



Spire Healthcare

Spire Healthcare Group plc
Annual Report 2015

Patients: at
the heart of
everything
we do

FRIDAY



A57CWZSO

A19

20/05/2016

#48

COMPANIES HOUSE

HOSPITALS

38

CLINICS

12

SPECIALIST CARE CENTRES

2

FULL-TIME EQUIVALENT STAFF

7,844

PATIENTS

760,000*

CONSULTANTS

3,790

INVESTMENT SINCE SPIRE HEALTHCARE WAS FORMED

£725m**

* Including out-patient, in-patient, daycase and individual patients treated at least once during the year.

** Including acquisitions.

Spire Healthcare is a leading independent hospital group in the United Kingdom. Our success is built on our committed staff and experienced consultants delivering the highest standards of care to our insured, Self-pay and NHS patients with integrity and compassion within contemporary, high-quality facilities.

Continuous investment in our hospitals, facilities and medical technology, increasing our capacity to admit and treat patients, and broadening the services we offer increases revenue contribution to our business.

PATIENTS: AT THE HEART OF EVERYTHING WE DO



12

CONSULTANT AND
GP ENGAGEMENT

24

THE SPIRE HEALTHCARE
NURSE BANK

36

CONSTANT IMPROVEMENT AND
SHARING BEST PRACTICE

56

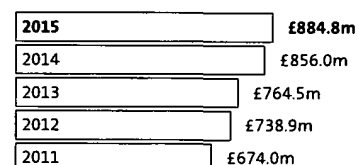
INCREASED CAPACITY
AND NEW SERVICES

Financial highlights

REVENUE (+3.4%)

£884.8m

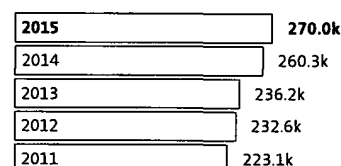
2014: £856.0 million



PATIENT DISCHARGES (+3.7%)
(IN-PATIENT AND DAYCASE)

270.0k

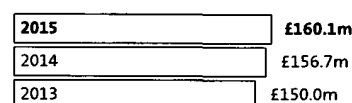
2014: 260.3k



ADJUSTED EBITDA* (+2.2%)

£160.1m

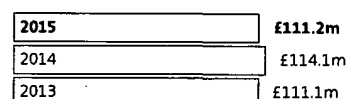
2014: £156.7 million



OPERATING PROFIT BEFORE
EXCEPTIONAL ITEMS (-2.5%)

£111.2m

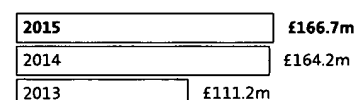
2014: £114.1 million



OPERATING CASH FLOW BEFORE
EXCEPTIONAL ITEMS AND TAX** (+1.5%)

£166.7m

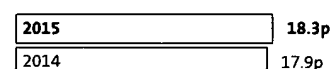
2014: £164.2 million



ADJUSTED BASIC EARNINGS PER SHARE*** (+2.2%)

18.3p

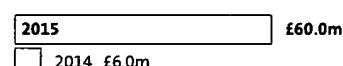
2014: 17.9p



PROFIT FOR THE YEAR

£60.0m

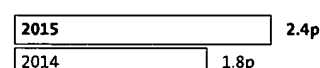
2014: £6.0 million



PROPOSED FINAL DIVIDEND PER SHARE (+33.3%)

2.4p

2014: 1.8p



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

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

*** Calculated as pro-forma profit after tax divided by the number of ordinary shares in issue. For 2014, pro-forma profit is calculated as earnings after tax adjusted for the capital restructuring, exceptional items, to conform the property rental base, PLC operating costs and the net profit arising on the sale of property and other assets (detailed on page 32).

Contents

STRATEGIC REPORT

- 1 Financial highlights
- 2 At a glance
- 6 Executive Chairman's statement
- 8 Chief Executive Officer's Q&A
- 14 Our healthcare world
- 16 Our business model
- 18 Our strategy
- 20 Key performance indicators
- 26 Financial review
- 34 Clinical review
- 38 Operating review
- 42 Our people
- 46 Corporate social responsibility
- 48 Risk management and internal control
- 50 Principal risks

GOVERNANCE

- 58 Our Board of Directors
- 60 The senior leadership team
- 62 Chairman's governance letter
- 63 Corporate governance
- 68 Audit and Risk Committee Report
- 72 Clinical Governance and Safety Committee Report
- 74 Nomination Committee Report
- 76 Directors' Remuneration Report
- 94 Directors' Report
- 97 Statement of Directors' responsibilities

FINANCIAL STATEMENTS

- 98 Independent Auditor's Report
- 106 Consolidated financial statements
- 111 Notes to the financial statements
- 137 Parent Company financial statements

SHAREHOLDER INFORMATION

- 144 Additional shareholder information
- 146 Glossary
- 148 Important information: forward-looking statements

At a glance

Spire Healthcare provides in-patient, daycase and out-patient care from 38 hospitals, 12 clinics and two Specialist Care Centres throughout the UK.

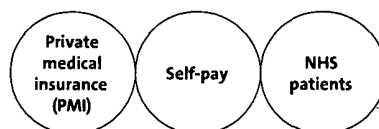
We also own and operate sports medicine, physiotherapy and rehabilitation brand, Perform; a screening service, Lifescan, as well as national pathology services.

What we provide

Providing high-quality patient care is our top priority. To improve our patient offering, we invest consistently in a wide range of services and treatments at each stage of the care pathway: from initial GP referral, through consultation, diagnosis and treatment, to recovery and rehabilitation.

Who we serve

Our hospitals span the country, serving a diversified patient mix, made up of private medical insurance (PMI), Self-pay and NHS patients.



 Read more on page 16

Market trends

- Demand growth – driven by a growing and ageing population – with a higher incidence of long-term and chronic conditions, such as cancer, obesity and diabetes.
- NHS funding gap – funding constraints are forecast to continue throughout this Parliament. The independent sector can help to bridge the gap.

 Read more on page 14

Our services

PRIMARY CARE

Working with GPs to facilitate speedy, convenient and fully informed referrals. Enabling patients to make an informed choice at the start of their care pathway.

CONSULTANTS

Providing high-quality facilities, a wide range of services and highly trained staff, so that our experienced consultants can deliver outstanding healthcare.

DIAGNOSTICS

Investing in the latest scanning technology, skilled clinicians and comprehensive pathology services to provide prompt and accurate diagnoses, giving patients the reassurance that comes from a clear treatment plan.

Our strategic pillars



1. To drive **strong growth** through a clear focus on our **three payor groups**

 Read more on pages 18 and 19



2. To **maximise utilisation** of existing sites by **growing volumes**



3. To **develop new sites** and **services**



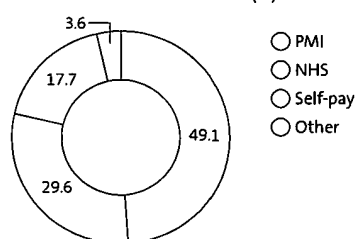
4. To **drive efficiency** and **improve productivity**

Diversified payor mix

The quality of our care and outcomes, and the efficiency of our delivery, attracts patients from all major payor groups. The diversified payor mix across PMI, Self-pay and NHS-funded provision offers built-in resilience.

 Read more on page 16

PERCENTAGE OF REVENUE (%)



Source: Company information.

MARKET VALUE OF INDEPENDENT ACUTE MEDICAL HOSPITALS AND CLINICS, SPIRE HEALTHCARE'S PRINCIPAL MARKET

£4.56bn

SPIRE HEALTHCARE'S MARKET SHARE BY REVENUE

16.1%

YEARLY AVERAGE RISE IN SPENDING IN ENGLAND ON THE 'PROTECTED' NHS BUDGET

0.9%

UK POPULATION WITH PMI

6.8m

Source: LaingBuisson Healthcare Market Review, 27th Edition

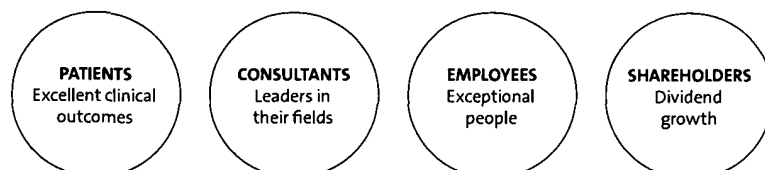
TREATMENT AND SURGERY

Offering a full range of treatment and surgery, including some of the most acute, complex and specialist procedures across our network, providing choice to patients.

RECOVERY

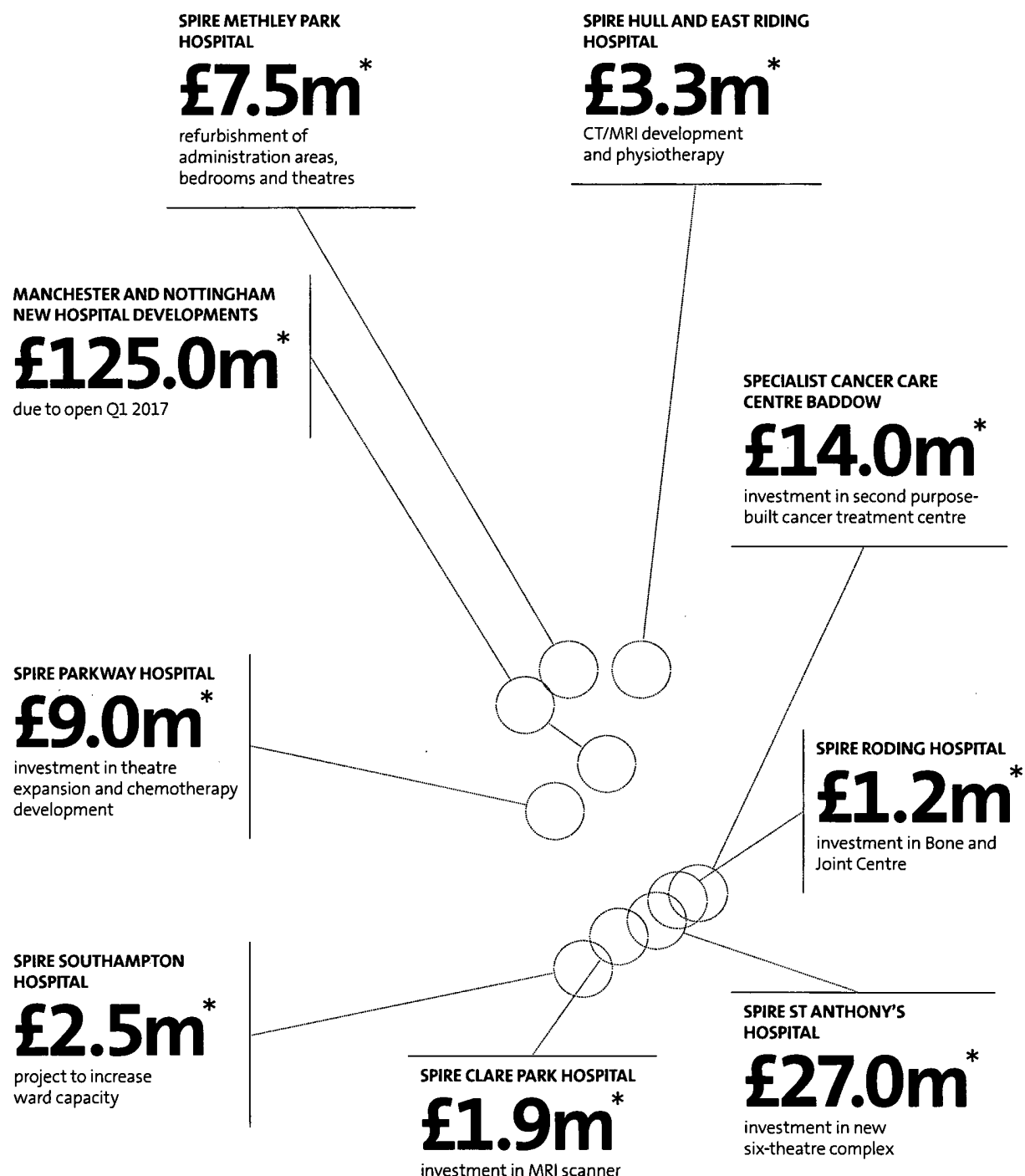
From high dependency and intensive care units to our integrated sports injury rehabilitation facilities, getting patients back on their feet as fast as possible.

How we create value



 Read more about how we create value on page 16

 Read more about our market on page 14

At a glance *continued*

 Read more about our developments on pages 38 to 41 and pages 56 and 57

* Total investment value of projects completed and in progress

- Spire Hospitals
- Spire Clinics
- + Perform at St George's Park
- ▲ Specialist Care Centres
- Development

PEOPLE PER SQ KM

- 0–250
- 250–500
- 500–1,000
- 1,000–1,500
- 1,500–2,500
- More than 2,500

HOSPITALS**East of England**

Cambridge Lea
Harpenden
Hartwood
Norwich
Wellesley

London

Bushey
Roding
St Anthony's
Thames Valley

Midlands

Leicester
Little Aston
Nottingham
Parkway
South Bank

**North East
& Yorkshire**

Elland
Hull and East Riding
Leeds
Methley Park
Washington

North West

Cheshire
Fylde Coast
Liverpool
Manchester
Murrayfield, Wirral
Regency

Scotland

Murrayfield, Edinburgh
Shawfair Park

South East

Alexandra
Montefiore
Clare Park
Dunedin
Gatwick Park
Portsmouth
Southampton
Sussex
Tunbridge Wells

South West

Bristol 'The Glen'

Wales

Cardiff
Yale

CLINICS

Abergele
Dewsbury
Droitwich
Hale
Harrogate
Hesslewood
Ilkley
Livingston
Lytham
Malvern
Newcastle
Windsor

**SPECIALIST
CARE CENTRES**

Baddow
Bristol

Five reasons to invest in Spire Healthcare**1****Attractive and fast-growing market**

The UK private healthcare market is expected to grow as the persistent supply and demand gap in publicly funded healthcare continues to widen, resulting in longer waiting lists and increasing the restriction of the availability of procedures by the NHS. We have a stable platform for the future and are seeing real evidence of market growth.

2**Well positioned to meet market needs**

Our broad network of hospitals, aligned with major population centres and our areas of speciality and acuity, position us to address key market opportunities. Our financial resilience and development projects under way put us in a strong position to gain market share.

3**Strategy for diversified growth across payor groups**

We have a clear and focused plan to grow the business across all of our three payor groups. In addition, Spire Healthcare benefits from an inherent 'payor hedge' amongst its payor groups. With these three separate groups we are well placed to weather any market volatility.

4**On track to deliver significant capacity growth**

We continue to invest in new operating theatres, hospitals and cancer centres to meet the growing demand and to fill geographical and speciality gaps in the market. We explore investment opportunities in our existing network so as to add additional capacity to meet increased demand over time.

5**Strong cash flows and balance sheet**

We are focused on ensuring that our sales are converted into strong cash flows to finance capital expenditure to maintain and improve the current asset base, to grow capacity as far as possible out of free cash flow and to provide a dividend return to shareholders. All in all, our business is highly cash generative, as demonstrated in this report.

Executive Chairman's statement

Building on success

GARRY WATTS
EXECUTIVE CHAIRMAN

In our first full year as a listed company we continued to build on eight years of success. We added capacity across our national network, and we broke ground on two new-build hospitals, due to open in 2017.

Above all, we provided treatment of the highest quality to over 760,000 patients, whilst improving or maintaining our already excellent staff, consultant and patient satisfaction scores.

In a year when issues surrounding the provision of healthcare in the UK seemed to be in the news every day, I am pleased to report that our highly skilled staff were able to deliver outstanding treatment and care to more patients than ever before – and to the highest standards of safety and clinical outcomes.

Our financial performance in 2015 was good. In what was, at times, a challenging year, we achieved our eighth successive year of growth. Total revenue increased 3.4% to £884.8 million; the result was a pro-forma profit after tax of £73.0 million* (2014: £71.6 million).

We continue to invest significantly in our people, services, treatments, hospitals and equipment. In the year, we invested £109.5 million across the business, further reinforcing our position as the pre-eminent provider of private healthcare in the UK.

DIVIDEND

Subject to shareholder approval, the Company will pay a final dividend in respect of the 2015 year of 2.4 pence per ordinary share. Together with the interim dividend of 1.3 pence this amounts to a total annual dividend of 3.7 pence per ordinary share. This is in line with our stated dividend policy which aims to pay out around 20% of profit after taxation each year.

BOARD CHANGES

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

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

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

In March 2016, we announced that Rob Roger would be leaving the Company on 30 June 2016 to take up a new CEO role at Vero Group, a large privately financed property business.

Rob has been with Spire for over nine years. As chief financial officer he played an integral part in the formation of Spire Healthcare in 2007, before becoming Chief Executive Officer in 2011. He has overseen the significant growth of the Group, both organically and through acquisition, and led the Company through its successful stock market debut in 2014. Rob and I have worked together for over five years and I will be sorry to see him depart. On behalf of us all at Spire, I wish him well in his new role.

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

GOVERNANCE

Your Board and its committees have developed strongly during the year, with

* Pro-forma profit is calculated as earnings after tax adjusted for exceptional items. For 2014, pro-forma profit is calculated as earnings after tax adjusted for the capital restructuring, exceptional items, to conform the property rental base, PLC operating costs and the net profit arising on the sale of property and other assets (detailed on page 32).

the Directors learning from each other and working together effectively. We conducted an internal evaluation of the Board and individual Directors, and will complete a further evaluation in 2016.

The highest levels of clinical governance and performance are central to our business – a review of our performance in this area is always the first substantive item on Board agendas.

The Board's Clinical Governance and Safety Committee is independently chaired by Professor Dame Janet Husband. Her report on this committee's activities can be found on pages 72 and 73.

In 2015, we welcomed the Care Quality Commission (CQC) to seven of our hospitals as it started to implement its new inspection regime. Details of the CQC inspections can be found on pages 34 to 37. We are fully supportive of strong regulation and will continue to work with the CQC, sharing best practice and developing our culture of continuous improvement.

The Board is united in its aim that all our hospitals should be CQC rated as 'Good' or 'Outstanding'.

OUR GREATEST ASSET

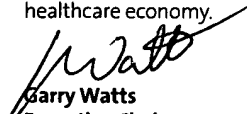
We have all read of the challenges the UK faces in recruiting, training, developing and retaining skilled nurses and doctors.

Delivering outstanding healthcare to thousands of patients every day of the year is an intensely personal business. Our committed nurses, allied healthcare professionals, doctors and everyone else in our hospitals are our greatest asset and I cannot overstate the gratitude of the Board, our shareholders, and above all, our patients, for their unstinting efforts throughout the year.

You can read more about the emphasis we place on the recruitment, training, development and management of the skilled individuals who make Spire Healthcare such a special organisation in 'Our people', on pages 42 to 45.

LOOKING AHEAD

The strong underlying growth drivers present in the UK healthcare market are incontrovertible. They present a range of outstanding opportunities for healthcare providers of the highest quality such as Spire Healthcare. I believe that we have the management team, staff, culture and resources in place to become the UK's leading private healthcare provider and a key presence in the wider UK healthcare economy.


Garry Watts
Executive Chairman
16 March 2016

2015 highlights

SPECIALIST CARE CENTRE, BADDOW


Our second, purpose-built Specialist Care Centre, which opened in November, houses two linear accelerators, a 6D robotic couch, a wide-bore CT scanner equipped with 4D imaging capabilities and a chemotherapy suite, and offers the very best in cancer treatment and care. The centre will treat a broad range of cancers including breast, gynaecological, prostate, head, neck, skin and lung cancers, from diagnosis to treatment, using state-of-the-art treatment and verification techniques.

 Read more on page 41

SPIRE ELLAND HOSPITAL OPENS A THIRD OPERATING THEATRE

Opened in June, the hospital's third theatre will benefit more than 2,000 self-paying, medically insured and NHS patients from the local area in its first 12 months. This increased operating capacity means patients will be treated sooner and with more flexibility than ever before.

The £2.7 million laminar flow theatre will be complemented by the hospital's nationally accredited sterile services unit, which places Spire Elland Hospital as the only hospital in the local area where the staff are able to sterilise operating instruments on-site.

 Read more about developments on pages 18 and 19

PRIVATE HOSPITAL PROVIDER OF THE YEAR WIN FOR SECOND YEAR RUNNING

Spire Healthcare was named 'Private hospital group of the year' for the second year running at the HealthInvestor Awards in June. The 2015 competition was fierce with award submissions up by 20% on 2014, but despite this, Spire Healthcare still pipped six other organisations to the top spot.

Chief Executive Officer's Q&A

In good health

ROB ROGER
CHIEF EXECUTIVE OFFICER

2015 was another year of major development for Spire Healthcare. Rob Roger, our Chief Executive Officer, answers some key questions, reviewing a sometimes challenging year and looking to the future.

WHAT IS YOUR OVERALL VIEW OF PERFORMANCE IN 2015?

RR: Let me start with what we are really about – patient care. During 2015, we delivered outstanding, personalised care to 270,000 in-patient and daycase patients. That's a 3.7% increase on 2014, and the most patients ever treated.

We had no incidents of MRSA or MSSA, and *C. difficile* infection rates, at 0.60 per 10,000 bed days, continued to be substantially lower than equivalent NHS rates. We maintained our high patient and consultant satisfaction levels and friend and family survey results.

We translated this excellent clinical work into a good set of financial results. Overall revenue for the year grew 3.4% to £884.8 million (2014: £856.0 million). Adjusted EBITDA grew 2.2% to £160.1 million (2014: £156.7 million). We also continued to invest in the business – £109.5 million this year – as part of our steady development strategy.

So, overall, a good year.

There's more detail on our clinical performance, including Care Quality Commission (CQC) inspections, in the Clinical and Operating reviews on pages 34 and 35 and more on our financial performance in Simon Gordon's Financial review on pages 26 to 33.

IT SEEMS TO HAVE BEEN A RELATIVELY VOLATILE YEAR, WITH BOTH STRENGTH AND WEAKNESS IN YOUR NHS WORK?

RR: About 30% of our business comes through the NHS – and, overall, it continues to grow. Three-quarters of that comes through the NHS e-Referral Service (formerly Choose and Book) and about a quarter from local CCG and Trust contract work.

The NHS e-Referral Service volumes grew at 8.0–9.0% in the year, which is a steady growth.

For local contract work, it was a year of two halves. In the first half, we benefited from a lot of pre-election work, but that slowed after the election, and fell markedly in the last quarter after Monitor's intervention in August 2015 to reduce penalties imposed for exceeding waiting list times.

We believe the NHS's drive for cost control and further efficiencies will constrain local contract work going forward. That, in turn, is likely to result in lengthening waiting lists and further rationing of non-essential treatments.

HALF OF SPIRE HEALTHCARE'S BUSINESS COMES THROUGH PMI – IS THAT MARKET TIGHTENING AND WHAT CAN YOU DO TO BOLSTER GROWTH IN THE SECTOR?

RR: The number of insured lives has effectively been flat for a while. We saw a growth in insured lives in 2014, but we haven't seen much traction since then. There's net growth in corporate insured lives in the market, offset by a reduction in individual insured lives, as people face an increase in insurance premium tax and therefore turn to Self-pay as an alternative.

We are looking to bolster private healthcare at two levels. One is to go directly to market. We launched InSpire in 2014, and one year on I'm delighted that we've got nearly 10,000 new insured lives – and nearly 90% of those are people who didn't have insurance before.

Secondly, working in partnership with insurance providers and clinicians to grow volume by reducing the cost of pathways. Continuing to deliver exceptional clinical care by looking for ways to further reduce the administration costs of all parties and improve customer service. These objectives often require investment in medical technologies or IT infrastructure by Spire Healthcare.



What the private sector can offer is capital for investment, and capacity, particularly in elective areas such as orthopaedics, cardiology and ophthalmics.

ROB ROGER, CHIEF EXECUTIVE OFFICER

At a macro level, the leading insurers and providers are now working together for the first time in many years to make our combined product more relevant to customers with the objective of attracting more customers to the insured market.

HOW EFFECTIVE IS YOUR 'PAYOR HEDGE'?

RR: The payor hedge is how we refer to the fact that our business comes from three main payor sources – PMI, Self-pay and the NHS.

In 2015, we saw that payor hedge in action – the growth in patients self-paying came as a direct result of individuals recognising the pressures on the NHS resulting in rationing and growing waiting times.

The price of PMI for individuals is clearly an issue. In the UK, as people get older, premiums get more expensive, because they are risk adjusted. If you're 65 and retired, your insurance premium is going to be very high. So more and more people are turning to Self-pay.

And, of course, we are helping them by offering fixed prices on our most common procedures and always with immediate access and outstanding clinical outcomes.

HOW CONFIDENT ARE YOU THAT GROWING WAITING LISTS WILL MEAN MORE BUSINESS IN SELF-PAY AND E-REFERRAL SERVICE?

RR: The growing funding gap remains. Whether it's £22 billion by 2020/21, or £65 billion by 2030/31, I don't know, but ultimately, on current funding levels, the NHS can't be there for everybody. As the gap between supply and demand grows, by nature people will turn to a private product.

WHAT DO YOU THINK IS THE FUTURE OF THE INDEPENDENT SECTOR'S ROLE TO THE UK HEALTH SYSTEM?

RR: Even though private healthcare is a tiny proportion – at its maximum it's 6% of all health spend in the UK – and the elective spend, which is what we do, is less than 4%, the opportunities are still vast.

We know we have a growing and ageing population, with increasing acute and chronic conditions. The ability to fund this growth in demand is a major cause of concern for Government.

What the private sector can offer is capital for investment, and capacity, particularly in elective areas such as orthopaedics, cardiology and ophthalmics.

We're also in a position to invest in areas of higher acuity, such as cancer, where UK radiotherapy provision is already under-resourced and where much of the NHS's equipment is reaching the end of its operational life.

YOU HAD A ROUND OF CQC INSPECTIONS LAST YEAR. WHAT HAVE BEEN THE GENERAL STRENGTHS AND WEAKNESSES FOUND IN THE HOSPITALS INSPECTED TO DATE?

RR: Let me firstly say that we welcome the new CQC inspection regime. We believe its concentration on the five 'domains' is robust and solid. We have even revised our own internal clinical reviews to mirror their domain protocols. We don't want ever to be surprised by a CQC finding. To us, knowing our hospitals is all part of being 'well led'.

Obviously, in the first year of the new regime both we and the CQC were learning from every inspection, but overall the outcomes have been very positive. There is more information on CQC inspections on pages 34 to 37.

Focus on key payor groups

Private medical insurance (PMI)

Deepen our relationships with key insurers.

Increase and deepen our relationships with GPs as referrers.

Continue to expand our higher acuity healthcare offer.

Self-pay

Continue to engage with GPs, particularly regarding areas of NHS service constraint.

Extend transparent pricing and quality reporting.

Increase brand awareness.

NHS patients

Continue to build key NHS relationships.

Expand our service offering.

Invest to meet specific NHS needs.

Chief Executive Officer's Q&A *continued* *In good health*

I want all our hospitals to be either 'Good' or 'Outstanding'. I don't know how long it will take to get there, but we are on the path and it's an absolute business priority.

MEDICLINIC INTERNATIONAL TOOK A 29.9% STAKE IN SPIRE HEALTHCARE IN 2015. WHAT SYNERGIES HAVE YOU IDENTIFIED SINCE ITS INVESTMENT?

RR: Mediclinic brings a wealth of international experience to our business. We've looked at specific areas such as supply chain, comparing our costs with those in Switzerland, Dubai or South Africa. We're also looking at nursing and recruitment, co-ordinating our approach worldwide.

HAS MEDICLINIC INTERNATIONAL'S INVESTMENT CHANGED YOUR STRATEGY?

RR: Our strategy hasn't changed: we will continue to grow by concentrating on the UK consumer, offering value for money and outstanding care. That means being the best clinically. We are developing our own channels for sales and referrals. We will reinvest to drive down cost through efficiencies and standardisation, while developing our capabilities by investing in our people. And we will increase our capacity by using what we have more efficiently, and by building new as required.

That strategy was in place prior to Mediclinic's involvement and they support this.

HOW WILL SPIRE HEALTHCARE MAINTAIN ABOVE-AVERAGE INDUSTRY MARGINS?

RR: The short answer is grow more volume and continue to improve efficiency!

We are already a very efficient business but we can always do more. We are seeing the benefits coming through from our investment in a new SAP system. We put in a new CRM system which will improve sales conversion.

Efficiency is delivered through cultural engagement. In 2015, we put in place an enhanced leadership team, ready to take us to the next stage in our development.

We brought in a new Chief Operations Officer, Andrew White, to manage the business day-to-day, working with our four Operations Directors.

Peter Corfield, our new Group Commercial Director, brings significant experience of the insurance industry. He will continue to drive revenue growth through our three payor groups.

Jonathan Paisley was recently appointed Chief Information Officer, to strengthen our use of digital technology. Whether it's around control and referrals, engaging with GPs or engaging with patients, IT can make Spire Healthcare more efficient.

And Caroline Roberts joined us as Group Human Resources Director to help us meet the challenges the whole healthcare sector faces in staff recruitment and talent development.

There is more detail on all these areas in the Operating review and Our people sections on pages 38 to 45.

WHERE WILL YOU BE OPENING NEW CAPACITY IN 2016?

RR: We have three new theatres under construction at Spire Methley Park, Hull and East Riding, and Parkway hospitals due for completion in the second half of 2016. Six new theatres are in development at Spire St Anthony's Hospital (to replace four existing theatres) due to open later in the year, and two new hospitals are in build, in Manchester and Nottingham. They are scheduled to open in early 2017. We should have at least 131 theatres operating by the end of 2018.

Our duty of care at Spire Healthcare

We operate an extensive and well-equipped network of acute independent hospitals which give patients access to high-quality equipment, nurses, consultants and medical support staff, from referral right through to discharge and beyond.

Our culture of continuous learning means patients can be assured that we will always strive to do the very best at every step of their journey.

We currently have further specialist care sites under review as we develop our cancer care offer.

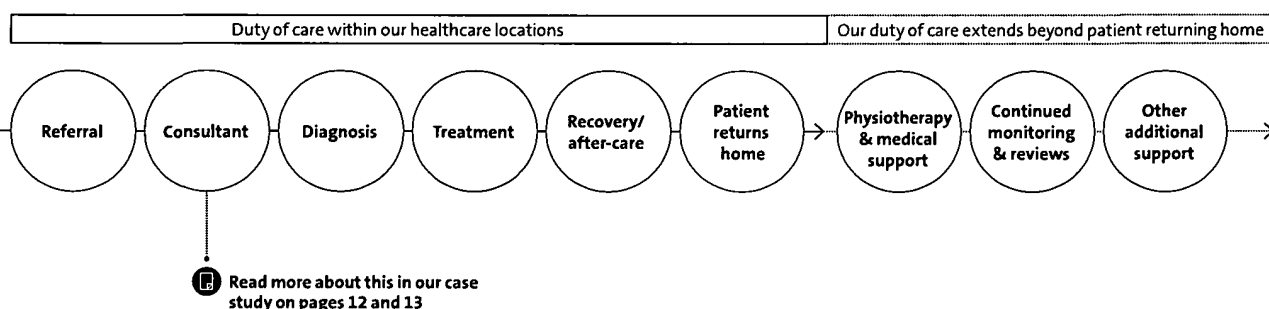
WHAT ARE YOUR PLANS FOR ENTRY INTO THE LONDON MARKET?

RR: The London market has strong potential in its own right and insurers want contestability in the market. Obviously Spire St Anthony's Hospital has bolstered our number of hospitals around Greater London, but we want a presence within central London. It would be a significant investment decision, so choosing the right sites is important, not only in terms of physical location but also proximity to the major teaching hospitals.



The new financial year has begun satisfactorily, with revenue growth in all payor groups.

ROB ROGER, CHIEF EXECUTIVE OFFICER



WHAT IS THE OUTLOOK FOR 2016?

RR: We believe that we will continue to see growth across all payor groups, gaining market share with our insurers and expanding our Self-pay business as more NHS procedures are restricted and waiting lists increase. Working to attract more NHS patients through growth of the e-Referral Service gives patients the choice to come to one of our hospitals for the same price as they would if they were going to an NHS hospital.

Looking forward, we expect that in 2016:

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

WHY HAVE YOU DECIDED TO LEAVE SPIRE HEALTHCARE AND WHAT WILL BE YOUR HIGHLIGHT?

RR: I will be leaving the Company in June to take on a new challenge in a different industry. I have spent over nine years at Spire Healthcare, helping to build what I believe is the best private healthcare provider in the UK. Spire Healthcare has a great senior management team in place, ready to take the business forward and I know that their priority to offer patients the highest standards of care will continue.

Working to establish Spire Healthcare has been a real privilege and I am proud to have worked alongside the countless individuals who work tirelessly to make healthcare better in the UK, and to be a part of the team who created the Group. I wish everyone at Spire Healthcare the best for the future.

Rob Roger
Chief Executive Officer

16 March 2016

PATIENTS: AT THE HEART OF EVERYTHING WE DO



CONSULTANT AND GP ENGAGEMENT

Helping GPs stay at the forefront of medical advances

Spire Healthcare's well-established range of free GP workshops is part of our nationwide education and engagement programme.

THE CONSULTANT VIEW

HELPING GPs TO IMPROVE OUR PATIENT CARE


All Spire Healthcare hospitals run GP engagement and education programmes, aiming to build closer links between primary and secondary care, and improving the care pathway for patients.

Local NHS GP, Dr Ian Gold, has worked with Spire Bushey Hospital for 12 years, organising academic workshop sessions for GPs. Supported by our staff, Dr Gold plans and chairs up to seven full day master classes and eight evening seminars a year, bringing GPs and Consultants together to network and discuss the latest developments in specialist medicine.

The workshops also help GPs determine whether they need to refer certain cases, or whether they can be managed within their practices.

In 2015, topics covered included musculoskeletal problems, ophthalmology, ENT, neurology, paediatrics, obstetrics and gynaecology, urology, oncology, endocrinology, cardiology, gastroenterology, pain management and respiratory medicine.

THE GP VIEW

DR VICTORIA MCCULLOCH 
NHS GP – The Grove Medical Centre,
Borehamwood

"I attended a recent Spire musculoskeletal workshop. I'm returning from maternity leave so it was the perfect opportunity for me to meet colleagues from the local area and update my knowledge at the same time.

I get to raise my knowledge in the subject area and get an update on conditions. It's also good to meet the consultants to whom we refer, as my patients like to know that I am familiar with them.

We have just started using the NHS e-Referral Service at the practice. My patients are seen quicker and don't have to wait so long for intervention. I think it makes sense to use private capacity rather than make patients wait a long time, or worse, have treatment refused."

MR ROBERT LEE 

Consultant – NHS Royal National
Orthopaedic Hospital, Stanmore

"I have presented a few Spire workshops looking at a range of back pain case studies. It's a good and interactive way of delivering relevant information to up to 100 GPs at a time – showing them actual cases of patients that should be, and have been, referred for treatment. They learn what to look for, when to refer and equally importantly, when not to refer.

It's good for GPs to see my face and know to whom they're referring. We build good relations, so they can feel comfortable referring their patients.

At the end of the day, and what really counts is, I believe it's good for our patients."

1,100

In 2015, Spire Healthcare held over 1,100 free GP workshops, seminars and training events open to healthcare professionals

18,000

Over 18,000 GPs and healthcare professionals attended day and evening workshops organised by Spire Healthcare hospitals

Our healthcare world

Spire Healthcare operates in the UK, a healthcare market dominated by the NHS and government spending.

Rising demand and a growing funding gap mean challenges. And opportunities.

UK private acute medical care market

THE UK PRIVATE ACUTE MEDICAL SECTOR IS WORTH:

£7.17bn

This figure includes fees paid to consultants, as well as private providers such as Spire Healthcare.

Source: LaingBuisson Healthcare Market Review, 27th Edition.

MARKET VALUE OF THE INDEPENDENT ACUTE MEDICAL HOSPITALS AND CLINICS, SPIRE HEALTHCARE'S PRINCIPAL MARKET

£4.56bn

Source: LaingBuisson Healthcare Market Review, 27th Edition.

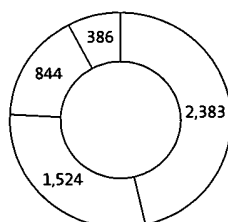
WE ARE THE SECOND LARGEST PROVIDER AFTER BMI HEALTHCARE (OWNED BY GENERAL HEALTHCARE GROUP) AND AHEAD OF THE LONDON-CENTRIC HCA HOLDINGS INC. (HOSPITAL CORPORATION OF AMERICA)

16.1%

Spire Healthcare's market share

Source: LaingBuisson Healthcare Market Review, 27th Edition.

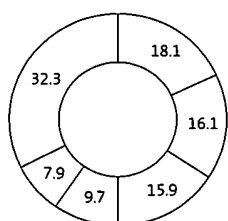
SOURCES OF FUNDING FOR INDEPENDENT ACUTE MEDICAL/ SURGICAL HOSPITALS AND CLINICS, UK 2015 (£M)



- Private medical cover
- NHS
- UK private Self-pay
- Overseas

Source: LaingBuisson Healthcare Market Review, 27th Edition.

UK INDEPENDENT ACUTE HOSPITAL AND CLINIC PROVIDERS BY REVENUE (%)



- General healthcare
- Spire Healthcare
- HCA UK
- Nuffield Health
- Ramsay Health
- Others

Source: LaingBuisson Healthcare Market Review, 27th Edition.

Market context

The population is growing and ageing. Acute and chronic long-term conditions such as cancer, obesity and diabetes are rising.

The costs of healthcare provision are increasing faster than general inflation. Slow economic growth is constraining government spending and the NHS's ability to provide universal healthcare.

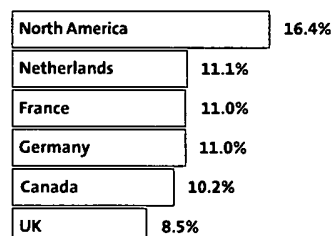
PUBLIC SPENDING ON HEALTH AS A PROPORTION OF GDP

8.5%

Source: OECD Health Statistics 2015.

This is not out of line with many OECD countries. However, the UK currently spends far less privately on healthcare than most other OECD members.

TOTAL HEALTH EXPENDITURE AS A SHARE OF GDP (%)



Source: OECD Health Statistics 2015.

Increasing demand for healthcare

As the post-war baby boomers reach retirement, the UK's population is getting older. In 2014, nearly 18% of the population were aged 65 and over – by 2050 this proportion will rise to 25%.

Source: Office for National Statistics

POPULATION OVER 65 IN 2050	POPULATION OVER 85 IN 2035
25%	3.5m
(2014: 18%)	(2014: 1.4m)

Source: ONS.

And they are living longer. Between 2010 and 2035, the number of people aged over 85 will more than double – from 1.4 million to 3.5 million.

Source: ONS.

The implications, both in terms of costs and healthcare provision, are profound – annual average NHS expenditure for an 85-year-old is over five times that of a 50-year-old and eight times that of a 25-year-old.

Source: Department of Health.

It is, therefore, likely that demand for private healthcare will grow as restricted government funding and increasing healthcare demand leads to lengthening NHS waiting lists and the 'rationing' of some procedures, deemed non-urgent or of low clinical value, a trend we are clearly seeing.

Tight government finances affect NHS funding

YEARLY AVERAGE RISE IN SPENDING IN ENGLAND ON THE 'PROTECTED' NHS BUDGET

0.9%

Source: Kings Fund.

Under the Coalition Government, spending in England on the 'protected' NHS budget, rose by an average 0.9% a year. The 2015 Spending Review promised that this budget will rise by £4.5 billion in real terms between 2015/16 and 2020/21. Looked at over the whole of this Parliament, the result will be an almost identical average annual increase of 0.9%.

Source: Kings Fund.

2015 SPENDING REVIEW PROMISED RISE (IN REAL TERMS) BETWEEN 2015/16 AND 2020/21

£4.5bn

Source: NHS Five Year Forward Review.

The government has also promised to provide a further £8 billion per annum in order to meet that increasing demand. However, the NHS's Five Year Forward View (published October 2014) indicated that a minimum of £30 billion could be required by 2020/21. While the NHS at that time indicated it could seek to make cost savings and efficiencies of £22 billion over that period, various papers since then (including the Carter Report) have suggested that this is an ambitious target which is unlikely to be achieved.

Paying for private healthcare

The private sector increasingly provides capacity for the NHS. Approaching a third of Spire Healthcare's patients are funded by the NHS, with over 75% of these coming through the NHS e-Referral Service.

Apart from the NHS, private treatment is funded either through Private Medical Insurance (PMI), Self-pay (domestic or international.)

POPULATION IN THE UK THAT HAS PMI	PERCENTAGE OF PMI POLICIES PROVIDED BY EMPLOYERS
---	--

6.8m 78%

Source: LaingBuisson Healthcare Market Review, 27th Edition.

PMI funds nearly half of all independent acute medical and surgical procedures, yet currently only some 10.6% of the population (6.8 million people) have PMI – a relatively low level of market coverage by international standards.

Most PMI policies (78%) are provided by employers and PMI coverage has historically been closely linked to the relative health of the economy. As Bupa noted in its 2015 interim results, economic recovery is beginning to generate growth again in large corporate and SME PMI.

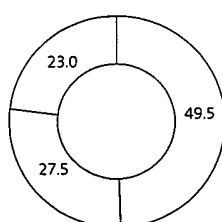
Over recent years there has been a marked increase in patients, particularly those over 50, choosing to self-insure or Self-pay for private treatment – a trend driven by relative affordability, the introduction of fixed pricing, and increasing NHS waiting times.

Source: Bupa 2015 half-year interim results.

Our business model

Spire Healthcare is a well-diversified business and a key part of the UK's healthcare system. Each of our 38 hospitals, 12 clinics and two Specialist Care Centres provide hotel-style surroundings and up-to-date equipment, as well as dedicated doctor, nursing and specialist staff to support the practice of our consultants.

PERCENTAGE OF REVENUE* (%)

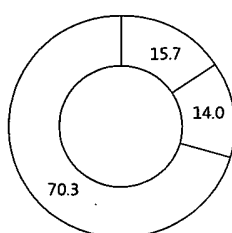


Source: Company information.

- Orthopaedics
- Gynaecology, plastic surgery, urology and others
- High acuity services, including cardiology, cardiothoracic, neurosurgery, oncology and general

* In-patient and daycase revenue.

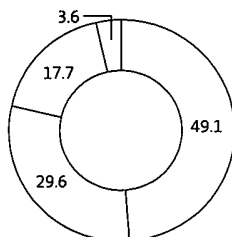
KEY ACTIVITIES (%)



Source: Company information.

- Diagnostic
 - Out-patient services
 - In-patient daycase procedures
- Diagnostic
 - Imaging
 - MRI/CT scanning
 - Pathology
 - Out-patient services
 - Consulting
 - Minor procedures
 - Treatments
 - Health checks
 - Physiotherapy
 - In-patient daycase procedures
 - Orthopaedics
 - Cardiology
 - Neurology
 - Oncology
 - General surgery

FUNDING SOURCES (%)



Source: Company information.

- PMI
- NHS
- Self-pay
- Other

PMI provides almost half of Spire Healthcare's revenue and is forecast to grow as the economic recovery gathers momentum.

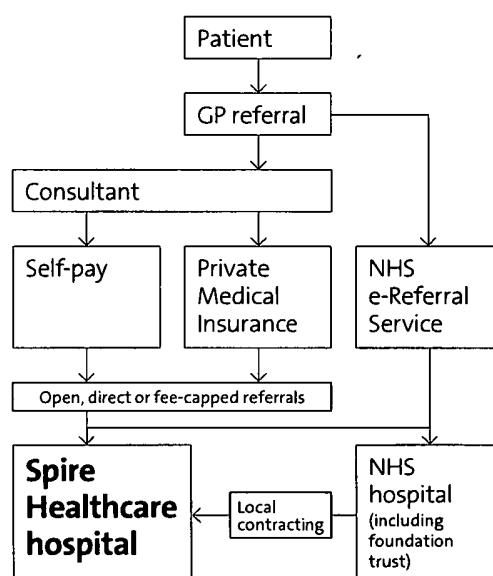
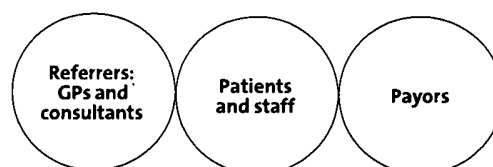
The NHS uses the independent acute medical sector extensively to meet capacity needs and waiting list time targets.

Patients without medical insurance are increasingly paying for PMI themselves.

The patient pathway

We receive patients through multiple routes. The patient's journey typically begins with a visit to their GP, who will either treat the patient directly or provide a referral to a consultant. The procedure or treatment provided by the consultant can be funded by the NHS, a PMI provider or by Self-pay.

Key relationships



How we are different

Prompt access

Prompt and flexible access to diagnostics, giving patients the reassurance that comes from a clear treatment plan.

Consultant-led care

Spire Healthcare's consultants are our partners in providing high levels of care to patients from start to finish of their treatment. All our consultants are on the General Medical Council's Specialist Register.

Superior facilities

Patients value the choice of when and where to be treated, in hospitals that combine exceptional levels of infection control with 'hotel-style' levels of customer service.

Well-invested, scaleable base

We have invested consistently in further capacity, new hospitals, equipment and additional services.

INVESTED SINCE SPIRE HEALTHCARE WAS FORMED

£725m*

* Including acquisitions.

How we create value

Patients

EXCELLENT CLINICAL OUTCOMES

High-quality and experienced consultants, state-of-the-art equipment in modern facilities and exceptional nursing and medical support staff deliver excellent clinical outcomes and low infection rates.

Consultants

LEADERS IN THEIR FIELDS

We have invested consistently in further capacity, new hospitals, equipment and additional services, and continue to attract the very best consultants.

Employees

EXCEPTIONAL PEOPLE

High-quality training, investment in equipment and excellent hospital environments attract first-rate staff. This, along with acknowledging good work when it is delivered, ensuring lines of communications are always clear and creating growth opportunities, contributes to retaining a happy and successful workforce.

Shareholders

DIVIDENDS

We consider the dividend to be the core element of shareholder return and something on which they should be able to depend. We aim to continue to pay a dividend in line with our stated policy and will return surplus cash to shareholders when available.

Our strategy

Our strategy aims to build value by offering a wider range of treatments, more efficiently, to an increasing number of patients.



TO DRIVE STRONG GROWTH THROUGH A CLEAR FOCUS ON OUR THREE PAYOR GROUPS: PMI, SELF-PAY AND NHS

PMI

- Deepen our relationships with key insurers
- Increase and deepen our relationships with GPs as referrers
- Continue to expand our higher acuity healthcare offer

SELF-PAY

- Continue to engage with GPs, particularly regarding areas of NHS service constraint
- Extend transparent pricing and quality reporting
- Increase awareness of our facilities and locations

NHS

- Continue to build key NHS relationships
- Expand our service offering
- Invest to meet specific NHS needs

OUR PROGRESS

- We continue to work with PMIs to provide the most cost-effective contracts. In April 2015, our latest contract with Bupa, our largest PMI partner, commenced. It runs for a minimum of four years, with prices agreed through to March 2021
- Following the launch of InSpire in 2014 – a bespoke Spire Healthcare-based health insurance plan that combines high-quality healthcare with exceptional value for money – we have nearly 10,000 new insured lives, and 90% of those are people who didn't have insurance before
- Targeting small and medium-sized enterprises (SMEs), in 2015 we developed 'MySpire Corporate', a hybrid Self-pay product, offering SMEs effective healthcare cover for their employees
- We continue to develop simple, transparent and affordable packages offering patients procedures not always funded by the NHS
- We have increased our range of fixed prices to include our top 25 procedures, all backed up with clear 'plain English' terms and conditions. This approach gives self-paying patients transparency in terms of our pricing
- All our hospitals continue to work with local NHS commissioners and providers to offer much needed capacity, taking elective patients out of overstretched hospitals and helping the NHS drive value and achieve better outcomes
- Approximately 75% of our NHS work comes through the NHS e-Referral Service. During 2015, this work grew steadily at 8.0 to 9.0% as we saw a shift from local contracts to the NHS e-Referral Service. We continue to work with local providers and commissioning bodies to ensure that patient choice is maintained



TO MAXIMISE UTILISATION OF EXISTING SITES BY GROWING VOLUME

DRIVE VOLUME GROWTH BY CONTINUING TO BUILD OUR RELATIONSHIPS WITH PATIENTS AND GPs

- Market directly to patients, highlighting the benefits of a private hospital
- Provide training and information to GPs to facilitate referrals to Spire Healthcare consultants and the use of the NHS e-Referral Service

CONTINUE TO BUILD OUR PARTNERSHIP WITH CONSULTANTS TO IMPROVE OUR OFFERING TO PATIENTS

- Help new consultants to build their practices and provide established consultants with the high-quality facilities and well-trained staff they need to deliver outstanding care for their patients
- Continue to engage with consultants to explore new services, developments and innovations to improve the quality and scope of our offer to our patients

UTILISE OUR EXISTING CAPACITY BETTER

- Raise average theatre utilisation and increase theatre and diagnostic capability, optimising throughput
- Optimise patient experience through better use of technology ensuring that care is delivered in the most appropriate setting
- Refurbish and upgrade our patient bedrooms and in-patient and out-patient facilities

OUR PROGRESS

- We continue to market direct to consumers, building brand awareness and increasing referrals, a process we started in 2014
- We maintained an impressive level of consultant satisfaction: 79% of consultants rate the quality of service Spire Healthcare provides as 'Excellent' or 'Very good'
- In 2015, our GP engagement programme delivered over 1,100 workshops, bringing together local GPs and consultants to improve referrals and service provision
- We see consultants as partners, developing their practices in our hospitals. Our new hospital in Nottingham, opening in 2017, is being developed with the engagement of 70 local surgeons in response to changing market conditions in the area
- The number of consultants working in our hospitals has risen from 3,750 in 2014 to 3,790 in 2015
- Our average theatre utilisation was 63% in 2015. With our top six hospitals averaging close to 80%, there is scope for higher utilisation across many of our hospitals
- We added one new theatre in 2015 at Spire Elland Hospital, which was operational from June 2015
- Spire Leeds Hospital added an ambulatory care unit, which was operational from Q4 2015
- Spire Roding Hospital opened a Bone and Joint Centre, which began operating in Q4 2015

Our strategic pillars



1. To drive **strong growth** through a clear focus on our **three payor groups**



2. To **maximise utilisation** of existing sites by **growing volume**



3. To **develop new sites and services**, particularly for the treatment of **cancer**



4. To drive **efficiency and improve productivity**



TO DEVELOP NEW SITES AND SERVICES, PARTICULARLY FOR THE TREATMENT OF CANCER

ACQUIRE OR BUILD NEW SITES

- Expand geographically to cover under-served areas

DEVELOP AND EXPAND OUR CANCER CARE OFFER

- Identify and develop standalone Specialist Care Centres as part of expanding our cancer care offerings

DEVELOP CAPABILITIES IN AREAS OF HIGHER ACUITY

- Continue to develop higher acuity services such as neurosurgery and cardiology

OUR PROGRESS

- We are expanding capacity in and around London. A six-theatre complex will be completed at Spire St Anthony's Hospital in 2016, replacing the four existing theatres
- Our new-build hospitals in Nottingham and Manchester are well advanced – both are due to open in 2017
- We continue to develop our in-house pathology service with a new laboratory due to open at Spire Hull and East Riding Hospital in 2016
- Our second state-of-the-art Specialist Care Centre opened in Baddow, in November 2015, and we have identified land for a third centre
- Spire Hesslewood Clinic, part of Spire Hull and East Riding Hospital, opened a standalone clinic in February 2015 and has seen positive business growth in its first year
- Construction of a brand new theatre expansion and chemotherapy development is under way at Spire Parkway Hospital comprising an endoscopy unit with Storz OR1 theatre
- Offering further capacity for NHS referrals under the patient choice initiative, reducing our dependence on directly commissioned work (NHS Local)
- Developed a new suite of theatre utilisation tools that allow far greater visibility of utilisation, allowing management teams to schedule work more efficiently



TO DRIVE EFFICIENCY AND IMPROVE PRODUCTIVITY

FOCUS ON PERFORMANCE

- Do the basics really well
- Simplify management structures and information
- Bring management together to spread best practice and act as one team
- Targeted interventions to support improvement across the portfolio

BUILD ON OUR SCALE AND EXPERTISE

- Continue to implement procedure-specific kits and packs across the network
- Leverage the scale of both Spire Healthcare and Mediclinic International as we continue to rationalise our supply chain
- Deploy tools to optimise diagnostic and theatre activities to improve productivity and capacity

OPTIMISE AND DEVELOP OUR OPERATING MODEL

- Drive operational synergies across the network
- Improve and standardise capabilities network-wide
- Use technology to streamline administrative processes
- Continue to improve the patient journey

OUR PROGRESS

- Our in-house procurement and supply chain model is based around a national distribution centre (NDC) in Droitwich. The NDC has been markedly successful in lowering procurement and distribution costs across the Group through the consolidation of supplies and suppliers
- Our senior management was considerably strengthened in 2015 with the establishment of new operational roles, tasked with improving day-to-day management and optimising the balance between centrally controlled services and the operational flexibility of local management
- Our HR development is focused on recruitment and retention – growing our own – to increase our flexible 'bank' nursing resource, reduce our use of relatively expensive 'agency' nurses, and make Spire Healthcare an employer of choice
- We are generating operational synergies by using regional 'hub and spoke' models to provide support, for example in HR and in engineering services
- We continue to focus on well-established KPIs to manage costs, including staff costs and clinical consumables, and we use peer group benchmarking between hospitals to share best practice for cost control
- We are investing in management reporting systems to improve cost control

Key performance indicators

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



TO DRIVE STRONG GROWTH THROUGH A CLEAR
FOCUS ON OUR THREE PAYOR GROUPS

Measure	Data	How we measure this												
<p>Patient discharges (+3.7%) (In-patient/daycase)</p> <p>270.0k</p> <p>We increased the volume of patients requiring an overnight stay or an in-hospital recovery period by 3.7% in 2015</p>	<p>2015 (total 270.0k)</p> <table><tr><td>PMI</td><td>126.4k</td></tr><tr><td>NHS</td><td>100.2k</td></tr><tr><td>Self-pay</td><td>43.4k</td></tr></table> <p>2014 (total 260.3k)</p> <table><tr><td>PMI</td><td>124.4k</td></tr><tr><td>NHS</td><td>95.5k</td></tr><tr><td>Self-pay</td><td>40.4k</td></tr></table>	PMI	126.4k	NHS	100.2k	Self-pay	43.4k	PMI	124.4k	NHS	95.5k	Self-pay	40.4k	<p>Number of in-patient/daycase discharges in the year</p>
PMI	126.4k													
NHS	100.2k													
Self-pay	43.4k													
PMI	124.4k													
NHS	95.5k													
Self-pay	40.4k													
<p>Revenue by payor</p> <p>Revenue increased, year-on-year, in total by £28.8 million (3.4%) over 2014 and for each payor group</p> <p>Payor groups with the largest increases were NHS revenue, up £16.1 million (6.5%), and Self-pay which increased by £10.1 million (6.9%)</p>	<p>£m</p> <p>○ PMI ○ NHS ○ Self-pay ○ Other</p>	<p>Revenue £million by payor in the year</p>												
<p>Patient satisfaction: Net Promoter Score</p> <p>In the year we introduced a new KPI, the Net Promoter Score (NPS), in order to align our reporting with the NHS and other providers</p> <p>In 2015 the score was 82</p>	<p>2015 82</p>	<p>NPS measures the total number of participants out of 100 who responded 'Extremely likely' to the question 'How likely are you to recommend our hospital to your friends and family if they needed similar care or treatment?' after deducting both undecided or negative responses</p>												
<p>Patient satisfaction: Quality of service</p> <p>The rating of our overall quality of service increased by 5% to 98%</p>	<p>2015 98%</p> <p>2014 93%</p> <p>2013 92%</p> <p>2012 92%</p> <p>2011 92%</p>	<p>Patients rated the overall quality of service and were included in the measure if they responded 'Excellent' or 'Very good'</p>												
<p>Consultant satisfaction</p> <p>Consultants are our partners in delivering quality patient care – satisfaction scores were maintained at 79%</p>	<p>2015 79%</p> <p>2014 79%</p> <p>2013 78%</p> <p>2012 78%</p> <p>2011 77%</p>	<p>Percentage of consultants who rate the quality of service Spire Healthcare provides as 'Excellent' or 'Very good'</p>												



TO MAXIMISE UTILISATION OF EXISTING SITES BY GROWING VOLUME

Measure	Data	How we measure this								
Employee satisfaction and commitment There was an increase in the number of our staff who said that what they do at work makes a positive difference	<table><tr><td>2015</td><td>93%</td></tr><tr><td>2014</td><td>92%</td></tr><tr><td>2013</td><td>91%</td></tr></table>	2015	93%	2014	92%	2013	91%	The percentage of participants in our annual staff survey who said that what they do at work makes a positive difference		
2015	93%									
2014	92%									
2013	91%									
Theatre utilisation 63% Utilisation was broadly stable. At a number of hospitals average utilisation was temporarily reduced in the period following the installation of new theatres	<table><tr><td>2015</td><td>63%</td></tr><tr><td>2014</td><td>64%</td></tr><tr><td>2013</td><td>61%</td></tr></table>	2015	63%	2014	64%	2013	61%	Number of utilised theatre hours divided by maximum theatre hours (defined as 10 hours per weekday and seven hours per Saturday for 50 weeks of the year), expressed as a percentage		
2015	63%									
2014	64%									
2013	61%									
Unplanned returns and readmissions We improved on an already low level of returns and readmissions, reflecting our strong record of treatment effectiveness	<p>○ Unplanned readmissions ○ Unplanned returns to theatre</p>	Unplanned returns to theatre is the rate of patients returned to theatre per 100 theatre episodes Unplanned readmissions is the rate of patients readmitted to hospital per 100 patients								
MRSA 0.00 For the third consecutive year there was not a single case of MRSA in the year	<table><tr><td>2015</td><td>0.00</td></tr><tr><td>2014</td><td>0.00</td></tr><tr><td>2013</td><td>0.00</td></tr><tr><td>2012</td><td>0.08</td></tr></table>	2015	0.00	2014	0.00	2013	0.00	2012	0.08	MRSA (infection rate per 10,000 bed days)
2015	0.00									
2014	0.00									
2013	0.00									
2012	0.08									
C.difficile 0.60 Infection rates increased slightly over the very low rates reported in the prior year	<table><tr><td>2015</td><td>0.60</td></tr><tr><td>2014</td><td>0.30</td></tr><tr><td>2013</td><td>0.51</td></tr><tr><td>2012</td><td>0.24</td></tr></table>	2015	0.60	2014	0.30	2013	0.51	2012	0.24	C. difficile (infection rate per 10,000 bed days)
2015	0.60									
2014	0.30									
2013	0.51									
2012	0.24									
In-patient surgical mortality* (per 10,000 anaesthetic episodes) 0.33 Surgical mortality rates remain low	<table><tr><td>2015</td><td>0.33</td></tr><tr><td>2014</td><td>0.34</td></tr><tr><td>2013</td><td>0.33</td></tr><tr><td>2012</td><td>0.27</td></tr></table>	2015	0.33	2014	0.34	2013	0.33	2012	0.27	Mortality (per 10,000 anaesthetic episodes)
2015	0.33									
2014	0.34									
2013	0.33									
2012	0.27									

* Not post-operative mortality.

* Not post-operative mortality.

Key performance indicators *continued*
**TO DEVELOP NEW SITES AND SERVICES, PARTICULARLY
FOR THE TREATMENT OF CANCER**

Measure	Data	How we measure this												
Number of theatres 121 This reduced by one, as a new theatre was brought into operation at Spire Elland Hospital, and two theatres ceased operating on the closure of Spire St Saviour's Hospital	<table><tr><th>Year</th><th>Number of theatres</th></tr><tr><td>2015</td><td>121</td></tr><tr><td>2014</td><td>122</td></tr><tr><td>2013</td><td>115</td></tr><tr><td>2012</td><td>115</td></tr><tr><td>2011</td><td>111</td></tr></table>	Year	Number of theatres	2015	121	2014	122	2013	115	2012	115	2011	111	Number of theatres in use at the end of the year
Year	Number of theatres													
2015	121													
2014	122													
2013	115													
2012	115													
2011	111													
Number of hospitals 38 The closure of Spire St Saviour's Hospital reduced the number of operating hospitals to 38	<table><tr><th>Year</th><th>Number of hospitals</th></tr><tr><td>2015</td><td>38</td></tr><tr><td>2014</td><td>39</td></tr><tr><td>2013</td><td>38</td></tr><tr><td>2012</td><td>38</td></tr><tr><td>2011</td><td>37</td></tr></table>	Year	Number of hospitals	2015	38	2014	39	2013	38	2012	38	2011	37	Number of hospitals in operation at the end of the year
Year	Number of hospitals													
2015	38													
2014	39													
2013	38													
2012	38													
2011	37													
Number of Specialist Care Centres 2 We opened our second dedicated Specialist Care Centre in Baddow in November 2015, with further sites being evaluated for future development	<table><tr><th>Year</th><th>Number of Specialist Care Centres</th></tr><tr><td>2015</td><td>2</td></tr><tr><td>2014</td><td>1</td></tr></table>	Year	Number of Specialist Care Centres	2015	2	2014	1	Number of Specialist Care Centres in operation at the end of the year						
Year	Number of Specialist Care Centres													
2015	2													
2014	1													

FINANCIAL MEASURES

Strong cash generation enables us to pursue our strategy for growth, without increasing gearing

Measure	Data	How we measure this						
Net debt/Adjusted EBITDA Despite capital expenditure of £109.5 million in 2015, strong working capital management led to a reduction in debt in the year as a multiple of EBITDA	<table><tr><td>2015</td><td>2.6</td></tr><tr><td>2014</td><td>2.7</td></tr></table>	2015	2.6	2014	2.7	The ratio of net debt/Adjusted EBITDA		
2015	2.6							
2014	2.7							
Conversion of Adjusted EBITDA to cash Cash conversion reduced from a high rate in 2014 but remained above 100% in the year	<table><tr><td>2015</td><td>104.1%</td></tr><tr><td>2014</td><td>104.8%</td></tr><tr><td>2013</td><td>74.1%</td></tr></table>	2015	104.1%	2014	104.8%	2013	74.1%	Operating cash before exceptional items and income tax/Adjusted EBITDA, expressed as a percentage
2015	104.1%							
2014	104.8%							
2013	74.1%							



**TO DRIVE EFFICIENCY AND
IMPROVE PRODUCTIVITY**

Measure	Data	How we measure this
<p>Adjusted EBITDA margin</p> <p>18.1%</p> <p>Factors adversely impacting margin included lower tariffs on NHS revenue contracts and higher clinical staff costs, partly offset by operating efficiencies</p>	<div><div>2015</div><div>18.1%</div></div> <div><div>2014</div><div>18.3%</div></div> <div><div>2013</div><div>19.6%</div></div> <p>Including acquisitions and disposals</p> <div><div>2015</div><div>18.3%</div></div> <div><div>2014</div><div>18.8%</div></div> <div><div>2013</div><div>19.6%</div></div> <p>Underlying (excluding acquisitions and disposals)</p>	Adjusted EBITDA/total revenue, expressed as a percentage
<p>Clinical staff costs as a percentage of revenue</p> <p>18.9%</p> <p>Increased by 1.3% of revenue and 1.1% on an underlying basis, due to the shortage in the supply of qualified nursing staff and the consequent increase in agency staff spend</p>	<div><div>2015</div><div>18.9%</div></div> <div><div>2014</div><div>17.6%</div></div> <div><div>2013</div><div>17.5%</div></div> <p>Including acquisitions and disposals</p> <div><div>2015</div><div>18.4%</div></div> <div><div>2014</div><div>17.3%</div></div> <div><div>2013</div><div>17.5%</div></div> <p>Underlying (excluding acquisitions and disposals)</p>	Clinical staff costs/total revenue expressed as a percentage
<p>Other direct costs* as a percentage of revenue</p> <p>33.1%</p> <p>Down 0.3% of revenue, mainly due to cost savings in consumables, drugs and prosthesis, and lower fees paid to consultants</p> <p>* Comprises direct costs and medical fees.</p>	<div><div>2015</div><div>33.1%</div></div> <div><div>2014</div><div>33.4%</div></div> <div><div>2013</div><div>32.5%</div></div> <p>Including acquisitions and disposals</p> <div><div>2015</div><div>33.2%</div></div> <div><div>2014</div><div>33.5%</div></div> <div><div>2013</div><div>32.5%</div></div> <p>Underlying (excluding acquisitions and disposals)</p>	Other direct costs/total revenue expressed as a percentage

PATIENTS: AT THE HEART OF EVERYTHING WE DO



THE SPIRE NURSE BANK

Nursing our patients on their road to recovery

Our nursing staff deliver a high level of responsive, compassionate and dignified care across all our hospitals.

RETURNING TO PRACTICE

STAFF NURSES, BANK NURSES AND AGENCY NURSES

The quality of our patient care depends on our nurses. We're not immune to the well-publicised problems faced by the NHS – too few nurses have graduated from our universities in recent years, those with young families want a better work/life balance and flexible hours, and many career nurses are now in their fifties and approaching retirement.

All of which means we have to make working at Spire Healthcare as attractive as possible, and do everything we can to retain our nurses with training and education, helping them develop their skills and leadership qualities.

While we use agency nurses in some highly skilled and difficult-to-fill roles – particularly in theatres – bank work offers nurses part time flexibility and gives our consultants and patients the reassurance of knowing that the nurses are familiar with the hospital and our ways of working.

CARE CONTINUITY

PAT OLDFIELD **Bank nurse**

Pat Oldfield retired in 2015 year after 26 years nursing at our Spire Leeds Hospital, but she continues to work part time on the hospital's bank, so patients and staff continue to benefit from her experience as a specialist infection control nurse and clinical effectiveness lead.

As Pat says, "Although I've retired, it gives me something I love doing, without dropping out of work altogether."

"Having experienced people around supports the new staff. Working on the bank helps the hospital – and it helps me."

PAT OLDFIELD, Bank nurse

14%

The proportion of nurses who left the NHS between October and December 2014 citing child dependants or the need for a greater work/life balance as the reason – second only to relocation and retirement

Source: HSI 16/12/15.

+£3bn

Estimated NHS spend on temporary agency staff 2015/16

Source: HSI 16/12/15.

"It's been great having Pat as a mentor – her support and experience has enabled me to develop my skills at Spire."

SAM WILSON, Student nurse

ANNE PERRIMAN **Bank nurse**

Anne Perriman originally trained as a nurse in the early 1980s but left the profession to raise her family. In 2012, she started a return to practice course at Kingston University. She did her work placement at Spire St Anthony's Hospital and, on completing her course, she joined Spire Healthcare full time.

"St Anthony's has a close relationship with Kingston – they are really supportive, you have a mentor and they really help you, particularly on the theoretical side which has changed completely since I trained.

Spire's offer was basically whatever hours and shifts would suit me. That flexibility is really important – we have another return to practice nurse who started in January – she does three days a week."

Anne has since developed a key role in discharge co-ordination at Spire St Anthony's Hospital, acting as a central point of contact for social services and carers, and giving our patients the quickest, safest and best discharge packages possible.

Financial review

A good financial performance in 2015

SIMON GORDON
CHIEF FINANCIAL OFFICER

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

PATIENT DISCHARGES (+3.7%) (IN-PATIENT AND DAYCASE)

270.0k

In-patient and daycase patient volumes up 3.7% on prior year to approximately 270,000 patients (2014: 260,300 patients)

REVENUE (+3.4%)

£884.8m

Revenue increased by 3.4% to £884.8 million (2014: £856.0 million), with growth across all payor groups

ADJUSTED EBITDA (+2.2%)

£160.1m

Adjusted EBITDA⁽²⁾ up 2.2% to £160.1 million (2014: £156.7 million) and after full year effect of PLC operating costs of £3.1 million

ADJUSTED BASIC EARNINGS PER SHARE (+2.2%)

18.3p

Adjusted, basic earnings per share⁽⁵⁾ (2014: 17.9p)

CAPITAL INVESTMENTS

£109.5m

Investment in capital projects totalled £109.5 million (2014: £105.1 million, including the Spire St Anthony's Hospital acquisition)

NET DEBT

£419.5m

Net debt reduced to £419.5 million, with leverage at 2.6 times Adjusted EBITDA (2014: £424.3 million and 2.7 times Adjusted EBITDA)

SELECTED FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

Financial review *continued*

ANALYSIS BY PAYOR

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

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

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

GROWING REVENUE

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

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

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

Of the underlying revenue growth of 2.5%:

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

PMI

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

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

Of the underlying fall in PMI revenue of 1.1%:

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

NHS

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

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

Of the underlying growth in NHS revenue of 6.7%:

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

Financial review *continued***Self-pay**

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

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

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

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

Other revenue

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

COST OF SALES AND GROSS PROFIT

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

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

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

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

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

OTHER OPERATING COSTS

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

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

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

Depreciation

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

Rent

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

Share-based payments in other operating costs

During the year, grants were made to Executive Directors and members of the senior management team under the Company's Deferred Bonus Plan and Long Term Incentive Plan. For the year ended 31 December 2015, the charge to the income statement was £0.7 million, or £0.8 million inclusive of NI. Further details are contained in note 28 on page 129 of the financial statements.

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

Exceptional items included in other operating costs

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

Full details of exceptional items are disclosed in note 8 on page 117.

EBITDA AND ADJUSTED EBITDA

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

OPERATING PROFITS BEFORE AND AFTER EXCEPTIONAL COSTS

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

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

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

FINANCE COSTS

Finance costs in the prior year include those incurred in respect of borrowings drawn under the capital structure of the Group prior to Admission. On Admission, indebtedness reduced significantly and, therefore, finance costs also reduced.

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

TAXATION

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

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

PROFIT AFTER TAXATION

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

Financial review *continued***PRO-FORMA FINANCIAL INFORMATION**

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

Pro-forma profit after tax and earnings per share

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

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

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

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

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

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

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

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

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

Cash flow analysis of cash flows in year

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

OPERATING CASH FLOWS

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

INVESTING AND FINANCING CASH FLOWS

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

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

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

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

BORROWINGS

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

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

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

RISK MANAGEMENT

The principal risks faced by the Group are identified in the Principal risks section on pages 50 to 55.

TREASURY POLICIES AND OBJECTIVES

The Group has established treasury policies aimed at reducing financial risk.

Further information about financial risk management (including interest rate, credit and liquidity risks) is provided in note 32 of the financial statements on pages 132 to 135.

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

Simon Gordon
Chief Financial Officer
16 March 2016



Clinical review

Clinical quality and performance are at the heart of everything we do

DR JEAN-JACQUES DE GORTER
GROUP MEDICAL DIRECTOR

Our Group Medical Director, Dr Jean-Jacques de Gorter, is responsible for defining our clinical governance and quality strategy, and his team audit, monitor and report on our quality performance. In addition, the Clinical Services team supports our hospitals to comply with relevant healthcare regulations across England, Scotland and Wales.

2015 has been a year of considerable adaptation and transformation for Spire Healthcare. At the beginning of the year we prepared for changes introduced by the Care Quality Commission (CQC) regarding how they inspect hospitals in England by adapting our systems for monitoring and reporting performance. We also strengthened our programme of on-site clinical reviews led by the Chief Nursing Officer and these are now undertaken regularly and rigorously in line with the CQC's own methodology.

In 2015, seven hospitals underwent formal inspection by the CQC according to the new inspection methodology. Results for six hospitals have been published: four were rated 'Good' by the CQC inspection team (though we await the outcome of our challenge to improve one hospital's rating to 'Outstanding') and two were rated 'Requires improvement'. We have taken immediate steps to address the issues identified on the day of inspection and look forward to these hospitals being reinspected.

Our hospitals in Wales are regulated by Healthcare Inspectorate Wales (HIW) and those in Scotland by Healthcare Improvement Scotland (HIS). There were no inspections in 2015 by HIW. Both Scottish hospitals were inspected by HIS in 2015, with Spire Murrayfield Edinburgh Hospital rated 'Very good' for all five standards inspected, and Spire Shawfair Park Hospital rated 'Very good' for four standards and 'Good' for one standard.

In 2016, we will introduce a new clinical assurance framework designed in line with the five domains inspected by the CQC. This will bring together the many sources of hard and soft intelligence we already monitor in order to help guide our frontline management teams as well as provide assurance to the executive and Board committees ahead of future regulatory inspections. We are pleased

to report that the Group as whole achieved all five clinical KPIs in 2015.

In addition, and for the third year running, there was not a single case of MRSA bacteraemia reported by our hospitals, nor indeed any cases of MSSA bacteraemia. Despite a slight increase in the number of *C.difficile* cases, our rates nevertheless compare very favourably with national averages published by the Health Protection Agency.

Surgical site infection following hip and knee surgery (0.20%) in 2015 was the lowest reported on record, as was post-operative veno-thromboembolism (0.39%).

In terms of treatment effectiveness, we are very pleased to report the lowest-ever rate of unplanned returns to theatre (0.13%), unplanned readmissions (0.18%) and unplanned patient transfers (0.04%). Inpatient mortality and mortality within 31 days of surgery both fell slightly in 2015 compared with 2014. This is a testament to the care and attention to detail shown by our clinical teams. Good teamwork, robust and up-to-date care pathways, and a willingness to challenge have together created a basis for reliable and high-quality care.

Over the past five years, our hospitals have worked hard to improve our processes for patient discharge and the planning necessary to ensure this is undertaken in a calm and efficient manner. Patient satisfaction with discharge processes increased for the fifth year in a row, making this the greatest improving satisfaction measure over this period. In addition, compared with last year, patients responding 'Excellent' to quality of care improved by 3% (we do not believe that achieving 'Very Good' is sufficient for our patients) and responses to our other key questions all improved year-on-year.

Despite these results, in 2015 I commissioned an independent review into the way that we



In 2015, our hospitals delivered care to patients that was safer and more effective than in previous years.

DR JEAN-JACQUES DE GORTER,
GROUP MEDICAL DIRECTOR

CLINICAL KEY PERFORMANCE INDICATORS		
	Hospital target	2015
Efficient discharge before 11.00am (% in-patients discharged by 11.00am – quarterly average)	Red ≤ 45% Amber 46–54% Green ≥ 55%	56%
Compliance with VTE risk assessment (Fully completed 'national' VTE risk assessments)	Red ≤ 89% Amber 90–94% Green ≥ 95%	97%
NEWS record keeping (% compliance)	Red ≤ 89% Amber 90–94% Green ≥ 95%	96%
Temperature control (% temperature recording theatre and recovery)	Red ≤ 70% Amber 71–79% Green ≥ 80%	83%
Compliance with cancer standards (% cancer patients with evidence of MDT discussion)	Red ≥ 55% Amber 56–64% Green ≤ 65%	75%

manage any complaints we might receive. In 2016, we will be enacting the recommendations that relate to process, leadership, development and assurance in a bid to better address any concerns that are raised by patients when their care did not meet their expectations. I expect these improvements to further enhance our customer service.

Finally, we began two important projects in 2015 to transform the way we not only care for our cancer patients, but also comply with national guidelines and regulations. We launched the electronic Ardeo Cancer Registry that will record the recommended treatment plans for every patient treated for cancer with surgery, chemotherapy or radiotherapy at a Spire Healthcare hospital. This platform also enables multidisciplinary teams, either at the hospital or remotely, to discuss the treatment plan for a patient whilst also viewing their diagnostic images and pathology findings. Beginning with patients being treated for breast cancer or with chemotherapy, in time this will extend to every tumour site.

In parallel, we began our implementation of iQemo, an electronic prescription system for chemotherapy. This will make the process of treating patients with chemotherapy both simpler for consultants and staff, and safer for our patients.

In conclusion, in 2015 our hospitals delivered care to patients that was safer and more effective than in previous years. At the same time, patients have responded by telling us that their experience of receiving care was better than ever. I salute our clinical teams for having delivered on our clinical quality goals last year. Working alongside our dedicated consultants and specialists, I firmly believe that we are united in our ambition to improve the quality of our care even further in 2016.

Dr Jean-Jacques de Gorter
Group Medical Director
16 March 2016

MRSA BACTERAEMIA

0.00

2014: 0.00
2013: 0.00

MSSA BACTERAEMIA

0.00

2014: 0.30
2013: 0.38

C. DIFFICILE

0.60

2014: 0.30
2013: 0.51

INPATIENT SURGICAL MORTALITY (PER 10,000 ANAESTHETIC EPISODES)

0.33

2014: 0.34
2013: 0.33

RETURNS TO THEATRE

0.13%

2014: 0.14%
2013: 0.15%

PATIENTS: AT THE HEART OF EVERYTHING WE DO



CONSTANT IMPROVEMENT AND SHARING BEST PRACTICE

Providing patients with the highest standards of healthcare

2015 was the first year of the Care Quality Commission's (CQC) new in-depth hospital inspection regime. Seven of our sites hosted teams of up to 22 inspectors over a number of days of intense examination of all aspects of our care provision.

EMBRACING CARE QUALITY

Four of our hospitals that have had their inspection results published were all rated 'Good' – with Spire Liverpool and Spire Washington hospitals having individual domains rated 'Outstanding' – the only two independent hospitals in the country to achieve this so far.

Like the majority of hospitals in the country, two of our hospitals were found to require


improvement. Prompt and robust action has been taken to correct the minor concerns which the CQC identified.

We are looking forward to all our remaining hospitals being CQC rated as soon as possible – working with our regulator and sharing best practice to improve our already excellent care quality.

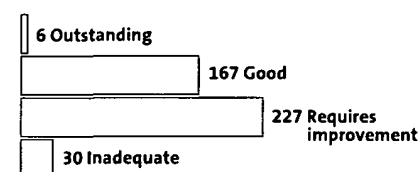
THE FIVE KEY QUESTIONS THE CQC ASKS

To give a hospital an overall rating, the CQC concentrates on five questions when inspecting. Are services:

- safe?
- effective?
- caring?
- responsive?
- well led?

 You can see how our hospitals scored at www.cqc.org.uk

CQC NEW INSPECTION REGIME ACUTE HOSPITAL RATINGS ACROSS UK INCLUDING NHS



Source: CQC at 09/03/2016.

SHARING BEST PRACTICE

REBECCA MARCHANT Clinical inspection team, CQC

A small central clinical inspection team, led by Chief Nursing Officer, Susan Holliday, supports our hospitals before and during CQC inspections. Rebecca Marchant conducts many clinical reviews – which are now effectively mini-CQC inspections – preparing staff for the sorts of questions and information required in the new inspection regime.

"We hold forums for matrons and clinicians – and we have a range of pre-inspection checklists, action plans and newsletters – all aimed at sharing inspection experiences and tips across all our hospitals. Next year we are looking to introduce an inspection 'toolkit', for all staff including self-assessments to help them prepare."

Operating review

Delivering for our patients

ANDREW WHITE
CHIEF OPERATING OFFICER

Andrew White, Chief Operating Officer, joined Spire Healthcare in November 2015. Working with our four operations directors and our hospital directors around the country, Andrew and the management team run the business day-to-day, building capacity and capability as we implement our strategy.

2015 PERFORMANCE

We judge our performance using a range of metrics and key performance indicators (KPIs) mapped to a balanced scorecard that covers service quality, people and engagement, reputation, and shareholder value. We track our engagement and reputation through regular annual surveys.

Patient satisfaction is high. In order to align our rating of patient satisfaction with the NHS and other providers, we introduced a Net Promoter Score (NPS) measure for our friends and family question, under which we were rated 82 out of a possible 100 in 2015. High patient satisfaction levels were also evidenced by patients' responses regarding overall service quality, with 98% of our patients rating overall quality of service either 'Excellent' or 'Very good'.

Consultant satisfaction continues to be high, with 79% rating our quality of service either 'Excellent' or 'Very good'. The proportion of consultants who believe that our hospitals go out of their way to make a difference to their working relationship is 96%, the same as last year and those who would be 'Certain' or 'Very likely' to recommend a Spire Healthcare hospital to their friends and family was constant at 82%.

77% of our staff responded to our 2015 Staff Engagement Survey, an increase of 3% on the previous year. This is a good response rate and overall engagement improved 2% on 2014 to 88%. Further details of the positive results from our Staff Engagement Survey can be found in Our people, the section that follows this review, on pages 42 to 45.

All in all, we are very pleased with a good performance for the year.

REGULATORY COMPLIANCE

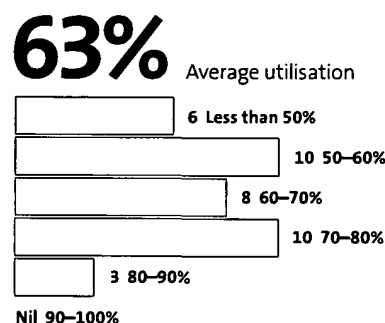
We welcome the increase in scrutiny that the CQC's new inspections bring. Experience of the process so far indicates that our hospitals are in the main, 'Good' and 'Outstanding' in some areas, but there are elements for improvement. We address all such areas as a matter of urgency.

We have revised the format of our own clinical reviews to mirror the CQC's approach across the five domains it reviews – safe, effective, caring, responsive and well led. Our assurance team already has robust and valuable management information, but by aligning our risk-based approach and using peer review we have developed a good feedback loop so we can all learn from our experiences and continually improve.

Our hospitals in Wales are regulated by Healthcare Inspectorate Wales (HIW) and those in Scotland by Healthcare Improvement Scotland (HIS). There were no inspections in 2015 by HIW. Both Scottish hospitals were inspected by HIS in 2015. Ratings are provided against five quality standards; Spire Murrayfield Hospital scored 'Very good' on all five standards, and Spire Shawfair Park Hospital scored four 'Very good' and one 'Good'.

Looking ahead, we will continue to develop Spire Healthcare's management system as well as build on our culture as a learning organisation.

We are also subject to compliance with the Competition and Markets Authority's Private Healthcare Market Investigation Order 2014, which came into effect in 2015. Our legal team undertook a detailed review of any potentially non-compliant arrangements at each of our hospitals to ensure each one was compliant by the designated deadline of April 2015.

DISTRIBUTION OF THEATRE UTILISATION BY HOSPITAL^{1,2}

Utilisation was broadly stable. The small decrease in the year mainly reflects lower utilisation in the post-installation period, as several new theatres were brought into service during the final quarter of 2014 and one during the year.

- 1 Management assumes theatres can be utilised 2,850 hours per year (10 hours per weekday and seven hours per Saturday, totalling 250 weekdays and 50 Saturdays per year).
- 2 Includes one joint theatre utilisation rate for Spire Murrayfield Edinburgh and Spire Shawfair Park hospitals.

Source: Company information.

OPERATIONAL EXPANSION

During the year, we opened our second Specialist Care Centre in Baddow, offering external beam radiotherapy and state-of-the-art cancer planning and treatment techniques to patients in Essex. More details of this centre, and our specialist development team that opened it, on time and under budget, can be found on pages 41 and 57.

A significant development at Spire St Anthony's Hospital during 2015 was the construction of a £27 million purpose-built complex, increasing capacity to six theatres, replacing four. This is due for completion in mid 2016.

Other projects that ran in 2015:

- Spire Hesslewood Clinic, part of Spire Hull and East Riding Hospital, a standalone clinic opened in February 2015 and has seen positive business growth in its first year
- Spire Elland Hospital – new £2.6 million theatre which began operating in summer 2015
- Spire Leeds Hospital – £0.4 million ambulatory care unit which began operating in Q4 2015
- Spire Roding Hospital – £1.2 million Bone and Joint Centre began operating in Q4 2015
- Spire Parkway Hospital – £9.0 million theatre expansion and chemotherapy development with endoscopy unit and a new Storz OR1 theatre
- Spire Cheshire Hospital – £1.3 million endoscopy unit, due for completion in early 2016
- Spire Hull and East Riding Hospital – £3.3 million development comprising a purpose-built clinic and new MRI/CT provision, which is due for completion in 2016

- Spire Methley Park Hospital – £7.5 million development scheme which will see a refurbishment of administration areas, bedrooms and theatres. Due for completion in late 2016
- Spire Southampton Hospital – £2.5 million project to enlarge existing ward due for completion in 2016. In addition, we have approval to invest in a da Vinci surgical robot in 2016
- Spire Clare Park Hospital – £1.9 million MRI scanner, opened in November plus £2.5 million endoscopy unit, due for completion in 2016

We will also begin the process of commissioning our two new hospitals, in Manchester and Nottingham, which are due to open in 2017.

Turning to other areas of our business, in November, Perform at St George's Park extended its partnership by two years with the League Managers Association to provide its Perform for Life health and wellbeing screening assessments. As well as working with hundreds of members of the public, the centre also saw a steady stream of top athletes and sportsmen and women, including boxer, James DeGale, and potential Team GB Olympian, Emma Jackson. In addition, the centre hosted Ireland and Argentina during the Rugby Union World Cup and also England Rugby League during their three-match test series against New Zealand in November.

Despite challenging trading conditions, Lifescan, our screening service, delivered 7% revenue and 58% EBITDAR growth during the year. The integration of this business into the Spire Healthcare network is almost complete and has successfully delivered not only its own revenue stream and improved profitability, but also new downstream

income at hospital level. We have received full authorisation for our services from both the CQC and under the Ionising Radiation (Medical Exposure) Regulations 2000 (IRMER). This now enables us to concentrate on further developing the business as the basis of an overall Spire Healthcare screening service offering.

In 2015, our pathology laboratories undertook 2.2 million tests and showed a 12% improvement in operational efficiency (cost per test). We have also been leading the way in the transition from CPC to ISO accreditation and we now have three laboratories fully accredited (Cardiff, Southampton, Portsmouth) with three more due for assessment in 2016.

We also expanded our pathology service, opening a new laboratory at Spire Cambridge Hospital. The focus for 2016 will be on further exploiting capabilities within the Spire Healthcare network and developing opportunities in the wider pathology market, as well as developing laboratories for Spire Hull and East Riding Hospital and our two new hospitals in Manchester and Nottingham.

OPERATIONAL EFFICIENCY

We continue to drive margin through a close focus on improving operational efficiency. This requires a balanced approach.

We operate a devolved business model, where local leadership and local teams are empowered to do the right thing for local patients and consultants. However, all our hospitals work within Spire Healthcare's operating framework/management system. Maintaining the right balance, in terms of central protocols, requirements and quality standards, aligned with driving local growth and performance, remains a key aspect of operational management.

Operating review *continued*



In my first few months, I have been visiting our 38 hospitals and what has struck me most is Spire Healthcare's strong, caring culture, totally focused on the patient. And talking to staff all around the UK – they're a great team of highly motivated people who want to do the right thing for our patients and truly make a difference.

ANDREW WHITE, CHIEF OPERATING OFFICER

We have instituted a monthly forum for all our Hospital Directors to meet and share experiences and best practice. A task force has been formed to concentrate on assisting our lowest quartile performers, drive improvement and deliver consistent performance right across the portfolio.

Theatre utilisation is a key performance indicator of operational efficiency. Average utilisation marginally decreased to 63% (2014: 64%) across our hospitals in 2015. Several hospitals were integrating new theatres in 2015, including the new Spire Elland Hospital theatre, which initially and temporarily affected utilisation.

Operational efficiency spans the full patient journey – from admissions forecasting, enquiry conversion, admission processing and theatre utilisation, through to timeliness, quality of discharge and post-operative rehabilitation. Doing this well has a direct impact on safety, quality and ultimately, patient satisfaction.

We continue to develop our IT systems, an integrated patient, financial and supply chain system, providing improved management information, cost savings and streamlined administration processes. During 2015, we integrated the newly acquired Spire St Anthony's Hospital into our IT system, developed a new suite of theatre utilisation tools enabling more efficient scheduling, and began the roll-out of real-time bar code stock tracking.

We have also implemented a new Customer Relationship Management (CRM) system which is fully integrated with our SAP system. The new CRM system will improve enquiry management and conversion, and call handling, and enable direct patient bookings for insurers and GPs.

It was a strong year for the National Distribution Centre (NDC) in Droitwich. Successful audits were carried out on two of the nationally recognised standards with which we comply. The NDC also undertook compliance audits as part of being a critical supplier to the Group. To support the NDC Quality Management System, Q-Pulse, a software system has been implemented, which will provide all NDC employees with a central focal point for all compliance data, materials and activities. In addition, Q-Pulse will make management aware of areas in need of attention if their compliance statuses are to remain.

The bi-yearly external Health and Safety Audit was conducted and the total risk management score was 85 out of 90 (94% compliance). Areas of merit included risk assessments, incident investigation and document control.

2016

As we continue to expand and grow, one of the biggest challenges facing Spire Healthcare – and the entire UK healthcare system – is finding, recruiting and retaining the best staff – particularly nurses.

We are working to develop our recruitment and retention strategies. Further details of our human resources approach can be found in the section, Our people, that follows this review on page 42, and this will be an area of particular focus during 2016.

The development and opening of our new hospitals in Manchester and Nottingham, during 2016/17, will require not only the recruitment of additional staff but also the support of our procurement and stock management teams throughout next year.

We will continue to seek ways in which we can improve operational efficiency, while always safely delivering outstanding healthcare to our patients.

In terms of work flow and patient care, we will be moving beyond theatre utilisation, to work on theatre optimisation. That means planning for the right teams to be in the right theatres at the right time, with the appropriate skill mix, the correct consumable packs and kits for the procedures – all to make the journey faster and smoother for the patient and make our service the most usable for our consultants.

Andrew White
Chief Operating Officer
16 March 2016

DELIVERING THE SPECIALIST CARE PATIENTS NEED, IN THE FACILITIES THEY WANT

Offering specialist cancer care, in tailor-made surroundings, is part of our strategy to offer higher acuity services to our patients.

MAKING THE DIFFERENCE

Our latest Specialist Care Centre opened in Baddow in November 2015 – bringing state-of-the-art cancer treatment to Essex and the wider region.

The consultant-led centre houses two LINACs (linear accelerators) which direct high energy beams to conform to a tumour's shape and destroy cancer cells. This enables clinicians to provide highly targeted radiotherapy, which means much greater precision for patients as healthy tissue surrounding tumours can be preserved. Special additions include a 6D

robotic couch and a wide-bore CT scanner equipped with 4D imaging capabilities.

The centre treats a broad range of cancers including breast, gynaecological, prostate, head, neck, skin and lung cancers using state-of-the-art treatment and verification techniques.

As with our first Specialist Care Centre in Bristol, the centre enables Spire Healthcare to offer integrated end-to-end care for patients from diagnosis right through to recovery.

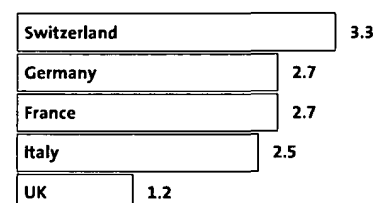
ROB ANDERSON
Operations Director

"Cancer survival rates in this country are at the highest they have ever been. Investment in new technology and state-of-the-art treatment centres like this will help push that figure even higher."

BRIDGING THE GAP

The UK has fewer LINACs per head of population than France, Germany, Netherlands, Italy and Belgium*.

Our continued development of Specialist Care Centres means a significant increase to the private provision of LINACs, which currently stands at only 20 machines nationwide outside Greater London.

RADIOTHERAPY CENTRES
(PER MILLION PEOPLE)

* Source: Ambrafund.

PATIENTS INVOLVED ALL THE WAY

Treatment is always personal – but cancer treatments, often requiring multiple visits, create particularly strong bonds between our patients, their hospitals and their clinical teams. In developing our Specialist Care Centres we have used patient input at all stages in creating the calm and positive internal environments that are so important for reassurance, tranquillity and confidence. All aspects of colour, art and aesthetics come together to help our patients on the road to recovery.

Our people

Our people really are our greatest asset. We focus on ensuring that we have the people in place to provide outstanding care for our patients, as we deliver our growth ambitions.

+£158k

Hospitals fundraised over £158,000 for their local communities and charities over the last year

1,184

1,184 GP/clinical education events were held at our hospitals

18,530

Over 18,530 GPs, nurses, physiotherapists and other healthcare professionals attended these events

Perhaps more than most businesses, ours is one where every member of staff needs to feel fulfilled, valued and satisfied with their work.

Providing quality care to our 760,000 patients is totally personal. It is delivered, every day of the year, by our skilled and dedicated staff.

At 31 December 2015, we employed 12,426 people, (3,529 bank workers and 8,897 permanent employees) – equivalent to over 7,800 full-time jobs – split between nursing, theatre staff, allied health professionals, and administration and clinical support staff.

Our employees are predominantly female; 7,294 compared to 1,603 male. For senior management we employ 149 female managers out of a total of 247.

ENGAGEMENT AND MOTIVATION

We work hard to foster Spire Healthcare's unique culture – one where every member of staff feels fully valued and listened to, where they can do their best for their patients, and where they can feel fully appreciated.

Every year we survey our staff's views on how we are doing and ask them how we could improve. This year 77% of staff responded (3% more than last year), and of them 78% said they would recommend Spire Healthcare to family and friends as a place to work (up from 76% last year and 72% the year before).

Other highlights from the 2015 survey respondents included:

- 93% believe what they do at work makes a positive difference (92% in 2014);
- 92% would recommend Spire Healthcare to friends and family if they needed care or treatment (90% in 2014);

- 91% get personal satisfaction from their work (90% in 2014);
- 90% feel that they really fit in with the rest of their team (89% in 2014); and
- 89% are proud to work for Spire Healthcare (88% in 2014).

The survey also pointed to a number of areas where we could improve. Chief among these were:

- working together – developing inter-departmental relationships;
- resource allocation of staff and equipment to improve service quality; and
- more open and visible senior management – demonstrating our values in action.

THE CHALLENGES WE FACE

Finding, recruiting, developing and retaining the best clinical and support staff is one of our biggest challenges, particularly so in a market where there are too few nurses.

Full-time equivalent nursing vacancy rates within the NHS are at least 7%, 37% of nurses in the UK are 50 years of age or over. Commissioned nursing student places were reduced from 22,000 in 2008/09 to 17,000 in 2012/13 and only 19,000 in 2014/15*, so there are not enough new nurses graduating from our universities. And the shortfall is not being met successfully by overseas nurses – tightening immigration law, through the Points-Based System introduced in 2008, means that 7,000 fewer nurses a year are now coming to the UK compared to 10 years ago.

We are meeting this challenge and responding to staff feedback in a number of ways.

* Source: Christie & Co UK Nursing Workforce, Crisis or Opportunity?



Providing quality care to our 760,000 patients is totally personal. It is delivered, every day of the year, by our skilled and dedicated staff.

CAROLINE ROBERTS, GROUP HUMAN RESOURCES DIRECTOR

Our values

*Caring is
our passion*

*Succeeding
together*

*Driving
excellence*

*Doing the
right thing*

*Delivering
on our
promises*

*Keeping
it simple*

IMPROVING STAFF RECRUITMENT AND RETENTION AT LEICESTER

Spire Leicester Hospital is among our best, in terms of effective recruitment, low spending on agency nurses, and high staff retention rates. It's far more cost-effective to find good staff and to keep them, than it is to be in a constant cycle of turnover. But of even greater importance – skilled and stable clinical teams deliver the very best care for our patients.

Overseen by Matron, Alison Dickinson, and HR Administrator, Lyn Hall, recruitment and retention is key to the success of Spire Leicester Hospital.

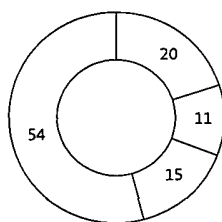
As Alison says, "We have a low rate of agency nursing staff at Leicester of 1.03% and also a relatively low clinical staff turnover of 9.4%. Our recruitment campaign successfully attracts really great people from both the independent sector and the NHS. That gives us a broad spectrum of people and skills. We've made it easy for potential NHS recruits

by adopting the NHS's language around pensions, which really helps people with the transition. And we operate a buddy system and really good induction plan to help new starters through their first few weeks in the hospital."

Lyn comments, "We are able to act faster than the NHS which means we can recruit quickly and flexibly. For instance, if we see a really outstanding person, even if there are no immediate vacancies in their specialist area, we might offer another post and give training to fit the role. We're able to offer a lot of training opportunities, which is a massive draw to staff. We also offer taster days in departments so applicants can see for themselves whether they'd suit life at Spire Leicester Hospital."

Our people *continued*

EMPLOYEES INCLUDING BANK STAFF*
(31 DECEMBER 2015) (%)



- Nursing **2,501**
- Theatre staff **1,367**
- Allied health professionals **1,872**
- Clinical support and admin **6,686**

DIVERSITY: OVERALL EMPLOYEES

2015	2,261	10,165
2014	2,256	10,113
2013	2,010	9,231

SENIOR MANAGERS

2015	41	25
2014	38	27
2013	31	26

BOARD

2015	8	1
2014	8	1

- Male
- Female

* The Group employs 'bank' staff (staff who do not work regularly scheduled hours, but are directly employed by the Group).

DEVELOPING OUR LEADERSHIP

Most immediately visible is the strengthening of senior management, with the appointments of Andrew White as Chief Operating Officer, Peter Corfield as Group Commercial Director, myself as Group Human Resources Director and Jonathan Paisley as Chief Information Officer. They join a team that aims to go beyond management by process and objectives, to lead through ideas, vision and inspiration.

DEVELOPING SPIRE HEALTHCARE'S PERSONALITY AND PEOPLE PROPOSITION

We are developing a short-, medium- and long-term set of initiatives that, taken together, will create a People and Talent strategy.

Key elements of this strategy will include:

- developing a compelling people proposition that differentiates Spire Healthcare as an employer of choice;
- recruiting and resourcing the business to meet current and future staffing requirements as we grow;
- managing our talent better, so that we identify, deploy, develop and engage our people better; and
- better aligning our staff benefits and incentives to personal, business and investor needs.

Clinical staff resourcing is of critical importance. We already have a recruitment delivery plan in place to fill short-term staffing needs and meet the staffing requirements of our medium-term capacity, service and new build expansion.

Key elements of our strategy include developing our working relationships with local universities, offering placements and

encouraging nurses to return to practice, helping our current nursing staff in their revalidation, and developing our international nursing recruitment programme.

Ultimately, we will 'grow our own' through graduate programmes and clear, long-term career paths.

We are also continuing to develop flexible working patterns and our nursing bank as a cost-effective and flexible resource to meet changing demand patterns and utilise our capacity more effectively.

Our People and Talent strategy will seek to identify, develop and deploy talent throughout the business, with the express purpose of meeting our future skills, experience and capability requirements, and to embed succession planning at all levels.

During 2015, we supported 133 people through our Management Fundamentals programme and 11 through our Leadership Essentials programme. Management Fundamentals focuses on developing the people skills of new managers, while Leadership Essentials is a seven-month, four-module, programme designed to develop our future leadership cadre.

We intend to review the role and format of these programmes as part of the development of our People and Talent strategy going forward.

Caroline Roberts
Group Human Resources Director
16 March 2016



Over £158,000 was raised by the Group through various sponsored walks, sporting events, bake-offs and consultant golf days, to name but a few.

CAROLINE ROBERTS, GROUP HUMAN RESOURCES DIRECTOR

INTRODUCING IMPROVEMENTS AND STRIVING FOR EXCELLENCE

2015 CHARITABLE HIGHLIGHTS

HEALTHCARE CYCLE CHALLENGE

In June, we held the second annual Spire Healthcare Cycle Challenge.

Last year, the Challenge covered 620km between Spire Healthcare hospitals and raised money for Walking with the Wounded and Macmillan Cancer Support. This year, 200 Spire Healthcare cyclists, joined again by Chief Executive Officer, Rob Roger, covered 720km over six days, from Manchester to London, stopping at Blackpool, Leeds, Bristol, Southampton, Portsmouth, Cheam, Norwich and Cambridge along the way.

Over £5,000 was raised for this year's chosen charity, Harrison's Fund. The charity is named after an eight-year-old boy from Surrey who was diagnosed with Duchenne Muscular Dystrophy, a fatal genetic condition that affects the muscles, causing muscular weakness. The charity's goal is to raise as much money as it can for the world's best researchers working on a cure for Duchenne.

COMMUNITY CHARITY WORK

Over the last year, each Spire Healthcare hospital continued to fundraise for important local and national causes. In fact, over £158,000 was raised by the Group through various sponsored walks, sporting events, bake-offs and consultant golf days, to name but a few. Next year, it is our aim to go further and raise more, and build upon the good work our people already do.

TOP FIVE FUNDRAISERS

ST ANTHONY'S

£62,300

CAMBRIDGE

£20,900

PARKWAY

£11,800

WASHINGTON

£10,400

HULL AND EAST RIDING

£7,600

SUSAN HOLLIDAY

Chief Nursing Officer, Spire Healthcare

"I have worked with the CQC since the new methodology was introduced about three years ago and, in 2015, I became a specialist adviser and inspector myself. It was important for me to see the other side of the CQC, what they are looking for and how we can be at our best for inspections.

My area of expertise is governance and it's my position to support the CQC inspection to enable the best rating outcome. I undertake hospital-wide inspections and interview hospital directors, matrons, governance managers, infection control leads and senior management teams. I look for a sound knowledge base of the hospital, their understanding of what is happening, visibility, and vision of the business, and staff engagement. This role really helps me get into the correct mind-set for when I do my internal clinical reviews in Spire Healthcare hospitals.

There are few people working in the independent sector that have, like me, joined the CQC as specialist advisers. Private hospitals do operate differently from their NHS counterparts and advisers who know the independent sector bring a wealth of experience and expertise to the role.

The CQC's new methodology of inspecting hospitals has presented differing views but ultimately they are looking for good leadership, management and governance of the organisation."

Corporate social responsibility

Spire Healthcare's ethos reflects our care for the environment and our hospitals' local communities.

LOOKING AFTER OUR ENVIRONMENT

At Spire Healthcare, we realise that we have a 'duty of care' to the environment as well as our patients and we continue to promote a low carbon culture across our hospitals. We continually review how we operate our buildings and infrastructure to improve carbon efficiency across our portfolio.

One of our key areas of focus is our usage of electricity and natural gas.

ENERGY

Energy targets vs performance

In 2010, we published our five-year energy reduction targets, aiming to reduce CO₂e from electricity and natural gas by 10% per pound of revenue by 2015 on the baseline year of 2010. We are delighted to announce that this was exceeded – we achieved a reduction of 32% per £ of revenue by 1 January 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 Hospital to our portfolio, for example, added 6% to our energy consumption overnight.

Legislation

Since becoming a publicly listed company in 2014, the Group has registered for the government's CRC energy efficiency scheme and we will report our carbon emissions to the Environment Agency accordingly.

Our mandatory ESOS audits have now been completed and concluded that due to work already undertaken in improving energy efficiencies across our estate, the recommendations would be unlikely to produce large energy savings. The recommendations will however be incorporated into our carbon reduction planning for the future.

We have also been invited to participate in the Carbon Disclosure Project's (CDP) programme which evaluates both performance and disclosure. We made our first submission to the CDP this year and we are delighted to say that our score of 90D made us the second placed new respondent in the FTSE350 for 2015.

Capital investment in low carbon infrastructure

We continue to invest in our engineering infrastructure to improve energy efficiencies. Key projects this year included investment in areas such as lighting, mechanical ventilation, building controls, heating and domestic hot water services.

High efficiency lighting – we have now installed external LED lighting at 32 of our hospitals which are benefiting from a much improved light quality as well as the energy reduction this technology brings. On the back of the measured energy and aesthetic benefits of our internal upgrade to LED lighting at Spire Leicester Hospital last year, similar investment has been made at Spire Southampton Hospital in 2015 where over 890 fluorescent fittings have been replaced with LED luminaires. We intend to invest further in this area during 2016 to ensure we continue to reduce our electricity consumption and realise our 2020 energy reduction targets.

High efficiency heating and hot water services – modular condensing heating and hot water boilers were installed at Spire Dunedin and Spire Leeds hospitals in 2015, which will deliver a reduction in gas consumption at those sites in future years.

Due to the absence of piped natural gas at our Spire Tunbridge Wells Hospital, the hot water demand was previously served solely by grid-supplied mains electricity. Two ageing

TOTAL EMISSIONS 2015 (%) (tCO₂e)

Fuel combustion: stationary

2015	11,150
2014	10,360

Fuel combustion: mobile

2015	1,112
2014	1,124

Facility operation

2015	7,152
2014	6,543

Purchased electricity

2015	25,868
2014	27,027

and inefficient 2000L hot calorifiers were heated by an array of electric elements totalling 38kW each to provide hot water distribution at 60 degrees centigrade for hospital clinical, domestic and catering needs. Working with our mechanical and electrical consultants, we reviewed more efficient replacement options and opted to install underground liquid petroleum gas storage cylinders to fuel new high efficiency LPG condensing modular boilers. These will provide low pressure hot water and serve plate heat exchangers for domestic hot water use. Using LPG as a primary fuel source provides access to efficient plant, improved control and reduced carbon emissions. Its capacity can be increased as required to reduce the site's reliance on electricity for heating the main building.

High efficiency ventilation system – our theatre ventilation plant ensures rapid air exchange within our theatre suites to protect our patients from infection. These systems are energy hungry. In 2015, we replaced ageing systems at Spire Yale Hospital with high efficiency control and heat recovery systems that help deliver this critical air in the most efficient way.

GREENHOUSE GAS EMISSIONS (GHG)

This section provides the emissions data and supporting information required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Footprint boundary

An operational control approach has been used to define the GHG emissions boundary, as defined in Defra's 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 the distribution centre, plus company-owned and leased transport. As Spire Healthcare has no overseas operations, all emissions refer to UK operations only.

Emissions sources

All material scope one and two emissions are included. These include emissions associated with:

- fuel combustion: stationary (natural gas, and red diesel for backup generators) and mobile (vehicle fuel);
- purchased electricity; and
- fugitive emissions (refrigerants, medical gases).

There are no known process emissions and no purchased heat or steam.

Methodology and emissions factors

This report was calculated using the methodology set out in Environmental Reporting Guidelines (ref. PB 13944), published by Defra in June 2013.

Emissions factors are taken from the Defra/DECC emissions factor update published in 2015, produced on behalf of Defra/DECC by Ricardo AEA and Carbon Smart.

GHG emissions data

The GHG emissions for Spire Healthcare for the year were 45,282tCO₂e, (2014: 45,053tCO₂e). The 'facility operation' emissions are attributable to the use of medical gases, carbon dioxide and nitrous oxide, (5,004tCO₂e) and leakage of refrigerant gases (2,149tCO₂e).

This is 2% higher than the emissions reported for 2014.

For purposes of baselining and ongoing comparison, it is required to express the GHG emissions using a carbon intensity metric.

The intensity metric chosen is per £ revenue. Spire Healthcare's revenue in 2015 was £884.8 million, giving an intensity of 51.1tCO₂e per £m revenue, 3% lower than 2014 (52.6tCO₂e).

WASTE

The NDC provides the Group with a collection service, removing cardboard and paper for recycling. As part of the NDC ISO 14001 objectives the scheme has been extended to the re-use of cardboard packaging at handling units as part of NDC deliveries into hospitals; this has resulted in a 46-tonne/11% reduction of cardboard during 2015.

Central Purchasing continues to work with our strategic waste management partners to help direct our general waste away from landfill and into Energy from Waste (EfW) facilities. Over 86% of our general waste (1,981 tonnes) is now being recycled utilising material recycling facilities and 100% of the residue waste is now being sent to EfW.

All the clinical waste generated by clinical facilities is now either incinerated or pre-treated and the residual sent to EfW.

Risk management and internal control

Overall responsibility for the Group's risk management and internal control systems lies with the Board of Directors. The Board has delegated oversight to two committees.

The Audit and Risk Committee, with the assistance of the Clinical Governance and Safety Committee (CGSC), provides the Board with advice on the Group's overall risk appetite and strategy, and a view on the current risk exposures, the future risk strategy, and the effectiveness of the Group's risk management and internal control processes.

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.

In 2015, the Risk Appetite and Risk Strategy were reviewed and agreed by the Board to ensure a consistent level of understanding of risk tolerance and acceptable level of risk to the Group as well as a clear strategy on risk management processes going forward.

The Board recognises that it has limited control over many of the external risks it faces, such as macroeconomic events and the complex regulatory environment. However, it is important to consider the potential impact of such ongoing risks to the business and where possible develop contingency plans to minimise the impact of these external risks.

CLINICAL GOVERNANCE AND SAFETY COMMITTEE

During 2015, the CGSC chaired by Dame Janet Husband focused on key clinical risks and trends including the review of notifiable incidents and external regulatory inspections across the Group. The corporate Clinical Services team has developed a detailed hospital review methodology and internal inspection programme that provides assurance to the CGSC and senior level

management that hospitals are complying with national clinical standards and Spire Healthcare's policies and procedures. Where any gaps are identified, these are reported and acted upon promptly.

The Clinical Services team has developed a detailed set of assurance reports in order to provide management oversight at a Group and hospital level.

RISK MANAGEMENT

The Board recognises that the Group needs to comply with both the UK Corporate Governance Code and increasing regulatory expectations for listed companies risk management and internal control processes. The risk management framework was reviewed by the Board and its committees during 2015, and it will continue to evolve and develop as the level of risk maturity increases within the Group.

CORPORATE RISKS

All significant risks facing the Group are captured within a Corporate Risk Register and are assessed in terms of consequence and likelihood. Each such risk is owned by a member of the senior leadership team who works to monitor and mitigate that risk. The Corporate Risk Register is reviewed on a regular basis, and in response to changes in the risk environment (for example in response to an incident). The principal risks facing the Group are drawn from the Corporate Risk Register and are linked to the Strategic Pillars of the Group. These are also reviewed on a regular basis and changes from last year are indicated in the Principal risks section on pages 50 to 55.

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 corporate Clinical Services team, which is independent of the hospital operations and is led by the Group Medical Director, oversees a national programme of clinical audits, in addition to conducting on-site clinical reviews of every hospital and non-hospital unit, 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, Operations Directors, Matrons, the Executive Committee and the CGSC;
- 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, Operations Directors, Matrons, the Executive Committee and the CGSC. Specific KPI measures drawn from this management information are given on page 35;

- the Group is subject to substantial levels of external inspection and review, both by the range of national healthcare regulators 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 have been further strengthened and formalised in 2015.

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 management and the Board;
- 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/INTERNAL CONTROL ASSURANCE

The need for an Internal Audit function was reviewed by the Audit and Risk Committee during the year. It is anticipated that the structure of the function will be formalised and the remit of the Internal Audit activities will be further redefined during 2016.

The Group has not historically considered it necessary to establish an Internal Audit function, in part because of the way hospitals and administration activities are structured, which means that the initiation of transactions is entirely separated from the delivery of the associated services and their financial recording, and the low level of delegated authority at hospital level limits risk exposure. Reliance is placed on the management review process, transaction-level controls built into business processes and other forms of assurance activity and audits being performed across the Group, including clinical audits, health and safety audits and regulatory inspections.

The Audit and Risk Committee has decided that the assurance provided by these processes will be supplemented in certain specific areas through the procurement of

specific independent reviews undertaken within an Internal Audit framework, the scope of which is set by the Audit and Risk Committee based on a periodic review of the risk register and internal controls.

CONTINUOUS LEARNING

Accepting that internal control systems and robust risk management cannot guarantee to reduce error or loss to zero, the Group takes all instances of complaints, control failures, regulatory non-compliance or other risk events (or near misses) very seriously, and has a detailed process in place to take action in respect of each specific issue identified, to understand the cause and to learn from the event wherever possible, so that the chance of reoccurrence is minimised. An open culture is actively promoted and monitored within the Group that positively encourages the reporting of all risk events and other issues arising. The number and nature of events arising and the operation of event management processes are closely monitored by hospital management, the Executive Committee, the Audit and Risk Committee and the CGSC.

The Group operates an independent whistleblowing service to facilitate reporting of any issues or concerns that staff may have that they are unwilling to raise via any other channel.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the Corporate Governance Code, the Directors assessed the viability of the Group and have adopted a period of three years for the assessment. A three-year period was selected as it corresponds with the Board's strategic planning horizon. Whilst existing bank facilities extend until July 2019, this viability assessment has also considered the ability of the Group to refinance bank facilities at the end of the three-year period based on current market-lending multiples.

The assessment conducted considered the Group's revenue, EBITDA, operating profit, cash flows and loan covenants over the three-year period. These metrics were subject to severe 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 may be summarised as follows:

- Spire Healthcare is unable to access sufficient numbers of appropriately qualified clinical staff, restricting growth, driving up clinical staff costs and constraining the capacity of new hospital developments;
- a key hospital is subject to temporary suspension of trade, with a permanent adverse impact on revenues, for example, due to failure to meet CQC regulatory standards;
- the Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyberattack on key business systems; and
- the downside modelling of a number of risks which result in a decline in earnings, including lower NHS tariffs or referral rates or a general economic downturn.

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.

Principal risks

The Group's financial and operational risks, how they have changed and how they are managed are shown below.

	RISK THEME	RISK DESCRIPTION AND IMPACT	
1	Availability of key medical staff	<p>Growing demand for healthcare, changes to the working requirements and a limited supply of appropriately qualified key medical staff, leads to a shortage of medical staff. Profitable growth, in line with the Group's strategy, requires an expansion of clinical services in hospitals, particularly including more complex surgical procedures and ongoing treatment of higher-risk patients, which could be impacted by a shortage of key medical staff. In order to expand our directory of services at hospital level, in line with our strategy, it is vital to have access to appropriately qualified, self-employed consultants.</p> <p>The market may see salary rates rise as competition for staff increases and, as a result, the Group's costs may increase and its profits may reduce.</p>	
2	Clinical care	<p>The Group's future growth depends upon its ability to maintain its reputation for high-quality services by meeting its quality goals. Poor clinical outcomes, negative media comment or patient, GP and/or consultant dissatisfaction could reduce the quality ratings, which could lead to a loss of patient referrals and lost earnings.</p>	
3	Macroeconomic conditions	<p>Approximately 67% of the Group's revenue is dependent on private patients having private medical insurance (PMI), paid by their employer or paid by the individual, or being able to afford its services (Self-pay).</p> <p>In an economic downturn, the number of insured individuals falls with the level of employment and individuals have reduced real income to fund insurance or Self-pay for procedures.</p> <p>This would have an adverse effect on the Group's business, the results of its operations and prospects.</p>	

Our strategic pillars



1. To drive **strong growth** through a clear focus on our **three payor groups**



2. To **maximise utilisation** of existing sites by **growing volume**



3. To **develop new sites and services**, particularly for the treatment of **cancer**



4. To **drive efficiency** and **improve productivity**

Key:

- ⬆ Risk increased
- Risk remained stable
- ⬇ Risk decreased

RISK CHANGE 2015	RELATED STRATEGIC PILLARS	HOW WE MANAGE THE RISK
⬆	1 >	<p>The Board focuses on staff retention, evidenced by very high levels of staff satisfaction and, hence, low staff turnover, and its excellent reputation to attract new staff.</p> <p>Overseas recruitment of English-speaking nurses is being used to mitigate the UK shortage of trained nursing staff and to reduce the cost of using agency staff.</p> <p>The Group believes consultants are attracted by its advanced facilities, technology and equipment, excellent brand and reputation, the availability of a broad range of treatments, skilled nursing staff and medical support staff, and the efficiency of administrative support. The Group undertakes continuous investment in its equipment, facilities and services to retain high-quality consultants and also provides theatre capacity to new consultants. This is confirmed by high consultant satisfaction levels.</p> <p>An employee survey is conducted annually to establish employee satisfaction and, where appropriate, changes in working practices are made in response to the survey findings to aid retention.</p>
→	(11) +	<p>Spire Healthcare continually monitors its clinical standards, policies and procedures through the Board's Clinical Governance and Safety Committee.</p> <p>During 2015, effective management information and associated reporting have been developed and are now provided to the Executive Committee on a regular basis for greater transparency.</p> <p>A number of key performance indicators are used in the assessment of clinical standards and these may be found in the Clinical review.</p> <p>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.</p>
→	(11) + <	<p>The Board manages this risk by regularly reviewing market conditions and economic indicators to assess whether actions are required.</p> <p>As successfully employed in the recent economic downturn, if the private market contracts, the Group can try to reduce costs and future investment to improve profit and cash flow, and may be able to offer the released capacity to the NHS at its lower tariff, reducing the impact on profit.</p>

Principal risks *continued*

RISK THEME	RISK DESCRIPTION AND IMPACT	
4 Government policy	<p>Change in the medium-term public funding of NHS services provision, and/or the prioritisation of this funding to particular service lines over time (elective healthcare, A&E, community care, etc.), could adversely reduce the flow of NHS patients to Spire Healthcare.</p> <p>Changes in the service level requirements for providers of NHS services, and service level commitments to members of the public served by the NHS, could adversely impact the attractiveness of privately funded treatment.</p> <p>Changes in fiscal policy could increase the burden of welfare resulting in a reduction of NHS-funded options.</p> <p>A fundamental change in the tariff structure (pricing arrangements) associated with the provision of services to the NHS could result in reduced access to patients, reduced tariffs, or reduced prices leading to reduced revenues and/or margins.</p>	
5 Compliance with laws, regulations and other applicable requirements	<p>The Group operates in a highly regulated environment, including complying with the requirements of, for example, the CQC, Monitor and the CMA.</p> <p>Failure to comply with laws, regulations or regulatory standards may expose the Group to patient claims, fines, penalties, damage to reputation, suspension from the treatment of NHS patients, loss of hospital license and loss of private patients, such that the Group may not be able to operate one or more of its hospitals, causing a significant reduction in profit.</p> <p>The CQC has initiated its new inspection regime which assesses and rates hospitals and makes these results publicly available. If a hospital fared badly in one of these inspections, or a process embedded throughout the Group was considered unacceptable it could result in one or many hospitals being assessed as 'Inadequate' which could have significant regulatory and reputational impacts.</p> <p>In addition, the Group could fail to anticipate legal or regulatory changes leading to a significant financial or reputational impact.</p>	
6 Competitor challenge	<p>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.</p> <p>The potential impact would be the loss of market share due to a new competitor and reduced profitability and cash flow.</p>	
7 Insurance	<p>Healthcare companies, including Spire Healthcare, are sometimes subject to actions alleging negligence, malpractice and other legal claims that may involve large potential damages and significant defence costs, whether or not the defendant is ultimately found liable.</p> <p>The Group 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.</p> <p>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.</p>	

Our strategic pillars



1. To drive **strong growth** through a clear focus on our **three payor groups**



2. To **maximise utilisation** of existing sites by **growing volume**



3. To **develop new sites and services**, particularly for the treatment of **cancer**



4. To **drive efficiency and improve productivity**

Key:

- ⬆ Risk increased
- Risk remained stable
- ⬇ Risk decreased

RISK CHANGE 2015	RELATED STRATEGIC PILLARS	HOW WE MANAGE THE RISK
⬆	(iii) ⬆ ⬇	<p>The Group believes that the private sector has become a fundamental partner of the NHS across the UK. The continued use of private facilities is, in Spire Healthcare's view, the best way to meet the challenges facing the NHS, particularly as there is limited capacity within the NHS to take back work currently undertaken by the private sector.</p> <p>The Group's service levels are confirmed by regular surveys of patients, GPs and consultants, which provide ongoing feedback to ensure NHS requirements (whether as providers or as commitments to its patients) are met. In addition, the Board regularly reviews the competitiveness of its patient offering (both NHS and private patients).</p> <p>The Board continually monitors government policy, NHS requirements and associated tariff structures to consider the need for cost and/or investment reduction, whether in the short, medium or long term.</p>
→	(iii) ⬆ ⬇	<p>The Group is in the process of strengthening its Group-wide risk management framework (and associated policies and procedures) to ensure that risks are mitigated as far as possible, the executive management team has appropriate visibility to ensure robust decision making, and the Group has the ability to monitor and react to the changing regulatory framework of a listed company in the healthcare sector.</p> <p>The Group has a significant centralised clinical team which assists hospitals in establishing and maintaining a high level of clinical performance.</p> <p>Emerging legal or regulatory changes are monitored by the Board, the Executive Committee and the Safety Quality and Risk Committee, in addition to consultations with external advisers and industry briefings.</p>
→	⬇ >	<p>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.</p> <p>The Group considers that a partial mitigation of the impact of competitor activity is ensured by providing patients with high-quality care and by maintaining good working relationships with GPs and consultants.</p>
→	⬇ >	<p>The Group holds third-party liability insurance to partially cover patient, third-party and employee personal injury claims, and is partially self-insured up to predetermined levels, above which its third-party liability insurance applies.</p> <p>The Group reviews and maintains insurance adequacy of cover annually with the Group's brokers.</p>

Principal risks *continued*

	RISK THEME	RISK DESCRIPTION AND IMPACT	
8	Cybersecurity	<p>The Group's information technology platform supports, among other things, management control of patient administration, billing and financial information and reporting processes. In common with other corporate organisations, the Group faces the challenges of a continually evolving external cyberthreat landscape, and could become vulnerable to computer viruses, break-ins and similar disruption from unauthorised tampering.</p> <p>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.</p>	
9	Concentration of PMI market	<p>The PMI market is concentrated, with the top four companies – Bupa, AXA, Aviva and VitalityHealth (formerly PruHealth) – having a market share of over 85%.</p> <p>Loss of an existing contractual relationship with any of the key insurers could significantly reduce revenue and profit.</p> <p>Further consolidation of the PMI market may lead to additional restrictions which could decrease profitability or increase the consequential loss of a partner.</p>	
10	Investment plans and execution	<p>The capital investment programme (which includes IT system developments, and the construction of two new hospitals) for the Group consists of the largest number of parallel developments undertaken to date.</p> <p>With any major project, there are risks such as major cost overrun or substantial delay in delivery which could impact upon the expected returns, the Group's planned profit growth and future cash flow.</p>	
11	Liquidity and covenant risk	<p>The Group may have insufficient liquid resources to meet its financial liabilities as they fall due, or breach financial covenants linked to its borrowings.</p> <p>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.</p>	

Our strategic pillars



1. To drive **strong growth** through a clear focus on our **three payor groups**



2. To **maximise utilisation** of existing sites by **growing volume**



3. To **develop new sites and services**, particularly for the treatment of **cancer**



4. To **drive efficiency** and **improve productivity**

Key:

- ⬆ Risk increased
- ➡ Risk remained stable
- ⬇ Risk decreased

RISK CHANGE 2015	RELATED STRATEGIC PILLARS	HOW WE MANAGE THE RISK
⬆	⬆ ⬇ ⬇	The Group has a three-year IT plan outlining the strategy developed in order to support the business. There are forums which relevant business and IT stakeholders attend to discuss the IT plan and projects, including monthly meetings to discuss changes to SAP enhancements and NHS developments and senior leadership team meetings held quarterly. The Group's Information Technology Continuity Plans continue to be reviewed, updated and tested to ensure relevance.
⬆	⬆ ⬆ ⬇	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 Board believes continuing to invest in its well-placed portfolio of hospitals should provide a natural fit to the local requirements of all the PMI providers. The Group has entered into contracts to continue the good relationships for the long-term and to reduce the Group's risk.
⬆	⬇	The Group conducts a detailed financial and operational appraisal process to evaluate the expected returns on capital during the evaluation phase of the project. Robust project management is employed throughout the project, from the evaluation, to the bid process, agreement of contract terms and conditions, cost forecasting, as well as regular monitoring and management of progress. Regular reporting of all significant projects to the executive sponsor and the Board is provided.
➡	⬆ ⬆ ⬇	The Group actively monitors and manages its liquid asset position, its financial liabilities falling due and the cover against its loan covenants. Forward projections show that the Group can meet its liquidity requirements from existing liquid assets and maintain its loan covenant obligations, even in adverse scenarios. In addition, there is a committed, undrawn revolving credit facility of £100 million available to meet liquidity needs, if required. In an adverse scenario, capital expenditure could be cut back to reduce the demand on liquidity.

PATIENTS: AT THE HEART OF EVERYTHING WE DO



INCREASED CAPACITY AND NEW SERVICES

Meeting growing
demand, across
the country

Creating new hospitals and expanding our existing ones without disrupting patient care requires specialist planning and development skills.

BUILDING FOR THE FUTURE

Spire Healthcare has invested substantially every year we've been in existence in new and expanded hospitals.

In 2015, we opened our second new-build Specialist Care Centre in Baddow, and a new theatre, opened at Spire Elland Hospital, will benefit more than 2,000 patients from the local area in its first year.


At Spire St Anthony's Hospital, six new theatres, a new physiotherapy suite with a gym and hydrotherapy, an enlarged recovery unit, additional consulting rooms and an expanded car park, are all due to be completed by mid 2016.

And two entirely new-build hospitals – in Nottingham and Manchester – will add six theatres and 86 in-patient beds to our capacity in 2017.

£109.5m

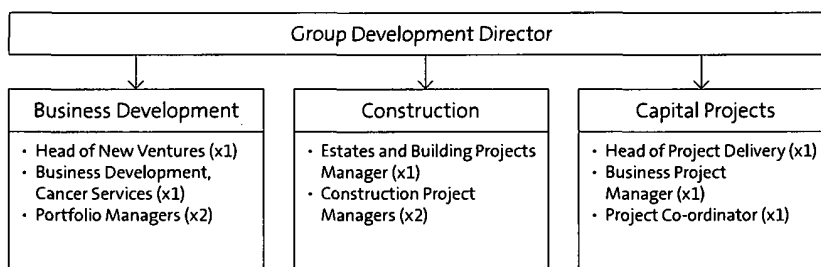
capital expenditure in 2015

Including the development of the Manchester and Nottingham hospitals, the Spire Specialist Care Centre in Baddow and theatre developments at Spire St Anthony's and Spire Elland hospitals.

 More information on our developments can be found on pages 38 to 39

DEDICATED TEAM

Our specialist development team has all the skills needed for the fast, efficient and cost-effective delivery of new-build, expansion and refurbishment projects across the country, from original concept to first patients receiving treatment.



DEVELOPMENT SPECIALISTS

Our skilled and experienced development team uses proven project management methodologies to deliver these highly complex developments to strict timetables and budgets.

Success is built on constant communication, the absolute expectation that all contractors will deliver, and meticulous attention to all aspects of the project – from community engagement to planning, from construction to staff recruitment.

As Julie Peters from our central development team says, "These highly complex developments combine planning, design, clinical, commercial, IT and construction work streams. Our job is to make sure the hospital isn't just there, but that the clinical staff are recruited and trained, it passes its CQC inspection and everything is fully operational on day one.

"And that we deliver on time and even under budget!"

Our Board of Directors

GARRY WATTS

ROB ROGER

SIMON GORDON

JOHN GILDERSLEEVE

PROFESSOR DAME JANET HUSBAND

ROBERT LERWILL

TONY BOURNE

SIMON ROWLANDS

DANIE MEINTJIES

GARRY WATTS**Executive Chairman** **C**

Garry Watts joined the Group as Executive Chairman in 2011 before becoming Non-Executive Chairman between Admission and March 2016. He resumed the role of Executive Chairman in March 2016. The Company does not consider Garry to be independent due to his executive role.

Current external appointments

- chairman of BTG plc
- chairman of Foxtons Group plc
- deputy chairman of Stagecoach Group plc*
- non-executive director of Coca-Cola Enterprises, Inc

Skills and previous experience

A chartered accountant by profession and former partner at KPMG, Garry's extensive business knowledge and leadership of other listed company boards, including SSL International plc and Celltech Group plc, has ensured a seamless transition from private to public for the Company. 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. Garry was also previously an executive director of Medeva plc and a non-executive director of Protherics plc.

ROB ROGER**Chief Executive Officer** **C N E**

Rob Roger was appointed Chief Executive Officer of the Group in May 2011 having previously held the position of Chief Financial Officer since Spire Healthcare's formation in 2007. He became an Executive Director of the Company in June 2014. Rob will step down from the Board and leave the Company in June 2016.

Skills and previous experience

As a qualified chartered accountant, Rob combines a sound financial background with broad operational experience to lead and deliver the Group's strategy. Prior to joining Spire Healthcare, he spent nine years with The Tussauds Group as chief financial officer. During this time, Rob also had responsibility for business development, was acting chief executive officer and oversaw the international development of the brand. He led the sale of the Tussauds Group to Merlin Entertainment in April 2007. Rob has previously been chief financial officer of both First Choice Holidays and Flights, and Pizza Hut in France.

SIMON GORDON**Chief Financial Officer** **E**

Simon Gordon joined Spire Healthcare as Chief Financial Officer in July 2011 and became an Executive Director of the Company in June 2014.

Skills and previous experience

Simon has a broad range of financial experience and brings invaluable knowledge of both audit and transaction advisory projects for both listed and private companies to the role. He qualified as a chartered accountant with KPMG before spending eight years as group finance director of Virgin Active. During his time at Virgin Active, the business grew from break-even to £150 million EBITDA, operating in five countries. This growth was achieved by a successful combination of organic development and acquisition.

* Garry Watts will step down from the board of Stagecoach Group plc in July 2016.

Board committee membership:

- A** Audit and Risk Committee
C Clinical Governance and Safety Committee
N Nomination Committee
R Remuneration Committee
 ■ Committee Chair

Management committee membership:

- E** Executive Committee
 ■ Committee Chair

JOHN GILDERSLEEVE**Deputy Chairman and Senior Independent Director** **N R**

John Gildersleeve was appointed the Deputy Chairman and Senior Independent Director in June 2014.

Current external appointments

- chairman of The British Land Company plc
- deputy chairman of TalkTalk Telecom Group plc

Skills and previous experience

John is an experienced executive with strong operational expertise from a number of listed companies and is a skilled nomination committee chair. He served as an executive director of Tesco PLC and was formerly chairman of Carphone Warehouse Group plc, EMI Group plc and Gallaher Group plc. John was also a non-executive director of Dixons Carphone plc, Lloyds TSB Bank plc, Pick N Pay Stores Limited (South Africa) and Vodafone Group plc.

PROFESSOR DAME JANET HUSBAND
Independent Non-Executive Director**A C N**

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
- non-executive director of Royal Marsden NHS Foundation Trust

Skills and experience

Having trained in medicine at Guy's Hospital Medical School, Dame Janet's extensive career in healthcare allows her to bring invaluable insight and knowledge of the healthcare industry. She has previously served as a specially appointed commissioner to the Royal Hospital Chelsea, was president of the Royal College of Radiologists, chaired the National Cancer Research Institute in the UK and was a non-executive director of Nuada Medical Group. Dame Janet was appointed as Professor of Diagnostic Radiology at the University of London, Institute of Cancer Research, in addition to more than 30 years as a practising consultant radiologist at the Royal Marsden Hospital.

ROBERT LERWILL**Independent Non-Executive Director****A N R**

Robert Lerwill was appointed an independent Non-Executive Director in June 2014. As a chartered accountant by profession, he is deemed by the Board to have recent and relevant financial experience.

Current external appointments

- non-executive director of Reynolds American Inc (USA)
- non-executive director of DJI (Holdings) plc
- non-executive director of Impello plc
- non-executive director of ITC Limited (India)

Skills and experience

Robert is a skilled board director and audit committee member with relevant industry knowledge who has held senior financial and management positions with both WPP plc and Cable & Wireless plc. He has served as chief executive officer of Aegis plc, chairman of Synergy Health plc and as a non-executive director of both British American Tobacco plc and the Payments Council Limited. Robert has also attended the Advanced Management Program at Harvard Business School.

TONY BOURNE**Independent Non-Executive Director****A C R**

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 Bioquell Plc
- non-executive director of Totally plc

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 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 Southern Housing Group, and the charity, Scope.

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 continues to hold with Cinven Partners.

Current external appointments

- senior adviser of Cinven Partners
- non-executive director of Avio S.P.A. (Italy)
- non-executive director of MD Medical Group Investment plc

Skills and 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. He was a founding partner of the private equity firm Cinven Partners until 2012, and established and led its healthcare team. Prior to joining Cinven, Simon worked with an international consulting firm on multidisciplinary engineering projects in the UK and southern Africa.

DANIE MEINTJES**Non-Executive Director**

Danie Meintjes was appointed as a Non-Executive Director in August 2015. The Company does not consider Danie to be independent as he has been appointed to the Board by the Company's principal shareholder, Mediclinic International, under the terms of the relationship agreement with them.

Current external appointments

- chief executive officer of Mediclinic International PLC

Career and other appointments

Danie joined the Mediclinic International group in 1985, where he has held a number of senior positions. He was appointed as a director of Mediclinic International Limited (South Africa) in 1996 and then became its chief executive officer in April 2010. Danie holds a Bachelor of Personnel Leadership from the University of the Free State (South Africa) and has also attended the Advanced Management Program at Harvard Business School.

The senior leadership team

ANDREW WHITE

DR JEAN-JACQUES DE GORTER

PETER CORFIELD

NEIL MCCULLOUGH

DANIEL TONER

ANTONY MANNION

CAROLINE ROBERTS

JONATHAN PAISLEY

ANDREW WHITE**Chief Operating Officer E**

Andrew joined Spire Healthcare in November 2015 as Chief Operations Officer and is responsible for the Group's day-to-day operational management. He will be appointed an Executive Director in July 2016.

Andrew began his working life in the Royal Electrical and Mechanical Engineers and served in Bosnia, Northern Ireland and the first Gulf War. After leaving the army in 1995, Andrew held senior positions at Serco plc and Nomura Principal Finance Group and later Serco Nomura Infrastructure Fund. Andrew became CEO of Serco UK&E Local & Regional Government division in January 2014 where he was responsible for all aspects of Serco's business in the UK and Europe.

Andrew is an ambassador to the National Apprenticeship Service and has been the Industry Chair of the Defence Suppliers Forum Executive Group. He has also been a non-executive director of the Atomic Weapons Establishment (AWE) and chair of the AWE Science, Engineering and Technology Advisory Committee. Andrew attended the Advanced Management Program at Harvard Business School in 2013.

DR JEAN-JACQUES DE GORTER**Group Medical Director E**

Dr Jean-Jacques de Gorter is the Group Medical Director and has overseen Spire Healthcare's clinical governance and quality for the past 10 years. Prior to this, he served as director of Clinical Services for Bupa Hospitals and as a medical director for NHS Direct.

He is currently a non-executive director at the Milton Keynes Foundation Trust and chairs its Quality Committee. Jean-Jacques graduated with a Bachelor of Medicine and Bachelor of Surgery from Charing Cross and Westminster Medical School and subsequently completed his MBA degree at Cranfield School of Management.

PETER CORFIELD**Commercial Director E**

Peter joined Spire Healthcare in October 2015 as Group Commercial Director and has responsibility for delivering revenue growth through our three payor groups and identifying new business opportunities. He has held a number of senior executive and board roles within the financial services industry in the UK, most recently as managing director of Ageas Retail Direct. Prior to this, Peter worked for both Zurich Financial Services Group and Royal Bank of Scotland in various roles that covered Europe, Middle East and Japan.

Peter has completed the RBS Harvard Business School Executive Education Programme and the Zurich Executive Leadership Training Programme.

Management committee membership:**E** Executive Committee member**C** Committee Chair**NEIL MCCULLOUGH****Business Development Director **E****

Neil joined Spire Healthcare on its formation in 2007 as Hospital Director at Spire Cambridge Lea Hospital before joining the executive team in 2011. In his role, Neil oversees Spire Healthcare's business development strategy both at the local hospital level and corporately – in the UK, as well as internationally.

Following an early career in accounting and finance, Neil moved into healthcare in 1993 working with Bupa UK Membership, where he held a number of senior sales and relationship management roles. He joined the Bupa Hospitals business in 1998, holding hospital general manager roles in both Birmingham and East Anglia. Neil then moved into preventative healthcare with Bupa Wellness in 2002, where, as sales director, he led the rapid expansion of the business for five years.

DANIEL TONER**General Counsel and Group Company Secretary **E****

Daniel 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. 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 a director of NHS Partners Network. Previously, he worked for international law firm Freshfields Bruckhaus Deringer and also within the commercial directorate at the Department of Health.

ANTONY MANNION**Investor and Public Relations Director **E****

Antony joined Spire Healthcare as Investor and Public Relations Director in March 2012, having spent seven years at SSL International plc, until its acquisition by Reckitt Benckiser Group plc in 2010, as group legal director and head of acquisitions.

Prior to SSL International plc, Antony worked as a corporate lawyer at Freshfields in London and Paris, then as an investment banker at Citicorp in London and New York, and at Standard Chartered in Singapore. Antony has a wide range of experience in all areas of corporate finance, and has worked on significant acquisition and IPO transactions in both the UK and overseas.

CAROLINE ROBERTS**Group Human Resources Director**

Caroline joined Spire Healthcare as Group Human Resources Director in September 2015 to develop and implement the Company's HR strategy for growth. In her role, Caroline oversees all aspects of frontline services including employment and welfare, training, education and financial advice.

Caroline has experience in a variety of sectors under public, private and private equity ownership with significant international exposure. She has held a number of senior executive and board roles, most recently as group HR director at Action For Employment Ltd. Prior to this, Caroline has worked for The Royal Mint, Terra Firma Capital Investors and British Airways Plc.

JONATHAN PAISLEY**Chief Information Officer**

Jonathan joined Spire Healthcare in September 2015, having spent 19 years with IBM Global Services. He has worked across various industries and around the globe, leading complex business change and technology adoption programmes for the world's leading companies and government departments.

He brings a combination of business and technology strategy, coupled with in-depth application and infrastructure delivery experience. Passionate about emerging technology, and its healthcare potential, he is focused on the ongoing transformation of the patient journey and the continual improvement of healthcare outcomes.

Executive Chairman's governance letter

GARRY WATTS
EXECUTIVE CHAIRMAN

We recognise and support the principles of the UK Corporate Governance Code. During 2015 we complied with the relevant provisions of this code except in relation to director independence which is described further in the report.

Dear Shareholder,

Last year, in our first Annual Report, we took the opportunity to describe the governance challenges that the Company faced as a newly listed public limited company and the steps we had taken to address these including creating a new Board of Directors, establishing committees and implementing a robust system of controls since Admission. During 2015, we further developed these measures, at all levels, as we strongly believe that sound corporate governance standards underpin sustainable growth and generates shareholder value.

I am very pleased to report that your Board, with its diverse commercial skills and experience, continues to develop good working relationships and Board synergies, which will aid our future stewardship of the Company and its overall governance.

I would especially like to draw shareholders' attention to the following key governance matters on which we have focused.

MEDICLINIC INTERNATIONAL

In June, our long-term major investor, Cinven Funds, sold its 29.9% ordinary shareholding in the Company to Mediclinic International.

I would like to record my thanks to Cinven for the support it has given Spire Healthcare and the wise counsel that both Dr Supraj Rajagopalan and Simon Rowlands have brought to Board discussions as Principal Shareholder Directors. Supraj left the Board at this time but I was pleased that Simon agreed to remain as a Non-Executive Director. His knowledge of the Company and the wider private medical care industry will continue to be a valuable resource as we progress the business.

Following the acquisition of shares by Mediclinic International, we welcomed its chief executive, Danie Meintjes, as a shareholder-appointed Director to the Board in August.

PERFORMANCE EVALUATION

During the second half of 2015, the Board completed its first formal performance evaluation. The evaluation process was led by myself, with support from the Group Company Secretary, and consisted of a questionnaire that covered areas including strategy, Board and management succession, Board culture, balance and diversity, meetings and processes, investor relations, decision-making, risk management and Board committees. The review of my own

performance was separately led by the Senior Independent Director in conjunction with the other Non-Executive Directors.

The principal conclusions were presented and discussed at our meeting in November. It was determined that the Company's Board was operating effectively in an open and transparent manner, providing support and challenge to senior management. The evaluation process did identify a small number of areas for further review as follows:

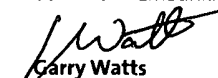
- to ensure appropriate resourcing, development and reporting of all risk management activities;
- the continued development of our Non-Executive Directors to cover both their knowledge of the business and exposure to senior management; and
- the continued development of our succession planning to include a review of the future skill sets and diversity needs of the Board.

Progress against these areas will be reported in our Annual Report 2016. The Board will again undertake an evaluation of its performance, and that of its committees, during 2016.

CHIEF EXECUTIVE OFFICER

In the last week, we have announced that Rob Roger will step down as Chief Executive Officer and leave the Company on 30 June 2016, and that I will resume my previous role as Executive Chairman. I anticipate that my executive role will last for a period of up to 12 months from Rob leaving and succession planning to appoint a new Chief Executive Officer is well underway.

Finally, my Board colleagues and I look forward to meeting as many shareholders as possible at our annual general meeting which will be held at 11.00am on Thursday, 19 May 2016 at the offices of J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP.


Garry Watts
Executive Chairman
16 March 2016

Corporate governance

CORPORATE GOVERNANCE

The Group complies with the UK Corporate Governance Code issued in September 2014 (the 'UK Code'), except as noted.

COMPLIANCE WITH THE UK CODE IN 2015

The Group has complied with the principles (and code provisions) of the UK Code, throughout the year except as described below.

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 UK Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances that may affect, or could appear to affect, the directors' judgement.

The Group complies with this recommendation of the UK Code, notwithstanding that the following Non-Executive Directors are not independent in the Company's opinion:

- Simon Rowlands continues to hold a senior position with the Company's former principal shareholder, Cinven; and
- Danie Meintjes has been nominated to act as a Non-Executive Director by Mediclinic International, the principal shareholder, whose subsidiary, 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 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 16 March 2016. The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of Mediclinic International.

The UK Code also recommends that the Chairman of the Board of Directors should meet the independence criteria set out in the UK Code on appointment.

Garry Watts was not independent on appointment, having served as Executive Chairman of Spire Healthcare prior to Admission.

CONFLICTS OF INTEREST

Save as set out in the table 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	Conflict
Danie Meintjes	Chief executive officer of Mediclinic International PLC, which controls 29.9% of the voting rights in the Company as at 16 March 2016.

KEY ROLES AND RESPONSIBILITIES IN 2015

Garry Watts Non-Executive Chairman	Rob Roger Chief Executive Officer	John Gildersleeve Deputy Chairman and Senior Independent Director	Daniel Toner General Counsel and Group Company Secretary
<p>The Non-Executive Chairman leads the Board and is responsible for:</p> <ul style="list-style-type: none"> • 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. 	<p>The Chief Executive Officer manages the Group and is responsible for:</p> <ul style="list-style-type: none"> • 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 • being accountable to, and reporting to, the Board on the performance of the business. 	<p>The Board nominates one of the independent Non-Executive Directors to act as Senior Independent Director. He is responsible for:</p> <ul style="list-style-type: none"> • 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. 	<p>The Group Company Secretary supports the Chairman on Board corporate governance matters. He is responsible for:</p> <ul style="list-style-type: none"> • 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.

Corporate governance *continued*

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 CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The division of responsibilities between the Non-Executive Chairman and the Chief Executive Officer is set out in writing and was reviewed and approved by the Board during the Admission process. This was in effect throughout all of 2015.

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 2015

During the year, the Board met on nine scheduled occasions.

The agenda at scheduled meetings in 2015 covered standing agenda items, including: a review of the Group's performance by 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. 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.

Also in 2015, the Board focused on major elements of the Group's operations by:

- reviewing, and approving, the Group's three-year Strategic Plan;
- considering a preliminary draft 2016 Annual Operating Plan; and
- receiving, reviewing and approving major capital expenditure proposals.

The Board has a formal schedule of matters reserved to it and delegates certain matters to committees, as outlined elsewhere. Specific matters reserved for the Board considered during the year to 31 December 2015 included reviewing the Group's performance (monthly and year to date), approving capital expenditure, setting and approving the Group's strategy and annual budget, and a review of the draft dividend policy.

THE BOARD'S PLAN FOR 2016

It is planned that the Board will convene on eight formal scheduled occasions during 2016, as well as holding any necessary ad hoc Board and committee meetings to consider non-routine business.

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

The Board will maintain its focus on the Group's pursuit of its 2016 targets and also review succession planning during the year. Its activities will include:

- appointment of a new Chief Executive Officer;
- review and approve the 2015 Annual Report;
- review the proposed final dividend for 2015;
- approve the 2016 Annual Operating Plan;
- consider specific major themes;
- review the risk management framework; and
- follow a rolling agenda, ensuring proper time for strategic debate.

Furthermore, the Board will continue to consider clinical safety matters and maintain overall responsibility for the Group's system of internal control and risk management processes via the relevant Board committees.

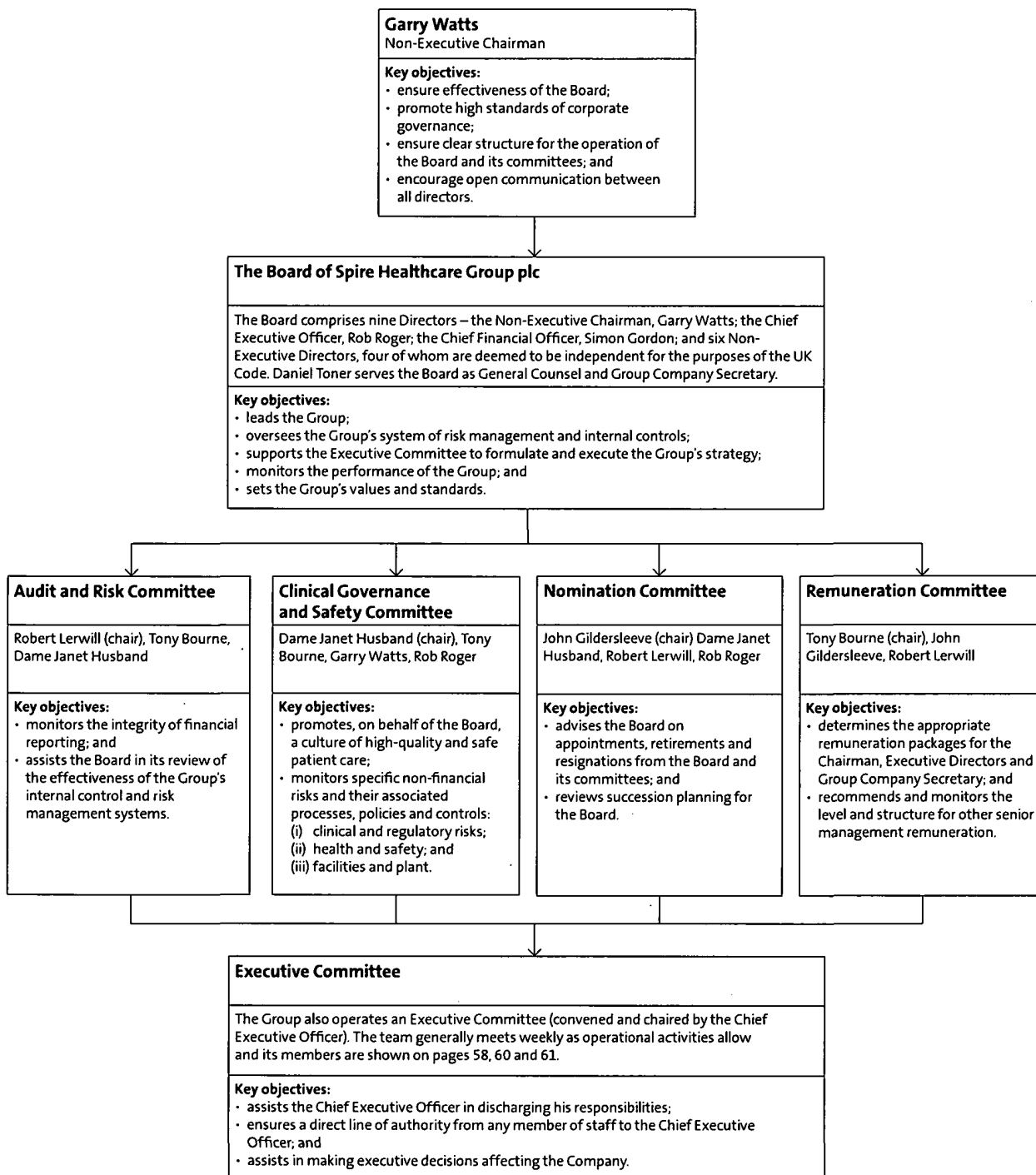
SHARE SCHEMES COMMITTEE

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

During the year, the Chief Executive Officer reviewed the structure of the senior leadership governance structure. The previous Executive Management Team was replaced with an Executive Committee which is supported by two newly formed bodies: an Operating Board; and a Safety, Quality and Risk Committee.

Governance framework in 2015



Corporate governance *continued*

BOARD MEETING ATTENDANCE

The attendance of the Directors who served during the year ended 31 December 2015, at meetings of the Board, is shown in the table below. The number of scheduled meetings a Director could attend in the year is shown in brackets.

Chairman	
Garry Watts	9(9)
Deputy Chairman	
John Gildersleeve	9(9)
Executive Directors	
Rob Roger	9(9)
Simon Gordon	9(9)
Non-Executive Directors	
Tony Bourne	9(9)
Robert Lerwill	8(9)
Dame Janet Husband	9(9)
Danie Meintjes ¹	4(4)
Simon Rowlands	9(9)

1 Danie Meintjes was appointed a Non-Executive Director on 20 August 2015.

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 2016 Board calendar includes both Board development training sessions on statutory duties and hospital visits.

The number of Non-Executive Directors and their range of skills and experience were carefully reviewed and agreed as part of the Admission process. The continuing requirements and the number of Directors, together with the Group's succession plans, will form part of the Nomination Committee activities and the Board's evaluation process in 2016. The Board considers its size and composition to be appropriate for the current requirements of the business.

Committee composition is set out in the relevant committee reports. No one other than committee chairs and members of the committees is entitled to participate in meetings of the Audit and Risk, Nomination, Remuneration, and Clinical Governance and Safety Committees, unless by invitation of the committee chair. John Gildersleeve is the Deputy Chairman and Senior Independent Director.

Biographical details of the Directors are set out on pages 58 to 59.

Independence

The Board considers that 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.

As the Chairman acts in an executive capacity he is not considered to be independent. He also did not satisfy the independence criteria on his appointment to the Board. Both Simon Rowlands and Danie Meintjes are also not considered to be independent.

Appointments to the Board

Recommendations for appointments to the Board are made by the Nomination Committee. The Nomination Committee follows a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. Further information is set out in the Nomination Committee Report on pages 74 to 75.

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 consequently 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 appointment, Danie Meintjes completed a detailed induction programme that included meeting with other Board members and senior executives, a familiarisation of the business and a hospital visit.

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.

In November, all Directors received a refresher training session, delivered by the Company's legal advisers on their statutory duties.

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 Chief Executive Officer provides written updates to 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 offered themselves for election at the first annual general meeting in May 2015 and, in future, will be re-elected in accordance with the requirements of the UK Code. The biographical details of each of the Directors are set out on pages 58 to 59 and in the 2016 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 2016 annual general meeting relating to the election of the Directors.

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 the 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's report is set out on pages 68 to 71 and identifies its members, whose details are set out on pages 58 and 59.

The report describes the Audit and Risk Committee's work in discharging its responsibilities during the year ended 31 December 2015, and its terms of reference can be found on the Group's website at www.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 68 to 71 and pages 72 to 73, 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 both the Audit and Risk, and Remuneration Committees. 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, in conjunction with the Audit and Risk Committee, between them aim to ensure that the control and monitoring

of both financial and non-financial risks is satisfactory.

In addition, the committees, jointly, 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 is managed by the Chief Executive Officer and Chief Financial Officer. The majority of meetings with investors are led by them.

During the year, there were in excess of 250 individual meetings, conference presentations, group lunches and telephone briefings with investors, attended in all cases by the Investor Relations Director accompanied in the majority of cases by one or both of the Executive Directors.

The Executive 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.

It also currently issues further trading updates each year with the publication of an Interim Management Statement. 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.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.

Audit and Risk Committee Report

ROBERT LERWILL
COMMITTEE CHAIR

Our priority is in laying the foundations for maintaining the highest standards of governance and risk management across the business.

Dear Shareholder,

On behalf of the Audit and Risk Committee (the 'Committee'), I am pleased to present its report for the year ended 31 December 2015.

The Committee normally meets at least three times a year. It met four times in 2015, with attendance disclosed on page 71.

The Committee normally invites the external auditor and the Chief Financial Officer to attend each meeting and other members of the management team attend as and when invited. Representatives of the Group's external auditor have a private session with the Committee or Chair of the Committee when required.

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 the appropriateness of management's judgements. The Committee considered that management's judgements were cautious, but not overly prudent.

At the request of the Board, the Committee considered whether the Annual Report and Accounts for the year ended 2015 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 2015 is fair, balanced and understandable, and has affirmed that view to the Board.

ACTIVITIES

The main activities relating to the financial year were as follows:

- agreeing the Committee's rolling agenda for 2015;
- approving the terms of engagement of the external auditor, including its remuneration and reviewing its independence;
- approving the plan for the external audit for 2015;
- discussing and reviewing the Group's accounting policies and critical estimates and judgements;
- assessing going concern and the viability of the Group;
- receiving and approving the half year results and the Annual Report and Accounts for the year ended 2015;
- reviewing the risk management framework for the Group, including risk appetite and risk evaluation methodology and reviewing the Group risk register; and
- reviewing the systems of internal control, including assessing the requirement for an internal audit function.

SIGNIFICANT ISSUES AND MATERIAL JUDGEMENTS

The 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 2015. Ernst & Young LLP ('EY') also identified these matters in its audit report, commenting that they had the greatest effect on the overall audit strategy, the allocation of resources and in directing the efforts of the engagement team:

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
Improper revenue recognition – management manipulation	<p>Pressure to achieve results and secure bonus payments could lead management to manipulate the financial reporting of revenue. This could include the:</p> <ul style="list-style-type: none"> manipulation of prices charged, in particular in relation to NHS and PMI revenue; intentional mis-coding of procedures by hospitals impacting revenue recorded; misreporting of other income in the year; and overstatement of deferred revenue at the year end. 	<p>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.</p> <p>An external audit was carried out to test the adequacy of clinical coders, which did not raise any issues of concern. The Committee noted that substantive testing had been carried out by EY, for example, to test the completeness of cash received after the year end in respect of invoices raised for the various customer revenue streams. EY's testing did not reveal any areas of concern.</p>
Improper revenue recognition – complexity of PMI and NHS contracts	<p>The complexity of the pricing structures and the high volume of procedures undertaken present a risk in relation to the accuracy and completeness of revenue recognition, in particular the use of incorrect codes or prices.</p>	<p>An external audit was carried out to test the adequacy of clinical coders, which did not raise any issues of concern. The Committee noted the testing of key manual controls carried out by EY, which included substantive testing of a sample of transactions back to proof of procedure and price lists. No significant issues were noted by them during the course of their audit.</p>
Inappropriate capitalisation of development costs	<p>Expenditure on internal capital projects is high. Construction is under way on two new hospitals. Additionally, the Group is developing Spire St Anthony's Hospital at an expected total cost of £27.0 million, and undertaking other major projects at existing hospitals. A £14.0 million Specialist Cancer Care Centre was completed at Baddow in the year.</p> <p>There is a risk of inappropriate capitalisation to these projects to enhance reported earnings.</p>	<p>The Committee considered the controls over capital expenditure incorporated within the Group's project management procedures, as implemented by the business development team.</p> <p>The Committee noted the work carried out by EY in verifying the amounts being capitalised as part of EY's audit programme. No issues of concern were noted.</p>
Spire Manchester Hospital asset impairment	<p>Spire Healthcare's new hospital in West Didsbury, Manchester, will be opening in early 2017.</p> <p>An impairment charge of £5.7 million is made to fully write down the carrying value of leasehold improvements and medical equipment by 31 December 2016. This charge reflects the diminished earning potential of the existing Spire Manchester Hospital.</p> <p>The existing facility is held under a long lease. Following the assessment of the operational options available, the Directors concluded that no further provision is required under this commitment.</p>	<p>The Committee reviewed management's analysis of economic forecasts of the existing hospital and tested the key assumptions and risks inherent therein. It paid particular attention to the scenario analyses and the impact of key variables on the revenues, direct costs and expenditure relating to running the facility.</p>
Provisions for patient claims	<p>Such claims are typically complex. Judgement is required in the estimation of the size and incidence of claims, which is usually based on professional advice and historical information on similar claims.</p> <p>The Group recognised total net provisions of £8.2 million at 31 December 2015.</p>	<p>The Committee reviewed management's detailed report on the status of live claims and information concerning the settlement of related claims. It also considered the advice provided by the Group's external legal and insurance advisers.</p>

Audit and Risk Committee Report *continued*

OUR PRIORITIES FOR 2016

These include the following:

- roll-out of the updated risk management procedures;
- review of the consolidated risk register;
- review findings of the internal audit work commissioned;
- confirm our internal audit priorities for 2017; and
- agree the 2016 external audit plan.

INTERNAL AUDIT

During the year, the Committee agreed the scope of internal audit's activities and level of resourcing required. A high-level Internal Audit Plan is to be approved by the Committee on an annual basis.

Audit activity will be focused on areas identified as high risk, in particular where existing regulatory controls and inspections are not considered to be sufficiently comprehensive in terms of providing independent assurance on the effectiveness of internal controls. The specific areas of focus for 2016 include:

- cybersecurity and IT risk management;
- revenue recognition and fraud risk; and
- clinical performance data integrity.

EXTERNAL AUDITOR

The Committee oversees the Group's relationship with the external auditor and formally reviews the relationship, policies and procedures to ensure independence.

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. EY has audited the financial statements of Spire Healthcare since 2008. A new audit engagement partner, Debbie O'Hanlon, was appointed during the year. As a FTSE 250 company, we will comply with the new provisions requiring an audit tender at least every 10 years and our approach to this will be considered further in 2016.

As noted, we reviewed the independence and effectiveness of the external auditor. We did this by:

- reviewing its proposed plan for the 2015 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 EY; 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.

NON-AUDIT SERVICES AND INDEPENDENCE

There are certain services termed 'excluded services' that are not permitted to be provided by the external auditor, including where the auditor may be required to audit its own work, would participate in activities that would normally be undertaken by management or is remunerated through a 'success fee' structure.

Total non-audit services provided by EY to the Group for the year ended 31 December 2015 totalled £71,000, the majority of which related to IT services (2014: £0.5 million for services on Admission).

The Committee considers the requirements of the UK Corporate Governance Code and the appropriateness of tendering the external audit contract as part of normal business practice. Based on an ongoing assessment, for example, of the quality of the external auditor's report to the Committee and the audit partner's interaction with the Committee, the Committee remains satisfied with the efficiency and effectiveness of the audit. The Committee, therefore, has not considered it necessary to require the audit to be put to tender.

The Committee has recommended, and the Board has agreed, that, subject to shareholder approval, EY will be reappointed as the Company's auditor at the annual general meeting in May 2016.

RISK MANAGEMENT AND INTERNAL CONTROLS

An overview of the risk management and internal controls processes are contained on pages 48 to 49. The Committee, with the assistance of the Clinical Governance and Safety Committee ('CGSC') (which focuses on key non-financial risks, including patient and clinical risks), carried out the following:

- reviewed the work carried out by the CGSC in relation to the risks within its remit;
- reviewed the Group's system of internal control;
- undertook a review of cybersecurity;
- monitored the risks and associated controls over the financial reporting processes, including the process by which the Group's financial statements are prepared for publication; and
- reviewed reports from the external auditor on any issues identified during the course of its work, including a report on control weaknesses.

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 by the Board and its committees during 2016 to ensure that changes to reflect the new regulatory environment and best practice are incorporated.

VIABILITY

The Committee spent time, at two meetings, reviewing 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. The viability statement can be found on page 49.

WHISTLEBLOWING

The Committee also continued its monitoring and oversight of the procedures for the receipt, retention and treatment of qualifying disclosures by staff.

The Group offers its staff an independent and confidential service, where staff may register any concerns about any wrongdoing or safety at work. The General Counsel and Group Company Secretary is, as Whistleblowing Officer, responsible for the investigation of any concerns arising and reporting directly to the Committee.

ACCOUNTABILITY

Following a detailed review by the Committee of the Corporate Risk Register and the principal risks drawn from it, consideration of reports on the operation of the risk management and internal control systems from senior management, the results of all external audit, review and inspection activity and all reported risk events, the Directors confirmed that no material failings or weaknesses were identified.

ANNUAL EVALUATION OF THE COMMITTEE'S PERFORMANCE

The first evaluation of the Committee's performance was carried out in 2015 which confirmed that it had fulfilled its obligations as set out within its terms of reference.

Robert Lerwill
Chair, Audit and Risk Committee
16 March 2016

Audit and Risk Committee at a glance

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

The Audit and Risk Committee must have at least three members, all of whom must be independent Non-Executive Directors. At least one member of the Committee must have been determined to have recent and relevant financial experience. Robert Lerwill has been identified by the Board as meeting this requirement.

Member	Committee member since	Position in Company	Committee meetings attended in 2015
Robert Lerwill (Committee Chair)	July 2014	Independent Non-Executive Director	4 (4)
Dame Janet Husband	July 2014	Independent Non-Executive Director	4 (4)
Tony Bourne	July 2014	Independent Non-Executive Director	4 (4)

Attendance is expressed as the number of meetings out of the number eligible to attend. If members are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Committee's Chair. Members biographies are shown on pages 58 and 59.

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

ROLE AND RESPONSIBILITIES

The 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 comprise:

- 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;
- 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 relating to whistleblowing.

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

Clinical Governance and Safety Committee Report

PROFESSOR DAME JANET HUSBAND
COMMITTEE CHAIR

The Committee has covered much ground this year, overseeing the delivery of clinical services through promoting best practice and governance.

Dear Shareholder,

On behalf of the Clinical Governance and Safety Committee (the 'Committee' or 'CGSC'), I am pleased to present our report for the year ended 31 December 2015 and to look ahead to the coming year. The Committee has covered much ground this year overseeing the delivery of clinical services through promoting best practice and clinical governance and I am proud to report that excellent progress has been made in developing the Quality Governance Framework which, from 2016, will provide assurance to the Board on the quality of services provided across all our hospitals on a single dashboard and will also permit benchmarking of clinical services between individual hospitals.

I would also like to take this opportunity to acknowledge the support and openness we have received from all staff across the business to our enquiries and recognise the commitment of my fellow Committee members to fully understand and embrace these extremely important matters.

2015 ACTIVITIES

During 2015, the CGSC met on eight occasions, three of which were at one of the Company's hospitals with the remainder being held at the Company's London head office. Our off-site meetings were deemed to be highly successful, both from the Committee's and the hospital staff's perspective. Meetings were held at Spire Hospital and Perform Centre, Southampton in March, Spire Hartswood Hospital, Brentwood in May and Spire Murrayfield Hospital, Edinburgh in December. Each hospital visit began with a tour of the hospital's facilities by the hospital director and matron, and allowed an opportunity to meet both clinical and administrative staff. This would be followed by presentations to the Committee describing the current local

healthcare environment, and the current position of the hospital highlighting particular successes and areas for further improvement. The hospital director would also highlight their future aspirations for the development of clinical services and spend time discussing these issues with members of the Committee. Consultants in different specialties and senior members of staff would also be invited to meet the Committee for informal discussions which provided an opportunity for members to engage on an individual basis.

The Committee continued to receive quarterly clinical governance reports and the clinical governance and safety reports. These reports are presented by the Group's Medical Director and include data on clinical key performance indicators, and compliance with the balanced scorecard. The Committee also scrutinised trends in performance over time and reviewed both staff and patient satisfaction surveys.

In addition, the Committee received reports on Health and Safety and Information Governance. It also regularly reviewed the Company's Whistleblowing Register.

The Committee continued its programme of themed reviews which last year focused on:

- Quality Governance Framework;
- Spire Healthcare's complaints policy and process;
- Clinical Reviews; and
- Resident Medical Officer Services.

These reviews consisted of an appraisal of Spire Healthcare's approach to each area under review and the Committee also made recommendations for future development and scrutiny of the various activities.

In addition, the Committee reviews CQC (and other regulators) inspection reports on Spire Healthcare hospitals.

THE IMPORTANCE OF GOOD CLINICAL GOVERNANCE TO SPIRE HEALTHCARE

Clinical governance, and the importance of embedding sound and robust practices that deliver patient safety, are of paramount importance to our business.

HOSPITAL VISITS

In last year's report I indicated that I had begun a programme of informal visits to all of our hospitals in order to better understand the business, culture and ethos within Spire Healthcare's diverse portfolio. During the year, I visited a further 15 different sites so that I have now visited 29 hospitals within the Company's portfolio in total over the past 18 months. This has allowed me to be an independent observer of a hospital's operations. I am therefore in a position to give the best possible personal appraisal of the standards of care being given to our patients. These hospital visits have continued to allow me to question the hospital management teams on various issues and to gather ideas and suggestions that may have an impact on the future strategy of both the Committee and the Group. I have learnt about the aspirations for future development within each hospital as well as an enormous amount about the complexity and variety of Spire's healthcare business and of the influences that drive change and development in the local environment.

Through my visits I have also been able to facilitate the greater sharing of knowledge and best practice across the Group including a review of specialist internet forum pages.

Importantly, I have made a particular request to talk to individual patients on a one-to-one basis at each of my hospital visits and have learnt about their experience of being a patient at a Spire Healthcare hospital and how they viewed the quality of care they have received. I am pleased to report that the feedback from the patients I have met has been overwhelmingly positive.

COMMITTEE MEETINGS IN 2016

Towards the end of the year, the Committee took the opportunity to review the format and frequency of its meetings. In view of the success of our formal hospital visits for our Committee meetings in 2015, it was unanimously agreed that more time should be spent further developing the relationship with hospitals and clinical staff. To this end, it has been agreed that we will hold six meetings in 2016, with five being held in hospitals, and each visit will be extended over two days instead of one. This will allow the Committee members more opportunity

Clinical Governance and Safety Committee at a glance

COMMITTEE MEMBERSHIP

The Clinical Governance and Safety Committee must have at least two members, one of whom must be an independent Non-Executive Director. The Board appoints the Chair of the Committee who must be an independent Non-Executive Director.

Member	Committee member since	Position in Company	Committee meetings attended in 2015
Dame Janet Husband (Committee Chair)	July 2014	Independent Non-Executive Director	8 (8)
Tony Bourne	July 2014	Independent Non-Executive Director	8 (8)
Garry Watts	July 2014	Chairman	5 (8)
Rob Roger	July 2014	Chief Executive Officer	4 (8)

The maximum number of meetings that the member could have attended during 2015 is shown in brackets. Members' biographies are shown on pages 58 and 59.

ROLE AND RESPONSIBILITIES

- Reviewing the Group Medical Director's Clinical Governance and Safety Report and the quarterly review of serious adverse events
- Health and safety
- Information governance
- Whistleblowing
- Reviewing key strategic quality areas on a rolling basis

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

to engage with consultants, management and more junior clinical staff. It will also serve to increase the Committee's understanding of the numerous pressures and challenges that junior colleagues face on a day-to-day basis and to understand their career development needs and opportunities. These longer visits will also allow me to hold personal meetings with groups of staff (up to 10 members) from different disciplines and of varying seniority to find out from them about their roles, their understanding of clinical governance and their aspirations and challenges of working within the Group.

As occurred last year, CGSC meetings will be scheduled to take place ahead of each Board meeting, so that there is a timely flow of information on clinical governance matters to the other Directors. This will aid a 'Board to Ward' approach to clinical governance and also permits the hospital management team to present its own strategic developments and challenges and to focus on specific aspects of clinical governance relevant to its own experience.

We will continue our planned themed review programme in 2016 and the areas of focus will include patient involvement and clinical training and recruitment.

COMMITTEE EVALUATION PROCESS

In November, the Committee undertook its first formal review as part of the wider Board evaluation process. The results, which were discussed in November, showed that they believed the CGSC was working very well and that it was important to build on the existing programme of hospital visits. This was subsequently addressed as already described. Committee members also identified the development of appropriate risk management structures as being of particular importance for the Company going forward.

The Committee believes that it has received sufficient, relevant and reliable information from management and the clinical executive team to enable us to discharge our responsibilities.

Professor Dame Janet Husband DBE
FMedSci, FRCP, FRCR
Chair, Clinical Governance and Safety Committee
 16 March 2016

Nomination Committee Report

JOHN GILDERSLEEVE
COMMITTEE CHAIR

As a Committee, we acknowledge the importance of diversity, including gender, both on the Board and throughout the organisation.

Dear Shareholder,

During the year, the Nomination Committee (the 'Committee') met for the first time since the Company's Admission in July 2014 and I was extremely pleased with the level of debate and the collective decisions that we reached as a group.

DIRECTOR CHANGES

You will have already read in the Annual Report 2015 about the changes to the Company's Board of Directors that were made during both 2015 and since the year end. I cannot emphasise enough the importance of the role that the Committee has played in all of these decisions.

Following the decision by Cinven to sell its shareholding to Mediclinic International in June 2015, the Committee agreed that Simon Rowlands should remain as a Non-Executive Director. We concluded that Simon's deep experience both of Spire Healthcare itself, and of the private hospital industry in the UK and overseas, would continue to be a valuable asset to the Board as the Company continues to develop. In August 2015, the Committee reviewed the decision by Mediclinic International to propose Danie Meintjes as a Non-Executive Director under the terms of the relationship agreement with them, and subsequently recommended to the Board that he be appointed a Non-Executive Director.

More recently, the Committee has endorsed the Board's decision to:

- appoint Garry Watts as Executive Chairman from 13 March 2016. This is to coincide with the decision by Rob Roger to step down as Chief Executive Officer; and
- appoint Andrew White, our Chief Operating Officer, as an Executive Director on 1 July 2016.

A key focus for the Committee this year will be the recruitment of a new Chief Executive Officer and I hope to be in a position to update you on this matter in next year's report.

2015 ACTIVITIES

As a Committee our priorities during the year have been to:

- review and recommend the Director changes to the Board;
- evaluate the balance of skills, knowledge and experience on the Board and its diversity, including gender;
- undertake our first performance review;
- review the independence of each Non-Executive Director, and the balance of skills, knowledge, experience and diversity on the Board prior to recommending Directors' re-election at the annual general meeting; and
- review and update the Committee's terms of reference.

COMMITTEE EVALUATION

The Committee completed its first annual performance evaluation as part of the overall Board evaluation process and the findings relating to the Nomination Committee were discussed and reviewed by the Committee. The Committee was considered to be operating effectively in fulfilling its duties throughout 2015.

DIVERSITY AND INCLUSION

As a Committee we acknowledge the importance of diversity, including gender, both on the Board and throughout the organisation. We pride ourselves on our inclusive nature as a company.

Our aim is for the Board to consist of individuals with diverse experience who can add real value to Board debates, thereby supporting the achievement of our strategic objectives. This includes diversity of industry skills, knowledge and experience in addition to gender and ethnicity. We are always extremely mindful of Lord Davies' recommendations on this matter and will continue to work towards this as and when positions arise. However, our overriding intent in any new appointment must always be to select on merit, in fulfilment of our role of ensuring the continued success of the Company.

RE-ELECTION OF DIRECTORS

The Committee met in March 2016 and reviewed 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 should be reappointed, and hence all Directors will seek re-election at the annual general meeting.

TERMS OF REFERENCE

Under its terms of reference, the Committee and its members are empowered to obtain outside legal or other independent professional advice (at the cost of the Group) in relation to its deliberations (which were not exercised during the year) and to secure the attendance at its meetings of any employee or other parties, should it be considered necessary.

John Gildersleeve
Chair, Nomination Committee
16 March 2016

Nomination Committee at a glance

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

The Nomination Committee must have at least three members, the majority of whom must be independent Non-Executive Directors, in line with the provisions of the UK Corporate Governance Code. The Board appoints the Chair of the Committee, who must be either the Chairman of the Board or an independent Non-Executive Director.

The Nomination Committee members during the year were:

Member	Committee member since	Position in Company	Committee meetings attended in 2015
John Gildersleeve (Committee Chair)	July 2014	Deputy Chairman and Senior Independent Director	4 (4)
Dame Janet Husband	July 2014	Independent Non-Executive Director	4 (4)
Robert Lerwill	July 2014	Independent Non-Executive Director	4 (4)
Rob Roger	July 2014	Chief Executive Officer	4 (4)

The maximum number of meetings that the member could have attended during 2015 is shown in brackets. Members' biographies are shown on pages 58 and 59.

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

ROLE AND RESPONSIBILITIES

The Committee's foremost priorities are to ensure that the Group has the best possible leadership and a clear plan for both Executive and Non-Executive Director succession. Its prime focus is, therefore, to concentrate upon the strength of the Board, for which appointments will be made on merit against objective criteria, selecting the best candidate for the post. The Nomination Committee advises the Board on these appointments, and also on retirements and resignations from the Board, and its other Committees.

The Committee will regularly examine succession planning based on the Board's balance of skills and overall diversity. Led by the Committee, succession planning of the Board will form an integral part of the Board's annual strategy meeting.

PROCESS FOR BOARD APPOINTMENTS

When considering Board recruitment, the Committee will draw up a specification for a director, taking into consideration the balance of skills, knowledge and experience of its existing Board members, the diversity of the Board, the independence of continuing Board members, together with the ongoing requirements and strategic development of the Group. The search process can then focus on appointing a candidate with a balance of skills that will enhance the Board.

The Committee will utilise the services of an executive search firm to identify appropriate candidates, ensuring that the search firm appointed does not have any other connection with the Group. In addition, the Committee will only use those firms that have adopted the Voluntary Code of Conduct addressing gender diversity and best practice in search assignments. A longlist of potential appointees will then be reviewed, followed by the shortlisting of candidates for interview, based upon the objective criteria identified at inception. Care is taken to ensure that all proposed appointees will have sufficient time to devote to the role and do not have any conflicts of interest. The Committee will then recommend a preferred candidate and the Directors not on the Committee will meet the candidate. Following these meetings, and assuming acceptance, the Committee will make a formal recommendation to the Board on the appointment. Wherever possible, the Nomination Committee will arrange for all Directors to meet the preferred candidate.

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

Directors' Remuneration Report

TONY BOURNE
COMMITTEE CHAIR

We believe that the Company's current remuneration structure is working well and is effectively incentivising our Executive Directors and senior management to achieve both our short- and longer-term business targets.

Dear Shareholder,

Last year the Remuneration Committee (the 'Committee') delivered its first Directors' Remuneration Report ('DRR') following Spire Healthcare's listing in July 2014. I was extremely pleased with the response from shareholders to both the Annual Report on Remuneration and the Remuneration Policy which were presented at our annual general meeting in May 2015; both received extremely positive votes in favour of 98.94% and 99.56% respectively.

CONSISTENCY IN APPROACH

The Committee has agreed to maintain the approved remuneration structure for 2016 and is not proposing any amendments to the Company's Remuneration Policy for the coming year. We believe that the current structure is working well and is effectively incentivising our Executive Directors and senior management to achieve both our short and longer-term business targets in a way which supports sustainable shareholder value creation while also enshrining the core behaviours and values that have been integral to Spire Healthcare's success to date. During the year, there have been a number of appointments to the wider senior management team, and the simple and transparent remuneration structure we operate has been a crucial factor when attracting some extremely strong candidates to the Company.

The Committee remains committed to focusing on pay for performance and rewarding the leadership team in a way which aligns them with the interests of our shareholders, while staying true to the Company's values.

REMUNERATION DECISIONS IN RESPECT OF 2015

Although the Company's performance remained good during the year, the business was impacted by an increasingly challenging business environment predominantly driven by external factors. Performance as a whole fell short of the stretching EBITDA targets that were set by the Committee at the start of the year and therefore no bonus payment will be made in respect of the 2015 financial year.

The first share awards granted under the Company's ongoing Long Term Incentive Plan ('LTIP') will be performance tested after the 2016 year end and, therefore, no awards have vested under this plan.

DIRECTOR CHANGES

As announced in March 2016, Rob Roger will step down as Chief Executive Officer on 30 June 2016 and Garry Watts has resumed the role of Executive Chairman.

It is expected that Garry will serve in this capacity for a period up to 12 months from the date of Rob's departure. Further details regarding both Rob's departure terms and Garry's arrangements while in post as Executive Chairman are set out in this year's Annual Report on Remuneration.

REMUNERATION STRUCTURE FOR 2016

The salary for the Chief Executive Officer, Rob Roger, will remain unchanged up until his departure. The Committee has determined that, with effect from 1 April 2016, Simon Gordon's salary will be increased by 5% to £367,500. This is the first raise in his salary since Admission and reflects Simon's importance in delivering the Company's growth objectives over the next few years.

The bonus structure will continue to be based on EBITDA and a balanced scorecard of strategic and individual objectives. One-third of any bonus earned will normally be deferred into shares for three years. The Committee has also agreed that LTIP awards to be granted in 2016 will continue to be subject to appropriately stretching EPS and relative TSR targets.

The Committee recognises the importance of fostering a culture of wider share ownership across the organisation. Therefore, at the annual general meeting, the Company will seek approval from shareholders for the rules of an all-employee HMRC-approved Sharesave Plan (SAYE).

COMMITTEE EVALUATION

As part of the Board's wider evaluation completed in 2015, the Committee spent time at its meeting in November reviewing its own performance and discussing areas of good practice that had been raised. A number of the Committee had identified the appointment of a permanent Group Human Resources Director as a priority in order to ensure there is a clear People Plan in place as the Company grows. This was addressed with the permanent appointment of Caroline Roberts to the position in November 2015, which should further strengthen the support for the Committee's work in future.

SHAREHOLDER COMMUNICATION AND THE ANNUAL GENERAL MEETING

The Committee welcomes any feedback from our shareholders and trusts that you will support the policies and practices outlined in this report. As Chair of the Remuneration Committee, I am committed to ensuring an open dialogue with our shareholders. If you have any questions about the DRR or remuneration generally, please contact me via companysecretary@spirehealthcare.com.

The Committee recommends the 2015 DRR to you for approval and we look forward to your continued support at our annual general meeting in May 2016.

Tony Bourne
Chair, Remuneration Committee
16 March 2016

Remuneration Committee at a glance

2015 HIGHLIGHTS

- No changes were made to the Executive Directors' salaries in 2015.
- The Committee reviewed the remuneration framework and concluded that it continues to serve the Company well, particularly in light of the strong level of shareholder support for its remuneration policy at the 2015 annual general meeting.
- No changes have been made to the Company's remuneration policy during the year.

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

The Remuneration Committee must have at least three members, all of whom must be independent Non-Executive Directors, and the Board will appoint the Committee's Chair.

Member	Committee member since	Position in company	Committee meetings attended in 2015
Tony Bourne (Committee Chair)	July 2014	Independent Non-Executive Director	4 (4)
John Gildersleeve	July 2014	Deputy Chairman and Senior Independent Director	4 (4)
Robert Lerwill	July 2014	Independent Non-Executive Director	4 (4)

Attendance is expressed as the number of meetings attended out of the number eligible to be attended. If a member is unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Committee's Chair. Members biographies are shown on pages 58 and 59.

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

ROLE AND RESPONSIBILITIES

The Remuneration Committee has delegated authority from the Board to determine the total remuneration arrangements of the Chairman, 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;
- framework for the remuneration of the Chairman, the Executive Directors and, in consultation with the Chief Executive Officer, senior management;
- reward packages of Executive Directors;
- termination arrangements for Executive Directors;
- recommendations to the Board concerning any new executive share plans or changes to existing schemes which require shareholders' approval; and
- basis on which awards are granted and their amount to Executive Directors and senior management under the LTIP.

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

Directors' Remuneration Report *continued*

Remuneration Policy Report

The Company's Remuneration Policy was approved by shareholders at the annual general meeting held on 21 May 2015 and remains unchanged. It has been reproduced below as it was presented in the 2014 Directors' Remuneration Report for ease of reference. For clarity where the report included references to implementation of the policy in 2015 these have been updated. Similarly, updates have been made to the pay scenario chart on page 84 and in respect of the change in the Company's major shareholder that occurred in July 2015.

REMUNERATION POLICY TABLE

Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary	<ul style="list-style-type: none"> To provide fixed remuneration that is appropriate for the role and to secure and retain the talent required by the Group. 	<ul style="list-style-type: none"> The Committee takes into account a number of factors when setting salaries, including: <ul style="list-style-type: none"> scope and responsibility of the role; the skills and experience of the individual; salary levels for similar roles within appropriate comparators; overall structure of the remuneration package; and pay and conditions elsewhere in the Group. Salaries are normally reviewed annually, with any increase usually taking effect in January. 	<ul style="list-style-type: none"> While there is no defined maximum opportunity, salary increases normally take into account increases for full-time employees across the Group. The Committee retains discretion to make higher increases in certain circumstances, for example, following an increase in the scope and/or responsibility of the role, or a significant change in market practice or the development of the individual in the role. The Executive Directors' salaries from 1 January 2016 are: <ul style="list-style-type: none"> Chief Executive Officer: £525,000; and Chief Financial Officer: £350,000 (this will rise to £367,500 on 1 April 2016). 	<ul style="list-style-type: none"> None
Benefits	<ul style="list-style-type: none"> Fixed element of remuneration providing market competitive benefits to both support retention and recruit people of the necessary calibre. 	<ul style="list-style-type: none"> A range of role-appropriate benefits may be provided to Executive Directors, including such items as private medical insurance (for the Executive Director and their family), permanent health assurance, participation in an income protection scheme, life assurance, an annual health assessment (for the Executive Director and their spouse) and a car allowance. Additional one-off benefits may also be provided where the Committee considers this appropriate (e.g. on relocation). Executive Directors are also eligible to participate in any all-employee share plans operated by the Company from time to time on the same basis as other eligible colleagues. The Committee keeps the benefits package offered to existing and new Executive Directors under review. 	<ul style="list-style-type: none"> Whilst no maximum limit exists, individual benefit arrangements take into account a number of factors, including market practice for comparable roles within appropriate pay comparators. Participation in any HMRC-approved all-employee share plan is subject to the maximum permitted by the relevant tax legislation. 	<ul style="list-style-type: none"> None
Retirement benefits	<ul style="list-style-type: none"> Fixed element of remuneration to assist with retirement planning. Retirement benefits are provided to both support retention and recruit people of the necessary calibre. 	<ul style="list-style-type: none"> Executive Directors can opt to join the Company's defined contribution scheme, receive a contribution into a personal pension scheme, take a cash supplement or any combination of the three. The employer defined contribution level, the contribution into a personal pension scheme and/or cash supplement are kept under review by the Committee. The retirement benefits are not included in calculating bonus and long-term incentive quantum. 	<ul style="list-style-type: none"> The maximum level of retirement benefits is 25% of base salary, and the current provision for the Executive Directors is 18% of base salary. They are set by taking into account a number of factors, including market practice for comparable roles at appropriate pay comparators. For new Executive Directors, the nature and value of any retirement benefits provided will be, in the Committee's view, reasonable in the context of market practice for comparable roles and take account of both the individual's circumstances and the cost to the Group 	<ul style="list-style-type: none"> None

Variable remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	<ul style="list-style-type: none"> To incentivise and reward the achievement of annual financial, operational and individual objectives that are key to the delivery of the Group's strategy. 	<ul style="list-style-type: none"> Objectives are set annually to ensure that they remain targeted and focused on the delivery of strategic goals. The Committee sets targets that require appropriate levels of performance, taking into account internal and external expectations of performance. As soon as practicable after the year end, the Committee meets to review performance against objectives and determines payout levels. The Committee may adjust payments to ensure they are reflective of overall performance. A portion of any bonus (as determined by the Committee) is normally deferred into an award of shares under the Deferred Bonus Plan ('DBP'). Currently one-third of any bonus is deferred for a period of three years (although the Committee may vary this approach). DBP awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the Plan rules. This deferred bonus element is not normally subject to any further performance conditions, although it is subject to continued employment. Further details of the malus and clawback provisions applicable are set out on page 80. 	<ul style="list-style-type: none"> Maximum award opportunity for Executive Directors is 150% of base salary for each financial year, a portion of which is normally deferred into an award of shares under the DBP (currently one-third). 	<ul style="list-style-type: none"> Awards are based on a combination of financial, operational and individual goals measured over one financial year. At least 50% of the award will be assessed against the Group's financial metrics. The remainder of the award will be based on performance against strategic objectives and/or individual objectives. Details of the performance measures for 2015 and 2016 are set out in the Annual report on remuneration. A sliding scale between 0% and 100% of the maximum award pays out for achievement between the minimum and maximum performance thresholds. For annual bonuses in respect of 2016, the targets will be based on EBITDA and a balanced scorecard of strategic metrics. The details of measures, targets and weightings may be varied by the Committee year-on-year based on the Group's strategic priorities.
Long Term Incentive Plan (LTIP)	<ul style="list-style-type: none"> To incentivise and reward the delivery of long-term strategic objectives. To align the interests of the Executive Directors with those of shareholders. To assist recruitment and retention of Executive Directors. 	<ul style="list-style-type: none"> 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. Further details of the malus and clawback provisions applicable are set out on page 80. 	<ul style="list-style-type: none"> The maximum award opportunity (at grant) for Executive Directors in respect of a financial year is 200% of base salary. 	<ul style="list-style-type: none"> 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 2016, vesting will be based on EPS (50%) and relative TSR (50%) targets. The details of measures, targets and weightings may be varied by the Committee prior to grant based on the Group's strategic objectives.

Directors' Remuneration Report *continued*

NOTES TO THE POLICY TABLE PERFORMANCE MEASURES AND TARGETS

Annual bonus

The annual bonus performance measures are designed to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific strategic, operational and personal goals. This balance allows the Committee to review the Group's performance in the round against the key elements of our strategy, and appropriately incentivise and reward the Executive Directors.

Bonus targets are set by the Committee each year to ensure that Executive Directors are focused on the key financial and strategic objectives for the financial year. In doing so, the Committee usually takes into account a number of internal and external reference points, including the Group's business plan.

Long Term Incentive Plan

The Committee believes it is important that the performance conditions applying to LTIP awards support the long-term ambitions of the Group and the creation of shareholder value. The Committee currently considers that a combination of relative TSR and financial metrics (currently EPS) are the most appropriate measures to assess the underlying performance of the business, while creating alignment with shareholders and rewarding long-term value creation.

The Committee will keep the measures and weightings under review to ensure that the most appropriate measures to incentivise the long-term success of the Group are used.

RECOVERY PROVISIONS (MALUS AND CLAWBACK)

Prior to vesting, the Committee may cancel or reduce the number of shares subject to, or impose additional conditions on, LTIP, DBP awards and Directors' Share Bonus Awards in circumstances where the Committee considers it to be appropriate ('malus'). Such circumstances may include: a serious misstatement of the Group's audited financial results, a serious miscalculation of any relevant performance measure, a serious failure of risk management or regulatory compliance by a relevant entity, serious reputational damage to the Group, or the participant's material misconduct.

In addition, for cash bonus awards in respect of 2015 and future years, and for LTIP awards granted after 1 January 2015, the Committee may also claw back vested awards in certain extreme circumstances (including those listed above) for up to two years following the determination of the relevant performance outcome.

Prior to applying malus or clawback, the Committee will take into account all relevant factors (including, where a serious failure of risk management or regulatory compliance or serious reputational damage has occurred, the degree of involvement of the employee in that failure or damage in question and the employee's level of responsibility) in deciding whether, and to what extent, it is reasonable to operate malus and/or clawback. The Committee is satisfied that the above provisions provide robust safeguards against inappropriate payment of incentive awards.

LEGACY ARRANGEMENTS

Directors' Share Bonus Plan Awards were granted to Rob Roger, Simon Gordon and Garry Watts (in recognition of his performance as Executive Chairman prior to Admission) to reflect their contribution to the Company prior to Admission. These awards were made over shares in the form of nil-cost options. The awards are split into two equal tranches, which normally become exercisable on the first and second anniversary of Admission, respectively.

Although these awards were made in recognition of services provided to the Company prior to Admission, the awards will only be exercisable in full if the 90-day average share price prior to the first and second anniversary of Admission is at least 359 pence. If, at the relevant anniversary, the average share price is at or below 224 pence, the number of shares in the relevant tranche to which the options relate will be reduced by approximately 35%. Where the average share price at the relevant anniversary is between 224 pence and 359 pence, the proportion exercisable will be reduced on a pro rata basis.

RECRUITMENT POLICY

In determining remuneration for new Executive Directors, the Committee will consider all relevant factors, including the calibre of the individual and the external market, while aiming not to pay more than is necessary to secure the required talent. The Committee would seek to act in what it considers to be the best interests of the Group and its shareholders. Normally, the Committee will seek to align the new Executive Director's remuneration package to the remuneration policy, as set out above.

Salary and benefits (including any retirement benefits) will be determined in accordance with the policy table above. In certain instances, the Committee may decide to appoint an executive director to the Board on a lower-than-typical salary, with the intention of gradually increasing the salary to move closer to market level as they build experience in the role. Normally, benefits will be limited to those outlined in the policy table above, including a relocation allowance in certain circumstances.

The maximum level of variable pay (excluding any buyouts) that may be awarded to a new executive director will be limited to 350% of base salary, which is consistent with the policy table above. Incentives will normally be granted under the existing plans; however, where appropriate, the Committee may tailor the award (e.g. time frame, form, performance criteria) based on the commercial circumstances.

The Committee may 'buy out' remuneration terms a new hire has had to forfeit on joining the Group. Buyout awards are intended to be of comparable commercial value, and capped accordingly. The Committee will take into account all relevant factors when determining the quantum and form/structure of any buyout, including any performance conditions attached to any forfeited awards, the likelihood of those conditions being met, and the proportion of the vesting/performance period remaining.

The service contracts for new appointments will be consistent with the policy described below. Where an Executive Director is appointed from within the organisation, the policy of the Group is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an executive is appointed following an acquisition of, or merger with, another company, legacy terms and conditions would be honoured.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

The key employment terms and other conditions of the current Executive Directors, as stipulated in their service contracts, are set out below:

Provision	Policy
Notice period	<ul style="list-style-type: none"> 12 months' notice by either the Group or the Executive Director. This is also the policy for new recruits.
Benefits	<ul style="list-style-type: none"> The Group may agree that certain benefits will be specified within the Executive Directors' service contracts. The current Executive Directors are contractually entitled to private medical insurance (for the Executive Director and his family), permanent health assurance, income protection, life assurance, an annual health assessment (for the Executive Director and their spouse) and a car allowance.
Termination payment	<ul style="list-style-type: none"> It is the Group's policy that service contracts contain provisions that allow the Group to terminate employment by making a payment in lieu of notice ('PILON') equivalent to (i) 12 months' base salary, and (ii) the cost of specific benefits (including retirement benefits). Upon termination by the Group, the Group can determine whether a PILON is made as a single lump sum or paid in instalments, subject to mitigation. Where the sum is paid in instalments, the Executive Director has a duty to use reasonable endeavours to secure alternative employment as soon as reasonably practicable. In the event the Executive Director commences alternative employment with an annual salary of greater than £30,000, there will be a pro rata reduction in the PILON payments.
Immediate termination	<ul style="list-style-type: none"> The service contract of an Executive Director may also be terminated immediately and with no liability to make payment in certain circumstances, such as the Executive Director bringing the Group into disrepute or committing a fundamental breach of their employment obligations.
External appointments	<ul style="list-style-type: none"> Executive Directors may accept one position as a non-executive director of another publically listed company that is not a competitor of the Group, subject to prior approval of the Board. External appointments to any other company (and treatment of any fees) are also subject to the prior approval of the Board.

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Group and the employee, as well as the rules of any incentive plans in which they participate.

Where an Executive Director's employment with the Group ceases prior to the payment of the annual bonus in respect of a financial year, the Committee in its absolute discretion will determine whether any bonus should be paid and the extent to which deferral into shares should be applied. Any awards would normally be prorated. For bonuses in respect of 2015 onwards, clawback provisions will also apply. For the avoidance of doubt, in the event the Executive Director is dismissed for misconduct, no bonus will be payable.

Directors' Remuneration Report *continued*

The treatment of share awards made by the Company is governed by the relevant share plan rules. The following table summarises the leaver provisions of share plans under which Executive Directors may currently hold awards.

Plan	Leaver reasons where awards may continue to vest	Vesting arrangements
Deferred Bonus Plan (DBP) and LTIP	<ul style="list-style-type: none"> • Death • Injury, ill health or disability • Retirement • The transfer of the individual's employing company or business out of the Group • Any other scenario in which the Committee determines good leaver treatment is justified 	<ul style="list-style-type: none"> • LTIP awards will vest to the extent determined by the Committee, which, unless the Committee determines otherwise, will be calculated on the basis of the achievement of any performance conditions at the relevant vesting date and, unless the Committee determines otherwise, the period of time that has elapsed between grant and cessation of employment/directorship. • The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment. • DBP awards will normally vest in full on the original vesting date, although the Committee has the flexibility to determine that awards can vest earlier. • DBP and LTIP awards will continue to be subject to the malus provisions outlined on page 80 until the vesting of the awards. LTIP awards granted from 2015 onwards are subject to a clawback provision, as described above.
Directors' Share Bonus Plan (Legacy arrangements granted prior to Admission)	<ul style="list-style-type: none"> • Any other reason • Any circumstance other than dismissal for cause 	<ul style="list-style-type: none"> • Awards lapse in full. • These awards were made in recognition of services provided to the Company prior to Admission and, as such, are not subject to continued employment (except in the case of dismissal for cause). • Awards vest on the first and second anniversary of Admission to the extent the share price performance targets have been met. • Awards will continue to be subject to the malus provisions outlined on page 80 until the vesting of the awards.
	<ul style="list-style-type: none"> • Dismissal for cause 	<ul style="list-style-type: none"> • Awards lapse in full.

Where Executive Directors participate in any HMRC-approved all-employee share plans, the leaver treatment will be consistent with the relevant legislation and on the same terms as all other employees.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Group seeks to appoint Non-Executive Directors who have relevant professional knowledge (and/or specific technical skills) to support the current expertise of the Board and to match the healthcare sector within which the Group operates.

In the event of the appointment of a new Chairman and/or Non-Executive Director, remuneration arrangements will normally be in line with those detailed in the relevant table below. Fees to Non-Executive Directors will not include share options or other performance-related elements.

Remuneration of independent Non-Executive Directors, with the exception of the Chairman, is determined by the Chairman and the Executive Directors. The remuneration of the Chairman is determined by the Committee. Directors are not involved in any decisions in relation to their own remuneration.

The table below sets out the remuneration policy with respect to Non-Executive Directors. Non-Executive Directors do not participate in the Group's bonus arrangements, share incentive schemes or retirement benefit plans.

Approach to setting remuneration for Non-Executive Directors

Opportunity

- | | |
|--|---|
| <ul style="list-style-type: none"> • 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. Fees are reviewed periodically. • When setting fee levels, consideration is given to a number of factors, including responsibilities and market positioning. • Where appropriate, benefits to the role may be provided. Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties and any associated taxes) incurred in the course of performing their duties may be paid by the Group or reimbursed to Non-Executive Directors. | <ul style="list-style-type: none"> • The total fees paid to Non-Executive Directors will remain within the limit stated in the Articles of Association of the Company. • Individual fees reflect responsibility and time commitment, as well as the skills and experience of the individual. Additional fees may be paid for further responsibilities, such as chairmanship of committees. • Any benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided to comparable roles. Expenses reasonably incurred in the performance of the role may be reimbursed or paid for directly by the Group, as appropriate, including any tax due on the benefits. Non-Executive Directors will also be covered by the Group's indemnity insurance. • The fees as at 31 December 2015 were: <ul style="list-style-type: none"> – Non-Executive Chairman: £257,000; – Deputy Chairman and Senior Independent Director: £140,000; – Non-Executive Director basic: £50,000; and – Committee chairmanship: £10,000. |
|--|---|

Under the terms of his appointment, Garry Watts is entitled to private medical expenses insurance (for both himself and his spouse and any dependent children), life assurance, annual health assessment (for both himself and his spouse) and office facilities to perform his duties as Chairman. Medical expenses insurance and life assurance will be provided under the Group's arrangements or, if he obtains equivalent benefits directly, the Group will meet his costs (up to a specified cap).

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Chairman and Non-Executive Directors have letters of appointment that set out their duties and responsibilities. They do not have service contracts with either the Group or any of its subsidiaries.

The key terms of the appointments are set out in the table below. This is the policy for current and any new Non-Executive Directors.

Provision

Policy

- | | |
|--------------------|--|
| Period | <ul style="list-style-type: none"> • In line with the UK Corporate Governance Code, the Chairman and all independent Non-Executive Directors are subject to annual re-election by shareholders at each annual general meeting. • After the initial three-year term, the Chairman and the Non-Executive Directors are typically expected to serve a further three-year term. |
| Termination | <ul style="list-style-type: none"> • The appointment of the Chairman is terminable by either the Group or the Director by giving 12 months' notice. • The appointment of the Deputy Chairman is terminable by either the Group or the Director by giving three months' notice. • The appointment of any independent Non-Executive Directors is terminable by either the Group or the Director by giving two months' notice. • The Non-Executive Director nominated by Mediclinic International pursuant to the terms of the relationship agreement is terminable without notice. |

Directors' Remuneration Report *continued*

FURTHER DETAILED PROVISIONS

The DBP and LTIP, as well as the outstanding legacy Directors' Share Bonus Awards, will be operated in accordance with the relevant plan rules (which were summarised for shareholders in the Prospectus). The Committee may adjust or amend awards only in accordance with the provisions of the relevant plan rules. This includes making adjustments to awards to reflect one-off corporate events, such as a change in the Group's capital structure. In accordance with the plan rules, awards may be settled in cash rather than shares, where the Committee considers this appropriate.

The performance conditions applicable to incentive awards may be amended on an appropriate basis determined by the Committee, if an event occurs or circumstances arise that cause the Committee to consider the performance condition is no longer a fair measure of performance (and, in the case of the Directors' Share Bonus Awards, the Committee determines fairly and reasonably that the circumstances prevailing at grant have changed). For LTIP and Directors' Share Bonus Awards, the amended performance condition will be at least as challenging as the original condition.

Under the DBP, LTIP and Directors' Share Bonus Awards, participants may receive an additional amount, in cash or shares, to take account of the value of dividends the participant would have received on the shares that vest.

In the event of a change of control of the Company, LTIP awards may vest to the extent that the Committee determines, taking into account the extent to which any performance conditions have been satisfied, and such other factors as the Committee considers relevant in the circumstances, provided that, unless the Committee determines otherwise, awards will be adjusted to reflect the period of time that has elapsed between grant and cessation of employment/directorship; DBP awards will normally vest in full; and Legacy Share Bonus Awards may vest based on the per-share price payable to shareholders on the relevant transaction, or, in the case of a winding-up, the share price at the time. Alternatively, awards may be exchanged for equivalent awards in the acquiring company.

The Committee may make any remuneration payments (including vesting of incentives) and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of that payment were agreed before this policy came into effect; or at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

The DBP and LTIP incorporate dilution limits. These limits are 10% in any rolling 10-year period for all plans and 5% in any rolling 10-year period for executive share plans. Shares issued out of treasury will count towards these limits for so long as this is required under institutional shareholder guidelines. Shares issued, or to be issued, pursuant to any awards granted on or before the date of Admission will not count towards these limits. In addition, awards that lapse shall be disregarded for the purposes of these limits.

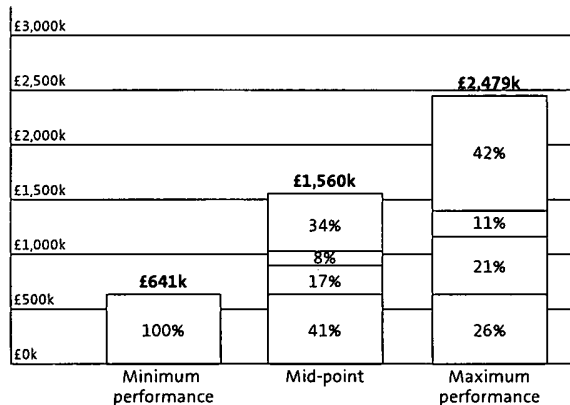
The Committee may make minor amendments to the Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval for that amendment.

ILLUSTRATION OF THE REMUNERATION POLICY

The remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets aligned with the Group's objectives, and on delivering shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

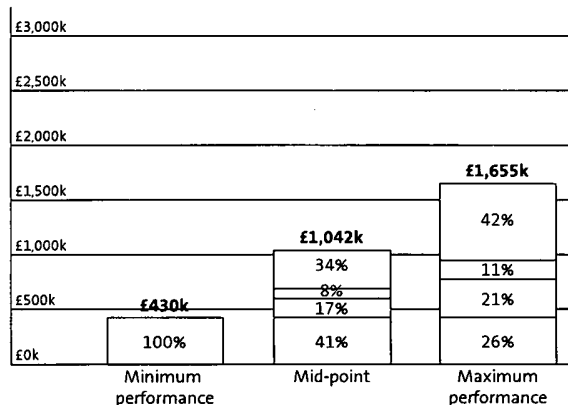
The charts that follow provide illustrative values of the annual remuneration packages for Executive Directors in 2016 under three assumed performance scenarios. These charts are for illustrative purposes only and actual outcomes may differ from those shown.

CHIEF EXECUTIVE OFFICER – ROB ROGER



○ Salary/benefits ○ Cash bonus ○ Deferred shares ○ LTIP

CHIEF FINANCIAL OFFICER – SIMON GORDON



	Assumed performance	Assumptions
Fixed pay	All performance scenarios	<ul style="list-style-type: none"> • Consists of total fixed pay, including base salary, benefits and retirement benefits. • Base salary – salary effective as at 1 January 2016. • Benefits – based on 2015 values. • Retirement benefits – 18% of 2016 salary.
Variable pay	Minimum performance	<ul style="list-style-type: none"> • No payout under the annual bonus. • No vesting under the LTIP.
	Mid-point	<ul style="list-style-type: none"> • 50% of the maximum payout under the annual bonus. This represents 75% of base salary for both Executive Directors. One-third of the bonus payable is deferred into shares under the DBP. • 50% vesting under the LTIP. This represents 100% of base salary for both Executive Directors.
	Maximum performance	<ul style="list-style-type: none"> • 100% of the maximum payout under the annual bonus. This represents 150% of base salary for both Executive Directors. One-third of the bonus payable is deferred into shares under the DBP. • 100% vesting under the LTIP. This represents 200% of base salary for both Executive Directors.

DBP and LTIP awards have been shown at face value, with no share price growth, dividend accrual or discount rate assumptions. The illustrative scenarios exclude payouts under the Legacy Share Bonus Award, which were granted to the Executive Directors in recognition of services prior to Admission.

REMUNERATION ARRANGEMENTS THROUGHOUT THE COMPANY

The Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration across the Group. When making decisions in respect of the Executive Directors' remuneration arrangements, the Committee takes into consideration the pay and conditions for employees throughout the Group. As stated in the policy table, salary increases are, in practice, normally aligned to the general employee population. The Committee does not directly consult with our employees as part of the process of determining executive pay.

DIFFERENCES IN REMUNERATION POLICY FOR ALL EMPLOYEES

The remuneration of the wider employee population is based on the same reward philosophy, whilst the components of remuneration vary with seniority. All employees, including Executive Directors, receive a salary and role-appropriate benefits. Role-specific annual bonus arrangements are operated across the Group. For more senior roles, a portion of the bonus is deferred on a similar basis to Executive Directors. Only senior individuals who can have significant influence on the performance of the Group as a whole are invited to participate in the long-term incentive plans. This provides those individuals with an incentive to help achieve the Group's medium- and long-term objectives and create shareholder value, whilst ensuring their remuneration varies to the extent these goals are achieved.

CONSIDERATION OF SHAREHOLDER VIEWS

The structure of remuneration for Board members was first presented to shareholders in the Prospectus prior to Admission.

The Committee is mindful of shareholders' views when evaluating and setting ongoing remuneration strategy, and intends to appropriately consult with shareholders prior to any significant proposed changes to the remuneration policy.

Directors' Remuneration Report *continued***Annual Report on Remuneration****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 2015. This comprises the total remuneration received over the full year from 1 January 2015 to 31 December 2015.

The prior year comparison represents the full year from 1 January 2014 through to 31 December 2014, including remuneration received from the Group prior to Admission and the incorporation of the Company on 12 June 2014.

£'000s	Rob Roger (Chief Executive Officer)		Simon Gordon (Chief Financial Officer)	
	2015	2014	2015	2014
Salary	525.0	450.0	350.0	302.1
Benefits	21.5	16.1	16.6	14.4
Retirement benefits	94.5	80.5	63.0	54.1
Annual bonus (including deferred element)	–	195.4	–	118.2
Long-term incentives	–	–	–	–
Sub-total	641.0	742.0	429.6	488.8
Legacy – Accrued Incentive Payments ¹	–	4,450.0	–	2,050.4
Legacy – Share Bonus Award ²	454.8	1,031.1	248.1	562.4
Total	1,095.8	6,223.1	677.7	3,101.6

1 As disclosed in last year's report, the Accrued Incentive Payment for Rob Roger was paid wholly in cash, and for Simon Gordon was paid half in cash (less the repayment of a loan of £12,890) and half in the Company's shares.

2 In accordance with the requirements of the disclosure regulations, the value of the Share Bonus Award vesting in 2015 is calculated based on the share price at the date of vesting of £3.709 after part of the performance criteria for the first tranche of this award was met, inclusive of accrued dividend equivalents. It should be noted that as at the year end these vested nil cost options remain unexercised.

ADDITIONAL NOTES TO THE TABLE**Salary**

On Admission, the salary for Rob Roger, Chief Executive Officer, was £525,000 and for Simon Gordon, Chief Financial Officer, was £350,000. These salaries remained unchanged during 2015.

Benefits

The benefits consist of private medical insurance (for the Executive Directors and their families), permanent health assurance, life assurance and a car allowance. Under his contractual terms, Simon Gordon also has an annual health assessment (for himself and his spouse). Under his contractual terms, Rob Roger also has income protection cover.

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. Simon Gordon is a member of the Spire Healthcare Pension Plan and Rob Roger has a personal pension scheme. Amounts above the HMRC annual allowance are paid as taxable cash supplements.

Annual bonus

For the 2015 financial year, the maximum bonus opportunity for Rob Roger and Simon Gordon was 150% of base salary. The annual bonus targets were set at the beginning of the financial year, with 70% of the award being assessed against EBITDA and 30% assessed against a balanced scorecard based on strategic targets including productivity, customer, quality and staff measures. The threshold EBITDA target for 2015 was set at £171.0 million and no bonus would be payable if this threshold was not achieved.

Although the Company's performance remained good during the year, the increasingly challenging environment and external factors impacting the business, meant that it did not achieve the minimum EBITDA threshold of £171.0 million. Although both Executive Directors largely met their individual objectives under the balanced scorecard, the Committee determined that no bonus will be paid in respect of 2015.

DEFERRED BONUS PLAN

Under the DBP, one-third of the Executive Directors' annual bonus is deferred for three years. The following awards over shares were granted under the DBP during the year. These amounts relate to their 2014 bonus which was disclosed in the 2014 Annual Report and Accounts:

	Type of award	Date of award	Shares awarded	Shares exercisable
Rob Roger	Conditional Share Award (in the form of nil-cost options)	1 June 2015	18,057	1 June 2018 to 1 June 2025
Simon Gordon		1 June 2015	10,922	1 June 2018 to 1 June 2025

The share price used to determine the number of deferred shares subject to award was £3.606, the mid-market closing share price on 29 May 2015.

Awards are deferred for a period of three years and are conditional on continued employment. There are no further performance conditions attaching to these shares although they remain subject to a malus provision.

LONG TERM INCENTIVE PLAN

No awards under the LTIP vested in the 2015 financial year and, subsequently, no award is shown in the single figure table above.

Awards under the LTIP were granted on 1 April 2015. 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 2017. The maximum award granted to Executive Directors was equivalent to 200% of base salary.

The Committee determined that awards under this plan should be linked to the value created for shareholders over the period, and as a consequence that the awards should continue to be equally weighted against relative TSR and EPS performance targets. Further details of the performance conditions applying to the 2015 awards are set out below.

EPS – 50% of award

Vesting of this element is based on the adjusted EPS outcome for the 2017 financial year.

	Percentage of the element vesting
2017 EPS	
Less than 23.8 pence	0%
23.8 pence	25%
27.5 pence or more	100%

Straight-line vesting operates between these points.

Relative TSR – 50% of award

Vesting of this element is based on TSR performance measured against the constituents of the FTSE 250 (excluding investment trusts).

	Percentage of the element vesting
TSR performance	
Below median	0%
Median	25%
Upper quartile	100%

Straight-line vesting operates between these points. Based on relative TSR performance from 1 January 2015 to 31 December 2017.

The following table provides details of all outstanding awards made to Executive Directors under the LTIP:

	Type of award	Date of grant	Number of shares	Share price	Face value at grant	End of performance period
Rob Roger (Chief Executive Officer)	Conditional Share Award (in the form of nil-cost options)	30 September 2014	372,340	£2.823	£1,050,000	31 December 2016
		1 April 2015	290,858	£3.610	£1,050,000	31 December 2017
Simon Gordon (Chief Financial Officer)		30 September 2014	248,226	£2.823	£700,000	31 December 2016
		1 April 2015	193,905	£3.610	£700,000	31 December 2017

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 values at grant are equivalent to 200% of base salary. Both 2014 and 2015 awards are subject to EPS and relative TSR performance conditions.

LEGACY ARRANGEMENTS – VARIABLE INCENTIVES RELATING TO THE PERIOD PRIOR TO ADMISSION

As disclosed in the Prospectus, the Company granted, conditional on Admission, Accrued Incentive Payments and Share Bonus Plan Awards. These are legacy arrangements that were adopted and operated prior to Admission. These figures have been included in the single-figure table above in the interests of transparency; however, it should be noted that they relate to performance delivered prior to Admission.

LEGACY ARRANGEMENT – DIRECTORS' SHARE BONUS PLAN AWARDS

Awards were granted to Rob Roger, Simon Gordon and Garry Watts (in recognition of his performance in his pre-Admission role of Executive Chairman) to reflect their contribution to the Company prior to Admission. Details of these awards are set out below. In order to create further alignment with shareholders, these awards were made over shares in the form of nil-cost options and split into two equal tranches, which become exercisable on the first and second anniversary of Admission, respectively.

Although these awards were made in recognition of services provided to the Company prior to Admission and, as such, are not subject to continued employment, the Share Bonus Awards will only remain exercisable in full if the 90-day average share price prior to the first and second anniversary of Admission is at least 359 pence. If, at the relevant anniversary, the average share price is at or below 224 pence, the number of shares in the relevant tranche, to which the awards relate, will be reduced by approximately 35%. Where the average share price at the relevant anniversary is between 224 pence and 359 pence, the proportion exercisable will be reduced on a pro rata basis.

Directors' Remuneration Report *continued*

As the awards were made in respect of the period prior to Admission, they are not subject to continued employment, except in the case of dismissal for cause, and remain subject to the malus provisions detailed in the Remuneration policy.

No further awards will be made under this arrangement.

The 90-day average share price on the first anniversary of Admission was £3.438 and, as a result, the first tranche of the award (up to 50% of the overall award) vested between the minimum and maximum level. The balance of the award under this tranche thereafter lapsed. Further details are set out in the table below. The amounts shown in the single-figure table represents the additional shares vesting during the year above the minimum level. As at the year end the vested awards under the first tranche of the award remain unexercised.

The following table provides details of the first tranche of Directors' Share Bonus Awards:

Type of award	Minimum exercisable award No. of shares	Maximum exercisable award No. of shares	Shares vested	Shares lapsed
Rob Roger (Chief Executive Officer)	245,500	383,000	367,517	15,483
Simon Gordon (Chief Financial Officer)	133,900	208,900	200,455	8,445
Garry Watts (in respect of his role as Executive Chairman prior to IPO)	156,250	243,700	233,853	9,847

The following table provides details of the second tranche of Directors' Share Bonus Awards:

Type of award	Minimum exercisable award No. of shares	Maximum exercisable award No. of shares	Vesting date
Rob Roger (Chief Executive Officer)	245,500	383,000	Vesting date for all participants: 23 July 2016
Simon Gordon (Chief Financial Officer)	133,900	208,900	
Garry Watts (in respect of his role as Executive Chairman prior to IPO)	156,250	243,700	

These awards were originally granted on 4 July 2014.

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 2015.

The prior year comparison represents the period from 12 June 2014 through to 31 December 2014.

£'000s	Fees	Benefits	Total remuneration	
			2015	2014
Tony Bourne	60.0	–	60.0	30.0
John Gildersleeve	150.0	–	150.0	75.0
Dame Janet Husband	60.0	–	60.0	30.0
Robert Lerwill	60.0	–	60.0	30.0
Danie Meintjes ¹	18.2	–	18.2	–
Dr Supraj Rajagopalan ²	–	–	–	–
Simon Rowlands ³	22.0	–	22.0	–
Total	370.2	–	370.2	165.0

¹ Danie Meintjes was appointed as a Non-Executive Director on 20 August 2015. As a Non-Executive Director nominated by the principal shareholder, his fees are paid to a subsidiary within the Mediclinic International group.

² As a Non-Executive Director nominated by Cinven Funds, Dr Supraj Rajagopalan did not receive a fee. Dr Supraj Rajagopalan ceased to be a Non-Executive Director on 29 June 2015.

³ As a Non-Executive Director nominated by Cinven Funds, Simon Rowlands did not receive a fee. From 23 July 2015, Simon Rowlands received a fee for being a Non-Executive Director.

CHAIRMAN

	Garry Watts (as Non-Executive Chairman)	Garry Watts (as Executive Chairman)	Garry Watts (as Non-Executive Chairman)
£'000s	2015	2014	2014
Salary/fees	257.0	143.3	114.0
Benefits	1.2	2.2	1.0
Retirement benefits	–	–	–
Annual bonus	–	144.2	–
Long-term incentives	–	–	–
Sub-total	258.2	289.7	115.0
Variable incentives prior to Admission			
Legacy – Accrued Incentive Payment	–	1,298.7	–
Legacy – Share Bonus Award ¹	289.2	656.3	–
Total	547.5	2,244.7	115.0

¹ In accordance with the requirements of the disclosure regulations, the value of the Share Bonus Award for 2015 is calculated based on the share price at the date of vesting of £3.709 after part of the performance criteria for the first tranche of this award was met, inclusive of accrued dividend equivalents. It should be noted that as at the year end these vested awards remain unexercised.

NOTES TO THE TABLE

Benefits

Only Garry Watts has a contractual entitlement to benefits, which consist of private medical insurance 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 by any Non-Executive Director will be reimbursed by the Company.

Chairman

As disclosed in the Prospectus, Garry Watts was entitled to a time prorated bonus for the period prior to Admission, in respect of his previous role as Executive Chairman.

Details of the Legacy awards relating to performance prior to Admission are set out on pages 87 and 88.

On Admission, Garry Watts was appointed as Non-Executive Chairman and, in line with corporate governance guidelines, in that role he did not participate in any future incentive plans.

DEPARTURE TERMS FOR ROB ROGER

As announced in March 2016, Rob Roger will step down from the Board on 30 June 2016 after more than nine years with the business.

On departure, Rob Roger will not receive any cash termination payment or payment in lieu of notice. His outstanding LTIP awards will lapse on departure. He will not receive a bonus in respect of 2016. The Committee has determined that he will retain his outstanding award under the Deferred Bonus Plan which is due to vest in 2018, as this relates to performance in 2014. Awards under the Legacy Deferred Share Bonus Plan will be treated in accordance with the plan rules, and the unvested element will vest to the extent that the relevant share price hurdles are achieved.

Directors' Remuneration Report *continued*

IMPLEMENTATION FOR 2016

The following table summarises how remuneration arrangements will be operated for 2016. Shareholders will note that, for the second year, the maximum opportunity under the incentive plans will also remain unchanged.

- Salary and benefits**
- Following the year end, the Committee reviewed the base salary for Executive Directors as part of the annual salary review process.
 - The Chief Executive Officer's salary will remain unchanged for the coming year. The Committee has determined that with effect from 1 April 2016, the Chief Financial Officer's salary will be increased by 5%. This is the first increase since Admission and reflects both Simon Gordon's growing contribution towards the execution of the strategy as well as his importance in delivering the Company's growth objectives over the next few years.

	2016 salary	2015 salary
Rob Roger (Chief Executive Officer)	£525,000	£525,000
Simon Gordon (Chief Financial Officer)	£367,500*	£350,000

- No changes to benefits for 2016 – benefits include private medical insurance, permanent health assurance, income protection, life assurance, an annual health assessment and car allowance. Company contributions to the Executive Directors' retirement benefits remain at 18% of salary.

* Effective from 1 April 2016.

- Annual bonus**
- The maximum opportunity for Executive Directors will remain at 150% of salary. In view of his departure, Rob Roger will not receive a bonus in respect of 2016.

- The performance targets in respect of the 2016 bonus will be based on EBITDA, and a balanced scorecard based on strategic targets linked to productivity, customer, quality and staff measures. The detail of targets for the coming year is commercially sensitive; however, the Committee will look to provide expanded disclosure regarding bonus outcomes in next year's report.
- One-third of any bonus earned will be deferred into shares for three years.

- LTIP**
- Conditional award over shares will be made in 2016 of 200% of base salary in the form of nil-cost options. Rob Roger will not be granted an award in 2016.
 - Performance will be measured over the period from 1 January 2016 to 31 December 2018.
 - Awards conditional on relative TSR and adjusted EPS targets. The EPS target range has been set in the context of external market conditions anticipated over the period. The EPS hurdle has been set so that vesting above 50% would require significant outperformance of market expectations. The EPS target range requires growth from current performance levels and the Committee is satisfied that the range is appropriately stretching and challenging.

	Threshold (25% vests)	Maximum (100% vests)	
TSR v FTSE 250 (excluding investment trusts) (50%)*	Median	Upper quartile	
	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Adjusted EPS – outcome in 2018 (50%)*	20.0p	21.5p	23.3p

* For both performance metrics, there is straight-line vesting between points shown. No vesting of element for performance below threshold.

- Shareholding guideline**
- Executive Directors are expected to build up and maintain, over a period of five years, a shareholding equivalent to twice their respective base salaries.
 - As at the date of this report, both Executive Directors have holdings that exceed this guideline.

- Non-Executive Directors**
- The current fees payable to the Non-Executive Directors are shown in the following table.

Role	Fee per annum
Non-Executive Chairman (1 January 2016 to 13 March 2016)	£257,000
Deputy Chairman/Senior Independent Director	£140,000
Basic fee for other Non-Executive Directors	£50,000
Additional fee for chair of a Board committee	£10,000

- Executive Chairman**
- As announced in March 2016, Garry Watts resumed the role of Executive Chairman on 14 March 2016 in light of Rob Roger's intention to leave the Company. It is expected that Garry Watts will undertake this role for up to a 12 month period following Rob Roger's departure date on 30 June 2016.

While in post as Executive Chairman, Garry Watts will receive a salary of £600,000 and a cash bonus of up to 150% of salary which will primarily be based on EBITDA performance. He will not receive any pension allowance or LTIP awards for this role.

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 2015	As at 31 December 2014	Proportion of shareholding guideline achieved ¹
Executive Directors			
Rob Roger	518,216	518,216	154%
Simon Gordon	262,596	262,596	121%
Non-Executive Directors			
Tony Bourne	11,904	11,904	n/a
John Gildersleeve	4,761	4,761	n/a
Dame Janet Husband	10,231	4,761	n/a
Robert Lerwill	23,809	23,809	n/a
Danie Meintjes	0	0 ²	n/a
Simon Rowlands	214,516	0	n/a
Garry Watts	266,532	266,532	n/a

¹ Calculated based upon the closing share price on 31 December 2015 of £3.129, both Executive Directors significantly exceed the guideline of 200% of salary.

² The starting shareholding for Danie Meintjes is shown as at the date of his appointment as a Non-Executive Director on 20 August 2015.

There have been no changes to Directors' shareholdings between 31 December 2015 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 2015. Unvested awards are structured as nil-cost options.

	Shares		
	Unvested and subject to performance conditions ¹	Unvested and not subject to performance conditions ²	Vested and not subject to performance conditions ³
Executive Directors			
Rob Roger	800,698	263,557	367,517
Simon Gordon	517,131	144,822	200,455
Non-Executive Directors			
Garry Watts	87,450	156,250	233,853
John Gildersleeve	–	–	–
Simon Rowlands	–	–	–
Tony Bourne	–	–	–
Dame Janet Husband	–	–	–
Danie Meintjes	–	–	–
Robert Lerwill	–	–	–

¹ Awards granted under the LTIP (663,198 for Rob Roger and 442,131 for Simon Gordon), plus the proportion of the Directors' Share Bonus Plan that is delivered dependent on share price performance on the second anniversary of Admission (137,500 for Rob Roger, 75,000 for Simon Gordon and 87,450 for Garry Watts). Rob Roger's outstanding LTIP awards (663,198 shares) will lapse in full on his departure from the Company.

² Consists of the proportion of the Directors' Share Bonus Award that is not subject to performance (491,000 for Rob Roger, 267,800 for Simon Gordon and 312,500 for Garry Watts) plus awards under the Deferred Bonus Plan in respect of the 2014 bonus (18,057 for Rob Roger and 10,922 for Simon Gordon).

³ Consists of awards vesting under the first tranche of awards under the Directors' Share Bonus Award that vested on the first anniversary of Admission and remain unexercised as at the year end.

Directors' Remuneration Report *continued*

LETTERS OF APPOINTMENT

Non-Executive Director	Date of appointment	Notice period	Date of expiry
Tony Bourne	24 June 2014	2 months	21 May 2018
John Gildersleeve	24 June 2014	3 months	23 July 2017
Dame Janet Husband	24 June 2014	2 months	21 May 2018
Robert Lerwill	24 June 2014	2 months	21 May 2018
Danie Meintjes ¹	20 August 2015	Not applicable	20 August 2018
Simon Rowlands ²	24 June 2014	2 months	23 July 2016
Garry Watts	4 July 2014	12 months	23 July 2017

¹ Pursuant to the relationship agreement dated 22 June 2015 between the Company and Remgro Jersey Limited, under which Remgro Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director, Danie Meintjes was appointed to the Board on 20 August 2015. Danie Meintjes is considered to be a non-independent Non-Executive Director.

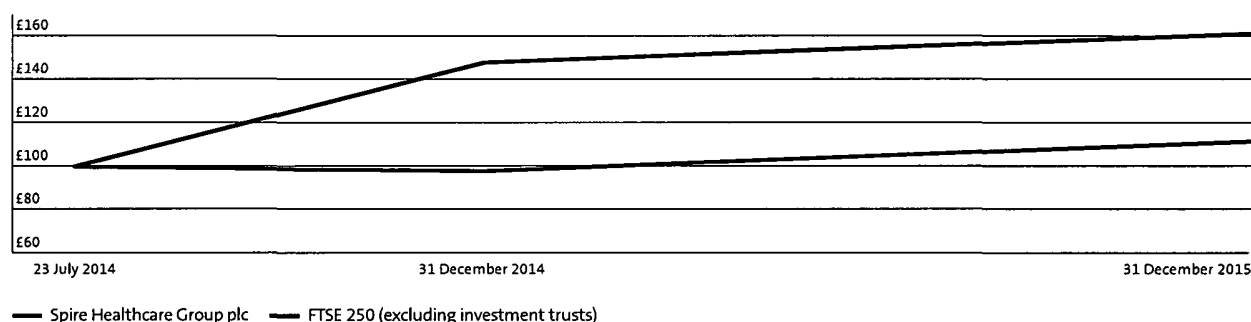
² Following the sale of their shareholding in the Company by Cinven Funds, Simon Rowlands remained a Non-Executive Director and a letter of appointment dated 23 July 2015 was issued to him. Due to the senior position Simon continues to hold with Cinven Partners he is considered to be a non-independent Non-Executive Director.

SERVICE CONTRACTS

Each of the Executive Directors, who will both put themselves up for re-election at the annual general meeting to be held on 19 May 2016, are employed under ongoing service contracts with the Group. These contracts do not have a fixed term of appointment. A copy of each Executive Director's service contract is 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.



The table below shows the total remuneration paid to the Chief Executive Officer.

	2015	2014
Chief Executive Officer's single figure of remuneration (£000)	1,095.8	6,223.1
Annual bonus payout (% of maximum)	0%	34%
LTIP vesting (% of maximum)	—	—

PERCENTAGE CHANGE IN REMUNERATION OF THE DIRECTOR UNDERTAKING THE ROLE OF CHIEF EXECUTIVE OFFICER

The table below shows the percentage change in remuneration (based on salary, fees, benefits and annual bonus) between 2014 and 2015 for the Chief Executive Officer.

	Chief Executive Officer % change	Other employees % change
Base salary	0*	1%
Benefits	20%	4%
Annual bonus	(100%)	(100%)

* The Chief Executive Officer did not receive a salary increase in 2015.

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.

£million	2015	2014	% change
Total remuneration	253.0	283.11	(11%)
Distributions to shareholders	12.4	–	n/a

1 Included in total remuneration for the year ended 31 December 2014 are exceptional bonuses paid in relation to the Company's Admission; see notes 7 and 8 on pages 117 for further details.

ADVICE PROVIDED TO THE REMUNERATION COMMITTEE

During the course of the year, Deloitte LLP provided external advice to the Committee and its total fees were £33,850 (2014: £60,500). Deloitte LLP has voluntarily signed up to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consulting during the year. The Committee is comfortable that the Deloitte LLP engagement partner and team that provides remuneration advice to the Committee do not have connections with the Company that may impair their independence. During the year, Deloitte LLP also provided unrelated tax and consultancy services to the Group.

The Executive Chairman, Chief Executive Officer, Chief Financial Officer, Group Human Resources Director and Simon Rowlands attended Committee meetings by invitation in order to provide the Committee with additional context. No individual participates in discussions regarding their own remuneration.

STATEMENT OF VOTING AT 2015 ANNUAL GENERAL MEETING

The following table sets out the voting in respect of the resolutions to approve the Company's Remuneration Policy and the 2014 Directors' Remuneration Report, put to shareholders at the Company's annual general meeting held on 21 May 2015:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Remuneration Policy	337,796,831	99.56%	1,485,857	0.44%	147,141
Approve the 2014 Directors' Remuneration Report	335,669,514	98.94%	3,607,223	1.06%	153,092

The Directors were pleased with the response received from shareholders to the resolutions proposed. This report on directors' remuneration will be put to an advisory vote at the annual general meeting on 19 May 2016. 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 16 March 2016. In line with best practice, it is next intended to present the remuneration policy to shareholders for approval at the annual general meeting in 2018 unless any alterations are required before then.

SHARE PRICES

The market price of a Spire Healthcare Group plc ordinary share at 31 December 2015 was 312.9 pence and the range during the year was 279.9 pence to 401.6 pence.

Tony Bourne

Chair, Remuneration Committee

16 March 2016

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 2015.

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 57 and the Directors' Remuneration Report on pages 76 to 93, 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 Corporate social responsibility on pages 46 and 47;
- employees, which can be found under Our people on pages 42 to 45;
- the Corporate governance statement, set out on pages 62 to 67; and
- Our strategy set out on pages 18 to 19.

A description of the Group's exposure and management of risks is provided in the Strategic Report on pages 48 to 55.

Information regarding the Company's charitable donations can be found under Our people on pages 42 to 45.

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 J.P. Morgan at 60 Victoria Embankment, London EC4Y 0JP on Thursday, 19 May 2016 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 2015 of 2.4 pence (2014: 1.8 pence) per ordinary share making a proposed total dividend for the year of 3.7 pence per share (2014: 1.8 pence). Subject to shareholders approving the recommendation at the annual general meeting, the final dividend will be paid on 28 June 2016 to shareholders on the register as at 3 June 2016.

The Company paid an interim dividend in respect of the year ended 31 December 2015 of 1.3 pence per share on 15 December 2015.

BOARD OF DIRECTORS

Following the announcement in June 2015 of the sale of Cinven Fund's shareholding in the Company to Mediclinic International, Dr Supraj Rajagopalan stepped down from the Board on 29 June 2015. Danie Meintjes was appointed as a Non-Executive Director on 20 August 2015 under the terms of the relationship agreement entered into between the Company and Remgro Jersey Limited, a subsidiary of Mediclinic International.

In March 2016, we announced that Rob Roger will be stepping down as Chief Executive Officer and leaving the Company on 30 June 2016. We will also appoint Andrew White, our Chief Operating Officer, to the Board on 1 July 2016.

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, with the exception of Danie Meintjes, who will stand for election for the first time, will retire and seek re-election at this year's annual general meeting. Full biographical details of all of the Directors can be found on pages 58 and 59.

Further information on the contractual arrangements of the Executive Directors is given on page 81. 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 67 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.

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 people on pages 42 to 45.

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 1,692,242 ordinary shares of 1 pence each (2014: nil). Further details can be found in note 27 on page 128.

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 27 to the Company's financial statements on page 128.

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.

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 2016 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 91.

During the year, no Director had any material interest in any contract of significance to the Group's business.

MATERIAL INTERESTS IN SHARES

As at 16 March 2016, 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	29.90
Woodford Investment Management LLP	14.02
BlackRock, Inc	6.38
Goldman Sachs Asset Management International	5.25
The Capital Group Companies, Inc	4.80

Directors' Report *continued***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 76 to 93. 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 by Cinven and Spire Healthcare Group plc in July 2014 terminated on the sale of their shareholding in June 2015.

Following the purchase of shares by Mediclinic International from Cinven, a relationship agreement was entered into with Remgro Jersey Limited, a subsidiary of Mediclinic International, in June 2015 and this 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.

Information required

Amount of interest capitalised
Long-term incentive schemes

Equity securities allotted for cash
Parent and subsidiary undertakings
Subsisting significant agreements
Controlling shareholder relationships

Location in Annual Report 2015

Note 11 on page 118
Directors' Remuneration Report pages 76 to 93

Note 27 on page 128
Note 18 on page 122
Page 95
Pages 67 and 96

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 above table 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 2015 at the references set out above.

EVENTS AFTER THE REPORTING PERIOD

There have been no material events affecting the Group or Company since 31 December 2015.

GOING CONCERN

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

DISCLOSURE OF INFORMATION TO AUDITOR

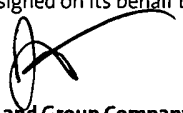
Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors confirms that:

- 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.

The Directors' Report has been approved by the Board and is signed on its behalf by:


Daniel Toner
General Counsel and Group Company Secretary
16 March 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts for the year ended 31 December 2015, 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 58 and 59, 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 2015, 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.

Rob Roger
Chief Executive Officer
16 March 2016

Simon Gordon
Chief Financial Officer
16 March 2016

Independent Auditor's Report

To the members of Spire Healthcare Group plc

OUR OPINION ON THE 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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

WHAT WE HAVE AUDITED

Spire Healthcare Group plc's financial statements comprise:

Group	Parent Company
<ul style="list-style-type: none"> • Consolidated balance sheet as at 31 December 2015 • Consolidated income statement for the year then ended • Consolidated statement of comprehensive income for the year then ended • Consolidated statement of changes in equity for the year then ended • Consolidated cash flow statement for the year then ended • Related notes 1 to 34 to the financial statements 	<ul style="list-style-type: none"> • Balance sheet as at 31 December 2015 • Statement of changes in equity for the year then ended • Cash flow statement for the year then ended • Related notes C1 to C13 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and 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.

OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	<ul style="list-style-type: none"> • Improper revenue recognition – management manipulation • Improper revenue recognition – complexity of PMI and NHS contracts • Inappropriate capitalisation of development costs of new hospitals • Manchester hospital asset impairment
Audit scope	<p>We performed an audit of the complete financial information of four Group companies and audit procedures on specific balances for a further 16 Group companies.</p> <p>The Group companies for which we performed full or specific audit procedures accounted for 100% of revenue, 100% of profit before tax and 99% of total assets.</p>
Materiality	Overall Group materiality of £3.7 million which represents 5% of profit before tax.

OUR ASSESSMENT OF RISK OF MATERIAL MISSTATEMENT

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

(New in 2015) Improper revenue recognition – management manipulation

Refer to the Audit and Risk Committee Report on pages 68 to 71 and accounting policies on page 111.

Risk	Our response to the risk	What we concluded to the Audit and Risk Committee
<p>2015 revenue: £885 million (2014: £856 million)</p> <p>We considered that pressure to achieve results and secure bonus payments increases the risk of financial reporting manipulation by management. We consider there to be a risk that revenue is inappropriately reported to achieve a desired financial result. We believe that the opportunity to manipulate revenue creates a heightened risk in the following four areas:</p> <ul style="list-style-type: none"> • inappropriate revenue recognition by way of management manipulation of the pricing master file resulting in inaccurate patient invoicing, primarily in respect of PMI revenue; • inaccurate coding at the hospital level across a number of hospitals, either through coders being misdirected by management to apply incorrect HRG (procedure) codes for NHS revenue or intentional miscoding of PMI procedures where incentivisation and direction to miscode could result in a material revenue misstatement; • material overstatement of other income, specifically revenue earned through the specific NHS campaigns where the reporting of results achieved could be manipulated; and • material risk that deferred patient revenue, across all payor groups, could be manipulated through early recognition/ deferral at the year end date. 	<ul style="list-style-type: none"> • Evaluated and tested controls over the maintenance and accuracy of the pricing master file and its interface with SAP. • Our testing involved the audit of controls over a sample of patient procedures for which revenue is recognised, agreeing to proof of procedure, and corroborating the pricing back to agreed price lists (insured, NHS and Self-pay) and contracts. • The timeliness of cash payments from all of the main customer streams has been corroborated to provide additional assurance around the accuracy of revenue recognition. We obtained a breakdown of cash settlements to verify the recoverability of period end debtors. • Tested controls around the monthly NHS procedures and payments (SAC) reconciliation, as well as analytically reviewing the activity report within this reconciliation for unexpected or unusual changes in types of treatment provided and recognised as revenue. • Reviewed an independent audit report on the adequacy of expert clinical coders and enquired on the Group's responses to the report's key findings. • For other income, our audit involved, in addition to the testing of cash payments from the NHS, agreement to source documents supporting the measurement and accuracy of the revenue recognised. • The risk of material misstatement in patient revenue towards the year end has been addressed through an increased level of substantive testing in respect of revenue cut off around the year end date. <p>We performed full and specific scope audit procedures which meant that 100% (rounded) of the Group's revenue was included in our population for testing.</p>	<p>We did not identify any issues regarding improper revenue recognition or ineffectiveness of the controls over the revenue process.</p> <p>Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.</p>

Independent Auditor's Report *continued***Improper revenue recognition – complexity of PMI and NHS contracts**

Refer to the Audit and Risk Committee Report on pages 68 to 71.

Risk	Our response to the risk	What we concluded to the Audit and Risk Committee
<p>2015 PMI revenue: £435 million (2014: £432 million)</p> <p>2015 NHS revenue: £262 million (2014: £246 million)</p> <p>The complexity of PMI and NHS contracts could result in mis-billing, either through inaccurate coding, or using an inappropriate price list. The result would be that an invoice would not be settled, and the invoice would have to be cancelled, corrected, and rebilled. These errors may not be corrected by the end of the year, resulting in the risk of a material misstatement to revenue.</p>	<ul style="list-style-type: none"> • Certain of the audit procedures designed to address the fraud risk as referred to above, have also addressed this significant risk of misstatement. • Our testing has involved the audit of controls over a sample of revenue procedures and transactions. • In addition, we have substantively agreed a sample of revenue transactions back to proof of procedure and agreed price lists. • Timeliness of cash payments provides additional assurance of revenue recognition and has been evidenced as received where appropriate. 	<p>We did not identify any issues regarding any material mis-billing arising from the complexity of NHS and PMI contracts.</p> <p>Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.</p>

(New in 2015) Inappropriate capitalisation of development costs of new hospitals

Refer to the Audit and Risk Committee Report on pages 68 to 71 and note 17 of the Consolidated financial statements on page 122.

Risk	Our response to the risk	What we concluded to the Audit and Risk Committee
<p>During 2015, total capital expenditure across the Group was £110 million (2014: £67 million).</p> <p>Construction is under way on new hospitals in Manchester and Nottingham. Additionally, the Group is redeveloping parts of Spire St Anthony's Hospital, amongst other development projects at existing hospitals, and has built a Specialist Care Centre in Baddow during the year.</p> <p>Given management's bonus structure and analysts' expectations on the Group's performance, we consider the risk of inappropriate capitalisation to these significant development projects as a material fraud risk in accordance with the auditing standards definition.</p> <p>We have focussed on this area in 2015 as the level of capital expenditure is significantly more material to the financial statements than in prior years.</p>	<ul style="list-style-type: none"> • We tested the effectiveness of controls associated with the capitalisation of development expenditure • We performed testing of the nature, relevance to the project, existence and accuracy of additions to property, plant and equipment during the year using suitable thresholds. 	<p>Our audit procedures found no instances of expenditure which in our opinion had been inappropriately capitalised.</p>

(New in 2015) Manchester hospital asset impairment

Refer to the Audit and Risk Committee Report on pages 68 to 71; accounting policies on page 112; and note 17 of the Consolidated financial statements on page 122.

Risk	Our response to the risk	What we concluded to the Audit and Risk Committee
<p>Spire's new hospital in West Didsbury is planned to open in early 2017. As a consequence, the Directors have considered the impact on the Group's existing hospital in Manchester, from the date of the new facility being opened. The existing facility is held under an operating lease arrangement which expires in 2042.</p> <p>The directors have forecast the consequential reduction in the earnings of the existing Manchester hospital. This has resulted in an impairment charge of £5.7 million being recognised against the site's leasehold improvements and equipment.</p> <p>However, based on their forecasts, the Directors have concluded that no onerous lease provision is required in respect of the lease.</p>	<ul style="list-style-type: none"> Through enquiries of management, we assessed the various operational and commercial options available to the Directors for the existing Manchester site from 2017. We tested management's forecast earnings analysis. We considered the key assumptions and sensitivities in respect of the reduced earnings potential. 	<p>Management's forecast supports both the impairment charge recognised in the year but also that the lease is not onerous. We agree that balance sheet position at 31 December 2015 appropriately reflects the impact of the new West Didsbury site on the earnings of the existing Manchester site.</p>

In the prior year, our auditor's report included risks of material misstatements in relation to goodwill carrying amounts, appropriate recognition of deferred tax assets and the treatment of costs directly attributable to the Group's Admission. In the current year, have determined that these risks do not have the greatest effect on the financial statements in the year ended 31 December 2015.

The carrying amount of goodwill has not been an area of major audit focus this year because the results of the last few years' impairment review showed the value-in-use of the goodwill was significantly in excess of its carrying value. Given the continued year-on-year growth in the business, and management's assessment of the forecast future profitability of the Group for the foreseeable future, we considered the risk of impairment to be reduced this year.

The risk of inappropriate recognition of deferred tax balances is no longer considered to be significant due to our assessment that there is little sensitivity to the judgements underpinning the basis of the deferred tax liability expected to arise in respect of the property portfolio, there is little judgement in respect of availability of losses across the Group nor judgement in respect of the right of offset of assets and liabilities in accordance with IAS 12.

The risk area we identified last year relating to the treatment of costs directly attributable to the Group's IPO is not applicable this year due to the one-off nature of these transactions.

Independent Auditor's Report *continued***THE SCOPE OF OUR AUDIT**

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 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 identified 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 four entities ('full scope components') which were selected based on their size or risk characteristics. For a further 16 entities ('specific scope components'), we performed audit procedures on specific accounts within that entity 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.

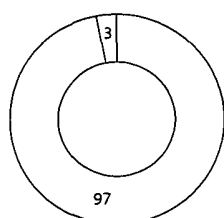
The entities for which we performed audit procedures accounted for 100% (2014: 99%) of the Group's revenue, 100% (2014: 100%) of the Group's profit before tax, and 99% (2014: 99%) of the Group's total assets. For the current year, the full scope components contributed 97% (2014: 96%) of the Group's revenue and 62% (2014: 46%) of the Group's total assets. The specific scope components contributed 3% (2014: 3%) of the Group's revenue and 37% (2014: 53%) 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 has contributed to the coverage of significant accounts tested for the Group. Due to the distribution of the constituent parts of profit before tax across the Group's entities, it is not possible to present the split between full and specific scope components in a meaningful way as intra-group profits earned in certain specific scope components results in the aggregate profit before tax at the component level being marginally in excess of 100%.

For the remaining entities we performed other procedures, including analytical review and testing of the clerical accuracy of the consolidation to respond to any potential risks of material misstatement to the Group financial statements.

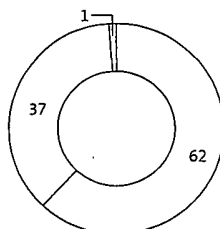
The charts below illustrate the coverage obtained from the work performed.

The audit of the entities within the Group is undertaken by one audit team which is led by the senior statutory auditor.

There have not been any significant changes to the scope of our audit from the prior year.

REVENUE (%)

- Full scope components **97%**
- Specific scope components **3%**
- Other procedures **0%**

TOTAL ASSETS (%)

- Full scope components **62%**
- Specific scope components **37%**
- Other procedures **1%**

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 £3.7 million (2014: £3.9 million), which is 5% of profit before tax (2014: 5% of profit before tax and after adding back exceptional associated with the Group's IPO). We believe that profit before tax provides us with the most applicable measurement basis for the users of the financial statements.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2014: 75%) of our planning materiality, namely £2.8 million (2014: £2.9 million). We have set performance materiality at this percentage due to our assessment of the overall control environment and the history of no or very few audit adjustments.

Audit work on subsidiaries 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 entity is based on the relative scale and risk of the entity to the Group as a whole and our assessment of the risk of misstatement arising in that entity. In the current year,

the range of performance materiality allocated to subsidiary entities was £0.6 million to £2.8 million (2014: £0.6 million to £2.9 million).

Performance 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 £0.2 million (2014: £0.2 million), which is set at 5% of 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.

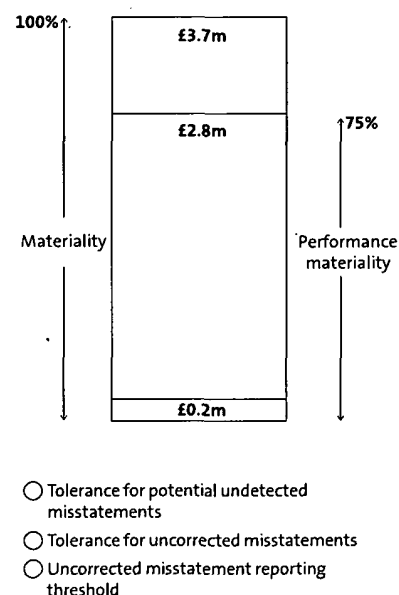
SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' responsibilities set out on page 97, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.



Independent Auditor's Report *continued***OPINION 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; and
- 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.

Matters on which we are required to report by exception

ISA (UK and Ireland) reporting	<p>We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is:</p> <ul style="list-style-type: none"> • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit and Risk Committee that we consider should have been disclosed.</p>	We have no exceptions to report.
Companies Act 2006 reporting	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • 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. 	We have no exceptions to report.
Listing Rules review requirements	<p>We are required to review:</p> <ul style="list-style-type: none"> • the Directors' statement in relation to going concern, set out on page 96, and longer-term viability, set out on page 49; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. 	We have no exceptions to report.

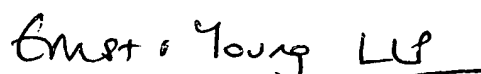
Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISA (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

We have nothing material to add or to draw attention to.

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement 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 12 months from the date of approval of the financial statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, 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.



Debbie O'Hanlon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 March 2016

Notes applicable where this report is published electronically:

1. The maintenance and integrity of the Spire Healthcare Group plc website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 31 December 2015

(£ million)	Notes	2015	2014
Revenue	6	884.8	856.0
Cost of sales		(460.0)	(436.6)
Gross profit		424.8	419.4
Other operating costs		(329.3)	(359.3)
Operating profit	5	95.5	60.1
Exceptional items included within other operating costs	8	(15.7)	(54.0)
Operating profit before exceptional items		111.2	114.1
(Loss)/profit on disposal of property, plant and equipment	9	(0.8)	18.5
Interest income	10	0.3	0.3
Finance costs	11	(21.4)	(85.9)
Profit/(loss) before taxation		73.6	(7.0)
Taxation	13	(13.6)	13.0
Profit for the year		60.0	6.0
Profit for the year attributable to owners of the Parent		60.0	6.0
Earnings per share (in pence per share)			
– basic	15	15.0	1.9
– diluted	15	14.9	1.9

Consolidated statement of comprehensive income

For the year ended 31 December 2015

(£ million)	2015	2014
Profit for the year	60.0	6.0
Other comprehensive income for the year	—	—
Total comprehensive income for the year attributable to owners of the Parent	60.0	6.0

Consolidated statement of changes in equity

For the year ended 31 December 2015

(£ million)	Notes	Share capital	Share premium	Capital reserves	Treasury share reserves	Retained earnings	Total equity
As at 1 January 2014 as previously reported		–	–	–	–	(256.2)	(256.2)
Restatement (note 17)		–	–	–	–	(5.0)	(5.0)
As at 1 January 2014 as restated		–	–	–	–	(261.2)	(261.2)
Profit for the year		–	–	–	–	6.0	6.0
Other comprehensive income for the year		–	–	–	–	–	–
Group reorganisation		2.5	525.0	376.1	–	–	903.6
Shares issued on Admission		1.5	313.3	–	–	–	314.8
Transaction costs of shares issued		–	(11.4)	–	–	–	(11.4)
Share-based payments		–	–	–	–	2.8	2.8
Deferred tax on share-based payments		–	–	–	–	0.4	0.4
As at 1 January 2015 as restated		4.0	826.9	376.1	–	(252.0)	955.0
Profit for the year		–	–	–	–	60.0	60.0
Other comprehensive income for the year		–	–	–	–	–	–
Share-based payments		–	–	–	–	0.7	0.7
Deferred tax on share-based payments		–	–	–	–	(0.1)	(0.1)
Purchase of treasury shares	27	–	–	–	(5.6)	–	(5.6)
Dividend paid	14	–	–	–	–	(12.4)	(12.4)
Balance at 31 December 2015		4.0	826.9	376.1	(5.6)	(203.8)	997.6

Consolidated balance sheet

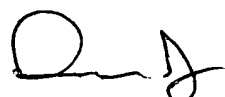
As at 31 December 2015

(£ million)	Notes	2015	2014 (As restated) ¹	1 January 2014 (As restated) ¹
ASSETS				
Non-current assets				
Intangible assets	16	519.1	519.1	514.9
Property, plant and equipment	17	895.5	846.6	808.6
Deferred tax asset	24	–	–	17.1
		1,414.6	1,365.7	1,340.6
Current assets				
Inventories	19	29.0	26.0	26.2
Trade and other receivables	20	134.7	139.9	131.2
Cash and cash equivalents	21	78.9	74.5	111.5
		242.6	240.4	268.9
Total assets		1,657.2	1,606.1	1,609.5
EQUITY AND LIABILITIES				
Equity				
Share capital	27	4.0	4.0	–
Share premium		826.9	826.9	–
Capital reserves	27	376.1	376.1	–
Treasury share reserves	27	(5.6)	–	–
Retained earnings		(203.8)	(252.0)	(261.2)
Equity attributable to owners of the Parent		997.6	955.0	(261.2)
Non-controlling interests		–	–	–
Total equity		997.6	955.0	(261.2)
Non-current liabilities				
Borrowings	22	493.5	493.5	882.1
Derivative financial instruments	25	–	–	52.4
Deferred tax liability	24	53.6	47.8	77.1
		547.1	541.3	1,011.6
Current liabilities				
Provisions	23	15.6	6.2	3.2
Borrowings	22	4.9	5.3	746.8
Derivative financial instruments	25	–	–	22.1
Trade and other payables	26	90.3	97.6	87.0
Income tax payable		1.7	0.7	–
		112.5	109.8	859.1
Total liabilities		659.6	651.1	1,870.7
Total equity and liabilities		1,657.2	1,606.1	1,609.5

¹ Details of the restatement are set out in note 17.

These Consolidated financial statements and the accompanying notes were approved for issue by the Board of Directors on 16 March 2016 and were signed on its behalf by:

Rob Roger
Chief Executive Officer



Simon Gordon
Chief Financial Officer



Consolidated statement of cash flows

For the year ended 31 December 2015

(£ million)	Notes	2015	2014
Cash flows from operating activities			
Profit/(loss) before taxation		73.6	(7.0)
Adjustments for:			
Depreciation	5	48.9	45.1
Impairment of property, plant and equipment	5	11.2	–
Goodwill impairment	16	–	1.0
Share-based payments	28	0.7	2.8
Loss/(profit) on disposal of property, plant and equipment	9	0.8	(18.5)
Interest income	10	(0.3)	(0.3)
Finance costs	11	21.4	85.9
		156.3	109.0
Movements in working capital:			
Decrease/(increase) in trade and other receivables		11.7	(9.3)
(Increase)/decrease in inventories		(3.0)	1.5
(Decrease)/increase in trade and other payables		(4.4)	9.5
Increase in provisions		1.6	2.3
Income tax paid		(6.9)	–
Net cash from operating activities		155.3	113.0
Cash flows from investing activities			
Acquisition of business and trading assets, net of cash acquired		–	(38.5)
Purchase of property, plant and equipment		(109.5)	(66.6)
(Costs of)/proceeds from disposal of property, plant and equipment		(0.4)	34.8
Interest received		0.3	0.3
Net cash used in investing activities		(109.6)	(70.0)
Cash flows from financing activities			
Proceeds from issue of share capital		–	317.2
Share issue costs		–	(10.3)
Payment of share issue costs relating to prior year's IPO		(1.1)	–
Interest paid		(21.4)	(41.3)
Repayments of borrowings		(0.8)	(805.0)
Proceeds from drawdown of long-term borrowing		–	465.0
Debt issuance costs		–	(5.6)
Purchase of treasury shares		(5.6)	–
Dividend paid to equity holders of the Parent		(12.4)	–
Net cash used in financing activities		(41.3)	(80.0)
Net increase/(decrease) in cash and cash equivalents		4.4	(37.0)
Cash and cash equivalents at beginning of year		74.5	111.5
Cash and cash equivalents at end of year		78.9	74.5
Exceptional costs			
Exceptional costs paid included in the cash flow from operating activities		4.5	51.2
Total exceptional costs	8	15.7	54.0

Notes to the financial statements

1. GENERAL INFORMATION

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

The financial statements for the year ended 31 December 2015 were authorised for issue by the Board of Directors of the Company on 16 March 2016.

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

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and on an historical cost basis, except for derivative financial instruments that are measured at fair value.

Group reorganisation during 2014

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

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

Going concern

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

3. ACCOUNTING POLICIES

Significant accounting policies applied

The principal accounting policies adopted are described below and were consistently applied for all periods presented, except as noted below.

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.

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.

Notes to the financial statements *continued*

3. ACCOUNTING POLICIES *continued*

Other operating costs

Other operating costs mainly comprise non-clinical staff costs, rent associated with properties leased under operating 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 exceptional items, as defined below.

Operating profit is adjusted to exclude exceptional items to calculate the Key Performance Indicator 'Operating profit before exceptional items', which is utilised in measuring performance before the impact of non-recurring, exceptional items in the income statement.

Exceptional items

Exceptional items are those items which, by virtue of their size or incidence, either individually or in aggregate, need to be disclosed separately to allow a full understanding of the underlying performance of the Group.

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.

Business combinations and goodwill

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 represents the excess of the cost of acquisition 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 cash-generating units 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.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

No depreciation is charged on freehold land or properties under 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 buildings and 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 and the forecast timing of disposal.

3. ACCOUNTING POLICIES *continued*

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 trade discounts, and less all costs to be incurred in marketing, selling and distribution.

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.

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.

Pensions

The Group operates the Spire Healthcare Pension, 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 (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Where the share awards have non-market related performance criteria, the Group has used the Black Scholes valuation model to establish the relevant fair values. Where the share awards have total shareholder return ('TSR') market-related performance criteria, the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values (see note 28). The resulting fair values are recognised in the income statement over the vesting period of the options.

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.

The social security contributions payable in connection with the grant of the share options is considered to be an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Provisions

A provision is recognised in the 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 separately in receivables when the receipt of them is judged sufficiently probable.

Leases

Leasing arrangements which transfer to the Group substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is the shorter.

The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income statement in proportion to the capital element outstanding.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Notes to the financial statements *continued*

3. ACCOUNTING POLICIES *continued*

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.

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

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 at the date a derivative contract is entered into and subsequently remeasured to their fair value at each balance sheet date.

The Group applies cash flow hedge accounting to such derivatives if the criteria for doing so are met.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

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 (treasury shares), 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 dividend is recognised when paid.

New and amended standards and interpretations

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

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

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

3. ACCOUNTING POLICIES *continued*

Standards and interpretations issued but not yet applied

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

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

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

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

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

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates:

Judgements

• Deferred tax

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation rates and taxation rates.

The Group owns a portfolio of freehold and leasehold property interests. The Group has recognised a deferred tax liability in its financial statements in respect of capital gains tax and other taxes based on the assumption that a proportion of the freehold properties will be disposed of in future years, with the remaining properties being realised through use. This calculation requires judgement about the timing and number of the related property disposals, which is potentially impacted by changes to plans made by the business over time and, in particular, changes in business plans in respect of the holding or disposing of properties.

• Leases

In the determination of the classification of a number of leases over hospital properties as operating leases, assumptions have been made about the discount rate applied to the annual rent payable over the remainder of the lease term compared against their respective fair values and of the useful economic life of the hospitals. Further information about commitments under these leases is given in note 29.

• Exceptional items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as exceptional. Deciding which items meet this definition requires the Group to exercise its judgement. Details of these items categorised as exceptional are outlined in note 8.

Notes to the financial statements *continued***4. SIGNIFICANT JUDGEMENTS AND ESTIMATES *continued*****Estimates****• Estimation of useful lives and residual values**

Property, plant and equipment are depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as the remaining lives of the assets and projected disposal values. The estimated useful lives of property, plant and equipment are set out in note 3.

• Goodwill

Goodwill is considered 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 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 16.

• Share-based payments

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

The assumptions considered to be most critical in estimating share-based payments are contained in note 28.

• Provisions for patient claims

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

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

Further details of claims and the amounts provided are given in note 23.

5. OPERATING PROFIT

Operating profit has been arrived at after charging:

(£ million)	2015	2014
Rent of land and buildings under operating leases	62.9	60.7
Depreciation of property, plant and equipment	48.9	45.1
Impairment of property, plant and equipment	11.2	–
Impairment of intangible assets	–	1.0
Staff costs (see note 7)	253.0	283.1

6. SEGMENTAL REPORTING

In determining the Group's operating segment, management has primarily considered the financial information in the internal reports that are reviewed and used by the executive management team and the Board of Directors (in aggregate the chief operating decision maker) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that the Group has a single operating segment, being the provision of healthcare services.

All revenue is attributable to and all non-current assets are located in the United Kingdom.

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

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

7. STAFF COSTS

Employees

The average number of full-time equivalent persons employed by the Group during the year, analysed by category, was as follows:

(No.)	2015	2014
Clinical	4,125	3,762
Non-clinical	3,719	3,408
	7,844	7,170

The aggregate payroll costs of these persons were as follows:

(£ million)	2015	2014
Wages and salaries	218.0	244.1
Social security costs	18.6	24.0
Other pension costs	16.4	15.0
	253.0	283.1

Included in wages and salaries, social security costs and share-based payments for year ended 31 December 2015 are exceptional items of £2.6 million (2014: £38.9 million), £nil (2014: £5.8 million) and £nil million (2014: £2.5 million), respectively. Refer to note 8 for further details.

Other pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2015 were £1.6 million (2014: £1.5 million).

8. EXCEPTIONAL ITEMS

(£ million)	2015	2014
Initial Public Offering ('IPO') related:		
Costs incurred in relation to the IPO	–	43.6
Share-based payment (Directors' Share Bonus Award) (note 28)	–	2.5
	–	46.1
Non-IPO related:		
Business reorganisation	3.1	3.9
Hospital impairment	5.7	–
Hospital closure	6.9	–
Regulatory costs	–	4.0
	15.7	7.9
Total exceptional costs	15.7	54.0

IPO related

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

Non-IPO related

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

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

Notes to the financial statements *continued***9. (LOSS)/PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

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

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

10. INTEREST INCOME

(£ million)	2015	2014
Interest income on bank deposits	0.3	0.3

11. FINANCE COSTS

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

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

12. 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)	2015	2014
Amounts receivable by auditor and its associates in respect of:		
Audit of the Company's annual financial statements	0.3	0.3
Audit of the Company's subsidiaries	0.2	0.2
Other assurance services (IPO related services)	–	0.5
	0.5	1.0

13. TAXATION**(i) Analysis of tax expense/(credit) in the year:**

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

Corporation tax is calculated at 20.25% (2014: 21.50%) of the estimated taxable profit or loss for the year.

(ii) Factors affecting the tax credit

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

The differences are explained below:

(£ million)	2015	2014
Weighted rate of corporation tax	20.25%	21.50%
Profit/(loss) before taxation	73.6	(7.0)
Tax expense/(credit) on profit/(loss) at weighted rate of corporation tax	14.9	(1.5)
Effects of:		
Expenses not deductible for tax purposes	3.4	10.4
Deferred tax credit on property assets	(0.7)	(3.7)
Non-taxable profit on disposal of property, plant and equipment	(0.1)	(3.3)
Movements on deferred tax asset previously not recognised	–	(13.7)
Difference in tax rates	(5.8)	–
Adjustments to prior years	1.9	(1.1)
Other items	–	(0.1)
Total tax expense/(credit) for the year	13.6	(13.0)

Notes to the financial statements *continued***14. DIVIDEND**

(£ million)

2015

2014

Amounts recognised as distributions to equity holders in the year:

– final dividend for the year ended 31 December 2014 of 1.8 pence per share (2014: £nil)	7.2	–
– interim dividend for the year ended 31 December 2015 of 1.3 pence per share (2014: £nil)	5.2	–
Total	12.4	–

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

15. EARNINGS PER SHARE

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

2015

2014

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

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.

2015

2014

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

16. INTANGIBLE ASSETS

(£ million)

Goodwill

Cost:

At 1 January 2014	516.2
Additions in the year	6.6
Disposal in the year	(2.7)
At 1 January 2015/31 December 2015	520.1

Impairment:

At 1 January 2014	1.3
Charge for the year	1.0
Disposal in the year	(1.3)
At 1 January 2015/31 December 2015	1.0

Net book value:

At 31 December 2015	519.1
At 31 December 2014	519.1

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

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 three-year period to December 2018, which were extended to cover the five-year period to December 2020.

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. Revenue growth is projected to be in line with past experience and expectations of future performance, averaging 5.9% for the five-year period (2014: 5.9%). Cost assumptions are consistent with the Group's historic track record, after taking account of headline inflation at 2.7% (2014: 3.3%).

A long-term growth rate of 2.25% (2014: 2.25%) has been applied to cash flows beyond 2020, which is based on historic growth rates achieved by the sector, which have typically exceeded 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 9.0% (2014: 10.2%).

A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. For example, an increase of 3.0% in the pre-tax discount rate to 12.0%, with all other assumptions held constant, did not identify any impairments. Similarly, zero growth in the period beyond 2020, with all other assumptions held constant or combined with a 1.0% increase in the pre-tax discount rate, did not identify any impairment.

As at the balance sheet date, it is not considered to be reasonably possible that circumstances will change, such that the key assumptions made in assessing the recoverable amount relating to each of the acquisitions will be revised to the point where the goodwill is considered impaired.

Notes to the financial statements *continued***17. PROPERTY, PLANT AND EQUIPMENT**

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

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

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

Prior year balance sheet restatement

The carrying amount of long leasehold property at 31 December 2014 has been restated from £145.1 million to £139.8 million, with an equivalent £5.0 million (£5.3 million less £0.3 million deferred tax impact) adjustment to equity. This is the result of a correction to the initial measurement of certain of the associated lease liabilities, from their inception in January 2010, to account for all minimum annual increases in the rental payable under those leases and a consequential reassessment of the appropriate discount rate (see also note 22). There is no material resultant change to the income statements for any of the periods presented.

18. SUBSIDIARY UNDERTAKINGS

As at 31 December 2015, 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.

18. SUBSIDIARY UNDERTAKINGS *continued*

Incorporated and registered in the UK, unless otherwise stated

	Principal activity	Class of share
Spire Healthcare Finance Limited*	Holding company	Ordinary
Spire Healthcare Group UK Limited	Holding company	Ordinary
Spire UK Holdco 2A Limited	Holding company	Ordinary
Spire UK Holdco 4 Limited	Holding company	Ordinary
Spire Healthcare Holdings 1	Holding company	Ordinary
Spire Healthcare Holdings 2 Limited	Holding company	Ordinary
Spire Healthcare Holdings 3 Limited	Holding company	Ordinary
Spire Healthcare (Holdings) Limited	Holding company	Ordinary
SHC Holdings Limited	Holding company	Ordinary
Spire Healthcare Limited	Health provision	Ordinary
Spire Healthcare Properties Limited	Hospital leasing	Ordinary
Fox Healthcare Holdco 2 Limited	Holding company	Ordinary
Fox Healthcare Acquisitions Limited	Leasing company	Ordinary
Classic Hospitals Group Limited	Holding company	Ordinary
Classic Hospitals Property Limited	Property company	Ordinary
Classic Hospitals Limited	Health provision	Ordinary
Lifescan Limited	Health provision	Ordinary
Montefiore House Limited†	Health provision	Ordinary
Medicainsure Limited	Holding company	Ordinary
Spire Fertility (Disposal) Limited	Non-trading company	Ordinary
Spire Cambridge (Disposal) Limited	Non-trading company	Ordinary
Spire Thames Valley Hospital (BVI Property Holdings) Limited^	Holding company	Ordinary
Spire Thames Valley Hospital Limited	Health provision	Ordinary
Spire Thames Valley Hospital Propco Limited	Property company	Ordinary
Spire Healthcare Property Developments Limited (formerly Spire St Anthony's Property Limited)	Development company	Ordinary
Spire Links 2 Limited	Holding company	Ordinary
Spire Property 1 Limited	Property company	Ordinary
Spire Property 2 Limited	Non-trading 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 9 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

* Direct shareholding of the Company.

† Ownership interest is 50.1%.

^ Incorporated and registered in the British Virgin Islands (BVI).

Notes to the financial statements *continued***19. INVENTORIES**

(£ million)	2015	2014
Prostheses, drugs, medical and other consumables	29.0	26.0

Cost of sales for the year ended 31 December 2015 includes inventories recognised as an expense amounting to £164.3 million (2014: £160.0 million).

20. TRADE AND OTHER RECEIVABLES

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

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

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

The ageing of trade receivables at the reporting date was:

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

Trade receivables comprise the following wider customer/payor groups:

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

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

(£ million)	2015	2014
At 1 January	5.9	5.0
Provided in the year	5.0	2.4
Utilised during the year	(5.2)	(1.5)
At 31 December	5.7	5.9

21. CASH AND CASH EQUIVALENTS

(£ million)	2015	2014
Cash at bank	42.8	65.4
Short-term investments	36.1	9.1
	78.9	74.5

Short-term investments are money market deposits.

22. BORROWINGS

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

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

Total borrowings (measured at amortised cost)

(£ million)	2015	2014
Amount due for settlement within 12 months	4.9	5.3
Amount due for settlement after 12 months	493.5	493.5
	498.4	498.8

Obligations under finance leases

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

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

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

Notes to the financial statements *continued***22. BORROWINGS *continued*****Terms and debt repayment schedule**

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

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

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

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

23. PROVISIONS

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

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

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

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

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

24. DEFERRED TAXATION

The movement for the year in the net deferred tax liability is as follows:

(£ million)	Property, plant and equipment	Derivative financial instruments	Losses and other	Total
At 1 January 2014	99.9	(14.9)	(25.0)	60.0
Recognised in profit or loss	(10.1)	14.9	(18.5)	(13.7)
Additions on business combination	1.9	–	–	1.9
Recognised in equity	–	–	(0.4)	(0.4)
At 1 January 2015	91.7	–	(43.9)	47.8
Recognised in profit or loss	(6.1)	–	17.6	11.5
Change in tax rates	(7.8)	–	2.0	(5.8)
Recognised in equity	–	–	0.1	0.1
At 31 December 2015	77.8	–	(24.2)	53.6

Deferred tax on property, plant and equipment has arisen on differences between the carrying value of the relevant assets and the tax base. Of the amounts included in losses and other, £23.0 million (2014: £30.5 million) relate to losses. Other deferred tax items relate to temporary differences on non-specific provisions and expense accruals. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. The Finance Bill 2015, which includes a stepped reduction in the UK corporate tax rate from 20.0% to 18.0% on 1 April 2020, has been enacted and so deferred tax assets and liabilities have been calculated at this rate unless the timing difference is expected to reverse sooner than 1 April 2020 in which case the applicable rate of 20.0% or 19.0% has been used.

The Group has unrecognised deferred tax assets as at 31 December 2015 as follows:

(£ million)	2015	2014
Trading losses	1.9	1.9
Capital losses	0.3	0.3
Tax basis for future capital disposals	10.7	9.2
	12.9	11.4

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 set against and whether capital gains will arise against which the capital losses could be utilised.

Notes to the financial statements *continued***25. DERIVATIVE FINANCIAL INSTRUMENTS**

On 23 July 2014, interest rate swap liabilities with a value of £59.2 million were repaid and the related instruments were terminated.

26. TRADE AND OTHER PAYABLES

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

27. SHARE CAPITAL AND RESERVES**Share capital of Spire Healthcare Group plc**

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

Group reorganisation

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

27. SHARE CAPITAL AND RESERVES *continued*

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.

Treasury share reserves

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

Where the EBT purchases the Company's equity share capital (treasury shares) the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 31 December 2015 1,692,242 shares (2014: nil) were held by the EBT in relation to the Directors' share bonus award and long term incentive plan.

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

28. SHARE-BASED PAYMENTS

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

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

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

* Disclosed as an exceptional item in 2014 – see note 8.

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

Directors' share bonus award

At the time of the IPO on 23 July 2014, the Company granted nil cost share options to Executive Directors to reflect their contribution prior to Admission. The maximum number of shares underlying the awards total 1,671,200. Each award was divided into two equal tranches, the first of which vested on 23 July 2015 and the second tranche will vest on 23 July 2016. The number of options that will vest will depend on conditions relating to share price on the relevant date. The first tranche, which vested on 23 July 2015, resulted in 801,824 options being issued. For further details, see the Directors' Remuneration Report, on pages 76 to 93.

Long term incentive plan

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

Deferred bonus plan

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

Notes to the financial statements *continued***28. SHARE-BASED PAYMENTS *continued***

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

	2015				2014		
	Directors' Share Bonus Award* (thousands)	LTIP (TSR condition) (thousands)	LTIP (EPS condition) (thousands)	Deferred Bonus Plan (thousands)	Directors' Share Bonus Award* (thousands)	LTIP (TSR condition) (thousands)	LTIP (EPS condition) (thousands)
At 1 January	1,671	531	531	—	—	—	—
Granted	—	472	472	29	1,671	531	531
Cancelled	(33)	—	—	—	—	—	—
At 31 December	1,638	1,003	1,003	29	1,671	531	531
Exercisable at 31 December	802*	—	—	—	—	—	—
Grant date	—	01/04/2015	01/04/2015	01/06/2015	23/07/2014	30/09/2014	30/09/2014
					23/07/2015 and		
Vesting date	—	March 2018	March 2018	01/06/2018	23/07/2016*	31/12/2016	31/12/2016
Expiry date	—	01/04/2025	01/04/2025	01/06/2025	23/07/2024	30/09/2024	30/09/2024
Share price target range (£)	—	—	—	—	£2.24–3.59	—	—
Weighted average contractual life	0.6 years	1.6 years	1.6 years	2.4 years	1.1 years	2.0 years	2.0 years

* The Directors' Share Bonus Award was divided into two equal tranches, the first of which vested on 23 July 2015 and the second tranche will vest on 23 July 2016. The number of options that will vest will depend on conditions relating to share price on the relevant date. The first tranche, which vested on 23 July 2015, resulted in 801,824 options being issued. For further details, see the Directors' Remuneration Report, on pages 76 to 93.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 was 1.3 years (2014: 1.4 years).

The following information is relevant to the determination of the fair value of the awards granted for the years ended 31 December 2015 and 2014, respectively, under the schemes:

	2015			
	Directors' Share Bonus Award	LTIP (TSR condition)	LTIP (EPS condition)	Deferred Bonus Plan
Option pricing model	Monte Carlo	Fair value at grant date		n/a
Weighted average share price at grant date (£)	3.61	3.61		n/a
Exercise price (£)	Nil	Nil		Nil
Weighted average contractual life	3.0 years	3.0 years		3.0 years
Expected dividend yield	n/a	n/a		n/a
Risk-free interest rate	0.7%	n/a		n/a
Volatility	33%	n/a		n/a

	2014			
	Directors' Share Bonus Award	LTIP (TSR condition)	LTIP (EPS condition)	Deferred Bonus Plan
Option pricing model	Modified Black-Scholes	Monte Carlo	Fair value at grant date	
Weighted average share price at grant date (£)	2.10	2.85	2.85	n/a
Exercise price (£)	£2.24–3.59	Nil	Nil	n/a
Weighted average contractual life	1–2 years	2.4 years	2.4 years	n/a
Expected dividend yield	1.6%	n/a	n/a	n/a
Risk-free interest rate	0.5–1.0%	1.1%	n/a	n/a
Volatility	26%	26%	n/a	n/a

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

29. COMMITMENTS

(a) Operating leases

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

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

The Group has a number of long-term institutional lease arrangements. These include leases over 12 properties with a term up to December 2042, subject to renewal or extension over each of the 12 properties. The leases include key terms such as annual rental covenants and minimum levels of capital expenditure invested by the Group. Rent is indexed annually in line with RPI, subject to a floor of 0.0% and a cap of 5.0%. The capital expenditure covenants measured on an average basis over each five-year period during the term of the leases, require the Group to incur, in total, £5.0 million of maintenance capital expenditure and £3.0 million of additional capital expenditure each year, such being subject to indexation in line with RPI.

(b) Consignment stock

At 31 December 2015, the Group held consignment stock on sale or return of £20.9 million (2014: £19.3 million). The Group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

(c) Capital expenditure commitments

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

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

(€ million)	2015	2014
Contracted but not provided for	39.4	6.4

30. CONTINGENT LIABILITIES

The Group had the following guarantees at 31 December 2015:

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

Notes to the financial statements *continued***31. 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 2015 were £997.6 million (2014: £955.0 million) and net debt, calculated as total debt (comprising obligations under finance leases and borrowings), less cash and cash equivalents, amounted to £419.5 million (2014: £424.3 million).

The principal focus of capital management revolves around working capital management and compliance with externally imposed financial covenants. Throughout the period, 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)	2015	2014
Committed undrawn revolving credit facility	100.0	100.0
Cash and cash equivalents	78.9	74.5

32. FINANCIAL RISK MANAGEMENT

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

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 estimate of incurred losses in respect of trade and other receivables. This allowance is composed of specific losses that relate to individual exposures and also a collective loss component established in respect of losses that have been incurred but not yet identified, determined based on historical data of payment statistics.

32. FINANCIAL RISK MANAGEMENT *continued*

Note 20 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.

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 2015 (2014: £100.0 million).

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

At 31 December 2015

(£ million)	Carrying amount	Contractual cash flows	1 year or less	1–2 years	More than 2 years
Non-derivative financial liabilities					
Secured bank facility	423.1	479.3	12.1	14.0	453.2
Obligations under finance leases	75.3	278.7	8.3	8.5	261.9
Trade and other payables	58.1	58.1	58.1	–	–
As at 31 December 2015	556.5	816.1	78.5	22.5	715.1

At 31 December 2014

(£ million)	Carrying amount	Contractual cash flows	1 year or less	1–2 years	More than 2 years
Non-derivative financial liabilities					
Secured bank facility	422.2	499.1	12.9	14.2	472.0
Obligations under finance leases*	76.6	286.9	8.1	8.3	270.5
Trade and other payables	54.5	54.5	54.5	–	–
As at 31 December 2014	553.3	840.5	75.5	22.5	742.5

* The comparative figure for contractual cash flows in respect of obligations under finance leases has been corrected from the £210.6 million presented in the Group's Annual Report and Accounts for the year ended 31 December 2014 to the £286.9 million presented here. The change reflects a reassessment of the total future cash flows on the finance leases to take into account all minimum annual increases in the rental payable under those finance leases.

Notes to the financial statements *continued***32. FINANCIAL RISK MANAGEMENT *continued*****Bases of valuation**

The 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 the other financial instruments, being finance leases and debt, is approximately equal to their fair value based on a review of current terms against market and expected short-term settlements, except for floating rate debt, which is after the deduction of £4.0 million (2014: £5.1 million) of issue costs.

As at 31 December 2015, the Group did not hold any financial instruments measured at fair value (2014: nil).

Market risk

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

Interest rate risk

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

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

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

	Variable	Total	Undrawn facility
31 December 2015 (£ million)	425.0	425.0	100.0
Effective interest rate (%)	2.58%	2.58%	
31 December 2014 (£ million)	425.0	425.0	100.0
Effective interest rate (%)	2.80%	2.80%	

32. FINANCIAL RISK MANAGEMENT *continued*

Sensitivity analysis

A change of 25 basis points 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.

(£ million)	Profit or loss		Equity	
	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease
At 31 December 2015				
Variable rate instruments	(0.3)	0.3	(0.3)	0.3
Sensitivity (net)	(0.3)	0.3	(0.3)	0.3

(£ million)	Profit or loss		Equity	
	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease
At 31 December 2014				
Variable rate instruments	(0.3)	0.3	(0.3)	0.3
Sensitivity (net)	(0.3)	0.3	(0.3)	0.3

33. RELATED PARTY TRANSACTIONS

Transactions

Group companies entered into the following transactions:

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

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

Notes to the financial statements *continued***33. RELATED PARTY TRANSACTIONS *continued*****Amounts owed to related parties**

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

Transactions with 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 58 to 61.

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

(£ million)	Notes	2015	2014
Short-term employee benefits		2.6	17.3
Retirement benefits		0.4	0.3
Share-based payments	28	0.7	2.8
Total		3.7	20.4

For 2014, included within short-term employee benefits were IPO bonuses of £14.2 million.

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 76 to 93.

34. EVENTS AFTER THE REPORTING PERIOD**2015 final dividend**

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

Company balance sheet

As at 31 December 2015

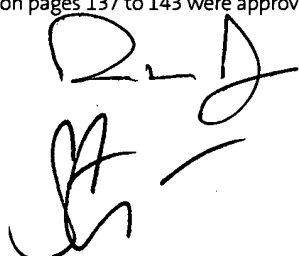
(Registered number: 9084066)

(£ million)	Notes	2015	2014
ASSETS			
Non-current assets			
Investments	C9	830.7	830.0
		830.7	830.0
Current assets			
Other receivables	C7	44.5	7.8
Income tax receivable		0.2	–
Cash and cash equivalents	C6	20.7	38.6
		65.4	46.4
Total assets		896.1	876.4
EQUITY AND LIABILITIES			
Equity			
Share capital	27	4.0	4.0
Share premium		826.9	826.9
Treasury share reserves		(5.6)	–
Retained earnings		68.8	38.9
Total equity		894.1	869.8
Current liabilities			
Trade and other payables	C8	2.0	6.6
Total liabilities		2.0	6.6
Total equity and liabilities		896.1	876.4

The financial statements on pages 137 to 143 were approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

Rob Roger
Chief Executive Officer

Simon Gordon
Chief Financial Officer



Company statements of changes in equity

For the year ended 31 December 2015

(£ million)	Share capital	Share premium	Treasury share reserves	Retained earnings	Total
At date of incorporation	–	–	–	–	–
Profit for the period	–	–	–	36.1	36.1
Other comprehensive income for the period	–	–	–	–	–
Group reorganisation	2.5	525.0	–	–	527.5
Shares issued on Admission	1.5	313.3	–	–	314.8
Transaction costs of shares issued	–	(11.4)	–	–	(11.4)
Share-based payment	–	–	–	2.8	2.8
As at 1 January 2015	4.0	826.9	–	38.9	869.8
Profit for the year	–	–	–	41.6	41.6
Other comprehensive income for the year	–	–	–	–	–
Purchase of treasury shares	–	–	(5.6)	–	(5.6)
Share-based payment	–	–	–	0.7	0.7
Dividend paid	–	–	–	(12.4)	(12.4)
As at 31 December 2015	4.0	826.9	(5.6)	68.8	894.1

Company statements of cash flows

For the year ended 31 December 2015

(£ million)	Notes	For the year ended 31 December 2015	For the period 12 June to 31 December 2014
Cash flows from operating activities			
Loss before taxation (excluding dividend received)		(0.9)	(0.2)
Adjustments for:			
Interest income		(0.3)	(0.1)
Finance costs		0.2	—
		(1.0)	(0.3)
Movements in working capital:			
Increase in trade and other receivables		(36.7)	(7.7)
(Decrease)/increase in trade and other payables		(3.5)	5.5
Net cash used in operating activities		(41.2)	(2.5)
Cash flows from investing activities			
Additional investment in subsidiary		—	(302.2)
Interest received		0.1	0.1
Dividend received		42.3	36.3
Net cash used in investing activities		42.4	(265.8)
Cash flows from financing activities			
Proceeds from issue of share capital		—	317.2
Share issue costs		—	(10.3)
Payment of share issue costs relating to prior year's IPO		(1.1)	—
Purchase of treasury shares		(5.6)	—
Dividend paid to equity holders of the Parent		(12.4)	—
Net cash generated from financing activities		(19.1)	306.9
Net (decrease)/increase in cash and cash equivalents		(17.9)	38.6
Cash and cash equivalents at beginning of year/period		38.6	—
Cash and cash equivalents at end of year/period		20.7	38.6

Notes to the Parent Company financial statements

This section contains the notes to the Company financial statements. The issued share capital is consistent with the Spire Healthcare Group plc Group financial statements. Refer to note 27 of the Group financial statements.

C1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and on an historical basis.

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 in the foreseeable future.

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

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

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

The profit attributable to the Company for the year ended 31 December 2015 was £41.6 million (period ended 31 December 2014: £36.1 million).

The comparative prior period amounts presented in these financial statements were from 12 June 2014 (date of incorporation) to 31 December 2014.

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. The value-in-use is calculated using the same assumptions as noted for the testing of goodwill impairment in note 16 to the Group financial statements.

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 16 of the Group financial statements.

C4. STAFF COSTS AND DIRECTORS' REMUNERATION

The Company had no employees during the year/period, 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/period, the Company obtained the following services from the Company's external auditor, as detailed below:

(£ million)	For the year ended 31 December 2015	For the period 12 June to 31 December 2014
Amounts receivable by auditor and its associates in respect of:		
Audit of the Company's annual financial statements	–	–
Other assurance services (IPO related services)	–	0.5
	–	0.5

C6. CASH AND CASH EQUIVALENTS

(£ million)	2015	2014
Cash at bank	20.7	38.6
	20.7	38.6

C7. OTHER RECEIVABLES

(£ million)	2015	2014
Amounts owed by subsidiary undertakings	44.5	7.8
	44.5	7.8

The amounts owed by subsidiary undertakings bear interest at LIBOR plus 2.00% (2014: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand.

C8. TRADE AND OTHER PAYABLES

(£ million)	2015	2014
Amounts owed to subsidiary undertakings	1.9	5.5
Accruals	0.1	1.1
	2.0	6.6

The amounts owed to subsidiary undertakings bear interest at LIBOR plus 2.00% (2014: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand.

C9. INVESTMENT IN SUBSIDIARIES

(£ million)	Subsidiary undertakings	Total
Net book value		
At date of incorporation	—	—
Additions	830.0	830.0
At 1 January 2015	830.0	830.0
Additions – IFRS 2 costs	0.7	0.7
At 31 December 2015	830.7	830.7

Details of the Company's subsidiaries at the balance sheet date are in note 18.

During 2014, the Company acquired 100% of the share capital of Spire Healthcare Finance Limited.

On 23 July 2014, the Company acquired the entire issued share capital of Spire Healthcare Group UK Limited in exchange for the issue of one new ordinary share of £0.01 to Spire Healthcare Limited Partnership. Subsequently, the Company sold the entire issued share capital of Spire Healthcare Group UK Limited to Spire Healthcare Finance Limited in exchange for the issue of one new ordinary share of £0.01 to the Company.

On 23 July 2014, Spire Healthcare Finance Limited issued 52,500,000,000 ordinary shares of £0.01 each as consideration for the assignment of the amounts due to the former ultimate parent undertaking and management.

On Admission on 23 July 2014, the Company subscribed to a further 30,221,906,259 ordinary shares of £0.01 each in Spire Healthcare Finance Limited in exchange for cash of £302.2 million.

A further £2.8 million was recognised as additions in 2014 relating to Spire Healthcare Limited for the awards of share options of the Company to the employees of Spire Healthcare Limited.

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 Parent Company statement of changes in equity totalling £894.1 million (2014: £869.8 million) as at 31 December 2015, and cash amounted to £20.7 million (2014: £38.6 million).

Credit risk

As at 31 December 2015, the Company had amounts owed by subsidiary undertakings of £44.5 million (2014: £7.8 million). The Company's maximum exposure to credit risk from these amounts is £44.5 million (2014: £7.8 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.

Notes to the Parent Company financial statements *continued***C10. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *continued***

(£ million)	2015	2014
Financial assets: Carrying amount and fair value		
Loans and receivables		
Cash and cash equivalents	20.7	38.6
Amounts owed by subsidiary undertakings	44.5	7.8
	65.2	46.4

All of the above financial assets are current and unimpaired.

(£ million)	2015	2014
Financial liabilities: Carrying amount and fair value		
Amortised cost		
Amounts owed to subsidiary undertakings	1.9	5.5
	1.9	5.5

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

All of the Company's financial liabilities have a maturity of less than one year.

Market risk**Interest rate risk and sensitivity analysis**

As at 31 December 2015 the Company had short-term borrowings of £1.9 million (2014: £5.5 million) owed to subsidiary undertakings, which are repayable on demand and bear interest at LIBOR plus 2.00% (2014: LIBOR plus 2.25%). Interest on these borrowings in the year amounted to £0.2 million (2014: £nil) 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. The Company has no financial assets or liabilities that expose it to market risk, other than the amounts owed by/to subsidiary undertakings of £44.5 million (2014: £7.8 million) and £1.9 million (2014: £5.5 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 operating 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 2015 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 2015 there was no breach in the required covenants.

C12. RELATED PARTY TRANSACTIONS

The Company's subsidiaries are listed in note 18 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)	2015	2014
Amounts owed from subsidiary undertakings	44.5	7.8
Amounts owed to subsidiary undertakings	(1.9)	(5.5)
	42.6	2.3

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)	For the year ended 31 December 2015	For the period 12 June to 31 December 2014
Amounts invoiced to subsidiaries	36.7	7.8
Amounts invoiced by subsidiaries	—	5.5
Dividend received from subsidiaries	42.3	36.3

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 76 to 93.

(£ million)	For the year ended 31 December 2015	For the period 12 June to 31 December 2014
Emoluments*	0.6	0.3
Pension contributions	—	—
Share-based payments*	—	—
Total	0.6	0.3

* Emoluments and share-based payment charge for the Executive Directors and Executive Chairman prior to Admission are borne by a subsidiary company, Spire Healthcare Limited.

Directors' interests in share-based payment schemes

Refer to note 28 to the Group financial statements for further details of the share options held by the Chairman and Executive Directors.

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

2015 final dividend

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

Additional 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 145, 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 tax voucher. 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

The government has announced that from 6 April 2016 the Dividend Tax Credit will be replaced by a new tax-free Dividend Allowance. This will be in the form of a 0% tax rate on the first £5,000 of dividend income per year.

UK residents will pay tax on any dividends received over the £5,000 allowance at the following rates:

- 7.5% on dividend income within the basic rate (20%) band;
- 32.5% on dividend income within the higher rate (40%) band; and
- 38.1% on dividend income within the additional rate (45%) band.

Dividends paid on shares held within pensions and Individual Savings Accounts (ISAs) will 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 advisor, 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.

FINANCIAL CALENDAR

2016 annual general meeting (London)	19 May 2016
Ex-dividend date for 2015 final dividend	2 June 2016
Record date for 2015 final dividend	3 June 2016
Payment date of 2015 final dividend	28 June 2016
Announcement of 2016 half year results	August 2016

**ANALYSIS OF ORDINARY SHAREHOLDERS
AS AT 31 DECEMBER 2015**

Investor type	Private		Institutional and other		Total	
	2015	2014	2015	2014	2015	2014
Number of holders	49	30	446	309	495	339
Percentage of holders	9.90%	8.85%	90.10%	91.15%	100%	100%
Percentage of shares held	0.29%	0.23%	99.71%	99.77%	100%	100%

Shareholdings	1–1,000		1,001–50,000		50,001–500,000		500,001+	
	2015	2014	2015	2014	2015	2014	2015	2014
Number of holders	75	45	251	167	103	69	66	58
Percentage of holders	15.15%	13.28%	50.71%	49.26%	28.81%	20.35%	13.33%	17.11%
Percentage of shares held	0.01%	0.01%	0.68%	0.50%	4.94%	3.13%	94.37%	96.36%

CORPORATE ADVISERS**AUDITOR**

Ernst & Young LLP
1 More London Place
London SE1 2AF

BROKERS

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

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

Glossary

The following definitions apply throughout the Annual Report 2015, unless the context requires otherwise:

Act	The Companies Act 2006, as amended	CT	computerised tomography
Acute care	active but short-term treatment for a severe injury or episode of illness	DBP	Deferred Bonus Plan
Adjusted EBITDA	represents the Group's operating profit, adjusted to add back depreciation and exceptional operating items	Directors	the Executive and Non-Executive Directors
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	EBIT	earnings before interest and taxes
Articles	the Articles of Association of the Company	EBITDA	earnings before interest, taxes, depreciation and amortisation; represents the Group's operating profit, adjusted to add back depreciation
Board	the Board of Directors of the Company	EBITDAR	earnings before interest, taxes, depreciation, amortisation and rent; represents Adjusted EBITDA, adjusted to add back rent expense
c.difficile	Clostridium difficile	EfW	Energy from Waste
CAGR	compound annual growth rate	EPS	earnings per share
Cardiac catheterisation	insertion of a catheter into a chamber or vessel of the heart	ESOS	Energy Saving Opportunity Scheme
Cardiology	speciality which encompasses the treatment of patients with cardiovascular disease	EU	the European Union
CCG	Clinical Commissioning Group	Executive Directors	the executive directors of the Company
CGSC	Clinical Governance and Safety Committee	EY	Ernst & Young LLP, the external auditor
Cinven	Cinven Partners LLP	FCA	the Financial Conduct Authority
Cinven Funds	Fourth Cinven Fund (No.1) Limited Partnership, Fourth Cinven Fund (No.2) Limited Partnership, Fourth Cinven Fund (No.3—VCOC) Limited Partnership, Fourth Cinven Fund (No.4) Limited Partnership, Fourth Cinven Fund FCPR, Fourth Cinven Fund (UBTI) Limited Partnership, Fourth Cinven Fund Co-Investment Partnership and Fourth Cinven (MACIF) Limited Partnership	Final Order	the Private Healthcare Market Investigation Order 2014, issued by the CMA
City Code	the City Code on Takeovers and Mergers	GDP	gross domestic product
CMA	the UK Competition and Markets Authority	GHG	greenhouse gas
CNST	the NHS Clinical Negligence Scheme for trusts administered by the NHS Litigation Authority	GP	General Practitioner
Company	Spire Healthcare Group plc	Group	Spire Healthcare Group plc and its subsidiaries
CQC	Care Quality Commission	HCA Holdings, Inc.	Hospital Corporation of America
CO₂e	carbon dioxide equivalent	HD	Hospital Director
CQUIN	commissioning for quality and innovation payment which is earned for meeting quality targets on NHS work	Health & Safety Act	The Health & Safety at Work etc Act 1974
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator	HMRC	HM Revenue & Customs
CRM	customer relationship management system/software	IFRS	International Financial Reporting Standards, as adopted by the EU
		IPO	initial public offering of Shares to certain institutional and other investors
		ITU	Intensive Therapy Unit
		KPI	key performance indicator
		Lifescan	part of Spire Healthcare's offering advanced healthcare CT scans, health checks and blood tests
		LinAc	linear accelerator enabling intensity modulated and image guided radiotherapy treatment

Listing Rules	the listing rules of the FCA made under section 74(4) of the FSMA
LTIP	Long Term Incentive Plan
MAC	Medical Advisory Committee
Monitor	an executive non-departmental public body of the Department of Health that acts as the sector regulator for health services in England
MRgFUS	Magnetic Resonance guided Focused Ultrasound treatment
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
NICE	the National Institute for Health and Care Excellence
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	speciality which encompasses the treatment of people with cancer
Perform	part of Spire Healthcare, specialises in sports medicine, rehabilitation and human performance
PIK	payment in kind
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
PRisM	Property and Risk Management system
Prospectus	the final prospectus of the Company approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA
Public Health England	the executive agency, whose purpose is to protect and improve the nation's health and wellbeing, and reduce wealth inequalities

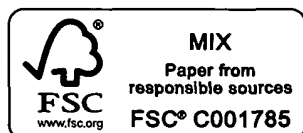
Registrar	Equiniti Limited
Registration Regulations	the Care Quality Commission (Registration) Regulations 2009
Regulated Activities Regulations	the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010
Reorganisation	the reorganisation of the Group in preparation for the IPO
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RNOH	Royal National Orthopaedic Hospital
ROCE	return on capital employed
RQIA	the independent health and social care regulator for Northern Ireland is the Regulation and Quality Improvement Authority
SAC	standard acute contract issued by NHS England
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
tCO₂e	tonnes of equivalent carbon dioxide
TSR	total shareholder return
UK	the United Kingdom of Great Britain and Northern Ireland
UK Code	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
VTE	Venous thromboembolism (the impact of a loose blood clot travelling within the blood)

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.

Designed and produced by
CONRAN DESIGN GROUP



Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

This document is printed on Satimat Green, a paper containing 75% post consumer recycled fibre and 25% virgin fibre sourced from well-managed, responsible, FSC® certified forests and Oxygen, a paper containing 100% de-inked pulp recycled fibre certified by the Forest Stewardship Council®.