something special was evident and having worked in the NHS for 33 years, I was impressed by the way in which the medical professionals from both hospitals worked together, with knowledge sharing both ways. The clinical specialists at Wythenshawe are outstanding, and our colleagues have learnt so much, all the way from our physios and ward colleagues to our critical care nurses."

Sam Chapman
Collaboration Lead
Spire Manchester Hospital

Our Purpose affects everything we do, and goes beyond making a positive difference to our patients' lives. It has an impact on our stakeholders and the environment in four key areas:

– Investing in our people /page 41
– Our stakeholders/page 44
– Environmental impact /page 44
– Community spotlight /page 46

Our Purpose and values are at the heart of how we make a positive difference to our people, partners, suppliers and other stakeholders, along with the environment and the communities we serve. We promote a low-carbon culture across our sites and continually review how we operate our buildings and infrastructure to reduce energy use, improve carbon efficiencies and manage our operational risks more effectively.

Investing in our people

We depend on our people – our nurses, theatre colleagues, allied health professionals, non-clinical support and bank colleagues – to cement our internal and external relationships and help build on Spire Healthcare's strong reputation in the market. We have worked hard to embed our Purpose in 2019 and this has contributed very positively to our culture. Our colleagues are fully engaged with our business strategy, live up to our values, work collaboratively to support each other and are, most importantly, dedicated to clinical safety and to providing outstanding personalised patient care.

Strong leadership
Investing in our leadership is vital as strong leadership is an important influence on our culture and key to our future success. Our leadership competencies help us to review the performance of our senior hospital management team and non-clinical colleagues. In 2019, we introduced a new succession planning process, to allow us to identify and develop talent across our business.

We also introduced our new leadership development programme called Well-Led. The programme focuses around three categories, which reflect our Purpose and values – Being Outstanding, Succeeding Together and Delivering on our Promises. The programme will be available at all levels of our organisation, as part of our new learning and development framework, and will build capability around personal leadership, leading teams and delivering results.

Diversity and inclusion
We are passionate about diversity and inclusivity within the organisation, and in particular supporting women to become leaders within the business. We have good female and BME representation on our Board and Executive Committee and can highlight real progress this year on our reporting for the 2019 Workforce Race Equality Standard. Our submission shows that we now hold ethnicity data on 95.9% of all colleagues – up from 83% in last year's report. This increase in data has resulted in an increase in the percentage of colleagues reporting as BME from 8.2% last year to 20.2% this year. For the first time, we have been able to report this year on ethnicity of our job applicants and 16.8% of all short-listed candidates are from BME backgrounds.

Developing the next generation of healthcare professionals
A key part of investing in our people is to develop the leaders and professionals of tomorrow.

We continue to develop apprenticeship programmes, making full use of our apprenticeship levy. These cover a wide range of areas, including accountancy, business analyst and HR roles, but our primary focus remains on clinical apprenticeships and leadership development. Existing colleagues are encouraged to apply and anyone joining us will be offered Healthcare Assistant (HCA) training as part of their interview process.

Our Level 3 Apprenticeship Standard is flexible and offers theatre and adult nursing pathways, making it possible for an apprentice to progress from HCA training to a higher-level programme. Participants can qualify for our new three-year Operating Department Practitioner (ODP) Degree Apprenticeship scheme with Derby University, which was launched in May 2019. We have a growing cohort of 11 apprenticeships in pathology, with new and existing colleagues joining our Medical Laboratory Assistant (MLA) scheme in 2019. We also trialled an apprenticeship for the new Nurse Associate role introduced by the NHS and have one nurse already working on her degree through Salford University.

During the year, we launched a new clinically-focused course aimed at clinician and non-clinician line managers in the business, supported by South Teesside NHS Trust. It is a 12-month programme that provides leadership development but is specifically focused on managing in a clinical environment.

By the end of 2019, 328 colleagues had undertaken an apprenticeship since the programme began in 2017. This represents a big increase during the year. We were recognised for the first time by the National Apprenticeship Awards and one of our apprentices was runner-up in the Rising Star category.

Number of apprentices since 2017

328

We are also partnering with a global initiative, the Nightingale Challenge, to develop young nurses and help them to become leaders of the future. The programme sees us investing in more than 20 nurses over and above their clinical skills to help them take a more active involvement in the business and become leading practitioners and advocates in health. Our approach to the Nightingale Challenge takes a less academic route, but it gives the nurses excellent exposure and access to sponsorship. They will also take part in mentoring circles that include our Non-Executive Directors, and will receive senior support at the highest level of the business. The programme launched just after year end, in January 2020.

Valuing and rewarding colleagues
We have a clear framework for rewarding and recognising colleagues across all roles and functions. We offer competitive salaries and benefits packages.

In addition to our management bonus scheme, our people can be recognised by managers and colleagues through our 'Spire for You' platform, with more than 5,300 colleagues having received an 'Inspiring People' award in 2019. As well as nominating colleagues for cash awards which range from £25 to £1,000, colleagues can also recognise their peers with virtual cards and messages.

In 2019 we launched our first employee Save as You Earn scheme in May, which encourages share ownership among colleagues. This was well received and saw a 20% take-up rate, with colleagues saving between £5 and £100 a month. Save as You Earn runs for three years, after which colleagues can choose to become shareholders in the business.

Under auto-enrolment regulations, total minimum pension contributions from the employee and employer increased to 9% in 2019. At Spire Healthcare, as part of our investment in our people, we decided to increase our employer contributions by 1%, so that colleagues did not have to pay the additional 1% themselves.

Other improvements during 2019 in the benefits we offer our colleagues were enhancements to their private medical insurance package and changes in annual leave.

Investing in the wellbeing of our colleagues is another key priority for us. Our Employee Assistance Programme gives colleagues access to advice on difficult matters, related to both work and domestic life. A new Health and Wellbeing resource also went live on 'Spire for You' in 2019, covering advice and planning on mental, physical, financial and diet issues. This was accompanied by a wellbeing and stress awareness campaign during the year.

During the year, we also held 'restart a heart' training and 'know your numbers' (British Heart Foundation's campaign to monitor blood pressure) at various sites. Flu jabs were again offered to all colleagues across the Group, with a high take-up.

Engaging our colleagues
We use a range of two-way communications channels to communicate and engage with colleagues and, crucially, to listen to them and receive their feedback. We hold a significant number of face-to-face events throughout the year, with colleagues in different roles. This includes an annual Leadership Conference for 250 leaders from across the business, quarterly senior leadership meetings, and quarterly 'town hall' meetings in our two main office sites that are normally led by Justin Ash, our Chief Executive Officer. In addition, we have introduced dedicated Hospital Director meetings during the year.

We have also seen excellent participation in our twice yearly 'All hands' colleague conference calls, which update colleagues on what's happening in the business and give colleagues from across the country the opportunity to hear from Justin Ash and ask him questions.

In order to ensure Board oversight and visibility of colleague engagement, we have started to invite a nominated Non-Executive Director to participate in existing organised events. This helps to build a stronger bridge between the front-line and the Board.

We recognise that the vast majority of our people are not desk-based and to help improve access to business news and interaction between colleagues, we are developing a colleague communications and engagement app, which will be launched in 2020.

We have also been building a new Oracle-based people management system, which will help our people work more effectively, providing manager self-serve and colleague self-serve options to help them access what they need. It is a big investment and is due to launch during 2020. It will include a new learning management system, allowing colleagues to learn and grow wherever they are in the business.

We continue to survey all colleagues and more people are choosing to respond online. In 2019, we carried out two surveys, one at the start of the year, and one in the autumn. The most recent survey recorded an overall engagement score of 81%, which exceeded external benchmark rates of 71% and was ahead of our survey earlier in the year, where the engagement score was 79%.

In line with our Purpose and commitment to patient safety, 82% of colleagues agreed, in the most recent survey, that our top priority is delivering the highest quality healthcare. However, we recognise that there is always more we must do to maintain high levels of engagement. We are determined to act on feedback we receive from colleagues, both through the surveys and the various forums we hold, and we create local and organisational action plans to change the things that matter most to our people.

Whistleblowing and Freedom to Speak Up Guardian
We want colleagues to feel confident and empowered to raise any issues or concerns they may have and we have a robust whistleblowing policy in place. Our whistleblowing helpline is managed by a third-party provider, enabling colleagues to raise any concerns they may have about issues of safety or wrongdoing anonymously. All concerns received through the helpline are sent to the Group Company Secretary for review, and to ensure that they are appropriately investigated and concluded.

We also extended Freedom to Speak Up Guardians to our non-clinical sites during 2019. As more people contact the Freedom to Speak Up Guardians, we are seeing fewer calls to the whistleblowing helpline.

Awareness of our whistleblowing policy and Freedom to Speak Up Guardians among colleagues is high. In the survey carried out in early 2019, 93% of colleagues said they knew how to raise concerns through the whistleblowing helpline and 86% of people knew about the Freedom to Speak Up Guardians.

Percentage of colleagues agreeing that our top priority is delivering the highest quality healthcare

82%

Anti-bribery and corruption
Spire Healthcare's Anti-Bribery, Gifts and Hospitality policy extends to all its employees. We take a zero-tolerance approach to bribery and corruption and we are committed to conducting our activities free from any form of it. We expect the same from any third parties providing services for us or on our behalf. Employees who fail to comply with the requirements of our policies and standards may face disciplinary action, including dismissal.

Gender pay gap
Our workforce is broadly 80% female and weighted to older employees. It includes 24% temporary workers (predominantly bank colleagues comprising nurses and other clinical staff).

Employees	Male	Female
Overall employees	2,510	10,820
Senior managers	36	42
Board members	7	3

We are required to report gender pay gap figures for our main employing entity – Spire Healthcare Limited – covering 98% of all reportable employees of Spire Healthcare Group plc. In the interests of full transparency, we have supplemented the statutory disclosure requirements with additional data that captures relevant employees across the Group.

The gender pay gap required by the Gender Pay Gap Regulations represents an average figure. This is distinct from 'equal pay', which considers whether men and women are paid the same for carrying out the same work, or work of equal value.

Key findings
In 2019, the overall median gender pay gap in both Spire Healthcare Limited and the Spire Healthcare Group (9.0% and 8.4% respectively) was down on last year and is considerably lower than the Office for National Statistics (ONS) provisional national average of 17.9% (as per its publication in October 2019).

Our mean gender bonus gap is 48.2%, down 16.6% from 64.8% in 2018, and our median gender bonus gap is up 21.7% to 25% from 3.3% in 2018. In 2019, 3.5% of males received a bonus (up 1.3% from 2018) compared to 3.2% of females (up 0.9% from 2018).

How we are responding to the gender pay gap
Spire Healthcare is committed to diversity and inclusivity, and in particular supporting women to become leaders within the business. Our Reward Framework is providing greater consistency between roles and locations, assisting in addressing pay anomalies and we believe, in time, will help reduce our gender pay gap. Our Competency Framework will also be used to drive consistency and assist their development as well as being used for talent and succession planning moving forward.

We will continue to monitor our gender pay gap and we are committed to taking steps and spotting opportunities to reduce it further.

Entity	Spire Healthcare Limited		Spire Healthcare Group plc *(including Spire Healthcare, Spire Healthcare Limited and Montefiore House Limited)*	
Number of employees (includes bank workers)[1]	11,272		11,498	
Women's hourly rate is:				
Mean	16.9% lower		20.4% lower	
Median	9.0% lower		8.4% lower	
Pay Quartiles:	***Men***	***Women***	***Men***	***Women***
Top quartile	25%	75%	25%	75%
Upper middle quartile	15%	85%	15%	85%
Lower middle quartile	17%	83%	18%	82%
Lower quartile	17%	83%	18%	82%
Women's bonus pay is:				
Mean	48.2% lower		48.3% lower	
Median	25% lower		25% lower	
Who received a bonus?				
Men	3.5%		3.4%	
Women	3.2%		3.1%	

1 In line with Government reporting requirements, the number of employees stated in the table above is the number of colleagues who received full pay in the pay period April 2019. This accounts for the difference between this figure and the number in the table to the left, which is a snapshot of employees as at 31 December 2019.

Our stakeholders

Stakeholder engagement
Set out below are some of the ways Spire Healthcare engages with its key stakeholders. Not all information is reported directly to the Board and not all engagement takes place directly with the Board. However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the Board or one of its committees.

Patients: There is continuous engagement with patients before, during and after their treatment. There is a framework of customer and patient surveys with a number of questions mandated by regulation (e.g. Private Healthcare Information Network) or contracts (e.g. NHS). These cover major patient touchpoints such as admitted care and out-patients. In addition we hold regular patient forums at our hospitals.

Colleagues: You can read more about the many ways we engage with our colleagues on page 42.

Consultants: Our colleagues in hospitals regularly meet with Consultants, to plan individual procedures, understand their future needs and horizon scan for developing clinical innovation. In addition, we conduct biennial practice reviews of all our Consultants and Consultants are also all invited to complete an annual satisfaction survey.

Suppliers: We hold performance evaluation sessions with all of our existing suppliers with the frequency depending on the type of purchase and the risk profile of the goods or service supplied. Spire Healthcare's procurement team will undertake reference visits as part of tenders to seek evidence on a supplier's capability or to follow-up on complaints of poor service.

PMIs: Regular commercial and clinical review meetings are held with insurers covering contract performance, clinical and financial governance, member satisfaction and operational and clinical KPIs. We also work to agree and action strategic joint projects. This is a key part of the relationship management of our payors and therefore is conducted quarterly.

NHS: Local hospital and central leadership teams will regularly meet with representatives from NHS bodies such as CCGs, acute trusts, Department of Health and Social Care, NHS England/Improvement, NHS Digital and NHS Resolution. Our Chief Executive Officer, Justin Ash, also chairs the Independent Healthcare Providers Network (our trade body).

GPs: GPs will regularly attend educational events run by Spire Healthcare hospitals which support their continuing professional development. Hospitals also provide educational events on site in GP practices.

Care Quality Commission (CQC)/Healthcare Inspectorate Wales/Healthcare Improvement Scotland: Spire Healthcare hospitals will have particular focused contact with inspection teams pre, during and post formal inspections. The CQC also attended Senior Leadership Team, Registered Managers' Training and Medical Advisory Committee Chairs' conferences during the year to share knowledge and best practice.

Investors and lenders: Our Chairman, Senior Independent Director and Executive Directors met with institutional investors at individual meetings and analyst presentations as well as on roadshows. The Senior Leadership Team also delivered an evening of presentations on the business to Spire's banks during 2019.

Environmental impact

Looking after our environment
We recognise that we have a duty of care to the environment as well as our patients. We are passionate about treating patients and looking after people more broadly, and this includes contributing to a healthy environment.

We acknowledge that our activities give rise to carbon emissions, which contribute to climate change. We are committed to reducing our carbon footprint and have challenged ourselves to reduce our relative CO_2e (carbon dioxide equivalent) emissions by 15% on the baseline year of 2015 by 2020. Effective carbon emissions management is the spearhead of our environmental strategy because of its ongoing effect on wider resource management.

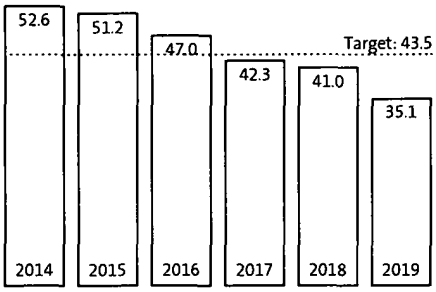
A key focus is to reduce carbon emissions associated with our usage of electricity and natural gas. The way we purchase, monitor, target and report on our buildings' energy consumption is undertaken in partnership with our energy consultants Inenco.

Energy targets vs performance
In 2016, we set out a five-year energy reduction target to reduce CO_2e from electricity and natural gas by 15% per pound of revenue by 2020 from the baseline year of 2015.

We use the intensity metric of carbon emissions per £ revenue which increases in proportion to the growth in our business. The addition of Spire St Anthony's (2014), Spire Manchester (2016) and Spire Nottingham (2016) to our portfolio added significant energy consumption over a short time period. Our values are based on providing excellence in clinical quality and innovation to our patients. As a consequence of continuing to meet these values, we will continue to grow, treat more patients, provide more treatments and offer the latest technology.

We achieved our energy reduction target ahead of schedule, as demonstrated below. Further detail on greenhouse gas emissions is set out on the next page.

Energy reduction target



This reduction has been achieved through:
- Monitoring and targeting utility benchmarking reports which are issued monthly to our sites.
- Investment in low carbon infrastructure, including LED lighting technology across the estate and modern, more efficient technology plant to replace end of life engineering plant.

Energy monitoring
Our hospitals receive monthly energy reports detailing utilities consumption and benchmarking them against similar-sized hospitals within the Group. The reports include dashboards at site and Group level detailing year-on-year performance. Our Regional Engineering Team audits and monitors our hospitals' carbon reduction action plans as part of our annual compliance auditing programme.

Capital investment in low carbon infrastructure findings
We continue to invest in our estate and engineering infrastructure to improve energy efficiencies. Key projects this year included investment in areas such as lighting, mechanical ventilation, building controls, steam raising plant and domestic hot water services.

- High efficiency lighting – on the back of the measured energy and aesthetic benefits of upgrading to LED lighting, we have invested in this area over recent years. This investment has helped to reduce our carbon footprint and we also benefit from the much-improved light quality that this technology brings. We have continued to install these systems during 2019, in line with the standard specification of our national refurbishment programme, to ensure we continue to reduce our electricity consumption and meet our stated energy reduction targets by 2020.
- High efficiency steam raising plant – new higher efficiency steam boilers were installed at Spire Cardiff, South Bank, Fylde Coast, Norwich and Bristol hospitals, which will deliver a reduction in energy consumption at these sites in future years.
- High efficiency ventilation systems – our critical ventilation plant ensures rapid air exchange within our clinical treatment areas to protect our patients from infection. By its nature, these systems are energy hungry. We replaced ageing systems at Spire Thames Valley Hospital in 2019. The new systems now include high efficiency control systems that operate in the most efficient way.

Our future decarbonisation approach – options appraisal
To enable an informed and considered decision on our future five-year carbon and environmental policy and strategy, we have engaged our expert external energy consultants to undertake an options appraisal for the future decarbonisation of our buildings, vehicles, waste streams, procurement processes and energy campaigns. The appraisal report will be completed in March 2020 and, further to Board review, will be used to support the development of both our 2020 carbon action plan and our future medium-term targets.

Legislation
Since becoming a publicly listed company in 2014, Spire Healthcare has discharged its responsibilities under the Government's CRC Energy Efficiency Scheme and we will continue to report on our energy consumption in line with the requirements of the upcoming Streamlined Energy and Carbon Reporting legislation.

We have taken all necessary steps to comply with the Energy Savings Opportunity Scheme (ESOS). The ESOS surveys were completed on schedule in 2019 and we will be inserting the audit report findings and recommendations into our future decarbonisation strategy.

Spire Healthcare was invited to participate in the CDP (formerly Carbon Disclosure Project) again in 2019. We made our fifth submission to the CDP this year and have retained our 'B' grading, which demonstrates our knowledge of our impact on climate change issues.

Greenhouse gas emissions in 2019
This section provides the emissions data and supporting information required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Total greenhouse gas (GHG) emissions for Spire Healthcare for January to December 2019 were 34,395 tCO_2e. The table below shows this, broken down by emissions source.

Notes to the table:

a) **Footprint Boundary**
An operational control approach has been used to define the GHG emissions boundary, as defined in the Department for Environment, Food and Rural Affairs' latest environmental reporting guidelines: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation."

For Spire Healthcare, this captures emissions associated with the operation of all our hospitals and other buildings such as clinics, offices and distribution centre, plus Company-owned and leased transport. As Spire Healthcare has no overseas operations, all emissions refer to UK operations only.

b) **Emission sources**
All material Scope 1 and Scope 2 emissions are included, plus Scope 3 electricity transmission and distribution losses. These include emissions associated with:
- Fuel combustion: stationary (natural gas and red diesel for backup generators) and mobile (vehicle fuel).
- Purchased electricity.
- Fugitive emissions (refrigerants, medical gases).

c) **Methodology and emissions factors**
This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions factors are taken from the Department for Business, Energy and Industrial Strategy emissions factor update published in 2019. There are no notable omissions from the mandatory scope 1 and 2 emissions. Approximately 9% of emissions are based on estimated data.

d) **Fugitive emissions**
These are attributable to the use of medical gases; carbon dioxide and nitrous oxide, (4,449tCO_2e), and leakage of refrigerant gases (1,446tCO_2e)

Emissions source	2014 (tCO_2e)	2015 (tCO_2e)	2016 (tCO_2e)	2017 (tCO_2e)	2018 (tCO_2e)	2019 (tCO_2e)	2019 share (%)
Fuel combustion: stationary	10,360	11,150	10,488	10,842	12,917	12,098	35%
Fuel combustion: mobile	1,124	1,112	952	1,314	1,145	1,209	4%
Fugitive emissions	6,543	7,152	8,288	6,128	6,936	5,895	17%
Purchased electricity	27,027	25,868	23,792	21,145	17,151	15,193	44%
Total emissions	**45,054**	**45,282**	**43,520**	**39,429**	**38,149**	**34,395**	**100%**
Revenue (£m)	856	884	926	932	931.1	980.8	
Intensity: tCO_2e per £m	**52.6**	**51.2**	**47.0**	**42.3**	**41.0**	**35.1**	

Engineering governance and compliance
To support the Group's quality and patient safety agenda, the estate in which we operate must be monitored, maintained and developed appropriately to satisfy our goals and remain fit for purpose. Our central estates and engineering teams were merged during 2019 into one directorate, ensuring our property portfolio, engineering and health and safety governance sit under a common leadership.

The identification, publication and management of risk associated with our estate and its operation is managed though annual audit alongside our clinical team. These audits are used to make this risk transparent, enabling a prioritised approach to risk mitigation. The resultant risk profile informs the business of future capital requirements, gives confidence that this capital is managed on a true risk basis and is targeted in the most efficient and effective way. The central estates team supplement the formal annual audits with regular routine visits that ensure our governance system is dynamic, with continual addition, closure and re-assessment of risk. This in turn future proofs the business.

Community spotlight

As a Company, we take a responsible approach to everything we do, stretching beyond the high-quality care we provide for our patients. We realise our business plays an important part in the communities in which we operate, and we have a duty to give back to these areas and contribute to their greater wellbeing. We also support people in other parts of the world who do not always have access to the vital healthcare they need.

Tropical Health and Education Trust (THET)
The international charity we have chosen to support is the Tropical Health and Education Trust (THET), an international organisation that focuses on healthcare and reflects our values and ethos as a Company. They are a small charity founded in 1988 that works hard to provide global access to quality healthcare. THET works in partnership with volunteers from across the UK health community in low and middle income countries in Africa and Asia.

Their work is vital as one billion people will never have access to qualified health workers throughout their lives. THET partners with hospitals and clinics in the UK and overseas to help improve health services by providing vital training to empower communities. Over the last decade, they have worked closely with NHS trusts and Royal Colleges to support 191 partnerships in delivering 210 projects across 31 countries in Africa and Asia. More than 2,000 NHS staff have volunteered overseas and trained 93,113 health workers.

While high quality of care is a critical focus for our organisation and a key driver behind our Purpose as a business in the UK, there are parts of the world where even basic knowledge and skills are thinly-spread or unavailable. We are not just supporting THET by donating the money we raised during our fundraising week, we are also lending our knowledge and skills in healthcare so that we can help make a tangible difference to patients' lives around the world.

Donations to THET are allocated to the programmes most in need of training or equipment. The focus is on quality improvement and medical education in a range of clinical areas, from mental health through to biomedical engineering and non-communicable diseases.

With the money raised this year, THET could train around 60 health workers, including 34 trainers who will go on to deliver future training in health themes like clinical audit, infection prevention and control, or palliative care.

Our partnership with the charity is planned to extend well beyond our fundraising challenge in 2019 and as a Company we will continue to support THET in future projects across the globe.

Spire to Spire Cycle Challenge 2019
Between Sunday 23 and Sunday 30 June 2019, we hosted our first ever Company-wide charity fundraising challenge. Across our network of 39 hospitals and at each of our support sites, we encouraged everyone to get involved in a range of activities, which ranged from bake sales, quizzes, raffles, tombolas and sweep stakes to fancy dress days, charity walks and fun runs. We produced posters to help colleagues promote local activities among their teams and with their patients, and we promoted the overall event centrally with regular press releases and posts on social media.

The headline event of the week was the Spire-to-Spire cycle challenge – not just a major fundraiser but a fantastic team effort and a great way to promote the health benefits of exercise. A team of colleagues, including our Chief Executive Officer Justin Ash and Chief Financial Officer Jitesh Sodha, cycled a testing 325km from our Dorset Rise office in London to Spire Bristol Hospital. The team was in the saddle for more than 15 hours and along the way they stopped off at our Spire St Anthony's, Spire Gatwick Park and Spire Portsmouth hospitals, as well as our Perform site in Southampton.

Along for the ride was Mark Beaumont, the record-breaking long-distance British cyclist, adventurer, broadcaster, documentary maker and author, who holds the record for cycling round the world in just 79 days. Mark made a fantastic contribution to the ride's success, raising money and keeping everyone positive. We would like to thank Mark enormously for devoting so much time to supporting the challenge.

Alongside the main cycle challenge, every hospital pooled their talents and hosted their own local charity cycle ride. Some of these were indoors on stationary spin or watt bikes, while others organised rides on their local cycle path or at a park.

By the end of the week, we raised an incredible £50,000 across the Company and covered 40,000km between us – the equivalent of one full lap around the world! Half of all the money raised was donated to THET. The other half was donated to a local charity or cause chosen by each hospital or site through its own vote, ballot or poll.

Purpose in action: Spire London East Hospital

Samuel Brain was just 17 years old when he was involved in a motorcycle accident and sustained severe spinal injuries that resulted in permanent paralysis from the waist down. As someone who uses a wheelchair all of the time, he conducted a complete patient audit at Spire London East Hospital.

When a young man who had suffered a serious accident came into our Spire London East Hospital, he had many questions about the facilities available to help disabled patients maintain their dignity. For Peter Harrington-Brain, the hospital's Operations Manager, it became clear that a full assessment was needed and that improvements would have to be made.

Peter's son was a similar age to the man who had visited the hospital and, having sustained serious injuries himself some eight years earlier, Samuel Brain was in a unique position to provide his dad, and our hospital, with some valuable insights. Samuel's experience in this area was extensive, having spent more than three years in the NHS's flagship spinal injuries hospital, Stoke Mandeville, prior to being discharged home to live independently, following his treatment and rehabilitation.

"I asked my son to come in and carry out a review of the current facilities for people with disabilities at Spire London East," says Peter. "Sam did the full patient journey, from the car park and the disabled bays, through access to the hospital, into physio, and into the Consultant room – he checked out the toilets, everything." Samuel then compiled a report, detailing lots of small things that could make a big difference for disabled patients. The hospital then acted quickly to implement his recommendations.

For example, he noticed that all the bins in the toilets were operated by a foot lever – these are now operated by a simple touch. Samuel suggested installing additional portable hearing loops into departments, wider doors, taps that are easy to turn on and off, and padded toilet seats to avoid pressure sores. He also recommended that the shower facility be updated, allowing wheelchair users to access it without having to be wheeled in and out and losing their dignity. These changes have all been made. Everything Samuel suggested would also be helpful for people using walking frames – such as hip or knee replacement patients and elderly people – not just patients in wheelchairs.

Shortly after Samuel delivered his full report and recommendations, these were taken to the Board for discussion. As a result, Peter was soon asked to roll-out the assessments across our whole estate. The work has also gained external recognition. "The CQC liked the disability report we produced at London East. They regard it as carrying real substance because it was done by a disabled person and recognises real needs," explains Peter.

Matthew Husband is also now involved with compiling the reports, and Samuel has struck up a great friendship with him. Matthew has suffered from juvenile rheumatoid arthritis from a very young age. This has involved a large number of hospital admissions and he has had multiple joint replacements. Between them, Samuel and Matthew have now completed three full hospital assessments – finding common themes and focusing on the quick and easy fixes that have seen big improvements for disabled patients.

Peter believes the work his son is doing plugs a vital gap in the healthcare market and is delighted by the impact it has had on Samuel, too. "There is nothing else out there, no one else doing this," he says. "And while Sam has always been very independent, in spite of his disability, I can't believe the difference in him over the last year. It's been a massive boost to his self-esteem, because he couldn't be sure he would ever find work. Now he's even planning to get his driving licence – and, working with Matthew, he is making a fantastic positive contribution to our hospitals."

CQC rating

Overall	Safe	Effective	Caring	Responsive	Well-led
Good	Good	Good	Outstanding	Good	Good
●	●	●	☆	●	●

Making a positive difference
"There is nothing else out there, no one else doing this, and while Sam has always been very independent, in spite of his disability, I can't believe the difference in him over the last year. Now he's even planning to get his driving licence – and, working with Matthew, he is making a fantastic positive contribution to our hospitals."

Peter Harrington-Brain
Operations Manager
Spire London East Hospital

Risk management and internal control

Responsibility for the Group's risk management and internal control systems lies with the Board of Directors

The Board has a consolidated view of key risks from across the Group. The Group's risk management and internal control processes are managed through the Audit and Risk Committee in association with the Clinical Governance and Safety Committee (CGSC).

Risk Management
The risk management framework is designed to identify, evaluate and mitigate the risks that the Group faces at all levels. The underlying process aims to provide robust management information to enable conscious risk-based decision-making.

As reported in 2019, the Group reviewed its Risk Management policy, in particular its methodology for all areas of its business whether clinical or non-clinical, and this brought it in line with the majority of the NHS and the private sector. Embedding the new risk management practice has been ongoing throughout 2019 at both the Corporate and Hospital level. All risks of the Group are now recorded on Spire Healthcare's risk management system. The work in 2020 will focus on gaining greater degrees of oversight and analysis across the Group from the risk management system to enhance integrated governance e.g. with the central clinical and health and safety functions, as well as being open and transparent. This will include any further improvements from the learnings of the Paterson Inquiry.

Utilising external sources of emerging risk information, for example the University of Cambridge Judge Business School Centre for Risk Studies' taxonomy of business risk, the Board and the Executive Committee have reviewed a range of potential emerging risks and their possible impact on the Group. In line with the FRC's Open Letter of 2019, the Board specifically considers the impact of climate change on the Group. Further commentary is included below.

The Board recognises the value of effective risk management in the business and that the Group needs to comply with the UK Corporate Governance Code for listed companies. The Board and its committees undertook a fundamental review of the risk management framework during 2018. In 2019, the Board and its Committees decided to invest further in risk management capability across the Group as the level of risk maturity increases within the Group. The Executive Committee's focus in 2019 has been on testing and challenging the Principal Risks through a more structured "top down" risk review and risk reporting and continuing to embed good risk practice at all levels of the organisation. The additional risk management resource earmarked for 2020 is to provide greater support to hospital management teams to sustain good risk management practice.

We use the risk register to manage all significant risks facing the Group. We assess risk in terms of consequence and likelihood. The Group risk management methodology captures the assessment of risk on a gross basis before existing controls are considered, and then current, after existing controls are included. The detailed registers also include management actions to further reduce risk exposures where considered necessary. Reporting of risk within the Group management information (e.g. to the Executive Committee and Audit and Risk Committee), is on a current basis, and the importance of each risk as presented in this report is on the current basis ranked by materiality.

All risks have an identified risk lead in charge of monitoring and mitigating the risk. All risk registers are reviewed in line with the Risk Management policy at intervals of one, three or six months or where there is imminent change in the risk environment such as legislation.

The Principal Risks fall under the following categories:

Clinical
- Delivering on Patient Safety & Clinical Quality
- Workforce

Financial
- PMI market dynamics
- Macroeconomic
- Competitor Challenge
- Insurance & Indemnity
- Liquidity & Covenants

Geopolitical
- Government and NHS Policy
- UK-EU Trade Negotiations

Technology
- Cyber Security

Social
- Brand Reputation

Governance
- Compliance and Regulation

Movement in principal risks of the Group
The external risk profile of the Group remains relatively unchanged from 2018. The risk posed by the shortage of clinical staff in the UK, and the age profile of the Group's clinical workforce (Workforce risk), remains acute. The Group had to rely on agency staff to maintain safe practice levels and meet customer demands in 2019. The Group has a five-year plan to address the shortage at a strategic level, but the uncertainty is how much more acute will the shortage of staff become, and how effective will be the mitigation measures as described on page 54.

In 2019 material external uncertainties remained, largely in the form of Government policy towards Brexit, and the uncertainties that come with a potential change of government and a change in healthcare policy. Whilst the 2019 UK General Election did not produce a change in Government, the majority secured by the Conservative Party, and the importance the NHS played in its campaign, may lead to a more radical change in healthcare policy. Any material change in policy may, or may not, be positive for the Group.

The Group's exposure to the PMI Market Dynamic Risk is judged to have decreased in 2019 because the Group secured new long-term contracts with a number of its key customers. However, the risk still remains material in the medium-term because these contracts have a three to five year time frame.

Whilst the risk to patient safety and clinical quality can never be fully eradicated, at an operational level the management of safe patient care has received continued focus and investment from the Board as reported in 61. This means the Board considers that the likelihood of unsafe patient care and poor clinical quality materialising has reduced compared to 2018, but the impact can still be high.

In both 2018 and 2019 the Group judged the macro-economic outlook as declining, principally driven by the uncertainty created by the UK leaving the EU.

Two principal risks remain material but stable in comparison to 2018 being Cyber Security and Competitor Challenge. In order to maintain the risk of Cyber Security at an acceptable level Spire Healthcare continues to invest in the technical and human capabilities of the organisation. For each individual risk, the Board reports on its movement relative to 2018 in the detail of each Principal Risk on pages 54 to 65. The Principal Risks have been ranked in order of priority to the business.

Inter-relationships of Principal Risks
The Board recognises that there are strong interrelationships between the Principal Risks. The underlying risk that, if it crystallised, can impact the Group's other risks most materially is Patient Safety & Clinical Quality, hence why the strategic and operational importance placed on its management as described on page 61. The second most important risk, and highly interrelated with Patient Safety & Clinical Quality, is that of Workforce Risk.

Clinical risks
During 2019, the Clinical Governance and Safety Committee (CGSC) continued to review clinical risks and trends, including all notifiable incidents and the outcome of both internal clinical reviews and external regulatory inspections. Collectively these risks fall under Patient Safety & Clinical Quality.

In 2020, work will continue to sustain the risk framework in everyday clinical practise of our hospitals. The CGSC will continue to monitor risk closely. The reporting of clinical outcome metrics to CGSC has improved in 2019. CGSC will endeavour to ensure that the aligned process of reporting, sharing and learning from clinical outcomes leads to ever-improving quality of patient care.

Brexit impact on Spire Healthcare
The United Kingdom left the European Union on 31 January 2020 on the terms of the Withdrawal Agreement, which introduced a transition period until 31 December 2020.

During this transition period, as the current UK and EU trading relationship remains the same and the UK continues to follow the EU's rules, we do not expect there to be any Brexit impact on Spire Healthcare.

We take business continuity extremely seriously and our number one priority is to mitigate the risks to continuity and safety of patient care, alongside critical issues related to other stakeholders be they employees, customers or consultants.

The UK is seeking to negotiate and agree a long term trade deal with the EU by the end of this transition period, and Prime Minister Boris Johnson has said this period will not be extended. It is possible that the UK-EU will not have agreed a UK-EU trade deal by 31 December 2020, or a UK-EU trade deal will be agreed but the terms of the deal are such that it will cause disruption to our business post-31 December 2020. We will closely monitor the progress of these negotiations throughout 2020.

We have a Brexit working group which reports to our Executive Brexit Preparation Committee, and keep updated our plans to prepare the Group for the operational and economic arrangements that we can reasonably expect following the end of the transition period.

The key areas of our business that we expect would be impacted remain supply chain, employees and increased costs, as follows:

Supply Chain
The Group buys directly from UK suppliers, but around 80% of the goods that we use to operate our hospitals come into the UK, from or via the EU.

Our supply chain currently operates on short ordering times and low inventories. Irrespective of whether there is a long term UK-EU trade deal in place or not, it is reasonable to expect that UK and/or the EU will require some additional checks on EU imports into the UK. If there are border checks that cause delays or shortages due to other supply chain factors, then our supply chain may be disrupted.

Employees
Each Spire Healthcare employee is a highly valued member of our organisation. While fewer than 6% of our employees are EU citizens, we are encouraging them to stay in the UK and are supporting them to register with the EU Settlement Scheme. However, the new single immigration system that will apply from 1 January 2021 may reduce the number of candidates able to work in the UK. We will continue to recruit the highest calibre of candidates from the EU and elsewhere, in line with our current recruitment processes.

Increased costs
If there isn't a long term UK-EU trade deal in place, it is reasonable to anticipate that EU imports will be subject to customs charges and tariffs. Unless a long term UK-EU trade deal is a free trade deal, EU imports will be subject to customs charges, tariffs and/or quotas. This may result in increased costs for the Group.

Mitigation
We will continue to work closely with our key suppliers during 2020 and keep our detailed contingency planning updated to mitigate the impact to our business following 31 December 2020.

We believe we are taking all reasonable steps to ensure that disruption to our patients and other stakeholders is kept to a minimum. However, given the uncertainties around the content of and impact from any long term UK-EU trade deal, we cannot rule out disruption to the business after 31 December 2020 as there may be some circumstances outside of our reasonable control.

Emerging Risks
As part of the 2019 strategic planning review led by the Executive Committee, the Board considered long-term trends in the healthcare sector that could present both risk an opportunity to Spire Healthcare. The strategic plan approved by the Board in November 2019, and described on pages 20 to 25 responds to those long-term trends where relevant. In 2020, the Executive Committee has already held its first workshop to look at global trends and consider afresh if there are any new emerging risks that the Executive Committee should consider in more detail and report to the Board. The Executive Committee will create a register of potential emerging risks that it monitors on a periodic basis for implications on the Group's strategy. One such emerging is climate change.

The outbreak of the COVID-19 in the UK presents a new and significant uncertainty. The course of this disease is impossible to predict with accuracy at this time. The Board discloses the stress testing it has performed in relation to COVID-19 in its Viability Statement. Further detail on the description, impact and mitigations of this risk are included under the Principal Risk "Macroeconomics."

Climate Change
Governance:
Spire Healthcare's Executive Committee has overall responsibility for climate change issues. Our Health, Safety and Environmental Committee (HSEC) reports into the Safety, Quality and Risk Committee. This ensures that the people with management control over our climate impacts and risk mitigation activities are involved in decision-making and action. It then ensures that the HSEC escalate key issues directly to the Executive Committee.

John Forrest, Chief Operating Officer, chairs the HSEC meetings quarterly. Environment is an agenda item and carbon and climate issues are within the Committee's remit. A recent environment/climate change related activity has been to review and replace the Group's waste management policy. Future de-carbon policy/strategy and associated reduction targets will also be agreed by the HSEC.

Strategy
To date the Group has focused primarily on carbon emissions reduction. Management has identified climate warming related risks but they do not see climate change as a Principal Risk to the Group in the short to medium term. Even so, management carefully manage the risks and opportunities presented by climate change issues within the Group's operational structures – examples include:
- managing our legal responsibilities
- discharging our CRC (Carbon Reduction Commitment) obligations via submission of our annual carbon emission figures and subsequent procurement of allowances;
- compliance with ESOS (Energy Saving Opportunity Scheme) obligations and audits;
- provision of GHG (Green House Gas) Directors report for submission into Spire Healthcare's Annual Report;
- CPD (Carbon Disclosure Project) – annual submission for investor information as a listed Group;
- setting appropriate Carbon reduction targets – set and detailed in our Carbon & Environmental Policy; and,
- capital Investment into energy efficient technologies – e.g. LED Lighting, heating and ventilation plant upgrades

Identified Risk and Opportunities:
Short Term – 0-2 Years
Current and emerging regulation – Management has controls to keep abreast of current regulation. Over the past few years, management has made major investments in carbon reduction initiatives such as LED lighting, HVAC upgrades, boiler plant and insulation.

Extreme ambient temperatures – Failure of our existing cooling and ventilation technology during extreme hot weather, leading to inhospitable temperatures, could lead to the need to delay patients' treatment. To mitigate this risk, facilities management has modified replacement air conditioning plant specification to account for a greater range of temperatures and reflected these modifications in the engineering plant capital planning.

Severe winter weather conditions –Prolonged rainfall and associated flooding, heavy snow and disrupted transport to and from Spire Healthcare hospitals and the central distribution centre could affect our ability to maintain patient service and cause physical damage to Spire Healthcare's facilities. Management has surveyed the roofing and rainwater drainage systems with the result that a programme of upgrade is underway. Physical climate related risks that impact on the Group's ability to operate its business, such as floods and other severe weather events, are also managed using the core business continuity processes.

Medium Term – 2-5 Years
To inform opportunities and risk for the next 5 year period, management has engaged Energy Consultants 'Inenco' to undertake an options appraisal for the future decarbonisation targets of buildings, vehicles, waste streams, procurement processes and future energy campaigns.

Long Term – 5-10 Years
Long-term risk and opportunities will be managed through HSEC with frequent review of climate change related risks and decarbonisation strategy and policies.

Targets
Targets to date have been focussed on carbon emissions reduction. These targets are reported on page 45.

Internal controls
The principal internal controls and assurance activity over the risks that are directly manageable by the Group are:

Standard policies and procedures
The Group has documented policies and standard procedures in place covering all significant activities and areas of risk, which are subject to regular review and update.

Assurance over clinical delivery and clinical regulatory compliance risks
As a provider of clinical services to patients, the Group faces a specific set of non-financial risks associated with such provision.

In relation to these risks:
- the Central Clinical Team, which is independent of our hospital operations and is led by the Group Clinical Director, oversees a national programme of clinical audits, in addition to conducting on-site clinical reviews of every hospital and non-hospital unit e.g. clinics, according to the approach taken at regulatory inspections. These form part of the overall framework for clinical governance and quality, to ensure that clinical risk and clinical regulatory compliance is managed effectively across all registered sites. The results of these activities are regularly reviewed by the corporate Clinical Services team, Business Unit Directors, Directors of Clinical Services, the Executive Committee and the CGSC;
- the Group Medical Director oversees the governance of the c7,000 consultants through the Medical Governance Committee (see the Group Medical Director's Report on pages 69 and 70), the management of patient reviews and recalls, the approval of Practicing Privileges and setting medical governance policy;
- each hospital has a risk register through which risks are managed;
- comprehensive, non-financial management information on clinical performance including safety, clinical effectiveness and customer experience, is produced and reviewed quarterly against pre-agreed standards by the corporate Clinical Services team, Business Unit Directors, Directors of Clinical Services, the Executive Committee and the CGSC. Specific KPI measures drawn from this management information are given on pages 26 and 27;
- the Group is subject to substantial levels of external inspection and review, both by the range of national healthcare regulators (CQC/HIW/HIS) and through invited assurance inspections such as the rolling programme of health and safety inspections carried out by third-party specialists. The outcomes of these activities are reviewed by the Executive Committee and the CGSC; and
- the structures and processes for internal confirmation of clinical regulatory compliance and the level of evidence and assurance required to monitor this on an ongoing basis has been maintained.

Financial and operational controls
Financial control is established through:
- the annual process of preparing business plans and budgets, followed up by close monitoring of operational performance by the Executive Committee and the Board;
- weekly forecasting to drive corrective action;
- monthly monitoring of actual results, compared to budgets, forecasts and the previous year;
- all material capital expenditure is subject to an investment evaluation and authorisation procedure;
- common accounting policies and procedures; and
- the Group's treasury position and forecast liquidity are kept under review to ensure that borrowings are aligned with the Group's growth and are in compliance with banking covenants.

Other non-financial operational risks are managed by means of the application of best practice, as defined by Group policies and standard procedures, in areas such as project management, human resources management and IT security and delivery, supported by detailed performance monitoring of outputs and issues.

Internal Audit
After the Board established the Internal Audit function in 2017, the Audit and Risk Committee decided in 2019 to invest further in the capability of the function as the function's role and activity matures to meet the needs of the business. In 2020, we will invest in Internal Audit capability, primarily to utilise specialist third party resources and build clinical expertise.

Continuous learning
Our process of continuous improvement through events, knowledge and awareness will help us to make progress. The Group unequivocally recognise this and its importance in driving outstanding quality. No matter how robust and reliable, internal control systems and risk management cannot guarantee to remove all error or loss. The Group takes all instances of incidents (including near misses), complaints, control failures, regulatory non-compliance or other risk events very seriously. As such, we have a detailed process in place to fully understand the cause and identify learning to minimise the chances of reoccurrence.

An open culture is actively promoted and monitored within the Group to positively encourage the reporting of all risk events and other issues arising. Hospital management; the Executive Committee; the Audit and Risk Committee; and, the CGSC closely monitor the number and nature of events arising, and the operation of event management processes.

The Group offers various channels through which colleagues can report any issues or concerns including an independent whistleblowing helpline to facilitate anonymous reporting of issues or concerns that they are unwilling to raise via any other channel. Freedom to Speak Up Guardians were introduced into every Spire Healthcare hospital in 2018.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
1. Workforce						
(previously: Availability of Key Clinical and Medical Professionals) – Group Human Resources Director – Group Clinical Director – Chief Operating Officer			**Strategic priority:** First choice for private healthcare Uncompromising on patient safety and clinical care	There is a global shortage of nursing and allied healthcare practitioners. In addition, the Group has an ageing workforce. The Group's ability to attract and retain clinical practitioners, in particular, is affected by: – Government immigration policy and the post Brexit labour market – The impact of the NHS 'Agenda for Change' causing inflationary wage pressure – Our business strategy of increasing complexity of medical procedures that requires a higher skilled workforce – The changing Pensions and Tax (IR35) landscape that might reduce the availability of consultants, bank and agency staff. – The reduction in elective activity within trusts reducing the training opportunities for new consultants.	The Group is able to provide safe patient care only with delays to treatment because of scarce resources. Over the medium to long term this could result in a decline in the Group's profits and affect expected revenue growth from more complex surgical procedures and treatment of higher-risk patients.	The Group seeks to retain staff through: – a common purpose and a positive workplace culture. – Maintaining competitive pay and benefits. – Responding to key metrics such as staff turnover, rookie staff levels, vacancy rates and levels of positive engagement from staff surveys. – Continuous investment in its equipment, facilities and services to retain high-quality clinicians. The Group seeks to recruit staff through: – A centralised recruitment processes – An overseas recruitment capability to secure skilled healthcare workers from outside the EU where necessary. – Offering apprenticeship programmes to support the development of clinical and non-clinical teams across the business. – Working with the Royal Colleges to offer consultant training opportunities in the private sector. – Building of local bank staff pools The Group manages immediate staff shortages through the use of agency and bank workers.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
2. Government and NHS Policy						
(previously: Government) – Chief Commercial Officer	↑	↑	**Strategic priority:** Key partner of the NHS	Short to medium-term changes in government policy that directly or indirectly impact NHS commissioning. Public funding of NHS services provision, and/or the prioritisation of this funding to particular service lines over time could adversely reduce the flow of NHS patients to Spire Healthcare. A material change in NHS commissioning models and/or change in the tariff structure could result in reduced access to patients, reduced tariffs, or reduced prices adversely impacting revenues and/or margins. Changes in taxation, laws and government policy for providers of NHS services, and service level commitments to members of the public served by the NHS, could adversely impact the consultants, the workforce, supply chain.	Reduction of NHS patients and associated revenue and profit. Reduction in the operational efficiency of our existing hospital network.	The Group derives revenues from three primary payor groups (PMI, NHS and Self-pay) which provides a natural 'hedge' against exposure to this risk. The Group regularly monitors changes in government policy and the impact that these have on the business. It has direct engagement with government via the Department of Health and Social Care, NHS England, NHS Improvement and closely monitors government thinking on Healthcare. The Group is an active member of the Independent Healthcare Providers Network, contributing across all associated specialist working groups. The Board continually monitors NHS requirements and associated tariff structures to consider the need for cost and/or investment reduction, whether in the short, medium or long term. The Board regularly reviews consultant and employee feedback to ensure our propositions remains competitive.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
3. PMI market dynamics						
(previously Concentration of PMI market) – Chief Commercial Officer			**Strategic priority:** First choice for private healthcare Improving revenue, profit and cash	The PMI market is concentrated, with the top four companies (Bupa, AXA, Aviva and VitalityHealth) having a market share estimated at over 85%. Loss of an existing contractual relationship with any of the key insurers could significantly reduce revenue and profit. Growth in Service line tenders beyond traditional Imaging and Cataract. E.g. MSK, & Hernia.	Reduction of PMI patients and/or associated revenue and profit. Reduction in the operational efficiency of our existing hospital network.	The Group works hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the Directors, assists the healthcare sector as a whole in delivering high-quality patient care. The Group ensures we have long-term contracts in place with our PMI partners to avoid co-termination of contractual arrangements, recently announcing new and extended long term contracts with the top two insurers in 2019. The Board believes continuing to invest in its well-placed portfolio of hospitals provides a natural fit to the local requirements of all the PMI providers long term.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
4. Cyber Security						
– Chief Financial Officer			**Strategic priority:** First choice for private healthcare Key partner of the NHS Uncompromising on patient safety and clinical care Improving revenue, profit and cash	The Group faces the challenges of a continually evolving external cyber threat landscape, and could become vulnerable to computer viruses, break-ins and similar disruption from unauthorised tampering. The level of risk to Spire Healthcare's IT architecture and systems continues to grow as the volume of cyber security threats are increasing and becoming more sophisticated.	The Group's business could be disrupted if its information systems fail or if its databases are breached, destroyed or damaged. This could cause financial and reputational impacts. The Group could also be subject to litigation by third-parties.	The Group's technical IT teams continually monitor these developments as a business as usual activity. Working with a number of specialist and industry leading technical partners, multiple layers of business protection have been created through the use of advanced intrusion detection and protection systems, web access firewalls and advanced content filtering to combat denial of service attacks. Business processes are also kept under review and user education regularly carried out to minimise the possibility of ransomware incidents. Regular third-party penetration testing is performed on Spire Healthcare's core IT systems. New IT system developments are subject to rigorous penetration testing prior to release. This approach allows the Group to keep pace with the increasing risk profile, ensuring the risk to Spire Healthcare remains stable.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
5. Macroeconomics						
– Chief Commercial Officer	↑	↑	**Strategic priority:** First choice for private healthcare	Approximately 70% of the Group's revenue is dependent on private patients having PMI, paid by their employer or paid by the individual, or being able to afford its services (Self-pay). In an economic downturn, the numbers of insured individuals falls with the level of employment and individuals have reduced real income to fund insurance or Self-pay for procedures. This would have an adverse effect on the Group's business, the results of its operations and prospects. A major flu pandemic or outbreak of an infectious virus (e.g. a Coronavirus) could lead to cancellation of patient appointments because of clinical staff shortages, disruption to supply chains and disruption to support services (e.g. pathology services). In extreme but highly unlikely scenarios, HM Government could requisition Spire Healthcare's facilities.	Reduction of Private patients and associated revenue and profit contributions. Reduction in the operational efficiency of our existing hospital network. The early stages of new disease outbreaks are characterised by a high degree of uncertainty where it is impossible to predict the impact on the Group. In worst-case scenarios, the financial consequences of a major worldwide or UK epidemic could be material on the Group from lost revenue or increased costs.	Health is generally not as sensitive to economic downturns as other retail environments. However, as successfully employed in the last recession, if the private market contracts the Group can reduce costs and future investment to improve profit and cash flow, and is able to offer the released capacity to the NHS at its lower tariff, reducing the impact on profit. Macroeconomic conditions may put comparable finance strain on competitors, who may not be as well positioned to respond. Opportunities may arise from reduced competition or market consolidation. Spire Healthcare will follow the guidance and requirements set out by Public Health England to help contain, delay and then mitigate any spread of a virus. A central incident management team comprising clinical and operational senior leaders taking advice, where necessary, from external specialist clinicians e.g. microbiologists, controls Spire Healthcare's response to such situations. In a serious epidemic, Spire Healthcare staff and patients are as exposed to a virus as are any members of public, and therefore the mitigation activities may only reduce, rather than avoid, operational disruption.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
6. Brand Reputation (New)						
– Chief Commercial Officer	**N/A**	**– N/A**	**Strategic priority:** First choice for private healthcare Key partner of the NHS	The Group's future growth depends upon its ability to maintain, and continue to enhance, its reputation amongst patients, clinicians and other stakeholders.	If we fail to protect or grow the brand it may harm our ability: – to maintain or grow income – to attract and retain the best staff and clinicians – to win new contracts – to raise capital at competitive rates – to meet our regulatory obligations	The group has a strategy of developing Spire Healthcare's brand as a private healthcare provider and to promote its uncompromising patient safety culture. Spire Healthcare has a strategy in place to protect and grow its reputation amongst stakeholders. This includes its medical and clinical governance, and capital investment programme in the hospital estate. Across all elements of the principal risks we have a well-developed strategy and risk policy. We conduct audits of our key stakeholders to contribute to plans for protecting and enhancing our reputation.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
7. Competitor Challenge						
– Chief Commercial Officer			**Strategic priority:** First choice for private healthcare Key partner of the NHS	Spire Healthcare operates in a highly competitive market. New or existing competitors may enter the market of one or more of our existing hospitals, or offer new services. This could lead to uncertainly if a new strategy materially changed the existing operating model. In turn this could potentially impact the way in which the NHS and PMI providers' commission work. There is also a risk that the competitive environment results in irrational market behaviour manifesting itself in low pricing on tenders or self pay.	The potential impact would be the loss of market share due to a new competitor and reduced profitability and cash flow.	The market has seen increased pressure in 2019 and the Group maintains a watching brief on new and existing competitor activity and retains the ability to react quickly to changes in patient and market demand. The Group considers that a partial mitigation of the impact of competitor activity is ensured by providing patients with high-quality clinical care and by maintaining good working relationships with GP's and consultants. Spire continues to invest in the brand and deliver an effective acquisition capability both direct and via our partners in order to protect our market position. We have also strengthened our pricing and tendering capabilities. In addition we will maintain our investment into the estate and clinical equipment to differentiate our proposition. Finally, we expect opportunities to continue to arise as competitors close facilities in specific geographies creating incremental volume.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
8. Patient Safety & Clinical Quality						
– Group Clinical Director – Group Medical Director			**Strategic priority:** Uncompromising on patient safety and clinical care	There is a risk to patient safety and clinical quality because of: – a shortage of skilled workforce (see Risk 1); – clinical and non-clinical staff failing to follow guidelines, standards and policies resulting in patient harm; and – poor execution of patient recall and notification exercises. Reputational and financial loss could occur if Spire Healthcare fails to address adequately issues identified by incidents, audits, complaints, PROMs, National Registries, Whistleblowing, Freedom to speak up, workforce feedback and the internal Patient Safety Quality Reviews and Care Quality Commission.	Avoidable harm to patients Unsatisfactory/poor outcomes Regulatory enforcement and reputational damage. Adverse regulatory inspection ratings. Increase in legal claims. Failure to attract and retain high quality staff and consultants Reduced future earnings.	A programme of continuous improvement across all areas with active focus on areas identified not meeting required standards. A reporting culture of openness and honesty from Ward to Board. Quality metrics in place, including Board. Continually monitoring clinical standards, reporting progress via the Board's Clinical Governance and Safety Committee ('CGSC'). A schedule of robust and regular hospital audits including the Patient Safety and Quality Reviews, with an action plan for improvement that is monitored. Reporting on clinical outcomes with workforce and consultants including the Chairs of hospital Medical Advisory Committees with a view to driving up safety and performance.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
9. Compliance and Regulation						
– General Counsel and Group Company Secretary – Group Clinical Director			**Strategic priority:** Uncompromising on patient safety and critical care	The Group operates in a highly regulated environment, including complying with the requirements of, for example, the CQC, NHS Improvement and the CMA. The intensity and frequency of regulatory inspections (particularly those by the Group's principal regulator, the CQC) continues to increase. Failure to comply with laws, regulations or regulatory standards e.g. CQC/HIS/HIW, GMC, HSE, CMA NHS Improvement, NHS England, HMRC, DPA 2018 (GDPR) may expose the Group to patient claims, fines, penalties, damage to reputation, suspension from the treatment of NHS patients, loss of hospital licence and loss of private patients.	The Group may not be able to operate one or more of its hospitals, due to regulatory breaches which could lead to loss of licence to practice at one or more sites causing a significant reduction in profit.	The Group continues to strengthen its Group-wide risk management framework (and associated policies and procedures) to ensure that risks are mitigated as far as possible, with the Executive Committee having appropriate visibility to ensure robust decision-making. The Group has the ability to monitor and react to the changing regulatory framework of a listed Group in the healthcare sector. The Group has a significant centralised clinical services team which assists hospitals in establishing and maintaining a high level of clinical performance. Emerging legal or regulatory changes are monitored by the Board, the Executive Committee, the Audit and Risk Committee and the CGSC, in addition to consultations with external advisers and industry briefings. Identification and reporting of data protection and associated risks are managed by responsible officers and brought to the attention of the board by the Data Protection Officer.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
10. UK-EU Trade Negotiations						
– General Counsel and Group Company Secretary	↑	↓	**Strategic priority:** First choice for private healthcare Key partner of the NHS Uncompromising on patient safety and clinical care Improving revenue, profit and cash	The Group potentially faces significant implications if there is a 'no deal' or disruptive Brexit. If the UK-EU have not agreed a UK-EU trade deal by 31 December 2020, or the UK-EU have agreed a trade deal but the terms of the deal are such that it will cause disruption to our business post-31 December 2020, the delivery of health care services may be impacted, including: – supply chain; – medicines; – consumables; – prostheses; – food; – patients; – transport disruption; and – cash-flow.	The Group may experience major disruption in key function areas impacting on pricing, tariffs and costs, and see a significant reduction in patient numbers. The group may find supply of medicines, consumables; drugs (especially those with short-life spans) and other key items are not available or severely restricted, which may impact the group's ability to trade.	The Group has undertaken a Brexit risk assessment and has comprehensive plans across all key risk areas to minimise disruption, including: utilising its national supply chain and distribution centre to efficiently utilise stock; undertaking supplier assurance; liaising with NHS England and the Department of Health and Social Care. Brexit planning team and promoting the EU settlement scheme to relevant staff. Brexit planning is overseen by the Group's Brexit Preparation Committee.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
11. Insurance & Indemnity						
– General Counsel and Group Company Secretary			**Strategic priority:** Uncompromising on patient safety and critical care	Spire Healthcare could be subject to litigation for actions by third parties or may be found liable for damages which may not be covered by its insurance policies, if the claims are in excess of cover or claims are not covered by the Group's insurance due to other policy limitations or exclusions or where it has failed to comply with the terms of the policy.	The Group's insurance premiums may increase and, if there is a significant deterioration in its claims experience, insurance may not be available on acceptable terms. There may also be costs relating to damages and defence costs.	The Group reviews and maintains insurance to mitigate the possibility of a major loss. Adequacy of cover is reviewed annually with the Group's brokers with coverage being maintained or increased depending on that advice. Personal injury claims relating to patients, third-parties and employees are covered by insurance once predetermined deductible levels have been reached. The Group engages with consultants in relation to indemnity and has developed a bespoke affinity insurance product MedicaInsure to provide consultants with a high-quality, regulated alternative to discretionary cover. The Group has made robust representations to government and the Paterson Inquiry with regard to the need to end discretionary indemnity and to regulate the medical defence organisations.

Principal Risk and Executive Owner(s)	Risk movement in 2018	Risk movement in 2019	Link to Strategy	Risk Description	Risk Impact	Risk Mitigation
12. Liquidity and Covenant risk						
– Chief Financial Officer			**Strategic priority:** First choice for private healthcare Key partner of the NHS Uncompromising on patient safety and clinical care Improving revenue, profit and cash	The Group may not have sufficient liquidity to meet its financial liabilities as they fall due, or breach financial covenants linked to its borrowings.	Failure to meet its obligations or covenants would have a substantial adverse effect on the Group's reputation and may lead to borrowings becoming repayable earlier than contracted for.	The Group has a solid asset base with the ability to promptly leverage in a short timescale, if required. The Group actively monitors and manages its liquid asset position, its financial liabilities falling due and the cover against its loan covenants, is actively focused on cash management and capital expenditure, and continues to maintain close working relationships with a highly supportive banking group. The Board has considered the risk in detail as part of its assessment of the viability of the Group.

Compliance statements

Viability
Assessment of prospects
In accordance with the 2018 UK Corporate Governance Code, the Directors assessed the viability of the Group and have maintained a period of three years for their assessment. The assessment conducted considered the Group's current financial position and forecasted revenue, EBITDA, cash flows, risk management controls and loan covenants over the three-year period (which is consistent with the approach for prior years).

Assessment of viability
These metrics were subject to downside stress testing and sensitivity analyses over the assessment period, taking account of the Group's current position, the Group's experience of managing adverse conditions in the past and the impact of a number of severe yet plausible scenarios, based on the principal risks set out in the Strategic report.

These scenarios included Brexit related risks and the potential impact arising from an outbreak of COVID-19 in the UK.

The Group's approach for assessing the impact of COVID-19 is based on the Government's Stretch Scenario as set out in their action plan published on 3 March 2020. However, the circumstances concerning COVID-19 are unprecedented and are impossible to accurately determine at this stage. It is plausible that a breach of banking covenants could arise without mitigating actions. Account has been taken of Government and Bank of England statements to support business and the UK economy.

Further detail on both Brexit Related Risk and COVID-19 is provided in the Risk management and internal control section on pages 50 to 64.

Other specific scenarios covered by our testing were as follows:
- a key hospital is subject to permanent or temporary suspension of trade, for example, due to a major fire or regulatory matter;
- the Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems;
- the downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer, lower NHS tariffs or a general economic downturn; and
- the business is subject to significant uninsured losses arising from medical malpractice, negligence or similar claims.

This review included the following key assumptions:
- no change in capital structure given the Group extended its existing senior finance facility and revolving credit facility to mature in July 2022; and
- the Government will not change its existing policy towards utilising private provision of healthcare services to supplement the NHS.

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

Going Concern
The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on Viability above. Based on the current assessment of the likelihood of these risks arising, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis.

Non-financial information statement
The Companies Act 2006 requires the Company to disclose certain non-financial reporting information within the Annual Report and Accounts. Accordingly, the disclosures required in the Company's non-financial information statement can be found on the following pages in the Strategic report (or are incorporated into the Strategic report by reference for these purposes from the pages noted):
- information on our employees (pages 42 and 43);
- information on diversity (page 43);
- information on our Anti-bribery and Corruption Policy (page 43);
- information on our Whistleblowing Policy (page 42);
- information on our approach to human rights (page 94);
- information on social matters (pages 46 and 47); and
- information on our Environment Policy (pages 45 and 46).

Section 172(1) statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:
- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of patients, consultants and our relationship with regulators such as the CQC. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

For details on how our Board operates and the way in which we reach decisions, including the matters we discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which we have had regard to the need to foster the Company's business relationship with customers, suppliers and other stakeholders, please see page 44.

Set out on page 87 are some examples of how the Directors have had regard to the matters set out in s.172(1)(a)-(f) when discharging their section 172 duty and the effect of that on certain of the decisions taken by them.

Our Purpose drives us to put safety first and provide the highest quality care for our patients.

"What I have seen in my first few months as Interim Group Medical Director has confirmed Spire Healthcare's utmost commitment to clinical and medical governance, and demonstrated how our Purpose ensures we put patient safety first in everything we do."

Fergus Macpherson
Interim Group Medical Director

Our dedication to providing safe, high-quality care

We continued with our very strong record of achieving 'Good' or 'Outstanding' ratings for our hospitals inspected by the Care Quality Commission ('CQC') in 2019. 11 hospitals were inspected during the year, and of the results received to date, one received an 'Outstanding' rating and all others were rated 'Good'. This meant that by year end, 83% of our hospitals were rated 'Good' or 'Outstanding', or the Scottish or Welsh equivalent. Taking into account London East, where the report on the inspection in late 2019 was published after year end, the percentage rated 'Good' or 'Outstanding' now stands at 85%. The one exception to the general trend during 2019 was Spire Leeds Hospital, which was downgraded from 'Good' to 'Requires Improvement, following inspection in late 2018.

Other than the review at Spire Leeds Hospital in 2018, every one of our 19 sites inspected since the start of 2017 has received a rating of at least 'Good' by the CQC and its equivalents in Scotland and Wales, with five of our hospitals now rated 'Outstanding'. This reflects the strength and understanding of our Purpose across the Group, the dedication of our colleagues to delivering safe, high-quality care and the important work we are doing to strengthen our partnership with the doctors and other practitioners that work with us.

We are committed to ever greater transparency, and being accountable to all our stakeholders for driving up standards. We publish our Quality Governance Report online to demonstrate our performance and progress against 10 key indicators, including Serious Incidents Requiring Investigation (SIRIs), Never Events, learning from deaths and complaints. We openly share this information, along with details of our regulatory inspection results, developments in clinical and medical governance and our commitments to the Freedom to Speak Up initiative to ensure our patients and other stakeholders are as informed as possible.

Developing our medical governance and oversight

As a responsible healthcare provider, an important component of our robust medical oversight and governance is to review continuously the practice of our 7,300 Consultants across 39 hospitals. During the year, we have continued with the programme to enhance the systems which enable us to do this. Of particular note was the establishment of our new National Medical Governance Committee, chaired by our Chief Operating Officer, John Forrest, and attended by executive team members, including Alison Dickinson and me, and other senior colleagues. Bringing our operational and clinical colleagues together through this committee enhances our oversight of our Consultant partners so we can ensure they are practising to the highest standard at all times and take prompt action, should any concerns be raised. To that end, through 2020, we will be developing a dashboard of metrics around our Consultant partners to help us to compare performance across the Group and identify any possible concerns.

In 2019, we released a new Medical Governance and Assurance Policy, bringing together, in one place, a number of policies including those that support in situations where we have concerns around the performance of practitioners working with us under Practising Privileges. This includes clearly setting out the standards expected of those to whom we grant Practising Privileges, and the sanctions for failing to meet them. We have invested in, and further developed, our hospital governance systems, specifically the Medical Advisory Committees (MAC) in each hospital and our national Specialist Advisory Panel. The role of the Panel is to advise us on medical standards, governance, oversight and ethics as they relate to individual specialisms. It meets twice a year in addition to our biannual MAC Chairs' conferences.

We have also better defined and enhanced the role of the MAC Chairs. They now work under contract with us, are remunerated, and are interviewed by Alison Dickinson and me, prior to their appointment. We continue to meet them all twice a year and a key focus at each of these meetings is how we work with them to ensure we maintain the highest standards of patient safety and quality across the Group.

On the rare occasions when we identify concerns with one of our Consultants, we act quickly. The actions we take might include suspending the Consultant's practising privileges, referring them to the General Medical Council, and inviting an independent organisation such as the Royal College of Surgeons to investigate their practice. On occasions, we invite patients back for their care to be reviewed by an independent practitioner; during 2019, as in previous years, there were a small handful of Consultants whose patients' care was under review in this way. This is normal practice for any responsible healthcare provider and will continue to be the case in 2020 and beyond.

After year end, the report of the Paterson Independent Inquiry was published. We are determined to minimise the chances of another practitioner like Paterson ever operating in our hospitals again and all of the actions and interventions described here will help us to do this.

Medical Practitioners Assurance Framework
Through 2019 we supported the Independent Healthcare Providers Network (IHPN), the representative body for independent sector healthcare providers, in developing the new Medical Practitioners Assurance Framework (MPAF). MPAF is a framework to support improvement and consistency in the oversight of medical practitioners in the independent acute sector in four key areas: creating an effective clinical governance structure for medical practitioners; monitoring patient safety, clinical quality and encouraging continuous improvement; supporting whole practice appraisal; and raising and responding to concerns. We have measured ourselves against the recommendations of the framework and are confident we comply with its principles. We are undertaking a series of audits to establish whether there are any additional actions we need to take. We will continue to work closely with IHPN and other partners, including the NHS, in developing this framework and helping to raise standards across the medical sector.

Getting It Right First Time
Along with others from the sector and with the support of IHPN, through 2019 we piloted the 'Getting It Right First Time' (GIRFT) review programme in the independent sector, working with GIRFT's Chair, Professor Tim Briggs CBE. GIRFT is a programme designed to improve clinical quality and efficiency within the NHS by addressing variations in service. 31 of our 35 English hospitals underwent an expert-led review of their orthopaedic work and spinal surgery during the year and the reports will drive improvement actions across the Group, including in our Scottish and Welsh hospitals. We will continue to engage with the programme as it extends into other major specialities.

Patient Reported Outcome Measures (PROMs)
We continue to make good progress with the monitoring of Patient Reported Outcome Measures (PROMs), in partnership with 'My Clinical Outcomes', a web platform for patients. In 2019, we improved monitoring by incorporating data on individual Consultant performance.

The volume of responses from patients provides meaningful insights for us to share with hospitals and Consultants alike. More than 20,000 patients have completed the Baseline Hip PROMs questionnaire (with almost 7,000 completing the follow-up questionnaire at six months). Similarly, more than 22,000 have completed the Baseline Knee PROMs questionnaire (with over 6,800 completing the follow-up questionnaire at six months).

Where comparable external published benchmarks exist, Spire Healthcare patients funded by the NHS report superior average follow-up scores, compared to the NHS.

In December, the Private Healthcare Information Network (PHIN), the independent, Government-mandated source of information about private healthcare, published its first outcome data for hip and knee replacement based on PROMs returns by private patients. Based on procedures undertaken between July 2017 and June 2018, this showed that typically 99% of respondents report improvement after hip replacement, with 94% reporting improvement after knee replacement.

In 2020, we want to make more use of our PROMs data than ever before, and are exploring setting up automated system alerts to notify our hospitals when patients report a falling PROMs score, to help enable early intervention.

Extending our submissions to national registries
The submission of data to national registries will continue to be an important part of what we do to monitor performance and demonstrate quality. Spire Healthcare submits data to several national registries, including: the National Joint Registry for orthopaedic joint replacements; the National Adult Cardiac Surgery Audit managed by the Institute for Cardiovascular Outcomes Research, and the Breast Implant Registry. We are continuing to participate in a pilot set up by IHPN and the Healthcare Quality Improvement Partnership, which is aiming to ensure that independent sector providers can submit data to relevant national audits, and in 2020 we will extend our submissions to include the National Audit Project run by the Royal College of Anaesthetists.

We also submit activity and quality data to PHIN. We have an action plan in place to improve our data quality and continue to work towards achieving Level 8 data maturity to enable PHIN to publish data on case-mix adjusted adverse events (anticipated in 2021). Our progress on improving clinical coding is monitored, by hospital, through a monthly dashboard.

Continuing investment in our diagnostic capabilities
Rapid diagnostics, including pathology services, are increasingly important to the high-quality care we provide and our ability to make a positive difference to patients' lives. That is why we operate our own network of pathology laboratories and, in 2019, we invested further in our diagnostic capability and imaging, and other medical equipment across the Group.

During 2019, we completed the process of gaining UKAS accreditation for all of our pathology laboratories. This was the culmination of a five-year project to improve the quality of our laboratories, and the accreditation reflects the fact that all of them are now operating to a high standard.

Looking ahead
I am pleased with progress this year, but our work to improve our medical governance and oversight further goes on. A key area of focus will be on the further development of MPAF and monitoring to ensure it is fully embedded across the Group. We intend to extend our participation in national registries, including greater involvement in the British Spinal Registry, and work with IHPN on national joint registries. This data recognises best practice and drives improvements by identifying Consultants who are outliers, enabling us to focus on any causes for concern.

We will be taking action on the recommendations of the GIRFT review and are looking to introduce new PROMs for cosmetic surgery. Naturally, we will continue to support our hospitals to ensure that we achieve 'Good' or 'Outstanding' (or the Scottish and Welsh equivalent) in all our hospitals that are inspected in 2020.

Together with skilled Consultants and general practitioners across the country, we will continue on our journey towards ever higher medical and clinical governance standards for the benefit of all our patients and to ensure we deliver on our Purpose.

Fergus Macpherson
Interim Group Medical Director

Specialist Advisory Panel

Dr. Christopher Bouch Anaesthetics
Dr. Sass Levi Endoscopy
Prof. Amit Bahl Oncology
Mr. Barry Auld Gynaecology
Prof. Peter Lodge General Surgery (resigned January 2020)
Dr. Paul Crowe Radiology
Dr. Hilary Luscombe General Practice
Dr. Ian Doughty Paediatrics
Mr. Harish Parmar Orthopaedics
Prof. Anthony Rowbottom Pathology
Mr. Richard Price Plastic Surgery

Q&A with Alison Dickinson, Group Clinical Director

Q.
What does the role of Group Clinical Director involve?

A.
I am directly accountable for our clinical standards and quality, and provide clinical guidance for our commercial and operational initiatives. I spend a lot of time in our hospitals and reflect the clinical voice at the most senior level of the business. It's our ambition at Spire Healthcare to offer outstanding clinical quality and match or exceed the best in class, across all our sites and domains.

Q.
What has been your main focus in 2019?

A.
As you would expect, the safety of our patients at every stage of their pathway is my primary concern. This includes maintaining the focus on quality at the pre-operative stage to ensure all patients are fully prepared for their intervention. We are seeing increasingly comprehensive reporting of incidents, including the reporting of near misses, and it is important that we continue to learn and improve. We have improved the quality of our data so it can be used more effectively.

We have also established consistent procurement practices to ensure that we are using the same consumables at all sites that meet all the necessary safety criteria.

Q.
How can Spire's people raise any concerns about safety or wrongdoing if they have them?

A.
It's very important that colleagues are free to raise any concerns, so that they can be properly investigated without repercussions. We want speaking up to be 'business as usual' at Spire Healthcare and we introduced Freedom to Speak Up Guardians in 2018. This is in line with the National Guardian's Office, which is sponsored by the CQC, NHS England and NHS Improvement.

We extended the programme by introducing Freedom to Speak Up Guardians at our non-clinical sites in 2019, including our head office. Around 350 concerns have been raised and handled successfully during the year. We also brought in Surgical Safety Guardians in 2018, and have started a Patient Safety Guardian programme this year.

Q.
What else are you doing to support colleagues?

A.
We have invested in training for all our clinical colleagues, as well as the focused development of our Matrons and other leaders. This year we ran a bespoke leadership programme with our Matrons, and we've changed their job title to Director of Clinical Services, in recognition of the complexity and seniority of their role.

Our clinical apprenticeship programme for nurses, physiotherapists and other specialties now has more than 200 participants.

We also hold national conferences for each of our specialties and disciplines, and every hospital from the Group is invited to send representatives. We held 22 of these conferences in 2019.

Q.
You've talked about introducing a 'Safety-II' culture. What does that mean for Spire?

A.
Safety-I is focused on preventing accidents, while Safety-II is about ensuring that as much as possible goes right and promoting real safety management as opposed to a simple risk analysis. Our Safety-II culture means being proactive, not just working out why something went wrong, but looking at where we are doing things well and what we can learn from that too.

The introduction of new services such as thoracic surgery at Spire Manchester Hospital is a good example of applying Safety-II. The team in Manchester worked and trained with NHS colleagues, anticipated and worked through every scenario, and this has led to successful outcomes for patients. We also use communications across the Group that share learning. We communicate when things go wrong to avoid future issues, but importantly we also share best practice when they go right. Safety-II doesn't replace Safety-I, it complements it.

Q.
How much do you share outside the business?

A.
A lot, as there should be no barriers when it comes to patient safety. I recently presented at a leadership forum on what it takes to get 'Outstanding' – there was also much to learn from the other presenters, too. I also attended the Mediclinic patient safety conference in 2019, as well as ISQUA, a three-day international safety conference.

External influences come back into the business too, like the work we are doing with the National Dementia Action Alliance – launching 'action against dementia' across the Group in 2020.

It's also important to test externally that we are delivering on our Purpose. I have been working with the Patients Association on patient engagement. They are developing a survey to help us determine whether patients feel they have received the best care in line with our Purpose of 'making a positive difference to their lives through outstanding personalised care'. The Patients Association is also helping us to improve our complaints management process.

Q.
How have your CQC ratings progressed during the year?

A.
The CQC completed inspections at 11 of our hospitals in 2019, including some focused reviews of core services. Our performance remains in line with the rest of the private sector and continues to far exceed the NHS average. Of the reports issued in 2019, all were rated 'Good' or 'Outstanding' apart from Spire Leeds Hospital, which was downgraded from 'Good' to 'Requires Improvement'. We have worked very closely with the CQC over the past 12 months, including part closing the hospital for a week in August in order to make improvements. We are keen to demonstrate that all the actions required at Leeds have been closed out and the CQC have arranged another inspection there in 2020.

We saw great improvements elsewhere in the Group and I was delighted by the 'Outstanding' rating for Spire Manchester Hospital. With 85% of all our sites now rated 'Good', 'Outstanding' or the equivalent, we have no less than five 'Outstanding' hospitals, more than any other private health provider.

We continue to deliver a rigorous internal annual programme of patient safety and quality reviews of all hospitals and clinics. We also ran 'The Perfect Week' in the last quarter – a practice used in the NHS – where we had a daily call with our sites to discuss cancellations on the day, agency spend and how we can work better as a Group. This really helped our clinical teams and operational teams come together and support each other.

Q.
What's ahead in 2020?

A.
Well, as 2020 is the 'year of the nurse and midwife', we have linked into the Nightingale Challenge, which celebrates nurses and aims to equip and empower the next generation of nurses and midwives as leaders, practitioners and advocates in health. We have identified more than 20 young nurses across the Group to take part in a leadership programme during the year, with senior clinical mentors, including our independent Non-Executive Directors Dame Janet Husband and Jenny Kay.

We will hold a 'well-led' review in Q1 2020, through AQuA, an external facilitator. It's what NHS trusts have to do, and we are mirroring that.

Purpose in action: Spire Leicester Hospital

The team at Spire Leicester Hospital are providing outstanding personalised care that extends beyond clinical treatment by organising informal 'coffee, cake and chat' sessions for oncology patients after they have finished their course of chemotherapy. The monthly sessions are all patient-led and allow people to share their experiences of life after treatment.

Across the Group, we are always looking for ways we can improve patients' experience throughout their treatment. At Spire Leicester Hospital, we evaluated our oncology service, asking patients how they found their treatment, the waiting times, the facilities and, of course, whether they had any suggestions that could make the experience better.

"A common theme that always came back from people was that there was no real non-clinical follow up after their treatment," says Kate Smith, an Oncology Nurse at the hospital. "They come here for months, get to know us well, then it is all over. That's usually a good thing, but it's also a big adjustment. Sometimes patients just want to come back to talk with the people who cared for them."

It was apparent that people wanted some kind of support group, so the Oncology Team now offers sessions once a month on the Chemotherapy Unit – around two hours on the first Tuesday of every month. Oncology nurses who know the patients are always on hand to answer questions, but keep everything informal, enabling the sessions to be whatever the patients want them to be.

"We call it 'coffee, cake and chat' – the nurses make the cakes, the hospital provides the tea and coffee. We even had a Christmas party with mince pies and sometimes the patients bring in their own cakes – entering into the spirit of it all," explains Kate. "We find there is a core of people who come a lot, while some people come and go, but anyone can come back, even after a long absence."

The important thing is that there are no restraints and no restrictions. There is no need to book ahead, as the sessions work on a drop-in basis, and anyone who comes to the Chemotherapy Unit is invited, any time during their treatment or afterwards.

One great example of patients supporting each other is the folder they have made, cheekily named 'Chemotherapy has 50 shades of grey' by people who attend the 'coffee, cake and chat' sessions. When they come to the end of their treatment, patients are asked to write down anything that has helped them and their relatives cope. The Oncology Team laminate their handwritten stories and other patients can then read them and learn from each other's experiences.

The group is now planning more activities for the future, such as charity fun runs.

Kate Smith has seen dozens of patients benefit from the sessions: "It's about their survivorship and what it means to their lives long term. They're creating their own little community. We're there, but it's all about them – people come in and chat and share their experiences. All we really need to do, 99% of the time, is provide a facility they feel comfortable with. Some of the people who attend have become firm friends outside and have even formed their own patient-only WhatsApp group."

CQC rating

Overall	Safe	Effective	Caring	Responsive	Well-led
Good	Good	Good	Good	Good	Good

Making a positive difference
"Everyone there is in the same boat as you. Regardless of whether they are one step ahead of you or one behind you, if you've got any questions, they can help. They may not have had the same cancer as you, or faced the same symptoms as you, but it's just good to know that you're not alone."

Mel Candy
Former patient
Spire Leicester Hospital

Our Purpose is serving to enhance the financial performance of the business, as well as giving colleagues a sense of belonging and support.

Jitesh Sodha
Chief Financial Officer

"2019 was a successful year in which we met all our quality and financial targets. We enter 2020 in good shape to maintain revenue growth while delivering efficiency improvements to grow profits."

Our focus on quality made a real difference to the business in 2019. Group revenues rose 5.3% to £980.8 million in FY19 (2018: £931.1 million) while operating profit rose to £94.4 million (2018: £71.1 million) as we incurred significantly fewer Adjusting items in the current year (£3.2 million in 2019 versus £25.6 million in 2018). Adjusted EBITDA pre-IFRS 16, on which our debt covenants are calculated, rose 0.9% to £120.5 million (2018: £119.4 million).

All payor groups experienced revenue growth in the year, including 7.0% growth in Private Medical Insurance (PMI), continuing the trend we saw in H1 19. New contracts, which underpinned part of this growth, were reliant on independent measures of quality by the CQC or equivalent, whilst our targeted direct marketing campaigns, which also focus on quality, are delivering increases in self-pay enquiries, out-patient consultations and improving brand awareness. Private revenues, comprising both PMI and self-pay, grew 5.8% in 2019 (from 4.1% in both H1 19 and H2 18 respectively).

Representing 50% of revenue, PMI is a key long-term driver for the business and we believe 2019 growth of 7.0% validates our clear strategy to grow private patient revenues. We have renewed two contracts with our biggest customers, Bupa and AXA PPP Healthcare, both with agreed pricing to provide long-term stability. Whilst part of our growth in 2019 came from new contract wins towards the end of 2018, revenues associated with existing PMI contracts also grew by 3.7%, due to our investments in clinical quality, our marketing campaigns, and a higher mix of more complex procedures. We continue to develop services to strengthen our relationship with the PMI providers, for example increasing our Children's and Young Persons provision, which is now available in 31 of our 39 hospitals, and our partnership with GenesisCare to provide an end-to-end pathway for oncology treatment.

Self-pay growth was 4.0% in H2 19, resulting in 2.7% growth in FY 19, lower than previous full year periods, due to the deliberate focus on core clinical procedures and repositioning away from procedures such as bariatrics. Excluding these procedures, self-pay revenues increased 4.5% in the year (6.1% in H2 19). Self-pay out-patient enquiries rose 16% in FY 19 and out-patient first appointments rose 8%, demonstrating the growing demand for healthcare consumers to find out "What's wrong with me?" quickly, and in a high-quality environment. We believe there are further opportunities to refine our range of services and strategic approach in order to attract more self-pay patients in the future.

The NHS remains a challenging market but we were able to deliver revenue growth of 5.0% in FY 19, reversing the 7.2% decline in FY 18, through a combination of mix and tariff. We selectively opened new service lines to meet the changing needs of the local commissioners and developed new contracts, such as the complex thoracic surgery contract we were recently awarded in Manchester, which demonstrates our continuing trusted relationship. NHS out-patient revenues grew 4.7%, and in-patient and daycase volumes recovered in H2 to finish the year down only 0.8%. We also benefited from positive revenue mix, with growth in higher revenue total hip and knee replacements offsetting declines in soft tissue repair, alongside tariff increases from Q2.

The strong growth in revenue resulted in 4.1% growth in gross profit to £451.4 million (2018: £433.6 million). Gross margin declined 60bp to 46.0% (2018: 46.6%), due to increased oncology drug costs and staff costs, as we added personnel in pre-operative assessment and central clinical governance. Labour costs remain a key focus in 2020. We are working hard to reduce costs by filling vacancies with both domestic and international recruits and reducing the need for agency staff through improved retention and recruitment of contracted staff. We have increased the holiday allowance for contracted staff and introduced weekly payroll for our Bank Staff. In 2019 we launched the first Save as You Earn scheme at Spire Healthcare to encourage employee share ownership. This generated a very positive response, with nearly 20% of eligible employees subscribing to the scheme.

Direct costs increased due to a greater proportion of oncology revenues, with associated higher drug costs, growth in more complex orthopaedic procedures, which carry higher prosthesis costs, and additional administrative costs driven by the growth in out-patients. However, we were able to mitigate the increase through procurement savings and have identified further opportunities to reduce costs in the future through standardising our products and scale purchasing.

EBITDA increased 1.8%, below revenue growth, due to the full year impact of clinical quality investments made in 2018 and the accrual of team reward payments for financial and quality delivery for the first time in recent years. All of our new hospitals generated increased revenues and profits with Nottingham reaching a break-even run-rate in Q4.

Our digital strategy is key to delivering efficiency improvements whilst reducing paperwork and we have made considerable progress this year, starting with the recruitment of a Chief Information Officer. We now have a range of tools to facilitate on-line booking by GPs, patients and PMI providers. Across all platforms we currently receive some 5,000 on-line bookings per month, up from 1,300 at the end of 2018, meeting our commitment to make Spire easier to do business with. We are building a new people management system which will be implemented in 2020 and are trialling the automation of NHS referrals. We now have better systems in place to provide greater visibility on future admissions, which allows us to react more quickly to any changes in our business and our market.

Working capital was a focus area in 2019 and improved by £17.9 million. Trade debtors remained comparable year-on-year, despite the large increase in revenue, with material improvement in the age profile of debtors. We are industry-leading in paying our suppliers on time with 98% of invoices paid within 60 days and 90% within 30 days. Our trade payables increased by £10.8 million in the year. With improved capex allocation and working capital control we have reduced net bank debt by £43 million. We are delighted that our leverage has now fallen below 3.0x and we intend to reduce this further in 2020. The Board proposes to maintain the dividend at 3.8 pence per share.

Our robust operating cash flows have enabled us to invest £62.5 million (2018: £65.2 million) in capital projects during the period. We have consulted with our hospitals and Consultants to help prioritise capex spend which, in 2019, included refurbishing patient bedrooms in Spire Cardiff Hospital, as well as capacity enhancements such as a new theatre and out-patient bedrooms at Spire Bushey Hospital, the new orthopaedic out-patient centre at Spire Manchester Hospital and the acquisition of land and buildings on which to develop a new out-patient centre at Spire Yale Hospital. We have conducted a complete estate audit to help prioritise future capex spend with patient safety our primary focus.

We have an increasing focus on return on capital employed and have introduced a cross functional capital committee to manage capex priorities. Our balance sheet is supported by the value of our freehold assets. We have 39 hospitals across the UK, of which 19 are leased and 20 are freehold. At the end of 2018, Knight Frank reported the market value of these freeholds to be c. £1.1 billion.

In 2019, we planned extensively to prepare for Brexit and are confident that we remain prepared should any uncertainty surrounding the UK and EU trade discussion arise. We enter 2020 in good shape to maintain revenue growth whilst delivering efficiency improvements to grow profits.

Selected financial information

	Year ended 31 December							
	2019				2018			
	Total pre-IFRS 16 and Adjusting items	**IFRS 16 adjustment**	**Adjusting items (note 9)**	**Total**	Total pre-IFRS 16 and Adjusting items	IFRS 16 adjustment (note 30)	Adjusting items (note 9)	Total (restated)
Revenue	**980.8**	**–**	**–**	**980.8**	931.1	–	–	931.1
Cost of sales	**(529.4)**	**–**	**–**	**(529.4)**	(497.6)	–	–	(497.6)
Gross profit	**451.4**	**–**	**–**	**451.4**	433.5	–	–	433.5
Other operating costs	**(396.7)**	**42.9**	**(3.2)**	**(357.0)**	(379.3)	42.5	(25.6)	(362.4)
Operating profit	**54.7**	**42.9**	**(3.2)**	**94.4**	54.2	42.5	(25.6)	71.1
Net finance costs	**(27.2)**	**(57.6)**	**–**	**(84.8)**	(20.4)	(56.3)	–	(76.7)
Profit/(loss) before taxation	**27.5**	**(14.7)**	**(3.2)**	**9.6**	33.8	(13.8)	(25.6)	(5.6)
Taxation	**(5.8)**	**2.8**	**0.6**	**(2.4)**	(6.3)	2.6	9.4	5.7
Profit/(loss) for the period	**21.7**	**(11.9)**	**(2.6)**	**7.2**	27.5	(11.2)	(16.2)	0.1
EBITDA[1]	**120.5**	**68.5**	**–**	**189.0**	119.4	66.3	–	185.7
Earnings per share, pence	**5.5**	**(3.0)**	**(0.7)**	**1.8**	6.9	(2.8)	(4.1)	0.0
Interim dividend paid/ proposed per share, pence[2]				**3.8**				3.8
Capital investments				**62.5**				65.2
Net cash from operating activities	**133.2**	**68.5**	**–**	**201.7**	116.3	66.3	–	182.6
Bank borrowings less cash and cash equivalents	**330.0**	**–**	**–**	**330.0**	372.8	–	–	372.8

1 *EBITDA is calculated as Operating profit, adjusted to add back depreciation, profit or loss arising from the disposal of fixed assets and Adjusting items, referred to* hereafter as 'EBITDA'.

2 A final dividend of 2.5 pence per ordinary share will be proposed at the Company's Annual General Meeting on 14 May 2020. If approved, it will be paid on 23 June 2020 to shareholders on the register of members as at 29 May 2020.

Revenue
Group revenue grew 5.3% to £980.8 million as seen in the table below. We detail in-patient and daycase revenues separately to provide greater understanding of our business dynamics. Our daycase ratio, defined as daycase admissions as a proportion of total in-patient and daycase, has risen to 73.5% from 72.7% in FY 18.

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), decreased by £0.7 million, or 2.8% in the period, to £24.5 million (2018: £25.2 million).

Revenue by location and payor

	Year ended 31 December (Unaudited)		
(£ million)	**2019**	2018	Variance %
Total revenue	**980.8**	931.1	5.3%
Of which:			
In-patient	**370.5**	355.6	4.2%
Daycase	**298.9**	281.9	6.0%
Out-patient	**286.9**	268.4	6.9%
Other	**24.5**	25.2	(2.8%)
Total revenue	**980.8**	931.1	5.3%
Of which:			
PMI[1]	**491.8**	459.6	7.0%
Self-pay	**178.8**	174.1	2.7%
Total Private	**670.6**	633.7	5.8%
NHS	**285.7**	272.2	5.0%
Other	**24.5**	25.2	(2.8%)
Total revenue	**980.8**	931.1	5.3%

1 PMI restated to include Partnerships. Refer to note 5 of the financial statements.

In-patient and daycase admissions increased 0.4% but a focus on more complex procedures drove average revenue per case (ARPC) up 4.5% leading to IPDC revenues up 5.0%. Out-patient revenue growth of 6.9% was the highest since 2014 and represents an acceleration over the 4.5% reported in H1 19.

Revenue analysis in detail

	Year ended 31 December (Unaudited)					
	PMI[1]	**Self-pay**	**Total private**	**NHS**	**Other**	**Total**
2019						
IPDC[2] admissions ('000s)	**121.6**	**47.6**	**169.3**	**92.0**		**261.2**
ARPC[3] (£)	**2,533**	**2,884**	**2,632**	**2,434**		**2,562**
IPDC revenue (£m)	**308.2**	**137.4**	**445.6**	**223.8**		**669.4**
Out-patient revenue (£m)	**183.7**	**41.4**	**225.1**	**61.8**		**286.9**
Total (£m)	**491.8**	**178.8**	**670.6**	**285.7**	**24.5**	**980.8**
2018						
IPDC admissions ('000s)	119.9	47.5	167.4	92.7		260.1
ARPC (£)	2,408	2,855	2,535	2,300		2,451
IPDC revenue (£m)	288.8	135.5	424.4	213.1		637.5
Out-patient revenue (£m)	170.8	38.5	209.3	59.1		268.4
Total (£m)	**459.6**	**174.1**	**633.7**	**272.2**	**25.2**	**931.1**
Variance (%)						
IPDC admissions	1.4%	0.3%	1.1%	(0.8%)		0.4%
ARPC	5.2%	1.0%	3.8%	5.8%		4.5%
IPDC revenue	6.7%	1.3%	5.0%	5.0%		5.0%
Out-patient revenue	7.5%	7.4%	7.5%	4.7%		6.9%
Total (£m)	**7.0%**	**2.7%**	**5.8%**	**5.0%**	**(2.8%)**	**5.3%**

1 PMI restated to include Partnerships. Refer to note 5 in the financial statements.
2 IPDC – in-patient and daycase.
3 Average revenue per case.

PMI revenue for the year ended 31 December 2019 increased by £32.3 million, or 7.0%, to £491.8 million (2018: £459.6 million) reflecting ARPC increase of 5.2%, due to mix, including a greater proportion of oncology work. Recent contract wins, with insurers directing patients according to quality, and improved volumes due to marketing, has, we believe, delivered market share gains.

Self-pay revenues accelerated over the course of the year, with out-patient growth reaching 7.4% in FY 19 in response to direct marketing campaigns whilst IPDC admissions stabilised at 0.3% through a deliberate repositioning away from bariatric procedures.

NHS eReferral revenue rose by 5.2% in 2019 whilst NHS local revenues grew 3.1%. NHS e-Referrals revenue now account for 88.9% of underlying NHS revenue, up from 88.7% in 2018. NHS ARPC benefited from a mix shift away from soft tissue repair of shoulders and knees towards higher revenue joint replacement. The increase in tariff, effective from 1 April, and improved complexity mix helped deliver better NHS revenue growth than we predicted.

Cost of sales and gross profit
Gross profit increased 4.1% to £451.4 million, driven by strong revenue growth. With increased labour and direct costs, gross margin declined 60bp to 46.0% (2018: 46.6%). Cost of sales increased in the period by £31.8 million, or 6.4%, to £529.4 million (2018: £497.6 million) on revenues that increased by 5.3%.

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

	Year ended 31 December			
	2019		2018	
	£m	% of revenue	£m	% of revenue
Clinical staff	**203.3**	**20.7%**	190.7	20.5%
Direct costs	**223.9**	**22.8%**	209.1	22.4%
Medical fees	**102.2**	**10.4%**	97.8	10.5%
Cost of sales	**529.4**	**54.0%**	497.6	53.4%
Gross profit	**451.4**	**46.0%**	433.6	46.6%

Hospital operating profit margin fell 60bp to 25.2% (2018: 25.8%) primarily due to case mix, with a higher proportion of complex joint replacements, oncology treatments and a shift towards daycase and out-patient procedures. Corporate overheads increased as marketing costs were moved centrally and team incentive recommenced, along with the launch of a new SAYE scheme in 2019. Clinical staff costs increased as expected, due to the increase in personnel related to our focus on clinical quality and governance, as well as a tightening of the labour market.

IFRS 16
The Group has adopted the new accounting standard IFRS 16 Leases on a fully retrospective basis from 1 January 2019, and therefore the prior period's financial information has been restated to reflect the impact of the new standard. Refer to note 30 in the financial statements for the IFRS 16 impact.

Other operating costs
Other operating costs for the year ended 31 December 2019 decreased by £5.4 million or 1.5% to £357.0 million (2018: £362.4 million). Excluding Adjusting items, other operating costs have increased by £17.0 million, or 5.0%, to £353.8 million (2018: £336.8 million). Pre-IFRS 16 other operating costs have decreased by £5.0 million from £404.9 million to £399.9 million.

The increase in operating costs is mainly driven by the increase in staff costs, including bonus accruals, marketing costs and an annual increase in rental.

Operating margin for the year ended 31 December 2019 is 9.6%, up from 7.6% in 2018. Excluding Adjusting items, operating margin is 10.0%, down from 10.4% in 2018.

EBITDA
EBITDA after IFRS 16 for the Group has increased by 1.8% in the period from £185.7 million to £189.0 million for 2019. Adjusting for IFRS 16, EBITDA has increased by 0.9% to £120.5 million from £119.4 million. The increase reflects the growth in revenue offset by increased direct costs, staff costs, including the accrual for performance-related pay, as well as rental and marketing costs.

Share-based payments
During the period, grants were made to Executive Directors and members of the executive management team under the Company's Long Term Incentive Plan. For the year ended 31 December 2019, the charge to the income statement is £1.0 million (2018: £0.5 million), or £1.1 million inclusive of National Insurance (2018: £0.6 million). In addition, the Group launched a Sharesave scheme available for all employees. Further details are contained in note 26 of the financial statements.

Adjusting items

	Year ended 31 December	
(£ million)	2019	2018
Remediation of regulatory compliance or malpractice	**1.9**	0.7
Business reorganisation and corporate restructuring	**1.1**	4.7
Hospitals set-up and closure costs	**0.3**	0.8
Asset disposals, impairment and aborted project costs	**(0.1)**	17.9
Compliance set-up costs	**–**	1.5
Total costs	**3.2**	25.6
Income tax credit on Adjusting items	**(0.6)**	(9.4)
Total post-tax other costs	**2.6**	16.2

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

The £1.9 million remediation charge relates to two separate regulatory compliance issues. One of these issues relates to the temporary closure of a specific site to make improvements following a CQC inspection and no further costs are anticipated. The second issue relates to expected, but uncertain, costs for a regulatory compliance matter.

Business reorganisation and corporate restructuring costs primarily relate to internal Group reorganisation costs associated with a strategic review in 2019 which specifically covered Clinical and Operational functions. These costs have been excluded from adjusted operating profit as they relate to a fundamental change in how these areas are organised and function.

Hospital set-up and closure costs reflect the ongoing costs incurred in respect of the sites at St Saviours and Chelmsford following their closure, which were treated as Adjusting items in previous periods.

Asset disposals, impairment and aborted project costs of £0.1 million (credit) comprise: a credit of £2.0 million in connection with the reversal of an impairment charge on a property which has been classified as held for sale, offset by £0.1 million impairment on classification of an asset to held for sale; a charge of £0.3 million taken in H1 19 for aborted project costs relating to the potential hospital development at Milton Keynes; and a write-down of £1.5 million against non-sterile Single Use Devices as a consequence of the forthcoming Medical Device Regulations (MDR) which take effect in May 2020.

Business reorganisation and corporate restructuring costs in 2018 include internal Group reorganisation costs associated with the strategic review that commenced in Q4 2017 and a cost reduction project covering hospitals and central functions. Asset disposals, impairment and aborted project costs in 2018 primarily relates to Spire Alexandra Hospital, where an impairment charge of £12.6 million was taken in the first half of 2018 and the write off of £3.6 million of costs associated with a potential development of a site in Milton Keynes. Compliance set-up costs in 2018 include amounts incurred to meet the requirements of GDPR regulations.

Net finance costs
Net finance costs increased by 10.6% to £84.8 million (2018: £76.7 million). This is a result of an incremental increase in lease costs, higher interest rates on bank borrowings and the charge in 2018 being stated net of a gain of £3.3 million arising under IFRS 9 as a consequence of the facility extension. These charges are stated after the adoption of IFRS 16.

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

	Year ended 31 December	
(£ million)	**2019**	2018 (Restated)
Profit/loss before taxation	**9.6**	(5.6)
Tax at the standard rate	**1.8**	(1.1)
Effects of:		
Expenses not deductible for tax purposes	**2.8**	1.1
Adjustments to prior year	**(1.5)**	(1.0)
Difference in tax rates	**(0.4)**	(0.2)
Increase from impairment of fixed assets	**–**	0.7
Disposal of fixed assets	**–**	(5.3)
Deferred tax not previously recognised	**(0.3)**	0.1
Total tax charge/(credit)	**2.4**	(5.7)

The effective tax rate on profit before taxation for the year was 25.0% (2018: 101.8%). The effective tax rate before restating for IFRS 16 is 21.1% (2018: (37.8%)). The difference is driven by the unwinding of deferred tax relating to transition adjustments. Deferred tax is detailed in note 22 of the financial statements.

Profit after taxation
The profit after taxation for the year ended 31 December 2019 was £7.2 million (2018: £0.1 million).

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

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

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable IFRS financial measures provided in the table on page 78.

EBITDA

(£ million)	Year ended 31 December 2019	2018 (Restated)
Operating profit	**94.4**	71.1
Remove effects of:		
Adjusting items	**3.2**	25.6
Depreciation (including profit/loss on sale of fixed assets)	**91.4**	89.0
EBITDA	**189.0**	185.7
Deduct rental costs (pre-IFRS 16)	**(68.5)**	(66.3)
EBITDA (pre-IFRS 16)	**120.5**	119.4

Statutory Income Statement to pre-IFRS 16 Income Statement

(£ million)	Year ended 31 December 2019	2018 (Restated)
Operating profit	**94.4**	71.1
Adjust for:		
Depreciation on ROU assets	**25.6**	23.8
Rental expense	**(68.5)**	(66.3)
Operating profit (pre-IFRS 16)	**51.5**	28.6
Finance costs (excluding interest on lease liability)	**(27.2)**	(20.4)
Profit before tax (pre-IFRS 16)	**24.3**	8.2
Taxation	**(5.2)**	3.1
Profit after tax (pre-IFRS 16)	**19.1**	11.3

Adjusted profit after tax and adjusted earnings per share
Adjustments have been made to remove the impact of a number of non-recurring items, but include the impact of IFRS 16.

(£ million)	Year ended 31 December 2019	2018 (Restated)
Profit/(loss) before tax	**9.6**	(5.6)
Adjustments for:		
Adjusting items	**3.2**	25.6
Adjusted profit before tax	**12.8**	20.0
Taxation[1]	**(3.0)**	(3.7)
Adjusted profit after tax	**9.8**	16.3
Weighted average number of ordinary shares in issue (No.)	**400,828,739**	400,818,049
Adjusted earnings per share (pence)	**2.4**	4.1

Adjustments have been made below to present the position if IFRS 16 had not been adopted in the period. This is being illustrated to allow users to compare the current period to the previously reported 2018 financials.

(£ million)	Year ended 31 December 2019	2018 (Restated)
Profit/(loss) before tax	**9.6**	(5.6)
Adjustments for:		
IFRS 16 – leases	**14.7**	13.8
Adjusting items	**3.2**	25.6
Adjusted profit before tax	**27.5**	33.8
Taxation[2]	**(5.8)**	(6.3)
Adjusted profit after tax	**21.7**	27.5
Weighted average number of ordinary shares in issue (No.)	**400,828,739**	400,818,049
Adjusted earnings per share (pence)	**5.5**	6.9

Cash flow analysis for the period

(£ million)	Year ended 31 December 2019	2018 (Restated)
Opening cash balance	**47.7**	39.2
Operating cash flows before Adjusting items and income tax paid	**205.5**	191.7
Adjusting items	**(2.7)**	(7.7)
Income tax paid	**(1.1)**	(1.4)
Operating cash flows after Adjusting items and income tax paid	**201.7**	182.6
Net cash in investing activities	**(48.6)**	(68.0)
Net cash in financing activities	**(110.0)**	(106.1)
Closing cash balance	**90.8**	47.7

Operating cash flows before Adjusting items
The cash inflow from operating activities before tax and Adjusting items was £205.5 million, which constitutes a cash conversion rate from £189.0 million EBITDA of 109% (2018: 103% conversion of £185.7 million EBITDA). The net cash inflow from movements in working capital in the period was £17.9 million (2018: £7.7 million inflow).

Investing and financing cash flows
Net cash used in investing activities for the period was £48.6 million, after the receipt of £11.6 million received from GenesisCare on the sale of Bristol Cancer Centre and Baddow Specialist Cancer Centre (2018: £68.0 million). Cash outflow for the purchase of plant, property and equipment in the period totalled £60.6 million (2018: £73.7 million), which included a new theatre and out-patient bedrooms at Spire Bushey and a new orthopaedic out-patient centre at Spire Manchester.

Net cash used in financing activities for the period was £110.0 million (2018: £106.1 million), including interest paid of £75.5 million (2018: £73.8 million), £19.3 million (2018: £16.9 million) of lease rental payments and a dividend paid to shareholders of £15.2 million (2018: £15.2 million).

Borrowings
At 31 December 2019, the Group has bank borrowings (inclusive of IFRS 9 adjustments) of £420.8 million (2018: £420.4 million), drawn under facilities which mature in July 2022.

(£ million)	Year ended 31 December 2019	2018 (Restated)
Cash	**90.8**	47.7
Bank borrowings	**420.8**	420.4
Bank borrowings less cash and cash equivalents ('net bank debt')	**330.0**	372.8

Net debt for the purposes of the net debt/EBITDA covenant was £334.2 million and 3.0x (December 2018: 3.3x). The net debt for covenant purposes comprises the senior facility of £425.0 million less cash and cash equivalents.

The Group has an undrawn revolving loan facility of £100.0 million (December 2018: £100.0 million) available until July 2022.

Under IFRS 16, a lease liability is now also recognised for those leases previously classified as operating leases. As at 31 December 2019, lease liabilities were £745.3 million (2018: £726.1 million). Refer to note 21 of the financial statements for more detail.

Dividend
The Board has approved a 2019 final dividend of 2.5 pence per share (2018: 2.5 pence) payable on 23 June 2020.

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

1 Reported tax charge for the period adjusted for the tax effect of Adjusting items.
2 Reported tax charge for the period adjusted for the tax effect of Adjusting items and IFRS 16.

Chairman's Governance letter

"It is critical for the success of the Group that we engage with all key stakeholders, seek their views and take into consideration their interests as part of our decision-making process."

Garry Watts
Chairman
4 March 2020

Dear Shareholder,

Governance framework
The success of our business depends on us maintaining a strong governance framework in every aspect of what we do. This supports effective strategic and operational decision making and risk management. The Board continues to take its responsibilities for effective governance very seriously and our Non-Executive Directors all provide extensive challenge to management.

In this 2019 Annual Report we are reporting against the 2018 UK Corporate Governance Code (the 'Code'). As a Board we have taken the time during the year to review the requirements of the Code issued by the Financial Reporting Council. You can read below how we have applied provision 6 of the Code on workforce engagement and why we believe it to be the most suitable arrangement for the Company at this time.

Workforce engagement
Spire Healthcare employs some 13,000 people and works with over 7,000 Consultants; effective two-way communication with both groups is essential to the efficient operation of our business. The Board and senior management hold multiple formal engagement sessions, such as quarterly Hospital Directors' meetings. For a number of these one or more of our Non-Executive Directors will participate to gather and monitor employee feedback. In addition, in February 2020, Dame Janet Husband and Martin Angle held a listening session, without executive management present, with the top 80 of our hospital functional leaders. Feedback from all sessions is reported back to the Board. We have widened the remit of the Remuneration Committee to oversee this Non-Executive Director participation in as wide a spread of employee gatherings as possible. This activity will supplement the regular visits paid to hospitals by our Non-Executive Directors and the members of the Clinical Governance and Safety Committee whose meetings are regularly held in hospitals, which are preceded by hospital tours and a consultant dinner. We believe that the involvement of all our Directors in multiple employee engagement events with collated feedback via a Board committee will provide the most effective way of ensuring employee views are taken in to account in the boardroom. We will keep this practice under review and evolve it in the light of our experiences.

It is critical for the success of the Group that it engages with all of its key stakeholders, seeks their views and takes into consideration their interests as part of its decision-making process. On page 44 we set out the ways in which we engage with key stakeholders, what they are telling us and how that has been taken into account in the Board's decision-making process.

We have taken other steps this year to address the requirements of the Code and other corporate governance developments include:
- reviewing and amending all Board and Committee terms of reference to reflect the requirements of the Code;
- strengthening the Group's Whistleblowing Policy and reporting procedures (see page 42);
- improving reporting on how we engage with our key stakeholders and take account of their views in decision making (see page 87);
- continuing to improve upon the measures we take across the Group to guard against modern slavery; and
- implementing corporate governance arrangements and reporting requirements in all Group companies affected by The Companies (Miscellaneous Reporting) Regulations 2018.

Board changes
Following Peter Bamford's decision not to seek re-election at the annual general meeting in 2019, I led a search for a new Deputy Chairman and Senior Independent Director. Using Buchanan Harvey & Co a strong short list was reviewed by myself and other Board members with Martin Angle the lead candidate. Martin brings a strong boardroom experience to Spire and we were very pleased that he could join us from March, initially as an independent Non-Executive Director before he took over from Peter in May, which allowed for a suitable handover period between the two of them to take place.

We were also extremely pleased to welcome Jenny Kay as an Independent Non-Executive Director. Jenny brings considerable clinical experience, particularly in nursing, to our Board and she has supported Dame Janet Husband in her focus on clinical quality in our hospitals.

2019 performance evaluation
The Board's evaluation in 2019 was led by Martin Angle and facilitated internally by the Group Company Secretary. This year, the review was conducted using short open questions that produced very useful outputs. The principal conclusions of the review were shared with the Board in November. It was determined that the Company's Board continued to operate effectively, in an open and transparent manner, providing support and challenge to senior management. A fuller review of the areas of focus and our agreed action plan can be found on page 90 as well as an update on the actions identified from last year's evaluation.

Martin Angle also separately led the review of my performance as Chairman of the Board in conjunction with the other Non-Executive Directors.

Risk management and corporate culture
Our risk culture is centred on risk awareness, openness, continuous improvement and encouraging the right behaviours to ensure an appropriate outcome for both the Company and its customers. A review of our Principal Risks is set out on pages 54 to 65.

The Board has been fully engaged in updating our culture, our governance and our standards so that patient safety now sits at the heart of everything we do. Our Clinical Governance and Safety Committee will regularly deep dive in to a hospital's culture and our Board make regular hospital visits to see first hand our colleagues putting it in to action.

Annual general meeting
Finally, the Board looks forward to meeting as many shareholders as possible at our annual general meeting which will be held at 11.00am on Thursday, 14 May 2020 at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS.

Garry Watts
Chairman
4 March 2020

Corporate Governance report

Compliance with the UK Corporate Governance Code in 2019
The 2018 UK Corporate Governance Code (the 'Code') provides the standard for corporate governance in the UK. The Financial Conduct Authority requires listed companies to disclose whether they have complied with the provisions of the Code throughout the financial year under review.

The Company has complied with the principles and provisions of the Code, throughout the year except as shown in the following table.

Code provision	How has the Company not complied with the provisions of the UK Code?	The Board's response
9	Garry Watts was not independent on appointment to the Board having previously served as Executive Chairman of the Company prior to IPO.	The Non-Executive Directors have determined that Garry Watts continues to lead the Board effectively.

The Board recognises that whilst the Company meets Provision 38 as set out in the Code market sentiment in this area is moving towards Executive Directors receiving pension contributions at the majority rate received by the workforce. The Remuneration Committee has already agreed that any new Executive Directors would have pension arrangements that are aligned with the majority of the workforce. Existing Executive Directors' pension arrangements which pre date the introduction of the Code are aligned with other senior employees of the Group.

Director independence
Independence is determined by ensuring that, apart from receiving their fees for acting as Directors or owning shares, Non-Executive Directors do not have any other material relationship or additional remuneration from, or transactions with, the Group, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect, or could appear to affect, their independence of judgement.

The Chairman did not satisfy the independence criteria on his appointment to the Board. In addition, the Company does not consider the following two Non-Executive Directors to be independent for the reasons given:
- Simon Rowlands previously held a senior position with the Company's former principal shareholder, Cinven; and
- Dr. Ronnie van der Merwe has been nominated to act as a Non-Executive Director by Mediclinic International PLC, the principal shareholder, whose subsidiary, Mediclinic Jersey Limited (formerly Remgro Jersey Limited), entered into a relationship agreement with the Company in June 2015 (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, when Mediclinic International PLC controls 15% or more of the votes, it will be entitled to appoint one Non-Executive Director to the Board. It controls 29.9% of votes as at 4 March 2020. The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of Mediclinic International PLC.

The Board considers that, excluding the Chairman, over half of the Board is independent of management and free from any business or other relationship that could affect the exercise of their independent judgement.

Conflicts of interest
Save as set out below, there are no actual or potential conflicts of interest between any duties owed by the Directors or senior management to the Company and their private interests or other duties. The Board will continue to monitor and review potential conflicts of interest on a regular basis.

Director
Dr. Ronnie van der Merwe

Conflict
Chief executive officer of Mediclinic International PLC, which controls 29.9% of the voting rights in the Company as at 4 March 2020.

Changes to your Board during 2019

Individual	Event	Date
Martin Angle	Appointed an independent Non-Executive Director (appointed Deputy Chairman and Senior Independent Director from 16 May 2019)	14 March 2019
Peter Bamford	Stepped down from the Board	16 May 2019
Jenny Kay	Appointed an independent Non-Executive Director	1 June 2019

Principal decisions of the Board
During 2019, the principal decisions of the Board that impacted on the future success of Spire Healthcare and its stakeholders are set out below.

Spire Healthcare launches new Purpose	Continued investment in clinical quality	Decision not to proceed with a new hospital in Milton Keynes	Extended long-term contracts signed with AXA PPP Healthcare and Bupa	Sale of Spire Healthcare's oncology sites to GenesisCare
The Board supported Spire Healthcare's new Purpose of 'Making a positive difference to our patients' lives through outstanding *personalised care'.* The Purpose is helping Spire Healthcare bring its strategy to life by aligning teams and partners. It has been launched across all hospitals and central functions with dedicated *toolkits, designed to help* all of our people embody the Purpose. An articulated clear purpose is enhancing the performance of the business, and improving the sense of engagement *of all who work at Spire* Healthcare. Further details about our new Purpose can be found on page 7.	The decisions of the Board through the Company's 2019 AOP and five-year strategy to support Spire Healthcare's continued *investment in clinical* quality are fundamental to our operations. Our uncompromising approach to patient safety and quality of care is benefiting our customers. We have empowered our *people, so that they can* better meet patients' needs. Their hard work is delivering tangible benefits and fuelling private growth through improved Consultant engagement and relationships with *PMI providers.* The investment has been recognised by the CQC as five of our hospitals are now rated 'Outstanding', the most in the private sector. *The Boards decision to* appoint Jenny Kay as an independent Non-Executive Director supports Spire Healthcare's commitment to the continual improvement of quality in its hospitals. *Further details about our* investment in clinical quality on page 5.	Following extensive review, the Board decided not to proceed with the development of a new hospital in Milton Keynes. Changes to the wider macroeconomic environment and local market conditions in the area since the project was approved meant that poorer returns from the investment combined with execution *risks meant it was not in* the interest of shareholders to proceed.	The Board approved long-term pricing agreements with AXA PPP Healthcare and Bupa supporting our strategic *focus on private patients.* With agreed pricing to provide long term stability, we believe our PMI growth of 7.0% validates our clear strategy to grow private patient revenues. *Further details about the* the new long term contracts can be found on page 77.	In September 2019, the Board approved the sale of the Baddow Specialist Care Centre and Bristol Cancer Centre sites to GenesisCare *for £12 million. The sale* completed the first step of a new strategic partnership between Spire Healthcare and GenesisCare to create a national end-to-end private cancer care pathway. As part of the partnership, Spire Healthcare will retain *a 50% share of chemotherapy* gross profits generated at Bristol Cancer Centre and will provide diagnostics and surgery for this location. Spire Healthcare's patients will benefit from GenesisCare's expertise in *radiotherapy, treatment* planning, and innovation in areas such as its electronic multidisciplinary team approach. Further details about the sale to GenesisCare can be found on page 35.

Key roles and responsibilities
The Company has set out in writing a division of responsibilities between the Chairman, Senior Independent Director and the Chief Executive Officer.

Chairman
Garry Watts

The Chairman leads the Board and is responsible for:
- the leadership and overall effectiveness of the Board;
- a clear structure for the operation of the Board and its committees;
- setting the Board agenda in conjunction with the Group Company Secretary and Chief Executive Officer; and
- ensuring that the Board receives accurate, relevant and timely information about the Group's affairs.

Chief Executive Officer
Justin Ash

The Chief Executive Officer manages the Group and is responsible for:
- developing the Group's strategic direction for consideration and approval by the Board;
- day-to-day management of the Group's operations;
- the application of the Group's policies;
- the implementation of the agreed strategy and purpose; and
- being accountable to, and reporting to, the Board on the performance of the business.

Deputy Chairman and Senior Independent Director
Martin Angle

The Board nominates one of the independent Non-Executive Directors to act as Senior Independent Director and is responsible for:
- being an alternative contact for shareholders at Board level other than the Chairman;
- acting as a sounding board for the Chairman;
- if required, being an intermediary for Non-Executive Directors' concerns;
- undertaking the annual Chairman's performance evaluation; and
- when required, leading the recruitment process for a new Chairman.

General Counsel and Group Company Secretary
Daniel Toner

The Group Company Secretary supports the Chairman on Board corporate governance matters and is responsible for:
- planning the annual cycle of Board and committee meetings and setting the meeting agendas;
- making appropriate information available to the Board in a timely manner;
- ensuring an appropriate level of communication between the Board and its committees;
- ensuring an appropriate level of communication between senior management and the Non-Executive Directors;
- keeping the Board apprised of developments in relevant legislative, regulatory and governance matters; and
- facilitating a new Director's induction and assisting with professional development, as required.

Board and Committee structure
Ultimate responsibility for the management of the Group rests with the Board of Directors. The Board focuses primarily upon strategic and policy issues and is responsible for:
- leadership of the Group;
- implementing and monitoring effective controls to assess and manage risk;
- supporting the senior leadership team to formulate and execute the Group's strategy;
- monitoring the performance of the Group; and
- setting the Group's values and standards.

There is a specific schedule of matters reserved for the Board.

The Non-Executive Directors
The Non-Executive Directors bring a wide range of skills and experience to the Board. The independent Non-Executive Directors represent a strong, independent element on the Board and are well placed to constructively challenge and support management. They help to shape the Group's strategy, scrutinise the performance of management in meeting the Group's objectives and monitor the reporting of performance.

Their role is also to satisfy themselves with regard to the integrity of the Group's financial information and to ensure that the Group's internal controls and risk management systems are robust and defensible.

The independent Non-Executive Directors oversee the adequacy of the risk management and internal control systems (from their membership of the Audit and Risk Committee and Clinical Governance and Safety Committee ('CGSC')), as well as the remuneration for the Executive Directors (from their membership of the Remuneration Committee).

As members of the Nomination Committee, the Non-Executive Directors also play a pivotal role in Board succession planning and the appointment of new Executive Directors.

Your Board in 2019
During the year, the Board met for eight scheduled meetings but also convened on other occasions (normally by telephone) to discuss certain specific matters of business. Director attendance at scheduled meetings is shown on page 91.

The agenda at scheduled meetings in 2019 covered standing agenda items, including: a review of the Group's performance from the Chief Executive Officer, the current month's and year to date financial statistics by the Chief Financial Officer and a review of clinical performance and medical governance by both the Group Clinical Director and Group Medical Director. In addition, the Board received a verbal report from committee chairs, where their committee met immediately in advance of the scheduled Board meeting, and the Board regularly received reports on legal and statutory matters.

Principal decisions of the board
The table on page 87 sets out the principal decisions of the Board during the year and how they impact on the long-term sustainable success of Spire Healthcare and the consideration of stakeholders were taken into account.

Also in 2019, the Board focused on major elements of the Group's strategy and operations including:
- changes to the Group's covenant position;
- capital investment decisions at Spire Bristol, Spire Liverpool and Spire Yale hospitals; and
- Spire Healthcare's imaging transformation programme.

The Board has a formal schedule of matters reserved to it and delegates certain matters to committees. Specific matters reserved for the Board considered during the year to 31 December 2019 included reviewing the Group's performance (monthly and year to date), approving capital expenditure, setting and approving the Group's strategy and annual budget.

The Board's plan for 2020
It is planned that the Board will convene on eight formal scheduled occasions during 2020, as well as holding any necessary ad hoc Board and committee meetings to consider non-routine business.

The Chairman and the other Non-Executive Directors will meet on their own without the Executive Directors present. In addition, the Senior Independent Director and other Non-Executive Directors will meet without the Chairman present to discuss matters such as the Chairman's performance.

Board evaluation
2019 Action plan update
The 2018 Board evaluation identified three principal areas of focus and associated actions to address them during 2019.

Area of focus	Actions	Progress
1) Board succession planning	– Look to appoint an additional Non-Executive Director with clinical or other healthcare experience. – Nomination Committee to lead longer-term systematic succession plan for Non-Executive Directors.	– Jenny Kay's appointment has brought additional clinical experience, healthcare and NHS expertise to the Board and supports Spire Healthcare's commitment to the continual improvement of quality in its hospitals. – The Nomination Committee completed a detailed talent identification and succession planning exercise at Board and senior management level in the second half of 2019.
2) The Board's agenda	– Continued training for Board members on healthcare issues. – Dedicated deep dives on critical topics such as technology in healthcare and the role of critical care in hospitals. – New Executive management team to continue its revised reporting to the Board.	– The Board received training from both internal and external facilitators during the year. – Digital Spire programme has commenced and the Board has already received details of the first projects to be delivered. – All hospitals now have a plan for critical care.
3) Strategy and risk	– Board to further develop strategic implementation and integration with risk appetite and control.	– Agreed strategic objectives have been regularly reported to the Board through 90-day plans.

2020 Action plan
The 2019 Board evaluation identified two principal areas of focus and associated actions to address them during 2020.

Area of focus	Actions
1) Board succession planning	– Nomination Committee to implement longer-term succession planning for Non-Executive Directors – Board to review recommended candidate for Group Medical Director role.
2) Risk	– Ensure risk reporting continues to meet Directors' needs. – Schedule Board discussion on risk appetite for Q1 2020.

The Board will maintain its focus on the Group's pursuit of its 2020 targets and also review succession planning during the year. Its activities will include:

- reviewing and approving the 2019 Annual Report;
- reviewing the proposed final dividend for 2019;
- reviewing the revised five-year strategic plan and approving the 2020 Annual Operating Plan;
- considering specific major themes;
- embeding the risk management framework;
- reviewing the make up of the Board; and
- following a rolling agenda, ensuring proper time for strategic debate.

Furthermore, the Board will remain focused on continuous improvement of clinical quality and maintain overall responsibility for the Group's system of internal control and risk management processes via the relevant Board committees.

Disclosure Committee
With the implementation of the EU's Market Abuse Regulations in 2016, the Board established a Disclosure Committee to ensure, under delegated authority from the Board, that the Company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation. The Disclosure Committee also manages the Company's share dealing code, ensuring colleague compliance and provides training where required. The members of the Disclosure Committee are shown on page 92.

Share Schemes Committee
In addition, the Board delegates certain responsibilities in relation to the administration of the Company's share schemes on an ad hoc basis to the Share Schemes Committee. This committee operates in accordance with the delegation of authority agreed by the Board.

Executive Committee
The Executive Committee meets twice a month, splitting its time between project work and strategic matters. The Executive Committee delegates certain matters to the Safety, Quality and Risk Committee who have specific focus on safety, quality and risk matters respectively (see the Governance framework on page 92).

National Medical Governance Committee
Our National Medical Governance Committee was established in September 2019 and meets twice a month. It is chaired by our Chief Operating Officer alongside our Group Clinical Director and Group Medical Director, General Counsel, Responsible Officer and Deputy Medical Director, and is supported by key members of the Legal and Central Clinical teams.

The National Medical Governance Committee has responsibility for:

- oversight and governance of all ongoing investigations into consultant concerns;
- providing support to Hospital Directors/ Registered Managers in dealing with medical and clinical incidents;
- overseeing all patient notification exercises and recall activity;
- sharing learnings from incidents and deaths across Spire Healthcare to improve outcomes; and
- oversight of preparation and representation at inquests.

Board meetings
The attendance of the Directors who served during the year ended 31 December 2019, at meetings of the Board, is shown in the following table. The number of meetings a Director could attend in the year is shown in brackets.

Board meeting attendance

Non-Executive Chairman	
Garry Watts	8 (8)
Deputy Chairman and Senior Independent Director	
Martin Angle[1]	6 (6)
Peter Bamford[2]	3 (4)
Executive Directors	
Justin Ash	8 (8)
Jitesh Sodha	8 (8)
Non-Executive Directors	
Adèle Anderson	8 (8)
Tony Bourne	8 (8)
Dame Janet Husband	8 (8)
Jenny Kay[3]	4 (4)
Simon Rowlands	8 (8)
Dr. Ronnie van der Merwe	8 (8)

1 Martin Angle was appointed an independent Non-Executive Director on 14 March 2019 before becoming Deputy Chairman and Senior Independent Director on 16 May 2019.
2 Peter Bamford stepped down from the Board on 16 May 2019.
3 Jenny Kay was appointed as an independent Non-Executive Director on 1 June 2019.

Governance framework in 2019

Chairman
Garry Watts

Key objectives:
- ensure effectiveness of the Board;
- promote high standards of corporate governance;
- ensure clear structure for the operation of the Board and its committees; and
- encourage open communication between all Directors.

The Board of Spire Healthcare Group plc
The Board comprises ten Directors – the Non-Executive Chairman, two Executive Directors and seven Non-Executive Directors, five of whom are deemed to be independent for the purposes of the 2018 UK Corporate Governance Code. Daniel Toner serves the Board as General Counsel and Group Company Secretary.

Key objectives:
- leads the Group;
- oversees the Group's system of risk management and internal controls;
- supports the Executive Committee to formulate and execute the Group's strategy;
- monitors the performance of the Group; and
- sets the Group's values and standards.

Audit and Risk Committee
Adèle Anderson (chair), Martin Angle, Tony Bourne, Dame Janet Husband

Key objectives:
- monitors the integrity of financial reporting; and
- assists the Board in its review of the effectiveness of the Group's internal control and risk management systems.

Clinical Governance and Safety Committee
Dame Janet Husband (chair), Adèle Anderson, Justin Ash, Tony Bourne, Jenny Kay, Garry Watts

Key objectives:
- promotes, on behalf of the Board, a culture of high-quality and safe patient care; and
- monitors specific non-financial risks and their associated processes, policies and controls:
  (i) clinical and regulatory risks;
  (ii) health and safety; and
  (iii) facilities and plant.

Disclosure Committee
Garry Watts (chair), Justin Ash, Jitesh Sodha, Daniel Toner

Key objectives:
- ensures that the Company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation; and
- oversees the Company's Share Dealing Code including employee training.

Nomination Committee
Martin Angle (chair), Dame Janet Husband, Garry Watts

Key objectives:
- advises the Board on appointments, retirements and resignations from the Board and its committees; and
- reviews succession planning for the Board.

Remuneration Committee
Tony Bourne (chair), Adèle Anderson, Martin Angle

Key objectives:
- determines the appropriate framework and level for remuneration of the Chairman, Executive Directors, Group Company Secretary and other members of the Executive Committee; and
- reviews workforce remuneration and related policies.

Executive Committee
The Group also operates an Executive Committee (convened and chaired by the Chief Executive Officer). The team generally meets twice a month and its members are shown on page 6.

Key objectives:
- assists the Chief Executive Officer in discharging his responsibilities;
- ensures a direct line of authority from any member of staff to the Chief Executive Officer; and
- assists in making executive decisions affecting the Company.

Safety, Quality and Risk Committee
A committee of the Executive Committee that focuses on safety, quality and risk matters across the Group's operations.

Key objectives:
- reviews the Group's clinical performance;
- reviews evidence of compliance with statutory notification requirements; and
- scrutinises all unexpected deaths occurring at hospitals.

To the extent that Directors are unable to attend scheduled meetings, or additional meetings called on short notice, they will receive the papers in advance and relay their comments to the Chairman for communication at the meeting. The Chairman will follow up after the meeting in relation to both the discussions held and decisions taken.

Effectiveness
Board composition
The Board seeks to ensure that both it and its committees have the appropriate range of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively; for example, the 2019 Board calendar included sessions on clinical and statutory regulations. The Board considers its size and composition to be appropriate for the current requirements of the business but will continue to keep this under review.

Committee composition is set out in the relevant committee reports and listed on page 92. No one other than committee chairs and members of the committees are entitled to participate in meetings of the Audit and Risk, CGSC, Disclosure, Nomination and Remuneration committees, unless by invitation of the respective committee chair.

Martin Angle is the Deputy Chairman and Senior Independent Director. Biographical details of the Directors are set out on pages 96 and 99.

Appointments to the Board
Recommendations for appointments to the Board are made by the Nomination Committee. As part of the recruitment process the Nomination Committee follows a formal, rigorous and transparent procedure. Further information is set out in the Nomination Committee Report on pages 100 and 101.

Time commitment of the Non-Executive Directors
The Non-Executive Directors each have a letter of appointment which sets out the terms and conditions of their directorship. An indication of the anticipated time commitment is provided in any recruitment role specification, and each Director's letter of appointment provides details of the meetings that they are expected to attend.

Non-Executive Directors are required to set aside sufficient time to prepare for meetings, and to regularly refresh and update their skills and knowledge. In signing their letters of appointment, all Directors have agreed to commit sufficient time for the proper performance of their responsibilities, acknowledging that this will vary from year to year, depending on the Group's activities.

Directors are expected to attend all Board and committee meetings, and any additional meetings, as required. Each Director's other significant commitments were disclosed to the Board at the time of their appointment and they are required to notify the Board of any subsequent changes. The Group has reviewed the availability of the Non-Executive Directors and considers that each of them is able to, and in practice does, devote the necessary amount of time to the Group's business.

Induction and training
Generally, reference materials are provided, including information about the Board, its committees, directors' duties, procedures for dealing in the Group's shares and other regulatory and governance matters, and Directors are advised of their legal and other duties, and obligations as directors of a listed company.

On joining the Board, it is the responsibility of the Chairman and Group Company Secretary to ensure that all newly appointed Directors receive a full and formal induction which is tailored to their individual needs. The induction programme includes a comprehensive overview of the Group, dedicated time with other Directors and senior management, as well as guidance on the duties, responsibilities and liabilities as a director of a listed company. Directors visit hospitals in order to gain an understanding of the business operations and culture. These activities formed part of the induction programme for both Martin Angle and Jenny Kay.

The Group Company Secretary ensures that any additional request for information is promptly supplied. The Chairman, through the Group Company Secretary, ensures that there is an ongoing process to review any internal or external training and development needs.

As already noted, in the event of a general training need, in-house training will be provided to the entire Board. Necessary and relevant regulatory updates are provided as a standing item at each Board meeting in the Group Company Secretary's report and Board briefing by external advisers, where appropriate.

Information and support
The Board ensures that it receives, in a timely manner, information of an appropriate quality to enable it to adequately discharge its responsibilities. This is aided by the use of an online portal. Papers are provided to the Directors in advance of the relevant Board or committee meeting to enable them to make further enquiries about any matters prior to the meeting, should they so wish. This also allows Directors who are unable to attend to submit views in advance of the meeting.

Outside the Board papers process, the Executive Directors provide written updates to the Non-Executive Directors on important business issues, including financial and commercial information. In addition, relevant updates on shareholder matters (including analysts' reports) are also provided to the Board.

All Directors have access to the advice and services of the Group Company Secretary. There is also an agreed procedure in place for Directors, in the furtherance of their duties, to take independent legal advice, if necessary, at the Group's expense.

Election of Directors
All the Directors, except Peter Bamford who stepped down from the Board, offered themselves for election or re-election at the fifth annual general meeting in May 2019. Directors will in future be elected or re-elected in accordance with the requirements of the Code.

All Directors will stand for election or re-election at the annual general meeting in May 2020. The biographical details of each Director standing for election or re-election is included in the 2020 Notice of Meeting. The Board believes that each of the Directors standing for election is effective and demonstrates commitment to their respective roles. Accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2020 annual general meeting relating to the election of the Directors.

The biographical details of all current Directors are set out on pages 96 and 99.

Directors' indemnities
The Directors of the Company have the benefit of a third-party indemnity provision, as defined by section 236 of the Companies Act 2006, in the Group's Articles of Association. In addition, Directors and officers of the Group are covered by directors' and officers' liability insurance.

Directors' conflicts of interest
The Companies Act 2006 provides that directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with a company's interests. Directors of public companies may authorise conflicts and potential conflicts, where appropriate, if a company's articles of association permit.

The Board has established formal procedures to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company – Situational Conflicts. Directors declare Situational Conflicts, so that they can be considered for authorisation by the non-conflicted Directors.

In considering a Situational Conflict, these Directors act in the way they consider would be most likely to promote the success of the Group, and may impose limits, or conditions, when giving authorisation or, subsequently, if they think this is appropriate.

The Group Company Secretary records the consideration of any conflict and any authorisations granted. The Board believes that the system it has in place for reporting Situational Conflicts continues to operate effectively.

Accountability
The Audit and Risk Committee
The Audit and Risk Committee Report is set out on pages 105 to 110 and identifies its members, whose biographies are set out on pages 97 and 98.

The report describes the Audit and Risk Committee's work in discharging its responsibilities during the year ended 31 December 2019, and its terms of reference can be found on the Group's website at www.investors.spirehealthcare.com.

Risk management and internal control
The Board has overall responsibility for establishing and maintaining a sound system of risk management and internal control, and for reviewing its effectiveness. This system is designed to manage rather than eliminate, the risks facing the Group and safeguard its assets. No system of internal control can provide absolute assurance against material misstatement or loss. The Group's system is designed to provide the Directors with reasonable assurance that issues are identified on a timely basis and are dealt with appropriately.

The Audit and Risk Committee and the Clinical Governance and Safety Committee, whose reports are set out on pages 105 to 110 and pages 102 and 104, respectively, assist the Board in reviewing the effectiveness of the Group's risk management system and internal controls, including financial, clinical, operational and compliance controls.

Executive compensation and risk
Only independent Non-Executive Directors are allowed to serve on the Audit and Risk Committee and Remuneration Committee. The Non-Executive Directors are therefore able to bring their experience and knowledge of the activities of each committee to bear when considering the critical judgements of the other.

This means that the Directors are in a position to consider carefully the impact of incentive arrangements on the Group's risk profile and to ensure the Group's Remuneration Policy and programme are structured, so as to accord with the long-term objectives and risk appetite of the Group.

Financial and non-financial risk
The Clinical Governance and Safety Committee, with the Audit and Risk Committee, collectively ensure that the control and monitoring of both financial and non-financial risks is satisfactory.

In addition, both committees seek to ensure, as far as practicable, there are no elements omitted or unnecessarily duplicated, and that all critical judgements receive the correct level of challenge.

Relations with shareholders
The Board is committed to communicating with shareholders and stakeholders in a clear and open manner, and seeks to ensure effective engagement through the Group's regular communications, the annual general meeting and other investor relations activities.

The Group undertakes an ongoing programme of meetings with investors, which during 2019 was led by the Chief Executive Officer and the Head of Investor Relations. During the year, there were in excess of 200 individual meetings, conference presentations, group lunches and telephone briefings with investors.

The Chairman, Senior Independent Director and committee chairs remain available for discussion with shareholders on matters under their areas of responsibility, either through contacting the Group Company Secretary or directly at the annual general meeting.

The Company reports its financial results to shareholders twice a year, with the publication of its annual and half yearly financial reports. In conjunction with these announcements, presentations or teleconference calls are held with institutional investors and analysts, and copies of any presentation materials issued are made available through the Company's website at www.investors.spirehealthcare.com.

All Directors are expected to attend the Company's annual general meeting, providing shareholders with the opportunity to question them about issues relating to the Group, either during the meeting, or informally afterwards.

Modern slavery
We will continue taking action to address modern slavery and human trafficking risk in our business and supply chain. Our approach to tackling this issue continues to evolve under the oversight of the internal multi-department modern slavery working group. Some of the actions taken in 2019 included completing in-depth due diligence for a cohort of higher risk suppliers, updating key policies and delivering training to our procurement team, hospital directors, directors of clinical services and Freedom to Speak Up Guardians. In 2020, we will continue to develop our training programme to inform and raise awareness on modern slavery across the Group as well as fully develop our supplier tender process for any modern slavery risk and put all new material suppliers through a modern slavery due diligence process. Full details can be found in the Group's Modern Slavery Statement on our website.

A copy of our latest Modern Slavery Act statement can be found on our website at www.investors.spirehealthcare.com.

Annual general meeting

Shareholders are encouraged to participate at the Company's annual general meeting, ensuring that there is a high level of accountability and identification with the Group's strategy and goals. A summary of the proxy voting for the 2019 annual general meeting was made available via the London Stock Exchange and on the Company's website as soon as reasonably practicable on the same day as the meeting.

	Summary of resolution	Total votes for %	Total votes against %	Number of votes withheld
1	2018 Annual Report and Accounts	100.00	0.00	130,736
2	2018 Directors' Remuneration Report	99.83	0.17	616,391
3	Final dividend	100.00	0.00	2,120
4 to 12	Election or re-election of Directors	Between 95.64 and 99.93	Between 0.12 and 4.36	Maximum 9,793
13	Reappointment of auditors	99.80	0.20	11,475
14	Auditors' remuneration	100.00	0.00	4,375
15	Political expenditure	97.89	2.11	6,588
16	Authority to allot shares	99.69	0.31	2,000
17	Disapplication of statutory pre-emption rights*	99.89	0.11	2,000
18	Disapplication of statutory pre-emption rights for an acquisition*	90.30	9.70	4,545
19	Authority to purchase own shares*	99.72	0.28	51,692
20	General meetings to be held on 14 clear days' notice*	99.07	0.93	2,555

* Special resolution.

The Corporate Governance report has been approved by the Board and signed on its behalf by:

Daniel Toner
General Counsel and Group Company Secretary
4 March 2020

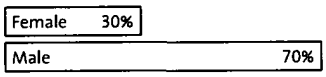
Board of Directors

A diverse Board with strong leadership skills and relevant healthcare, operational and financial experience.

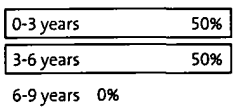
Key to committees

- Ⓐ Audit and Risk Committee
- Ⓒ Clinical Governance and Safety Committee
- Ⓓ Disclosure Committee
- Ⓝ Nomination Committee
- Ⓡ Remuneration Committee
- Ⓔ Executive Committee
- ● Committee chair

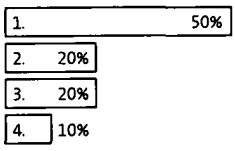
Board diversity



Board tenure



Board composition



1. Independent Non-Executive Director
2. Non-independent Non-Executive Director
3. Executive Director
4. Chairman

Garry Watts, Non-Executive Chairman
ⒸⒹⓃ

Garry Watts joined the Group as Executive Chairman in 2011 before becoming Non-Executive Chairman between Admission and March 2016. He again served as Executive Chairman between March 2016 and June 2017 before resuming his Non-Executive Chairman role in July 2017. The Company does not consider Garry to be independent due to the executive role he previously held.

Current external appointments
- non-executive director and chair of the audit committee of Coca-Cola European Partners Ltd
- senior independent director of Circassia Pharmaceuticals plc

Skills and previous experience
A chartered accountant by profession and former partner at KPMG, Garry has extensive business knowledge and leadership on other listed company boards including SSL International plc, BTG plc and Foxtons Group plc. He has a deep understanding of the healthcare sector having served as a member of the UK Medicines and Healthcare Products Regulatory Agency Supervisory Board for 17 years and as an executive director of both Medeva plc and Celltech Group plc. Garry was also previously deputy chairman of Stagecoach Group plc and a non-executive director of Protherics plc.

Justin Ash, Chief Executive Officer
ⒸⒹⒺ

Justin Ash was appointed Chief Executive Officer and an Executive Director in October 2017.

Current external appointments
- non-executive chairman of The New World Trading Company Co.
- chair of Independent Healthcare Providers Network

Skills and previous experience
Justin was previously chief executive of Oasis Dental Care between 2008 and 2017 before leading its sale to Bupa. Prior to this, he was managing director of Lloyds Pharmacy and has held several other senior retail positions including general manager of KFC in the UK/Ireland, and commercial director of Allied Domecq Spirits and Wines (Europe). Justin was previously a senior consultant with Bain and Company in London and Paris, and a non-executive board member and chair of the audit and risk committee of Al Nadhi Medical Company.

Jitesh Sodha, Chief Financial Officer
ⒹⒺ

Jitesh Sodha was appointed Chief Financial Officer and an Executive Director in October 2018.

Skills and previous experience
Jitesh graduated from New College, Oxford with a degree in Philosophy, Politics and Economics, and is a CIMA qualified accountant. He has worked in a range of businesses with an international footprint, most recently as chief financial officer of De La Rue plc. He was previously chief financial officer of Greenergy International, Mobilestreams Plc, where he led the IPO, and T-Mobile International UK.

Martin Angle, Deputy Chairman and Senior Independent Director
ⒶⓃⓇ

Martin Angle was appointed as Deputy Chairman and Senior Independent Director in May 2019, having initially joined the Board as an independent Non-Executive Director in March 2019.

Current external appointments
- deputy chairman and senior independent director of Gulf Keystone Petroleum plc

Skills and previous experience
Martin retired from the boards of Pennon Group plc, and its separately regulated subsidiary South West Water, at the end of 2018 having completed 10 years on the Pennon board. He has previously held a number of non-executive positions including Savills Plc (senior independent director), National Exhibition Group (chairman), Severstal, then a world top ten steel company listed in London, Dubai International Capital, and Shuaa Capital, then the only listed Gulf investment bank.

In his earlier executive career, he held a number of senior positions in investment banking with S.G. Warburg & Co, Morgan Stanley where he headed UK M&A, and Kleinwort Benson, before becoming Group Finance Director of TI Group, then a FTSE 100 with worldwide engineering activities.

Martin subsequently joined Terra Firma Capital Partners as an operating managing director where he held a number of senior roles in its portfolio companies including Le Meridien Hotel Group (executive deputy chairman and acting chairman) and the Waste Recycling Group (executive chairman), then one of the leading UK waste management businesses. He is a chartered accountant.

Dame Janet Husband, Independent Non-Executive Director
ⒶⒸⓃ

Dame Janet Husband was appointed an independent Non-Executive Director in June 2014.

Current external appointments
- Emeritus Professor of Radiology at the Institute of Cancer Research

Skills and previous experience
Having trained in medicine at Guys Hospital Medical School, Dame Janet's extensive career in healthcare allows her to bring invaluable insight and knowledge of the industry.

Janet has previously served as a non-executive director and special adviser to the Royal Marsden NHS Foundation Trust, as a Specially Appointed Commissioner to the Royal Hospital Chelsea and as chair of the National Cancer Research Institute. She was elected President of the Royal College of Radiologists in 2004 and also served as vice chair of the Academy of Medical Royal Colleges.

These appointments followed a long career as professor of radiology at the Institute of Cancer Research and Royal Marsden Hospital during which Dame Janet gained global recognition for her pioneering research in cancer imaging. Prior to retirement from clinical practice she was appointed medical director of the Royal Marsden where she worked closely with senior management to develop a programme of robust clinical governance and continuous improvement in the quality of patient services.

Adèle Anderson, Independent Non-Executive Director

Ⓐ Ⓒ Ⓡ

Adèle Anderson was appointed an independent Non-Executive Director in July 2016.

Current external appointments
- member of the audit committee of the Wellcome Trust

Skills and previous experience
Adèle has gained extensive financial experience throughout her career and has significant knowledge of audit committees. Until July 2011, she was a partner in KPMG LLP and held a number of senior roles across their business including chief financial officer of KPMG UK, chief executive officer of KPMG's captive insurer and chief financial officer of KPMG Europe. Adèle was a non-executive director and chair of the audit committees of easyJet plc until February 2019, and intu properties plc until October 2019.

Tony Bourne, Independent Non-Executive Director

Ⓐ Ⓒ Ⓡ

Tony Bourne was appointed an independent Non-Executive Director in June 2014.

Current external appointments
- non-executive director of Barchester Healthcare Limited
- non-executive director of Totally plc
- non-executive chairman of CW+ (the Chelsea and Westminster Hospital NHS Foundation Trust charitable trust)

Skills and previous experience
Tony brings considerable knowledge of the healthcare industry to his role having been chief executive of the British Medical Association for nine years until 2013. Prior to this he was in investment banking for over 25 years, including as a partner at Hawkpoint, an independent corporate finance advisory firm, and as global head of the equities division and a member of the managing board of Paribas. Tony has also previously served as a non-executive director of Bioquell Plc, Southern Housing Group, and the charity, Scope.

Jenny Kay, Independent Non-Executive Director

Ⓒ

Jenny Kay was appointed an independent Non-Executive Director in June 2019. She has been designated Spire's Non-Executive Director Lead for Safeguarding and the Board's Freedom to Speak Up Guardian.

Current external appointments
- senior independent director at East London NHS Foundation Trust

Skills and previous experience
Jenny brings extensive experience as a front line registered nurse and subsequent experience in senior management and board roles across the NHS including as Director of Nursing in a successful acute Trust in Kent. She also worked at the Department of Health in the Chief Nursing Officer's team, leading on communications. Additionally, Jenny has experience as Director of Quality in a Clinical Commissioning Group.

Jenny's clinical background is in children's nursing – she was a ward sister at King's College Hospital for many years, specialising in care for children with liver disease and children requiring intensive care. Jenny trained at St Thomas' (RGN) and Guy's Hospitals (RSCN).

Before commencing her nursing career, Jenny studied languages at Durham University and she also has a Masters degree in Business Administration from the Bristol Business School.

Simon Rowlands, Non-Executive Director

Simon Rowlands was appointed a Non-Executive Director in June 2014, although he served in a similar capacity prior to Admission having been an appointment of Cinven, the Company's former principal shareholder. The Company does not consider Simon to be independent due to the senior position he held with Cinven.

Current external appointments
- non-executive director of MD Medical Group Investment plc
- founding partner of Africa Platform Capital
- member of University of Cranfield Council and chairman of the School of Management Advisory Board

Skills and previous experience
Simon's extensive knowledge of the Company and its markets, combined with his wise counsel over a number of years, were among the reasons he was asked to continue to serve as a member of the Board following Cinven's sale of their shareholding in 2015.

He was a founding partner of the private equity firm Cinven until 2013, establishing and leading its healthcare team, and then served as a senior adviser until 2017. Simon founded a new private equity firm in 2016 focused on healthcare and consumer sectors of SubSaharan Africa. Prior to joining Cinven, he worked with an international consulting firm on multidisciplinary engineering projects in the UK and southern Africa.

Dr. Ronnie van der Merwe, Non-Executive Director

Dr. Ronnie van der Merwe was appointed as a Non-Executive Director in May 2018. The Company does not consider Ronnie to be independent as he has been appointed to the Board by the Company's principal shareholder, Mediclinic International PLC, under the terms of the relationship agreement with them.

Current external appointments
- chief executive officer of Mediclinic International PLC

Skills and previous experience
Ronnie is a specialist anaesthetist who worked in the medical insurance industry before joining the Mediclinic Group in 1999 as Clinical Manager. He established the Clinical Information, Advanced Analytics, Health Information Management and Clinical Services functions at Mediclinic, and subsequently served as the Mediclinic Group's Chief Clinical Officer. He was appointed as an executive director of Mediclinic International Limited in 2010 up to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited.

Daniel Toner, General Counsel and Group Company Secretary
Ⓔ

Daniel Toner joined Bupa Hospitals as head of legal in 2006 before being appointed General Counsel and Group Company Secretary upon Spire Healthcare's formation in 2007 and is a solicitor by profession. He oversees all legal activity at Spire Healthcare, ensures compliance with statutory and regulatory requirements, and that decisions of the Board of Directors are realised. Daniel is also the Company's Whistleblowing Officer.

Daniel is an award-winning lawyer who brings considerable legal, commercial and healthcare experience to Spire Healthcare, having previously worked in law firms (most recently Freshfields Bruckhaus Deringer), in businesses across a range of sectors and for the commercial directorate of the UK Department of Health.

Nomination Committee Report

Nomination Committee at a glance
The majority of Nomination Committee members were independent Non-Executive Directors at all times during the year in line with the provisions of the UK Corporate Governance Code 2018. The Board appoints the Chair of the Committee, who must be either the Chairman of the Board or an independent Non-Executive Director. If members are unable to attend a meeting they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

The Group Company Secretary, or their appointed nominee, acts as secretary to the Committee.

Committee membership and meeting attendance
The Nomination Committee members at the end of 2019 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

"The Committee continues to focus on the identification and appointment of the right individuals to the Board."

Martin Angle
Chair, Nomination Committee

Committee meetings

7

Member	Committee member since	Position in Company	Committee meetings attended in 2019
Martin Angle (Committee Chair)	March 2019	Deputy Chairman and Senior Independent Director	5/5
Dame Janet Husband	July 2014	Independent Non-Executive Director	7/7
Garry Watts	July 2016	Non-Executive Chairman	6/7

Nomination Committee members' biographies are shown on pages 96 and 97.

The Nomination Committee's terms of reference can be found at www.investors.spirehealthcare.com

Role and responsibilities
The Nomination Committee's foremost priorities are to ensure that the Group has the best possible leadership and to plan for both Executive and Non-Executive Director succession. Its prime focus is therefore on composition of the Board, for which appointments will be made on merit against objective criteria. The Nomination Committee advises the Board on these appointments, oversees the recruitment processes, and also considers retirements and resignations from the Board and its other committees. The Nomination Committee regularly examines succession planning based on the Board's balance of experience, overall diversity and the leadership skills required to deliver the Company's strategy.

Process for Board appointments
When considering a Board appointment, the Nomination Committee draw up a specification for the Director, taking into consideration the specific role together with the balance of skills, knowledge and experience of its existing Board members, the diversity of the Board and the independence of continuing Board members, together with the ongoing requirements and strategic development of the Group. Care is taken to ensure that proposed appointees have sufficient time to devote to the role and do not have any conflicts of interest.

The Nomination Committee utilises the services of an executive search firm to identify appropriate candidates, ensuring that the search firm appointed does not have any other conflicts with the Group. In addition, the Nomination Committee will only use those firms that have adopted the Voluntary Code of Conduct addressing gender diversity and best practice in search assignments. A long list of potential appointees is reviewed, followed by the shortlisting of candidates for interview based upon the objective criteria identified in the specification. Committee members interview the shortlisted candidates together with other Directors as appropriate, and identify a preferred candidate. Following these meetings, and subject to satisfactory references, the Nomination Committee make a formal recommendation to the Board on the appointment.

Dear Shareholder,
As Chair of the Nomination Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2019.

This is my first opportunity since I was appointed Chair in May to outline the activities of the Committee and these continue to focus on the identification and appointment of the right individuals to the Company's Board and senior leadership team. The Committee has recognised the requirement of the new UK Corporate Governance Code 2018 (the 'Code') in its decision-making.

Peter Bamford, who stepped down as a member of the Board and Chair of the Committee during 2019, successfully led the Committee for a number of years and I would like to thank him for his contribution to Spire Healthcare.

Board and senior leadership appointments
As part of its ongoing exercise to review its capabilities, the Board identified the need to appoint a further Director with exceptional clinical knowledge. The Committee was pleased to review and interview a strong list of individuals for the role with Jenny Kay being the preferred candidate. Jenny has hugely valuable and relevant experience from her time with the NHS, with a particular focus on nursing, from her years as a front line registered nurse and subsequently in senior management and board roles across the NHS. Lomond Consulting assisted in the search.

My own appointment was led by Garry Watts and the process is described further on page 85.

As well as the new appointments to the Board, the Committee also recommended that Adèle Anderson's appointment as an independent Non-Executive Director was extended for a further three-year term commencing from Spire Healthcare's annual general meeting in May 2019. Adèle chairs the Audit and Risk Committee, as well as contributing fully as a member of the Clinical Governance and Safety, and Remuneration committees. During 2019 Adèle oversaw the successful tender exercise of the Company's external audit services.

Three Directors will each reach six years of service during 2020 and, in light of the requirements of the Code, the Committee will both scrutinise their reappointment thoroughly and ensure the Board's composition requirements are appropriately met going forward.

In early 2019, a number of the Non-Executive Directors met with candidates for the role of Group HR Director and the Committee was unanimously supportive of the decision to appoint Shelley Thomas. Shelley has been instrumental during the year in setting Spire Healthcare's people agenda and launching its Purpose during the year.

Talent identification and succession planning
During the year, the Committee received the results of a detailed succession planning exercise that had been completed across the Company from the Chief Executive Officer and Group HR Director. This identified a few areas where there were gaps in skills that require addressing and has led to a detailed plan to help the Committee to identify and develop the right level of talent that will continue to future proof the business.

Performance evaluation
In December, the Committee completed its annual performance evaluation. In discussing the findings, it was agreed that the Committee would progress its focus on senior leadership team succession planning that it had already commenced. The review of this year's Board effectiveness evaluation process is summarised on page 93.

Diversity and inclusion
Details of the Company's staff diversity and gender pay gap, in line with reporting requirements, can be found in the Our impact section on page 43. The chart on page 96 also illustrates the diversity of the Board in terms of gender.

While Spire Healthcare employs a large majority of female colleagues and the Company's gender pay gap is lower than average, we recognise that there is further progress to be made towards better gender representation at Board and senior leadership levels. Our aim is to move to 33% female representation on the Board and Executive Committee as soon as practicable, commensurate with selection being on qualification and merit.

Re-election of Directors
The Committee met in early 2020 to review the continuation in office and potential reappointment of all members of the Board. Following this review, the Committee recommended to the Board that all Directors be reappointed, and hence all Directors will seek election or re-election at the annual general meeting in May.

Martin Angle
Chair, Nomination Committee
4 March 2020

Clinical Governance and Safety Committee Report

Clinical Governance and Safety Committee at a glance
The Clinical Governance and Safety Committee (CGSC) must have at least two members, one of whom must be an independent Non-Executive Director. The Board appoints the Chair of the CGSC who must be an independent Non-Executive Director. Jenny Kay joined the CGSC in June 2019, bringing her considerable clinical experience to the Committee. If members are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

The Group Company Secretary, or their appointed nominee, acts as secretary to the CGSC.

Committee membership and meeting attendance
The CGSC members at the end of 2019 and the number of meetings they each attended during the year were as follows (the maximum number of meetings they could have attended is also shown):

"We continue to improve our data analysis and oversight of clinical governance and safety across the Group. A key focus in 2019 has been on ensuring that our hospital teams are fully supported and empowered to deliver clinical excellence every day."

Professor Dame Janet Husband
Chair, Clinical Governance and Safety Committee

Committee meetings

5

Member	Committee member since	Position in Company	Committee meetings attended in 2019
Dame Janet Husband (Committee Chair)	July 2014	Independent Non-Executive Director	5/5
Adèle Anderson	February 2018	Independent Non-Executive Director	5/5
Justin Ash	October 2017	Chief Executive Officer	5/5
Tony Bourne	July 2014	Independent Non-Executive Director	5/5
Jenny Kay	June 2019	Independent Non-Executive Director	3/3
Garry Watts	July 2014	Chairman	4/5

CGSC members' biographies are shown on pages 96 and 98.

The CGSC's terms of reference can be found at www.investors.spirehealthcare.com

Role and responsibilities
The CGSC sits above the Group's clinical governance systems and is charged by the Board with ensuring effective systems and processes are in place and reviewing clinical performance, including the management of complaints, safeguarding concerns, whistleblowing and freedom to speak up issues.

The responsibilities of the CGSC include:
- promoting a culture of high-quality and safe patient care and experience;
- reviewing the Group Medical Director's Report;
- reviewing the Group Clinical Director's Clinical Governance and Safety Reports;
- monitoring patient health and safety matters;
- reviewing governance matters that impact patient safety;
- reviewing the clinical matters on the Whistleblowing Register;
- promoting continuous clinical improvements; and
- holding the Executive Committee accountable for following up actions.

Dear Shareholder,
I am very pleased to report on a good year for the Company, in which we have reaped the benefits of our continuing focus on clinical quality. We have seen teams across operational and clinical disciplines come together to deliver outstanding standards of patient safety and care, and our robust clinical governance framework has been further enhanced during the year.

Committed to excellence in patient care
The Company has made significant investments in its people, sites and equipment in 2019. Along with our newly defined Purpose, this is helping to ensure that we maintain a highly engaged workforce in our hospitals, fully committed to providing outstanding personalised care and making a positive difference to patients' lives. This commitment comes all the way from the top, as demonstrated by the passion our Chief Executive Officer, Justin Ash, brings to the Company's focus on quality and our determination to deliver excellence in every aspect of patient care.

This year we strengthened the non-executive membership of the Clinical Governance and Safety Committee (the 'Committee' or the 'CGSC'), with the appointment of Jenny Kay, who brings extensive experience as a front line registered nurse and also from the various senior management and board roles that she has held across the NHS. For many years, Jenny specialised in care for children with liver disease as well as children requiring intensive care. Her voice as a senior clinician is of immense value both to the Committee and to the Board. She has also been designated as the Company's Non-Executive Director Lead for Safeguarding and as the Board's Freedom to Speak Up Guardian.

Working together
I have continued to work closely with our central clinical team during 2019, holding regular one-to-one meetings with both our Chief Medical Officer, Dr. JJ de Gorter, and Group Clinical Director, Alison Dickinson. During the latter half of the year Dr. JJ de Gorter decided to move on from Spire Healthcare, having served the Company loyally for almost a decade. I would like to thank him for everything he has done for the Group over many years and extend my warmest wishes to him for his future career. I would like to welcome Fergus Macpherson, who took on the role as interim Group Medical Director in late 2019, having worked in several senior roles within the Company in recent years. Fergus has a strong background in both clinical practice and as a Hospital Director within the Group. His fresh contribution to the team is already making a positive impact, a particular focus being placed on updating and enhancing our Medical Governance Framework and supporting our new National Medical Governance Committee.

I would also like to take this opportunity to say thank you to Alison Dickinson and her team, who have continued to inspire our clinical teams and to raise standards of patient care and governance across the Group. During the year I have attended our Matrons' (now Directors of Clinical Services') meetings to see first-hand how they are working together to raise standards of care under Alison's leadership. These meetings are an important example of how Spire Healthcare acquires its identity as a hospital group, and how learning from incidents and sharing best practice can benefit all of our patients.

This spirit of teamwork and corporate identity is a key factor in achieving our Purpose and has helped to ensure that an increase in the proportion of our hospitals rated 'Good' or 'Outstanding' by the CQC (or the equivalent in Scotland and Wales) to 85% (2018: 79%), which in turn delivers tangible benefits through improved consultant engagement and relationships with PMI providers. 11 sites were inspected during the year, for which nine reports have been published, all rated 'Good', 'Outstanding' or 'Positive'. Our Spire Manchester Hospital received an 'Outstanding' rating, taking the Group's total to five, and both Spire London East and Spire Parkway hospitals were upgraded from 'Requires Improvement' to 'Good' . Our six hospitals that remain rated 'Requires Improvement' by the CQC have been undergoing an intense programme of clinical investment and improvement and we now look forward to monitoring their progress during 2020 with the aim of achieving upgraded CQC ratings for them all.

Committee activities in 2019
The Committee held five meetings during the year, two at our central London offices and three at our hospital sites in Bushey, Edinburgh and Nottingham.

As part of our oversight, the CGSC delves deeply into the work of our hospitals each year. As governance systems become more robust, and the more data we generate it is important to ensure that we focus on the most relevant information. For the first time this year we have been able to review trends and the impact of changes over time across a range of measures. Such oversight allows us to analyse the impact of best practice initiatives and to quickly identify areas which might expose potential problems before they occur.

Towards the end of the year, we introduced a new hospital ranking table. giving us both a simple way of monitoring progress at each hospital and a snapshot of the clinical quality of our Group on a single page.

Another important aspect of the CGSC's work this year has been the further development of our risk reporting. I have been delighted to work on this alongside both Adèle Anderson, Chair of the Audit and Risk Committee, and Martin Sutton, our recently appointed Director of Audit, Risk and Compliance. Martin has played a key role in the consolidation of clinical risk reporting and I look forward to working closely with him during 2020. The Committee continues to monitor serious incidents and carefully reviews each Never Event in detail. While most of the incidents reported raise no concerns, it is imperative we review every serious event or death in detail, with a focus on learnings which are shared across our hospitals to help prevent any further occurrences. This year we have seen a welcome reduction in Never Events but we continue to aim ever lower. We do all we can to support initiatives which help prevent their occurrence. In addition, the Committee also carefully scrutinises all deaths within 31 days of surgery and reviews a quarterly 'Learning from Deaths Report', based on guidance by NHS England which is designed to ensure that the learnings from patient deaths are put in place.

While much of the work of the Committee is reviewing information and performance at a Group or hospital level it is also important that we reach out to individual patients and hear their stories and how the clinical teams respond to patients' needs. For example, at our meeting in July at Spire Murrayfield Hospital, Edinburgh, we heard about the handling of two very different individual cases and how the hospital had met the challenges posed by the complexity of clinical issues in one case and by an urgent situation in another.

As in previous years the Committee undertook 'Themed Reviews' to explore areas of practice not routinely reviewed as standing agenda items. This year we reviewed our Datix reporting system and learned about how the system is continually being improved and is now embedded in everyday clinical practice. We also reviewed our critical care services, undertaking a gap analysis, in order to prepare to meet our objective of providing Level 1 Critical Care services in all our hospitals and Level 2/3 Critical Care in selected sites undertaking high acuity work.

Whistleblowing has become an important initiative within healthcare organisations and we are pleased that our introduction of 'Freedom to Speak Up Guardians' in all our hospitals supplements our established whistleblowing process by ensuring that there are nominated people to whom colleagues can speak to in complete confidence to raise any concerns. We extended this programme to our non-clinical sites in 2019, including our head office, and in February 2020 appointed Jenny Kay as the Board's Freedom to Speak Up Guardian.

Hospital engagement
I continued to develop my programme of informal hospital visits in 2019. This allows me to see first-hand the progress being made at our sites. I always take the opportunity to talk with frontline staff and patients, who can give me an insight into the culture of the hospital as well as the trust patients have in the hospital as a whole. In-depth discussions with Hospital Directors and Directors of Clinical Services help me flesh out every aspect of life at each hospital. I regularly report back my findings to our Chairman and the Board.

Once again, I am pleased to report that on several of my visits I have been joined by other Non-Executive Directors, including Adèle Anderson and Martin Angle. This broadens the scope of our visits and gives non-clinicians on the Board a better understanding of some of the more complex aspects of healthcare, while bringing their particular expertise and experience into our discussions.

Focus for 2020
I will build on my hospital visits in 2020 and plan to attend local Medical Advisory Committee (MAC) meetings as well as the annual MAC Chairs' Conference. This kind of engagement allows me to meet with consultants informally and to discuss individual hospital issues from a clinical perspective.

The Committee continues to function well and our main focus in 2020 will remain on strengthening our reporting systems and supporting a strong medical governance framework. We will maintain our close relationship with the Audit and Risk Committee, as we monitor clinical risk and strengthen our risk controls. I will also continue my regular one-to-one meetings with Justin Ash, Alison Dickinson, Fergus Macpherson, as well as Garry Watts and Martin Angle.

Finally, 2020 has been designated as the 'year of the nurse', and we will take part in the Nightingale Challenge, which celebrates nurses and aims to equip and empower the next generation of nurses and midwives as leaders, practitioners and advocates in health. For us, it is essentially a mentoring programme for around 15 young nurses within Spire Healthcare and, along with Jenny Kay, it is something I will be very much involved in during the year.

Professor Dame Janet Husband
DBE FMedSci, FRCP, FRCR
Chair, Clinical Governance and Safety Committee
4 March 2020

Audit and Risk Committee Report

Audit and Risk Committee at a glance
The Audit and Risk Committee must have at least three members, all of whom must be independent Non-Executive Directors.
If members are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

The Audit and Risk Committee invites the external auditor, the Chief Executive Officer, Chief Financial Officer and the Director of Audit, Risk and Compliance to attend each meeting, with other members of the management team attending as and when invited. Representatives of the Group's external auditor have a private session with the Audit and Risk Committee or its Chair whenever required.

The Group Company Secretary, or their appointed nominee, acts as secretary to the Committee.

Committee membership and meeting attendance
The Audit and Risk Committee members at the end of 2019 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

"In 2019 our focus has been on running the external audit tender process and gaining assurance over the internal risk management systems."

Adèle Anderson
Chair, Audit and Risk Committee

Committee meetings

6

Member	Committee member since	Position in Company	Committee meetings attended in 2019
Adèle Anderson (Committee Chair)	July 2016	Independent Non-Executive Director	6/6
Martin Angle	September 2019	Senior Independent Director	2/2
Tony Bourne	July 2014	Independent Non-Executive Director	5/6
Dame Janet Husband	July 2014	Independent Non-Executive Director	6/6

Audit and Risk Committee members' biographies are shown on pages 97 and 98.

The Audit and Risk Committee's terms of reference can be found at www.investors.spirehealthcare.com

Role and responsibilities
The Audit and Risk Committee has responsibility for overseeing the financial reporting and internal financial controls of the Group, for reviewing the Group's internal control and risk management systems, and for maintaining an appropriate relationship with the external auditor of the Group, and for reporting its findings and recommendations to the Board.

These include:
- receiving and reviewing the Annual Report and Accounts of the Group and half yearly financial statements, and any public financial announcements, and advising the Board on whether the Annual Report and Accounts is fair, balanced and understandable;
- receiving and reviewing reports from the external auditor, monitoring its effectiveness and independence, and approving its appointment and terms of engagement;
- agreeing the annual internal audit programme, including the use of external consultants to support the internal resource, and reviewing the results;
- monitoring the effectiveness of the risk management system;
- reviewing the effectiveness of the Group's system of internal controls and assessing and advising the Board on the internal financial, operational and compliance controls; and
- overseeing the Group's procedures for detecting fraud and whistleblowing.

Dear Shareholder,
As Chair of the Audit and Risk Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2019.

Risk management and internal controls
Internal audit and risk management continue to be areas of particular focus and scrutiny for the Committee at each meeting, with papers presented and discussed in detail to understand key issues raised and identify emerging and significant risks to the business.

Internal Audit function
In 2017, we set up the Internal Audit function with a small, professional team of internal auditors.

During 2019, we decided to appointed a new Director of Audit, Risk and Compliance to take internal audit into its next phase of development. The new appointment presented his proposals for the team's evolution to the Committee in December 2019. The plan includes additional investment into the function to grow its capability and scope, particularly in technology and change management. The Committee approved the proposals. A third-party professional services firm will be appointed to provide co-source internal audit resources from 2020. The Internal Audit function will also be strengthened by the appointment of a clinical investigator to give capability to investigate concerns raised through the Whistleblowing procedure or other escalation routes that would not be appropriate to investigate through the normal clinical governance framework.

The 2019 audit plan was prepared on a risk-focused basis with input from the senior leadership team and Non-Executive Directors. The plan continued internal audit reviews of hospital sites (which commenced in Q2 2018), supplemented by a number of corporate reviews at Head Office.

The Committee has approved a number of core internal audits for the 2020 Internal Audit plan.

Risk management function
The reporting line for risk management has remained with the new Director of Audit, Risk and Compliance.

Following the fundamental review of the risk policy, methodology and process in 2018 that brought Spire Healthcare in line with the majority of the NHS and private hospital providers, the Risk Management team has focused on embedding the new policy, methodology and processes in 2019. It has also introduced more insightful reporting on the Corporate and Group Principal risks to the Committee. Management has approved additional headcount in the Risk Management team to ensure the management teams sustain a consistent quality of risk management activity across all hospitals and corporate functions.

Further details on risk management can be found on pages 50 to 65.

As in 2019, the overall risk management framework, including the Board's appetite for risk and the underlying process for capturing and reporting risk and control data, will continue to be reviewed and developed by the Board and its committees during 2020 to ensure that changes to reflect the new regulatory environment and best practice are incorporated.

Viability
The Committee reviewed the process undertaken by management to support and allow the Directors to make the Group's viability statement. The Committee considered and provided input into the determination of which of the Group's principal risks and combinations thereof might have an impact on the Group's liquidity and solvency. The Committee reviewed the results of management's scenario modelling and the stress testing of these models including considering the potential impact of COVID-19. The viability statement can be found on page 66.

Other activities in 2019
Prior to the release of the Company's 2019 interim results, the Committee completed a thorough review of management's application of IFRS 16 Leases and a review of the Going Concern principle under a no-deal Brexit scenario on 31 October 2019. We also reviewed the Company's banking covenant compliance at the year end.

In addition to providing oversight of the Group's financial reporting, internal controls and risk framework, the Committee has had the opportunity to complete a number of deep dive sessions during the year. This included sessions on common control issues reported from the hospital internal audits, business continuity, human resource risks and financial forecasting.

The Committee reviewed the nature of all items classified as 'adjusting items' in the year and management's justification thereof against relevant accounting guidance. Where costs spanned a reporting period, the Committee considered the significance of the total expected costs to be incurred across reporting periods (based on management's estimates), when determining the appropriateness of the accounting treatment.

External audit
Annual auditor appointment
The Committee has primary responsibility for the relationship with, and performance of, our external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and for negotiating the audit fee in conjunction with the Chief Financial Officer.

Ernst & Young LLP was appointed as the Company's external auditor in July 2014 on our Admission to the London Stock Exchange, although they have served the business since 2008. Our current audit partner from Ernst & Young LLP is Debbie O'Hanlon who took on the role in 2015.

The Committee ensures that the external auditor adheres to The Auditing Practices Board's Ethical Standard 3, which requires the rotation of the audit partner for listed companies every five years. As a result, this is the last fiscal year for Debbie O'Hanlon to serve as the audit partner.

External audit tender process
Whilst recognising that the 10-year period of the external auditor's appointment technically began with the Company's Admission in 2014, rather than an earlier point, the Committee agreed that a full external auditor tender should be linked to the end of Debbie O'Hanlon's term as lead audit partner. The external audit tender process to appoint a new audit firm, or re-appointing Ernst & Young LLP, commenced in Q2 2019.

I chaired a selection committee which agreed upon the criteria to assess competing tenders. The process involved tender firms meeting with Board members and selected management, submitting a written proposal document and a final presentation to the selection committee. The proposals from the firms were evaluated by the selection committee against the following criteria, as well as their combined audit proposition as a whole: audit quality; business and sector knowledge; people and cultural fit; and use of audit technology.

The outcome of the tender process was that the selection committee recommended the re-appointment of Ernst & Young LLP under a new audit partner, Stephney Dallmann. Consequently, the Committee recommended, and Board subsequently agreed, the re-appointment of Ernst & Young LLP. The Board will put forward a resolution to the next annual general meeting for Ernst & Young LLP's re-appointment. The appointment is effective for the audit of the fiscal year commencing on 1 January 2020.

The Committee concluded that Ernst & Young LLP provided the best combination of specific experience of auditing a multisite healthcare operation with a demonstrable understanding of the key financial reporting risks.

External auditor independence
The Committee reviewed the independence and effectiveness of the external auditor. We did this by:
- reviewing its proposed plan for the 2019 audit;
- discussing the results of its audit, including its views about material accounting issues and key judgements and estimates, and its audit report;
- reviewing the quality of the people and service provided by Ernst & Young LLP; and
- evaluating all of the relationships between the external auditor and the Group, to determine whether these impair, or appear to impair, the auditor's independence.

Significant issues and material judgements
The Audit and Risk Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The table below summarises the matters where the most material judgements have been made in relation to reporting in 2019:

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
Improper revenue recognition: Management manipulation	Pressure to achieve results and secure bonus payments could lead management to manipulate the financial reporting of revenue. This could include the: – manipulation of prices charged, in particular in relation to PMI and NHS revenue; – intentional miscoding of procedures by hospitals impacting revenue recorded; – misreporting of other income in the year; and – overstatement of deferred revenue at the year end.	Central management carry out a detailed review of monthly hospital performance compared to forecast, in particular focusing on the cut-off of revenue reported at the balance sheet date. The Group maintains effective segregation of duties to safeguard the integrity of pricing masterfile data on which billing is dependent. Management routinely reconcile revenues and cash collections as part of monthly cash flow management procedures. This includes accrued revenue, which is substantiated with reference to subsequent billings and cash collection.
Complexity of PMI and NHS contracts	The complexity of the pricing structures and the high volume of procedures undertaken present a risk in relation to the accuracy of revenue recognition, in particular the use of incorrect codes or prices.	Independent internal reviews are carried out at least once a year for each site which undertakes NHS activity. These reviews involve sample-based assessments against source data to test the accuracy of the clinical coding process. These reviews did not raise any issues of concern. The Committee noted the testing of revenue recognition in the year by the external auditors. This testing included detailed testing of journals, the use of software-based assurance tools to check the accuracy of invoicing for services delivered to the NHS and to match pricing information to third-party reference information. This audit work covered over 89% of the NHS revenues recognised in the year. In addition the external auditors undertook sample-based substantive testing, checking invoices back to procedure and price list information across a number of revenue transactions. While considering the totality of revenues recognised in the year, the external auditors also compared the total of revenues recorded in the year to cash collected to verify the recovery of revenue billed (after consideration of the movement in the year end debtors position). No significant differences were noted by the external auditors during the course of this work.

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
Property carrying values	Freehold and Leasehold property is held at depreciated cost and its carrying value is required to be assessed for indicators of impairment by management on an annual basis. For those properties with an indicator, an impairment test is performed by calculating a value in use, by means of a discounted cash flow model. As this process involves some degree of estimation there is a risk that properties are held in the financial statements at inappropriate carrying values.	The Committee reviewed the analysis prepared by management to assess the carrying value of those properties with an indicator of potential impairment, including the appropriateness of the key underlying assumptions. These included future anticipated growth rates, the discount factor rate and levels of on going capital investment. This work was conducted in two phases. An initial review was performed in December which was based on the year to date trading position of individual hospitals through to 31 October 2019. This initial review was performed to provide early visibility of any potential Issues and to allow for a preliminary assessment of the reasonableness of the key judgements applied by management . These judgements included: – the terminal growth rate; – the discount factor rate; – forecasts of on going capital investment; and – growth rates applied at an individual hospital level over the next five years. Management's review was updated at the year-end using the latest available hospital level forecasts. A shortlist of hospitals was identified from this activity and reviewed in detail by the Committee to ensure that management's conclusions were appropriate. The Committee noted that the work carried out by the external auditors, Ernst & Young LLP, supported its own findings in this area.
Adjustments to EBITDA ('Adjusting Items')	It is the Group's policy to disclose EBITDA after adjusting for certain items, due to their nature or amount, in order to provide a meaningful comparison of the Group's underlying performance. Pressure to achieve targets could lead management to manipulate the outcome by overstating the level of Adjusting Items.	The Committee : – reviewed in detail the Group's policy for classifying matters as Adjusting Items; – performed an in-depth review ahead of year end of management's reasoning for each item that was to be adjusted for in arriving at the 2019 full year EBITDA outcome; and – assessed whether the proposed approach was consistent with prior periods.

UK Competition and Markets Authority (CMA) Order
During the year, the Company has complied with the CMA Order in relation to Statutory Audit Services for Large Companies.

Audit risk
The Committee received from Ernst & Young LLP a detailed plan identifying the scope of their audit for the year, planning materiality and their assessment of key risks. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process.

These risks were reviewed by the Committee ahead of the full year audit, to ensure the external auditor's areas of audit focus remain appropriate.

Working relationship with the external auditor
During the year, the Committee met with the external auditor without management present to provide additional opportunity for open dialogue and feedback between both parties. Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner ahead of each Committee meeting. Additionally, the Director of Audit, Risk and Compliance liaises with, and meets, the external auditors on a regular basis, and the external auditors also receive a copy of each internal audit report.

External financial reporting
The Committee is responsible for monitoring, reviewing and challenging the integrity of the financial statements, and ensuring compliance with legal, regulatory and statutory requirements, giving due consideration to the provisions of the UK Corporate Governance Code.

The external auditor provided reports for the half year and year end reporting, including all significant issues, with an assessment of their view of the appropriateness of management's judgements.

At the request of the Board, the Committee considered whether the Annual Report and Accounts for the year ended 31 December 2019 was fair, balanced and understandable, and whether it provided the necessary information for the shareholders to assess the Group's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and performance in the year, internal verification of the factual content, comprehensive review undertaken at different levels in the Group to ensure consistency and overall balance, and detailed review by senior management and the external auditor. The Committee was satisfied that, taken as a whole, the Annual Report and Accounts for the year ended 31 December 2019 is fair, balanced and understandable, and has affirmed that view to the Board.

Recent accounting developments
The Group has adopted the new accounting standard IFRS 16 Leases on a fully retrospective basis from 1 January 2019. Owing to its large portfolio of properties, which were previously accounted for as operating leases, the new standard has had a significant effect on the Group's financial statements. The Committee has undertaken regular reviews into management's approach towards adoption of this new standard, including areas of key judgement, since the commencement of the implementation project in 2018.

Our priorities for 2020
The Committee's focus in 2020 will be:
- to monitor the progress of fully embedding the risk management framework both at hospitals and in the corporate functions;
- to ensure value is obtained from a new co-source Internal Audit arrangements
- emerging risks;
- review the Group's resilience in light of any EU trade deal developments that might impact the Group; and
- monitoring the impact of the cultural initiatives led by the Executive Committee including reviewing the Group-wide Freedom to Speak Up and Whistleblowing processes that enable staff to raise concerns.

Non-audit services and independence
Ernst & Young LLP provided non-audit services to the Group during the year ended 31 December 2019. These services related to the Interim Review and the inspection of a loan covenant certificate. Total non-audit service fees amounted to £0.045m (2018: £0.040m).
All non-audit fees are approved by the Audit and Risk Committee.

Whistleblowing
The Committee also continued its monitoring and oversight of the procedures for the receipt, retention and treatment of qualifying disclosures by staff. Further details can be found on page 42 in the Our impact section.

Clinical Governance and Safety Committee (CGSC)
To ensure that the Committee and the CGSC complement each other's work, Dame Janet Husband and I have developed the follow protocols:
- we both sit on each other's Committees; and
- we split the focus of risk management with the CGSC focusing on the clinical risk management at corporate and hospital level and this Committee on the Principal Risks, and non-clinical operational risks, of the Group.

Annual evaluation of the Committee's performance
The evaluation of the Committee's performance was carried out in late 2019 that confirmed that it continued to perform effectively.

Adèle Anderson
Chair, Audit and Risk Committee
4 March 2020

Remuneration Committee Report

Remuneration Committee at a glance
The Remuneration Committee must have at least three members, all of whom must be independent Non-Executive Directors, and the Board appoints the Remuneration Committee's Chair. If a member is unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Committee's Chair.

The Group Company Secretary, or their appointed nominee, acts as secretary to the Remuneration Committee.

Committee membership and meeting attendance
The Remuneration Committee members at the end of 2019 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

"Although 2019 has been a good year for the Company the Remuneration Committee has taken a responsible approach to pay."

Tony Bourne
Chair, Remuneration Committee

Committee meetings

4

Member	Committee member since	Position in Company	Committee meetings attended in 2019
Tony Bourne (Committee Chair)	July 2014	Independent Non-Executive Director	4/4
Adèle Anderson	August 2016	Independent Non-Executive Director	4/4
Martin Angle	March 2019	Deputy Chairman and Senior Independent Director	2/2

Remuneration Committee members' biographies are shown on pages 97 and 98.

The Remuneration Committee's terms of reference can be found at www.investors.spirehealthcare.com

Role and responsibilities
The Remuneration Committee has authority from the Board to determine the framework and total remuneration arrangements of the Executive Directors and, in consultation with the Chief Executive Officer, senior management. It also oversees the Group's share-based incentive arrangements.
In practice, the Committee agrees the:
- policy for cash remuneration, executive share plans, service contracts and termination arrangements;
- reward packages of the Chairman, Executive Directors and the Executive Committee;
- termination arrangements for Executive Directors;
- recommendations to the Board concerning any new executive share plans or changes to existing schemes which require shareholders' approval;
- basis on which awards are granted and their amount to Executive Directors and senior management under the LTIP; and
- ensures a consistency of remuneration arrangements across all levels within Spire Healthcare.

Dear Shareholder,
I am pleased to present the Directors' Remuneration Report for 2019. This report includes details of decisions taken by the Remuneration Committee in respect of 2019, as well as a summary of how we intend to structure Executive Director pay for the coming year.

The Remuneration Committee continues to be focused on pay-for-performance by ensuring that remuneration arrangements for Executive Directors and other members of senior management support successful execution of the long-term strategy and align with the interests of our shareholders.

Outcomes for 2019
2019 was a good year for your Company. We responded to the previous year's challenges by raising the bar on patient safety and governance, and by further investing in our infrastructure, people and technology. Spire Healthcare now has a clearly articulated purpose that is enhancing the performance of the business, as well as giving colleagues a sense of belonging. Overall, we increased Group revenue by 5.3%, while operating profit was up 33% year-on-year. These results marked a successful year in which we met all of our financial targets.

The Company's EBITDA of £120.5 million was above the bonus threshold by an amount that would result in a 27% payment to be made to all eligible colleagues. However, the Remuneration Committee has used its discretion to scale back awards. When considered alongside performance against individual objectives this results in an overall bonus outcome for Justin Ash and Jitesh Sodha at 30% of maximum. This represents the first bonus for Executive Directors since 2014.

While neither of the current Executive Directors had an interest in the Long Term Incentive Plan (LTIP) awards granted in 2017 (based on performance to 31 December 2019), shareholders will note that a small percentage of shares vested to eligible participants as the minimum threshold for the Regulatory Rating was achieved.

Remuneration decisions for 2020
When making remuneration decisions in relation to the coming year, the Remuneration Committee has been mindful of both the performance challenges being faced by the industry and the shareholder experience.

The key decisions taken by the Remuneration Committee in respect of 2020 include:

Base salary – the Executive Director salaries will be reviewed in September 2020 at the same time as the wider workforce.

Annual bonus – the bonus maximum for Executive Directors remains unchanged at 150% of salary. The details of the targets for the annual bonus targets are commercially sensitive and will be disclosed on a retrospective basis. However, the Remuneration Committee has once again been thoughtful regarding the payout schedule and has set highly challenging performance targets for payouts at the upper-end of the scale.

LTIP – the maximum LTIP award level for 2020 will continue to be 150% of salary, below the policy maximum of 200% of salary. At the time of preparing this report, the Remuneration Committee is still in the process of finalising the targets for 2020 awards. In particular the Remuneration Committee would like to fully assess the impact of recent changes announced by the NHS England regarding the approach to assessment of patient satisfaction.

We remain committed to providing transparent disclosure of our approach to pay. Therefore, our intention is to disclose the details of targets for 2020 LTIP awards on our website, in advance of the 2020 annual general meeting.

Looking ahead
Overall, the Remuneration Committee has sought to adopt a balanced approach to pay at a time when the industry is facing a number of headwinds. We are keen to ensure the executive management team remain motivated towards execution of the strategy and ultimately deliver value for our shareholders.

When making decisions relating to remuneration the Committee is mindful of the guidance in the UK Corporate Governance Code (the Code) around clarity, simplicity, risk, predictability, proportionality, and alignment to culture. As detailed in this report, various steps have been taken to ensure that the approach to remuneration is consistent with these principles and the Remuneration Committee will continue to take these factors into account when reviewing the Remuneration Policy ahead of the annual general meeting in 2021.

Reward levels are set to attract, retain and engage high-calibre talent to support the business strategy, taking into account the talent market in which we operate. The remuneration arrangements are intended to be simple and transparent. Pay for senior executives includes elements of variable pay, partly delivered in shares, to ensure outcomes are reflective of performance, delivery of the strategy and the shareholder experience. All variable remuneration is subject to appropriately stretching performance targets which are set to reflect the risk-appetite of the business, with a focus on delivery of long-term sustainable performance. Variable pay elements are also subject to: (i) recovery provisions to safeguard against payments for failure; (ii) performance underpins; and (iii) scope for the Remuneration Committee to exercise discretion where outcomes are deemed inappropriate. As detailed in this report, the Remuneration Committee also spends considerable time understanding the pay trends throughout the Company as this provides important context when determining pay for the executive team.

Later this year we will commence a comprehensive review of our Remuneration Policy ahead of putting a revised policy to shareholders for approval at the annual general meeting in 2021.

During the year, the Remuneration Committee has given careful consideration to the requirements of the Code and it is of the view that the Company is well placed against the key requirements of the Code. Although the Remuneration Policy will not be updated until 2021, the Remuneration Committee has agreed that pension contribution rates for all future Executive Director appointments will be aligned with those available to the majority of the workforce.

We intend to engage with our key stakeholders during the Remuneration Policy review process to ensure all views are considered. In the meantime I am committed to ensuring an open dialogue with all of our shareholders. If you have any questions about the content of this year's Directors' Remuneration Report please contact me via companysecretary@spirehealthcare.com.

We look forward to your continued support at our annual general meeting in May.

Tony Bourne
Chair, Remuneration Committee,
4 March 2020

Summary of Remuneration Policy and approach for 2020
The Directors' Remuneration Policy was approved by shareholders at the annual general meeting on 24 May 2018. This Remuneration Policy will continue to apply for 2020.

The table below summarises the key terms within the policy together with detail on how remuneration arrangements will be operated in the coming year. The full Remuneration Policy can be found in the 2017 Annual Report and Accounts.

Executive Directors – fixed pay	
Salary	
Summary of policy	Fixed remuneration appropriate to the role to secure and retain required talent. When setting the salary level the Remuneration Committee takes into account factors including: scope and responsibility of the role; salary levels for similar roles within comparators; and wider workforce remuneration.
Implementation for 2020	The current Executive Directors' salaries are: – Justin Ash – £615,000 – Jitesh Sodha – £395,000 Salaries will be reviewed in September 2020 at the same time as the wider workforce.
Benefits	
Summary of policy	A range of role-appropriate benefits may be provided to Executive Directors, these include: private medical cover, income protection scheme, life assurance, annual health assessment and car allowance.
Implementation for 2020	The benefits paid to Executive Directors for 2020 are unchanged from 2019.
Retirement benefits	
Summary of policy	Retirement benefits assist with retirement planning and are provided to support retention.
Implementation for 2020	Executive Directors can opt to join the Company's defined contribution scheme; take a cash supplement; or a combination. Retirement benefits for the Executive Directors are unchanged in 2020 at a rate of 18% of base salary. This is below the maximum allowable under the Remuneration Policy and is consistent with levels offered to other senior executives in the business. The Remuneration Committee has agreed that the retirement benefit for any new Board appointments will be aligned with those available to the wider workforce.

Executive Directors – performance-related pay	
Annual bonus	
Summary of policy	The annual bonus incentivises and rewards the achievement of annual financial, operational and individual objectives. Objectives are set annually, taking into account internal and external expectations of performance, targeted and focused on the delivery of strategic goals. – At least 50% assessed against financial goals, the remainder will be based on performance against strategic and/or individual objectives. – Awards are subject to malus and clawback. – Policy maximum: 150% of salary.
Implementation for 2020	– 2020 maximum: 150% of salary. – Deferral into shares for three years: Chief Executive Officer – one-half of any bonus; and Chief Financial Officer – one-third of any bonus. – For 2020, the majority of the award will continue to be based on a profit-based metric, with 10% based on individual objectives. – No bonus will be paid unless a minimum quality trigger and Group earnings targets are met. – The details of targets for the coming year are commercially sensitive; however, the Remuneration Committee will provide disclosure regarding targets and bonus outcomes in next year's report.
Long Term Incentive Plan (LTIP)	
Summary of policy	– The LTIP incentivises and rewards the achievement of long-term strategic objectives. – Targets are set by the Remuneration Committee for a three-year performance period. Awards are subject to a two-year holding period. – Awards are subject to malus and clawback. – Policy maximum: 200% of salary.
Implementation for 2020	– 2020 LTIP grants: 150% of salary (the same as in 2019). – Performance will be measured from 1 January 2020 to 31 December 2022. – The Remuneration Committee is currently in the process of finalising performance targets for 2020 awards. The Committee intends to publish the targets for 2020 awards on the Company's website ahead of the 2020 annual general meeting.

Executive Directors – further details	
Recovery provisions	The Remuneration Committee may cancel or reduce the number of shares in the following circumstances: – A serious misstatement of the Group's audited financial results; – A serious miscalculation of any performance measure; – A serious failure of risk management or regulatory compliance; – Serious reputational damage to the Group; and – A participants' material misconduct.
Shareholding	– Executive Directors are expected to build up and maintain, over a period of five years, a shareholding equivalent to twice their respective base salary. – Following departure, departing Directors will typically maintain a material interest in shares. For good leavers, bonuses deferred into shares will typically only be released at the end of the normal deferral period, and LTIP awards will typically only be released at the normal time after the end of any holding period.

Single total figure of remuneration – Executive Directors (audited)
The following table sets out the total remuneration for the Executive Directors for the year ended 31 December 2019. This comprises the total remuneration received over the full year from 1 January 2019 to 31 December 2019.

	Justin Ash		Jitesh Sodha[1]	
(£000)	**2019**	2018	**2019**	2018
Salary	**615.0**	615.0	**395.0**	98.8
Benefits[2]	**7.6**	6.7	**17.2**	4.0
Retirement benefits	**110.7**	110.7	**71.1**	17.8
Annual bonus (including deferred element)	**276.8**	–	**177.8**	–
Long-term incentives[3]	**–**	–	**–**	–
Total	**1,010.1**	732.4	**661.1**	120.6

1 Jitesh Sodha was appointed as Chief Financial Officer on 1 October 2018 on a salary of £395,000 per annum.
2 Both Executive Directors participated in the all-employee Sharesave scheme operated in 2019. The benefits value for the year, includes the intrinsic value of Sharesave awards, based on the 20% discount on the options granted (£900).
3 Neither Justin Ash nor Jitesh Sodha was a participant of the 2017 LTIP award.

Additional notes to the table
Salary
As disclosed in previous years' Remuneration Reports:
– Justin Ash's salary was set on appointment in 2017 at £615,000 per annum; and
– Jitesh Sodha's salary was set on appointment in 2018 at £395,000 per annum.

No further salary increase was awarded to either Executive Director during 2019.

Benefits
The benefits consist of private medical cover (for the Executive Directors and their families), life assurance and income protection cover. Jitesh Sodha also receives a car allowance.

Retirement benefits
The amount set out in the table represents the Group contribution to the Executive Directors' retirement planning at a rate of 18% of base salary. Amounts above the HMRC annual allowance are paid as taxable cash supplements. The level of retirement benefit is below the maximum allowable under the Remuneration Policy and is consistent with benefit levels offered to other senior executives in the business.

Annual bonus
For the 2019 financial year, the maximum bonus opportunity for Justin Ash and Jitesh Sodha was 150% of base salary. The annual bonus targets were set at the beginning of the financial year, with 90% of the award being assessed against EBITDA and 10% assessed against a balanced scorecard based on strategic targets.

As stated in last year's report, the Committee set targets for 2019 taking into account both internal and external expectations as well as the key strategic priorities for the business. The targets for 2019 were therefore deemed to be highly challenging in this context. The Remuneration Committee also reinforced the assessment by applying underpins relating to profit and clinical quality.

The EBITDA targets for 2019 were as follows:

EBITDA	Below £116m	£120.5m	£136.5m
Outcome (% of max bonus)	Nil	37%	90%

The year-end outcome was £120.5m resulting in a formulaic outcome of 27% of the overall bonus.

For 2019, the strategic element was limited to 10% of the overall bonus. The Remuneration Committee determined that performance against the strategic element warranted a full payout for both Executive Directors. This assessment took into account performance against the following factors:

Area of focus	Key achievements
Chief Executive Officer	
Organise the business to deliver the five-year plan objectives with a clear plan to ensure the business is on track to deliver.	Strategic plans updated in line with January Board feedback; clear plans in place for each work stream and 2019 plans substantially delivered by year end.
Clear assessment of strategic opportunities including disposals and acquisitions with sufficient clarity to enable Board decisions.	New partnership with GenesisCare. Delivered key long-term contracts with three of the largest PMI providers.
Continue to champion uncompromising approach to safety and governance in both internal and external forums. Leverage ongoing quality investments to drive Spire Healthcare's growth and reputation.	Improved CQC ratings and consultant governance. Positive PMI and patient feedback on Spire quality. Ongoing patient safety and governance improvements.
Chief Financial Officer	
Continue to drive accurate reporting and forecasting.	Effective and predictive triggers in place on income and EBITDA.
Ensure covenant and cash targets are met and, develop and build relationships with current lending group. Increase prominence of cash management and capital expenditure allocation (and return on investment) internally within Spire Healthcare.	Positive cash generation. Net debt to EBITDA ratio reduced to 3.0x. Focus on cash collection successful and capital expenditure actively managed.
Development of an IT Transformation Programme.	Board approval of strategy with clear project plan for 2020. Appointment of key roles.

All bonuses in the Group, including those payable to Executive Directors, below, were subject to a minimum EBITDA threshold of £116 million and a minimum quality trigger. Both of these hurdles were achieved for 2019.

Based on the assessment above, the formulaic outcome was 37% of the maximum bonus. Although the business had performed well against the objectives set at the start of the year, the Committee remain mindful of the ongoing structural challenges that the sector continues to face. The Committee therefore exercised discretion to scale back awards, and cap bonuses for both Executive Directors at 30% of maximum. The Remuneration Committee is satisfied that the outcomes are fully warranted by performance in the year.

For Justin Ash, 50% of the bonus will be deferred into shares for three years, with deferral of one-third of the award for Jitesh Sodha. The release of these deferred shares will be subject to a satisfactory level of leverage at the end 2020. Further details of this assessment will be disclosed in next year's annual report.

Long Term Incentive Plan (LTIP)
The performance period for awards granted in 2017 ended on 31 December 2019. This award was based on targets linked to EPS, relative TSR performance and operational excellence measures. Justin Ash and Jitesh Sodha did not have any interest in this award cycle.

The performance targets for this award were disclosed on a prospective basis in the 2016 Directors' Remuneration Report and the result at the conclusion of the three-year performance period was that:
- the elements based on TSR (35%), adjusted EPS (35%) and Net Promotor Score (15%) lapsed in full as performance was below the threshold hurdles set; and
- 15% of the award was based on Regulatory Ratings. During the assessment period, 85% of the Company's hospitals inspected at 31 December 2019 had been rated as 'Good' or 'Outstanding' resulting in vesting of 3.75% of the overall award.

Awards under the LTIP were granted to Justin Ash and Jitesh Sodha on 25 March 2019. These awards were granted in the form of nil-cost options over Spire Healthcare Group plc shares, with the number of shares that may vest conditional on performance over the three-year period to 31 December 2021. The maximum award granted to Executive Directors was equivalent to 150% of base salary (reduced from 200% in 2018).

As disclosed in last year's report, the Remuneration Committee determined that in addition to the value created for shareholders over the period, measured by EPS and relative TSR performance targets, 2019 awards should continue to include an element based on Operational Excellence. Further details of the performance conditions applying to the 2019 awards are set out below.

			25% vests	100% vests
TSR v FTSE 250 (excluding investment trusts) (35%)			Median[1]	Upper quartile
	0% vests	16.67% vests	50% vests	100% vests
Adjusted EPS – outcome for 2020 (35%)	9p[1]	10p	12p	14p
	0% vests	25% vests	50% vests	100% vests
Regulatory Rating (15%)[2]	n/a	75% achieve 'Good' or above[1]	80% achieve 'Good' or above	90% achieve 'Good' or above
Friends and Family (15%)[3]	n/a	82%[1]	85%	87%

1 There is no vesting for performance below these levels.
2 Vesting for this element would be scaled back (including to nil) if any site is rated as 'inadequate'. The target range was adapted to reflect expected changes in the stringency of the external regulatory review process and the benchmarks required to achieve a 'Good' rating. The threshold hurdle would continue to require improvement from current levels.
3 The Friends and Family test is a measure of patient satisfaction. During 2020, the Committee will consider whether adjustments are required to reflect recent changes to its assessment announced by the NHS England.
4 There is straight-line vesting between the points shown.
5 The Remuneration Committee may adjust targets or outcomes in certain circumstances (e.g. for changes to accounting standard or material acquisitions). In line with good practice, the Remuneration Committee also retains the ability to exercise discretion so that overall vesting level remains appropriate (e.g. to reflect underlying performance).

Outstanding share awards
The following table provides details of all outstanding awards, as at 31 December 2019, made to Executive Directors under the LTIP:

	Type of award	Date of grant	Number of shares	Share price	Face value at grant[1]	End of performance period
Justin Ash	Conditional Share Award	28 March 2018	576,058	£2.1352	£1,230,000	31 December 2020
	(in the form of nil-cost options)	25 March 2019	694,444	£1.3284	£922,500	31 December 2021
Jitesh Sodha	Conditional Share Award	8 October 2018	414,219	£1.4304	£592,500	31 December 2020
	(in the form of nil-cost options)	25 March 2019	446,025	£1.3284	£592,500	31 December 2021

1 The share price used to determine the number of shares under each award is based on the average of the mid-market quotation at close of business over the last five dealing days prior to the date of grant. The face value of awards made in 2019 was equivalent to 150% of base salary (reduced from 200% in 2018). Both the 2018 and 2019 awards are subject to EPS, relative TSR performance and Operational Excellence conditions.

Sharesave
The Company encourages share ownership and operates a HMRC-approved Savings-Related Share Option Plan (Sharesave). Participation in Sharesave is conditional on three months' service and Executive Directors may participate in the same way as all other colleagues. Sharesave is an all-employee share plan and there are no performance conditions.

	Date of grant	Number of shares	Option price	*Awards are exercisable* between
Justin Ash	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022
Jitesh Sodha	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022

Non-Executive Directors

Summary of policy

Fees are set at appropriate levels to ensure Non-Executive Directors are paid to reflect the individual responsibility taken, as well as the skills and experience of the individual. When setting fee levels, consideration is given to a number of factors, including responsibilities and market positioning. Where appropriate travel and other reasonable expenses incurred in the course of performing their duties may be paid by the Group or reimbursed.

Whilst there is no individual fee limit, the total fees paid to Non-Executive Directors will remain within the stated limit in the Articles of Association of the Company.

Implementation for 2020

There was no increase to fees during 2019. A review will be completed during the year.
The current fees payable to the Non-Executive Directors are shown in the following table.

Role	Fee per annum
Non-Executive Chairman	£295,000
Deputy Chairman and Senior Independent Director	£150,000
Basic fee for independent Non-Executive Directors	£55,000
Basic fee for non-independent Non-Executive Director	£50,000
Chairs of the Audit and Risk Committee and Remuneration Committee	£10,000
Chair of the Clinical Governance and Safety Committee	£15,000

Single total figure of remuneration – Non-Executive Directors (audited)
The following table sets out the total remuneration for the Non-Executive Directors for the year ended 31 December 2019.

			Total remuneration	
(£000)	Fees	Benefits[1]	**2019**	2018
Garry Watts[2]	295.0	22.7	**317.7**	300.8
Adèle Anderson	65.0	2.4	**67.4**	66.2
Martin Angle[3]	103.4	14.4	**117.8**	–
Peter Bamford[4]	56.5	1.1	**57.6**	155.8
Tony Bourne	65.0	1.4	**66.4**	69.0
Dame Janet Husband	70.0	22.5	**92.5**	89.1
Jenny Kay[5]	32.1	1.8	**33.9**	–
Simon Rowlands	50.0	–	**50.0**	50.0
Dr. Ronnie van der Merwe[6]	50.0	–	**50.0**	30.3
Total	787.0	66.3	**853.3**	761.2

1 Reasonable expenses incurred by any Non-Executive Director will be reimbursed by the Company but they have no other contractual entitlement to benefits. For Non-Executive Directors certain expenses relating to the performance of a Non-Executive Director's duties in carrying out activities, such as travel to and from Company meetings, are classified as taxable benefits by HMRC. In line with current regulations these taxable benefits have been disclosed and are shown in the taxable benefits column in the Directors' remuneration table above. The figures shown include the cost of the expenses grossed up for tax and national insurance.
2 Garry Watts has a contractual entitlement to benefits, which include: private medical cover for himself and his family; life cover for himself only; annual health assessment for himself and his spouse; and office facilities to enable him to perform his duties as Chairman. Reasonable expenses incurred will be reimbursed by the Company.
3 Martin Angle was appointed an independent Non-Executive Director on 14 March 2019 before becoming Deputy Chairman and Senior Independent Director on 16 May 2019.
4 Peter Bamford did not stand for re-election at the Company's 2019 annual general meeting and stepped down from the Board on 16 May 2019.
5 Jenny Kay was appointed an independent Non-Executive Director on 1 June 2019.
6 Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director and Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. As a Non-Executive Director nominated by the principal shareholder, the fees for Dr. Ronnie van der Merwe are paid to a subsidiary company within the Mediclinic International PLC group.

Statement of Directors' shareholding and share interests (audited)
The table below sets out the Directors' shareholdings in the Company. As noted above, Executive Directors are expected to build up and maintain a holding equivalent to twice their base salary. There is no requirement for Non-Executive Directors to hold shares in the Company.

	Shareholding		Guidelines
	As at 31 December 2019	As at 31 December 2018	Proportion of shareholding guideline achieved[1]
Non-Executive Chairman			
Garry Watts	**653,577**	603,577	
Executive Directors			
Justin Ash	**394,694**	345,100	46%
Jitesh Sodha	**50,500**	50,500	9%
Non-Executive Directors			
Adèle Anderson	**9,582**	9,582	
Martin Angle[2]	**–**	–	
Peter Bamford[3]	**19,000**	19,000	
Tony Bourne	**11,904**	11,904	
Dame Janet Husband	**10,231**	10,231	
Jenny Kay[2]	**–**	–	
Simon Rowlands	**528,516**	214,516	
Dr. Ronnie van der Merwe	**–**	–	

1 Calculated based upon the closing share price on 31 December 2019 of 142.0 pence.
2 Martin Angle and Jenny Kay were appointed to the Board as independent Non-Executive Directors on 14 March 2019 and 1 June 2019 respectively. Neither held any shares in the Company on appointment.
3 Peter Bamford stepped down from the Board on 16 May 2019 and his holding is shown at this date.

There have been no changes to Directors' shareholdings between 31 December 2019 and the date of this report.

The table below sets out the Directors' interests in shares of the Company which remain unvested or have vested but are unexercised as at 31 December 2019. Unvested awards are structured as nil-cost options.

	Options	Shares		
	Unvested and not subject to performance conditions[1]	Unvested and subject to performance conditions[2]	Unvested and not subject to performance conditions	Vested and not subject to performance conditions
Non-Executive Chairman				
Garry Watts	–	–	–	–
Executive Directors				
Justin Ash	3,302	1,270,502	–	–
Jitesh Sodha	3,302	860,244	–	–
Non-Executive Directors				
Adèle Anderson	–	–	–	–
Martin Angle[3]	–	–	–	–
Peter Bamford[4]	–	–	–	–
Tony Bourne	–	–	–	–
Dame Janet Husband	–	–	–	–
Jenny Kay[5]	–	–	–	–
Simon Rowlands	–	–	–	–
Dr. Ronnie van der Merwe	–	–	–	–

1 Consists of awards granted under Sharesave.
2 Consists of grants under the LTIP.
3 Martin Angle was appointed an independent Non-Executive Director on 14 March 2019.
4 Peter Bamford stepped down from the Board on 16 May 2019.
5 Jenny Kay was appointed an independent Non-Executive Director on 1 June 2019.

Letters of appointment

Non-Executive Director	Date of appointment	Notice period	Date of expiry
Adèle Anderson	28 July 2016	2 months	No later than 30 June 2022
Martin Angle	14 March 2019	3 months	No later than 30 June 2022
Tony Bourne[1]	24 June 2014	2 months	Expected to be 14 May 2020
Dame Janet Husband[1]	24 June 2014	2 months	Expected to be 14 May 2020
Jenny Kay	1 June 2018	2 months	No later than 30 June 2022
Simon Rowlands[2]	24 June 2014	2 months	23 July 2020
Dr. Ronnie van der Merwe[3]	24 May 2018	n/a	24 May 2021
Garry Watts[1,4]	24 June 2014	12 months	Expected to be 14 May 2020

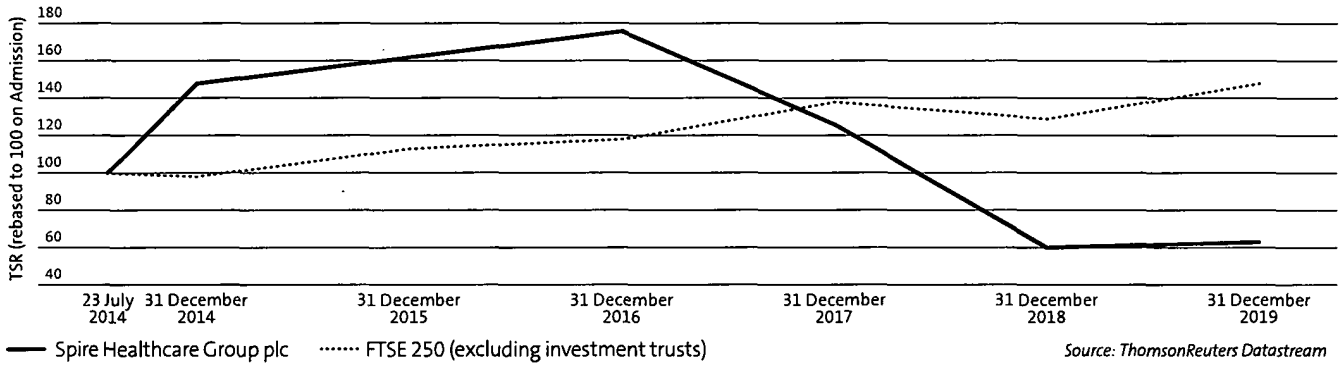
1 The three-year terms of appointment for Tony Bourne, Dame Janet Husband and Garry Watts run to the next annual general meeting which is expected to be on 14 May 2020.
2 Simon Rowlands appointment was renewed for a further one-year period and a letter of appointment dated 23 July 2019 was issued to him. Due to the senior position Simon Rowlands previously held with Cinven Partners he is considered to be a non-independent Non-Executive Director.
3 Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director, Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. Dr. Ronnie van der Merwe is considered to be a non-independent Non-Executive Director.
4 On Admission, Garry Watts was appointed Non-Executive Chairman before serving in an executive capacity from 14 March 2016 whilst the Company undertook a search for a new Chief Executive Officer. He resumed the role of Non-Executive Chairman on 1 July 2017.

Service contracts

Justin Ash and Jitesh Sodha will put themselves up for election at the annual general meeting to be held on 14 May 2020. Executive Directors are employed under ongoing service contracts with the Group. These contracts do not have a fixed term of appointment. Copies of their service contracts are available to shareholders at the registered office for inspection.

Performance graph

The graph below illustrates Spire Healthcare Group plc's TSR performance against the FTSE 250 (excluding investment trusts) since Admission on 23 July 2014.



Source: ThomsonReuters Datastream

The table below shows the total remuneration paid in respect of the Chief Executive Officer role.

	2014	2015	2016	2017	2018	**2019**
Chief Executive's single figure remuneration (£000s)[1,2]	6,223.1	1,095.8	320.5	128.2	732.4	**1,010.1**
Annual bonus payout (% of maximum)	34%	0%	0%	0%	0%	**30%**
LTIP vesting (% of maximum)[3]	n/a	n/a	n/a	n/a	n/a	**n/a**

1 2017: Justin Ash was appointed Chief Executive Officer on 30 October 2017. The value shown for 2017 therefore represents a part-year figure for his time in role. During 2017: (i) Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017 for which he was paid £714.6k; and (ii) Simon Gordon undertook the role of Interim Chief Executive Officer between 13 June 2017 and 29 October 2017 for which he was paid c.£243k.
2 *2016: Rob Roger stepped down from the Board on 30 June 2016.* The value shown for 2016 therefore represents a part-year figure for his time in role. During 2016, Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017.
3 Rob Roger and Garry Watts did not have any LTIP awards vesting in respect of 2016; for other participants the LTIP based on performance to 31 December 2016 vested at 50% of maximum. Similarly, Justin Ash and Garry Watts did not have any LTIP awards vesting in respect of 2017, 2018 or 2019; for other participants (including Simon Gordon) the LTIP based on performance to 31 December 2017 and 31 December 2018 lapsed in full while the LTIP based on performance to 31 December 2019 vested at 3.75% of maximum.

Annual change in remuneration
The table below shows the percentage change in remuneration (based on salary, fees, benefits and annual bonus) between 2018 and 2019.

	Chief Executive Officer % change[1]	Other employees % change
Base salary	0	1.7%
Benefits	13.4%	16.5%
Annual bonus	n/a	n/a

1 As noted above, Justin Ash was appointed Chief Executive Officer on 30 October 2017.

CEO Pay Ratio 2019
The table below shows the ratio of the single total figure of remuneration of the Chief Executive Officer to the equivalent pay for the lower quartile, median and upper quartile employees and bank workers (on a full time equivalent basis) in 2019. The ratios have been calculated in accordance with The Companies (Miscellaneous Reporting) Regulations 2018 and therefore first apply to Spire Healthcare's 2019 financial year. These pay ratios also form part of the information that is provided to the Committee on broader employee pay policies and practices to inform remuneration decisions for the Executive Directors.

Spire Healthcare has chosen to calculate the CEO pay ratio using Calculation Option A. This method was chosen as it is the most statistically accurate method.

		Pay Ratio		
Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2019	Option A	50:1	35:1	25:1

	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Salary only	£615,000	£18,085	£27,573	£36,055
Total Remuneration	£1,010,112	£20,065	£28,487	£40,461

The Company's principles for pay setting and progression in our wider workforce are the same as for our executives. The total reward package is competitive to ensure that they attract and retain the highest quality of talent in a difficult market, whilst providing opportunities for development and career progression. The pay ratios reflect how remuneration arrangements differ between the bank workers who are hourly paid, with no set hours, to qualified clinical colleagues, to more senior executives whose roles require them to create long term value and alignment with shareholder interests.

Therefore, the median pay ratio reported is consistent with the wider policies in place at Spire Healthcare. All employees are eligible for pay increases, recognition awards, participation in Sharesave, and career and development opportunities.

Notes to the calculation
- Under Option A the ratios are based on the full-time equivalent total remuneration, which includes base salary, incentive payments, taxable benefits and pension benefits for the financial year 1 January 2019 to 31 December 2019.
- The reference colleagues at the 25th, 50th and 75th percentile have been determined by reference to the last day of the financial year, 31 December 2019.
- In accordance with the regulations employees and bank workers have been included, whilst Non-Executive Directors, contractors and consultants have not been included.
- A total of 12,356 employees and bank workers were included in the calculation of the CEO Pay ratio. Colleagues on reduced pay due to long term sickness absence, maternity leave or with zero pay in 2019 were excluded from the calculation.
- Pay for each colleague is calculated in accordance with the single figure of remuneration. All components of remuneration are presented on a full time equivalent basis by dividing sums by the number of hours for the portion of the year worked and subsequently multiplying by the relevant annual full time hours.
- Bank workers do not participate in the annual bonus, long term incentive plan and do not have any taxable benefits.
- A significant portion of the Chief Executive Officer's pay is variable; the pay ratio is therefore significantly impacted by the outcomes of variable pay plans.

Pay in the wider organisation
The Remuneration Committee spends considerable time reviewing pay matters across the wider Company. This helps to provide additional context when determining remuneration for Executive Directors.

In line with the 2018 UK Corporate Governance Code (the 'Code'), the remit of the Remuneration Committee was widened in 2019 to expand both its decision-making powers and the extent to which the Committee engages on pay matters relating to the wider workforce. In many cases this will formalise existing practices. The Remuneration Committee will also act as a focus point for collated feedback from Spire Healthcare's colleagues. Further details on the Board's approach to engagement with employees is set out on page 85.

The Remuneration Committee has also been kept informed regarding the expanding disclosure requirements on pay matters. Over the past two years, the Committee has provided input on the disclosures relating to the Gender Pay Gap, and the Committee is also aware of the current discussion on the disclosure of the CEO pay ratio and pay reporting based on ethnicity.

We remain committed to complying with new disclosure requirements as they come into effect, and over the coming year the Committee will be spending time to better understand how the metrics compare across the Group and how they may vary in different scenarios.

Relative importance of spend on pay
The table below illustrates the year-on-year change in the total remuneration costs for all employees and shareholder distributions.

	2019	2018	% change
Total remuneration	**313.3**	298.9	4.82
Distributions to shareholders	**15.2**	15.2	0

Advice provided to the Remuneration Committee
During the course of the year, Deloitte LLP provided external advice to the Remuneration Committee and its total fees were £49,790 (2018: £56,300). During 2019, Deloitte LLP also provided other consulting services to the Group. Deloitte LLP has voluntarily signed up to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consulting during the year. The Remuneration Committee is comfortable that the Deloitte LLP engagement partner and team that provides remuneration advice to the Remuneration Committee do not have connections with the Company or any of its Directors that may impair their independence.

The Chairman, Chief Executive Officer, Chief Financial Officer and Group Human Resources Director attended Committee meetings by invitation in order to provide the Remuneration Committee with additional context. No individual participates in decisions regarding their own remuneration.

Statement of voting at 2019 annual general meeting
The following table sets out the voting in respect of the resolutions to approve the Company's 2018 Directors' Remuneration Report put to shareholders at the Company's annual general meeting held on 16 May 2019:

Resolution at 2019 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the 2018 Directors' Remuneration Report	317,441,595	99.83%	535,308	0.17%	616,391

Resolution at 2018 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Directors' Remuneration Policy	299,589,232	99.41%	1,763,647	0.59%	1,779

This report on Directors' remuneration will be put to an advisory vote at the annual general meeting on 14 May 2020. The Directors confirm that this report has been prepared in accordance with the Companies Act 2006 and reflects the provisions of the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013 and was approved at a meeting of the Directors held on 4 March 2020.

The Committee consulted with major shareholders ahead of the 2018 annual general meeting when the Company's Remuneration Policy was last approved by shareholders. We welcomed the overwhelming support received for the forward-looking Remuneration Policy which indicated very strong support for our overall approach to pay. In light of this support, we intend to maintain this policy for the coming year, subject to the changes in the approach to implementation described in the statement from the Chair of the Remuneration Committee and on page 113. We will complete a similar exercise ahead of putting an updated Remuneration Policy to shareholders in 2021.

Details of all resolutions passed at the annual general meeting held on 16 May 2019 can be found on page 95.

Share prices
The market price of a Spire Healthcare Group plc ordinary share at 31 December 2019 was 142.0 pence and the range during the year was 95.3 pence to 143.3 pence.

Tony Bourne
Chair, Remuneration Committee
4 March 2020

Directors' report

The Directors submit their Annual Report together with the audited financial statements of Spire Healthcare Group plc (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 December 2019.

Certain disclosure requirements for inclusion in this Directors' Report have been incorporated by way of cross reference to the Strategic Report on pages 1 to 84 and the Directors' Remuneration Report on pages 113 to 122, and should be read in conjunction with this report. The following, included in the Strategic Report, also form part of this report:
- greenhouse gas emissions, which can be found under Our impact on page 45;
- employees, which can be found in Our impact on pages 41 to 43;
- the Corporate Governance report, set out on pages 86 to 95; and
- Our strategy set out on pages 19 and 25.

A description of the Group's exposure and management of risks is provided in the Strategic Report on pages 50 to 65.

Information regarding the Company's Gender Pay Gap Reporting and charitable donations can be found in Our impact on pages 43 to 46.

Registered office
The Company's registered office and principal place of business is 3 Dorset Rise, London EC4Y 8EN.

Annual general meeting
The annual general meeting of Spire Healthcare Group plc will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on Thursday, 14 May 2020 at 11.00am.

At the meeting, resolutions will be proposed to declare a final dividend, to receive the Annual Report and Financial Statements, approve the Directors' Remuneration Report, elect or re-elect all of the Directors and to reappoint Ernst & Young LLP as auditor. Shareholders will also be asked to authorise the Directors to hold general meetings at 14 clear days' notice (where this flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole). Further items of business to be proposed at the annual general meeting are described throughout this Directors' Report.

Dividends
The Directors recommend the payment of a final dividend in respect of the year ended 31 December 2019 of 2.5 pence (2018: 2.5 pence) per ordinary share making a proposed total dividend for the year of 3.8 pence per share (2018: 3.8 pence). Subject to shareholders approving the recommendation at the annual general meeting, the final dividend will be paid on 23 June 2020 to shareholders on the register as at 29 May 2020.

The Company paid an interim dividend in respect of the year ended 31 December 2019 of 1.3 pence per ordinary share on 10 December 2019.

Board of Directors
The following changes were made to the Board of Directors during the year:
- Martin Angle was appointed an independent Non-Executive Director on 14 March 2019. Martin became Deputy Chairman and Senior Independent Director on 16 May 2019;
- Peter Bamford did not seek re-election at the annual general meeting held during the year and stepped down as Deputy Chairman and Senior Independent Director on 16 May 2019; and
- Jenny Kay was appointed an independent Non-Executive Director on 1 June 2019.

The UK Corporate Governance Code provides for all directors of FTSE companies to stand for election or re-election by shareholders every year. Accordingly, all members of the Board will retire and seek election or re-election at this year's annual general meeting. Full biographical details of all of the Directors can be found on pages 96 and 99.

Further information on the contractual arrangements of the Executive Directors is given on pages 113 and 114. The Non-Executive Directors do not have service agreements.

Powers of the Directors
The business of the Company is managed by the Directors who may exercise all the powers of the Company, subject to any relevant legislation, any directions given by the Company by passing a special resolution and to the Company's Articles of Association. The Articles, for example, contain specific provisions concerning the Company's power to borrow money and issue shares.

Appointment and removal of Directors
Rules relating to the appointment and removal of the Directors are contained within the Company's Articles of Association.

Director's indemnities
See page 93 in the Corporate Governance section.

Amendment of articles of association
The Company may only make amendments to the Articles of Association of the Company by way of special resolution of the shareholders, in accordance with the Companies Act 2006.

Employees
The Group is an equal opportunities employer and is committed to creating an environment which will attract, retain and motivate its people, by creating a working environment in which individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. Spire Healthcare employs people who consider themselves to have a disability (a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities). Employees who consider themselves to have a disability are under no obligation to inform their employer of this, however, we are fully aware of, and comply with, our obligations in accordance with the relevant provisions of the Equality Act 2010.

We remain committed to colleague involvement throughout the business. Colleagues are kept well informed of the clinical and financial performance of the hospital that they work in as well as the Group more widely. Examples of colleague involvement and engagement are highlighted throughout this Annual Report. When appropriate, consultations with employee and union representatives take place.

The Group gives full and fair consideration to applications for employment from disabled persons. Should an employee become disabled during their employment with Spire Healthcare, every effort is made to enable them to continue their service with the Group.

Further information on our employees can be found under Our impact on pages 40 to 49.

Political donations and expenditure
The Group made no political donations during the year. Although the Company does not make, and does not intend to make, donations to political parties, within the normal meaning of that expression, the definition of political donations under the Companies Act 2006 is very broad and includes expenses legitimately incurred as part of the process of talking to members of Parliament and opinion formers to ensure that the issues and concerns of the Group are considered and addressed. These activities are not intended to support any political party and the Group's policy is not to make any donations for political purposes in the normally accepted sense.

A resolution will therefore be proposed at the annual general meeting seeking shareholder approval for the Directors to be given authority to make donations and incur expenditure which might otherwise be caught by the terms of the Companies Act 2006. The authority sought will be limited to a maximum amount of £100,000.

Share capital
As at the date of this report, Spire Healthcare Group plc had an issued share capital of 401,081,391 ordinary shares of 1 pence each, being the total number of shares with voting rights.

Equiniti Trust (Jersey) Limited, as trustee of the Company's Employee Benefit Trust, holds 252,652 ordinary shares of 1 pence each (2018: 252,652). Further details can be found in note 20 on pages 158 and 159.

The rights attaching to the shares are set out in the Articles of Association. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time-to-time. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. In accordance with the Disclosure and Transparency Rules, certain employees are required to seek approval prior to dealing in the Company's shares. The Company's entire issued ordinary share capital is listed on the premium segment of the Official List of the Financial Conduct Authority and to unconditional trading on the London Stock Exchange plc's main market for listed securities.

Further information relating to the Company's issued share capital can be found in note 20 to the Company's financial statements on pages 157 and 158.

The Company has made no purchases of its own shares during the year and no shares were acquired by forfeiture or surrender or made subject to a lien or charge. Details of the shares purchased by the Company's Employee Benefit Trust are shown in note 20 on pages 158 and 159.

Allot shares and pre-emption rights
Shareholders will be asked to renew both the general authority of the Directors to issue shares and to authorise the Directors to issue shares without applying the statutory pre-emption rights. In this regard, the Company will continue to adhere to the provisions in the Pre-emption Group's Statement of Principles.

Further details on these matters can be found in the 2020 Notice of annual general meeting.

Voting rights
In a general meeting of the Company, on a show of hands, every member who is present in person or by proxy and entitled to vote shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

Restrictions on voting
Unless the Directors otherwise determine, a shareholder shall not be entitled to vote either personally or by proxy:
- if any call or other sum presently payable to the Company in respect of that share remains unpaid; or
- having been duly served with a notice to provide the Company with information under Section 793 of the Companies Act 2006, and has failed to do so within 14 days, for so long as the default continues.

Directors' interests in shares
The beneficial interests of the Directors' and their families in the shares of the Company are detailed on page 119.

During the year, no Director had any material interest in any contract of significance to the Group's business.

Employee share scheme participation
The Company's launched its first all-employee Sharesave scheme during 2019 which was well received by colleagues with nearly 20% taking out a contract. This is an important part of our total reward package and encourages and supports employee share ownership.

Material interests in shares
As of 4 March 2020, the Company has been notified by the following investors of their interests in 3% or more of the Company's issued share capital. These interests were notified to the Company pursuant to Disclosure and Transparency Rule 5:

Shareholder	Current %
Mediclinic International PLC	29.90
M&G plc	8.72
Melquart Opportunities Master Fund Ltd.	5.01
Highclere Internal Investors LLP	4.97
The Capital Group Companies, Inc	4.83

Significant agreements
The following agreements are considered to be significant in terms of their potential impact on the business of the Group as a whole and could alter or terminate on a change of control of the Group:
- the Group's bank facility agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control;
- there are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group; and
- the Company's share incentive plans contain provisions relating to a change of control and full details of these plans are provided in the Directors' Remuneration Report on pages 113 to 122. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

The relationship agreement entered into with Mediclinic Jersey Limited (formerly called Remgro Jersey Limited), a subsidiary of Mediclinic International PLC, in June 2015 is deemed a material agreement between the Company and its principal shareholder. The agreement does not include a change of control provision but does terminate upon the earlier of the Company's ordinary shares ceasing to be listed and traded on the London Stock Exchange's main market for listed securities and the principal shareholder's ceasing to be entitled, in aggregate, to exercise or to control the exercise of 15% or more of the votes to be cast on all or substantially all matters of a general meeting of the Company.

Compensation for loss of office
There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs as a result of a change of control.

Disclosures required under listing rule 9.8.4R
The table below is included to meet the requirements of Listing Rule section 9.8.4R. The information required to be disclosed by that section, where applicable to the Company, can be located in the Annual Report 2019 at the references set out above.

Information required	Location in Annual Report 2019
Long-term incentive schemes	Directors' Remuneration Report pages 113 to 122
Equity securities allotted for cash	Note 26 on page 163
Parent and subsidiary undertakings	Note C12 on page 179
Subsisting significant agreements	Page 124
Controlling shareholder relationships	Page 155

Events after the reporting period
There have been no material events affecting the Group or Company since 31 December 2019.

Going concern
The Group's going concern statement is disclosed on page 66.

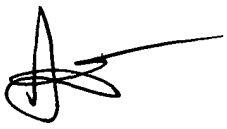
Disclosure of information to auditor
Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors confirms that:
- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor
Resolutions for the reappointment of Ernst & Young LLP as the auditor of the Company and to authorise the Directors to determine its remuneration will be proposed at the annual general meeting. Ernst & Young LLP has expressed its willingness to be reappointed.

During 2019, the Audit and Risk Committee completed a full external auditor tender and recommended that Ernst & Young LLP was reappointed as the Company's auditors. Further details of the tender exercise can be found in the Audit and Risk Committee Report on page 107.

The Directors' Report has been approved by the Board and is signed on its behalf by:

Daniel Toner
General Counsel and Group Company Secretary
4 March 2020



Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts for the year ended 31 December 2019, including the Consolidated financial statements and the Parent Company financial statements, Directors' Report, including the Directors' Remuneration Report and the Strategic Report in accordance with applicable law and regulations. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with IFRS, as adopted by the EU.

Company law requires the Directors to prepare such financial statements for each financial year. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company on a consolidated and individual basis, and of the profit or loss of the Company on a consolidated basis for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance;
- state that the Group's and Company's financial statements have complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is not appropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose, with reasonable accuracy at any time, the Company's financial position and enable them to ensure compliance with the Companies Act 2006. They are also responsible for safeguarding the Company's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

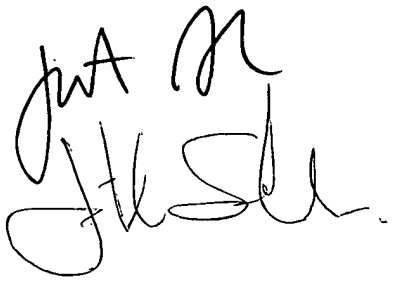
Each of the Directors, whose names and functions are listed on pages 96 and 99, confirms that:

- to the best of their knowledge, the Consolidated financial statements and the Parent Company financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis;
- to the best of their knowledge, the Strategic Report and the Directors' Report include a fair review 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 and uncertainties that it faces; and
- they consider that the Annual Report and Accounts for the year ended 31 December 2019, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board.

Justin Ash
Chief Executive Officer
4 March 2020

Jitesh Sodha
Chief Financial Officer
4 March 2020



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

Our opinion on the Group financial statements and parent company financial statements
In our opinion:
- Spire Healthcare Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Spire Healthcare Group plc which comprise:

Information required	Group	Parent Company
Balance sheet as at 31 December 2019	✓	✓
Income statement for the year then ended	✓	
Statement of comprehensive income for the year then ended	✓	
Statement of changes in equity for the year then ended	✓	✓
Statement of cash flows for the year then ended	✓	✓
Related notes to the financial statements	✓	✓

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement
We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:
- the disclosures in the annual report set out on pages 54 to 65 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 126 in the annual report that they have carried out a robust assessment of the principal risks facing the Group and the parent company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 126 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 66 in the annual report as to how they have assessed the prospects of the Group and the parent company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Matters	Judgement and estimation required
Key audit matters	– Manipulation of NHS revenue by changes to the pricing master file. – Misstatement of revenue due to management posting fraudulent manual journal entries to revenue. – Inappropriate capitalisation of costs to property, plant and equipment. – *Risk of impairment to property carrying values.*
Audit scope	– We performed an audit of the complete financial information of 2 components and audit procedures on specific balances for a further 27 components. – The components where we performed full or specific audit procedures accounted for 100% of Profit Before Tax, Revenue, and Total assets.
Materiality	– Overall group materiality of £2.4m which represents 2% of pre-IFRS 16 adjusted EBITDA.

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

Risk	*Our response to the risk*	*Key observations communicated to the Audit and Risk Committee*
Manipulation of NHS revenue through changes to the pricing master file **NHS Revenue 2019 YE:** £285.7m (2018 YE: £272.2m) *Refer to the Audit and Risk Committee Report (pages 105 to 110); Accounting policies (page 140); and Note 5 of the Consolidated Financial Statements (page 147)* The high volume of patient transactions, for which pricing is derived from the NHS national tariff, leads to a higher likelihood of material misstatement through intentional changes to individual procedural pricing on the pricing master file. We consider that the pressure to achieve forecast results or targets increases the risk of financial reporting manipulation by management.	To gain assurance over the NHS revenue recognised during the period, we have performed the following procedures: – We used data analytics to assess the accuracy of all FY19 NHS billing data per SAP to publicly available NHS national tariff base prices, adjusted by Market Force factors. – For any material revenue portion of the population for which we were unable to agree the price billed to NHS national tariff base prices, e.g. where the price was locally agreed for a specific procedure, we have agreed a sample of this billing data to appropriate audit support. Specifically, we have agreed a sample of this billing data to the underlying signed agreement (local plan) or, in instances where no current contract or correspondence was available, we traced the settlement of the invoice directly to cash. – We used data analytics, covering all NHS revenue transactions in the year, to test the correlation between revenue, accrued revenue, accounts receivable and cash. – We investigated whether there were any pricing disputes with the NHS which impacted FY19 revenue through discussions with legal counsel, review of minutes and verifying any matter noted to correspondence, where available. – We obtained a summary of aged NHS receivables and verified that the ageing is appropriate by testing a sample across the different ageing categories. We have performed a search for any large or unusually long outstanding receivables that are outside expected credit terms that may indicate that pricing disagreements exist. – Whilst we have not relied on any of the work performed by internal audit, we reviewed the results of their individual site audits completed during FY19, to understand if there were any revenue findings specific to NHS pricing which require further enquiry and/or corroboration.	We did not identify any material errors in the pricing master file, nor evidence of management manipulation of revenue through changes to the pricing master file. We did not identify any indicators of pricing disputes with the NHS. Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Misstatement due to management posting fraudulent manual journal entries to revenue **NHS Revenue 2019 YE:** £285.7m (2018 YE: £272.2m) **PMI Revenue 2019 YE:** £491.8m (2018 YE: £459.6m) **Self-pay Revenue 2019 YE:** £178.8m (2018 YE: £174.1m) **Other Income 2019 YE:** £24.5m (2018: £25.2m) *Refer to the Audit and Risk Committee Report (pages 105 to 110); Accounting policies (page 140); and Note 5 of the Consolidated Financial Statements (page 147)* We consider that pressure to achieve forecast results and analysts' expectations, as well as management's bonus structure, increases the risk of financial reporting manipulation by management. Based on the key performance indicators used by both external and internal parties, we consider revenue to be susceptible to management override of control as this forms the foundation for the key performance indicators. We understand that the high volume of system generated, low value revenue transactions, results in limited opportunity for management to fraudulently misstate revenue, (other than through manipulation of changes to the pricing master file for NHS billing data as considered above). For management to fraudulently misstate, we consider there to be a greater incentive to override controls by posting manual journal entries to revenue.	We performed a walkthrough of the financial statement close process and obtained an understanding of the journal entry process, consolidation journal entry process and adjusting journals posted directly to the financial statements. Utilising our analytics-based revenue programme, we: – Performed an analysis of double-entry postings to the related accounts and how these postings are aligned with our understanding of the revenue process, activity and source; and – identified revenue trends which do not correlate with our expectation, and investigating and corroborating these uncorrelated trends. We performed journal testing by focusing on specific criteria designed to identify journals through which we believe management may post fraudulent manual entries to revenue. For these journals we understood the nature of the transactions, the business rationale, and corroborated through inspection of supporting evidence.	We have not identified any instances of management posting fraudulent manual journal entries to revenue. We have not found any instances of management override. Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Inappropriate capitalisation of costs to property, plant and equipment **Costs capitalised for 2019 YE:** £62.5m (2018 YE: £65.2m) *Refer to the Audit and Risk Committee Report (pages 105 to 110); Accounting policies (page 141); and Note 12 of the Consolidated Financial Statements (page 151)* Given management's bonus structure and analysts' expectations of the Group's performance, for example Adjusted EBITDA and Adjusted EPS, we consider the risk of inappropriate capitalisation of costs to be a fraud risk. As a result of the scale of capital expenditure in the year, relating to both development projects and general capital spend, we consider there is an opportunity for management to inappropriately capitalise costs to manipulate the Group's profits. The high volume of costs being capitalised over all property, plant and equipment categories means that it is harder for management to detect inappropriate items.	– We obtained an understanding of the capital budgeting process through our walkthrough; specifically, how management monitors the actual spend versus budget and how this is reported through the business and to the board and executive committee. – As part of our detailed testing, we compared actual expenditure to approved budgets for the selected projects, where applicable, and investigated any material variances. – We tested a sample of capital additions to property, plant and equipment. We obtained the invoice to verify the existence and valuation of each item. We also obtained evidence that the expenditure has been authorised by an appropriate individual. We verified that the expenditure was capital in nature by reading the description and detail on the invoices and supporting documentation. – Our sample selected included both low and high value additions including accrued spend and 'internal' costs capitalised such as staff costs for the Group's employees. Where internal costs were capitalised, we verified that the costs were directly attributable to the relevant project. – We performed testing of journal entries. Our journal testing approach considered appropriate criteria to identify a journal testing sample which addressed the risk of inappropriate capitalisation of costs to property, plant, and equipment.	Our audit procedures found no instances of expenditure that had been inappropriately capitalised to property, plant and equipment. Based on our audit procedures performed, we concluded that costs have been appropriately capitalised to property, plant, and equipment.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Risk of impairment to property carrying values **Freehold property carrying value for 2019 YE:** £700.3m (2018 YE: £715.5m) *Refer to the Audit and Risk Committee Report (pages 105 to 110); Accounting policies (page 151); and Note 6 and Note 12 of the Consolidated Financial Statements (pages 148 and 151)* Management look for indicators of impairment based on hospitals performing below budget. Where there is an indicator of impairment, management perform an impairment test in accordance with IAS 36, by calculating a value in use for these properties. The value in use is calculated using a discounted cash flow model based on the Group's forecasts through to 2024. Although we note that Spire achieved its forecast EBITDA for FY19, there remain uncertainties inherent in the current forecasting assumptions. This leads us to consider that the risk of a material misstatement in management's value in use calculation is increased for those properties where an indicator of impairment exists.	– We obtained a comparison of each hospital's EBITDA for FY19 to its budget. From this comparison, we selected certain freehold and long leasehold hospital properties to focus our impairment testing on, specifically those which show underperformance compared to budget of 10% or more. – We obtained management's value in use calculation for the selected hospitals. We made enquiries to understand the process and controls behind the preparation of management's underlying five-year forecast, given the reliance on this plan for the value in use model. – We compared the actual results achieved in the prior periods to the forecasts prepared for those periods, to judge the historical accuracy of management's forecasts. – We assessed the reasonableness of management's cash flow forecasts by comparing to prior year actuals. We obtained external views of the market and had discussions with EY health sector specialists on market dynamics and expected market performance. We used this information to challenge the forecasts and assumptions made by management. – We engaged EY specialists to assist us in verifying the appropriateness of key inputs to the discounted cash flow model, such as the discount rate and the terminal growth rate. – We performed sensitivity analyses over the assumptions used by management, incorporating the above-mentioned healthcare market data and inputs, as appropriate.	Having sensitised management's value in use calculations for the hospitals we focused on, being those hospitals considered to be at risk of impairment, we conclude that the carrying value was supported by the value in use, with no impairment on these properties. We therefore agree with management's conclusion that the carrying value of the Group's properties is appropriate.

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

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we identify the subsidiaries which represent the principal business units within the Group. The Group continues to operate solely in the UK.

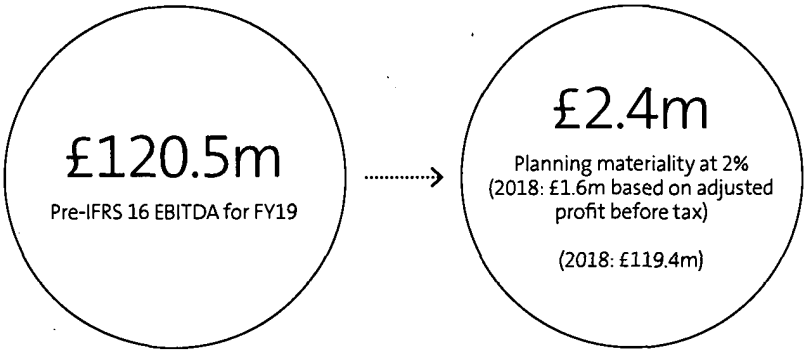
We performed an audit of the complete financial information of two components (2018: two) ("full scope components") which were selected based on their size or risk characteristics. For a further 27 components (2018: 26) ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

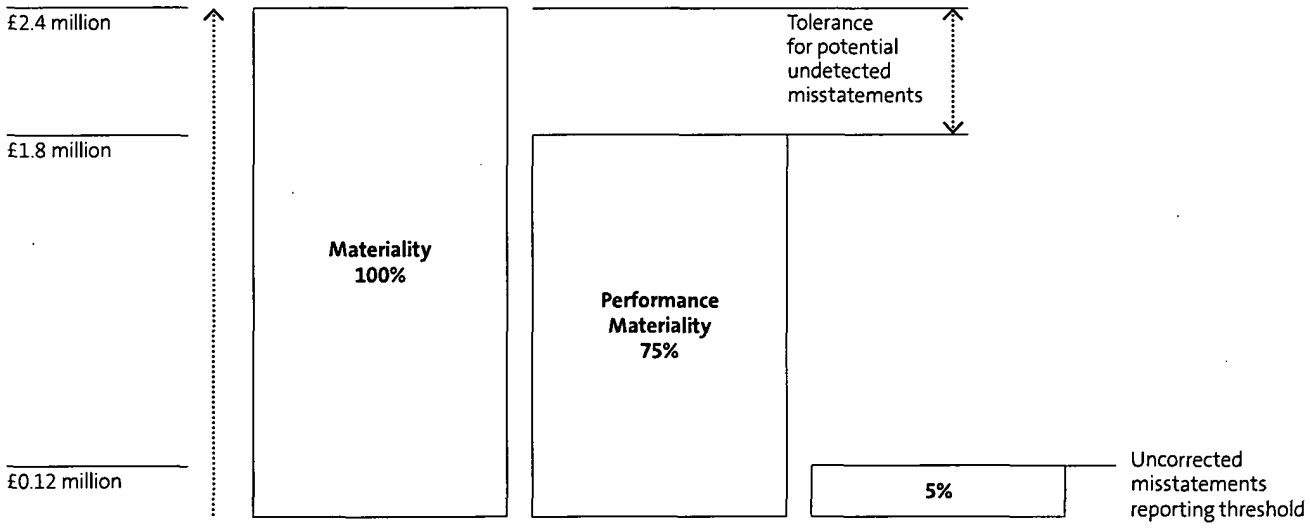
The entities for which we performed audit procedures accounted for 100% (2018: 100%) of the Group's Revenue and 100% (2018: 100%) of the Group's Total assets. For the current year, the full scope components contributed 98% (2018: 93%) of the Group's Revenue and 70% (2018: 69%) of the Group's Total assets. The specific scope components contributed 2% (2018: 7%) of the Group's Revenue and 30% (2017: 31%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. It is not possible to present the split between full and specific scope components on a profit before tax basis in a meaningful way. This is due to intra-group profits earned in certain specific scope components which result in the aggregated profit before tax amounting to more than 100%.

For the remaining 14 entities (2018: 12) we performed other procedures, including analytical review and testing the clerical accuracy of consolidation journals to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year
A new entity, Didsbury MSK Ltd, has been added as a specific scope component for FY19.

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





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

We determined materiality for the Group to be £2.4 million (2018: £1.6 million), which is 2% of pre-IFRS 16 EBITDA (2018: 5% of adjusted profit before tax).

We note the increasing importance of EBITDA as a KPI for internal metrics and external analyst evaluations. In addition, in FY19 there is a continued focus on pre-IFRS 16 measures in this first year of adoption of the new standard in the Spire financial statements.

We believe that the change in materiality basis to pre-IFRS 16 EBITDA for FY19 represents the measure which is of most importance to the users of the financial statements.

We determined materiality for the Parent Company to be 75% of Group Materiality.

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

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £1.8m (2018: £1.2m). We have set performance materiality at this percentage due to our assessment of the overall control environment and the history of no or few audit adjustments.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4m to £1.8m (2018: £0.2m to £1.2m).

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

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.12m (2018: £0.08m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information
The other information comprises the information included in the annual report set out on pages including the Strategic report set out on pages 1 to 84 and the Governance report set out on pages 85 to 126, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:
- **Fair, balanced and understandable** set out on page 126 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk Committee reporting** set out on pages 105 to 110 – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us Audit and Risk Committee; and
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 126 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 126, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those related to the reporting framework (IFRS adopted by the EU, the Companies Act of 2006 and the Corporate Governance Code), the relevant tax compliance regulations in the UK, the Data Protection Act of 1998 and the EU General Data Protection Regulation. In addition, we conclude that there are certain laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the London Stock Exchange, the Bribery Act of 2010 and certain laws specific to entities operating in the private healthcare provider industry.
- We understood how Spire Healthcare Group plc is complying with those frameworks by by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through the review of board minutes, communications with the Audit and Risk Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where they considered there was a susceptibility to fraud. We also considered performance targets, forecasted results and bonus structures and their influence on efforts made by management to manage earnings or influence the perception of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the Audit and Risk Committee on compliance with regulations, enquiries with those responsible for legal and compliance, enquiries with the company secretary and with management.

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

Other matters we are required to address
- We were appointed by the Board in November 2008 to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. The period of total uninterrupted engagement including the period prior to the Company's admission to the London Stock Exchange in 2014 is 12 years, covering the years ended 31 December 2008 to 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

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

Ernst & Young LLP

Debbie O'Hanlon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
04 March 2020

Consolidated income statement

For the year ended 31 December 2019

The Group has adopted the new accounting standard IFRS 16 Leases on a fully retrospective basis on 1 January 2019, and therefore the prior period's financial information has been restated to reflect the impact of the new standard in all primary statements. Refer to note 30 for the IFRS 16 transition and restatement impact.

		2019			2018 (Restated for IFRS 16)		
(£ million)	Note	Total before adjusting items	Adjusting items (note 9)	Total	Total before adjusting items	Adjusting items (note 9)	Total
Revenue	5	**980.8**	**–**	**980.8**	931.1	–	931.1
Cost of sales		**(529.4)**	**–**	**(529.4)**	(497.6)	–	(497.6)
Gross profit		**451.4**	**–**	**451.4**	433.5	–	433.5
Other operating costs		**(353.8)**	**(3.2)**	**(357.0)**	(336.8)	(25.6)	(362.4)
Operating profit/(loss)	6	**97.6**	**(3.2)**	**94.4**	96.7	(25.6)	71.1
Finance income	7	**0.2**	**–**	**0.2**	0.2	–	0.2
Finance cost	7	**(85.0)**	**–**	**(85.0)**	(76.9)	–	(76.9)
Profit/(loss) before taxation		**12.8**	**(3.2)**	**9.6**	20.0	(25.6)	(5.6)
Taxation	10	**(3.0)**	**0.6**	**(2.4)**	(3.7)	9.4	5.7
Profit/(loss) for the year		**9.8**	**(2.6)**	**7.2**	16.3	(16.2)	0.1
Profit/(loss) for the year attributable to owners of the Parent		**9.8**	**(2.6)**	**7.2**	16.3	(16.2)	0.1
Earnings per share (in pence per share)							
– basic	11	**2.4**	**(0.6)**	**1.8**	4.1	(4.1)	0.0
– diluted	11	**2.4**	**(0.6)**	**1.8**	4.1	(4.1)	0.0

The notes on pages 140 to 172 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

(£ million)	2019	2018 (Restated for IFRS 16)
Profit for the year	**7.2**	0.1
Items that may be reclassified to profit or loss in subsequent periods		
Net loss on cash flow hedges (net of taxation)	**(1.6)**	(0.5)
Other comprehensive loss for the year	**(1.6)**	(0.5)
Total comprehensive income for the year attributable to owners of the Parent	**5.6**	(0.4)

The notes on pages 140 to 172 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

(£ million)	Note	Share capital	Share premium	Capital reserves (note 20)	EBT share reserves (note 20)	Hedging reserve	Retained earnings	Total Equity
As at 1 January 2018		4.0	826.9	376.1	(0.9)	–	(174.6)	1,031.5
Change on restatement of deferred tax	30	–	–	–	–	–	5.3	5.3
Charge arising from adoption of IFRS 16	30	–	–	–	–	–	(73.2)	(73.2)
As at 1 January 2018 (restated)		4.0	826.9	376.1	(0.9)	–	(242.5)	963.6
Profit for the year (restated)		–	–	–	–	–	0.1	0.1
Other comprehensive loss for the year		–	–	–	–	(0.5)	–	(0.5)
Total comprehensive income		–	–	–	–	(0.5)	0.1	(0.4)
Dividend paid	25	–	–	–	–	–	(15.2)	(15.2)
Share-based payments	26	–	–	–	–	–	0.5	0.5
Utilisation of EBT shares for 2014 DBP Awards	20	–	–	–	0.1	–	(0.1)	–
As at 1 January 2019 (restated)		**4.0**	**826.9**	**376.1**	**(0.8)**	**(0.5)**	**(257.2)**	**948.5**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**7.2**	**7.2**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(1.6)**	**–**	**(1.6)**
Total comprehensive income						**(1.6)**	**7.2**	**5.6**
Dividend paid	25	**–**	**–**	**–**	**–**	**–**	**(15.2)**	**(15.2)**
Share based payments	26	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Balance at 31 December 2019		**4.0**	**826.9**	**376.1**	**(0.8)**	**(2.1)**	**(264.2)**	**939.9**

The notes on pages 140 to 172 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2019

(£ million)	Note	2019	2018 (Restated)	1 January 2018 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	12	**1,563.4**	1,576.1	1,592.1
Intangible assets	13	**517.8**	517.8	517.8
Financial assets	14	**1.5**	–	–
		2,082.7	2,093.9	2,109.9
Current assets				
Inventories	16	**32.0**	29.4	30.1
Trade and other receivables	17	**73.0**	81.1	85.0
Income tax receivable		**3.6**	2.0	–
Cash and cash equivalents	18	**90.8**	47.7	39.2
		199.4	160.2	154.3
Non-current assets held for sale	19	**5.1**	2.0	5.6
		204.5	162.2	159.9
Total assets		**2,287.2**	2,256.1	2,269.8
EQUITY AND LIABILITIES				
Equity				
Share capital	20	**4.0**	4.0	4.0
Share premium		**826.9**	826.9	826.9
Capital reserves	20	**376.1**	376.1	376.1
EBT share reserves		**(0.8)**	(0.8)	(0.9)
Hedging reserve	20	**(2.1)**	(0.5)	–
Retained earnings		**(264.2)**	(257.2)	(242.5)
Equity attributable to owners of the Parent		**939.9**	948.5	963.6
Total equity		**939.9**	948.5	963.6
Non-current liabilities				
Bank borrowings	21	**419.1**	418.9	423.9
Lease liabilities	21	**677.3**	659.7	643.2
Derivatives	21	**1.5**	0.5	–
Deferred tax liabilities	22	**51.4**	49.0	52.0
		1,149.3	1,128.1	1,119.1
Current liabilities				
Provisions	23	**13.1**	16.4	17.9
Bank borrowings	21	**1.7**	1.5	1.2
Lease liabilities	21	**68.0**	66.4	66.7
Derivatives	21	**1.0**	–	–
Trade and other payables	24	**114.2**	95.2	99.1
Income tax payable		**–**	–	2.2
		198.0	179.5	187.1
Total liabilities		**1,347.3**	1,307.6	1,306.2
Total equity and liabilities		**2,287.2**	2,256.1	2,269.8

These Consolidated financial statements and the accompanying notes were approved for issue by the Board on 4 March 2020 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

The notes on pages 140 to 172 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

(£ million)	Note	2019	2018 (Restated for IFRS 16)
Cash flows from operating activities			
Profit before taxation		**9.6**	(5.6)
Adjustments for:			
Depreciation	12	**91.6**	88.9
Impairment of property, plant and equipment	12	**–**	17.4
Impairment of assets held for sale	19	**0.1**	–
Reversal of impairment on property, plant and equipment	12	**–**	(1.2)
Reversal of impairment on assets held for sale	19	**(2.0)**	(0.5)
(Profit)/Loss on disposal of property plant and equipment	6	**(0.2)**	0.1
Finance income	7	**(0.2)**	(0.2)
Finance costs	7	**85.0**	76.9
Share-based payments	26	**1.0**	0.5
		184.9	176.3
Movements in working capital:			
Decrease in trade and other receivables		**8.1**	4.0
Decrease/(increase) in inventories		**(2.6)**	0.7
Increase in trade and other payables		**15.7**	4.5
(Decrease)/increase in provisions		**(3.3)**	(1.5)
Cash generated from operations		**202.8**	184.0
Tax paid		**(1.1)**	(1.4)
Net cash from operating activities		**201.7**	182.6
Cash flows from investing activities			
Interest received		**0.2**	0.2
Purchase of property plant and equipment		**(60.6)**	(73.7)
Proceeds on disposal of property plant and equipment		**0.2**	1.4
Proceeds on disposal of assets held for sale		**11.6**	4.1
Net cash used in investing activities		**(48.6)**	(68.0)
Cash flows from financing activities			
Interest paid		**(75.5)**	(73.8)
Payment of lease liabilities		**(19.3)**	(16.9)
Repayment of bank borrowing		**–**	(0.2)
Dividends paid to equity holders of the Parent	25	**(15.2)**	(15.2)
Net cash used in financing activities		**(110.0)**	(106.1)
Net increase in cash and cash equivalents		**43.1**	8.5
Cash and cash equivalents at 1 January		**47.7**	39.2
Cash and cash equivalents at 31 December	18	**90.8**	47.7
Adjusting items (note 9)			
Adjusting items paid included in the cash flow		**(2.7)**	(7.7)
Total Adjusting items	9	**(3.2)**	(25.6)

The notes on pages 140 to 172 form an integral part of these financial statements.

Notes to the financial statements
As at 31 December 2019

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

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors of the Company on 4 March 2020.

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

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

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and on an historical cost basis. The Group financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£ million), except when otherwise indicated.

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

Going concern
The Group is financed by a bank loan facility that matures in July 2022. 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 at least twelve months from the date of approval of these financial statements. In relation to available cash resources, the Directors have had regard to both cash at bank and a £100 million committed undrawn revolving credit facility.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on Viability. Based on the current assessment of the likelihood of these risks arising, together with their assessment of the planning mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis.

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

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

Revenue is recorded as services are transferred to the patient, with the consideration based on the total amount the group expects to receive, taking account of discounts where they are quantifiable and probable.

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

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

Interest income
Interest is recognised on an effective interest rate basis.

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

2. Accounting policies *continued*

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

Operating profit
Operating profit is the profit arising from the normal, recurring operations of the business and after charging Adjusting items, as defined below.

Operating profit is adjusted to exclude Adjusting items to calculate the Key Performance Indicator 'Operating profit before Adjusting items'.

Adjusting items
Adjusting items are those items which, by virtue of their nature, size or incidence, either individually or in aggregate, should be disclosed separately to allow a full understanding of the underlying performance of the Group. Items which may be considered this way in nature include significant write-downs of goodwill and other assets, restructuring costs relating to strategy review, impairments, hospital closures and set-up costs, business acquisition costs, medical malpractice provision and aborted project costs. In addition, Adjusting items may include compliance set up costs and deferred tax adjustments in relation to revised property carrying values.

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

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

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

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

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

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted, or substantively enacted, at the balance sheet date. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to offset current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities or assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. A deferred tax asset, subject to the offsetting above, is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

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

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

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

2. Accounting policies continued

Consolidation

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

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

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

Business combinations

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

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

Goodwill

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

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

Financial Instruments

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

i) Financial assets other than derivatives

Initial recognition and measurement

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company's financial assets include cash and short-term deposits and trade and other receivables, receivables from profit share arrangements.

Subsequent measurement

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

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

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

Receivables relating to profit share arrangements are recognised as fair value through profit and loss. At each reporting period, the assets are revalued, with any movement in fair value being recognised in the Consolidated income statement.

2. Accounting policies continued

Derecognition

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

Impairment

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets (including unbilled receivables), the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and the days past due. The Group has concluded that the expected loss rates for trade receivables, are a reasonable approximation of the loss rates for each ageing bucket based on historical debt trends of our portfolio of customers for the last two reporting periods.

ii) Financial liabilities other than derivatives

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

iii) Derivative financial instruments

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

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

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

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

2. Accounting policies continued

iv) Offsetting of financial instruments

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

Inventories

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

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

Interest-bearing borrowings

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

Borrowing costs

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

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

Provisions

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

Leases

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

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

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

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

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

ROU assets are disclosed as Plant, Property & Equipment on the balance sheet (non-current) with a separate disclosure within the associated note, and the lease liability is included in the headings Lease Liability (current and non-current) on the Consolidated balance Sheet.

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

2. Accounting policies continued

Sale and leaseback of properties

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

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium. Where the employee benefit trust purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders in both the Company and the Consolidated balance sheet until the shares are cancelled or reissued.

Dividend distribution

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

Pensions

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

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

Other employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonuses if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payments

The Group operates a number of equity-settled share-based payment schemes under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The Group has estimated the relevant fair value of the share options and awards, which are subject to total shareholder return ('TSR') market-related performance criteria, using a Monte Carlo simulation model (see note 26). This applies to LTIP Awards and Deferred Bonus Schemes. The relevant fair value of the Group's other share options and awards (SAYE), which are subject to non-market related performance criteria, is set to the unadjusted market price, or exercise price if relevant, of the shares at the date of grant. The resulting fair values are recognised in the income statement over the vesting period of the options and awards.

At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non-market conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Where an employee ceases to save via the SAYE, but remains employed, the charge is accelerated and recognised in the income statement, with a corresponding adjustment to equity as required.

Non-current assets held for sale

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

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

2. Accounting policies continued
Changes in accounting policy
New standards, interpretations and amendments applied
The following amendments to existing standards were effective for the Group from 1 January 2019. The Annual Improvements 2015–2017 Cycle and IFRIC 23 have not had a material impact, but IFRS 16 has and is described below.

	Effective date[1]
Annual Improvements 2015–2017 Cycle	1 January 2019
IFRIC 23 – Uncertain tax positions	1 January 2019
IFRS 16 *Leases*	1 January 2019

1 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 them 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.

IFRS 16 *Leases*
IFRS 16 replaces IAS 17 and introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The operating lease cost which the Group previously incurred has been replaced by a depreciation charge on the right-of-use asset (over the term of the lease) as well as an interest charge on the lease liability over the same period.

IFRS 16 has a significant impact for the Group's financial statements owing to its large portfolio of properties which were previously accounted for as operating leases. The impact arising from non-property operating leases is negligible and the Group has elected the recognition exemption for short-term leases (less than 12 months) and low value assets.

The Group has adopted IFRS 16 on a fully retrospective basis on 1 January 2019 utilising the practical expedient to not reassess whether a contract contains a lease. The prior period financial information has been restated to reflect the impact of the new accounting standard (see note 30).

The application of IFRS 16 requires the Group to make judgements that affect the valuation of the lease liabilities and right of use (ROU) assets. These are set out in note 3.

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

	Effective date[1]
Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
IFRS 3 –Definition of a Business	1 January 2020
IAS 1 – Classification of liabilities as Current or Non-Current	1 January 2022

The Directors do not expect the adoption of these standards, interpretations and amendments to have a material impact on the Consolidated or Company financial statements in the period of initial application.

3. Critical accounting judgements and estimates
In the application of the Group's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year:

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

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

3. Critical accounting judgements and estimates continued

Adjusting items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as adjusting items. Deciding which items meet the respective definitions requires the Group to exercise its judgement. Details of these items categorised as adjusting items are outlined in note 9.

Estimates

Goodwill

Goodwill is tested for impairment at least annually or more frequently if there is an indication that goodwill may be impaired. This is achieved by comparing the value-in-use of the goodwill with its carrying value in the accounts. The value-in-use calculations require the Group to estimate future cash flows expected to arise in the future, taking into account market conditions. The current value of goodwill is underpinned by these forecasts. The present value of these cash flows is determined using an appropriate discount rate.

The assumptions considered to be most critical in reviewing goodwill for impairment are contained in note 13.

Property impairment

Property, including property ROU assets, is considered for indicators of impairment at least annually. This is achieved by comparing the value-in-use of the property with its carrying value in the accounts. The value-in-use calculations require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. In some cases, the cash flow forecasts reflect significant improvement in hospital performance as management respond to local market and short-term operational challenges. The present value of these cash flows is determined using an appropriate discount rate. The assumptions considered to be most critical in reviewing properties for impairment are contained in note 12.

Leases

The present value of the lease payment is determined using the discount factor (incremental borrowing rate) which is determined by a reference rate (being UK Government bonds or Sterling LIBOR) adjusted by an applicable credit spread or margin to reflect the credit standing of the Group observed in the period when the lease contract commences or is modified. The incremental borrowing rate applied reflects a rate for a similar term and security to that of the lease and is determined at inception.

Details of incremental borrowing rates can be found on note 21.

4. Auditor's remuneration

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

(£ million)	**2019**	2018
Audit of these financial statements	**0.6**	0.4
Audit of the financial statements of subsidiaries of the company pursuant to legislation	**0.1**	0.1
Total	**0.7**	0.5

5. Segmental reporting

In determining the Group's operating segment, management has primarily considered the financial information in internal reports that are reviewed and used by the executive management team and Board of Directors (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)	**2019**	2018
Insured[1]	**491.8**	459.6
NHS	**285.7**	272.2
Self-pay	**178.8**	174.1
Other[2]	**24.5**	25.2
Total	**980.8**	931.1

1 Amounts previously disclosed in Partnerships (2019: £28.3 million, 2018: £27.0 million) are now included in Insured.
2 Other revenue includes fees paid to the Group by consultants (e.g. for the use of Group facilities and services) and third-party revenue (e.g. pathology services to third-parties).

6. Operating profit

Arrived at after charging/(crediting):

(£ million)	2019	2018 (Restated)
Depreciation of property, plant and equipment (see note 12)	**65.1**	64.2
Depreciation of right of use assets (see note 12)	**26.5**	24.7
Lease payments made in respect of low value and short leases	**11.3**	9.4
Ian Paterson claims and related costs (see note 23)	**0.3**	0.8
Reversal of impairment on property, plant and equipment (see note 12)	**–**	(1.2)
Reversal of impairment on assets held for sale (see note 19)	**(2.0)**	(0.5)
Impairment of property, plant and equipment (see note 12)	**0.1**	17.4
Profit/loss on disposal of property, plant and equipment (see note 12)	**(0.2)**	0.1
Staff costs (see note 8)	**313.3**	298.9

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

Inventory recognised as an expense in the current year is disclosed in note 16.

7. Finance income and costs

(£ million)	2019	2018 (Restated)
Finance income		
Interest income on bank deposits	**0.2**	0.2
Finance costs		
Interest on bank facilities	**17.0**	14.5
IFRS 9 gain arising on facilities extension[1]	**0.9**	(3.3)
Interest on obligations under leases	**67.1**	65.7
Total finance costs	**85.0**	76.9

1 Gain of £3.3 million that was recorded at the date of the extension. This gain is being amortised.

8. Staff costs

(No.)	2019	2018
The average number of persons employed by the Group (including directors) during the year	**11,439**	11,320

(No.)	2019	2018
The average number of full-time equivalent persons employed by the Group during the year	**8,607**	8,441

The aggregate payroll costs of these persons were as follows:

(£ million)	2019	2018
Wages and salaries	**265.0**	255.5
Social security costs	**24.3**	23.2
Pension costs, defined contribution scheme	**24.0**	20.2
	313.3	298.9

Included in wages and salaries and social security costs for year ended 31 December 2019 are adjusting items of £0.4 million (2018: £5.1 million) and £0.1 million (2018: £0.2 million), respectively. Adjusting items are detailed in note 9.

Other pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2019 were £2.2 million (2018: £1.9 million).

9. Adjusting items

(£ million)	2019	2018
Remediation of regulatory compliance or malpractice costs	**1.9**	0.7
Business reorganisation and corporate restructuring costs	**1.1**	4.7
Hospital set up and closure costs	**0.3**	0.8
Asset disposals, impairment and aborted project costs	**(0.1)**	17.9
Compliance set up costs	**–**	1.5
Total adjusting items	**3.2**	25.6
Income tax credit on adjusting items	**(0.6)**	(9.4)
Total post-tax adjusting items	**2.6**	16.2

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

The £1.9 million remediation charge relates to two separate regulatory compliance issues. One of these issues relates to the temporary closure of a specific site to make improvements following a CQC inspection and no further costs are anticipated. The second issue relates to expected, but uncertain costs for regulatory compliance matter.

Business reorganisation and corporate restructuring costs primarily relate to internal group reorganisation costs associated with a strategic review in 2019 which specifically covered Clinical and Operational functions. These costs have been excluded from adjusted operating profit as they relate to a fundamental change in how these areas are organised and function.

Hospital set-up and closure costs reflect the on-going costs incurred in respect of the sites at St Saviours and Chelmsford following their closure, which were treated as Adjusting items in previous periods.

Asset disposals, impairment and aborted project costs of £0.1 million (credit) comprise: a credit of £2.0 million in connection with the reversal of an impairment charge on a property which has been classified as Held for Sale, offset by £0.1 million impairment on classification of an asset to Held for Sale; a charge of £0.3 million taken in H1 19 for aborted project costs relating to the potential hospital development at Milton Keynes; and a write-down of £1.5 million against non-sterile Single Use Devices as a consequence of the forthcoming Medical Device Regulations (MDR) which take effect in May 2020.

Business reorganisation and corporate restructuring costs in 2018 include internal group reorganisation costs associated with the strategic review that commenced in Q4 2017 and a cost reduction project covering hospitals and central functions. Asset disposals, impairment and aborted project costs in 2018 primarily relates to Spire Alexandra Hospital, where an impairment charge of £12.6 million was taken in the first half of 2018, and the write off of £3.6 million of costs associated with a potential development of a site in Milton Keynes. Compliance set up costs in 2018 include amounts incurred to meet the requirements of GDPR regulations.

10. Taxation

(£ million)	2019	2018 (Restated)
Current tax		
UK corporation tax expense	**–**	–
UK corporation tax adjustment to prior years	**(0.4)**	(2.7)
Total current tax	**(0.4)**	(2.7)
Deferred tax		
Origination and reversal of temporary differences	**4.3**	(4.5)
Effect of change in tax rate	**(0.4)**	(0.2)
Adjustments in respect of prior years	**(1.1)**	1.7
Total deferred tax	**2.8**	(3.0)
Total tax (credit)/charge	**2.4**	(5.7)

Corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was 25.0% (2018: (101.8%). The effective tax rate before restating for IFRS 16 is 21.1% (2018: (37.8)%). The difference is driven by the unwinding of deferred tax relating to transition adjustments. Deferred tax is detailed in note 22.

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

10. Taxation continued
The reconciliation of the actual tax charge/(credit) to that at the domestic corporation tax rate is as follows:

(£ million)	2019	2018 (Restated)
Profit before taxation	**9.6**	(5.6)
Tax at the standard rate	**1.8**	(1.1)
Effects of:		
Expenses not deductible for tax purposes	**2.8**	1.1
Adjustments to prior year	**(1.5)**	(1.0)
Difference in tax rates	**(0.4)**	(0.2)
Increase from impairment of fixed assets	**–**	0.7
Deferred tax not previously recognised	**(0.3)**	0.1
Disposal of fixed assets	**–**	(5.3)
Total tax (credit)/charge	**2.4**	(5.7)

Expenses not deductible for tax purposes relate mostly to depreciation on non-qualifying fixed assets, disallowable entertaining and professional fees.

The UK corporation tax rate is due to fall from 19% to 17% from April 2020. During the election campaign, the Government indicated that the UK corporation tax rate will increase. As no change has been announced or substantively enacted, the deferred tax rate remains reflective of the currently planned rates. The Group are monitoring any changes closely. The Consolidated balance sheet carrying value of deferred tax liabilities reflect the anticipated rate of tax at which those liabilities are expected to reverse. Should the corporation tax rate be held at 19%, the Group's deferred tax liability would increase by £6.0 million, resulting in a charge to the Consolidated income statement.

The Group applies IFRIC 23 for the first time in 2019. The Group have considered the impact of the new uncertain tax treatment which require a provision due to the adoption. The Group does not hold any uncertain tax positions at the year end.

11. 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.

	2019	2018 (Restated)
Profit for the year attributable to owners of the Parent (£ million)	**7.2**	0.1
Weighted average number of ordinary shares	**401,081,391**	401,081,391
Adjustment for weighted average number of shares held in EBT	**(252,652)**	(263,342)
Weighted average number of ordinary shares in issue (No.)	**400,828,739**	400,818,049
Basic earnings per share (in pence per share)	**1.8**	0.0

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. Refer to the Remuneration Committee Report for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS. There are no instruments that are antidilutive for the years presented which have been excluded from the calculation of diluted EPS.

	2019	2018 (Restated)
Profit for the year attributable to owners of the Parent (£ million)	**7.2**	0.1
Weighted average number of ordinary shares in issue	**400,828,739**	400,818,049
Adjustment for weighted average number of contingently issuable shares	**6,485,214**	1,287,910
Diluted weighted average number of ordinary shares in issue (No.)	**407,313,953**	402,105,959
Diluted earnings per share (in pence per share)	**1.8**	0.0

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

11. Earnings per share continued
Reconciliation of profit after taxation to profit after taxation excluding adjusting items ("Adjusted profit"):

	2019	2018 (Restated)
Profit for the year attributable to owners of the Parent (£ million)	**7.2**	0.1
Adjusting items (see note 9)	**2.6**	16.2
Adjusted profit (£ million)	**9.8**	16.3
Weighted average number of Ordinary Shares in issue	**400,828,739**	400,818,049
Weighted average number of dilutive Ordinary Shares	**407,313,953**	402,105,959
Adjusted basic earnings per share (in pence per share)	**2.4**	4.1
Adjusted diluted earnings per share (in pence per share)	**2.4**	4.1

12. Property, plant and equipment

(£ million)	Freehold property	Leasehold improvements	Equipment	Assets in the course of construction	Right of use	Total
Cost:						
At 1 January 2018 as previously reported	854.5	142.5	413.5	11.2	–	1,421.7
IFRS 16 transition adjustment	–	(26.7)	–	–	708.4	681.7
At 1 January 2018 as restated	854.5	115.8	413.5	11.2	708.4	2,103.4
Additions	10.8	11.4	25.2	17.8	–	65.2
Adjustments to existing assets (e.g. Indexation)	–	–	–	–	25.5	25.5
Disposals	(0.8)	(0.1)	(16.2)	–	–	(17.1)
Transfers	11.7	2.7	4.0	(18.4)	–	–
At 1 January 2019 as restated	**876.2**	**129.8**	**426.5**	**10.6**	**733.9**	**2,177.0**
Additions	**9.2**	**4.4**	**32.0**	**16.9**	–	**62.5**
New leases entered	–	–	–	–	**8.9**	**8.9**
Adjustments to existing assets (e.g. Indexation)	–	–	–	–	**21.4**	**21.4**
Disposals	**(19.3)**	**(0.4)**	**(15.3)**	–	–	**(35.0)**
Transfers	**0.5**	**6.6**	**1.9**	**(9.0)**	–	–
Assets held for sale	–	–	–	**(1.1)**	–	**(1.1)**
At 31 December 2019	**866.6**	**140.4**	**445.1**	**17.4**	**764.2**	**2,233.7**
Accumulated depreciation and impairment:						
At 1 January 2018 as previously reported	129.0	32.7	223.1	–	–	384.8
IFRS 16 transition adjustment	–	(6.9)	–	–	133.4	126.5
At 1 January 2018 as restated	129.0	25.8	223.1	–	133.4	511.3
Charge for year as restated	16.3	6.1	41.8	–	24.7	88.9
Disposals	(0.8)	(0.1)	(14.6)	–	–	(15.5)
Impairment (note 9)	16.2	1.2	(1.2)	–	–	16.2
At 1 January 2019 as restated	**160.7**	**33.0**	**249.1**	**–**	**158.1**	**600.9**
Charge for the year	**14.4**	**6.0**	**44.7**	**–**	**26.5**	**91.6**
Disposals	**(8.8)**	**(0.3)**	**(13.1)**	**(0.1)**	**–**	**(22.3)**
Impairment (note 9)	**–**	**–**	**–**	**0.1**	**–**	**0.1**
At 31 December 2019	**166.3**	**38.7**	**280.7**	**–**	**184.6**	**670.3**
Net book value:						
At 31 December 2019	**700.3**	**101.7**	**164.4**	**17.4**	**579.6**	**1,563.4**
At 31 December 2018 as restated for IFRS 16	715.5	96.8	177.4	10.6	575.8	1,576.1

Assets reclassified to held for sale in 2019 are in relation to land which was previously held for future development. This was moved to held for sale in December 2019 from assets under construction, and resulted in an impairment of £0.1 million. In addition, during the year, Spire's Bristol Cancer Centre and the non-operational Baddow Cancer Centre were moved to held for sale in May 2019, and subsequently disposed on 31 October 2019.

12. Property, plant and equipment continued
Further details are shown in note 19. The impairment in 2018 is the result of a write down of £12.6 million in the carrying value of the Alexandra Hospital and a write off of the £3.6 million of costs associated with the potential development of a site in Milton Keynes.

No assets are subject to restrictions on title or pledged as security for liabilities. There were no borrowing costs capitalised during the year ended 31 December 2019 (2018: Nil).

Impairment testing
The Directors consider property and property right of use assets for indicators of impairment at least annually. This is achieved by comparing the value-in-use of the property with its carrying value in the accounts. The value-in-use calculations require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. In some cases, the cash flow forecasts reflect significant improvement in hospital performance as management respond to local market challenges or short-term operational challenges. The present value of these cash flows is determined using an appropriate discount rate and market conditions covering the five-year period to December 2024.

Management identified a number of key assumptions relevant to the property impairment calculations, being EBITDA growth, which is impacted by an interaction of a number of elements and assumptions regarding revenue, cost inflation, capex maintenance spend, discount rates and terminal growth rates. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market conditions. Management undertook sensitivity and determined that should the discount rate increase by 25 basis points (bp) with all other assumptions remaining equal, sufficient headroom would remain.

Right of use Assets

(£ million)	Leasehold property	Equipment & motor vehicles	Total
Cost:			
At 1 January 2018 (on transition)	706.7	1.7	708.4
Adjustments to existing leases (e.g. indexation)	24.5	1.0	25.5
At 1 January 2019 (on transition)	**731.2**	**2.7**	**733.9**
New leases entered	**8.5**	**0.4**	**8.9**
Adjustments to existing leases (e.g. indexation)	**21.4**	**–**	**21.4**
At 31 December 2019	**761.1**	**3.1**	**764.2**
Accumulated depreciation and impairment:			
At 1 January 2018 (on transition)	132.4	1.0	133.4
Charge for year	24.3	0.4	24.7
At 1 January 2019 (on transition)	**156.7**	**1.4**	**158.1**
Charge for the year	**26.0**	**0.5**	**26.5**
At 31 December 2019	**182.7**	**1.9**	**184.6**
Net book value:			
At 31 December 2019	**578.4**	**1.2**	**579.6**
At 31 December 2018 as restated fro IFRS 16	574.5	1.3	575.8

13. Intangible assets

(£ million)	Total
Cost or valuation:	
At 1 January 2018, 31 December 2018 and 31 December 2019	518.8
Impairment:	
At 1 January 2018, 31 December 2018 and 31 December 2019	1.0
Carrying amount:	
At 31 December 2019	**517.8**
At 31 December 2018	517.8

The goodwill arising on acquisitions is reviewed annually for impairment on 31 December or when there is an event that may indicate impairment. The recoverable amount of the Group's cash-generating unit exceeds its carrying value and no impairment charge has been recognised (2018: £nil) and no event has given rise to amounts written off (2018: £nil).

The Directors do not believe that any impairment is required in the current financial year.

Impairment testing
The Directors treat the business as a single cash-generating unit for the purposes of testing goodwill for impairment. The recoverable amount of goodwill is calculated by reference to its estimated value-in-use.

In order to estimate the value-in-use, management has used trading projections covering the five-year period to December 2024.

Management identified a number of key assumptions relevant to the value-in-use calculations, being revenue growth, which is impacted by an interaction of a number of elements of the operating model, including pricing trends, volume growth and the mix and complexity of discharges, assumptions regarding cost inflation and discount rates. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market trends.

A long-term growth rate of 2.25% (2018: 2.25%) has been applied to cash flows beyond 2024, which is based on historic growth rates achieved by the sector, which have typically exceeded the retail price index ('RPI'). Pre-tax discount rates were based on the capital asset pricing model, utilising a sector-specific Beta in arriving at the equity premium and cost of debt based on current bank lending rates. A specific pre-tax discount rate was calculated to reflect the profile of cash flows inherent to the cash-generating unit and this was 8.6% (2018: 9.0%).

A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. For example, an increase of 30 basis points (bp) in the pre-tax discount rate to 8.9%, with all other assumptions held constant, would reduce headroom to zero. Similarly, reducing growth to 2% in the period beyond 2025, with all other assumptions held constant, would also reduce headroom to zero.

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

The Group has recognised a financial asset in respect of this gross profit share and the asset is classed as a fair value through profit and loss asset. The asset has been valued based on the discounted present value of the expected future cash flows. This valuation is reviewed at each reporting date, with movements in fair value being recognised through the Consolidated income statement. Any cash receive will be adjusted against the financial asset.

(£ million)	**2019**	2018
Valuation at 1 January	**–**	–
Additions	**1.5**	–
Fair value adjustments	**–**	–
Carrying amount at 31 December	**1.5**	–

15. Subsidiary undertakings

As at 31 December 2019, these Consolidated financial statements of the Group comprise the Company and the following companies, most of which are incorporated in, and whose operations are conducted in, the United Kingdom. All subsidiaries are 100% owned unless otherwise indicated.

Incorporated in England and Wales and registered at 3 Dorset Rise, London, EC4Y 8EN, unless otherwise stated	Principal activity	Class of share
Classic Hospitals Group Limited	Holding company	Ordinary
Classic Hospitals Limited	Non-trading company	Ordinary
Classic Hospitals Property Limited	Property company	Ordinary
Didsbury MSK Limited[1]	Health provision	Ordinary
Fox Healthcare Acquisitions Limited	Leasing company	Ordinary
Fox Healthcare Holdco 2 Limited	Holding company	Ordinary
Lifescan Limited	Non-trading company	Ordinary
Links Bidco S.à r.l. Propco 8[2]	Property company	Ordinary
Medicainsure Limited	Non-trading company	Ordinary
Montefiore House Limited[3]	Health provision	Ordinary
SHC Holdings Limited	Holding company	Ordinary
Spire Cambridge (Disposal) Limited	Non-trading company	Ordinary
Spire Fertility (Disposal) Limited	Non-trading company	Ordinary
Spire Healthcare (Holdings) Limited	Holding company	Ordinary
Spire Healthcare Finance Limited[4]	Holding company	Ordinary
Spire Healthcare Group UK Limited	Holding company	Ordinary
Spire Healthcare Holdings 1[5]	Holding company	Ordinary
Spire Healthcare Holdings 2 Limited	Holding company	Ordinary
Spire Healthcare Holdings 3 Limited	Holding company	Ordinary
Spire Healthcare Limited	Health provision	Ordinary
Spire Healthcare Properties Limited	Property company	Ordinary
Spire Healthcare Property Developments Limited	Development company	Ordinary
Spire Property 1 Limited	Property company	Ordinary
Spire Property 4 Limited	Property company	Ordinary
Spire Property 5 Limited	Property company	Ordinary
Spire Property 6 Limited	Property company	Ordinary
Spire Property 13 Limited	Property company	Ordinary
Spire Property 16 Limited	Property company	Ordinary
Spire Property 17 Limited	Property company	Ordinary
Spire Property 18 Limited	Property company	Ordinary
Spire Property 19 Limited	Property company	Ordinary
Spire Property 23 Limited	Property company	Ordinary
Spire Thames Valley Hospital (BVI Property Holdings) Limited[6]	Holding company	Ordinary
Spire Thames Valley Hospital Limited	Non-trading company	Ordinary
Spire Thames Valley Hospital Propco Limited	Property company	Ordinary
Spire UK Holdco 2A Limited	Holding company	Ordinary
Spire UK Holdco 4 Limited	Holding company	Ordinary

1 Ownership interest is 51.0% (previously 80% until 6 September 2019.
2 Incorporated in Luxembourg and registered at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.
3 Ownership interest is 50.1%.
4 Direct shareholding of the Company.
5 Spire Healthcare Holdings 1 is an undertaking with unlimited liability. The registered address of the undertaking is 3 Dorset Rise, London, EC4Y 8EN
6 Incorporated in the British Virgin Islands (BVI) and registered at Harneys Corporate and Trust Services Limited, Craigmuir Chambers, Road Town, Tortola, VG1110, BVI.

16. Inventories

(£ million)	2019	2018
Prostheses, drugs, medical and other consumables	**32.0**	29.4

Cost of sales for the year ended 31 December 2019 includes inventories recognised as an expense amounting to £195.5 million (2018: £182.8 million).

17. Trade and other receivables

(£ million)	2019	2018 (Restated)
Amounts falling due within one year:		
Trade receivables	**42.7**	45.1
Unbilled receivables	**13.0**	14.5
Prepayments	**15.2**	15.5
Other receivables	**5.8**	10.7
	76.7	85.8
Allowance for expected credit losses	**(3.7)**	(4.7)
Total current trade and other receivables	**73.0**	81.1

Trade receivables comprise amounts due from private medical insurers, the NHS, patients, consultants and other third parties who use the Group's facilities. Invoices to customers fall due within 60 days of the date of issue. 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 (excluding payments on account). A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's trade receivables and the perceived credit quality of its customers reflecting net debt due. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value.

The loss allowance as at 31 December 2019 for trade receivables was determined as follows:

	Current	0–30 days	31–90 days	91–364 days	1–2 years	Total
Expected loss rate	**0.6%**	**5.7%**	**10.6%**	**35.0%**	**35.7%**	
Gross debt (£ million)	52.6	8.7	4.7	4.0	2.8	72.8
Less payments on account (£ million)						(30.1)
Carrying amount of trade receivables (£ million)						42.7
Loss allowance (£ million)	0.3	0.5	0.5	1.4	1.0	3.7

The loss allowance as at 31 December 2018 for trade receivables was determined as follows:

	Current	0–30 days	31–90 days	91–364 days	1–2 years	Total
Expected loss rate	**0.9%**	**4.9%**	**16.3%**	**32.0%**	**30.2%**	
Gross debt (£ million)	44.8	12.2	4.9	5.0	4.3	71.2
Less payments on account (£ million)						(26.1)
Carrying amount of trade receivables (£ million)						45.1
Loss allowance (£ million)	0.4	0.6	0.8	1.6	1.3	4.7

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

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

17. Trade and other receivables continued
Trade receivables after expected credit losses comprise the following wider customer/payor groups:

(£ million)	2019	2018
Private medical insurers	**23.2**	28.0
NHS	**7.2**	5.1
Patient debt	**3.2**	1.8
Other	**5.4**	5.5
	39.0	40.4

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

(£ million)	2019	2018
At 1 January	**4.7**	10.3
Provided in the year	**0.8**	2.6
Utilised during the year	**(0.4)**	(8.2)
Released during the year	**(1.4)**	–
At 31 December	**3.7**	4.7

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

To develop the ECL matrix, trade receivables were grouped according to shared characteristics (payor/payor type) and the days past due. As the majority of the Group's debt is receivable from large, well-funded insurance companies, the National Health Service or from a large number of individuals, the Group has concluded that historical debt performance of the portfolio during the last two reporting periods provides a reasonable approximation of the future expected loss rates for each payor age category. The ECL matrix is refreshed at each reporting date. Trade receivables are not modified after initial recognition. Payments on account are excluded from the calculation. No collateral is held in respect of trade receivables. Expected credit losses are calculated on a collective basis and are not allocated to individual financial assets.

18. *Cash and cash equivalents*

(£ million)	2019	2018
Cash at bank	**23.7**	40.5
Short-term deposits	**67.1**	7.2
	90.8	47.7

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

19. Non-current assets held for sale

As at December 2019, the Group's management remain committed to sell one property, Spire St Saviours Hospital which closed in 2015. The property is still expected to be sold within twelve months, remains classified as held for sale and is presented separately in the Consolidated balance sheet. A reversal of impairment of £2.0 million in connection with Spire St Saviours Hospital has been credited to the Consolidated income statement in the year.

In addition, the Group's management have committed to sell a parcel of land at Bostock's Lane and is currently undergoing negotiations with a potential buyer. This asset has therefore been reclassified to held for sale at a value of £1.1 million, being the lower of carrying value and the fair value less costs to sell. An impairment of £0.1 million has been booked to Adjusting items (note 9).

During the year, Spire Bristol Cancer Centre and the non-operational Baddow Cancer Centre were reclassified to held for sale, and subsequently sold on 31 October 2019. The proceeds of disposal exceeded the net carrying value of the assets, and accordingly, no impairment loss was recognised on the reclassification of these operations to held for sale. Consideration of £12.0 million was received, with cash of £11.6 million received after adjusting for transaction costs and VAT.

(£ million)	**2019**	2018
Spire St Saviours Hospital property (note 9)	**4.0**	2.0
Bostocks Lane (East Midlands Cancer Centre (note 9)	**1.1**	–
	5.1	2.0

20. Share capital and reserves

	2019	2018
Authorised shares		
Ordinary share of £0.01 each	**401,081,391**	401,081,391
	401,081,391	401,081,391

	£0.01 ordinary shares	
	Shares	£'000
Issued and fully paid		
At 31 December 2019	**401,081,391**	**4,010**
At 31 December 2018	401,081,391	4,010

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

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

During 2019, the EBT purchased no shares (2018: nil shares acquired).

Where the EBT purchases the Company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 31 December 2019, 252,652 shares (2018: 252,652) were held by the EBT in relation to the Directors' Share Bonus award and Long-Term Incentive Plan.

20. Share capital and reserves continued

(number of shares)	2019	2018
At 1 January	**252,652**	281,631
Exercised – 2014 LTIP	**–**	–
Exercised – 2016 & 2017 LTIP	**–**	–
Exercised – 2014 DBP	**–**	(28,979)
	252,652	252,652

At 1 January 2019 and 31 December 2019, the EBT held 252,652 shares.

At 1 January 2018, the EBT held 281,631 shares. In April 2018, 10,922 shares were exercised in relation to the 2014 Deferred Bonus Plan ('DBP') and in June 2018, a further 18,057 shares were exercised in relation to the 2014 DBP. There were no new purchases of shares and at 31 December 2018 the EBT held 252,652 shares.

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

Hedging reserve
This reserve represents the movement of fair value (net of taxation) on hedging transaction of £1.6 million during the year (2018: £0.5 million). See note 21 for further information.

21. Borrowings
Bank borrowings
The bank loans are secured by a share pledge over the shareholdings of material subsidiaries of the Group. On 23 July 2014, the Group was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising a five-year, £425.0 million term loan and a five-year £100.0 million revolving facility. The loan is non-amortising and carries interest at a margin of 2.50% over LIBOR (2018: 2.25% over LIBOR). In July 2018, the Group extended the maturity of its bank loan facility for a further 3 years from July 2019 to July 2022 and recorded this as a non-substantial loan modification not resulting in de-recognition. A modification gain of £3.3 million was recorded at the date of extension, which in turn decreased the carrying value of the loan held.

(£ million)	2019	2018
Amount due for settlement within 12 months	**1.7**	1.5
Amount due for settlement after 12 months	**419.1**	418.9
Total bank borrowings	**420.8**	420.4

Terms and debt repayment schedule
The maturity date is the date on which the relevant bank loans are due to be fully repaid.

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

(£ million)	Maturity	Margin over LIBOR	2019	2018
Senior finance facility[1]	July 2022	2.50%	**423.2**	423.8
Revolving credit facility (undrawn committed facility)	July 2022		**100.0**	100.0

1 The difference between the accounting carrying value and the debt repayment schedule in the table above is attributable to the modification gain on the loan extension.

Changes in bank borrowings arising from financing activities

(£ million)	1 January	Cash flows	Non cash changes	Loan modification	31 December
2019					
Bank loans	**420.4**	**(17.4)**	**16.9**	**0.9**	**420.8**
Total	**420.4**	**(17.4)**	**16.9**	**0.9**	**420.8**
2018					
Bank loans	425.1	(15.2)	13.8	(3.3)	420.4
Total	425.1	(15.2)	13.8	(3.3)	420.4

21. Borrowings continued

Lease liabilities

Obligations under finance leases

The Group has finance in respect of hospital properties, vehicles, office and medical equipment. The leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries in the Group. Leases, with a present value liability of £745.3 million (2018: £726.1 million), expire in various years to 2042 and carry a blended implicit interest rate of 9.0% (2018: 9.0%). Rent in respect of hospital property leases are reviewed annually with reference to RPI, subject to assorted floors and caps. The discount rate used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates.

Changes in lease liabilities arising from financing activities

(£ million)	1 January	Cash flows	Non cash changes	Additions	31 December
2019					
Lease liabilities	**726.1**	**(77.4)**	**66.3**	**30.3**	**745.3**
Total	**726.1**	**(77.4)**	**66.3**	**30.3**	**745.3**
2018 (Restated)					
Lease liabilities	709.9	(75.7)	66.4	25.5	726.1
Total	709.9	(75.7)	66.4	25.5	726.1

In the year, the Group recognised charges of £11.3 million (2018: £9.4 million) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken. Cash outflows in respect of these are materially in line with the expense recognised, resulting in a total cash outflow of £88.7 million (2018: £85.1 million). The Group has not made any variable lease payments in the year. The Group is not a lessor for any leases to external parties. There have been no (2018: no) sale and leaseback transactions in this period.

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current year.

Derivatives

The following derivatives were in place at 31 December 2019:

(£ million)	Interest rate	Maturity date	Notional amount	Carrying value Liability
31 December 2019 (£ million)				
Interest rate swaps	**1.2168%**	**July 2022**	**213.0**	**(2.5)**
31 December 2018 (£ million)				
Interest rate swaps	1.2168%	July 2022	213.0	(0.5)

(£ million)	**2019**	2018
Amount due for settlement within 12 months	**1.0**	–
Amount due for settlement after 12 months	**1.5**	0.5
Total derivatives	**2.5**	0.5

All movements in respect of the derivative reflect changes in fair value. No amounts have been recycled in the period. All movements are reflected within Other comprehensive income.

22. Deferred tax

(£ million)	Property, plant and equipment	IFRS 16 leases – spreading	IFRS 16	Share based payments	Losses	Provisions and other temporary differences	Total
At 1 January 2018	75.4	–	–	(0.2)	(1.4)	(1.2)	72.6
Restate for recognition of deferred tax asset on buildings	(5.3)	–	–	–	–	–	(5.3)
Restate for IFRS 16 *Leases*	–	–	(15.3)	–	–	–	(15.3)
At 1 January 2018 restated	70.1	–	(15.3)	(0.2)	(1.4)	(1.2)	52.0
Charge/(credit) to the profit or loss	(0.4)	(37.2)	34.6	0.1	–	0.1	(2.8)
Change in tax rates	(0.2)	–	–	–	–	–	(0.2)
At 1 January 2019	**69.5**	**(37.2)**	**19.3**	**(0.1)**	**(1.4)**	**(1.1)**	**49.0**
Charge/(credit) to the profit or loss	**(0.3)**	**2.4**	**1.6**	**(0.2)**	**–**	**(0.3)**	**3.2**
Charge/(credit) to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Change in tax rates	**0.1**	**(0.3)**	**(0.2)**	**–**	**–**	**–**	**(0.4)**
At 31 December 2019	**69.3**	**35.1**	**20.7**	**(0.3)**	**(1.4)**	**(1.8)**	**51.4**
Disclosed within liabilities	**69.3**	**(35.1)**	**20.7**	**(0.3)**	**(1.4)**	**(1.8)**	**51.4**

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

The Group has reviewed its recognition in respect of capital losses arising on buildings where a capital gain is expected to arise on the sale of its associated land. Guidance released during the year provides clarity on the recognition of assets with two tax outcomes. This has resulted in a deferred tax asset of £5.3 million being recognised in prior periods. This restatement only affects the balance sheet. The losses recognised relate entirely to non-trade losses.

Deferred tax on IFRS 16 transition includes a deferred tax asset arising on future deductions available from the equity adjustment on transition to IFRS 16. A deferred tax liability is also recognised on the difference between the Group's accounting basis and tax basis of IFRS 16 leases now recognised in the Consolidated balance sheet on transition.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. Deferred tax assets and liabilities have been calculated at the substantively enacted rate of 17.0% unless the temporary difference is expected to reverse sooner than 1 April 2020 in which case the applicable rate of 19.0% has been used.

The Group has unrecognised deferred tax assets (which do not expire) as at 31 December as follows:

(£ million)	**2019**	2018
Trading losses	**0.7**	1.1
Capital losses	**0.1**	0.1
Tax basis for future capital disposals (restated)	**5.8**	5.8
Total	**6.6**	7.0

These amounts are the expected tax value of the gross temporary difference at the enacted long-term tax rate of 17% (2018: 17%). A deferred tax asset has not been recognised in respect of these amounts due to uncertainties as to the timing of future profits that the trading losses could be offset against and whether capital gains will arise against which the capital losses and tax basis for capital disposals could be utilised.

23. Provisions

(£ million)	Medical malpractice	Business restructuring and other	Total
At 1 January 2019	**14.7**	**1.7**	**16.4**
Increase in existing provisions	**0.1**	**1.8**	**1.9**
Provisions utilised	**(2.5)**	**(0.6)**	**(3.1)**
Provisions released	**(2.1)**	**–**	**(2.1)**
At 31 December 2019	**10.2**	**2.9**	**13.1**

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. Amounts are shown gross of insured liabilities. Any such insurance recoveries of £5.6 million (2018: £7.7 million) are recognised in other receivables.

Following the completion of the criminal proceedings against Ian Paterson, a consultant who previously had practicing privileges at Spire Healthcare, management agreed settlement with all current and known civil claimants (and the other co-defendants) and have made a provision for the expected remaining costs. This provision remains subject to on-going review following the publication of the Public Inquiry on Paterson issued on 4 February 2020, as the Group continues to assess the potential impact of the recommendations.

The provision in relation to Ian Paterson costs has been determined before account is taken of any potential further recoveries from insurers. Business restructuring and other primarily includes staff restructuring costs.

Provisions as at 31 December 2019 are materially considered to be current and expected to be utilised at any time within the next twelve months.

24. Trade and other payables

(£ million)	**2019**	2018 (restated)
Trade payables	**58.5**	47.7
Accrued expenses	**33.9**	29.1
Social security and other taxes	**8.0**	6.9
Other payables	**13.8**	11.5
Trade and other payables	**114.2**	95.2

Other payables include an accrual for pensions, payments on account and amounts relating to CRC.

25. Dividends

(£ million)	**2019**	2018
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2018 of 2.5 pence per share (2018: 2.5 pence)	**10.0**	10.0
– interim dividend for the year ended 31 December 2019 of 1.3 pence per share (2018: 1.3 pence)	**5.2**	5.2
Total	**15.2**	15.2

A final dividend of 2.5 pence per share amounting to a total final dividend of approximately £10.0 million, is to be proposed at the Company's annual general meeting on 14 May 2020. In accordance with IAS 10 Events after the Balance Sheet Date, dividend declared after the Consolidated balance sheet date is not recognised as a liability in these financial statements.

26. Share-based payments

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

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost in respect of LTIPs and SAYE recognised in the Consolidated income statement was £1.0 million in the year ended 31 December 2019 (2018: £0.5 million). Employer's National Insurance is being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the year was £0.2 million (2018: £0.1 million).

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

	2019		2018	
	Charge £ million	**Number of options (thousands)**	Charge £ million	Number of options (thousands)
Long Term Incentive Plan	**0.8**	**5,120**	0.5	2,804
Deferred Bonus Plan	**–**	**–**	–	–
Save As You Earn (SAYE)	**0.2**	**3,764**	–	–
	1.0	**8,884**	0.5	2,804

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

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

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

Vesting of awards will be dependent on a range of financial, operational or share price measures, as set by the Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. Not less than 30% of an award will be based on share price measures. The remainder will be based on either financial and/or operational measures. At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance. For awards granted in 2019, vesting will be based on EPS 35%, relative TSR 35% and Operational Excellence 30% targets. The details of measures, targets and weightings may be varied by the Committee prior to grant based on the Group's strategic objectives.

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.

Save As You Earn
The Save As You Earn ("SAYE") is open to all Spire employees. Awards are subject to non-market performance criteria. Vesting will be dependent on continued employment for a period of 3 years from grant.

26. Share-based payments continued
The aggregate number of share awards outstanding for the Group and their weighted average exercise price is shown below:

	2019				
	LTIP (TSR condition) (thousands)	**LTIP (EPS condition) (thousands)**	**LTIP (OE condition) (thousands)**	**Deferred Bonus Plan (thousands)**	**SAYE (thousands)**
At 1 January	**986**	**986**	**832**	**–**	**–**
Granted	**1,138**	**1,138**	**976**	**–**	**3,930**
Exercised	**–**	**–**	**–**	**–**	**–**
Surrendered	**(17)**	**(17)**	**(15)**	**–**	**–**
Cancelled	**(310)**	**(310)**	**(267)**	**–**	**(166)**
At 31 December	**1,797**	**1,797**	**1,526**	**–**	**3,764**
Exercisable at 31 December	**32**	**–**	**–**	**–**	**–**
Weighted average contractual life	**2.0 years**	**2.0 years**	**2.0 years**	**n/a**	**3.0 years**

	2018			
	LTIP (TSR condition) (thousands)	LTIP (EPS condition) (thousands)	LTIP (OE condition) (thousands)	Deferred Bonus Plan (thousands)
At 1 January	863	863	221	29
Granted	763	763	655	–
Exercised	–	–	–	(29)
Surrendered	(88)	(88)	(44)	–
Cancelled	(552)	(552)	–	–
At 31 December	986	986	832	–
Exercisable at 31 December	32	–	–	–
Weighted average contractual life	2.0 years	2.0 years	2.0 years	n/a

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 2.0 years (2018: 2.0 years) in respect of LTIPs, and 3.0 years for SAYE.

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

			Share options thousands	
Grant – vest	Expiry date	Exercise price (£)	2019	2018
LTIP grants				
30/09/2014 – December 2016	30/09/2024	–	**32**	32
30/03/2017 – March 2020	30/03/2027	–	**–**	591
28/03/2018 – March 2021	28/03/2028	–	**1,385**	1,594
08/10/2018 – March 2021	28/03/2028	–	**587**	587
25/03/2019 – April 2022	25/03/2029	–	**3,116**	–
Deferred Bonus Plan				
01/06/2015 – 01/06/2018	01/06/2025	–	**–**	–
Save As You Earn				
3 May 2019 – 1 June 2022	01/12/2022	–	**3,764**	–

26. Share-based payments continued
The following information is relevant to the determination of the fair value of the awards granted for the years ended 31 December 2019 and 2018, respectively, under the schemes:

2019	LTIP (TSR condition)	LTIP (EPS condition)	LTIP (OE condition)	Deferred Bonus Plan	SAYE
Option pricing model	**Monte Carlo**	**Fair value at grant date**	**Fair value at grant date**	**n/a**	**Fair value at grant date**
Fair value at grant date (£)	**0.72**	**1.11**	**1.11**	**n/a**	**0.35**
Weighted average share price at grant date (£)	**1.26**	**1.26**	**1.26**	**n/a**	**1.35**
Exercise price (£)	**Nil**	**Nil**	**Nil**	**n/a**	**1.09**
Weighted average contractual life	**2.2 years**	**2.2 years**	**2.2 years**	**n/a**	**2.4 years**
Expected dividend yield	**n/a**	**n/a**	**n/a**	**n/a**	**2.8%**
Risk-free interest rate	**0.7%**	**n/a**	**n/a**	**n/a**	**0.8%**
Volatility[1]	**39%**	**39%**	**39%**	**n/a**	**39%**

2018	LTIP (TSR condition)	LTIP (EPS condition)	LTIP (OE condition)	Deferred Bonus Plan
Option pricing model	Monte Carlo	Fair value at grant date	Fair value at grant date	n/a
Fair value at grant date (£)	1.02/0.25	2.09/1.36	2.09/1.36	n/a
Weighted average share price at grant date (£)	2.09/1.36	2.09/1.36	2.09/1.36	n/a
Exercise price (£)	Nil	Nil	Nil	n/a
Weighted average contractual life	3.0 years	3.0 years	3.0 years	n/a
Expected dividend yield	n/a	n/a	n/a	n/a
Risk-free interest rate	0.9%/1.0%	n/a	n/a	n/a
Volatility[1]	36%/37%	n/a	n/a	n/a

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

27. Commitments
Consignment stock
At 31 December 2019, the Group held consignment stock on sale or return of £23.2 million (2018: £22.9 million). The Group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

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

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

(£ million)	**2019**	2018
Contracted but not provided for	**16.7**	16.8

28. Contingent liabilities

The Group had the following guarantees at 31 December 2019:

- the bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5 million (2018: £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; and
- See note C11 for details of contingent liability in respect of lease arrangements and agreements.

29. Financial risk management and impairment of financial assets

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

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

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

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

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

Credit risk and impairment

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

Trade and other receivables

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

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

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

This allowance is composed of specific losses that relate to individual exposures and also an expected credit loss component established using rates reflecting historic information for payor groups, and forward looking information.

Note 17 shows the ageing and customer profiles of trade receivables outstanding at the year end.

Investments

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

Market risk

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

29. Financial risk management and impairment of financial assets continued

Interest rate risk

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

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

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

	Variable	Total	Undrawn facility
31 December 2019 (£ million)	**425.0**	**425.0**	**100.0**
Effective interest rate (%)	**3.51%**	**3.51%**	
31 December 2018 (£ million)	425.0	425.0	100.0
Effective interest rate (%)	3.26%	3.26%	

The Group has an interest rate swap derivative of £2.5 million (2018: £0.5 million liability) in place (refer to note 21).

Sensitivity analysis

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

	Profit or loss		Equity	
(£ million)	25bp increase	25bp decrease	25bp increase	25bp decrease
At 31 December 2019				
Variable rate instruments	**(0.5)**	**0.5**	**(0.5)**	**0.5**
At 31 December 2018				
Variable rate instruments	(0.5)	0.5	(0.5)	0.5

Liquidity risk

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

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

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

- £100.0 million of revolving credit facility, which was fully undrawn as at 31 December 2019 (2018: £100.0 million undrawn).

29. Financial risk management and impairment of financial assets continued
The following are contractual maturities, at as the consolidated balance sheet date, of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Maturity analysis			
2019 (£ million)	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**Between 1 and 2 years**	**More than 2 years**
Trade and other payables	**106.2**	**106.2**	**106.2**		
Bank borrowings	**420.8**	**464.1**	**14.6**	**14.0**	**435.5**
Lease liabilities	**745.3**	**1,775.8**	**77.5**	**77.5**	**1,620.8**
	1,272.3	**2,346.1**	**198.3**	**91.5**	**2,056.3**
Derivative financial liabilities					
Interest rate swaps	**2.5**	**3.3**	**1.1**	**1.3**	**0.9**
	2.5	**3.3**	**1.1**	**1.3**	**0.9**

		Maturity analysis			
2018 (Restated[1]) (£ million)	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	More than 2 years
Trade and other payables	88.3	88.3	88.3		
Bank borrowings	420.4	481.9	14.3	15.2	452.4
Lease liabilities	726.1	1,840.6	76.7	76.9	1,687.0
	1,234.8	2,410.8	179.3	92.1	2,139.4
Derivative financial liabilities					
Interest rate swaps	0.5	0.6	0.6	0.2	(0.2)
	0.5	0.6	0.6	0.2	(0.2)

1 The above table has been restated for the inclusion of accrued expenses in trade and other payables and the impact of IFRS 16.

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

The Board closely manages trading capital, defined as net assets plus net debt. The Group's net assets at 31 December 2019 were £939.9 million (2018 restated: £943.5 million) and net debt, calculated as total debt (comprising borrowings), less cash and cash equivalents and the amortised gain of £2.4 million (2018: £3.3 million) that was recorded at the date of the extension, amounted to £332.4 million (2018: £376.1 million).

The principal focus of capital management revolves around working capital management and compliance with externally imposed financial covenants. Throughout the year and up to the date of approval of these financial statements, the Group complied with all covenants required by our lending group.

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

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

(£ million)	**2019**	2018
Committed undrawn revolving credit facility	**100.0**	100.0
Cash and cash equivalents	**90.8**	47.7

Bases of valuation
As of 31 December 2019, except for an interest rate swap and financial asset relating to a gross profit share, the Group did not hold financial instruments that are included in level 1, 2 or 3 of the hierarchy.

Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The carrying value of debt is approximately equal to its fair value.

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

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

During the year ended 31 December 2019, there were no transfers between the levels in the fair value hierarchy. As at 31 December 2019, the Group held the following financial instruments measured at fair value (2018: £nil).

Assets measured at fair value

		Maturity analysis		
(£ million)	Value as at 31 December 2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss				
Financial asset for gross profit share entitlement	**1.5**	**–**	**–**	**1.5**
	1.5	**–**	**–**	**1.5**

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

Liabilities measured at fair value

		Maturity analysis		
(£ million)	Value as at 31 December 2019	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit and loss				
Interest rate swaps	**2.5**	**–**	**2.5**	**–**
	2.5	**–**	**2.5**	**–**
Financial liabilities at fair value using hedge accounting				
Interest rate swaps	**2.5**	**–**	**2.5**	**–**
	2.5	**–**	**2.5**	**–**

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

For the years ended December 2019 and 2018, there were no significant amounts recognised in the profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. The movement in the interest rate swap relates to fair value movement and is recognised through Other comprehensive income

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

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

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

As at 31 December 2019, the Group held financial instruments measured at fair value, being an asset of £1.5 million (2018: Nil) and a liability of £2.5 million (2018: £0.5 million).

30. IFRS 16 Leases – Transitional impact

As a result of the adoption of IFRS 16 Leases on a full retrospective approach, the prior period comparatives have been restated. The impact of this adoption on the comparative numbers in the Consolidated financial statements is included below:

Consolidated income statement – IFRS 16 transition adjustment

(£ million)	As reported 31 December 2018	IFRS 16 adjustment	As restated 31 December 2018
Revenue	**931.1**	**–**	**931.1**
Cost of sales	(497.6)	–	(497.6)
Gross Profit	**433.5**	**–**	**433.5**
Other operating costs (excluding those split out below)	(264.1)	–	(264.1)
Other operating costs – operating leases re-classed under IFRS 16	(75.7)	66.3	(9.4)
Other operating costs – depreciation	(65.1)	(23.8)	(88.9)
Total operating costs	**(404.9)**	**42.5**	**(362.4)**
Operating profit/(loss)	**28.6**	**42.5**	**71.1**
Finance income	0.2	–	0.2
Finance cost	(20.6)	(56.3)	(76.9)
Profit/(loss) before taxation	**8.2**	**(13.8)**	**(5.6)**
Taxation	3.1	2.6	5,7
Profit/(loss) after taxation	**11.3**	**(11.2)**	**0.1**
Profit for the period attributable to owners of the Parent	**11.3**	**(11.2)**	**0.1**
Adjusted EBITDA	**119.4**	**66.3**	**185.7**
EPS, Basic	**2.8**	**(2.8)**	**0.0**
Adjusted EPS	**6.9**	**(2.8)**	**4.1**

30. IFRS 16 Leases – Transitional impact continued
Consolidated balance sheet restatement and IFRS 16 transition adjustment

(£ million)	As reported 1 January 2018	IFRS 9 adoption (reported)	Recognition of deferred tax (restated)[1]	IFRS 16 Adjustment[2]	As restated 1 January 2018	As reported 31 December 2018	Recognition of deferred tax (restated)[1]	IFRS 16 Adjustment[2]	As restated 31 December 2018
Assets – Non-current assets									
Intangible assets	517.8	–	–	–	517.8	517.8	–	–	517.8
Property, plant and equipment[3]	1,036.9	–	–	(19.8)	1,017.1	1,019.2	–	(18.9)	1,000.3
Right of use assets previously included in PPE[3]	–	–	–	19.8	19.8	–	–	18.9	18.9
Right of use assets[2]	–	–	–	555.2	555.2	–	–	556.9	556.9
	1,554.7	**–**	**–**	**555.2**	**2,109.9**	**1,537.0**	**–**	**556.9**	**2,093.9**
Assets – Current assets									
Inventory	30.1	–	–	–	30.1	29.4	–	–	29.4
Trade and other receivables	104.5	(6.4)	–	(13.1)	85.0	96.2	–	(13.1)	83.1
Cash and cash equivalents	39.2	–	–	–	39.2	47.7	–	–	47.7
	173.8	**(6.4)**		**(13.1)**	**154.3**	**173.3**		**(13.1)**	**160.2**
Non-current assets held for sale	5.6	–	–	–	5.6	2.0	–	–	2.0
	179.4	**(6.4)**		**(13.1)**	**159.9**	**175.3**	**–**	**(13.1)**	**162.2**
Total Assets	**1,734.1**	**(6.4)**		**542.1**	**2,269.8**	**1,712.3**	**–**	**543.8**	**2,256.1**
Equity									
Share capital	4.0	–	–	–	4.0	4.0	–	–	4.0
Share premium	826.9	–	–	–	826.9	826.9	–	–	826.9
Capital Reserves	376.1	–	–	–	376.1	376.1	–	–	376.1
EBT Share reserves	(0.9)	–	–	–	(0.9)	(0.8)	–	–	(0.8)
Hedging reserve	–	–	–	–	–	(0.5)	–	–	(0.5)
Retained Earnings	(168.2)	(6.4)	5.3	(73.2)[4]	(242.5)	(178.1)	5.3	(84.4)[4]	(257.2)
Equity attributable to owners of the Parent	**1,037.9**	**(6.4)**	**5.3**	**(73.2)**	**963.6**	**1,027.6**	**5.3**	**(84.4)**	**948.5**
Total Equity	**1,037.9**	**(6.4)**	**5.3**	**(73.2)**	**963.6**	**1,027.6**	**5.3**	**(84.4)**	**948.5**
Non-current liabilities									
Bank borrowings[5]	492.1	–	–	(68.2)	423.9	487.9	–	(69.0)	418.9
Lease liability	–	–	–	643.2	643.2	–	–	659.7	659.7
Derivatives	–	–	–	–	–	0.5	–	–	0.5
Other payables	–	–	–	–	–	2.3	–	(2.3)	–
Deferred tax liabilities[1,2]	72.6	–	(5.3)	(15.3)	52.0	72.2	(5.3)	(17.9)	49.0
	564.7	**–**	**(5.3)**	**559.7**	**1,119.1**	**562.9**	**(5.3)**	**570.5**	**1,128.1**
Current liabilities									
Provisions	17.9	–	–	–	17.9	16.4	–	–	16.4
Bank borrowings[4]	9.9	–	–	(8.7)	1.2	10.2	–	(8.7)	1.5
Lease liability[2]	–	–	–	66.7	66.7	–	–	66.4	66.4
Trade and other payables	101.5	–	–	(2.4)	99.1	95.2	–	–	95.2
Income tax payable	2.2	–	–	–	2.2	–	–	–	–
	131.5	**–**	**–**	**55.6**	**187.1**	**121.8**	**–**	**57.7**	**179.5**
Total Liabilities	**696.2**	**–**	**(5.3)**	**615.3**	**1,306.2**	**684.7**	**(5.3)**	**628.2**	**1,307.6**
Total equity and liabilities	**1,734.1**	**(6.4)**	**–**	**542.1**	**2,269.8**	**1,712.3**	**–**	**543.8**	**2,256.1**

1 A restatement for the recognition of previously unrecognised assets in respect of capital losses on buildings following clarification through an IFRIC release in the year.
2 Adjustments relate to the recognition of IFRS 16 assets and liabilities in line with the Leases accounting policy in note 3.
3 Finance lease assets previously recognised have been re-classed from Plant, Property & Equipment to Right of Use Asset.
4 An adjustment is booked to retained earnings on the transition to IFRS 16.
5 Finance lease liabilities previously recognised have been re-classed from Bank Borrowings to Lease Liability.

30. IFRS 16 Leases – Transitional impact continued
The value of deferred tax and retained earnings on transition to IFRS 16 has been adjusted from that reported in the transition note per note 2 of the Annual Report and Accounts 2018 as a result of the identification of rental prepayments held on the balance sheet at transition. The prepayments have been eliminated with corresponding adjustments to deferred tax and retained profits.

In addition, deferred tax has been restated in the note above to reflect the recognition of deferred tax assets arising on capital losses. The Group has reviewed its recognition in respect of capital losses arising on buildings where a capital gain is expected to arise on the sale of its associated land. Guidance released during the year provides clarity on the recognition of assets with two tax outcomes. This has resulted in a deferred tax asset of £5.3 million being recognised in prior periods. This restatement only affects the balance sheet.

Consolidated cash flow Statement – IFRS 16 transition adjustment

(£ million)	31 December 2018 (reported)	IFRS 16 Adjustment	31 December 2018 (Restated)
Cash flows from operating activities			
Profit/(loss) before taxation	**8.2**	(13.8)	(5.6)
Adjustments for:			
Depreciation	**65.1**	23.8	88.9
Impairment of property, plant and equipment	**17.4**	–	17.4
Reversal of impairment on property, plant and equipment	**(1.2)**	–	(1.2)
Reversal of impairment on assets held for sale	**(0.5)**	–	(0.5)
Loss on disposal of property, plant and equipment	**0.1**	–	0.1
Finance income	**(0.2)**	–	(0.2)
Finance costs	**20.6**	56.3	76.9
Share-based payments	**0.5**	–	0.5
	110.0	66.3	176.3
Movements in working capital:			
Increase in trade and other receivables	**4.0**	–	4.0
Decrease/(increase) in inventories	**0.7**	–	0.7
Increase in trade and other payables	**4.5**	–	4.5
(Decrease)/increase in provisions	**(1.5)**	–	(1.5)
Cash generated from operations	**117.7**	66.3	184.0
Income tax received/(paid)	**(1.4)**	–	(1.4)
Net cash from operating activities	**116.3**	66.3	182.6
Cash flows from investing activities			
Interest received	**0.2**	–	0.2
Purchase of property, plant and equipment	**(73.7)**	–	(73.7)
Proceeds of disposal of property, plant and equipment	**1.4**	–	1.4
Proceeds of disposal of assets held for sale	**4.1**	–	4.1
Net cash used in investing activities	**(68.0)**	–	(68.0)
Cash flows from financing activities			
Interest paid[1]	**(24.4)**	(49.4)	(73.8)
Payment of lease liabilities	**–**	(16.9)	(16.9)
Repayment of borrowings	**(0.2)**	–	(0.2)
Dividend paid to equity holders of the Parent	**(15.2)**	–	(15.2)
Net cash used in financing activities	**(39.8)**	(66.3)	(106.1)
Net (decrease)/increase in cash and cash equivalents	**8.5**	–	8.5
Cash and cash equivalents at beginning of period	**39.2**	–	39.2
Cash and cash equivalents at end of period	**47.7**	–	47.7

31. Related party transactions

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. They include the Board and Executive Committee, as identified on pages 96 to 99.

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

Key management compensation

(£ million)	2019	2018
Salaries and other short term employee benefits	**3.6**	2.9
Post-employment benefits	**0.5**	0.3
Share-based payments	**0.8**	0.4
	4.9	3.6

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 113 to 121.

There were no transactions with related parties external to the Group in the year to 31 December 2019 (2018: nil).

32. Events after the reporting period

2019 final dividend

For 2019, the Board has recommended a final dividend of 2.5 pence per share, amounting to approximately £10 million, to be paid on 23 June 2020 to shareholders on the register on 29 May 2020.

EU-UK trade negotiations impact on the Group

Spire continues to monitor the developments in respect of the UK-EU trade negotiations following the UK's exit from the EU in January 2020. The Executive Committee continues to review progress of these negotiations, and given the uncertainty, is a principal risk for the Group, as disclosed on page 63.

Mitigation

We continue to work closely with our key suppliers to understand any developments in their plans.

We believe we are taking all reasonable steps to ensure that disruption to our patients and other stakeholders is kept to a minimum. However, given the uncertainties around the impact of the UK-EU trade negotiations, we cannot rule out disruption to the business as there may be some circumstances outside of our reasonable control. More information is provided in the principal risk section of this publication.

33. Prior period restatement

For details of the prior period restatement relating to deferred tax recognition, please refer to note 30.

Company balance sheet

As at 31 December 2019
(Registered number: 09084066)

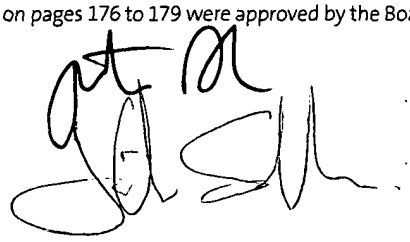
(£ million)	Note	2019	2018
ASSETS			
Non-current assets			
Investments	C9	**833.7**	832.7
		833.7	832.7
Current assets			
Other receivables	C7	**271.9**	235.0
Cash and cash equivalents	C6	**0.1**	0.1
		272.0	235.1
Total assets		**1,105.7**	1,067.8
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**4.0**	4.0
Share premium		**826.9**	826.9
EBT share reserves	20	**(0.8)**	(0.8)
Retained earnings		**187.9**	152.4
Total equity		**1,018.0**	982.5
Current liabilities			
Income tax payable		**0.4**	0.5
Trade and other payables	C8	**87.3**	84.8
Total liabilities		**87.7**	85.3
Total equity and liabilities		**1,105.7**	1,067.8

The profit attributable to the owners of the Company for the year ended 31 December 2019 was £49.7 million (2018: £45.1 million).

The financial statements on pages 176 to 179 were approved by the Board of Directors on 4 March 2020 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer



Company statements of changes in equity
For the year ended 31 December 2019

(£ million)	Share capital	Share premium	EBT share reserves	Retained earnings	Total Equity
At 1 January 2018	4.0	826.9	(0.9)	122.0	952.0
Profit for the year	–	–	–	45.1	45.1
Other comprehensive income for the year	–	–	–	–	–
Share-based payment	–	–	–	0.5	0.5
Utilisation of EBT shares for 2014 DBP Award	–	–	0.1	–	0.1
Dividend paid	–	–	–	(15.2)	(15.2)
As at 1 January 2019	**4.0**	**826.9**	**(0.8)**	**152.4**	**982.5**
Profit for the year	–	–	–	**49.7**	**49.7**
Other comprehensive income for the year	–	–	–	–	–
Share-based payment	–	–	–	**1.0**	**1.0**
Dividend paid	–	–	–	**(15.2)**	**(15.2)**
As at 31 December 2019	**4.0**	**826.9**	**(0.8)**	**187.9**	**1,018.0**

Company statements of cash flows

For the year ended 31 December 2019

(£ million)	2019	2018
Cash flows from operating activities		
Profit before taxation	**49.6**	46.4
Dividend received	**(45.7)**	(44.3)
Profit before taxation (excluding dividend received)	**3.9**	2.1
Adjustments for:		
Interest income	**(7.7)**	(3.5)
Finance costs	**2.7**	0.1
	(1.1)	(1.3)
Movements in working capital:		
Increase in trade and other receivables	**(30.7)**	(112.9)
Increase in trade and other payables	**1.3**	82.3
Tax received	**–**	(0.4)
Net cash used in operating activities	**(30.5)**	(32.3)
Cash flows from investing activities		
Interest received	**–**	3.3
Dividend received	**45.7**	44.3
Net cash generated from investing activities	**45.7**	47.6
Cash flows from financing activities		
Finance costs	**–**	(0.1)
Dividend paid to equity holders of the Parent	**(15.2)**	(15.2)
Net cash used in financing activities	**(15.2)**	(15.3)
Net decrease in cash and cash equivalents	**–**	–
Cash and cash equivalents at beginning of year	**0.1**	0.1
Cash and cash equivalents at end of year	**0.1**	0.1

Notes to the Parent Company financial statements

This section contains the notes to the Company financial statements. The issued share capital and EBT share reserves are consistent with the Spire Healthcare Group plc Group financial statements. Refer to note 20 of the Group financial statements.

C1. Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and on an historical cost basis. The financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£ million), except when otherwise indicated.

See note 1 for general information about the Company.

The financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the Company can continue as a going concern for at least 12 months from the date of approval of these financial statements.

The Company applies consistent accounting policies, as applied by the Group. To the extent that an accounting policy is relevant to both Group and Company financial statements, refer to the Group financial statements for disclosure of the accounting policy. Material policies that apply to the Company only are included as appropriate. The Company has adopted IFRS 16 – Leases in the period, but there has been no impact to disclose.

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

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

C2. Significant accounting policies in this section
Investment in subsidiaries
The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use.

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

C3. Key estimates and assumptions in this section
Impairment testing of investments in subsidiaries
The Company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on value-in-use calculated using the same assumptions as noted for the testing of goodwill impairment in note 13 of the Group financial statements.

C4. Staff costs and Directors' remuneration
The Company had no employees during the year, except for the Directors. The information on compensation for the Directors, being considered as the key management personnel of the Company, is disclosed in note C12.

C5. Auditor's remuneration
During the year, the Company obtained the following services from the Company's external auditor, as detailed below:

(£'000)	**2019**	2018
Amounts receivable by auditor and its associates in respect of:		
Audit of the Company's annual financial statements	**10.0**	10.0
	10.0	10.0

C6. Cash and cash equivalents

(£ million)	**2019**	2018
Cash at bank	**0.1**	0.1
	0.1	0.1

C7. Other receivables

(£ million)	2019	2018
Amounts owed by subsidiary undertakings	**271.9**	235.0
	271.9	235.0

The amounts owed by subsidiary undertakings bear interest at LIBOR plus 2.50% (2018: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand. No allowance for expected credit losses has been included for amounts receivable from subsidiary undertakings as the provision rates calculated based on two years are nil. As described in the Directors' report, the Group has sufficient resources to satisfy Going Concern and Viability considerations. All subsidiaries are under common control and resources could be made available for settlement of debts as and when required.

C8. Trade and other payables

(£ million)	2019	2018
Amounts owed to subsidiary undertakings	**87.2**	84.6
Accruals	**0.1**	0.2
	87.3	84.8

The amounts owed to subsidiary undertakings bear interest at LIBOR plus 2.50% (2018: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand.

C9. Investment in subsidiaries

(£ million)	Subsidiary undertakings	2018
Net book value		
At 1 January 2018	**832.2**	832.2
Additions – IFRS 2 costs	**0.5**	0.5
At 1 January 2019	**832.7**	832.7
Additions – IFRS 2 costs	**1.0**	1.0
At 31 December 2019	**833.7**	833.7

Details of the Company's subsidiaries at the balance sheet date are in note 15 to the Group financial statements.

At the year end, investments in subsidiaries were reviewed for indicators of impairment and no indicators for impairment were found.

C10. Capital management and financial instruments

The capital structure of the Company comprises issued capital, reserves and retained earnings as disclosed in the Company statement of changes in equity totalling £1,018.0 million (2018: £982.5 million) as at 31 December 2019, and cash amounted to £0.1 million (2018: £0.1 million).

Credit risk

As at 31 December 2019, the Company had amounts owed by subsidiary undertakings of £271.9 million (2018: £235.0 million). The Company's maximum exposure to credit risk from these amounts is £271.9 million (2018: £235.0 million).

Liquidity risk

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

The Company anticipates that its funding sources will be sufficient to meet its anticipated future administrative expenses and dividend obligations as they become due over the next 12 months.

C10. Capital management and financial instruments continued

(£ million)	2019	2018
Financial assets: Carrying amount and fair value	–	
Loans and receivables		
Cash and cash equivalents	**0.1**	0.1
Amounts owed by subsidiary undertakings	**271.9**	235.0
	272.0	235.1

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

(£ million)	2019	2018
Financial liabilities: Carrying amount and fair value		
Amortised cost		
Amounts owed to subsidiary undertakings	**87.2**	84.6
	87.2	84.6

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

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

Market risk
Interest rate risk and sensitivity analysis
As at 31 December 2019 the Company had short-term borrowings of £87.2 million (2018: £84.6 million) owed to subsidiary undertakings, which are repayable on demand and bear interest at LIBOR plus 2.50% (2018: LIBOR plus 2.25%). Interest on these borrowings in the year amounted to £2.7 million (2018: £0.1 million) and the Directors do not perceive that servicing this debt poses any significant risk to the Company given its size in relation to the Company's net assets.

IFRS 7 Financial Instruments: Disclosures required a market risk sensitivity analysis illustrating the fair values of the Company's financial instruments and the impact on the Company's income statement and shareholders' equity of reasonably possible changes in selected market risks. Excluding cash and cash equivalents, the Company has no financial assets or liabilities that expose it to market risk, other than the amounts owed by/to subsidiary undertakings of £271.9 million (2018 £235.0 million) and £87.2 million (2018: £84.6 million) respectively. The Directors do not believe that a change of 25 basis points in the LIBOR interest rates will have a material impact on the Company's income statement or shareholders' equity.

C11. Contingent liabilities
Lease arrangements with a consortium of investors
The Company has given a guarantee to a consortium of investors, comprising Malaysia's Employees Provident Fund (EPF), affiliated funds of Och-Ziff Capital Management Group and Moor Park Capital, in relation to the sale of 12 of the Spire Group's property-owning companies on 17 January 2013. With effect from 17 January 2013, the total third party annual commitments of the Group under these leases increased by £51.3 million per annum.

As a result of the sale, the Group has long-term institutional lease arrangements (up to December 2042, subject to renewal or extension), with the landlord for each of the 12 properties. The leases include key terms such as annual rental covenants and minimum levels of capital expenditure invested by the Group. The capital expenditure covenants measured on an average basis over each five-year period during the term of the leases, require the Group to incur, in total, £5.0 million of maintenance capital expenditure and £3.0 million of additional capital expenditure on the portfolio of 12 hospitals each year, such being subject to indexation in line with RPI. If the minimum rent cover ratio is not met, the Group is required to enter into an asset performance recovery plan in order to comply with the covenants, but no default would be deemed to have occurred. The Company is a party to this guarantee. As at 31 December 2019, the Group complied with the required covenants.

Lease agreements entered into by Classic Hospitals Limited
Under lease agreements entered into on 26 January 2010 by Classic Hospitals Limited, a subsidiary undertaking of the Company, the Company has undertaken to guarantee the payment of rentals over the lease term to August 2040, and to ensure that the other covenants in the lease are observed. The initial rentals payable under the leases in 2010 were £6.3 million per annum, which will be subject to an increase in future years. As part of these arrangements, the assets of the Company are subject to a fixed and floating charge in the event of a default. As at 31 December 2019, there was no breach in the required covenants.

C12. Related party transactions

The Company's subsidiaries are listed in note 15 to the Group financial statements. The following table provides the Company's balances that are outstanding with subsidiary companies at the balance sheet date:

(£ million)	2019	2018
Amounts owed from subsidiary undertakings – Spire Healthcare Finance Limited & Spire Healthcare Limited	**271.9**	235.0
Amounts owed to subsidiary undertakings – Spire UK Holdco 2A Limited & Spire Healthcare Limited	**(87.2)**	(84.6)
	184.7	150.4

The amounts outstanding are unsecured and repayable on demand.

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

(£ million)	2019	2018
Amounts invoiced to subsidiaries	**35.1**	31.5
Amounts invoiced by subsidiaries	**(0.1)**	(0.1)
Dividend received from subsidiaries	**45.7**	44.3

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

Directors' remuneration

The remuneration of the Non-Executive Directors of the Company is set out below. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 113 to 121.

(£ million)	2019	2018
Short term employee benefits[1]	**0.8**	0.7
Pension contributions	**–**	–
Share-based payments[1]	**–**	–
Total	**0.8**	0.7

1 Emoluments and share-based payment charges for the Executive Directors are borne by a subsidiary company, Spire Healthcare Limited. Share-based payment related charges for the Executive Chairman prior to Admission (i.e., Directors' Share Bonus Plan) are also borne by a subsidiary company, Spire Healthcare Limited. Please refer to note 26 of the Group consolidation statements.

Directors' interests in share-based payment schemes

Refer to note 26 to the Group financial statements for further details of the main features of the schemes relating to share options held by the Chairman, Executive Directors and Senior Management Team.

Other transactions

During the year, the Company did not make any purchases in the ordinary course of business from an entity under common control.

C13. Events after the reporting period

2019 final dividend

For 2019, the Board has recommended a final dividend of 2.5 pence per share, amounting to approximately £10.0 million, to be paid on 23 June 2020 to shareholders on the register at the close of business on 29 May 2020.

Shareholder information

Spire Healthcare website
Shareholders are encouraged to visit our website at www.spirehealthcare.com which has a wealth of information about the Company and the services it offers. There is a section designed specifically for investors at www.investors.spirehealthcare.com where shareholder and media information can be accessed. This year's Annual Report and Notice of annual general meeting, together with prior year documents, can also be viewed there along with information on dividends paid, our share price and how to avoid shareholder fraud.

Registered office and Group head office
Spire Healthcare Group plc
3 Dorset Rise
London EC4Y 8EN
Tel +44 (0)20 7427 9000
Fax +44 (0)20 7427 9001
Registered in England and Wales No. 09084066

Shareholder enquiries
All shareholder enquiries regarding your shares should be addressed to the Company's share registrar at the address on page 151, or as follows:

Equiniti Limited
Tel (UK only) 0371 384 2030*
Tel (non-UK) +44 (0)121 415 7047

For the hard of hearing, Equiniti Limited offers a special Textel service that can be accessed by dialling 0371 384 2255*
(or +44 (0)121 415 7028 from outside the UK).

* Lines are open from 8.30am to 5.30pm, Monday to Friday, UK time.

Managing your shares
Please contact our registrar, Equiniti Limited, to manage your shareholding if you wish to:
- register for electronic communications;
- transfer your shares;
- change your registered name or address;
- register a lost share certificate and obtain a replacement;
- consolidate your shareholdings;
- manage your dividend payments; and
- notify the death of a shareholder.

When contacting Equiniti Limited or registering online, you should have your shareholder reference number at hand. This can be found on your share certificate or latest dividend confirmation. You can manage your shareholding online by registering for Shareview at www.shareview.co.uk. This website has a 'frequently asked questions' section which addresses the most common shareholder problems.

All other shareholder enquiries not related to the share register should be addressed to the Group Company Secretary at the registered office or emailed to companysecretary@spirehealthcare.com.

Electronic shareholder communications
Registering for online communications gives shareholders more control of their shareholding. The registration process is via our registrar's secure website at www.shareview.co.uk. Once registered you will be able to:
- elect how we communicate with you;
- amend your details;
- amend the way you receive dividends; and
- buy or sell shares online.

This does not mean shareholders can no longer receive paper copies of documents if they so wish. We are able to offer a range of services and tailor communication to meet your needs.

Share dealing services
UK resident shareholders can sell shares on the internet or by phone using Equiniti Limited's Shareview Dealing facility by either logging onto www.shareview.co.uk/dealing or by calling 0345 603 7037 between 8.00am and 4.30pm on any business day (excluding bank holidays).

In order to gain access to this service, the shareholder reference number is required, which can be found at the top of the Company's share certificates.

Sharegift
It may be that you have a small number of shares which would cost you more to sell than they are worth. It is possible to donate these to ShareGift, a registered charity, who provide a free service to enable you to dispose charitably of such shares. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. More information on this service can be obtained from www.sharegift.org or by calling +44 (0)207 930 3737.

Dividend allowance
From 6 April 2018 the Dividend Allowance has changed. To understand how you are affected and for further information, please visit the HMRC website at www.gov.uk/tax-on-dividends.

Dividends paid on shares held within pensions and Individual Savings Accounts (ISAs) continue to be tax free. Further information is available from HMRC at www.gov.uk/government/publications/dividend-allowance-factsheet.

Important: You will be required to retain details of any dividend payments you receive and complete Tax Returns where required. For further advice please contact a tax or financial adviser, who in the UK must be authorised by the Financial Conduct Authority.

Overseas dividend payment service
Equiniti Limited provides a dividend payment service to over 30 countries that automatically converts payments into the local currency by an arrangement with Citibank Europe PLC. Further details, including an application form and terms and conditions of the service, are available on www.shareview.co.uk or from Equiniti Limited by calling +44 (0)121 415 7047 or writing to them at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (please quote Overseas Payment Service with the Company name and your shareholder reference number).

'Boiler room' scams
From time-to-time, in common with other listed companies, shareholders may receive unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, using persuasive and high-pressure tactics to lure investors into scams in what often turn out to be worthless, non-existent or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Further information on how to avoid share fraud or to report a scam can be found on our website at www.spirehealthcare.com.

2020 Financial calendar

2020 annual general meeting (London)	14 May 2020
Ex-dividend date for 2019 final dividend	28 May 2020
Record date for 2019 final dividend	29 May 2020
Payment date of 2019 final dividend	23 June 2020
Announcement of 2020 half year results	September 2020

Analysis of ordinary shareholders
As at 31 December 2019

	Private		Institutional and other		Total	
Investor type	**2019**	2018	**2019**	2018	**2019**	2018
Number of holders	**119**	116	**436**	477	**555**	593
Percentage of holders	**21.44%**	19.56%	**78.56%**	80.44%	**100%**	100%
Percentage of shares held	**0.29**	0.22%	**99.7**	99.78%	**100%**	100%

	1–1,000		1,001–50,000		50,001–500,000		500,001+	
Investor type	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Number of holders	**94**	94	**264**	306	**114**	123	**83**	70
Percentage of holders	**16.94%**	15.86%	**47.57%**	51.60%	**20.54%**	20.74%	**14.95%**	11.80%
Percentage of shares held	**0.01%**	0.02%	**0.80%**	0.88%	**5.29%**	5.84%	**93.89%**	93.26%

Corporate advisers
Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Brokers
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Legal advisers
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

Remuneration consultants
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Alternative performance measures definitions

Performance measure	Definition	Purpose
Adjusted operating profit	Operating profit, before adjusting items.	Provides a comparable measure of operating profit performance over time.
Conversion of EBITDA to cash	EBITDA divided by operating cash flows before Adjusting items and taxation.	Intends to show the Group's efficiency at converting EBITDA into cash.
EBITDA	Operating profit excluding depreciation, amortisation, Adjusting items, and profit or loss on disposal of assets.	EBITDA shows the Group's earning power independent of capital structure and tax situation with the purpose of simplifying comparisons with other companies in the same industry as it excludes non-cash accounting entries, such as depreciation.
EBITDA margin	EBITDA as a percentage of revenue.	Provides a comparable performance metric, expressed as a percentage of revenues.
Net debt	Interest-bearing liabilities, excluding borrowing costs, less cash and cash equivalents.	Measurement of net Group indebtedness for covenant purposes.
Net bank debt	Interest-bearing liabilities less cash and cash equivalents.	Measurement of net Group indebtedness.
Pre IFRS 16	Reported numbers before applying the effects of IFRS 16 Leases.	To provide an understanding of the impact of IFRS 16 to the reported numbers and allow comparison to previously reported numbers.
Net debt/EBITDA	Net debt at the end of the period divided by EBITDA.	Indicates the Group's ability to service its debt from cash earnings.
Clinical staff costs as a percentage of revenue	Clinical staff costs and medical fees as a percentage of revenue.	Provides a comparable measure of cost performance over time in relation to revenue activity.
Other direct costs as a percentage of revenue	Other direct costs include, direct costs and medical fees as a percentage of revenue.	Provides a comparable measure of cost performance over time in relation to revenue activity.
Self-pay revenue growth	Self-pay revenue segment as shown in note 5 on the Consolidated financial statements.	Key pillar of Group's strategy.

Glossary

The following definitions apply throughout the Annual Report 2019, unless the context requires otherwise:

Act	The Companies Act 2006, as amended
Acute care	active but short-term treatment for a severe injury or episode of illness
Adjusted EBITDA	represents the Group's operating profit, adjusted to add back depreciation and exceptional operating items
Admission	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
Articles	the Articles of Association of the Company
Board	the Board of Directors of the Company
c.difficile	Clostridium difficile
CAGR	compound annual growth rate
Cardiology	specialty which encompasses the treatment of patients with cardiovascular disease
CCG	Clinical Commissioning Group
CGSC	Clinical Governance and Safety Committee
Cinven	Cinven Partners LLP
CMA	the UK Competition and Markets Authority
Company	Spire Healthcare Group plc
CQC	Care Quality Commission
CO_2e	carbon dioxide equivalent
CQUIN	commissioning for quality and innovation payment which is earned for meeting quality targets on NHS work
CRC Energy Efficiency Scheme	The CRC (Carbon Reduction Commitment) Scheme aims to incentivise energy efficiency and cut emissions in large energy users in the UK's public and private sectors.
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
CRM	customer relationship management system/software
CT	computerised tomography
DBP	Deferred Bonus Plan
Directors	the Executive Directors and Non-Executive Directors
DPA	Data Protection Act
EBITDA	Operating profit, adjusted to add back depreciation, profit and loss arising from the disposal of fixed assets and exceptional items
EfW	Energy from Waste
EPS	earnings per share
ESOS	Energy Saving Opportunity Scheme
EU	the European Union
Executive Directors	the executive directors of the Company
FCA	the Financial Conduct Authority
FRC	the Financial Reporting Council
GDP	gross domestic product
GDPR	General Data Protection Regulation
GHG	greenhouse gas
GMC	General Medical Council
GP	General Practitioner
Group	Spire Healthcare Group plc and its subsidiaries
HCA Holdings, Inc.	Hospital Corporation of America
HD	Hospital Director
Health & Safety Act	The Health & Safety at Work etc Act 1974
HIS	Health Improvement Scotland
HIW	Health Inspectorate Wales
HMRC	HM Revenue & Customs
HSE	Health and Safety Executive
IFRS	International Financial Reporting Standards, as adopted by the EU
IPO	initial public offering of Shares to certain institutional and other investors
ISO 14001	environmental management system
ISO 18001	health and safety management system
ITU	Intensive Therapy Unit
JAG accreditation	The Joint Advisory Group on Gastrointestinal Endoscopy (JAG) accreditation is the formal recognition that an endoscopy service has demonstrated that it has the competence to deliver against the measures in the Endoscopy Global Rating Scale standards.
KPI	key performance indicator

Lifescan	a former Spire Healthcare service, offering advanced healthcare CT scans, health checks and blood tests
Listing Rules	the listing rules of the FCA made under section 74(4) of the Financial Services and Markets Act 2000
LTIP	Long Term Incentive Plan
MAC	Medical Advisory Committee
MRI	magnetic resonance imaging
MRSA	Methicillin-resistant Staphylococcus aureus
MSSA	Methicillin-sensitive Staphylococcus aureus
NDC	Spire Healthcare's national distribution centre in Droitwich
NHS	the National Health Services in England, Scotland, Wales and Northern Ireland, collectively
NI	National Insurance
NIC	National Insurance Contributions
Non-Executive Directors	the non-executive directors of the Company
Official List	the record of whether a company's shares are officially listed, maintained by the FCA (the UKLA Official List)
Oncology	specialty which encompasses the treatment of people with cancer
Perform	formerly part of Spire Healthcare, specialised in sports medicine, rehabilitation and human performance
PHIN	Private Healthcare Information Network
PILON	payment in lieu of notice
PIP Claims	the claims relating to the supply of alleged faulty PIP breast implants
PMI	private medical insurance/insurer
PPE	property, plant and equipment
PPU	Private Patient Unit
PROMs	Patient Reported Outcome Measures
Public Health England	the executive agency, whose purpose is to protect and improve the nation's health and wellbeing, and reduce wealth inequalities
Registrar	Equiniti Limited
Registration Regulations	the Care Quality Commission (Registration) Regulations 2009
Regulated Activities Regulations	the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
ROCE	return on capital employed
SAP	global software developer/software
Self-pay	when a procedure or treatment provided is funded by the patient directly
Shareholders	the holders of Shares in the capital of the Company
Shares	the ordinary shares of 1 pence each in the Company, having the rights set out in the Articles
tCO_2e	tonnes of equivalent carbon dioxide
TSR	total shareholder return
UK	the United Kingdom of Great Britain and Northern Ireland
UKAS	UK Accounting Standards
UK Code	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time-to-time

Forward looking statements

Important information: forward-looking statements
These materials contain 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 presentation, 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 presentation 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 during this presentation 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 these materials.

The Group is providing the information in these materials 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.

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