Spire Healthcare

Meeting Britain's healthcare challenges

Annual Report and Accounts
For the year ended 31 December 2021

“Our strategy to focus on being the first choice for private patients has provided a solid base for future margin expansion. The investments we have made over several years in high quality standards have also played an important part in keeping patients safe. We have the strategy in place to meet the elevated demand while creating excellent opportunities next year and beyond.

Justin Ash
Chief Executive Officer

Service coverage where it is needed

Map key
- Spire Healthcare hospitals
- Spire Healthcare clinics

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

40
Spire Healthcare hospitals

8
Spire Healthcare clinics

15,100
Colleagues

8,150
Consultants with whom we work in partnership

What we do

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

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

Treatment and surgery
At our hospitals, we offer a widening range of treatment and surgery for private and NHS patients – from procedures such as knee and hip replacements, to more specialist and complex procedures for cancer and other critical conditions.

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

Contents

Included in our final results are comparatives for both the prior year (2020) and the previous year (2019). This is to allow meaningful comparisons as FY20 was materially affected by the COVID-19 pandemic, specifically from Q2 2020 Q4 2020. In addition, Q1 2021 was impacted to a lesser degree as the Group remained under a COVID-19 NHS contract. Q2-Q4 2021 reflects a move back towards a pre COVID-19 trading environment. The comparison to two previous periods is only expected to be provided in FY21, and comparatives are against 2020 unless otherwise stated.

Cover: Nurse degree apprentices Jordan Ellershaw and Angella Jones, at Spire Bristol Hospital.

Highlights

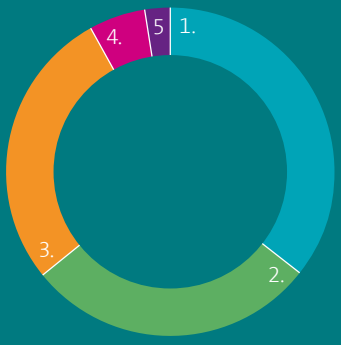
Revenue

£1,106.2m

+20.3%

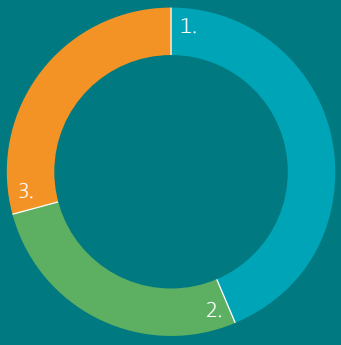
2020: £919.9m

Revenue split by type of patient



1. In-patient **37.4%**
2. Daycase **27.8%**
3. Out-patient **27.2%**
4. NHS COVID-19 contract **5.3%**
5. Other **2.4%**

Revenue split by source[1]



1. PMI **43.9%**
2. Self-pay **27.0%**
3. NHS **29.1%**

EBITDA[2]

£178.2m

16.0% margin

2020: £161.1m (17.5%)
2019: £189.0m (19.3%)

Year-end cash

£202.6m

2020: £106.3m

Sites rated 'Good' or 'Outstanding'

95%[3]

2020: 90%

1 For reconciliation of this measure, refer to the Operating and Financial Review, page 79. Excludes £26m of revenue from other sources.
2 Without COVID costs of £53.5m, the underlying EBITDA margin would have been 20.9%.
3 90% at year end. Subsequent reports from 2021 inspections have increased the figure to 95% at the time of publication.

Who we are

Spire Healthcare is the largest private hospital group by turnover in the United Kingdom. During 2021, working in close partnership with NHS trusts and around 8,150 experienced Consultants, our hospitals delivered tailored, personalised care to almost 870,000 insured, self-pay and NHS patients across England, Wales and Scotland.

During the year, we have shared resources with the NHS, while continuing to invest in high-quality diagnostics, in-patient, daycase and out-patient care in our 40 hospitals and eight clinics.

Our Purpose and values

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

We are building our reputation as the go-to healthcare brand, famous for clinical quality and care, by demonstrating our dedication to our Purpose and living our values:

Driving clinical excellence
– We stretch ourselves to achieve fantastic results

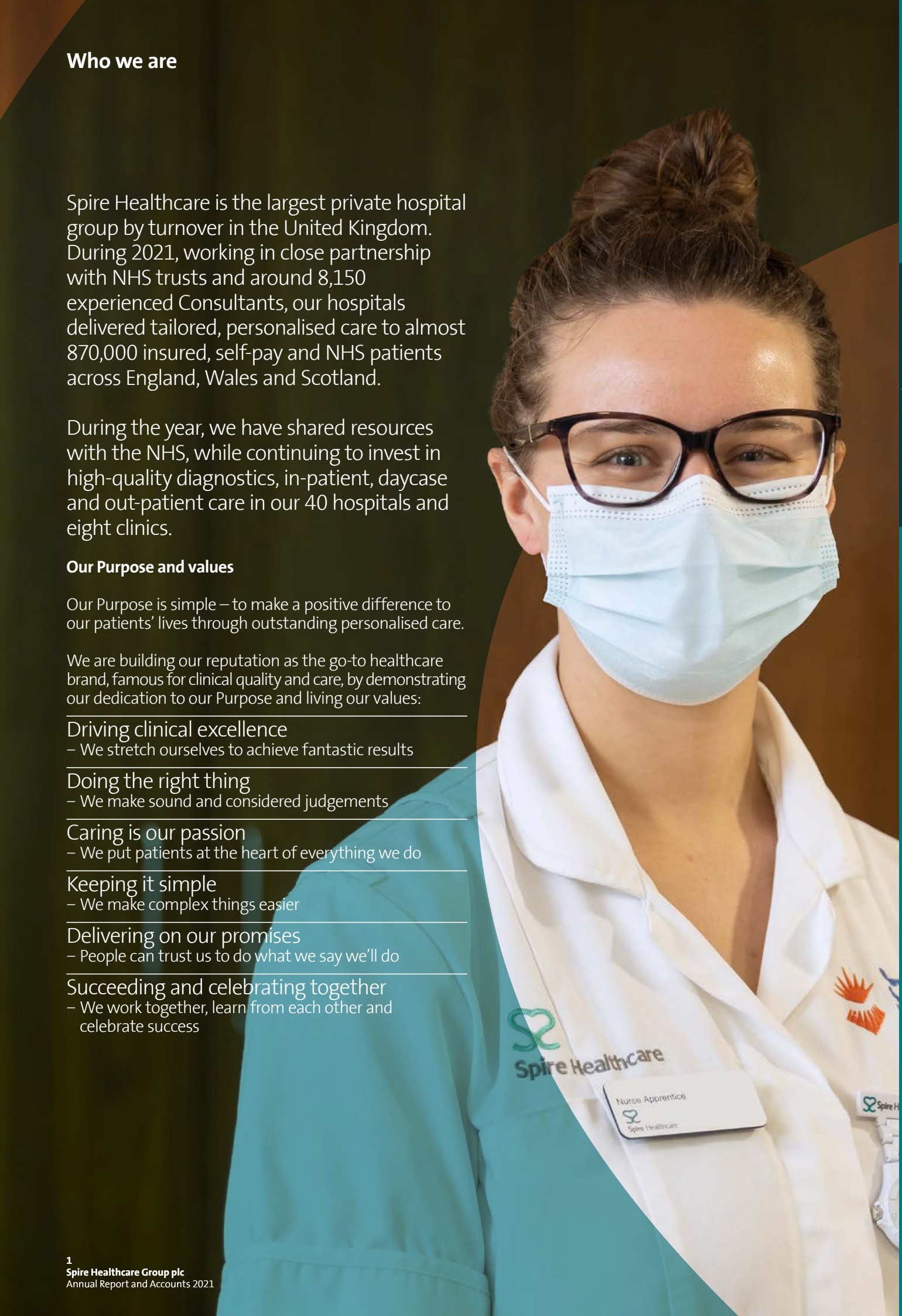
Doing the right thing
– We make sound and considered judgements

Caring is our passion
– We put patients at the heart of everything we do

Keeping it simple
– We make complex things easier

Delivering on our promises
– People can trust us to do what we say we'll do

Succeeding and celebrating together
– We work together, learn from each other and celebrate success



Meeting the challenge

"It's been enormously exciting, getting to meet people in my first year as Chairman, and actually having the opportunity to visit hospitals again. I've really been struck by the commitment and professionalism of our teams, and the enthusiasm they have for what they do.

Sir Ian Cheshire
Chairman

Dear shareholder,

An important time for the UK's healthcare sector

Welcome to your Company's Annual Report 2021, and my first as your Chairman. I am delighted to have joined Spire Healthcare at such an important time for the UK's healthcare sector. Under the leadership of Justin Ash, and with the support of the entire Spire Healthcare team, the business has navigated the extreme challenges of COVID-19 successfully. I believe as a result that we are in good shape to emerge from this phase of the pandemic stronger than ever, and ready to meet the challenges and opportunities ahead of us.

Our teams in every corner of the business deserve a massive thank you for the incredible efforts they have put in to getting us through what has been such a damaging period for so many people and businesses. I would also like to pay tribute to Garry Watts, who oversaw many significant developments at Spire Healthcare during his tenure as Chairman over the last ten years. I am also delighted to be taking over an organisation with a culture imbued from top to bottom with an uncompromising focus on outstanding patient care.

Driving the business forward

The Board and our management team are looking forward to building on these achievements and drive the business forward. The structural after-effects of the pandemic on NHS waiting lists and the huge increase in the demand for self-pay healthcare has changed the demand landscape for treatment across a range of routine and more complex health categories for many years to come. For a business like ours this offers significant opportunities, but it also ramps up the need for us to be agile, efficient and ready to invest in the people, technology and infrastructure that will enable us to meet the challenge.

We are at an inflection point that means we will need to lean heavily on our business strategy, and plan carefully for the next three to five years to maximise the potential we have. Then there is the execution challenge – we will need to accelerate our ability to turn top line into bottom line and deliver value to our shareholders, as well as our other stakeholders. Improving our returns is fundamental to a business aiming to thrive, but at all times we must also safeguard quality and safety, because that underpins what we do.

Performance

The growth in Group revenue in 2021 was encouraging, with an increase from £919.9m to £1,106.2m, accompanied by a rise in adjusted operating profit[1] from £67.1m to £81.1m. These figures were boosted by the upsurge in demand for self-funded private medical treatment. We see much opportunity to improve on these results going forward and, to help meet this demand now and in the future, the Group increased its capital investment during the year, and has plans to do more in the next five years. Maintaining a strong focus on cost control also ensured a healthy level of liquidity throughout the year.

Board activity during the period

On 26 May 2021 it was announced that Ramsay Health Care had made a bid to acquire Spire Healthcare. While it was an unsolicited bid, the Board took it extremely seriously, considering it in every detail. As the approach offered a material uplift to the share price at the time – it offered tomorrow's price today – it would have been untenable not to put it to shareholders.

On that basis, the Board and its advisers put the proposed transaction to you, our shareholders, who by a narrow margin did not provide sufficient votes to support the Scheme of Arrangement. While the Board, its advisers and a majority of the shareholders supported the offer, the Company respects the view of shareholders, and we are confident that Spire Healthcare remains well positioned for success as a standalone business.

With this period of uncertainty now behind us, we remain focused on our Purpose to make a positive difference to patients' lives through outstanding personalised care. The Board continued to support senior management throughout the rest of the year, as they implemented the new hub structure across our hospital estate, sought further improvements in our quality and clinical governance, and embedded our new Quality Improvement Strategy across the business.

While much of our Board engagement during 2021 continued to be through virtual means, we were in regular contact with operational and clinical colleagues, as well as our Consultant partners.

Governance

The Board continued to evolve its responsibilities under the 2018 UK Corporate Governance Code (the Code), implementing its requirements as appropriate. Stakeholder engagement has been a focus once again, given the challenges our management and employees have faced this year in relation to COVID-19, and the need to reset the business to meet the growing demand for private healthcare. You can read more in our Governance section on pages 82-89.

Dividend

As a result of the continued COVID-19 uncertainty, the Board will not be proposing a final dividend this year. No dividends have been proposed or paid since the start of the pandemic. The Board will review the Company's dividend policy during 2022 taking into account the balance sheet and trading outlook.

Outlook

Without question, the overall dynamics in our market are positive. The demand has never been stronger for healthcare, either due to the long NHS waiting lists, or from people who are now more conscious of their own power to take their healthcare into their own hands. However, operationally we have the continuing impact of COVID-19. That has changed our market, and the way we have to work – to ensure we keep our people, partners and patients safe.

We have been an important partner of the NHS in a time of crisis, but our future is in our own hands. We recognise this has led us to an inflection point, although that does not mean it is the pattern for the future. We want to be a valued partner of the NHS, and the last two years have cemented that relationship, but our core business remains in offering private healthcare.

For me, the Spire Healthcare brand is really important in this – and our television adverts are playing a vital part in carving out new visibility for our business. But even that is no use if you don't have the organisation to back up your brand values and patient proposition. That's why it is vital that we are investing in our people, at every level from nurse apprentices to IT engineers, and from Hospital Directors to lab technicians.

We are also building on our digital platforms to serve our patients and partners better, and we continue to update the equipment at our hospitals to expand and improve the services we offer. It's that relentless commitment to quality improvement and our record of excellent patient care that we will need to draw on, as we seek to maintain, or indeed improve upon, our strong position in meeting the UK's healthcare needs.

Sir Ian Cheshire
Chairman

1 For reconciliation of this measure, refer to the Operating and Financial Review, page 70.

Unprecedented demand for private healthcare

I am immensely proud of the way our teams have continued to support NHS and private patients throughout the recent challenges of the pandemic, and I want to thank all of our colleagues once again for their dedication and commitment to making a positive difference to patients' lives. This year has seen unprecedented demand for private healthcare, and we have strategically shifted Spire Healthcare towards a business-to-consumer model with our robust market-leading growth in self-pay.

Justin Ash
Chief Executive Officer

Spire Healthcare delivered a strong performance in 2021, with outstanding growth in private revenues, though costs associated with COVID-19 absorbed much of the benefits of growth. The business responded to the unprecedented demand from private patients, and we have increased our digital interactions with patients, while building on the Spire Healthcare brand through our marketing.

Transitioning to a more 'normalised' trading environment

Our management and employees continued to navigate effectively through the challenges presented by the COVID-19 pandemic in 2021. I was very proud in June when Spire Healthcare won both the Health Service Journal (HSJ) award for Best Healthcare Provider Partnership with the NHS, and HealthInvestor's award for the Public/Private Partnership of the Year. In November, we were also named winner in the Best Workplace for Learning and Development (Over 1,500 Nursing Staff category) at the Nursing Times Workforce Summit & Awards 2021. This external recognition is a testament to the flexibility, dedication and commitment of our people and our continued investment through a tough period.

These remarkable efforts continued when, having largely returned to private work in the latter part of 2020, we pivoted swiftly in January 2021 to support the NHS through a volume-based contract in the first quarter, before transitioning once again to a more 'normalised' trading environment from April onwards, albeit with significant additional COVID-19 restrictions.

Our strategy to focus on being the first choice for private patients has protected the business from the downturn in NHS commissioning since April 2021 and provided a solid base for future margin expansion. The investments we have made over several years in high quality standards have also played an important part in keeping patients safe, and this is reflected in our patient feedback and underpins the record growth in self-pay business. This feedback shows that we are continuing to make progress, with 92% saying we delivered outstanding care, 94% feeling their care was personalised and 85% saying we made a positive difference to their lives.

The shift towards a business-to-consumer proposition

The COVID-19 pandemic has encouraged people to reprioritise their health and wellbeing. They have seen the independent sector's support for the NHS over the last year, and this, alongside the record high waiting lists caused by the pandemic, has raised consumer awareness of private healthcare.

I believe the unprecedented growth in self-pay business we have seen this year signals a seismic shift for our business and the market. We are building a true business-to-consumer proposition, and we have invested further in marketing this year. We have seen a step-change in awareness of and interest in private healthcare solutions, probably due to the strains on the NHS, where the waiting lists have gone from 1,600 people waiting longer than a year pre-pandemic to over 300,000, according to the latest NHS figures[1]. For Spire, this situation has resulted in a significant increase in our website traffic and phone enquiries.

Our 63% increase in self-pay revenues versus FY19 is ahead of the market and positions us well for further revenue growth in 2022 and beyond. At the same time we continue to engage pro-actively with NHS colleagues at all levels to offer support in a sustainable manner.

As expected, we are experiencing material additional costs arising from the complexities of delivering safe care in a COVID-secure environment, and this will continue as long as COVID-19 case numbers remain high in the UK. We have maintained safe patient pathways to prevent COVID-19 from entering our hospitals, and we have had to manage the disruption caused by both high colleague and Consultant absence as well as late notice patient cancellations during the year.

I believe we have the strategy in place to meet the elevated demand while creating excellent opportunities for margin expansion next year and beyond. Despite these pressures we were pleased to increase Adjusted operating profit from £67.1m in 2020 to £81.1m in 2021, an increase of 20.9%. Whilst our Return on Capital Employed (ROCE) remains low, it improved to 4.9% (2020: 4.0%) in 2021. We should see ROCE improve further in the year ahead, with a mid-term objective of getting this above our cost of capital.

A more focused organisation

Ramsay Health Care's bid in May failed when it received insufficient shareholder backing. While the bid consumed considerable management time in the middle of the year, it did not distract the vast majority of colleagues who continued to focus on caring for our patients. The process also underlined the potential we have as a standalone business, and with this uncertainty behind us, we have identified improvements that will help us to work together more successfully, maximise the potential of our talented teams, reduce the burden of our overheads, and drive performance.

I believe there are multiple benefits to be gained from moving Spire Healthcare to a 14-hub structure and bringing our central functions and hospitals closer together. This structure will reduce our organisational layers and enable hospitals to share best practices and gain more local market share.

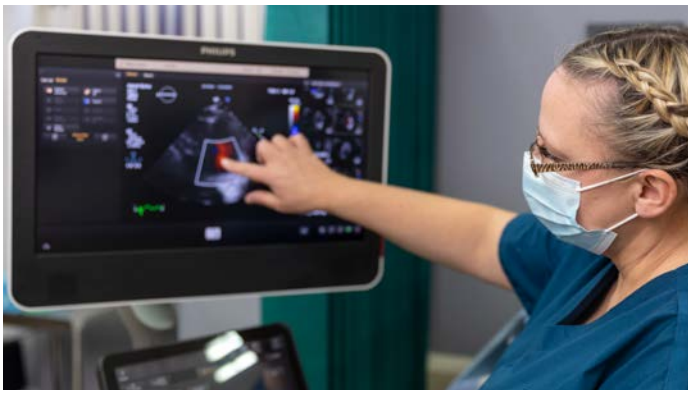
We have put a number of other efficiency programmes in place, both in procurement, where we seek to make savings through new contracts with new or existing suppliers, and in our general operations, by streamlining existing or introducing new, digital processes. With no sacrifice in quality, we have successfully driven down the cost of COVID-19 testing, while our continued investment in digital systems and efficient pathways, along with the re-organisation of the business, is expected to deliver total savings in excess of £15m by the end of 2022.

Safety and quality care

Quality remains an integral part of everything we do, and due to our focus on safe clinical pathways there has been just one probable infection in our hospitals during the pandemic. I was pleased to see the launch of our Quality Improvement Strategy in April. This development of a quality improvement culture, underpinned by a quality improvement methodology, helps us build on the progress on safety and quality we have made in recent years.

We are not complacent. High quality and robust governance are a daily focus for Spire, and over 120 colleagues have been trained as quality improvement practitioners to date. More than 80 quality improvement projects are under way across Spire Healthcare to maintain our ethos of continuous improvements in quality.

1 NHS waiting list times data for 11/21 published 01/22.



I am delighted to report that 90% of Spire Healthcare sites were rated 'Good' or 'Outstanding' by the Care Quality Commission, or the equivalent in Scotland and Wales, at year end, and this increased to 95% after year end when Spire Gatwick Park and Spire South Bank were uplifted to 'Good' as a result of inspections that took place towards the end of 2021. We believe the remaining two sites rated 'Requires Improvement' will fare well under CQC scrutiny in due course when they are reinspected along with the rest of our estate, as and when re-inspections occur.

Enhancing our digital capabilities

Offering patients, Consultants, and others easier ways to deal with us is also important to our ongoing success. For example, this year's rollout of our new pricing engine allows Consultants to securely post and amend their own independently determined charges, while giving us complete visibility and control over our prices across the estate. It enables patients to obtain clear quotes faster, helping them to make well-informed decisions quickly.

Our digital portals for both our patients and our partners (Consultants and PMI providers) have seen record levels of bookings this year, further highlighting the growing demand for online services. We have also deployed our electronic pre-operative assessment tool (ePOA) across our sites, providing a better patient experience and more consistent quality monitoring, while freeing up nursing time and hospital consulting rooms.

Our investments in the latest diagnostic equipment continued in 2021, including 10 MRI (magnetic resonance imaging) and CT (computed tomography) scanner replacements costing around £16m. We plan to invest a minimum of £375m over the next five years in state-of-the-art facilities, from new MRI and CT scanners to new theatres and car parking, with a predicted capex to income investment ratio of approximately 7%, which compares well with the industry benchmark.

We are also adding to the 18 robots that assist our clinicians in surgery and other procedures and are looking at the potential benefits of Artificial Intelligence and machine learning in our systems and hardware.

Engagement, culture, environment

We are determined to play our part in addressing the shortage of clinical staff across the healthcare sector by recruiting and retraining great colleagues and providing opportunities to develop their skills and experience.

This year we launched the largest nurse apprenticeship programme run by any private organisation in the country, in partnership with the University of Sunderland. The nurse degree apprenticeship is open to applicants at all stages of life and around 5,000 people applied to the programme, with 165 offers made.

In addition to the clinical and non-clinical apprenticeships we already offer, we launched programmes for Operating Department Practitioners and Assistant Practitioners with the University of Derby in September, as well as our 'GROW' learning framework, which includes our Step Up and Stretch initiative for future leaders across the business.

We continued our overseas nurse recruitment programme, despite international travel restrictions, and had introduced around 250 clinical colleagues by the end of the year. These new joiners receive considerable on-site training and investment before being fully deployed in our hospitals. We also provided work experience to several hundred doctors-in-training at our hospitals in 2020 and in the early months of 2021. We are looking to build on this foundation to provide further training opportunities in the future, as and when requested by our NHS partners.

I am delighted that in our 2021 Colleague Engagement Survey, 84% of colleagues said they felt proud to work for Spire Healthcare, up from 80% in our 2020 survey, and we continue to work to further improve the working environment at Spire.

Our success depends on us recognising, understanding and respecting the diversity of all our colleagues. Our 'Let's talk' network now includes an LGBTQ+ Group, as well as our Race Equality Group and Mental Health Group. Colleague wellbeing remains a high priority and we have continued to recruit and train Mental Health First Aiders across all parts of the business.

Turning to our environmental stewardship, as of October this year, I am pleased to say that Spire Healthcare procures all its electricity from renewable sources. We have an ambition to reach net zero carbon emissions across the business by 2030, and we are working aggressively to meet that goal. As part of a programme of works across our hospital estate, we have installed 78 photovoltaic (PV) solar panels on the roof of Spire Cardiff's outpatients building, and we expect significant reductions in the hospital's total carbon output. This and further PV panel installations will take place at other sites in 2022. We launched a company-wide carbon awareness campaign, designating Carbon Champions tasked with identifying energy savings opportunities at their site.

Independent Inquiry into Ian Paterson

We have accepted and implemented the Paterson Inquiry's recommendations specific to Spire Healthcare, and written to all known living patients inviting them to discuss their treatment. Spire Healthcare has also set up a second compensation fund to deal with any new claims arising out of treatment by Paterson at the company's hospitals.

We have shared our guidance on conducting patient reviews with the NHS and with the wider independent sector. We will jointly lead a project involving regulators, the NHS and government as part of the response to the Paterson Inquiry. This project will develop a national toolkit for patient reviews and recalls. I remain determined to ensure we offer every one of Paterson's living victims appropriate support, and we wholeheartedly endorse the recommendations in the Government's response to the inquiry, issued in December 2021.

Welcoming the Claremont Hospital to the Group

In December we completed the acquisition of a majority stake in the Claremont Private Hospital in Sheffield. The Claremont, which is rated Outstanding by the CQC, is a great fit for Spire Healthcare in an excellent location. Visiting the hospital on the day it joined the Spire family, I was impressed by the highly committed team, and look forward to fully integrating the Claremont into the Group in the months ahead.

Jitesh Sodha

Our CFO Jitesh Sodha is recovering after an accident he sustained while cycling. We all miss him hugely, but I'm pleased to say that he's making good progress although his recovery is likely to be long given the seriousness of his condition.

In the meantime, Harbant Samra, our Group Financial Controller, has taken on Jitesh's responsibilities as interim CFO in Jitesh's absence.

Meeting Britain's healthcare challenges

The continuing COVID-19 pandemic means that some uncertainty remains for all healthcare providers. In early January 2022, in response to the pressures on the NHS caused by the Omicron variant, we and others in the independent sector entered into a new national contract with NHS England, under which we would step up our cancer and cardiac support for NHS patients, while continuing to provide care for private patients.

In the months ahead we will focus on maintaining a COVID-secure environment, to ensure that we are able to treat as many patients as possible. As the nation's waiting lists continue to climb, Spire Healthcare will help patients find options for treatment, be that privately or by assisting the NHS.

Healthcare provision is also changing. More digital and home care solutions are becoming available, and diagnostic centres are beginning to appear in non-traditional settings. With our strong heritage of providing care and working with healthcare professionals, we think Spire is well positioned to extend our service this way over time. We will review our plans in this regard with the markets in 2022 and launch some trials by year end.

Given the positive underlying trends and strong demand, especially in self-pay, and our multiple margin improvement projects, I am confident that Spire Healthcare is in a very strong position for success in 2022 and beyond. Certainly, the long-term prospects for the healthcare sector now seem very promising. The public/private partnership should only get stronger and we will continue to play our part in supporting the UK's recovery from the pandemic while meeting the country's future healthcare needs.

Justin Ash
Chief Executive Officer

For a full overview of our year, see 'Meeting Britain's Healthcare Challenges' on page 8.

Meeting Britain's healthcare challenges in 2021

“The staff at Murrayfield from every level were just great. From the warm welcome at check in to the cup of tea in the morning, They made me feel so at ease. Going in for an operation alone due to the current situation is daunting but at no point did I feel alone. Every single member of staff was just great and if I could, I would have given them a big hug. The procedures in place for COVID-19 were great and very clear.

Patient at Spire Murrayfield, Edinburgh

Q1

January to March
- Spire Healthcare continued to support the NHS by making its facilities and services available to the NHS and its patients during the winter wave of the COVID-19 outbreak
- Spire Healthcare saw 80,000 NHS patients in Q1 and had 28,800 NHS admissions

Q2

April to June
- Return of Spire hospitals to normal business after NHS contract: significant growth in self-pay
- HSJ Partnership Award for Best Healthcare Provider Partnership with the NHS: Spire and NHS response to COVID-19
- Spire Healthcare's first ever TV advertising campaign launched
- Ramsay Health Care launches bid to acquire Spire Healthcare
- Opening of new, mobile operating theatre at Spire Norwich

"We are at an inflection point. That means we will have to lean heavily on our business strategy and planning to carefully maximise the potential we have.

Sir Ian Cheshire
Chairman

Q4

October to December

- Spire Healthcare starts to procure all of its electricity from renewable sources
- Nursing Times Workforce Awards: winner, Best Workplace for Learning and Development (1500+ Nursing Staff)
- Claremont Hospital, Sheffield becomes Spire Healthcare's 40th hospital facility

Q3

July to September

- HealthInvestor award for Public/ Private Partnership of the Year
- Nurse degree apprenticeship programme launched
- Development pathway for Operating Department Practitioners and Assistant Practitioners introduced, with Step Up Leadership training
- Ramsay Health Care bid rejected, Spire Healthcare continues as an independent company

“

With NHS waiting lists growing ever longer during another year deeply affected by COVID-19, we have seen strong growth in demand for elective care. More and more people are seeking out private healthcare, resulting in significant growth in our self-pay segment in 2021. While time will tell whether this is sustained at current levels, it feels like a significant shift in the market with many more patients now experiencing the benefits of going private, either through their medical insurance, or paying for it when they need it.

Peter Corfield
Chief Commercial Officer

While the urgent need to be COVID-secure and provide safe patient pathways stood out as key issues in our market this year, Spire Healthcare's core business drivers remain relevant – providing speed and quality, and access to world-class personalised care. The pandemic has resulted in changes to the way we live and work, and it has impacted our market in a range of different ways – however the UK's population continues to grow, people are living longer, often with multiple co-morbidities, and the demand for private healthcare remains very strong.

Population of the UK

67.1m
in 2020
Source: Office for National Statistics

69.2m
by 2030 (forecast)

Global trends

The impacts of COVID-19 on private healthcare
In the short to medium term there has been a major shift in the healthcare market, due to so much elective care being suspended during the pandemic and the effect this has had on NHS waiting lists. This has resulted in massive self-pay growth during 2021, but not everyone can afford private healthcare, and many have not traditionally considered it as an option at all.

Most people still think NHS first, but more consumers are now looking for other solutions. It is not just about the size of the waiting list, i.e. the number of people on it. What is really important is the length of time people are waiting for both diagnoses and treatments. Before the pandemic, there were typically around 1,600 people on lists waiting longer than a year for a procedure. Today this number is in excess of 300,000. Consultants are finding it harder to quote waiting times to NHS patients, so where people have the means, private healthcare is becoming a much more attractive option.

300,000
Patients waiting over a year

Source: NHS waiting times data for November 2021

53%
of Spire target consumers would be more likely to consider using a private hospital, given growing waiting lists[1]

Patient confidence is also critical, and many people have had concerns about coming into hospital during a pandemic. People want reassurance that they won't catch COVID-19 in hospital, but this has become less of a driver this year. Key factors that have bolstered patient confidence have been comprehensive testing at hospitals, the provision of PPE for colleagues and patients, the security of private rooms, and the reassurance that a hospital has not treated COVID-19 patients.

1 Source: Proprietary Spire Healthcare research conducted with 5,231 target consumers during October and November 2020

Ageing population

The ageing population and greater prevalence of long-term conditions continue to put pressure on the UK's healthcare resources. With the longest ever waiting lists across England, Scotland and Wales due to the ongoing effects of the pandemic, the NHS faces a huge challenge to cope with the high demand for healthcare for many years to come.

+17%
people 55+ by 2028 (forecast)

+30%
people 75+ by 2028 (forecast)

Source: Office for National Statistics (comparative year: 2018)

Complex healthcare needs

Even before the pandemic, treatment and care for people with long-term conditions typically accounted for around 70% of total health and social care expenditure. People with long-term health conditions accounted for around half of all GP appointments, 64% of all out-patient appointments and more than 70% of in-patient bed days.

70%
of total pre-pandemic healthcare expenditure spent on patients with long-term conditions

Source: Department of Health 2012 report 'Long-term conditions compendium of information' 3rd edition.

Digital transformation

Providers of healthcare across both the public and private sector have been challenged during the COVID-19 pandemic to accelerate their adoption of digital technologies, in some areas by several years – from remote patient consultations to delivering test results online, and from digital integration with partners to websites and apps that make care and advice easy to access wherever you are. Even before the pandemic, the NHS Long Term Plan, published in 2019, set out its critical priorities to support a digital transformation that would provide a step change in the care it delivers.

Greater focus on mental health

Long periods of working from home, employment uncertainties, home-schooling of children, and lack of physical contact with other family members, friends and colleagues have been a feature of most people's lives during the pandemic. Adapting to these changes has been a challenge for many. This has led to a greater focus on mental health, and even greater pressures on healthcare providers. Poor mental health can also lead to physical health conditions, and depression has been linked to chronic illnesses, including diabetes, asthma, cancer, cardiovascular disease and arthritis.

100%
increase in depression rates in the UK since the COVID-19 pandemic began

Source: Office for National Statistics

4 hours
average time spent online daily by UK adults at the height of the UK lockdown

Source: Ofcom's annual Online Nation report

Industry trends

Evolving relationship with the NHS

The NHS operates on a vast scale, offering care to all, free at the point of care, and we are proud of the long-standing relationship we have with them. This year we have built on our national partnership with the NHS, while cementing our role as invaluable local partners with NHS trusts and commissioners up and down the country.

During the first three months of the year we again supported the NHS in their fight against the pandemic, and we are ready to provide a range of services to the NHS in the years to come to help address waiting lists, including offering treatment in more complex medical areas.

A significant funding allocation has been proposed to help clear the NHS waiting lists. However the independent sector only accounts for around 5-10% of NHS elective services market, and the work currently flowing to the independent sector from the NHS is down on 2019 levels.

29.1%
of our revenue from the NHS
2020: 47.6% 2019: 29.9%

Private medical insurance (PMI) business driven by safety and quality

The majority of private patients are funded by private medical insurers, with most PMI being funded by the corporate market. The PMI sector is still recovering, with some growth coming from corporates looking to extend cover to their employees, as a defence against long NHS waiting lists. Insurers have to market the end-benefits to corporates, so safety and quality are key drivers, and they look closely at the CQC ratings of any hospital group they plan to do business with.

The slow and steady recovery suggests that some patients are putting off elective procedures even where they have insurance cover in place, and this may be due to worries about their job, or simply choosing to put up with the pain during the pandemic. Insurers are concerned about these delays, as in the long run this can increase the costs, especially of cancer treatment, as people tend to need more significant treatment the longer they wait.

43.9%
of Spire Healthcare's revenue is from PMI.
2020: 37.4% 2019: 51.4%

Growth in self-pay – a significant opportunity
Having already grown significantly over the last decade, there was massive growth in the self-pay market in 2021, and we saw a huge increase in enquiries, particularly through digital channels. Many people without access to PMI or facing a long wait for diagnosis or treatment are choosing to fast track to private diagnostic services and high-quality, paid-for healthcare.

53%
growth in self-pay enquiries in 2021 vs 2019

Demand for clinically necessary work, particularly in our core specialties of hip and knee surgery, has been particularly strong, while the market for cosmetic procedures (which had dropped away during the first year of the pandemic) has now returned to 2019 levels. Average revenue per case is also growing, as a higher number of patients require more complex, urgent treatments.

27.0%
of our revenue from self-pay
2020: 15.0% 2019: 18.7%

Shortage of skilled health professionals
The UK healthcare sector as a whole continues to face a severe skills shortage, not helped by the ongoing pressures resulting from the pandemic and the number of healthcare professionals still leaving the industry each year. In figures published by NHS Digital, there were 39,813 vacancies within the Registered Nursing staff group in NHS England in September 2021.

Adding to this, the UK's departure from the European Union has resulted in a reduction in the number of healthcare workers coming to the UK. At Spire Healthcare, we work hard to attract and retain the best people, and we run a range of apprenticeship schemes and overseas recruitment programmes. You can read about these from page 45.

10.5%
vacancy rate for nurses in NHS England (September 2021)

Source: NHS Digital

How we are responding

Differentiating Spire Healthcare on quality and patient experience
Quick and easy access to diagnostic services continues to be a fundamental need for our target market – when people have a health problem or notice a symptom, they want to quickly find out "What's wrong with me?" We aim to differentiate Spire Healthcare on quality, and with the growing demand for private healthcare, we are investing in our facilities, digital capabilities, and the quality and scope of our clinical services.

We have continued to adapt quickly to fresh challenges in 2021, and have implemented or expanded our digital systems, including our electronic pre-operative assessments (ePOA) system, virtual consultations, and our pricing engine programme that allows patients to obtain clear quotes faster, enabling them to make well-informed decisions quickly. We are also improving the digital integration with our PMI partners to improve efficiency, and enhance the patient experience.

Meeting the demand for self-pay
While our NHS commissions make up an important part of the work we do, we are first and foremost a private healthcare provider, and the upsurge in self-pay demand has made this a crucial market in which to compete for the maximum market share.

Aside from one merger among our competitors during the year, the competitive landscape has remained largely unchanged. What has changed is the volume of self-pay work available in the market, but the challenge in a second pandemic-stricken year has been putting teams together to take on the work. With COVID-19 infections affecting colleagues at every level, and patients who have had to isolate, our teams have had to work very hard to maintain the pace we need.

Delivering against this demand means optimising the patient experience, managing demand and ensuring we can provide safe pathways through the process, both digitally and when patients come to our hospitals. The need for speed, quality of care and personalised service remain our priorities.

Building the Spire Healthcare brand
To further maximise our opportunities, we launched Spire Healthcare's first ever concerted brand building campaign this year. Our objective was to come out of the pandemic with some momentum, so we ran a new television advertising campaign in spring 2021, and followed this with a second wave of advertisements in the autumn.

We have seen a step-change in awareness of and interest in private healthcare solutions, probably due to the strains on the NHS. For Spire, this has resulted in a significant increase in our website traffic and phone enquiries.

We will continue our television advertising campaign into next year. This is not just driving our self-pay strategy, but also our strategy for private patients as a whole. We have invested in understanding our consumers over many years and this comes through strongly. It helps us build awareness for our NHS patients, Consultants, and the decision-makers at large corporates who want us in the network of their insurers.

It also plays an important role in making the brand attractive to potential employees, and we will build on the recruitment angle in 2022, ensuring that our employee brand is better defined.

Looking ahead
With sustained self-pay business and a recovery of PMI, we can be confident of at least 2-3 years of strong growth. The biggest challenge will be getting more business through the estate. We need the best people, facilities and equipment in place, and doing things right means that the cost of doing business is high. We will continue to work on digital services that make us more efficient, and invest to further improve our diagnostics capabilities and operating theatre procedures.

We are looking to the future more strategically – balancing high-value procedures against a higher volume of smaller but more regular activities, such as the scans and diagnostics that are needed to manage long-term conditions. This also feeds into our innovation pipeline, and helps us consider how we might expand our network through smaller clinics, rather than large hospitals.

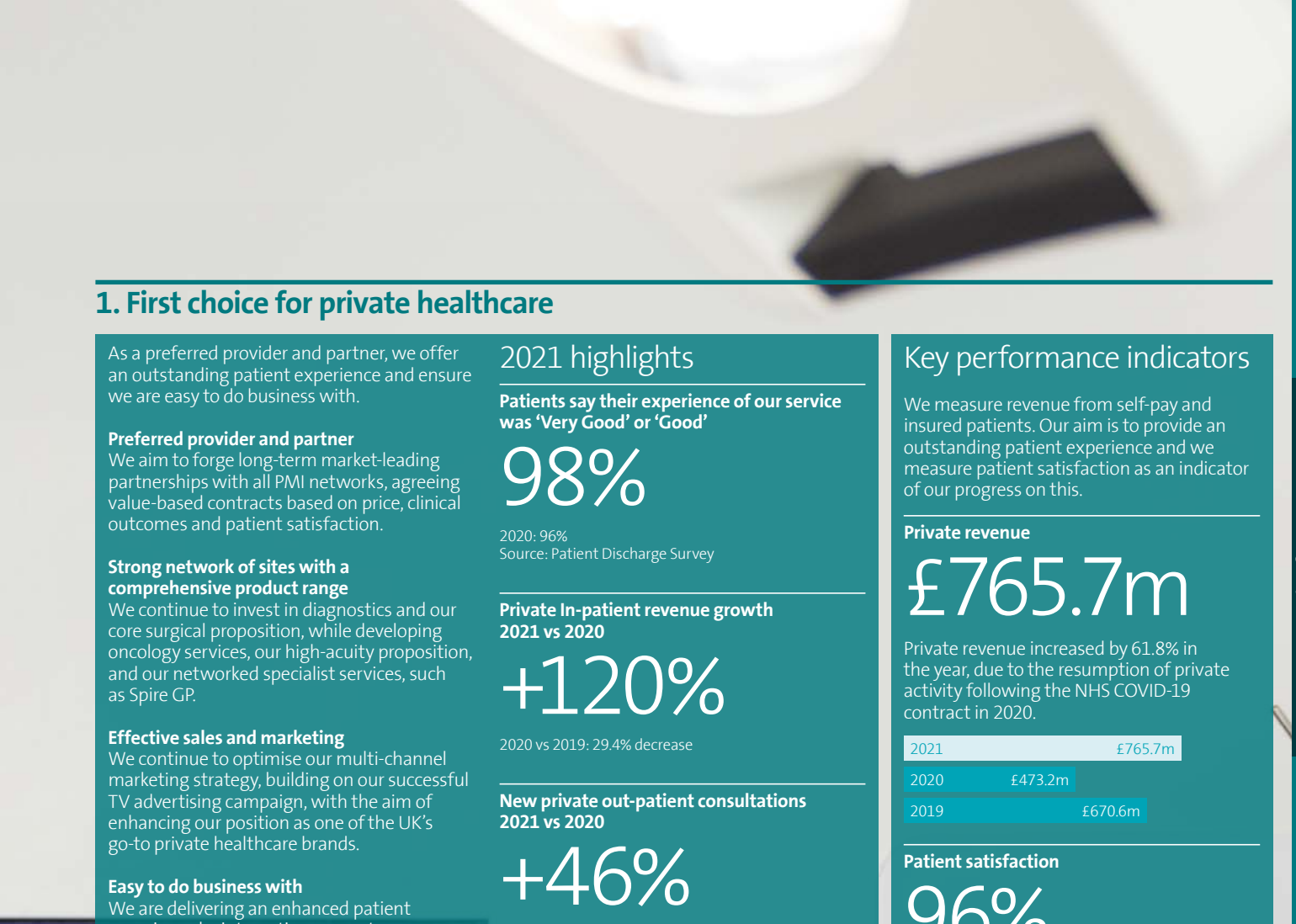
Our strategy and Key Performance Indicators

Our well-established strategy remained unchanged during 2021. It continued to underpin our Purpose and served the business well in a year that once again was dominated by the pandemic.

You can read more about our plans for 2022 and beyond in our CEO review on pages 4 to 7.

We use a range of financial and non-financial metrics to measure Group performance. These metrics are aligned to our four strategic priorities.

For our most up to date news and events
visit https://investors.spirehealthcare.com/home/



1. First choice for private healthcare

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

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

Strong network of sites with a comprehensive product range
We continue to invest in diagnostics and our core surgical proposition, while developing oncology services, our high-acuity proposition, and our networked specialist services, such as Spire GP.

Effective sales and marketing
We continue to optimise our multi-channel marketing strategy, building on our successful TV advertising campaign, with the aim of enhancing our position as one of the UK's go-to private healthcare brands.

Easy to do business with
We are delivering an enhanced patient experience by integrating our systems with our partners' platforms, while offering patients both electronic bookings and pre-operative assessments.

Pricing clarity
We continue to strengthen our pricing governance, structures and reporting, through our market-leading pricing engine, which supports improved revenue management.

2021 highlights

Patients say their experience of our service was 'Very Good' or 'Good'

98%

2020: 96%
Source: Patient Discharge Survey

Private In-patient revenue growth 2021 vs 2020

+120%

2020 vs 2019: 29.4% decrease

New private out-patient consultations 2021 vs 2020

+46%

New self-pay out-patient consultations 2021 vs 2020

+69%

Progress during 2021
- Rollout of our pricing engine programme complete, allowing Consultants to securely post and amend their charges, and providing clear quotes for patients faster
- Rollout of MySpire, our secure online portal giving patients the ability to manage their appointments and complete electronic forms online ahead of their hospital visit
- Enhanced marketing, including our first television advertising campaign, to maximise the benefit from the significant increase in demand for self-pay treatment

Priorities for 2022
- Expand the use of our data and digital technology to further improve the patient experience, access to our services, and our working relationships with Consultants
- Further enhance our marketing to increase the visibility of our brand and maximise the opportunities ahead in our markets

Key performance indicators

We measure revenue from self-pay and insured patients. Our aim is to provide an outstanding patient experience and we measure patient satisfaction as an indicator of our progress on this.

Private revenue

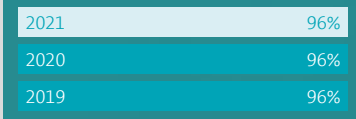
£765.7m

Private revenue increased by 61.8% in the year, due to the resumption of private activity following the NHS COVID-19 contract in 2020.

Patient satisfaction

96%

When asked 'Thinking about your visit to Spire, overall how was your experience of our service?' and 'How likely would you be to recommend Spire Healthcare to friends or family?', 96% of patients responded 'Good/Very Good' or 'Likely/Extremely likely', with 82% responding 'Very good/Extremely likely'.

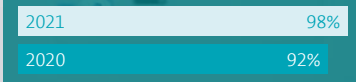


Source: Patient Discharge Survey – a patient satisfaction survey offered to all patients two to three days post discharge to allow them time to reflect on their experience.

98%

Patients who agreed with the statement 'I received outstanding care'. (Question first asked in 2020.)

Source: Patient Discharge Survey.




117
70
DINAMAP

2. Key partner of the NHS

We continue to build even stronger local and national relationships with NHS commissioners, trusts and GPs, and comply with all NHS requirements.

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

New contractual models
We will continue to look to secure local and national contracts under frameworks developed to address the medium to long-term impacts of the pandemic.

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

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

2021 highlights

NHS patients cared for

191,000

NHS oncology admissions

6,000

Progress during 2021
- Supported the NHS in responding to the pandemic in the first three months of the year
- Recognised by the Health Service Journal (HSJ) as having the Best Healthcare Provider Partnership with the NHS
- Built on strengthened relationships established during the pandemic
- Secured contracts with local systems under the Increasing Capacity Framework, designed to address the backlog in elective care
- Following detailed negotiations, we now have access to GPs' summary care records

Priorities for 2022
- Continue to support the NHS where requested as the pandemic evolves
- Continue to deliver services under the new NHS Increasing Capacity Framework
- Work with partners to secure a long-term contract with the NHS to address the backlog

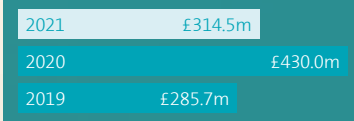
Key performance indicators

To track our progress in building relationships with the NHS, we measure both the revenue we receive from the NHS, and the number of NHS patients we care for.

NHS revenue

£314.5m

NHS revenue decreased by 26.9% in the year as the partnership with the NHS to make our facilities, equipment and colleagues available under the COVID-19 contact came to an end in March.



3. Uncompromising on patient safety and clinical care

We are fully focused on patient safety.

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

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

Outstanding integrated governance
We have an integrated governance model, with an open, dynamic and effective Ward-to-Board governance reporting system and an embedded learning culture.

2021 highlights

Regulatory inspections
(Hospital inspections during the year)

10

Patients say they 'felt in safe hands' when receiving care at Spire Healthcare

97.3%

(source: Patient Discharge Survey) 2020: 98%

Progress during 2021
- Developed and implemented our new Quality Improvement Strategy
- Introduced methodology that will further enhance our quality improvement culture
- Successfully rolled out our new electronic pre-assessment (ePOA) system across the Group
- Aligned our critical care units to the new intensive care level 1 (Enhanced Care)
- Increased the number of endoscopy units with JAG accreditation

Priorities for 2022
- Further embedding our Quality Improvement culture
- Jointly leading a piece of work involving regulators, the NHS and Government to develop a national toolkit for patient reviews and recalls
- Reviewing the way that we report governance at all levels from the Board down to hospitals
- Expanding the use of Multi-Disciplinary Team (MDT) meetings to more conditions
- Introducing the role of Surgical Care Nurse Practitioners to enhance patient experience
- Develop and roll out a standardised clinical training plan for all hospitals

Key performance indicators

We track our progress towards becoming best in class through the percentage of our sites which are rated 'Good,' 'Outstanding' or the equivalent by our regulators.

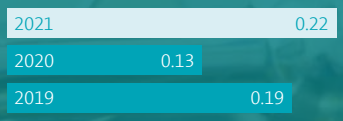
We also report on a range of other patient safety indicators, which align with those used in the NHS.

Comprehensive, non-financial management information on clinical performance including safety and clinical effectiveness is produced and reviewed regularly against pre-agreed standards by the corporate Clinical Services team, Divisional Directors, Directors of Clinical Services, the Executive Committee and the Board Clinical Governance and Safety Sub-Committee

Unplanned readmissions
per 100 discharges

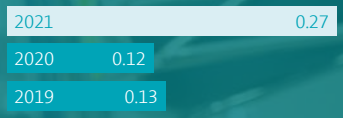
0.22

We maintained our strong record of treatment effectiveness.



Unplanned returns
Returns to theatre within the same patient episode, per 100 theatre visits

0.27



Post-operative mortality
per 10,000 theatre cases

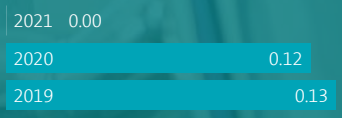
1.92

Post operative mortality within 31 days of surgery dropped in 2021, reflecting greater scrutiny of causes of death to ensure that lessons are learnt in every case.

MRSA
Infection rate per 10,000 bed days

0.00

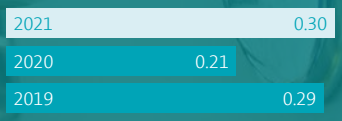
In 2021 there were no cases of MRSA in our hospitals, reflecting our robust screening processes and high infection control and cleanliness standards.



C. difficile
Infection rate per 10,000 bed days (2 cases)

0.30

Low infection rates reflect our prudent antibiotic prescribing and antimicrobial stewardship.



CQC ratings

95%[1]

Percentage of sites rated 'Good' or 'Outstanding' by CQC and Scottish and Welsh equivalents.

1 95% is the figure at time of publication. 90% was year end figure.

4. Improving revenue, profit and cash

Improving quality, efficiency and providing personalised care helps us to grow revenue and profit.

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

Focus on efficiencies to improve margin and profit
We have identified numerous opportunities to improve efficiency within our operations to ensure a greater conversion of revenue to profit in the future.

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

2021 highlights

Revenue growth

20.3%

2020 vs 2019: -6.2%

EBITDA converted to cash

106%

2020: 99%

Net debt to EBITDA as determined by our banking covenant

2.3x

2020: 3.90x

Progress during 2021
- Rebuilt private business to cope with a surge in demand for self-pay treatment
- Returned trading to 2019 levels in the second half of the year
- Acquired a majority stake in the Claremont Private Hospital in Sheffield
- Implemented sale and leaseback of Spire Cheshire
- Embarked on £15m efficiency programme

Priorities for 2022
- Fully integrate the Claremont hospital into the Group
- Roll out multiple margin improvement projects
- Invest in our equipment and estate to build capacity and drive efficiencies

Key performance indicators

We aim to deliver shareholder value through improving revenue, profit and cash. We track our progress through revenue growth, EBITDA margin, conversion of EBITDA to cash and net bank debt to EBITDA. We also track on total capex to ensure we maintain adequate investment in our estate. We track costs as a percentage of sales to demonstrate the benefits of our efficiency programmes.

Group revenue

£1,106.2m

Revenue exceeded £1 billion for the first time.

EBITDA margin

16.1%

This outcome reflects the impact of increased costs of at least £53m due to COVID. After adjusting for the pandemic costs, the underlying margin improves by 400bp to 20.5% and compares well against 19.3% for 2019.

2021	16.1%
2020	17.5%
2019	19.3%

Clinical staff costs as a percentage of revenue

23.6%

Despite the continuing and ongoing expense imposed by COVID we have maintained strict cost controls

2021	23.6%
2020	23.1%
2019	20.7%

Net debt/EBITDA

2.3x

2021	2.30x
2020	3.90x
2019	2.99x

Total capex

£77.1m

We continued to invest in the future of our business, upgrading hospital facilities and accelerating digital transformation programmes to benefit patients and colleagues.

2021	£77.1m
2020	£50.8m
2019	£62.5m

Conversion of EBITDA to cash

106.0%

Conversion of EBITDA to operating cash flow before exceptional items and taxation.

2021	106.1%
2020	99.0%
2019	109.0%

Other direct costs* as a percentage of revenue

32.0%

The COVID-19 pandemic and subsequent contract with the NHS, which recognises revenue on a cost recovery basis, together with the different mix of work undertaken during the year, distorts both the cost profile and its proportion of revenue. Comparisons with prior periods are therefore not meaningful.

2021	32.0%
2020	27.3%
2019	33.2%

* Comprises direct costs and medical fees.
For more information, see page 77.

Other key measures

Colleague engagement

84%

Percentage of colleagues saying they are proud to work for Spire Healthcare.

2021	84%
2020	80%
2019	79%

Case Study
Investing in digital and our estate

We stepped up our investments in quality, our core estate and digital systems in 2021. Overall capital expenditure increased to £77.1m, which included a strategic review of our Magnetic Resonance and Computed Tomography (MR CT) asset base. During the year, we carried out 10 MR CT replacements, accounting for a total investment of £16m. We have already approved an investment of £6.7m for a further five units to be replaced in 2022, and the sourcing process is underway for 20 more scanners identified for replacement in the course of the next three years.

In addition, a three-year replacement plan has been approved for all major diagnostic imaging techniques, including x-ray, fluoroscopy, mobile x-ray, c-arm, ultrasound and mammography. These major investments in state-of-the-art technology will benefit both our hospitals and patients, while ensuring Spire Healthcare achieves the best value through fully leveraging the Group's volume.

We have also continued our five-year refurbishment programme across the estate, prioritising our few remaining 'Requires improvement' hospitals. Our focus this year has been on works at Spire Alexandra, Spire Bushey, Spire Bristol, Spire Gatwick Park, Spire South Bank, Spire Wellesley, Spire Wirral, Spire Methley and Spire Regency. We also carried out more than 30 individual projects across the estate covering Safety, Statutory, Regulatory and infrastructure requirements, with a total spend of £6.5m.

Electronic Pre-Operative Assessment tool (ePOA) Rollout

During the pandemic, we were able to accelerate the delivery of our digital efficiency programmes, and following a pilot at three Spire Healthcare sites in 2020, we rolled out electronic pre-operative assessment (ePOA) across the Group in 2021, with the project completing in January 2022.

The aim of ePOA is to significantly reduce the use of paper within Spire Healthcare, while providing a better patient experience and shorter processing time. This frees up both nurses' time and hospital consulting rooms. All nurses receive a level of training that is signed off by the central team managing the rollout, to show they understand the system and can use it effectively.

Patients access their pre-operative assessment questionnaires via MySpire – our secure online patient portal. We continue to work with the Patients Association to get feedback on our patient portal, so that we can continually improve our patient facing digital systems for usability, accessibility and functionality.

75,000 electronic pre-operative assessment questionnaires were sent to patients in 2021.

£77.1m
capex investments in 2021 (£50m in 2020)

Board oversight and decision-making

The Board has taken a keen interest in the development of the Group's digital assets and how this supports the efficiency of our operations. Hospital visits (mostly virtual) by Non-Executive Directors have taken place this year.

Stakeholders impacted

- Colleagues
- Consultants
- Patients

We have a full team delivering the Electronic Pre-Operative Assessment tool (ePOA) rollout, covering the transformation, the business side, and the clinical side of the process. Going live with ePOA has allowed us to standardise the pre-operative process – everyone gets the same information, and this makes the system more efficient. Previously we used 39 different types of forms – now everyone uses the same online form.

Linda Jones
Clinical Lead, ePOA Implementation Project

Our business model

What drives us

Our Purpose is to make a positive difference to our patients' lives through outstanding personalised care, drives how we do business.

Our vision is to be the go-to healthcare brand, famous for clinical quality and care.

What we do
We own and run hospitals and clinics across the country, serving a diversified patient mix. Offering hundreds of different tests and treatments, some of which can only be accessed privately, we provide diagnostics, in-patient, daycase and out-patient care in areas including orthopaedics, gynaecology, cardiology, neurology, oncology and general surgery. During the pandemic, we have supported the NHS while continuing to provide private services to insured and self-pay patients.

40
Hospitals

5
Critical care units

8
Clinics

15,100
Colleagues

How we generate revenue

1. PMI **43.9%**
2. Self-pay **27.0%**
3. NHS **29.1%**

Private patients

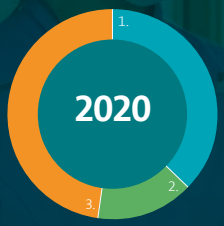
We offer treatments for patients who have private health insurance or wish to pay for their own treatment. We offer them choice of when and where they are treated, in hospitals that combine excellent clinical outcomes and levels of infection control with 'hotel-style' levels of service.

PMI
We have long-term relationships with the top five private medical insurance providers.

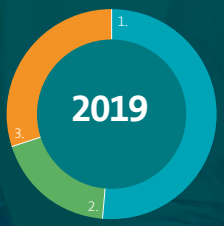
Self-pay
We enable patients to take control of their own health by directly booking appointments with Consultants without the need for a GP referral or by booking an appointment with one of our private GPs.

NHS

Spire Healthcare offers the NHS capacity, capability and flexibility. At the same tariff (price) as an NHS trust, we perform complex operations that help move thousands of patients off waiting lists across the country. The capital we invest in our sites is at no charge to the NHS but allows us to make clinical teams, theatre time and beds available quickly. We supported the national effort to fight COVID-19 through a volume-based contract with the NHS in the first quarter of 2021, putting our people, facilities, equipment and services at the disposal of the NHS in England, Wales and Scotland, before transitioning to a more 'normalised' trading environment from April onwards.



1. PMI **37.4%**
2. Self-pay **15.0%**
3. NHS **47.6%**



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

How we work

We have a highly motivated and skilled team
We employ a wide range of well-trained and dedicated clinical and non-clinical people. Our culture is based on respect, inclusion and collaboration, and we all share the values of the business. During the different phases of the pandemic, the flexibility and resilience of our people has been vital to maintaining high standards of personalised care for all our patients.

We work closely with general practitioners (GPs)
Whether they have private medical insurance or choose to self-pay, patients are usually referred to us by their own GP. We work with GPs to facilitate speedy, convenient and fully informed referrals, and have business development teams in each of our hospitals, dedicated to building links with local GP communities. We also invest in our own hospital-based primary care to facilitate speedier referrals for patients. Once they have been referred, our aim is to see patients quickly, and following our initial contact, they will usually have the opportunity to select the Consultant and hospital they are most comfortable with.

We aim to make Spire Healthcare the first choice for Consultants
Consultants are independent of the Group. They are granted privileges to practise in our hospitals, operating according to our policies and procedures. They are integral to providing high levels of medical care to our patients, so we want to be their first choice as a place to work. That's why we engage with local Consultants at a hospital level, both those with practising privileges and those in the wider Consultant community, seeking to build on our close working partnerships and offering them the facilities and support they need to establish a practice at our sites. During the pandemic, we have welcomed many new Consultants to our hospitals.

We have an unwavering commitment to the highest standards of safety, quality and care
Patients, Consultants and general practitioners trust Spire Healthcare to deliver high-quality care. 90% of our hospitals were rated 'Good' or 'Outstanding' by the CQC or the equivalent in Scotland and Wales at year end, and that rose to 95% with the upgrading of two hospitals in early 2022. We have a strong Ward-to-Board governance framework to ensure that the highest standards are maintained.

We invest in the business
We have invested around £77m in state-of-the-art medical facilities and equipment in 2021. Building on our digital infrastructure remains a key business priority, as centralised processes not only make the lives of our patients and colleagues easier, but virtual options for pre-assessments and even diagnosis have enabled us to deliver our services more quickly and safely this year. Doing the right thing, and doing it well is at the core of our identity as a business.

The value we create

Patients
We provide fast access to high-quality, personalised clinical care with world-class experts.

Patients seen in 2021, almost:

870,000

96% say their experience of our service was 'Very Good' or 'Good'

Colleagues
We provide our colleagues with high job satisfaction, a competitive reward and recognition framework, and the chance to learn, develop and grow through a wide range of apprenticeships and development opportunities.

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

8,150

expert Consultants that we worked with in 2021

NHS
We help the NHS reduce waiting lists, ease capacity constraints and work closely with NHS centrally and in local communities, with commissioners and trusts.

191,000

NHS patients seen in 2021

Shareholders
We aim to create value through total shareholder returns. During the three-year period 2019-21, Spire Healthcare's share price rose by 129.6% and outperformed the FTSE All-Share Index by 115.1 percentage points.

Our Total Shareholder Return for the same period was 133.1%. During the year ended 31 December 2021, Spire Healthcare's share price advanced by 60.9%.

Throughout the year, we have worked hard to balance our commitments to all of our patients, whether NHS or private. Our hospital teams and Consultant partners have prioritised care on the basis of clinical need. I would like to thank our Consultant partners who have faced another year of very challenging circumstances due to the pandemic. Particular thanks go to our Medical Advisory Committee Chairs, who have worked with us to support our Consultant partners through the year, and helped them to maintain and strengthen their practices with us.

Dr. Catherine Cale
Group Medical Director

Our teams have continued their strenuous efforts to maintain all of the measures we put in place in 2020 to keep our sites COVID-secure, including safe patient pathways, and regular screening/testing of colleagues and Consultants. We also owe a massive thank you to our Infection Control leads and housekeeping teams, who have done a fantastic job maintaining the level of Infection prevention standards required at each site.

Alison Dickinson
Group Clinical Director

Delivering outstanding care under extreme pressure

Continuing our support for the NHS
The first quarter of 2021 saw the second major peak of the pandemic, and our colleagues, having already delivered outstanding care during the first ten months of COVID-19, performed superlatively under extraordinary stresses and pressures. Across the organisation, we continued to support the NHS in its pandemic response, under the national contract between the independent sector and the NHS. We also supported Consultants, both those who have practising privileges with us, and those who came over to provide services to NHS patients in our hospitals.

Best Healthcare Provider Partnership
During the year we have continued to build on our positive working partnerships with the NHS across the country, both at local and national level, where we now have close contact with the Chief Nurse for England and other senior leaders. We were delighted that our partnership with the NHS was recognised by the Health Service Journal (HSJ) as Spire Healthcare received the Best Healthcare Provider Partnership with the NHS at their Partnership Awards in June.

Transition to our normal business
From April, we saw a shift back towards our normal business, with the focus on meeting the pent-up demand for elective treatment and diagnosis which had built up during the previous year. In this way, we have played our part in addressing rising waiting lists, and are helping the wider healthcare system as it begins to recover from the pandemic.

During this period, the agility and resourcefulness of our people remained vital, as we continued to face challenges and pressures, together with the rest of the sector. Working at pace, we had to be responsive to all changes, while staying tightly aligned to national infection prevention control guidance and keeping our colleagues, Consultants and patients safe at all times.

Keeping our hospitals COVID-secure
We have maintained strict COVID-19 controls during the year, with safe patient pathways, a restricted visitor policy, and clear testing protocols for our patients, colleagues and Consultants. Our priority has been to keep our hospitals COVID-secure – we have ensured that we followed all NHS, government and UKHSA guidance on COVID. We have also supported our staff to ensure high levels of COVID-19 and flu vaccination.

We have maintained the enhanced pandemic governance and assurance processes we established in 2020, and we would like to reiterate our thanks to our Non-Executive Director, Dame Janet Husband, for all her work in overseeing this. We are also grateful for the support and guidance of our Medical Advisory Committees in response to rapidly changing regulations, as our focus remained firmly on upholding the highest quality standards in 2021.

Making the best use of our capacity
In the face of heightened demand, in particular from self-pay patients, it has been important to make the best possible use of our capacity, especially when we have had to deal with short notice cancellations. Some patients had to cancel because they were unwell, others preferred to wait until they had received both vaccinations, and – later in the year – their booster. We have worked to become even more efficient, and to streamline our pre-operative assessment processes, so that we have patients prepared for short-notice admissions if and when they may arise.

Our procurement teams have worked hard to avoid the supply shortages that might have caused delays for our patients, including securing sufficient supplies during the national blood bottle shortage. They have successfully supported our front-line services, despite challenges in the supply chain that have proved difficult for the whole sector during 2021.

Working with local Integrated Care Systems
We are now engaged in the Integrated Care Systems (ICS) that support the healthcare system. The ICSs are partnerships that bring together providers and commissioners of NHS services across a geographical area, and as a result of the relationships we built up with NHS leaders during the pandemic, we have a say in decision making. Another important outcome of working more closely together has been that, following many months of detailed negotiations, we now have access to GPs' summary care records – so from a patient safety perspective we can view critical information that ensures we treat people safely.

Excellent leadership and resourcefulness
Our Directors of Clinical Services have provided excellent leadership during the pandemic and great resourcefulness in the recovery phase. We would like to express our personal thanks to Tracy Coates, our Specialist Clinical Services Director, who has taken on an additional role this year as Patient Safety Specialist, a designated role that all organisations caring for NHS patients must have.

Special thanks are also due to Carrie Godfrey, National Infection Control lead, for supporting all sites in mainlining the infection prevention and control standards, and Jake Botfield, National Critical Care Lead, who has been busy this year upskilling nursing staff to care for patients with higher acuity conditions.

Treating higher acuity conditions
Increasing our ability to treat patients with higher acuity conditions is an important aspect of the progress we are making across the Group. Greater capacity to carry out more complex operations in our hospitals opens up new areas of care we can provide, and makes Spire Healthcare more self-supporting, by ensuring that we need to do fewer transfers out where critical care needs arise.

We ensure that our sites are assessed against the Intensive Care Society standards for care, and have worked through 2021 to re-align care to the standards published in March 2021. We already had five sites with level 2/3 critical care capability. We have an ongoing programme to increase the level of care provided by sites, with a further 10 sites able to provide level 1 care (enhanced care including arterial and central venous pressure lines) by early 2022.

We continue to validate our quality standards, and have earned JAG accreditation, which is awarded by the Royal College of Physicians' Joint Advisory Group on Gastrointestinal Endoscopy, for our endoscopy services at 10 sites. We are working towards similar accreditation at other sites in 2022. In addition, we are proud to say that 15 of our 17 chemotherapy sites are now Macmillan Quality Environment Mark (MQEM) accredited. MQEM is the first award of its kind in the UK and has been designed in collaboration with people living with cancer. It champions cancer environments that go above and beyond to create welcoming and friendly spaces for patients.

Quality improvement
A key focus this year has been on the development and implementation of our Quality Improvement (QI) Strategy, and we were delighted to welcome Michele Millard to the role of National QI lead to take this forward. Launched in April, the strategy is designed to build on the progress on safety and quality we have made in recent years, and to introduce a standard QI methodology across the business that will further enhance our quality improvement culture.

You can read more about how we developed the strategy in our case study on page 32.

We also carried out a colleague consultation to decide on our quality priority for the year, and our teams chose 'Improving patient experience' from a list of 10 options. There are three elements to this: improving the admissions process, improving the discharge process, and ensuring we listen to patient feedback and engagement, including complaints, concerns and compliments.

Investing in our digital capabilities and wider initiatives

We continued to expand the use of technology this year, increasing the number of virtual consultations with patients, which reduce the need for patients to visit the hospital in advance of their treatment. These digital pathways remain very important given the ongoing challenges of the pandemic, and following a pilot in 2020, we rolled out electronic pre-operative assessment (ePOA) across our hospitals during the year (read more at page 24).

Among our many initiatives this year, we set up a new Resuscitation Quality Improvement (RQI) programme, with specialist devices at each of our hospitals. We were the first in the independent sector to launch RQI, which provides a high-reliability platform for simulation-based learning that measures and verifies competence in CPR, to help our people maintain their life-saving skills.

Spire GP demand

We have experienced a significant increase in the demand for Spire GP appointments. This is likely to have been driven by difficulty either perceived or actually experienced in accessing NHS primary care since the start of the pandemic. In 2021 there were almost 23,000 appointments with Spire GPs, almost twice as many as in 2020.

Welcoming doctors in training

The initial wave of the pandemic restricted opportunities for many doctors in training to work in a hospital environment. We recognise that training the Consultants of the future is very important, so we reached an agreement with the NHS that allowed surgeons and anaesthetists in training to undertake placements in our hospitals. Several hundred doctors in training worked in our hospitals in 2020 and in the first quarter of 2021, and we are open to providing further training opportunities in the future, when requested by our NHS partners.

Developing our people

Within Spire Healthcare, attracting and developing nurses and nurse leaders of the future remains a high priority. We are determined to play our part in addressing the shortage of clinical staff across the healthcare sector by recruiting and retraining great colleagues, while providing opportunities for clinical leaders of the future to develop their skills and experience.

During the year, we launched a major new nurse degree apprenticeship programme in England, in partnership with the University of Sunderland. Encouragingly, more than 5,000 people initially applied to the programme, reflecting the way the pandemic has raised the profile of nursing. You can learn more about this programme on page 48.

We were able to restart our national conferences in 2021, albeit in a virtual format – holding more than 20 conferences for our pharmacy managers, physiotherapy managers and sterile services department leads, housekeeping heads, diagnostic imaging managers, endoscopy leads, and many others. These events bring together key colleagues to share best practice and learning.

Last year's plan to run a development programme in conjunction with the global Nightingale Challenge was delayed until November 2020, and this has continued throughout 2021 – again, primarily in a virtual format. The programme has offered young nurses the chance to take a more active role in the business, develop their leadership skills, and given them access to our Non-Executive Directors via regular mentoring circles.

International nurses programme

Our programme to bring international nurses into Spire Healthcare's hospitals has continued in 2021, with around 250 new clinical colleagues joining us by the end of the year. Read more about this programme on page 45.

Quality assurance and governance framework

We have continued to develop our reporting processes on quality to streamline and improve the Ward to Board assurance of quality. During the year we have developed an integrated quality assurance and governance framework, with a refined suite of key performance indicators that will start reporting Board to Ward in 2022. Our Quality Assurance Framework is based on the NHS National Quality Board framework, with KPIs grouped under safe, effective, experience, well led, and money and people. We have also completely reviewed and reissued our policies on clinical governance, making them easier to follow and putting the focus on demonstrating excellence in everything we do.

We have also significantly strengthened our team this year by employing three regionally-based associate medical directors, who are there to both support our hospitals and work with us centrally on national projects. They are Christopher Bouch, a Consultant in anaesthesia and intensive care medicine, Anne Foster, a paediatric orthopaedic surgeon, and Richard Price, a cosmetic surgeon. Our new medical structure will further support excellent medical professional standards and ensure we provide excellent outcomes for patients.

Independent Inquiry into Ian Paterson

In 2021 we have continued to implement the recommendations of the Independent Inquiry into Ian Paterson, which reported in early 2020, and we have provided advice to those who took up our offer of support, and where appropriate, follow-up treatment. In December the Government issued its response to the inquiry report. We were pleased that the response noted our progress in contacting all known living patients of Paterson, and are reviewing the care of over two-thirds of the patients concerned.

There is no national best practice standard for undertaking these reviews and communicating with patients, and we have been developing our own guidance on how to carry these out, based on our own experiences.

We have worked with the Patients Association to hear and understand patients' insights and ensure that these are reflected as we develop the guidance. We have shared our guidance with the NHS and with the wider independent sector, and the Government's response to the Paterson inquiry report highlighted the work we have done in developing this.

We are committed now to working with the National Quality Board, which will be responsible for building on the work that we and others have done, to create a national framework for actions that organisations will need to take in the event of a patient recall.

Freedom to Speak up (FTSU)

Encouraging colleagues to speak up if they see something wrong is an important element of our governance programme. We have Freedom to Speak Up Guardians at all of our hospitals and non-clinical sites, and they continue to provide confidential support to colleagues where needed. Over the year we have broadened the number and professions of our FTSU ambassadors, and two-thirds of our hospitals now have a Consultant FTSU Guardian. Read more about Whistleblowing and our FTSU Guardians in the 'Our Impact' section on page 47.

Looking ahead

Whilst the Omicron wave is abating, as a hospital provider we must remain vigilant as COVID can have negative outcomes for patients' long-term recovery. To deal with this effectively, it will be important for us to remain flexible, maximise our activity, continue to build our capabilities and leadership skills, support colleagues at every level of the organisation, and to make it easier for patients, Consultants and others to work and interact with us.

Our biggest priorities for the year ahead will be to make better use of the data we have – to focus on excellence in outcomes and to make sure this leads to the best possible patient experience. Following great work by our teams over the last few years, we now have lots of data reported in many different places. We need to ensure that data informs everything we do, and supports the fantastic job done by everyone at Spire Healthcare, and the approximately 8,150 Consultants we work with.

The information we have doesn't just help us manage medical professional standards, which is extremely important, it also supports our Consultants by demonstrating that they provide excellent care for patients. It links to our Quality Improvement priorities, and helps us track our progress against them. Ultimately, it enables Spire Healthcare to deliver an excellent patient experience and fulfil our core purpose as an organisation.

We will also look to strengthen the use of Multi-Disciplinary Team (MDT) meetings. We already have well established MDTs for all of our cancer patients, and we recognise that for other patients with complex conditions, we need to use the same approach. We're supporting our Consultants to develop appropriate MDTs in these areas, in line with both National Institute for Health and Care Excellence (NICE) guidance and the recommendations of the Paterson Inquiry.

Finally, we would like to place on record once again our thanks and admiration to all our colleagues and Consultants for their unstinting commitment and compassion during the pandemic; a time that, for many, has been the most challenging and stressful period in their working lives. Their enormous contribution has made a positive difference to patients' lives throughout another difficult year.

Dr. Catherine Cale
Group Medical Director

Alison Dickinson
Group Clinical Director

Case study
Quality improvement

We have always been a company that has acted quickly to rectify any issues, and seek ways to improve quality right across the organisation. This year we have moved to an even more proactive approach to quality improvement, through our new Quality Improvement (QI) strategy designed to help us deliver the highest standards of safety and care, with integrity and compassion to all patients.

The strategy is based on methodology developed by the Institute for Healthcare Improvement (IHI), and we use their Model for Improvement (see diagram). This supports Spire Healthcare's QI principles:
- Pursue value and quality as defined by our customers and our stakeholders
- Understand through observation – go, look, see and measure
- Remove waste – work or systems and processes that add no value and increase workload
- Create flow – optimise efficiency in all that we do
- Make it visible so you can see what is happening
- Standardise, document and continuously improve operations

"The IHI were the perfect partner to provide us with training support and tools for quality improvement across a range of vital areas, from the care and health for people with complex needs, to waste and cost reduction," explains Michele Millard, our National QI lead. "They have a 'Triple Aim' of achieving better care, better health, and lower costs, and their stated mission is to 'uncover new approaches to help leaders, patients, and caregivers embrace, create, test, and implement strategies to drive change'."

"We have already run more than 80 projects in our hospitals, not only to improve patient outcomes and their experiences in our care, but also to drive efficiency and reduce waste."

As part of the strategy, we have set up a QI Academy, with the aim of training all our colleagues in QI methodology. During 2021, more than 9,600 colleagues accessed the QI training, either virtually or in face-to-face sessions. And we now have more than 120 QI trained practitioners. We have also delivered bespoke QI training to our Medical Advisory Committee Chairs, Business Unit Directors, Directors of Clinical Services, Finance Managers, and Freedom to Speak Up Guardians.

"We have set up shared learning groups to promote several QI projects," says Michele. "For example, we have been looking to reduce the length of time patients are without fluid before surgery. We wanted to get much closer to the guidelines recommended by the Association of Anaesthetists, which is just two to three hours and our fluid fasting shared learning group has driven significant improvements here. At Spire Bristol they've moved from just 10% to around 90% of their patients being without fluid for two to three hours – which is a massive improvement."

Having the QI strategy in place helps us create an action plan very quickly when there is a problem or a complaint. It ensures that our response is robust and that we aim to learn from every single incident, reducing the risk of it happening again. "It is really important to look for where we can improve – as even when things are okay, they can always be improved," insists Michele. "That's the culture I want to see as we embed our approach to QI into every fibre of our organisation."

120

QI Coaches now in place across Spire Healthcare

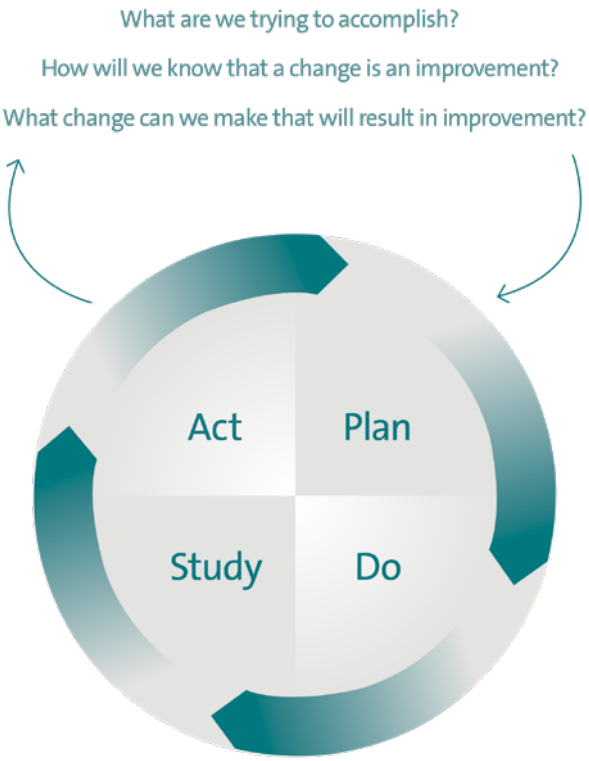
Board oversight and decision-making

We now have a QI programme board to oversee our QI activity that meets once a month. Regular papers are written for the Executive team on this activity, and these are then frequently reviewed by the Group Board, members of which make suggestions and challenges as appropriate. Board members have also received QI training.

Stakeholders impacted

- Patients
- Colleagues
- External health sector professionals

Institute for Healthcare Improvement (IHI) Model for Improvement



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At Spire Healthcare, we have always tried to improve quality in every aspect of our business – it’s part of our culture, and it drives what we do. The difference this year has been that we have implemented a robust strategy through which we can make these improvements, and given colleagues the training, freedom and encouragement they need to act.

John Forrest
Chief Operating Officer

Our impact

Engagement with our stakeholders is critical to our success and delivering on our Purpose, strategy and objectives.

Across the following pages we set out some of the ways we engage with our key stakeholders. We use the output from this engagement to inform our strategic and everyday business-level decisions. The Board is provided with an overview of this engagement and any relevant stakeholder feedback.

Our impact: Stakeholder engagement

Engagement with our stakeholders during 2021

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Patients	**Who they are** We treat a wide variety of patients who are self-pay, use private medical insurance or are referred to us by the NHS. **Why they are important to us** Providing the highest quality, safe, personalised care is at the core of everything we do. **What is important to them** Rapid access to high-quality healthcare, both diagnosis and treatment, at a price they can afford. **How we engage** We engage continuously with patients before, during and after their treatment and seek to involve them in all key decisions about their care. We use a framework of customer and patient surveys, including questions mandated by regulation (e.g. Private Healthcare Information Network) or contracts (e.g. NHS). These cover our major touchpoints with patients, whether they receive admitted care or come to us as out-patients. We work closely with patients, with the support of the Patients Association, on a range of projects, to understand their experience of care with us, and we use their feedback to further shape and refine our processes. **Board engagement** While we review the feedback from our patient engagement locally in our hospitals and as part of our operational reviews, we also do this through the Board's Clinical Governance and Safety Committee. This helps us develop and continuously improve the services we provide to patients, as well as define our annual quality priorities, which we set out in our annual Quality Account.	– Increased demand for patient care resulting from the pandemic	– Care provided for over 356,000 NHS patients in addition to private patients since the start of the pandemic – Expansion of care for self-paying patients seeking to avoid NHS waiting lists	– Our CEO review, page 4
		– Need to keep hospitals COVID-secure	– Red, amber and green safe pathways and other testing and safety measures remain in place – Increasing use of digital technology, reducing in-person consultations and assessments	– Clinical review, page 28
	Responsible Executive Owner Group Clinical Director			

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Colleagues	**Who they are** Nurses, theatre teams, allied health professionals, non-clinical support (such as reception staff and porters), head office teams, and bank colleagues. **Why they are important to us** Our colleagues interact with thousands of patients every day and play a crucial role in delivering the highest quality care and outcomes. **What is important to them** A fulfilling career with an organisation that offers opportunities for development, the chance to make a difference, and appropriate rewards and recognition for their efforts. **How we engage** We value what our colleagues do, engage closely with them, and support them in terms of their personal health and wellbeing, as well as in their professional life and career aspirations. We gain feedback from colleagues through regular surveys, and a full annual survey took place during 2021. **Board engagement** The feedback we receive is analysed by the full Board, Remuneration Committee and Executive Committee, with action plans put in place to respond to the findings.	– Impact of the continued pandemic, with its consequences for colleagues' health and wellbeing	– Increased investment in wellbeing support, including mental health support, and advice and guidance about COVID vaccinations for colleagues	– Our impact, page 34
		– Pressures on availability of vaccines and testing materials		
		– National shortage of healthcare professionals across the UK, increasing pressure on existing workforce	– Launch of nursing and other apprenticeship schemes, addressing future as well as current requirements	
			– Recruiting, integrating and training overseas nurses	– Our overseas nurses programme, page 45
	Responsible Executive Owner Group Human Resources Director			

"I had a hip replacement done at the Spire Bushey. I had a very good experience and cannot praise the staff enough for the help and care they showed me. Every member of staff that I had the pleasure of meeting could not have treated me any better than they did. I would highly recommend Spire Bushey to anyone who needs the services that they provide. The staff are all very friendly and make you feel safe and comfortable. I would like to thank all of the staff for the care they provided for me.

Patient at Spire Bushey

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Consultants	**Who they are** We work with almost 8,150 Consultants, who operate as self-employed practitioners in our business. They are experts in their fields, drawn from all medical disciplines, who are granted privileges to practise in our hospitals, in line with our stringent medical governance procedures. **Why they are important to us** Our Consultants are integral to providing high levels of medical care to our patients. **What is important to them** High quality facilities and support to establish and develop a practice at our sites. **How we engage** We meet with Consultants to plan individual procedures, understand their future needs and horizon scan for developing clinical innovation. They are invited to complete an annual satisfaction survey. In addition, each hospital has its own Medical Advisory Committee (MAC), which brings together the Consultant community. Hospital management teams hold quarterly meetings with their MACs to discuss and receive feedback on issues of concern to local Consultants. At a national level, the Group Medical Director and other members of the Executive Committee meet MAC Chairs on a regular basis. **Board engagement** Feedback from our annual satisfaction survey is reviewed by the Board's Clinical Governance and Safety Committee and we use this to enhance the offer we provide to Consultants.	– Desire for improved digital engagement	– Development of digital solutions which create an improved experience and ultimately make it easier for Consultants to do business with Spire Healthcare	– Our clinical review, page 28
		– Need for open and regular dialogue with our consultants	– Regular 'Two Minute Times' connects consultants with each other and with Spire Healthcare. – MAC Chairs meet regularly with Board members and the Executive Committee	– Chairman's review, page 2
	Responsible Executive Owner Group Medical Director			

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Suppliers	**Who they are** We work with a diverse range of organisations who supply the Group with everything from medicines, equipment, services and food, to people. **Why they are important to us** In 2021 not only did we need to ensure we had sufficient stocks of personal protective equipment and other supplies to deliver care in a safe environment, but we also had to deal with shortages in the market (such as blood bottles) and our procurement team worked hard to maintain continuity of supply. **What is important to them** Clear policies, contracts and a strong relationship to ensure long-term and mutually beneficial commercial arrangements. **How we engage** We hold performance evaluation sessions with our existing suppliers, with the frequency determined by the nature of purchase and the risk profile of the goods or services supplied. Spire Healthcare's procurement team undertake detailed supplier assessments as part of tender evaluation processes in order to ensure a supplier's capabilities are aligned to the Group's business requirements. **Board engagement** The Audit Committee reviews all relevant risks in our supply chain as part of its annual risk assessments.	– Global logistics issues which challenged our procurement teams – National shortage of critical medicines – Continuity of supply	– Centralised supply chain with a centre maintaining an average of eight weeks' supply – Spire Healthcare is able to receive allocations from NHS Supply Chain based on its activity – Work with supply chain to mitigate detrimental impacts from global product recalls, COVID-related supply issues and supply chain friction	– Risk management page 58
	Responsible Executive Owner Chief Financial Officer			

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Private Medical Insurers (PMI)	**Who they are** Private Medical Insurers (PMI) provide medical insurance cover for both employees and individual members. **Why they are important to us** PMIs are a core part of our referral network, as in a normal year, approximately 50% of our revenue comes from PMIs. **What is important to them** The need to provide their members with access to leading Consultants, facilities and clinical teams with a strong track record on safety, quality and patient satisfaction. **How we engage** Regular commercial and clinical review meetings are held with insurers, covering contract performance, clinical and financial governance, member satisfaction and operational and clinical KPIs. We also work to agree and action strategic joint projects. This is a key part of the relationship management of our payors and therefore is conducted quarterly. **Board engagement** The Board supports management as needed in their relationships with leading PMIs.	– Reduction in access to care for PMI customers as a result of the pandemic and the Group's support for the NHS – Request for clear communications on the Group's plans for tackling the pandemic, maintaining access to facilities and returning to private business	Regular proactive and real-time, open communications with the insurers: – Daily reporting at an individual hospital and service level of available care for private patients – Regular meetings with the PMI medical governance and operational leads – PMIs kept abreast of key variations to the NHS England contract through the Independent Healthcare Providers Network and the Association of British Insurers – PMIs kept informed and updated on safe patient pathways and testing regimes over time	– Our market, page 12
	Responsible Executive Owner Chief Commercial Officer			

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
NHS	**Who they are** Our hospitals liaise closely with local NHS trusts and clinical commissioning groups (and the equivalent in Scotland and Wales). **Why they are important to us** In 2021 we treated 191,000 NHS patients. **What is important to them** Our ability to provide elective care for their patients, helping them to address waiting lists and relieving pressure on their hospitals. **How we engage** Our local leadership teams have strengthened their well established relationships with their NHS counterparts during the pandemic. As well as holding regular meetings, local NHS leaders have visited our hospitals, to understand the facilities we offer. Our national leadership team holds relationships with NHS central teams in England, Scotland and Wales. **Board engagement** Our Board and Executive Committee liaise with their NHS counterparts to agree the contractual support we provide them in meeting the UK's demand for healthcare.	– National request for assistance in the light of rise in Omicron variant – Requirement to re-contract NHS work for all of our English hospitals from April 2021 – Opportunity to tender for work with Scottish and Welsh NHS	– New national contract with the independent sector put in place after year end – New local NHS contracts established for all Spire English hospitals – Several successful tenders leading to ongoing contracts with the devolved healthcare systems	– CEO review, page 4
	Responsible Executive Owner Chief Executive Officer			

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
GPs	**Who they are** General practitioners (GPs) treat all common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment. **Why they are important to us** GPs are critical parts of our referral network, as most patients are referred to us by their GP. For that reason, we seek to liaise closely with NHS GPs. We also offer our own private GP service (Spire GP), using a network of over 80 GPs, who are granted privileges to operate in our hospitals, in the same way as Consultants. **What is important to them** An understanding of our business and services, to make it easier for them to refer patients to us. **How we engage** Our hospitals offer regular educational events which support the continuing professional development of GPs. Hospital colleagues also provide educational events on site at GP practices. We use the feedback that we receive from GPs to organise future events that are tailored to their ongoing needs. **Board engagement** Some of our Board members are experienced medical practitioners, and liaise with GPs through medical forums and conferences.	– Difficulty of holding events in person for GPs during the pandemic – Spire GPs experienced restricted capacity, and were only able to see patients virtually	– Educational events continued, in a virtual format – We opened up all our hospitals in 2021, with virtual appointments still available for those patients who want them	– Business model, page 26
	Responsible Executive Owner Group Medical Director Group Commercial Director			

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Regulators	**Who they are** There are a range of financial, clinical, health and safety, and competition and markets regulators, among others, with whom we are required to engage. The principal healthcare regulators we engage with are the Care Quality Commission (CQC), the Healthcare Inspectorate Wales (HIW) and Healthcare Improvement Scotland (HIS). **Why they are important to us** Each of our hospitals is required to be registered with the relevant national healthcare regulator in order to be authorised to offer services to patients. **What is important to them** Compliance with the law and all relevant regulations. **How we engage** We have regular dialogue with the healthcare regulators, with local relationships at hospital level and a national relationship with the Group Clinical Director. Our hospitals have focused contact with inspection teams pre, during and post formal inspections. Virtual inspections have been completed in some sites, while physical inspections restarted during the year. Individual hospitals draw up and implement improvement plans on the basis of feedback from regulators. Centrally we also have regular calls with the CQC, HIW and HIS, to understand the changing face of regulation, and to provide assurance to the regulators of action being taken to improve safety and quality, and share good practice. For other regulators, we have a dedicated legal team who, with external counsel, monitor legal and regulatory developments and advise the Group thereon. **Board engagement** The CQC have attended our executive Safety, Quality and Risk (SQR) Committee meeting to assure themselves of effective Ward-to-Board governance processes. The SQR Committee reviews collated feedback from regulators to identify trends and drive responses. **Responsible Executive Owner** Group Clinical Director	– Regulators require inspections even during the pandemic to ensure quality and clinical standards are maintained. – During key pressure points only essential inspections can take place, in order to maintain COVID-secure pathways and other precautions	– We continue to work with regulators to facilitate focused inspections and virtual visits to our hospitals – All hospitals inspected in 2021 achieved a Good rating across all services, with some improving their previous ratings.	– Clinical review, page 28

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Investors/ lenders	**Who they are** Shareholders, potential shareholders, analysts and lenders. **Why they are important to us** Our investors and lenders help to ensure we have access to the resources, support and finances we need to develop and grow the business. Our aim is to reduce covenant leverage over time through robust cash management and conservation. **What is important to them** Investors and lenders are looking for sustainable returns from any capital outlaid. **How we engage** We have a Head of Investor Relations who is dedicated to engaging with shareholders and analysts. We also maintain regular contact with the banks and keep them informed on all major issues affecting the business. We regularly gather feedback after each results roadshow and use this to guide our future investor relations strategy. **Board engagement** Our Chairman, Senior Independent Director and Executive Directors meet with institutional investors at individual meetings and analyst presentations, as well as at results roadshows.	– Impact of the pandemic on the business	– Regular updates to the market	– Our impact, page 50
		– Recovery of our private self-pay business has a critical impact on Return on Capital Employed and other measures	– Presentations to investors and analysts	– Our strategy, page 16
		– Environmental, social and governance (ESG) impacts	– Net carbon zero target by 2030 – ESG targets in remuneration – Sustainability Working Group established – ESG strategy to be developed and communicated in 2022	– Risk management, page 58
	Responsible Executive Owner Chief Executive Officer Chief Financial Officer			

Stakeholder group	Who they are and how we engage	Key Issues	Actions/outcomes	Read more
Community	**Who they are** Our business plays an important part in the communities in which we operate **Why they are important to us** We have a duty to give back to these areas and contribute to their greater wellbeing. We also have a duty of care to the environment and are committed to becoming net zero carbon by 2030. **What is important to them** A strategy that focuses on the ethical, social, environmental, cultural, and economic dimensions of doing business. **How we engage** Local hospitals forge relationships with community organisations in their locality and liaise with local authorities and other local groups when investment projects are planned which may cause disruption to residents. Many hospitals also undertake fundraising initiatives for local charities. Nationally Spire Healthcare undertakes company-wide charity challenges and other community initiatives. We are engaged in environmental projects to reduce our greenhouse gas emissions and manage our waste effectively. **Board engagement** The Board reviews our sustainability and environmental ambitions on a regular basis.	– Pandemic impacted many charities' ability to fundraise, while the need for their services increased.	– We continue to support the Trussell Trust charity throughout the Group	– CEO review, page 4
			– We are now powered by electricity solely from renewable sources across the estate	– Risk management, page 58
	Responsible Executive Owner Chief Executive Officer			

Investing in our colleagues

“We are hugely proud of the contribution our colleagues make to the nation’s healthcare, and this has never been more true than during the ongoing pandemic. Caring for patients in highly challenging but COVID-secure environments has become the norm across all areas of our work, backed up by the unrelenting focus on quality and safety that Spire Healthcare is renowned for.

Shelley Thomas
Group HR Director

Looking after our colleagues

Our Purpose and culture

Whether they are nurses, theatre teams, allied health professionals, non-clinical support teams or bank colleagues, we rely on our colleagues to deliver our Purpose. They make a positive difference to patients' lives through outstanding personalised care, and this ensures we are able to build on Spire Healthcare's strong reputation in the market.

At Spire Healthcare, our culture is characterised by openness, inclusion, respect, collaborative working, a focus on clinical safety and continuous improvement. That's how we translate our Purpose and values into action and provide a great working environment for all our colleagues. We measure our effectiveness in delivering this culture through our progress in diversity and inclusion, our colleague engagement surveys, our 'Let's talk' initiative and our 'Enabling Excellence' appraisal process, which is built on Spire Healthcare values and individual objectives.

Wellbeing – a top priority

We recognise the toll that the pressure of the past two years has taken on people across the UK's healthcare sector, and supporting our colleagues' own health and wellbeing is a top priority. We have built on the wide range of practical and emotional support we put in place in 2020, including adding to the number of mental health first aiders we have across the business, and launching wellbeing one-to-one sessions for line managers to check in with team members when needed.

We continue to look for new and innovative ways of sustaining the morale and motivation of colleagues. For example, when we returned to a broader catering option in our hospitals this year, having cut down on handling food by offering a 'grab and go' service at the peak of the pandemic, we ran a campaign on our Ryalto communications app for colleagues to submit recipes. Not only were the winning entries incorporated into our catering offer, but they were also included in a special Spire Healthcare cook book.

Engaging with colleagues

We use a range of two-way communications channels to communicate and engage with colleagues, and listen to their feedback. During the pandemic, much of this engagement has been through virtual communications and engagement tools that have proved to be highly effective.

In fact, our hospitals have each built their own communities using our Ryalto communications tool, and our mental health community sessions have also made excellent use of this platform. Our Chief Executive, Justin Ash, and members of the Executive Committee also continue to issue a new video to colleagues every month on Ryalto, and they regularly visit our hospitals to meet colleagues in person.

Colleague survey

While everyone is extremely busy across the organisation, we continue to see a very good response to our colleague surveys and Pulse questions on our Ryalto app. The overall response rate to our full annual survey in 2021 was 77%, and we recorded an engagement score of 84%, showing that pride in working for Spire Healthcare is strong across all our functions. Our hospitals and central departments all get involved each year in action plans to make improvements based on the survey results.

Compared to last year, we have made progress in most areas, with trust in our hospital and function leadership teams at 80% (+12% on 2020) and excitement about the future of Spire Healthcare at 73% (+11%). 63% of colleagues said that they feel they receive praise or recognition for doing good work (+10%), and 71% agreed that we treat people as equals regardless of differences (+7%).

Following this year's results we will focus on new insights on harassment, equality, diversity and inclusion, on how we can further improve the employee voice and career development at Spire Healthcare, and on reviewing our systems and processes to keep improving the patient experience.

Diversity and inclusion

An inclusive workforce

We are passionate about diversity and inclusivity within the organisation, including supporting women to become leaders within the business and improving the diversity of our workforce.

We hold ethnicity data on 87% of all colleagues, and 16.5% of those colleagues who disclose their ethnicity report having a black, Asian and minority ethnic (BAME) background. We can also report on ethnicity among our job applicants: 19.3% of all shortlisted candidates are black, Asian and minority ethnic people.

Our Board and Executive Committee combined now have 40% female and 7% BAME representation.

We have continued to develop our Diversity and Inclusion strategy in 2021, the central principle of which is that by recognising, understanding, respecting and including our diverse workforce, we will become an even more successful and effective organisation.

Headcount by ethnicity	
Asian	1,293
Black	481
Chinese	62
Mixed	223
Not stated	1,941
Other	113
White	10,955

80% of our workforce is female. The gender breakdown is as follows:

Headcount by gender	Male	Female
Overall employees	2,996	11,960
Senior managers	41	63
Executive Committee members	4	3
Board members	8	3

All Hospital Directors and Directors of Clinical Services from hospitals and colleagues with grade 2a and 2b from central functions are considered as Senior Managers.

'Let's talk' colleague networks
Our 'Let's talk' colleague networks are voluntary groups, each chaired by a colleague rather than a member of the Executive Team. The first group was launched around Black Lives Matter in 2020, and is now known as the Race Equality group. Later in 2020, we launched two new 'Let's talk' networks – mental health and LGBTQ+ – based on colleagues' feedback on the most appropriate topics.

The 'Let's talk' group on mental health has been very active during 2021, and Spire Healthcare is now working towards a Mental Health at Work Commitment.

This is based on a simple framework that builds on pledges that are part of the 'Thriving at Work' standards published by the Department for Work and Pensions and the Department of Health and Social Care.

Highlights during the year in the other groups were two inspirational talks by guest speakers. British-American psychologist, consultant and former professional basketball player, John Amaechi, spoke to the Race Equality group, while Nathaniel Hall, an HIV activist and actor who appeared in Russell T Davies' 'It's a Sin' drama on Channel 4, addressed the LGBTQ+ group.

Gender pay gap

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

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

Key findings
In 2021, the overall median gender pay gap in Spire Healthcare Limited is 7.1% and the Spire Healthcare Group remains at 6.6% (2020: 6.6% for both), and considerably lower than the Office for National Statistics (ONS) provisional national average of 15.4% (as per its publication in November 2021).

Our mean gender bonus gap is 50.2%, down from 60.7% in 2020, and our median gender bonus gap is 0.0%, down from 45.3% in 2020. In 2021 73.8% of males received a bonus (up from 6.5% in 2020) compared to 77.1% of females (up from 4.4% in 2020).

Employee table

Entity	Spire Healthcare Limited		Spire Healthcare Group plc (including Spire Healthcare, Spire Healthcare Limited and Montefiore House Limited)	
Number of employees (includes bank workers)[1]	12,318		12,563	
Women's hourly rate is:				
Mean	17.3% lower		17.1% lower	
Median	7.1% lower		6.6% lower	
Pay Quartiles:	Men	Women	Men	Women
Top quartile	25.7%	74.3%	25.6%	74.4%
Upper middle quartile	16.7%	83.3%	16.9%	83.1%
Lower middle quartile	18.8%	81.2%	18.9%	81.1%
Lower quartile	19.2%	80.8%	19.2%	80.8%
Women's bonus pay is:				
Mean	50.2% lower		49.7% lower	
Median	0% lower		0% lower	
Who received a bonus?				
Men	73.8%		73.9%	
Women	77.1%		77.0%	

1 In line with Government reporting requirements, the number of employees stated in the table above is the number of colleagues who received full pay in the pay period April 2021. Elsewhere in the Report, we cite the total number of employees as 15,100; this figure is a snapshot of employees as at 31 December 2021.

How we are responding to the gender pay gap
Spire Healthcare is committed to diversity and inclusivity, which includes supporting women to become leaders within the business. Our Executive Committee demographic is now 43% female, compared to 100% male just three years ago. Along with three women on our Group Board, this reflects our commitment to driving fair representation by gender across the wider business.

We are taking a number of positive steps to reduce the gender pay gap and ensure the fair treatment of females across our business. Our Reward Framework helps to address pay anomalies and we believe, in time, will help reduce our gender pay gap. Our Competency Framework guides development as well as being used for talent and succession planning. Our aim, through all of this, is to support and enable women to develop and progress within Spire Healthcare.

Our Board members monitor diversity regularly through a number of mediums including data reviews, recruitment decisions and discussions in their plc Board meetings. Diversity is also regularly reviewed as part of the workforce demographics by the Remuneration Committee and Executive Committee. We will continue to monitor our gender pay gap and are committed to taking steps and making use of opportunities to make further improvements and reduce it further.

Valuing, rewarding and empowering colleagues

At the start of 2021 we launched out new recruitment branding 'Be your brilliant self' based around authenticity, personal culture and a personable employment experience. This is aligned to our goal of recruiting and retaining quality colleagues who feel valued, rewarded and motivated by clearly defined career paths with us.

In recognition of the tireless dedication and hard work of colleagues, the Company will make an exceptional financial COVID-19 gift of £100 to all colleagues not on a bonus scheme, to thank them for their contribution during the year.

Resourcing remains a challenge in the current health market, and our dedicated Resourcing Team works closely with national and local recruitment partners to address our resourcing needs. These partners help us attract talented people to our teams, but we are also actively recruiting people to new roles from within Spire Healthcare.

From April, the IR35 legislation, which relates to a contractor's employment status, has affected the availability of agency nurses. We are working with our agency suppliers to ensure we have access to the reliable, safe and cost-effective flexible resources we need. We are also moving to a digitised bank and agency platform which will streamline the process for both users and managers.

Developing the next generation of healthcare professionals

Investing in our talented people has again been a major focus in 2021. Alongside a range of training opportunities, we have several key initiatives in place to help new and existing colleagues develop the professional and leadership skills they need to further their career, including:

- a major new nurse degree apprenticeship programme in England, launched in partnership with the University of Sunderland;
- LEAP, our unique leadership development apprenticeship programme:
- our Step Up Leadership Programme, which provides a 12 month virtual leadership journey for our talented future leaders;
- our Stretch Leadership Programme, which is an advanced two-year programme for senior leaders in our business; and a new Theatre Managers Leadership Programme that offers bespoke leadership training.

Learn more about our apprenticeship programme in the case study which follows.

Overseas nurse recruitment

An initiative that is showing great promise is our recruitment of overseas nurses. This has proven highly beneficial to Spire Healthcare in terms of adding extra colleagues and capacity, but also broadening the cultures of our clinical colleagues. It has also proved popular with our nurses joining from other countries, with many commenting on the welcoming experience of working with our clinicians in our hospitals. By the end of the year, we had welcomed 250 new clinical colleagues, with over 140 already established in our hospitals.

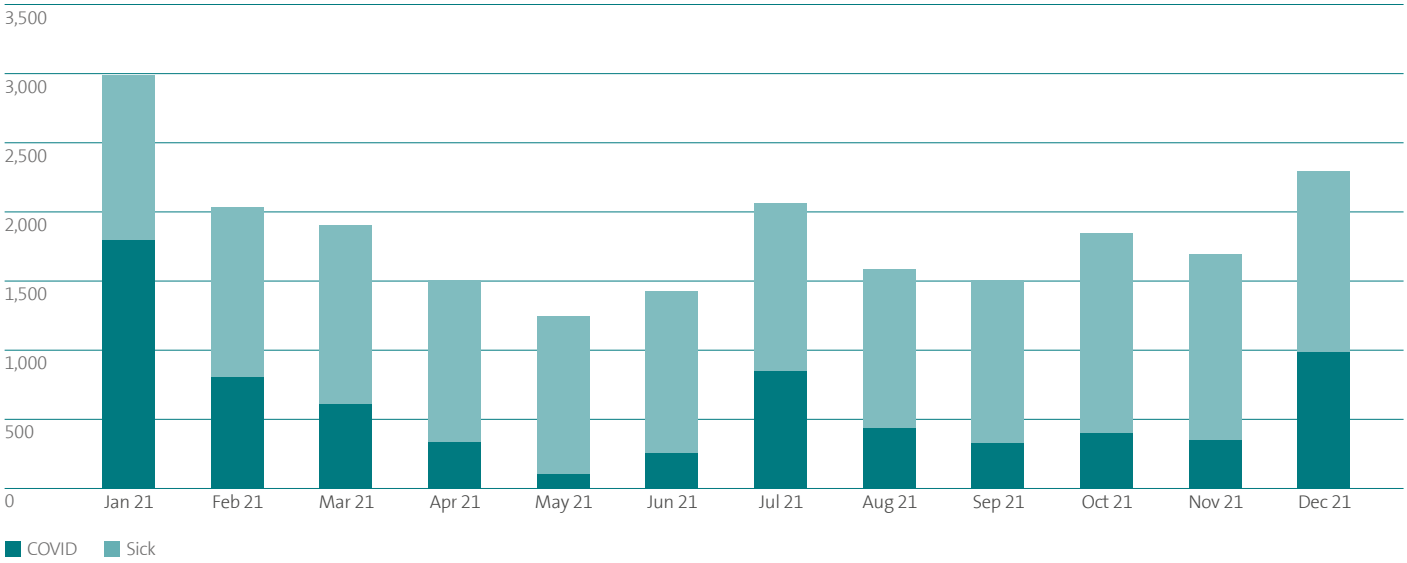
Our overseas colleagues are initially placed into a WhatsApp group so they can talk with others making the journey. Each new colleague goes for Objective Standard Clinical Examination (OSCE) training and is individually welcomed. They have access to support teams 24/7.

With the aging demographics of the UK's clinical professionals set to exacerbate the shortfall of clinicians to meet the country's healthcare demands, the international programme is a welcome injection of excellent motivated and skilled talent into Spire Healthcare.

Absence and turnover

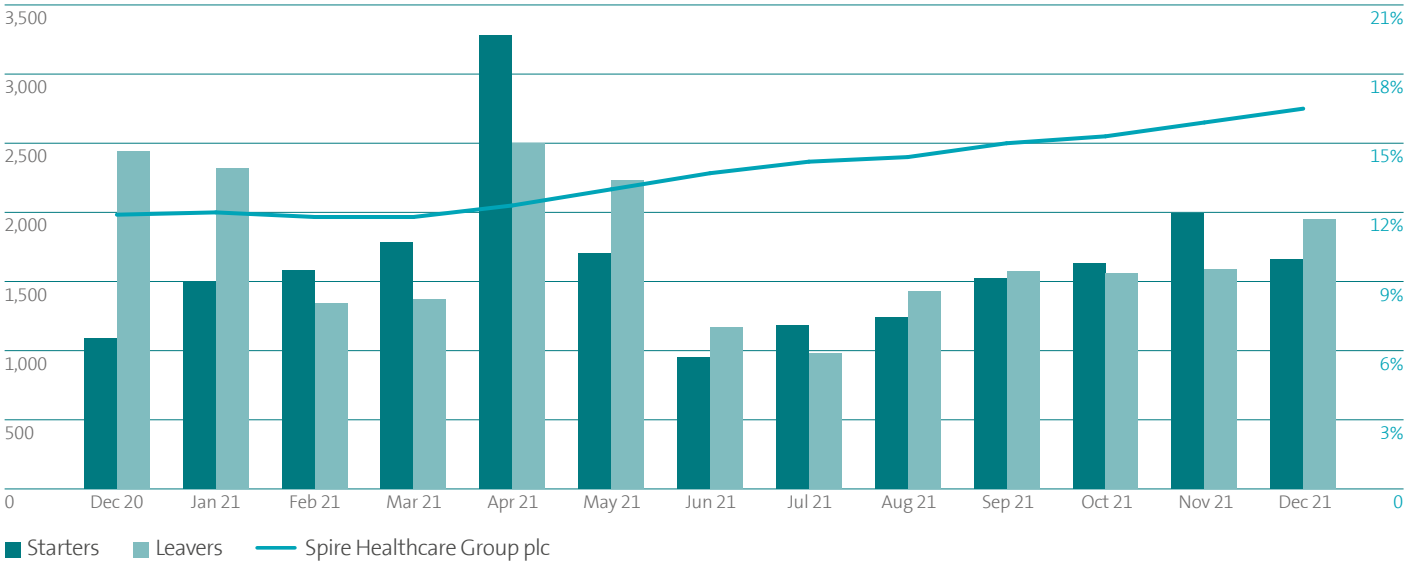
Colleague absences during 2021

We use sickness absence and employee turnover data to flex our workforce and ensure we have sufficient capacity and resilience in our teams. Our absence rates reflected the ongoing peaks and troughs present across the country as the pandemic evolved throughout the year.



Colleague turnover during 2021

The turnover rate of permanent colleagues leaving Spire Healthcare rose from 12% in 2020 to 16.5% by the end of 2021. The market remains volatile, and is still subject to pressures arising from the pandemic. Demand for nurses remains very high, especially with bank workers having to cover for sickness or other absences.



Whistleblowing and Freedom to Speak Up

We want colleagues to feel confident and empowered to raise any issues or concerns they may have, and we have a robust whistleblowing policy in place. We are developing a healthy culture in which identifying concerns and speaking up is not only encouraged, but also embedded fully across all areas of the business.

We recruited a new Corporate Concerns Officer to coordinate all of our whistleblowing and Freedom to Speak Up (FTSU) activity in 2020, we now have a strong Corporate Concerns Office. This is helping us triage and manage colleagues' concerns faster, even where the interactions with people have to be handled virtually.

Our whistleblowing helpline is managed by a third-party provider, enabling colleagues to raise any concerns they may have about issues of safety or wrongdoing anonymously. All concerns received through the helpline are raised with the Corporate Concerns Officer for review, to ensure that they are appropriately investigated and concluded.

During the year, we have invested further in our FTSU Guardian network – building the team, running additional training for our Guardians, and creating a new Consultant FTSU Guardian position. During a dedicated FTSU month in October we provided further support and training, raised the profile of the Guardians in our hospitals, and ensured they had special pin badges to help identify them, and make them more available to colleagues when needed. Awareness of our whistleblowing policy and Freedom to Speak Up Guardians among colleagues remains high.

In the survey carried out in 2021, 91% of colleagues said they knew how to raise concerns through the whistleblowing helpline and 90% of people knew about the Freedom to Speak Up Guardians.

Anti-bribery and corruption

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

Case study
Investing in talent

For Spire Healthcare, attracting, retaining and developing the most talented people to our business is a high priority. This is especially important in light of the shortage of clinical staff across the healthcare sector, and we are committed to providing opportunities for all colleagues to develop their skills and experience. Our twin achievements in 2021 have been to formalise our Learning and Development strategy – to really understand what colleagues need and deliver programmes to empower them – and to build a ground-breaking, sustainable initiative for apprentice nurses.

Learning and Development

Our GROW learning framework includes our new Step Up Leadership Programme and Stretch Leadership Programme, both launched in July 2021. They offer a virtual leadership journey for talented future leaders and senior leaders in our business, and are designed to ensure we have a strong succession pipeline. The framework is moving us towards more self-directed learning – digital learning where colleagues monitor their own development and make time for it, alongside more formal classroom or webinar sessions.

We also offer our unique leadership development apprenticeship programme, LEAP, for new managers, or leaders coming into a leadership role. The unique way the programme is designed allows participants to gain all the benefit of an externally recognised qualification-based programme without the unnecessary pressure on them to complete long academic essay-based work.

Towards the end of the year, we were delighted when we were named Best Workplace for Learning and Development for employers with over 1,500 nurses at the annual Nursing Times Workforce Awards.

Nurse degree apprenticeship

The most significant development during the year was a major expansion of our nurse degree apprenticeship programme in England. Faced with a national shortage of nursing staff, exacerbated by many people leaving the profession as a result of the pandemic, we wanted to play our part in developing the pipeline of nurses for the future. In past years we consistently took on nurse apprentices, but in 2021, we expanded our intake to 165 new nurses, making ours one of the largest, if not the largest, nurse apprenticeship programme run by a single organisation in England.

Apprentices in training

544

Of which, in clinical roles

346

The programme is run in partnership with the University of Sunderland, and combines study and assessments with on-site placements to gain practical knowledge. The apprenticeship lasts between two and five years, depending on the individual's prior experience, and apprentices gain a BSc degree on completion. It is open to applicants at all stages of life, including school leavers, university graduates, working parents and part-qualified nurse associates.

More than 5,000 people initially applied to the programme, and of those offered roles, 15% of them already worked at Spire Healthcare.

These new recruits will benefit the entire healthcare system as they could go on to work in the NHS, either at the end of their apprenticeship or a later part of their career.

Making full use of the government's apprenticeship levy, we also launched a new development programme for Operating Department Practitioners and Assistant Practitioners with the University of Derby in September. With around 500 apprentices across the business, we offer apprenticeships in a wide range of clinical areas, such as biomedical science, physiotherapy, medical laboratory technicians. We also offer a number of other apprenticeships for our non-clinical colleagues in disciplines such as marketing, human resources, engineering and business administration.

165

people offered roles on our new nurse degree apprenticeship programme in England

Board oversight and decision-making

Succession planning and meeting our recruitment challenges are major focuses for the Board. Our internal development strategy is helping to create a more robust infrastructure and building a pipeline of future leaders, both in clinical and non-clinical areas of the business.

Stakeholders impacted

- Colleagues and potential recruits
- The wider health sector

> The 165 nurse degree apprentices have been with Spire now for over six months and in that time have already become invaluable Spire colleagues. Our partnership with University of Sunderland has meant that the apprentices are receiving first class academic learning combined with real hands on experience within our hospitals. Their enthusiasm and appetite for learning is a joy to witness and it is a pleasure to watch them grow on their journey to become Spire Healthcare nurses of the future.

Alys Reeves
Apprenticeship Manager

> I've been inspired by the amazing work that everyone in healthcare has done during the pandemic, and this made me want to become a nurse myself. I have had a fantastic welcome from everyone here at Spire and am really looking forward to getting stuck in with my apprenticeship.

Leon Cheung
One of Spire Healthcare's new apprentices

The care and service I have received has been second to none. Your hospital staff are a credit to the care industry, from checking in to pre-operative care, the staff were reassuring and highly professional. My aftercare experience in your post operative suite was more than I could have asked for. Staff, in all levels of care, were kind, giving friendly reassurance in a highly professional manner, night and day. I saw first hand the high standards your cleaning staff worked to, and achieve with such success. A very positive experience.

Patient at Spire Leeds

Working with our investors and lenders

Our investors and lenders help to ensure we have access to the resources, support and finances we need to develop and grow the business. Our largest investor is Mediclinic, which holds a 29% stake in Spire Healthcare and has a seat on the Board.

Shareholder engagement

We typically maintain regular communications with investors through face-to-face meetings and presentations with key shareholders and potential investors. Our investor relations team provides a direct link between investors and the Board. Due to the impacts of the pandemic, the majority of investor meetings held this year were conducted by Zoom. We also participated in a number of virtual conferences during the period. Our Chairman, Sir Ian Cheshire, along with the Senior Independent Director, Martin Angle has conducted calls with a number of existing and new shareholders.

When it was announced that Ramsay Health Care had made a bid to acquire Spire Healthcare in May, we quickly put a stakeholder engagement plan together. The Board considered every detail of the bid, and made arrangements to present it to shareholders. A vote was held, and by a narrow margin, shareholders did not provide sufficient votes to support the Scheme of Arrangement.

We are confident that Spire Healthcare remains well positioned for success as an independent company. We have therefore set out our business case to investors during the year.

We know our investors care about our revenue growth and profits, EBITDA, Return on Capital Employed, cash and net debt. They are keen to understand how our relationship with the NHS has developed and how it benefits the business, and they were pleased to see us building up our private business, especially with the strong growth in self-pay this year. Increasingly, environmental, social and governance factors have come to the fore, and our commitment to net zero carbon by 2030 and support for the community are examples of how we can add long-term value for stakeholders. During the pandemic, we have also demonstrated that we have a well-run business, capable of flexing its business model to adjust to rapidly changing external circumstances.

We have continued to issue a large number of regulatory news service (RNS) announcements – particularly to update the market on our contract with the NHS and the Ramsay Health Care bid. We have also kept in close contact with analysts, and organised presentations for them. Our interim results were presented as a webinar, and the presentation was well attended.

Relationships with our lenders

We have maintained close communications with lenders this year. They waived the usual covenant test for June 2021 and have also extended the maturity of our Senior Loan Facility by one year to July 2023. While we would usually organise face-to-face events with lenders, we have also largely managed these relationships virtually this year, and all RNS announcements are copied to our lenders as a matter of course.

Contributing to our communities

At Spire Healthcare, we take a responsible approach to everything we do, and this goes beyond the high-quality personalised care we provide for our patients. Colleagues across our business play an important part in their communities, and we recognise the duty we have to give back to people in these areas and contribute to the greater wellbeing, especially during the ongoing health crisis.

Supporting the Trussell Trust

During 2021, COVID-19 restrictions prevented us from holding a large company-wide charity event in the summer, but many of our hospitals supported individual charities and events during the year. Our national activities have been mainly focused on supporting the Trussell Trust, which supports a nationwide network of food banks that provide emergency food and support to people locked in poverty, while campaigning for change to end the need for food banks in the UK.

Our activities to support the Trust included a charity bike ride led by Justin Ash and Jitesh Sodha, who along with colleagues and consultants from across the business cycled on a route that started at our hospital in Cambridge. In July we also ran a series of virtual events for colleagues across the business. These events not only raised money through individual donations, they also supported wellbeing across the Group. They featured cooking lessons with some of our lead chefs, and pilates and yoga sessions with some of our physiotherapists. There was even a quiz hosted by our Chief Commercial Officer, a spin class led by our external charity bike ride lead, and we organised a photography session – with top tips for phone pictures – run by a central function colleague.

With many families facing a difficult Christmas in 2021, Spire Healthcare donated a further £10,000 to the Trussell Trust in December, and all sites were encouraged to collect food bank donations for their local food banks, including those not part of the Trussell Trust network.

Environment, Social and Governance strategy

Our plans to develop a Group Environment, Social and Governance strategy, together with its associated KPIs, were delayed in 2021, due to the Ramsay Health Care bid and the ongoing pandemic. However, in 2022 we intend to progress the strategy and set out our aspirations for Spire Healthcare's future involvement with, and support for, local, national and international communities.

Caring for the environment

We have a duty of care to the environment around us, as well as to our patients. We want to make sure we look after people more broadly, and this includes our commitment to the environment.

Our 10-year carbon reduction target

We are working to reduce the harmful impact on our planet of climate change through a robust decarbonisation strategy that is designed to achieve net zero carbon emissions by 31 December 2030. We were the first large independent sector hospital provider to make such a commitment, and we have budgeted £16.0m of investment over the next 10 years to help achieve this aim.

Our strategy prioritises a targeted approach to reduction from the greatest carbon emission sources, and since October 2021 we have procured 100% of our electricity from renewable sources.

As well as the environmental benefits of our strategy, we are driving operational improvements and cost savings across the business. We have appointed Carbon Champions at each of our hospitals who are tasked to carry out local audits and implement action plans. These will ensure we deliver the improvements and efficiencies that we hope will enhance our reputation within the healthcare sector and attract new environmentally conscious investors.

Measuring our performance

We use the intensity metric of carbon emissions per £ revenue, which increases in proportion to the growth in our business. Our values are based on providing excellence in clinical quality and innovation to our patients. As a consequence of continuing to meet these values, we will continue to grow, treat more patients, provide more treatments and offer the latest technology.

Our carbon reduction roadmap

In the diagram below, we have mapped out our carbon reduction plans to net zero in 2030, using 2019 as our reference base year. The reduction to date has been achieved through:

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

Energy monitoring

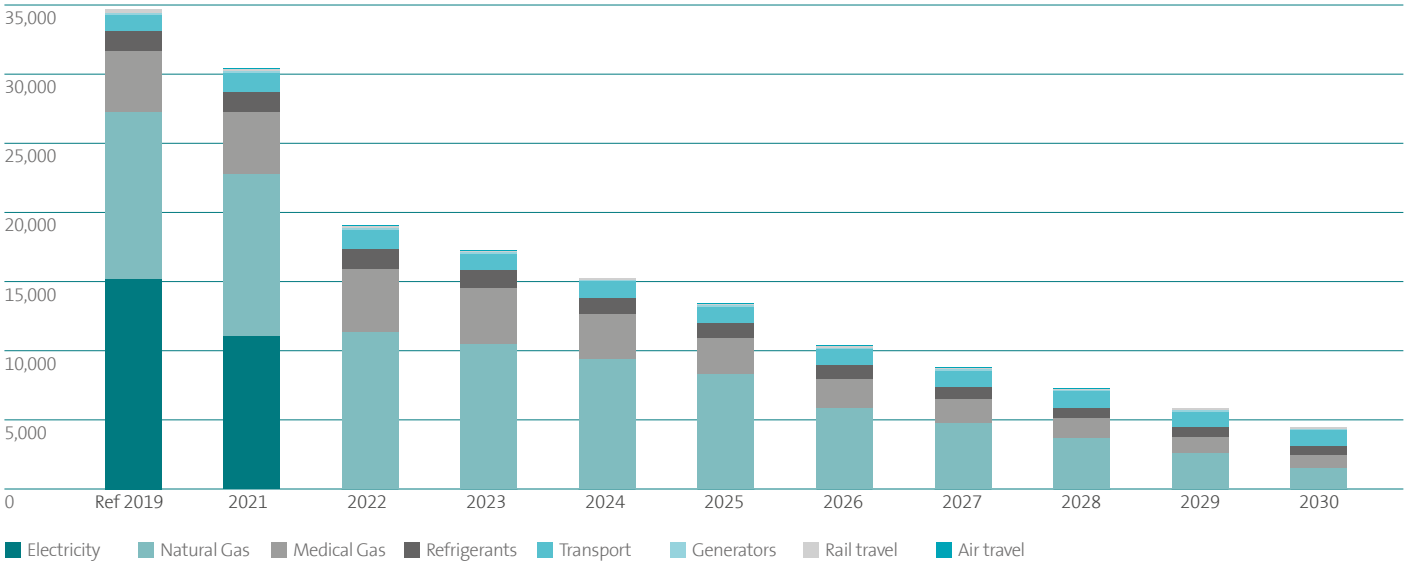
Business utility and sustainability consultancy Inenco produce quarterly performance reports that chart our results against our carbon reduction targets. We also separately monitor our hospitals on a monthly basis, and issue energy reports detailing their utilities consumption and benchmarking them against similar-sized hospitals within the Group. The reports include dashboards at site and Group level detailing year-on-year performance. Our Regional Engineering Team audits and monitors our hospitals' carbon reduction action plans as part of our annual compliance auditing programme.

Capital investment in low carbon infrastructure

We continue to invest in our estate and engineering infrastructure to improve our energy efficiencies. Key projects this year included:

- Replacing gas-powered primary steam boilers with more efficient electrically powered equipment at Spire Southampton and Spire Gatwick Park.
- Introducing high efficiency heating, cooling and ventilation – through the replacement of boilers at Spire Norwich, critical ventilation systems at Spire Hull, Spire Cambridge and Spire Leeds, and new chillers with heat recovery systems at Spire Parkway.
- Replacing the remaining older lighting across the estate with LED lights that are 50% to 60% more energy efficient.
- Installing photo-voltaic (PV) solar panels on the roof of the outpatient building at Spire Cardiff, generating 24kw of free electricity, with similar installations to follow across the estate.
- Increasing the use of electric vehicles as part of our fleet, alongside commencing EV charging point installations at our sites.
- Improving insulation in our buildings at Cardiff following the renewal of the roof to Glamorgan House, as well as new double glazing installations at Spire Hartswood, Spire Harpenden and Spire Thames Valley.

Alongside these investments, all of our Carbon Champions have received training and guidance to help them produce local action plans and identify opportunities for operational improvements and efficiencies. These actions plans will be reviewed twice yearly to monitor and track progress.



Legislation

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

Spire Healthcare was invited to participate in the CDP (formerly Carbon Disclosure Project) again in 2021. We made our seventh annual submission to the CDP and received a 'B' grading, placing Spire Healthcare above the market sector average of 'D', and demonstrating our knowledge and understanding of our impact on climate change issues.

Greenhouse gas emissions in 2021

The table below provides the emissions data and supporting information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Total greenhouse gas (GHG) emissions for Spire Healthcare for January to December 2021 were 28,527 tCO_2e. The table below shows this, broken down by emissions source.

Emissions source	2017	2018	2019	2020	**2021**	Share %	YoY % change
Fuel combustion: stationary	10,842	12,917	12,098	11,590	**12,539**	44%	7%
Fuel combustion: mobile	1,314	1,145	1,209	1,447	**1,325**	5%	-2%
Fugitive emissions	6,128	6,936	5,895	5,018	**5,139**	18%	2%
Purchased electricity	21,145	17,151	15,193	13,330	**9,802a**	34%	-26%
Total emissions (tCO_2e)	39,429	38,148	34,395	31,384	**28,805**	100%	-8%
Revenue (£m)	932	931.1	980.8	919.9	**1,106.2**		9.8%
Intensity (tCO_2e per £m)	42.3	41	35.1	34.1	**26.0**		-31.1

Energy consumption by year (MWh)	2018	2019	2020	**2021**	Share %	YoY % change
Natural gas for heating	69,462	65,285	63,032	**67,766**	53%	8%
Electricity	55,829	54,788	52,647	**54,704**	43%	4%
Transport fuel	4,622	4,883	5,386	**5,363**	4%	0%
Gas oil for backup generation	503	374	369	**384**	0%	4%
Total	130,416	125,330	121,434	**128,217**		6%

a. **Scope 2/purchased electricity emissions reporting**
The figure for emissions from purchased electricity above reflects our investment in a zero-carbon electricity tariff across all of our sites from October 2021. We have calculated emissions for the period January to October following the location-based method and for October to December following the market-based method (to reflect our zero-carbon tariff). If we apply the location-based method across the year, our emissions from purchased electricity were 12,662 tCO_2e. If we apply the market-based method across the year, our emissions from purchased electricity were 13,824 tCO_2e.

b. **Footprint boundary**
An operational control approach has been used to define the GHG emissions boundary, as defined in the Department for Environment, Food and Rural Affairs' latest environmental reporting guidelines: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation." For Spire Healthcare, this captures emissions associated with the operation of all our hospitals and other buildings such as clinics, offices and our National Distribution Centre, plus Company-owned and leased transport. As Spire Healthcare has no overseas operations, all emissions refer to UK operations only.

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

d. **Methodology and emissions factors**
This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019. Emissions factors are taken from the Department for Business, Energy and Industrial Strategy emissions factor update published in 2021. There are no notable omissions from the mandatory scope 1 and 2 emissions. Approximately 9.4% of emissions are based on estimated data.

e. **Fugitive emissions**
These are attributable to the use of medical gases; carbon dioxide and nitrous oxide, (3,482 tCO_2e), and leakage of refrigerant gases (1,656 tCO_2e).

Engineering governance and compliance

To support the Group's quality and patient safety agenda, the estate in which we operate must be monitored, maintained and developed appropriately to satisfy our goals and remain fit for purpose. Our property portfolio, engineering and health and safety governance sit under a common leadership provided by the Estates and Facilities Directorate.

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

Looking ahead

Our ESG strategy, due to be developed and communicated across the Group in 2022, will set out our aspirations around our environmental impact for the coming years.

In the year ahead we will continue to prioritise our approach to carbon reduction and energy saving, including but not limited to the following:

- Replacement of the remaining gas-powered primary steam boilers serving SSD with more efficient electrically powered equipment.
- Removal of nitrous oxide across the estate.
- Continuing LED replacements.
- Further PV installations and thermal upgrades as part of roofing replacements.
- Completion of the EV charging point roll out across the estate.
- Look at feasibility of all-electric buildings at Spire Reading.

There will also be further feasibility surveys to determine where we can utilise other innovative technologies across the estate.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Governance

The Board has ultimate responsibility for monitoring and managing our climate-related risks and opportunities.

In 2021, we formed the Sustainability Working Group (SWG). It reports quarterly into the monthly Safety, Quality and Risk Committee (a sub-Committee of the Executive Committee) that in turn reports through the Clinical Governance and Safety Committee into the Board. The SWG is responsible for:

- Climate change risk identification and management
- 10 year plan to achieve net zero carbon emissions
- Waste management and recycling
- Environmental impact

The Chief Financial Officer chairs the SWG. The membership of the SWG is formed of key organisational and operational leads across the organisation, such as the Director of Estates who reports on energy management projects, Spire Healthcare's compliance obligations, and developments in climate risk mitigation and regulations.

The Audit and Risk Committee is responsible for reviewing our risk register and considers climate risks and opportunities on a quarterly basis (see the Audit and Risk Committee report on pages 99 to 103.

Major investments, including energy efficiency projects, are scheduled and reviewed at Board meetings. The Executive Committee also oversees the decarbonisation plan, which is sponsored by the Chief Financial Officer.

Hospital Directors will have ultimate responsibility for carbon management at the hospitals; however, Carbon Champions will coordinate carbon management at each hospital and report progress via their local Health, Safety and Risk meeting, incorporating carbon and waste.

Risk Management

The Risk management and internal control report on pages 58 to 68 describes the risk management process in the Group.

Our timeframes for climate change risks are:
- Short term: 1-3 years
- Medium term: 3-10 years
- Long term: 10+ years

Climate-related risks have been identified through the emerging risk process that is described in more detail on page 59. At a Principal Risk level, our top climate-related risks are summarised as one overall climate change risk. More detail on the individual components of the climate change risk we face are described below:
- Prolonged spells of extreme ambient temperatures could lead to an inability of existing critical heating, ventilation and air-conditioning systems (HVAC) to cope with required cooling/heating and potentially cause cancellation of procedures and operations. Risk mitigation includes an informed investment plan for upgrade of failing and vulnerable plant identified through incident reporting, engineering audits and asset risk management. The replacement and upgrade design of HVAC systems gives due consideration to potential future changes in ambient temperatures within the lifespan of the plant. Further mitigation measures include extreme weather warning protocols and Business Continuity Planning to provide emergency loan HVAC plant for the present risk of short periods of extreme ambient temperature as experienced in 2018 and 2019.
- Severe storm weather has the potential to cause major disruption to our sites. For example, in 2021 heavy rain caused damage to the roof of one of our hospitals, leading to internal flooding and operational disruption. An estate-wide condition assessment of roofs which was completed in 2021 will inform a prioritised approach to capital investment to manage this risk.
- Increased storm events also raise the risk of floods at our buildings due to rising water levels, in local water bodies. Water ingress would affect medical equipment and risk the hygiene of our premises and the safety of our patients. Risk mitigation includes a continued periodic review of our estate in relation to existing and predicted flood risk zones.
- Providing healthcare services is a relatively energy intensive industry. We are vulnerable in the short term to fluctuations in energy prices driven by rising carbon costs imposed on power generators as well as through increasing taxation at the point of consumption. Also, decarbonisation requires changing our energy consumption in the medium term by replacing gas-fired heat sources with more expensive electricity. Risk mitigation includes energy efficiency measures to reduce consumption and the Group's Energy Hedging strategy, which has seen all our current energy requirements secured until 2024.

The next steps in 2022 is for the SWG to consider the climate change risks across differing time horizons. Currently the risk assessments have focused on short-term impact.

As a result of the risk identification above, we actively monitor:
- Current and emerging regulation that constrains actions that contribute to the adverse effects of climate change or promotes adaptation to climate change is covered in the Group Risk Register. We regularly survey the legislative landscape to assess the risks of upcoming legislation.
- Customer requirements we are in regular contact with our key customers to understand and adapt to any climate change-related commissioning policies they have or intend to introduce which could impact our ability to qualify to provide services in the future.
- Our assets and technology are regularly assessed for risk of failure from acute or chronic weather patterns. The Group's Property Risk Management Software SPEAR is used to make this risk transparent enabling a prioritised approach to risk mitigation based upon likelihood, frequency and consequence, including a weighting for business interruption.
- As a public-facing and listed company, the Board is aware of the public interest and importance placed on mitigating climate change. Our teams monitor developments on Corporate, Economic, Social and Governance matters and report back to the Board with recommended actions. The Director of Estates and the Estates team also retain the services of consultants specialising in energy and carbon management, who provide updates on upcoming climate-related regulatory changes, as well as technical and analytical input.

The qualitative scenario analysis that we have undertaken so far suggests that the Group's aggressive carbon reduction programme will serve to mitigate many of the 'transitional risks' to Spire Healthcare associated with climate change, i.e., increasing legislative, financial and reputational pressure on businesses to reduce carbon emissions. The nature of the health sector dictates that we must take business continuity very seriously. To that end, the physical risks associated with climate change are focused on the Group's building stock: weather-related incremental changes and sudden disruptions, from flooding to overheating, are fully integrated into our risk identification, assessment and management processes.

As our experience matures, the scenarios we employ to test the resilience of the Group's strategy will evolve from qualitative to both quantitative and qualitative. Over the next two years, we will employ the methodology known as 'scenario analysis' to appraise the risks presented by the physical and socio-economic effects of differing mean temperature increases on the Group's operations, supply chain and market. This scenario analysis will be the foundation for a Group-wide adaptation plan, with site-level plans where necessary.

Strategy
Although the Group's main strategic business drivers are UK socio-economic conditions and the market demand for private healthcare, climate-related risks are integrated into our business strategy. The Executive Committee ensures that the Group carefully manages the risks and opportunities presented by climate change issues within the operational structures.

The focus of our strategy thus far has been on ensuring that we do our part to deliver the carbon reductions that are needed to mitigate the worst consequences of climate change. Spire Healthcare has an ambition to lead de-carbonisation within the private healthcare sector. The Group has announced an ambitious target to reach net-zero carbon emissions by 2030 – for context, the NHS target is 2040.

Spire Healthcare's challenging net-zero by 2030 target is in-line with the international Science-Based Targets initiative, which is designed to keep global warming to below 1.5°C. The Board intends to have our targets formally approved and recognised by the Science-Based Targets Initiative.

To support achieving the 2030 net zero target, we have a decarbonisation strategy against which we measure progress quarterly. Delivery and meeting the annual carbon reduction targets form part of the Chief Financial Officer's performance objectives and the Group also has a network of Carbon Champions at each site, who have site-level carbon reduction plans and meet regularly to discuss progress.

The Board has earmarked £16m to support the de-carbonisation strategy. This ringfenced funding is on top of the substantial estates capital budget for replacement of end-of-life plant, which itself will deliver carbon efficiencies.

In addition to the electricity that we generate in our solar PV arrays, since October 2021 we have been procuring 100% of our electricity from zero-carbon renewable sources which are accredited under the Renewable Energy Guarantees of Origin scheme. This has resulted in a substantial reduction to our carbon footprint.

Metrics and targets
We use the following metrics to track progress towards our targets (as reported on page 50 to 53):
- Gas and electricity carbon emissions every quarter, and total carbon footprint twice yearly, against our carbon targets
- Carbon intensity against revenue
- How much electricity we are generating in the solar PV arrays
- Waste to landfill/energy-from-waste/recycling
- Water consumption
- Financial losses due to climate-related incidents

A key element of tracking the quality of our response to climate change is that the Group undertakes a full CDP[1] Climate Change disclosure each year, and the Board is pleased to have achieved a 'B' rating for 2021. A CDP disclosure is an in-depth assessment of how well our organisation is addressing the risks and opportunities presented by climate change. The Group values this external assessment of its performance, and it is continually seeking positive changes it can make to improve our score.

Please see 'Our carbon reduction roadmap' on page 51 for our latest carbon footprint figures. We are pleased to confirm that we are on track to meet our target of net-zero by 2030 and that our carbon figures do not present any unforeseen risks.

In 2016 the Group set a five-year target to reduce our gas and electricity emissions intensity against revenue by 15% by 2020 from the baseline year of 2015. This energy reduction target was achieved ahead of schedule in 2017, and by end 2020 a reduction of 34% was achieved.

In December 2020, as described above, the Spire Healthcare Board approved a decarbonisation strategy and associated target to achieve net-zero carbon emissions by 2030.

1 CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Case study
Waste and recycling

Ensuring that we manage our waste properly, and recycle what we can, is vitally important for a business like ours in the healthcare sector. It is all about doing the right thing, contributing to our carbon reduction programme, protecting the environment, and ultimately reducing costs.

As a business, we generate a considerable amount of general waste – largely a combination of 'domestic waste', most of which goes for renewable energy, and dry mix recycling, which can be re-used or re-purposed. However, we also dispose of clinical and infectious healthcare waste that requires specialist handling and/or incineration. The challenge of managing and sorting such a complex waste flow is unique to the healthcare sector.

During 2021, we have successfully implemented new initiatives to improve our dry mix recycling and food waste disposal. For example, at some of our sites we have started to send cardboard and plastic packaging back to our national distribution centre, so that it can be re-used. Not only does this significantly reduce the waste we need to dispose of from our site, but we also receive rebates for the materials returned.

Another, arguably more important initiative, has been to introduce the concept of 'offensive waste' to 21 of our sites during the year. Offensive waste, as bad as it sounds, is actually 60% cheaper to dispose of, and a more effective waste stream to use for some of our waste than clinical waste or infectious waste. It does not need to go for incineration. Instead it goes to a special materials recovery facility, where it is sorted and incinerated to generate renewable energy, without releasing any harmful substances into the atmosphere.

The differences between clinical, infectious and offensive waste are as follows:

Clinical waste is any waste that consists wholly or partly of human or animal tissue, blood or bodily fluids and excretions, or is contaminated with biologically active pharmaceutical agents.

Infectious healthcare waste can be a particularly complex waste stream to manage, because of the risks it poses to people who may come into contact with it.

Offensive waste is the term for items soiled by body fluids or bad odour that may be considered unpleasant. This does not include items also contaminated by infection, medicine or chemicals.

Implementing this new waste stream across Spire Healthcare has been an in-depth process, as any failure to classify our waste correctly could have serious implications with environmental health agencies. We have been supported in this by our waste partner Stericycle, who offer world-class specialist waste management and compliance solutions. We believe that a shift towards a 20-40-40 waste model (20% clinical, 40% offensive, and 40% infectious) across the Group will not only deliver significant environmental benefits, but could also save the business up to £250,000 a year.

60%

cheaper to dispose of offensive waste, compared to waste that needs to be incinerated

Board oversight and decision-making

The correct disposal of waste is strictly regulated and subject to extensive legislation that protects the environment and public health and safety. The Board reviews such risks to the business and ensures Group management pursues an environmentally friendly waste policy.

Stakeholders impacted

- Colleagues
- Local government
- Environmental agencies and regulators

“Each hospital has a Waste Lead, and they are appropriately trained to carry out their responsibilities. I carry out local audits with them, and we ask Stericycle to do external audits, too. So everything is strictly monitored – including making sure that all waste is properly segregated and stored securely before it goes off site. There’s more to it than you might think, as if foxes or rodents were to get into the waste and spread it outside of our sites, there would be serious implications. It’s quite a responsibility.

Nikki Polden
Regional Health and Safety Manager and National Waste Lead

Risk management and internal control

> Responsibility for risk management and internal control systems lies with the Board of Directors

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

Risk management

The risk management framework is designed to identify, evaluate and mitigate the risks that we face at all levels. The underlying process aims to provide robust management information to enable conscious risk-based decision-making. All risks are recorded on Spire Healthcare's risk management system.

We have reviewed a range of potential emerging risks and their possible impact on Spire Healthcare utilising internal and external sources of emerging risk information, for example:

- The University of Cambridge Judge Business School Centre for Risk Studies' taxonomy of business risk,
- The UK Government's national risk register, and
- The World Economic Forum's annual risk assessment.

We use the risk register to manage all significant risks facing Spire Healthcare by assessing risk in terms of consequence and likelihood. Our risk management methodology captures the assessment of risk on a current or net basis, after existing controls are included. The detailed registers also include management actions to further reduce risk exposures where considered necessary. In the case of the Principal Risks, sources of assurance over the mitigation of the risks are also reported to the Audit and Risk Committee. Reporting of risk within our management information (e.g. to the Executive Committee and Audit and Risk Committee), is on a current basis, and the importance of each risk as presented in this report is on the current basis. The relative exposures from the Principal Risks to Spire Healthcare is shown on page 59.

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

Current risk environment

We are seeing unprecedented demand from the private payor groups, in particular self-pay patients. This demand is providing us with year-on-year revenue growth and greater visibility of revenue streams than was the case pre-COVID-19 pandemic. The private demand is therefore providing mitigation against the downside of certain Principal Risks, in particular the risk we face from the macroeconomic environment and adverse changes in Government or NHS policy.

The Board has recognised however, that there are new Principal risks that have required monitoring, being Climate Change, Supply Chain Disruption and Transformation (described in more detail below).

On balance, the Board believes the overall risk profile of Spire Healthcare has reduced from 2020, largely because of the private demand.

Risk appetite

Whilst Spire Healthcare makes every effort to ensure that all risks are as low as reasonably achievable, it is not possible to reduce all risks to zero because there is no such thing as clinically neutral care. Decisions must therefore be made as to whether the benefits and best use of resources outweigh the risks.

The Board defines its risk appetite as the amount of risk it is prepared to accept, tolerate or be exposed to at any particular time. The Board is committed to doing everything reasonably possible to reduce risk for all patients and to deliver high-quality, efficient and effective care. The Board has agreed that Spire Healthcare is uncompromising on patient safety relating to its clinical service delivery. The lowest risk appetite applies to all safety and compliance objectives, including preventable patient harm, public and employee health and safety. Spire Healthcare has a marginally higher risk appetite for the pursuit of innovation and its strategic and operational objectives. This means meeting legal and other regulatory obligations will take priority over other business objectives.

The Board applies the following definitions to its risk appetite for the strategic Principal Risks:

- VL Very low: A high level of risk mitigation or risk avoidance representing the safest strategic route available.
- L Low: Seeking to integrate sufficient control and mitigation methods in order to accommodate a low level of risk.
- B Balanced: An approach that brings a high chance for success, considering the risks, along with reasonable rewards, economic and otherwise.
- H High: Willing to consider bolder opportunities with higher levels of risk in exchange for increased business payoffs.
- VH Very high: Pursuing high-risk, unproven options that carry with them the potential for high-level rewards.

The risk appetite for each Principal Risk is shown on pages 61 to 68 in the detailed risk descriptions.

Principal risks outside of risk appetite

Two Principal risks fall outside of the risk appetite for the Board:

1) COVID-19 pandemic – because of the external nature of the pandemic, the Board has no control to its course and nature, any further mutations, nor when the disruption to operations and enhanced infection control measures and associated costs will end.

2) Workforce – because there is a long-term structural shortage of clinical and medical staff in the UK that was true before the COVID-19 pandemic, and now is even more so because of the pandemic, we have to recruit and retain staff in a highly competitive global market for healthcare workers. Given the scale and range of external factors that cause the risk, and especially the dominant role that the NHS plays in attracting, recruiting and training clinical and medical staff in the UK, the mitigations available to the Board are unlikely to mitigate the risk fully in the near to medium term.

Material change to our risk profile from 2020

Risks removed

UK-EU trading relations

The United Kingdom left the European Union on 31 January 2020 on the terms of the Withdrawal Agreement, which introduced a transition period until 31 December 2020. On the 30 December 2020, the HM Government signed the Trade and Cooperation Agreement with the EU. With the UK leaving the EU's custom union and single market, both our EU neighbours and HM Government introduced new custom and border procedures. To date, we has seen minimal impact on our supply chains, employees or cost base specifically from the new procedures or the new relationship with the EU. As a result, it is the Board's judgement that it is time to remove the potential impact of Brexit as a Principal Risk (referred to as UK-EU trading relations in 2020) to Spire Healthcare because the potential impact has not materialised.

Principal risks

The diagram shows the principal risks of the Group. Further detail on the individual risks is provided on pages 61 to 68.

The Principal Risks fall under the following categories:

Clinical & Patient Safety
- 1 Patient Safety & Clinical Quality

People
- 2 Workforce

Environment
- 3 Climate Change

Financial
- 4 PMI market dynamics
- 5 Macroeconomic
- 6 Competitor Challenge
- 7 Insurance & Indemnity
- 8 Liquidity & Covenants

Geopolitical
- 9 Government and NHS Policy
- 10 Supply Chain Disruption

Technology
- 11 Information Governance & Security

Social
- 12 COVID-19 pandemic
- 13 Brand Reputation

Governance
- 14 Compliance and Regulation
- 15 Transformation

New risks

1) Climate change

The Board, as disclosed in 2020, has been monitoring the risks from Climate Change within its emerging risk register. In 2021, the Board decided that the likelihood of financial loss from an adverse weather event linked to climate change was becoming likely enough to consider Climate Change now as a Principal Risk to Spire Healthcare and its strategy. The detailed description of the climate change risk is on page 62. The Board has complied with the new disclosure requirements on climate change-related risk and the disclosures can be found on page 53.

2) Supply chain disruption

During 2021, we have seen supply chain disruption, in line with many UK businesses. Many of the factors causing the supply chain disruptions in 2021 can be attributable to the global disruption in international cargo shipping as well as more localised factors, for example shortages of HGV drivers in the UK. We managed to avoid any operational disruption from shortages in 2021 through maintaining substantive stock holdings to cover most lead-time risk, and sourcing alternative suppliers when necessary. In the extreme situations, as happened with the national shortages of blood tubes, we fall under the national NHS Supply arrangements. Nevertheless, the daily challenges we are experiencing to maintain order fulfilment is at a level not experienced before. This means we are exposed to stock outages for a number of consumable or pharmaceutical items without which elements of our operations would have to cease temporarily. The financial impact of cancelled procedures can become material in a matter of weeks. Therefore, the Board has deemed Supply Chain Disruption a Principal Risk.

3) Transformation

The Board announced with its interim financial statements that we would achieve £15m of annualised savings through various transformational initiatives. The Board is investing in new digital technologies to standardise processes and gain efficiencies through a wide range of its front and back office operations. The Board has decided that, as is normal with operational transformation programmes, that the cumulative risk from the change programmes constitutes a Principal Risk if the programmes fail to achieve the expected business benefits.

Inter-relationships of principal risks

As reported in 2020, the Board recognises the strong inter-relationships between the Principal Risks. The risks that would have the most material affect other Principal Risks has remained unchanged from 2020, i.e.:
- COVID-19 pandemic
- Workforce
- Government and NHS Policy
- Patient Safety and Clinical Quality

The risk that would be most affected by other principal risks crystallising are Workforce, Liquidity and Brand Reputation.

Emerging risks

The Board considers emerging risks to be risks with the following characteristics:
- Any manifestation of the risk is most likely outside of the normal strategic planning horizon of five years;
- Are risks for which we have little or no prior experience because of their novelty or highly uncertain nature;
- There are no practical control measures that can be taken at this point in time but a longer-term strategic response may be appropriate.

As in 2020, in 2021, the Executive Committee prepared an analysis of long-term global trends that may lead to emerging risks and opportunities. It then recommended specific long-term risks to be added to an emerging risk register for monitoring and consideration in its strategic planning process. The Board, via the Audit and Risk Committee, reviewed and approved the potential emerging risks and opportunities that the Executive Committee is monitoring.

Internal controls

1) Standard policies and procedures

We have documented policies and standard procedures in place covering all significant activities and areas of risk, which are subject to regular review and update by the Policy Approval Group that reports into the Safety, Quality and Risk Committee.

2) Assurance over clinical delivery and clinical regulatory compliance risks

In 2020, with the onset of the COVID-19 pandemic the Clinical Governance and Safety Committee (CGSC) increased its vigilance of clinical risks and trends by moving to monthly meetings. In 2021, the CGSC was able to return to quarterly meetings as management of the COVID-19 pandemic moved from crisis management structures to business as usual management structures. The CGSC continued to review all notifiable incidents and the outcome of both internal clinical reviews and external regulatory inspections.

As a provider of clinical services to patients, we face a specific set of non-financial risks associated with such provision. Despite the COVID-19 pandemic, the strong control structures in place pre-pandemic have remained in place for 2020 and 2021 as described below.

In relation to these risks:

- The Group Medical Director oversees the governance of the c. 8,100 Consultants through the Medical Governance Committee, the management of patient reviews and recalls, the approval of Practicing Privileges and setting medical governance policy;
- The Central Clinical Governance Team, which is independent of our hospital operations, oversees a national programme of clinical audits, in addition to conducting on-site clinical reviews of every hospital and non-hospital unit e.g. clinics, according to the approach taken at regulatory inspections. The team also oversees the drafting, communication and training of a comprehensive set of clinical policies and procedures for Spire Healthcare. 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 Governance activities are regularly reviewed by the Safety, Quality and Risk Committees, the Executive Committee and the CGSC. From October 2021, the Clinical and Medical Governance teams were brought together under the leadership of the Group Medical Director;
- Each hospital has a risk register through which risks are managed;
- Comprehensive, non-financial management information on clinical performance including safety, clinical effectiveness and customer experience, is produced and reviewed quarterly against pre-agreed standards by the corporate Clinical Services team, Business Unit Directors, Directors of Clinical Services, the Executive Committee and the CGSC. Specific KPI measures drawn from this management information are given on page 21;
- We are subject to substantial levels of external inspection and review, both by the range of national healthcare regulators (CQC/HIW/HIS) and through invited assurance inspections such as the rolling programme of health and safety inspections carried out by third-party specialists. The Executive Committee and the CGSC review the outcomes of these activities. Although most regulators suspended on-site inspections for staff safety reasons and to comply with HM Government lockdown restrictions for periods of 2021, on-site inspections did occur in the summer and autumn of 2021, and the on-site inspection regimes have re-started in 2022; and
- The structures and processes for internal confirmation of clinical regulatory compliance and the level of evidence and assurance required to monitor this on an ongoing basis has been maintained.

3) Financial and operational controls

Our design of our finance function splits resources across on-site finance managers at each hospital, supported by a central finance function based in Reading. In March 2020, the central finance function had to adopt home working practices when we had to close the Reading office to comply with UK Government lockdown requirements. The move to close the Reading office necessitated some changes to financial control processes. Whilst the Reading office re-opened in 2021, in compliance with our current Infection Prevention Control policies, only a portion of the Reading-based staff can be office-based at any one time. Therefore, the remote working internal control environment has remained in place. The internal control processes at hospital level remained unchanged.

We received regular fraud updates from the NHS Counter Fraud Authority, and where relevant disseminated the fraud alerts to relevant staff. We suffered no known frauds from third parties although we were directly and indirectly subject to cyber-attacks during the year that were conducted to pursue fraudulent activities. We undertook full incident reviews and reflected learnings into its cyber security environment. No losses accrued to us from these cyber-attacks.

The fundamental financial controls as reported in 2020 remained in place during 2021, namely:

- The annual process of preparing business plans and budgets, followed up by close monitoring of operational performance by the Executive Committee and the Board;
- Weekly forecasting to drive corrective action;
- Monthly monitoring of actual results, compared to budgets, forecasts and the previous year;
- All material capital projects are subject to an investment evaluation and authorisation procedure including Board approval when the forecast capital expenditure exceeds the level of delegated authority;
- Common accounting policies and procedures; and
- Our treasury position and forecast liquidity are kept under review to ensure that borrowings are aligned with our growth and are in compliance with banking covenants.

In anticipation of future legislation, our Finance team undertook an exercise to review its key computer-based and manual financial controls to confirm it could evidence their effectiveness.

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.

4) Internal Audit

An in-house Director of Internal Audit, supported by a dedicated team from KPMG who provide co-source internal audit resource, provides internal audit services to Spire Healthcare. The activities of internal audit are reported in Audit and Risk Committee report on pages 99 to 103.

Continuous learning

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

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

We offers various channels through which colleagues can report any issues or concerns. The main channel for raising concerns are the Freedom to Speak Up Guardians (FTSUGs) that were introduced into every Spire Healthcare hospital and Corporate team in 2018. Other channels include a Central Raising Concerns team, members of the Executive team and Board, and, an independent whistle blowing helpline to facilitate anonymous reporting of issues or concerns that they are unwilling to raise via any other channel. We have an independent National Corporate Guardian who oversees and supports the FTSUGs (see Our Impact for further details on page 47).

Principal Risk

1. Patient Safety and Clinical Quality

Executive Owner(s)
- Group Clinical Director
- Group Medical Director

Link to Strategy
- Uncompromising on patient safety and clinical care.

Risk Appetite
VL

Risk movement in 2020
—

Risk movement in 2021
—

Risk Description
There is a risk to the provision of high-quality patient care due to:
- A shortage of skilled workforce;
- Clinical and non-clinical staff and Consultants failing to follow guidelines, standards and policies resulting in patient harm
- Failing to learn from incidents, complaints, mortality reviews, patient feedback and Patient Notification Exercises
- Failure to act on findings from audits, clinical outcome measures (including registry data), peer reviews and external inspections
- Hospital acquired COVID-19 infection

Risk Impact
Reputational and financial loss could occur if we fail to address adequately issues identified by incidents, audits, complaints, PROMs, National Registries, Raising Concerns, workforce feedback and the internal Patient Safety Quality Reviews and Care Quality Commission.

Risk Mitigation
We maintain the following controls to mitigate against a failure of patient safety and clinical quality:
- A reporting culture of openness and shared learning from Ward-to-Board, with a FTSUG at each site.
- Incident/red flag staffing reporting via a database with central oversight.
- Continually monitoring clinical standards, reporting progress via the Board's Clinical Governance and Safety Committee ('CGSC').
- Integrated quality reporting based on a Quality Assurance Framework with a standard set of KPIs.
- Development of a Board Assurance Framework to assess risks against clinical and medical strategic objectives.
- A schedule of robust and regular hospital audits including the Patient Safety and Quality Reviews, with an action plan for improvement that is monitored.
- Standard Operating Procedure for Patient Notification Exercises that includes learning and continuous improvement methodologies.
- Colleague induction, clinical competencies requirements and mandated training.
- Reporting on clinical outcomes with workforce and Consultants including the Chairs of hospital Medical Advisory Committees with a view to driving up safety and performance.

Principal Risk

2. Workforce

Executive Owner(s)
Human Resources Director

Link to Strategy
- First choice for private healthcare.
- Uncompromising on patient safety and clinical care.

Risk Appetite
B

Risk movement in 2020
—

Risk movement in 2021
↑

Risk Description
There is a global shortage of nursing and allied healthcare practitioners. As the economy opened up in 2021, shortages of staff in new areas, for example hotel services, have arisen. In addition, we have an ageing workforce.

Our ability to attract and retain clinical and non-clinical staff is affected by:
- Growth of waiting lists affecting more nurses required in NHS/IS reducing availability of colleagues.
- Demand for nursing and healthcare workers increases resulting in higher or more competitive pay rates.
- UK Government's pay policy in the NHS.
- Government immigration policy and the post Brexit labour market.
- Our business strategy of increasing complexity of medical procedures that requires a higher skilled workforce.
- The requirement of mandatory vaccination (subject to the outcome of HM Government's consultation) from 1 April 2021 may result in Spire Healthcare having to release some patient-facing staff.
- The reduction in elective activity within Trusts reducing the training opportunities for new Consultants.
- New expectations for hybrid working.

Risk Impact
In the short term, we are able to provide safe patient care only with delays to treatment because of scarce resources.

Over the medium to long term, wage inflation and resource scarcity could result in a decline in our profits and affect expected revenue growth from more complex surgical procedures and treatment of higher-risk patients.

Risk Mitigation
We seek to retain staff through:
- A common purpose and a positive workplace culture.
- Maintaining competitive pay and benefits.
- Responding to key staff metrics e.g. staff turnover, rookie staff levels, and levels of positive engagement from staff surveys.
- Continuous investment in its equipment, facilities and services to retain high-quality clinicians.

We seek to recruit staff through:
- A centralised recruitment process.
- An overseas recruitment capability to secure skilled healthcare workers from outside the EU where necessary.
- Offering apprenticeship programmes.

We manage immediate staff shortages through the use of agency and bank workers.

Principal Risk

3. Climate Change

Executive Owner(s) Chief Operating Officer

Link to Strategy
- First choice for private healthcare.
- Key partner of the NHS.
- Uncompromising on patient safety and clinical care.

Risk Appetite L

Risk movement in 2020 N/A

Risk movement in 2021 ↑

Risk Description

Climate-related risks have been identified through the emerging risk process. Our climate-related risks include:
- Severe Storm Weather events e.g. damage to roofs or flooding.
- Prolonged spells of extreme ambient temperatures.
- Energy price fluctuation (Decarbonisation requires changing our energy sources: moving to more expensive zero-carbon electricity tariffs and replacing gas-fired heat sources with more expensive electricity).
- Changes in laws and regulation, including failure to meet net zero targets and obligations (e.g. in financial covenants).

Risk Impact

Severe storm weather has the potential to cause major damage and disruption to our sites. Storm events raise the risk of floods at our buildings due to rising external water levels, such as from rivers run-off and the sea. Our hospitals would be badly affected by flooding should it occur, as water ingress would affect medical equipment and risk the hygiene of our premises and safety of our patients. Extreme weather events could also disrupt our patients, staff and consulting staffs' ability to attend our facilities, as well as our supply chains.

Prolonged spells of extreme ambient temperatures could lead to an inability of existing critical Heating, Ventilation and Air-Conditioning (HVAC) systems to cope with required cooling and potentially cause cancellation of procedures and operations.

Providing healthcare services is a relatively energy intensive business. We are vulnerable to fluctuations in energy prices.

Risk Mitigation

Flood risk mitigation includes a continued periodic review of our estate in relation to existing and predicted flood risk zones.

Extreme ambient temperature risk mitigation includes an informed investment plan for upgrade of failing and vulnerable plant. Design of the replacement and upgrade would account for the predicted increase in ambient temperature profiles expected within the lifespan of the plant. Further mitigation measures include extreme weather warning protocol and Business Continuity Plans to provide emergency loan HVAC plant.

Energy price risk mitigation includes energy efficiency measures to reduce consumption and the Group's Energy Hedging strategy that has seen all our current energy requirements secured until October 2024.

Net zero targets form part of the remuneration of the Executive Directors.

Principal Risk

4. PMI Market Dynamics

Executive Owner(s) Chief Commercial Officer

Link to Strategy
- First choice for private healthcare.
- Improving revenue, profit and cash.

Risk Appetite L

Risk movement in 2020 —

Risk movement in 2021 —

Risk Description

The PMI market remains concentrated, with the top four companies (Bupa, AXA, Aviva and VitalityHealth) having a market share estimated at over 85%.

We have individual contractual relationships for the provision of its services with all the major PMI providers. These contracts come up for renewal on a recurring basis. There is a risk that renewal of contract terms cannot be secured on historical terms.

Service line tenders and the introduction of triage services are expected to continue medium term as PMIs look to reduce costs. We also expect an increase in directional networks.

Risk Impact

Loss of, or renewal at lower tariffs, of an existing contractual relationship with any of the key insurers could significantly reduce revenue and profit for Spire Healthcare.

A slower recovery of the PMI market could reduce revenues and profits in the short term.

Risk Mitigation

We work hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the Board, assists the healthcare sector as a whole in delivering high-quality patient care.

We ensure we have long-term contracts in place with our PMI partners to avoid co-termination of contractual arrangements.

We believe continuing to invest in its well-placed portfolio of hospitals provides a natural fit to the local requirements of all the PMI providers long term.

We continue to invest in efficiency programmes to ensure that it can offer the best combination of high-quality patient care at competitive prices.

Principal Risk

5. Macroeconomics

Executive Owner(s) Chief Commercial Officer

Link to Strategy
- First choice for private healthcare.
- Improving revenue, profit and cash.

Risk Appetite B

Risk movement in 2020 ↑

Risk movement in 2021 ↓

Risk Description

Following the end of the 2020 NHS COVID-19 contract, the business returned to normal trading channels (Private and NHS), albeit that these continue to be impacted by the pandemic (e.g. access to GP, NHS commissioning levels due to funding uncertainty).

The wider economic outlook remains unclear, with the expectation of inflation remaining higher than recent levels throughout 2022, increased tax burden, volatile energy prices, and GDP affected by social restrictions because of the Omicron variant.

Despite these macroeconomic headwinds, the expectation is that the primary growth drivers for healthcare will remain medium term, namely record NHS waiting lists, stable/growing PMI lives covered and a growing self-pay market.

Risk Impact

Reduction of Private patients and associated revenue and profit contributions.

NHS commissioning volumes remain below historical levels.

Risk Mitigation

The evidence available to us indicates that the COVID-19 pandemic has left high levels of pent up demand for our services.

The ability for patients to access private care does not appear to be constrained financially at this time. We understand that private medical insurance policy renewals and sales remain stable, and we have seen strong growth in 2021 that is expected to continue while waiting lists remain at record levels.

In response to macro inflationary pressure we will continue to benefit from the inflation mechanisms built into the PMI contracts and will benefit from our ability to change self-pay pricing quickly via our new pricing engine.

In addition, the Group will continue to respond to changing economic circumstances by optimising our private and NHS funded work ensuring the Group is not over reliant on one income source, supported by an efficient cost base.

Principal Risk

6. Competitor Challenge

Executive Owner(s) Chief Commercial Officer

Link to Strategy
- First choice for private healthcare.
- Key partner of the NHS.

Risk Appetite B

Risk movement in 2020 —

Risk movement in 2021 —

Risk Description

We operate 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.

In the current economic environment, there is a risk that the pressures on competitors results in irrational market behaviour manifesting itself in low pricing on tenders or self-pay.

Risk Impact

The potential impact would be the loss of market share because of aggressive competitor activity leading to reduced profitability and cash flow.

Risk Mitigation

We maintain a watching brief on new and existing competitor activity and we retain the ability to react quickly to changes in patient and market demand.

We consider that a partial mitigation of the impact of competitor activity is ensured by providing patients with high-quality clinical care and by maintaining good working relationships with GPs and Consultants.

We continue to invest in the brand and deliver an effective acquisition capability both direct and via our partners in order to protect our market position. We have also strengthened our pricing and tendering capabilities.

Despite the COVID-19 pandemic, we have maintained our investment in the estate and clinical equipment to differentiate our proposition, and will continue to do so.

We monitor the market for opportunities, should they arise, to acquire or open facilities in specific geographies creating incremental volume.

Principal Risk

7. Insurance and Indemnity

Executive Owner(s) Chief Financial Officer (Interim – Chief Executive Officer)

Link to Strategy
- Uncompromising on patient safety and critical care.

Risk Appetite L

Risk movement in 2020 —

Risk movement in 2021 —

Risk Description	We procure insurance from global insurers and syndicates with a presence in the Lloyds of London insurance market. We 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, – are not covered by our insurance due to other policy limitations or exclusions, or – where we have failed to comply with the terms of the policy.
Risk Impact	Our insurance premiums may increase and, if there is a significant deterioration in its claims experience, insurance may not be available on acceptable terms. There may also be costs relating to damages and defence costs. As a substantive buyer of corporate insurance, we could be faced with increased premiums, reduced cover or withdrawal of cover because of hardening global insurance markets.
Risk Mitigation	We review and maintain insurance to mitigate the possibility of a major loss. Adequacy of cover is reviewed annually with our brokers with coverage being maintained or increased depending on that advice. Personal injury claims relating to patients, third parties and employees are covered by insurance once predetermined deductible levels have been reached. We engage in Consultant information events relating to indemnity, and have developed a bespoke affinity insurance product, MedicaInsure, to provide Consultants with a high-quality, regulated alternative to discretionary cover. We have made robust representations to HM Government and the Paterson Inquiry with regard to the need to end discretionary indemnity and to regulate the medical defence organisations. We are also engaging with medical defence organisations to explore how alternative insurance products could reduce the risk associated with historic models.

Principal Risk

8. Liquidity and Covenants

Executive Owner(s) Chief Financial Officer (Interim – Group Financial Controller)

Link to Strategy
- Improving revenue, profit and cash.

Risk Appetite VL

Risk movement in 2020 —

Risk movement in 2021 —

Risk Description	We may not have sufficient liquidity to meet our financial liabilities as they fall due, or breach financial covenants linked to its borrowings. We may not be able to refinance on favourable terms.
Risk Impact	Failure to meet our obligations or covenants would have a substantial adverse effect on our reputation and may lead to borrowings becoming repayable earlier than contracted.
Risk Mitigation	Our management of cash and capital expenditure is focused on maintaining or improving our liquid asset position, meeting our financial liabilities falling due, and maintaining the cover against our loan covenants. At the onset of the COVID-19 pandemic, we were able to engage positively with our banking group with the result that we benefited from covenant waivers in 2020 and for June 2021. As at December 2021, the banking group enforced the covenant tests under its current loan agreements. We complied with the covenants as described in note 22 of the financial statements (see page 158). In February 2022, we successfully refinanced our existing Senior Facilities that were scheduled to mature in July 2023, with a new four-year facility (which includes the option to extend by an additional year) that will mature in 2026. We retain access to an unutilised £100m revolving credit facility should our current cash position materially deteriorate. We have a solid asset base with the ability to leverage promptly in a short timescale, if required. This was demonstrated with the sale and leaseback of the Spire Cheshire Hospital in December 2021 that has allowed us to reduce Net Debt. The Board has considered the risk in detail as part of its assessment of the viability of the Group.

Principal Risk

9. Government and NHS Policy

Executive Owner(s) Chief Commercial Officer

Link to Strategy
- Key partner of the NHS.

Risk Appetite B

Risk movement in 2020 —

Risk movement in 2021 ↓

Risk Description

We expect NHS England (NHSE) to complete the establishment of regional Integrated Care Systems (ICS) over the coming 18 months. Meanwhile Scotland and Wales will broadly remain unchanged.

It remains unclear what the new NHSE commissioning models and/or changes in the tariff structures will be post pandemic. Our expectation is this will become a combination of direct referrals from GPs, waiting list transfers and an increasing use of block contracts.

There is a risk that wider HM Government policy is unfavourable to the independent healthcare sector as a whole, e.g. future economic or employment policy.

Risk Impact

Changes to NHS commissioning models, if adverse, could lead to reduced access to patients, reduced tariffs, or reduced prices adversely affecting revenues and/or margins.

A reduction in patient volumes could lead to a reduction in the operational efficiency of our existing hospital network.

Changes in HM Government fiscal policy or spending policy towards corporate organisations, or the healthcare sector in particular, could materially affect our profitability.

Risk Mitigation

Historically, we derived 70% of revenues from PMI and self-pay patients that provided a natural 'hedge' against exposure to Government and NHS policy. Post pandemic, the Group is seeing strong private revenues that are expected to continue medium term.

The Group has successfully secured accreditation on the NHS Frameworks in England, Scotland and Wales ensuring access to tender for future contracts.

Through the COVID-19 pandemic, we have deepened our relationships with HM Government via the Department of Health and Social Care and NHS England. Meanwhile hospitals have also strengthened their relationships with the local NHS commissioners. Working effectively with the new ICS in each our markets will be a primary objective for hospital management teams.

HM Government has announced:
- £5.4bn for the NHS to tackle waiting lists in the period September 2021–March 2022.
- the Health & Social Care levy that will generate c.£12bn/annum.

Principal Risk

10. Supply Chain Disruption

Executive Owner(s) Chief Operating Officer

Link to Strategy
- First choice for private healthcare.
- Key partner of the NHS.
- Uncompromising on patient safety and clinical care.
- Improving revenue, profit and cash.

Risk Appetite L

Risk movement in 2020 N/A

Risk movement in 2021 ↑

Risk Description

The widely reported disruption in the Global and UK supply chains because of a variety of factors, could lead to shortages of critical components or products within:
- Medicines
- Consumables
- Prostheses
- Food

Risk Impact

Spire hospitals are reliant on a wide range of products in order to be able to conduct operations and procedures. Shortfalls in order fulfilment of fresh food for example, could result in hospitals having to cancel inpatient operations and procedures.

We are heavily reliant on medical consumables, which in turn are heavily reliant on the availability of plastics, to carry out even the most basic procedures (e.g. taking blood samples). Shortages in raw materials or disruption in the supply chain from the manufacturer could result in hospitals having to cancel operations and procedures.

Risk Mitigation

We maintain a centralised supply chain with a national distribution centre (NDC) and our own vehicle and driver fleet.

Medical consumables, medicines and prostheses are held at the NDC with an average of eight weeks' supply.

In 2021, we had to respond to a number of product shortages and global recalls, and we have seen some minor shortfalls in order fulfilment. In all cases, our centralised procurement function, with the support of the Clinical team, has been able to find alternative supplies to maintain hospitals' activities.

Fresh food is supplied through a national food distributor who has its own delivery fleet and directly employs its HGV drivers. Order fulfilment has remained in the high 90th percentile. Because of our Brexit planning, we have contingency menu plans in case of fresh food shortages.

NHS Supply Chain manages any national shortages in critical medicines. We receive allocations based on our activity.

Principal Risk

11. Information Governance and Security

Executive Owner(s)
Chief Financial Officer (Interim – Chief Commercial Officer)

Risk Appetite
B

Link to Strategy
- First choice for private healthcare.
- Key partner of the NHS.
- Uncompromising on patient safety and clinical care.
- Improving revenue, profit and cash.

Risk movement in 2020
↑

Risk movement in 2021
–

Risk Description
We have to maintain and manage a range of physical and digital data assets including patient records, commercial information and staff data.

Personal data has to be managed in compliance with the principles set out in the Data Protection Act 2018 and the General Data Protection Regulations (GDPR).

The level of risk to Spire Healthcare's IT architecture and systems continues to grow as the volume of cyber security threats are increasing and becoming more sophisticated.

Healthcare and pharmaceutical organisations saw increased hostile cyber activity in 2020-21 because of the COVID-19 pandemic. We anticipate that the Healthcare sector will remain a higher risk sector from cyber-attacks.

Risk Impact
Our business could be disrupted if its information systems fail, are breached, destroyed or damaged.

Staff and patient data could be stolen or compromised. We could also be subject to litigation by third-parties and law enforcement agencies.

A successful cyber-attack and a breach of data security could result in:
- material costs to recover operations;
- material financial penalties for breaches of Data Protection law;
- compensation for patients or staff if personal data is compromised; and,
- reputational damage.

Risk Mitigation
We have a governance structure, with Board oversight, that monitors the risk and mitigations for information governance. To support the governance structure we have a range of policies and practices covering information governance. The Information Security environment is subject to regular Internal Audit.

All staff have to complete annual mandatory training on information governance and data protection.

Our IT team have a cyber security strategy for continuous improvement based on industry standards. In 2021, as part of that strategy Spire Healthcare undertook significant capital investment to increase cyber security protection.

We work with a number of industry leading technical partners to provide:
- multiple layers of business protection through the use of advanced detection and protection systems,
- Regular third-party penetration testing on new and existing IT systems.

Principal Risk

12. COVID-19 Pandemic

Executive Owner(s)
The whole Executive Committee, led by the Chief Executive Officer

Risk Appetite
L

Link to Strategy
- Uncompromising on patient safety and clinical care.
- First choice for private healthcare.
- Key partner of the NHS.
- Improving revenue, profit and cash.

Risk movement in 2020
↑

Risk movement in 2021
↓

Risk Description
Repeated waves of infection occur from current or future variants of COVID-19 that risk overwhelming the NHS and forcing HM Government to re-introduce severe lockdown measures regionally or nationally.

Risk Impact
Further lockdown measures could adversely impact Spire Healthcare's operations and its profitability by:
- Reducing the amount of elective procedures the hospitals can carry out because of additional Infection Prevention Control measures or patients reluctance to attend hospital.
- Increased costs to support Infection Prevention Control measures and from staff absence and patient cancellations.
- A substantive number of staff have to self-isolate because they or household members show symptoms or test positive.
- Spire Healthcare hospitals are required to support local NHS trusts that declare Surge, preventing them from treating private patients.
- Consultants and anaesthetists are required to support their NHS trusts to treat COVID-19 patients or the backlog in waiting lists, reducing their availability to undertake work in Spire Healthcare facilities.

Risk Mitigation
To maximise the utilisation of the hospitals, we have:
- Maintained the Infection Prevention Control measures to reduce the risk of cross contamination amongst staff at Spire Healthcare facilities.
- Made the patient pathways as efficient as possible, particularly for pre-operative assessment and testing patients for COVID-19.
- Maintained capacity within the contractual arrangements with the NHS for PMI and self-pay patients.
- Negotiated national contracts with the NHS to support them to provide capacity for treating the backlog of elective procedures.
- Maintained close links with the consultant community and supported them rebuild their private patient activities.
- Encouraged all its employees to have both the COVID-19 and flu national vaccination programmes.

Principal Risk

13. Brand Reputation

Executive Owner(s)
Chief Commercial Officer

Link to Strategy
- First choice for private healthcare.
- Key partner of the NHS.

Risk Appetite
B

Risk movement in 2020
—

Risk movement in 2021
↑

Risk Description
The COVID-19 pandemic has resulted in a substantial amount of positive media coverage for Spire Healthcare.

Our brand presence within the consumer, NHS & HM Government environments is higher than at any point.

Our brand reputation is interconnected with a number of other Principal Risks, e.g. Clinical Quality and Patient Safety, Information Governance and Security.

Our future growth depends upon our ability to maintain, and continue to enhance, our reputation amongst patients, clinicians and other stakeholders.

As our brand presence grows, the risk increases that adverse events such as:
- patient notifications and recalls;
- mishandling of patient data; or,
- a breach of law or regulation will have a more material impact on Spire Healthcare.

Risk Impact
If we fail to protect or grow the brand it may harm our ability:
- to maintain or grow income
- to attract and retain the best staff and clinicians
- to win new contracts
- to raise capital at competitive rates
- to meet our regulatory obligations.

Risk Mitigation
Our primary mitigations against damage to our brand reputation is through the good management of our principal risks, in particular:
- Patient safety and clinical quality;
- Cyber security and data protection; and,
- Compliance and regulation.

In addition, we continue to invest in the awareness and health of the brand through national advertising, public relations and centrally coordinated social media. We also continue to build our reputation amongst analysts and public commentators.

Principal Risk

14. Compliance and Regulation

Executive Owner(s)
- Lead: Chief Executive Officer
- Chief Commercial Officer
- Chief Operating Officer
- Group Clinical Director
- Group Medical Director

Link to Strategy
- First choice for private healthcare.
- Key partner of the NHS.
- Uncompromising on patient safety and clinical care.

Risk Appetite
VL

Risk movement in 2020
↑

Risk movement in 2021
—

Risk Description
The increasing range and complexity of the legislation and regulation which impact on Spire Healthcare, and our expectation that the legal and regulatory landscape in which we operate will change and become more onerous, means that this is an area of potential risk for Spire Healthcare.

In addition, as the UK makes the legal and regulatory transition from being part of the EU, there will be flux in legal and regulatory developments, potentially arising from the interpretation of retained EU law by the UK courts or from the direction taken by the UK following the end of the transition period. It is not possible to determine with any degree of certainty the speed, impact or direction of forthcoming legal or regulatory change. This will therefore require monitoring, compliance and assurance.

Risk Impact
Failure to comply with laws, regulations or regulatory standards may expose us to claims, fines, penalties, and damage to reputation, suspension from the treatment of NHS patients, loss of hospital licence and loss of private patients.

New laws and regulations may require new compliance programmes to provide assurance that we are in compliance increasing overhead costs.

Risk Mitigation
We have a Ward-to-Board system of governance that ensures compliance with law and regulation and provides the pathways to add different elements of compliance, should regulation or laws change and thus the need arise.

Key components that support the ward to board governance structure for compliance and regulation include:
- A dedicated legal team that, with external counsel, monitors legal and regulatory developments and advises Spire Healthcare thereon.
- Regular, role specific, mandatory training for all staff (both clinical and non-clinical) across a range of the most important legal and regulatory compliance areas, e.g. data protection, health & safety laws and safeguarding.
- Centralised clinical and non-clinical internal audit teams that carry out site audits and assists hospitals in establishing and maintaining a high level of internal control.
- A range of policies, processes and toolkits guiding our hospitals in how to meet the required clinical regulatory standards which are regularly reviewed and updated.

Principal Risk

15. Transformation

Executive Owner(s)
Chief Financial Officer
(Interim – Group People Director)

Link to Strategy
- First choice for private healthcare.
- Key partner of the NHS.
- Uncompromising on patient safety and clinical care.

Risk Appetite
B

Risk movement in 2020
N/A

Risk movement in 2021
↑

Risk Description	There is a risk that transformation programmes to digitalise and standardise processes fail to deliver on budget, on time and to scope because of; – the complex and divergent operating environment across the hospital and central sites; – changes to working practices required by both employees and Consultants (non-employees); – poor execution of change projects.
Risk Impact	Expected efficiency gains and business benefits are not realised leading to lower profitability than is forecast.
Risk Mitigation	All transformation projects have an individual Executive Committee sponsor who is accountable to their colleagues for successful project delivery. We utilise external project management experts to advise on best-practice change portfolio management and to lead strategic projects when required. All the major change initiatives have professional programme managers or directors following a standard set of programme management disciplines monitored by a central Business Programme Office. The Executive Committee's sub-committee on Transformation regularly reviews the progress of change programmes. Change programmes that have a material impact on hospital operations engage with the hospital directors to ensure their input and feedback is incorporated into the planning stage before deployment.

Viability and Going Concern

Compliance statements

Viability

Assessment of prospects

In accordance with the 2018 UK Corporate Governance Code, the Directors assessed the viability of the Group and have maintained a period of three years for their assessment. Although longer periods are used when making significant strategic decisions, three years has been used as it is considered the longest period of time over which suitable certainty for key assumptions in the current climate can be made. The assessment conducted considered the Group's current financial position and forecasted revenue, EBITDA, cash flows, risk management controls and loan covenants over the three-year period (which is consistent with the approach for prior years).

Assessment of viability

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

Other specific scenarios covered by our testing were as follows:

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

Management's approach also included testing for a specific combination of these risks. This testing entailed modelling for the potential impact if, although considered highly remote, the 3 risks which individually give rise to the largest adverse financial impact were to take place in combination.

This review included the following key assumptions:

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

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

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

Going Concern

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on Viability above. Based on the current assessment of the likelihood of these risks arising by the 31 March 2023, together with their assessment of the planned mitigating actions being successful, the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis. See note 2 – Basis of Preparation in the Financial Statements for more detail.

Non-financial information statement

The Companies Act 2006 requires the Company to disclose certain non-financial reporting information within the Annual Report and Accounts. Accordingly, the disclosures required in the Company's non-financial information statement can be found on the following pages in the Strategic report (or are incorporated into the Strategic report by reference for these purposes from the pages noted):

- information on our employees (page 43);
- information on diversity (page 43);
- information on our Anti-bribery and Corruption Policy (page 47);
- information on our Whistleblowing Policy (page 47);
- information on our approach to human rights (page 89);
- information on social matters (page 50); and
- information on our Environment Policy (pages 51 to 55).

Section 172 (1) statement

The Directors are required to act in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006.

Details of how the Directors have had regard to their section 172 duty can be found throughout the Strategic and Governance reports. We set out on pages 35 to 41 details of who we consider to be our main stakeholders, how we have engaged with them during the year and the outcomes of the process. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section on pages 84 to 89. The principal decisions of the Board during the year are shown on page 84.

Spire Healthcare's Purpose – to make a positive difference to our patients' lives through outstanding personalised care – lies at the heart of everything that we do, from decisions about the strategic direction of the Company to how we greet patients arriving at our hospitals. Our Purpose also underpins our place in society and our relationship with our stakeholders.

John Forrest
Chief Operating Officer

Overview
2021 was a year which we saw high demand for private healthcare, with rising NHS waiting lists in the wake of the COVID-19 pandemic encouraging people to prioritise their health and wellbeing. Spire Healthcare research shows that there are now up to 15 million people open to, and able to afford, private healthcare, up from eight million two years ago, and nine million in Spire's catchment areas, up from five million two years ago.

Against this backdrop, Spire Healthcare continued to provide vital support to private patients and the NHS through its network of 40 hospitals as people and businesses faced enormous ongoing challenges associated with COVID-19.

On 26 May 2021, it was announced that Ramsay Health Care had made a bid to acquire Spire Healthcare. The Spire Healthcare Board and its advisers supported the proposed transaction and it was put forward to shareholders. The Company respects the views of shareholders who did not provide sufficient votes to support the Scheme of Arrangement and the Board remains confident that Spire Healthcare continues to be well positioned for success as a standalone business. This period of uncertainty is now behind the Group and has not impacted the operating performance of the business.

Fulfilling our Purpose in 2021
Spire Healthcare's Purpose – **to make a positive difference to our patients' lives through outstanding personalised care** – lies at the heart of everything we do, from decisions about strategic direction of the Company to how we greet our patients when arriving at our hospitals. Our Purpose also underpins our place in society and our relationship with our stakeholders.

During 2021, we focused on improving our relationships with all the Group's stakeholders while engaging more effectively, which contributed to strengthening the role of the independent sector as a key component of the UK healthcare system. Spire measures its Purpose as experienced by our patients and we were pleased that in H2 2021 85% of patients said Spire made a positive difference to their lives (up 2pp vs H2 20), 92% said our care was Outstanding (unchanged from H2 20) and 94% that is was personalised (unchanged from H2 20).

Delivering on our strategy
Spire Healthcare has four elements to its strategy. We are committed to being first choice for private patients, with private income our primary growth driver, whilst remaining a key partner to the NHS. We are committed to improving revenue, profit and ROCE and good cash generation and we maintain an uncompromising focus on quality and patient safety.

We achieved improvement on all four of these goals in 2021. We delivered record levels of growth in our private business, with revenue from private patients up 14.2%, compared with 2019, pre-pandemic and 61.8% vs 2020. We continued to support the NHS in tackling the pandemic and then helping tackle waiting lists. We maintained our uncompromising focus on quality and patient safety, keeping our hospitals COVID-secure and improving our CQC ratings, and we delivered EBITDA of £178.2m. This was up 10.6% on 2020 though down on pre-pandemic levels in 2019 by £11m, having absorbed £53m of COVID related costs.

Our strategy has proved successful and our results this year provide a strong platform for sustainable growth over the next few years.

Improving revenue
Spire Healthcare delivered a strong revenue growth in FY21, up 20.3% year-on-year (vs FY19: up 12.8%), driven by significant demand for private treatment. Total admissions of 250,144 for FY21 were 31,802 or 14.6% higher than FY20 (vs FY19: 11,100 or 4.2% lower).

Performance during Q1 21, while under the NHS contract, was broadly in line with management's expectations, with self-pay admissions in non-surge hospitals above Q1 19 levels and higher average revenue per case (ARPC) for private procedures. A return to a more normalised trading from Q2 to Q4 saw strong growth, with our payor mix in Q2-Q4 21 being 23% NHS, 74% private and 29% self-pay of total revenue.

'First choice for private patients'
Spire Healthcare delivered a strong private revenue performance in 2021. Private revenue rose 61.8% year on year (vs FY19: up 14.2%) with exceptionally strong growth in self-pay, where revenue climbed 115.3% year on year (vs FY19: up 63.3%). Both self-pay volumes, up 8.7% year on year (vs FY19: up 33.7%), and complexity increased, the latter driving strong average revenue per case ('ARPC'). We benefited from a growing trend of people turning to the independent healthcare sector to avoid the long waiting times for non-urgent treatment under the NHS. Consumer awareness of private healthcare grew and we strengthened recognition of the Spire Healthcare brand through TV and digital advertising. PMI growth was more muted, up 40.3% compared to 2020 (vs FY19: down 3.7%), with more complex referral pathways likely affecting uptake and a lower conversion from outpatients to treatment than pre-pandemic, though volumes increased throughout the year.

In Q2-Q4 21 – the period when our hospitals were fully open to private patients – was when private revenue growth recovered most strongly, up 22.2% versus Q2-Q4 19 (vs Q2-Q4 20: up 95.5%), driven by a record 80.0% growth in self-pay revenues compared to Q2-Q4 19 (vs Q2-Q4 20: up 160.4%), with more complex procedures generating a stronger case mix and carrying a higher ARPC than we had seen previously. PMI recovered more slowly, with Q2-Q4 21 PMI revenue only marginally ahead of the same period in 2019 (vs Q2-Q4 20: up 68.1%).

'A key partner for the NHS'
Since the start of the pandemic (Q2 20 to end FY21), Spire Healthcare has treated 356,000 patients on behalf of the NHS. Overall in 2021, NHS revenue was up 10.1% vs 2019 (down 26.9% vs 2020).

Our partnership with the NHS had two phases in 2021. During Q1, Spire Healthcare operated under a revised NHS contract as we started the year in the midst of a national lockdown. This arrangement provided volume-based revenue (as opposed to the cost-cover contract operating in 2020) but with a minimum income guarantee (MIG). We worked closely with the NHS in England, Scotland and Wales during this period to provide appropriate care for NHS patients. Nine Spire Healthcare hospitals became NHS cancer hubs during Q1 21, a source of great pride for all colleagues.

The Company was successful in its bid to be included on the NHS England (NHSE) Framework for purchasing additional activity from the independent sector, clearly demonstrating the importance of our role in the nation's healthcare. However, as NHS contracting returned to the pre-COVID arrangements (mainly standard acute contract (SAC) or eRS-based), NHS volumes were generally low from Q2 to Q4 as waiting lists increased (vs Q2-Q4 19: down 22%), (vs Q2-Q4 20: down 41.5%).

On 10 January 2022, Spire Healthcare entered into a new agreement in principle with NHSE to provide support to the NHS and its patients. This agreement followed a request for support from NHSE and detailed discussions with NHSE and other independent providers, in light of the uncertainties created by the Omicron variant. The agreement, which is due to expire on 31 March 2022, allows Spire Healthcare to continue to treat private patients, whilst supporting the NHS. Spire has been supporting Trusts with urgent requests for care, and activity is likely to exceed the Minimum Income Guarantee, which will not therefore apply to Spire, though it remains below pre-pandemic levels.

Improving EBITDA, ROCE and good cash generation

EBITDA rose by 10.6% to £178.2m compared to FY20 (vs FY19: down 5.7%), largely due to Spire Healthcare's strong revenue growth, particularly through self-pay. Adjusted EBIT of £81.1m for the year was 20.9% up on FY20, but 16.9% lower than that recorded in FY19.

This return was delivered in spite of the costs and disruption associated with COVID-19. Directly related testing costs reduced EBITDA by £14.3m, as we maintained the strict COVID-secure protocols outlined below. This was compounded by indirect costs for Consultant and colleague absences and late patient cancellations well in excess of historic run rates which, taken with the testing costs, amounted to total COVID-related costs of £53.5m.

As the prevalence of COVID surged at times during the year, the number of cancelled procedures rose, resulting in reduced EBITDA through lost revenue and the costs associated with pre-operative routines (including initial consultation and diagnostics). EBITDA was further impacted by costs associated with staff absence caused by COVID illness and the need to self-isolate. The pressures on the health system drove up agency rates materially, and these remain very high today.

This was most severe in July and August, the time of the 'Pingdemic', and EBITDA was impacted by £8m in those two months alone.

The Group was not impacted by rising energy prices as these costs are hedged until late 2024.

Capital investment in the year was £77.1m, up 51.9% on prior year and 23.4% ahead of FY19, as we focused on further investment in patient care and digital transformation, with extensive investment in imaging, including the replacement of 10 CT and MRI scanners.

Working capital increased by £11.4m in the period driven by the increase in other payables relating to payments on account from both private and NHS patients. Cash and cash equivalents at 31 December 2021 amounted to £202.6m, up £96.3m from £106.3m at prior year end, with proceeds of £89.0m before costs from the sale and leaseback of Spire Cheshire Hospital. This contributed to a reduction in net debt with the balance at 31 December 2021 being £224.9m, and an improvement in the net debt/EBITDA ratio, as per the covenant calculation, to 2.3x, a significantly enhanced position on FY20 and FY19 levels of 3.9x and 3.0x respectively.

ROCE recovered from 4% in 2020 to 4.9% (FY19: 5.1%), we expect to see further improvements as efficiency drives and other initiatives start to impact performance.

Re-financing

At the end of FY21, Spire Healthcare had a Senior Loan Facility of £425m and an undrawn Revolving Credit Facility (RCF) of £100m (together the 'Facilities'), with the Facilities maturing in July 2023. In February 2022, we announced that we had re-financed the Group's bank funding facilities. As part of this process, we took the opportunity to pay down £100m of the Facilities, such that we now have a Senior Loan Facility of £325m and an undrawn RCF of £100m until February 2026 (with an option to extend one year). The new Facilities have a marginally higher cost of funding of an additional 30 basis points or £975k per annum. The covenants are unchanged.

Dividend

As a result of the continued COVID-19 uncertainty, no dividend is proposed for the year ended 31 December 2021. No dividends have been proposed or paid since the start of the pandemic. The Board will review the Company's dividend policy during 2022 taking into account the balance sheet and trading outlook.

Uncompromising focus on quality and patient safety

Patient safety is our highest priority, and our CQC ratings are now amongst the highest across private providers. 95% of our hospitals are now rated 'Good' or 'Outstanding' by the CQC and its equivalents in Scotland and Wales, an improvement from 90% at the year end. The situation was 90% and 85% at the end of FY20 and FY19 respectively, representing a step-change from Spire Healthcare's 69% overall rating at the end of 2016.

Within the overall score of 95%, 92% of the Group's hospitals are rated 'Good' or 'Outstanding' on safety by the CQC and its equivalents, and 95% as well led. These scores are significantly higher than other providers in our sector. These ratings follow ten inspections by the CQC and equivalent regulators in Scotland and Wales, and all the sites were rated 'Good' overall or equivalent. We were also delighted to acquire the Claremont Private Hospital in Sheffield during 2021, a site rated 'Outstanding' by the CQC.

To ensure we can meet our commitment to patient safety, protect Consultants and colleagues and keep our hospitals at maximum capacity, Spire Healthcare had to maintain strict COVID-related controls and safety measures throughout 2021. Whilst many of the controls are mandated by Public Health England (PHE), we have taken extra steps to ensure that any impact of the COVID-19 virus on our operations is minimised. As a matter of routine, we test our Consultants and colleagues twice a week and every patient is required to take a PCR test or a LFT test depending on their vaccination status or other criteria before admission. All Spire Healthcare's patient pathways and infection control procedures are maintained to an extremely high standard and follow national guidance.

During 2021, we embarked on a number of sector-leading initiatives. We were the first independent provider to appoint a medical examiner to review all cases where a patient has died within 31 days of surgery. We did this ahead of the full rollout of medical examiners across the NHS; NHS England is aiming for all non-coronial deaths to be examined by March 2022. We were the first in the sector to appoint an National Patient Safety Specialist who now links with NHS and sector-wide safety and quality improvement initiatives.

In Q2 21, we launched our Quality Improvement Strategy. This involves the development of a quality improvement culture, underpinned by a quality improvement methodology. Following a colleague consultation survey, 'Improving patient experience' was chosen from a list of 10 quality priorities for the year. This comprises improving the admissions and discharge processes, and ensuring we listen to patient feedback and engagement, including complaints, concerns and compliments. More than 100 colleagues have been trained as quality improvement practitioners to date, and over 0 quality improvement projects are under way.

Independent Inquiry into Ian Paterson

We continued our work to implement the recommendations of the Independent Inquiry into Ian Paterson, which reported in early 2020. Spire Healthcare wrote to all known living patients of Paterson in December 2020 and some, who had not previously been contacted, were invited to discuss their treatment. The review is ongoing but has identified that some of these patients were harmed by Paterson, who was suspended by Spire Healthcare in 2011. Spire Healthcare has now set up a second compensation fund to deal with any new claims arising out of treatment by Paterson at the Company's hospitals. The scheme is administered by two law firms, Slater and Gordon UK Limited, and Thompsons Solicitors LLP, who administered the earlier Paterson compensation scheme from 2017.

We have developed our own guidance on how best to carry out reviews, based on our own experiences, since there is no agreed best practice standard currently in place. Our priority is to ensure that we implement standard operating procedures and protocols that mitigate the risk of inappropriate advice and procedures being offered to our patients in the future. We have shared our guidance with the NHS and with the wider independent sector, and we are now jointly leading a project involving regulators, the NHS and government as part of the response to the Paterson inquiry to develop a national toolkit for patient reviews and recalls.

Supporting our strategy

Recruitment and colleague development initiatives

As a large independent healthcare provider, Spire Healthcare has a key role to play in serving the healthcare needs of the population. With the current shortage of clinical staff across the healthcare sector, the Group is addressing this issue by recruiting and by retraining colleagues and providing opportunities for clinical leaders of the future to develop themselves. Labour pressures are widely known to be severe in the UK in general and in healthcare in particular. Spire Healthcare will be exposed to higher wage inflation in 2022.

This includes changes due to the national minimum wage and National Insurance for employees and employers, and wage rates in casual staffing and agency in particular continue to rise. Spire has invested heavily in its recruitment, development and retention strategies and has high levels of employee engagement. Despite these pressures, vacancy rates remain stable, helped also by our efficiency initiatives which have consolidated roles in hospitals and in hubs reducing the need for recruitment. Three initiatives in particular demonstrate Spire's long-term planning in building talent pipeline for its business and UK healthcare.

Early in 2021, we launched a major new nurse degree apprenticeship programme in our hospitals in England, in partnership with the University of Sunderland. The nurse degree apprenticeship is open to applicants at all stages of work life, including school leavers, university graduates and people looking to retrain. The programme combines university study and workplace learning, and apprentices obtain a BSc degree at the end. Around 5,000 people applied to the programme, with 165 offers made. 15% of the successful candidates were colleagues already working at Spire Healthcare.

During H1 21, we launched our 'GROW' learning framework which includes our Step Up and Stretch initiative for future leaders across the business. Additionally, in Q3 21, we launched programmes for Operating Department Practitioners and Assistant Practitioners with the University of Derby, supplementing the clinical and non-clinical apprenticeships we already offer.

Despite international travel restrictions that were in place for much of FY21, we continued our overseas nurse recruitment programme. This has proven highly beneficial to Spire Healthcare in terms of adding capacity and as a means of broadening the culture of our colleagues. It has also proved popular with our nurses joining from foreign countries, with many commenting on the positive experience of working in our hospitals. By the end of the year, we had introduced 250 new clinical colleagues (154 in FY20), with over 140 already established in our hospitals.

Efficiency initiatives

A number of efficiency programmes are ongoing to target cost savings designed to drive EBITDA margin and improve the Group's return on capital employed. Key areas of focus include:

- Procurement savings through new contracts with new or existing suppliers; and
- Operational efficiencies through streamlining existing, or introducing new and digital, processes.

Changes to procurement processes and COVID-19 testing protocols delivered savings of £7.1m in FY21, and our efficiency programmes are expected to deliver savings of at least £15m in FY22, increasing in future years. This will be a major contributor to offsetting labour cost pressures and supporting profitable growth.

During the final quarter of 2021, we began to implement the first phase of the Group's revised operating structure whereby the Group would be comprised of two regions. Linked to this, we introduced the concept of a 'hub' where hospitals are grouped together and able to leverage the associated operational benefits. Spire Healthcare now has 14 hubs and this is enabling greater co-ordination between the relevant hospitals with some roles now only existing at a hub level.

We accelerated the delivery of certain digital efficiency programmes designed to improve the patient experience by making it easier to access our services and improve interaction with our colleagues. This included full delivery of ePOA (electronic pre-operative assessment) and a new pricing system. After initially piloting ePOA at three Spire Healthcare sites during 2020, we successfully delivered ePOA across all remaining sites during FY21. This has resulted in a significant reduction in the use of paper within Spire Healthcare hospitals, provided an improved patient experience, shorter processing time, thereby freeing up nursing time and hospital consulting rooms. The Group's new pricing system allows central oversight and optimisation of self-pay pricing across Spire Healthcare's hospitals, while also making it easier for our Consultants to securely post and amend their own, independently determined, charges. We were also pleased to be granted access to the NHS patient summary care records, which will ease the patient pathway between care in the NHS and at Spire, and is particularly important for our private GP service.

Delivery of private patient care is central to Spire Healthcare's long-term strategy. Our market research shows that the first priority for patients when seeking care is to know what is wrong with them, quickly. It also showed a growing awareness of the role of the private sector in supporting the NHS, leading to our target audience viewing private hospital providers in a more positive light. To maximise our opportunities, we launched Spire Healthcare's first ever concerted brand building campaign this year. We increased our marketing efforts during FY21 in an effort to capture the significant opportunity to increase private activity. As part of this, we launched a TV advertising campaign in Q2, supported by print and digital initiatives. This was followed by a second wave of advertisements in the autumn.

Work continued during 2021 on the design and implementation of a comprehensive electronic patient record as part of our wider Hospital Management System programme. Rather than seek a wholesale system replacement, we have continued to build on our investments in SAP, in our Radiology and Pathology solutions, and in our integrations with the NHS, as we believe a system replacement would be more expensive and higher risk. We have further developments in the pipeline as we extend the digital patient pathway and drive further efficiencies, including digital pathology workflow, digital radiology workflow and automating of patient communications. Work on all of these commenced during the latter part of FY21.

Spire Healthcare's digital strategy is central to the Group's long-term growth. It is designed to make private healthcare easily accessible to patients, from finding out about our services on our website, booking appointments for consultations and procedures, through to virtual consultations and diagnostics. The Group's digital portals for both patients and our partners (Consultants and PMI providers) saw record levels of bookings during FY21. In total, 119,328 bookings were made using our digital portals during the year, up 105.1% on prior year, highlighting a growing demand for our online services.

Portfolio management

With a property portfolio consisting of 40 hospitals, proactive management of the portfolio is an important factor in driving the Group's return on capital as well as ensuring the long-term growth potential and sustainability of the business.

On 31 March 2021, Spire Healthcare reached an agreement with East Sussex Healthcare NHS Trust (ESHT) to shorten the lease on Spire Sussex and to transfer operational control of the hospital back to the Trust. Spire Healthcare received £2m income from the early termination of the lease with all fittings, fixtures, equipment and capex responsibility transferring to the Trust on 31 March 2021. On 31 March 2022 colleagues and any remaining assets will transfer to ESHT. Spire Sussex generated revenue of £8.4m with EBITDA of £0.43m in 2019.

On 30 November 2021, Spire Healthcare completed the acquisition of a c. 88% stake in the operating assets of the Claremont Private Hospital in Sheffield. This provides the Group with a high-quality hospital in South Yorkshire, an area with a large population where Spire Healthcare previously had no presence, and where the Group anticipates strong demand for self-pay procedures. Spire Healthcare paid £19.1m, funded by cash, to acquire the operating assets. The remaining 12.0% stake is owned by a group of Consultants, most of whom have practising privileges at the hospital.

Towards the end of the year, Spire Healthcare announced the sale and leaseback of Spire Cheshire. Proceeds of the sale amounted to £89m in cash before costs, generating a profit of approximately £23m. Spire Healthcare continues to operate the hospital, leasing the property at an initial rent of £3.8m, with annual rent inflation linked to CPI and capped at 4%.

Our climate, our communities and our people

Doing the right thing is one of Spire Healthcare's six values. Our commitment to our patients, colleagues and Consultants is complemented by a determination to play our part in tackling climate change. In late 2020, the Spire Healthcare Board approved a decarbonisation strategy, designed to achieve net zero carbon emissions by the end of 2030. As such, we were the first independent provider to make a commitment to become carbon neutral by 2030. Approximately £16m of investment over the next 10 years has been budgeted to help achieve this aim. In Q4 21, we switched to source all of our electricity from renewable sources. We anticipate that this change will result in a 40% reduction in our carbon emissions.

A number of other initiatives designed to reduce the Group's overall carbon emissions were progressed during FY21 including replacing gas-powered boilers with more efficient equipment powered by electricity, replacing older lighting with LED lights which are between 50% and 60% more energy efficient, and improving insulation in and around our buildings. We have also installed photo-voltaic solar panels on the roof of Spire Cardiff hospital and chillers in our operating theatres in Spire Parkway hospital in the Midlands, which recycle the heat removed to heat water in the hospital. We are planning to deliver similar initiatives at other Spire Healthcare hospitals during 2022.

Understanding Spire Healthcare's role in society and engaging with the local communities which its hospitals serve are important factors underpinning the Group's ability to grow a sustainable and robust business which will add value over the long term. During 2021, Spire Healthcare colleagues sought ways to contribute to their local communities beyond the care they provide directly or indirectly to patients every day. A number of charity initiatives were involved, with Spire Healthcare colleagues participating both individually and collectively as they have done in previous years.

The wellbeing of our colleagues continues to be a priority and we have remained alert to the need to support our colleagues during the crisis, both operationally and financially. We continued to use digital platforms during FY21 to maintain strong communications between colleagues as well as Let's Talk debates aimed at promoting a strong listening and learning culture. Our recruitment and training of Mental Health First Aiders across all parts of the Group's operations continued in 2021, raising awareness of the specialist support available to colleagues. Additionally, early in the year, we launched a free, dedicated colleague telephone support service which is available 24x7 to provide help and advice from counsellors and information specialists. This supplements our ongoing Employee Assistance programme.

In recognition of the tireless dedication and hard work of colleagues, the Company will make an exceptional financial COVID-19 gift of £100 to all colleagues not on a bonus scheme, to thank them for their contribution during the year. The Company encourages share ownership and operates a HMRC-approved Savings-Related Share Option Plan (Sharesave). A further tranche of share options under Sharesave, which is open to all employees, will be offered during 2022.

As a healthcare company, a focus on environmental, social and governance (ESG) is an inherent part of Spire Healthcare's business, and is firmly embedded in its Purpose. While many ESG/sustainability initiatives are ongoing, work on developing a comprehensive ESG strategy resumed towards the end of the year. We now plan to launch our ESG strategy in H1 22 with appropriate KPIs and targets.

Current international climate

The situation in relation to Ukraine is constantly changing but our view at the time of writing (early March 2022) is that the impact on our business is likely to be limited. Our business is hedged against the impact of energy volatility. The impact of foreseeable wage increases is factored into our plans. We have not seen any change in our demand profile since the crisis escalated with continued high demand for self-pay and we are able to take on more NHS work. We also have strong contingency and business continuity plans which we have reviewed. We are providing support to colleagues whose families, or themselves, are affected. We will update the market if necessary, as the international situation evolves.

Looking to the future

There remains an unprecedented demand for healthcare across the UK population. The impact of the COVID-19 on people's lives, business and the economy has been enormous and will likely remain for years to come. As NHS waiting lists for elective procedures continue to lengthen, we have seen a growing demand for private treatment in particular, seeking alternative routes for diagnosis and treatment given the pressure on NHS GPs and waiting lists.

Our investment to drive self-pay income which we began several years ago is bearing fruit, as evidenced by the significant rise in self-pay revenue recorded in FY21. We believe the trend involving patients choosing to take advantage of the benefits of private treatment will continue and the Group's strategy to accelerate private patient growth reflects this. Further, the positive relationships formed with all key stakeholders will, we believe, provide a strong foundation for the business in the years ahead. While considerable uncertainty around the COVID-19 pandemic remains, Spire Healthcare will continue to focus on maintaining a COVID-secure environment for our patients, Consultants and colleagues and consequently, COVID-related costs will continue in 2022. Meanwhile, healthcare in the UK faces inflationary pressures, especially on staffing costs, due to a shortage of nurses and the general impact of above inflation rises in the National Living Wage and the new Health and Social Care levy. Spire believes it is well placed to offset these pressures through its strategic initiatives and in particular by further improvements in testing, strong employee recruitment, retention and development, and progressive efficiency measures. Indeed, we believe we now have a platform for margin expansion in 2022 and beyond.

As the nature of the demand for healthcare has changed radically in the wake of the pandemic, we will evolve our strategy to reflect the new market dynamics. This will entail greater diversification to provide a broader integrated healthcare offering, while maintaining our core focus on our hospital offering. We will provide further information on the Group's plans for the future development at a capital markets day in June.

Selected financial information

(£m)	Year ended 31 December 2021 Total before Adjusting items	Adjusting items (note 9)	Total	Year ended 31 December 2020 Total before Adjusting items	Adjusting items (note 9)	Total	Year ended 31 December 2019 Total before Adjusting items	Adjusting items (note 9)	Total
Revenue	**1,106.2**	**–**	**1,106.2**	919.9	–	919.9	*980.8*	–	*980.8*
Cost of sales	**(615.0)**	**–**	**(615.0)**	(464.1)	–	(464.1)	(529.4)	–	(529.4)
Gross profit	**491.2**	**–**	**491.2**	455.8	–	455.8	451.4	–	451.4
Other operating costs	**(411.2)**	**(17.4)**	**(428.6)**	(389.1)	(213.3)	(602.4)	(353.8)	(3.2)	(357.0)
Other income	**1.1**	**23.3**	**24.4**	0.4	–	0.4	–	–	–
Operating (loss)/profit (EBIT)	**81.1**	**5.9**	**87.0**	67.1	(213.3)	(146.2)	97.6	(3.2)	94.4
Net finance costs	**(88.1)**	**(0.8)**	**(88.9)**	(85.6)	0.8	(84.8)	(84.8)	–	(84.8)
(Loss)/profit before taxation	**(7.0)**	**5.1**	**(1.9)**	(18.5)	(212.5)	(231.0)	12.8	(3.2)	9.6
Taxation	**(20.8)**	**13.8**	**(7.0)**	(2.2)	(0.7)	(2.9)	(3.0)	0.6	(2.4)
(Loss)/profit for the period	**(27.8)**	**18.9**	**(8.9)**	(20.7)	(213.2)	(233.9)	9.8	(2.6)	7.2
(Loss)/profit for the year attributable to owners of the Parent	**(28.6)**	**18.9**	**(9.7)**	(20.7)	(213.2)	(233.9)	9.8	(2.6)	7.2
Profit for the year attributable to non-controlling interest[4]	**0.8**	**–**	**0.8**	–	–	–	–	–	–
EBITDA[1]	**178.2**	**–**	**178.2**	161.1	–	161.1	189.0	–	189.0
Basic (loss)/earnings per share, pence	**(7.1)**	**4.7**	**(2.4)**	(5.2)	(53.2)	(58.4)	2.4	(0.6)	1.8
FCF[2]			**27.4**			34.7			51.0
Capital investments			**77.1**			50.8			62.5
Net cash from operating activities			**183.8**			159.7			201.7
Net bank debt[3]			**224.9**			314.5			330.0

1 EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items, referred to hereafter as 'EBITDA'.
2 FCF (Free Cash Flow) is calculated as EBITDA, less rent and capital expenditure cash flows. Rent cash flows are defined as Interest on, and Payment of, Lease Liabilities. Capital expenditure cash flows are defined as the Purchase, and Proceeds on Disposal, of Property, Plant and Equipment
3 Net bank debt is defined as bank borrowings less cash and cash equivalents
4 (Loss)/profit for the year attributable to non-controlling interest not disclosed in prior years as it was immaterial.

Revenue

Group revenues increased by 20.3% to £1,106.2m versus FY20 of £919.9m (increased by 12.8% versus FY19 of £980.8m). The Group operated under an NHS volume-based contract in Q1 2021, with a minimum income guarantee. The increase in revenue during the year is mainly driven by the strong return of private patients from Q2 2021. NHS revenue of £314.5m (2020: £430.0m, 2019: £285.7m) includes £58.1m revenue from the COVID-19 contracts (2020: £362.7m, 2019: £nil), with £47.4m reflecting the 'top up' to minimum income guaranteed under the Q1 2021 contract, and £10.7m relating to the FY20 NHS cost recovery contract being recognised in the period following customer agreement to variable consideration and final costings.

The nature of the NHS COVID-19 specific contracts in FY20 and Q1 2021 means that not all of the detail of revenue by location (in-patient, day case or out-patient) is available. In Q1 2021, where a patient was admitted, this revenue has been recorded within the revenue by location. Amounts relating to the minimum income guarantee over and above admitted patients is reflected in the NHS COVID-19 line. In FY20, admission type was not tracked under the NHS cost recovery contract and therefore all revenue under the contract is reflected in the NHS COVID-19 line.

Revenue by location and payor

(£m)	Year ended 31 December 2021	2020	Variance % (2021–2020)	2019	Variance % (2020–2019)
Total revenue	**1,106.2**	919.9	20.3%	980.8	12.8%
Of which:					
In-patient	**414.2**	188.3	120.0%	370.5	11.8%
Day case	**307.0**	170.3	80.3%	298.9	2.7%
Out-patient	**300.9**	181.9	65.4%	286.9	4.9%
NHS – COVID-19	**58.1**	362.7	(84.0%)	–	NM[1]
Other	**26.0**	16.7	55.7%	24.5	6.1%
Total revenue	**1,106.2**	919.9	20.3%	980.8	12.8%
Of which:					
PMI	**473.7**	337.6	40.3%	491.8	(3.7%)
Self-Pay	**292.0**	135.6	115.3%	178.8	63.3%
Total Private	**765.7**	473.2	61.8%	670.6	14.2%
Total NHS	**314.5**	430.0	(26.9%)	285.7	10.1%
Other	**26.0**	16.7	55.7%	24.5	6.1%
Total revenue	**1,106.2**	919.9	20.3%	980.8	12.8%

1 Not meaningful.

Cost of sales and gross profit

Comparisons with prior periods are not straightforward due to the COVID-19 pandemic and subsequent contracts with the NHS. In FY20 revenue was based on a cost recovery basis and in Q1 2021 the Group operated under a volume-based contract with a minimum income guarantee. In addition, the different mix of work undertaken during FY21 and FY20 also distorts both the cost profile and its proportion of revenue.

Gross margin for the year is 44.4% compared to 2020 levels of 49.5%, and 2019 levels of 46.0%. Cost of sales increased in the period by £150.9m (£85.6m increase versus 2019), or 32.5% (16.2% versus 2019), to £615.0m (2020: £464.1m, 2019: £529.4m) on revenues that increased by 20.3% (12.8% versus 2019). The increase in costs is due to additional agency and bank staff cost to assist in short notice absences caused by COVID-19 self-isolation requirements of £43.0m. The margin was higher in 2020 as a result of strong private trading, and the impact of the NHS cost recovery contract.

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

	Year ended 31 December 2021		Year ended 31 December 2020		Year ended 31 December 2019	
	£m	**% of revenue**	£m	% of revenue	£m	% of revenue
Clinical staff	**260.8**	**23.6%**	212.6	23.1%	203.3	20.7%
Direct costs	**263.4**	**23.8%**	192.8	21.0%	223.9	22.8%
Medical fees	**90.8**	**8.2%**	58.7	6.4%	102.2	10.4%
Cost of sales	**615.0**	**55.6%**	464.1	50.5%	529.4	54.0%
Gross profit	**491.2**	**44.4%**	455.8	49.5%	451.4	46.0%

Hospital operating profit margin (gross profit less indirect hospital costs) was 23.5% compared to 26.4% in 2020 and 25.2% in 2019.

Other operating costs

Other operating costs for the year ended 31 December 2021 decreased by £173.8m or 28.9% to £428.6m (2020: £602.4m). The main driver for this decrease relates to the one-off non-cash charge for impairment in the prior year, relating to goodwill as reported in H1 2020, of £200m which was reported as an Adjusting item. Excluding Adjusting Items, other operating costs have increased by £22.1m, or 5.7% to £411.2m (2020: £389.1m) This increase is mainly driven by increased non-clinical staff costs (which includes £1.9m (2020: £1.4m) in respect of the provision for holiday accruals), depreciation and marketing costs offset by the profit on disposal relating to the sale leaseback of the Group's Cheshire Hospital. In 2019, other operating costs were £357.0m, being 20.1% lower than 2021, and excluding adjusting items at 16.2% lower at £353.8m.

Operating margin for the year ended 31 December 2021 is 7.9%, up from a negative 15.9% in 2020 and down from 9.6% in 2019. Excluding Adjusting Items, operating margin is 7.3%, unchanged from 7.3% at 2020 and down from 10.0% in 2019.

EBITDA

EBITDA for the Group has increased by 10.6% in the period from £161.1m to £178.2m for 2021 and decreased by 5.7% from £189.0m in 2019. The increase versus FY20 reflects the reducing limitations placed on the trading operations of the business as a consequence of both the NHS COVID-19 contract and Government policy in response to the pandemic.

Share-based payments

During the period, grants were made to Executive Directors and other employees under the Company's Long Term Incentive Plan. For the year ended 31 December 2021, the charge to the income statement is £2.8m (2020: £1.7m, 2019: £1.0m), or £3.2m inclusive of National Insurance (2020: £1.9m, 2019: £1.1m). In addition, the Group has a Share save scheme which was launched in 2019. Further details are contained in note 27 of the Annual Report and Accounts.

Adjusting items

	Year ended 31 December		
(£m)	**2021**	2020	2019
Remediation of regulatory compliance or malpractice costs	**11.4**	12.8	1.9
Costs from asset disposals, impairment and aborted project costs	**4.5**	200.3	–
Business reorganisation and corporate restructuring costs	**1.2**	–	1.1
Hospitals set up and closure costs	**0.3**	0.2	0.3
Income from asset disposals and aborted projects	**(23.3)**	–	(0.1)
Total Adjusting items in operating costs	**(5.9)**	213.3	3.2
Interest payable/(receivable) on Adjusting items	**0.8**	(0.8)	–
Total pre-tax Adjusting items	**(5.1)**	212.5	3.2
Income tax (credit)/charge on Adjusting items	**(13.8)**	0.7	(0.6)
Total post-tax Adjusting items	**(18.9)**	213.2	2.6

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

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

- During 2020, the judgment was received in favour of the Group in its case against one of its insurers relating to Ian Paterson and the Group was awarded £11.6m, including £0.8m of interest. This income was recognised as the Group's best estimate at the time was that the possibility of a successful appeal was remote and therefore there was no significant risk of reversal. £10.8m was reported within Remediation of Regulatory Compliance or Malpractice Costs and £0.8m was shown in the above table as Interest Receivable on Adjusting Items. Following this ruling, the Group received an additional £0.4m credit in respect of costs awarded by the Court in FY21.
- In December 2021, the case was heard in the Court of Appeal, following an appeal by the insurer. In January 2022, the judgment was received in favour of the insurer. As a result, the Group is required to repay amounts awarded by the High Court, as well as the Insurers costs. The Group has treated this judgment as an Adjusting post balance sheet event and provided £12.2m for repayment of compensation and costs, and £0.8m in interest payable which was received by the Group previously. The Group will seek leave to appeal which, if granted, would result in the case being heard in the Supreme Court.

The prior year charge of £12.8m reflects the £10.8m awarded in the High Court referred to above, and the following two items:
- The Group is committed to providing ongoing support to Paterson's patients, and following the release of the Paterson Public Inquiry in February 2020, the Group incurred, or provided for, costs of £22.2m during the year.
- The Group reached a settlement with the Competition and Marketing Authority (CMA) as disclosed in the RNS announcement released on 1 July 2020. Professional costs in respect of the CMA investigation were also recognised, bringing the total cost recognised in the period to £1.3m.

During the year, the Group incurred £4.7m of costs relating to Mergers and Acquisition ('M&A') costs, largely relating to the attempted takeover bid by Ramsay Health Care, and the acquisition and integration of Claremont, which the Group acquired in November 2021. In March 2021, the Group agreed to terminate the lease for our Sussex Hospital, with the NHS Trust taking over the running of the hospital from 31 March 2022. As part of this agreement, the Plant, Property and Equipment were sold to the Trust on 31 March 2021, the property lease shortened to a period of one year (reduced from six years) and a transitional arrangement was agreed. This has resulted in a £0.4m profit being reflected in Asset disposals, offset by £0.2m of sale costs, which offsets the M&A costs.

In the period, the Group announced a strategic, group-wide initiative that impacts the operating model of the Group to allow a more efficient governance and reporting structure. As a result, of this initiative, costs of £0.6m have been incurred, and a further £0.6m has been provided for following internal announcements in the year. The majority of this initiative is expected to complete during 2022.

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

In December 2021, the Group agreed the sale and leaseback of its Cheshire Hospital for consideration of £89m. A gain on disposal of £23.5m has been recognised, offset by £0.2m of costs to sell.

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

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

Net finance costs

Net finance costs increased by 4.8% to £88.9m (2020: £84.8m, 2019: £84.8m). Adjusting items of £0.8m costs (2020: £0.8m income, 2019: £nil) relates to the interest repayment on the Court of Appeal judgment in respect of an insurer.

Taxation

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

	Year ended 31 December		
(£m)	**2021**	2020	2019
(Loss)/profit before taxation	**(1.9)**	(231.0)	9.6
Tax at the standard rate	**(0.4)**	(43.9)	1.8
Effects of:			
Expenses and income not deductible or taxable	**4.5**	5.6	2.8
Tax adjustment for the Super-deduction allowance	**(2.2)**	–	–
Tax adjustment in respect of sale and leaseback	**(16.0)**	–	–
Impairment charge in respect of goodwill (not tax deductible)	**–**	38.0	–
Adjustments to prior year	**3.5**	(2.4)	(1.5)
Difference in tax rates	**17.7**	5.8	(0.4)
Deferred tax not previously recognised	**(0.1)**	(0.2)	(0.3)
Total tax charge	**7.0**	2.9	2.4

Corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was not meaningful (2020: negative (1.3)%), mainly due to the one-off tax rate impact to deferred tax of £17.7m as a result of the Government announcement to increase the corporation tax rate from 19% to 25% from April 2023, a prior year adjustment of £3.5m, and one-off tax credit movements of £16.0m in respect of the sale and leaseback of a freehold property. The prior year was driven by the effects of revaluing deferred tax assets and liabilities to 19% following the abolishment of the rate reduction to 17% due in April 2020, and the permanent difference relating to the £200m impairment charge.

Profit after taxation

The loss after taxation for the year ended 31 December 2021 was £8.9m (2020: loss £233.9m and 2019: profit £7.2m).

Adjusted financial information

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

Non-GAAP financial measures

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

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

EBITDA and Adjusted EBIT

	Year ended 31 December		
(£m)	**2021**	2020	2019
Operating (loss)/profit	**87.0**	(146.2)	94.4
Remove effects of:			
Adjusting items before interest and tax[1]	**(5.9)**	213.3	3.2
Adjusted EBIT	**81.1**	67.1	97.6
Depreciation	**97.1**	94.0	91.4
EBITDA	**178.2**	161.1	189.0

1 Adjusting items before tax total £5.1m including the £0.8m interest payable on the Court of Appeal judgement in respect of an insurer which was previously awarded to Spire Healthcare. Interest payable is not included in EBIT or EBITDA.

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

	Year ended 31 December		
(£m)	**2021**	2020	2019
(Loss)/profit before tax	**(1.9)**	(231.0)	9.6
Adjustments for:			
Adjusting Items – operating (income)/costs	**(5.9)**	213.3	3.2
Adjusting items – interest payable/(receivable)	**0.8**	(0.8)	–
Adjusted (loss)/profit before tax	**(7.0)**	(18.5)	12.8
Taxation[1]	**(20.8)**	(2.2)	(3.0)
Adjusted (loss)/profit after tax	**(27.8)**	(20.7)	9.8
(Loss)/profit for the year attributable to owners of the parent	**(28.6)**	(20.7)	9.8
Profit for the year attributable to non-controlling interests[2]	**0.8**	–	–
Weighted average number of ordinary shares in issue (No.)	**400,848,264**	400,835,795	400,828,739
Adjusted (loss)/earnings per share (pence) attributable to the parent	**(7.1)**	(5.2)	2.4

1 Reported tax charge for the period adjusted for the tax effect of Adjusting Items.
2 (Loss)/profit for the year attributable to non-controlling interests not disclosed in prior year as it was immaterial.

Return on capital employed
Return on capital employed ('ROCE') is the ratio of the Group's Adjusted EBIT to total assets less cash, capital investments and current liabilities. The calculation of return on capital employed is shown below:

	Year ended 31 December		
(£m)	**2021**	2020	2019
Adjusted EBIT	**81.1**	67.1	97.6
Total Assets	**2,237.4**	2,104.8	2,287.2
Less: Cash and cash equivalents	**(202.6)**	(106.3)	(90.8)
Less: Capital investments	**(77.1)**	(50.8)	(62.5)
Less: Current Liabilities	**(302.1)**	(253.9)	(207.5)
Capital Employed	**1,655.6**	1,693.8	1,926.4
Return on capital employed %	**4.9%**	4.0%	5.1%

Cash flow analysis for the period

	Year ended 31 December		
(£m)	**2021**	2020	2019
Opening Cash balance	**106.3**	90.8	47.7
Operating cash flows before Adjusting Items and income tax paid	**189.0**	158.9	205.5
Net cash flow from Adjusting Items (included in operating cash flows)	**(5.2)**	(2.8)	(2.7)
Income tax received/(paid)	**–**	3.6	(1.1)
Operating cash flows after operating Adjusting Items and income tax	**183.8**	159.7	201.7
Net cash flow from Adjusting Items (included in investing cash flows)	**35.2**	–	–
Net cash in investing activities	**(68.8)**	(46.3)	(48.6)
Cash outflow for acquisition of subsidiary	**(14.7)**	–	–
Investing cash flows after investing Adjusting Items	**(48.3)**	(46.3)	(48.6)
Net cash flow from Adjusting Items (included in financing cash flows)	**55.5**	–	–
Net cash in financing activities	**(94.7)**	(97.9)	(110.0)
Financing cash flows after financing Adjusting Items	**(39.2)**	(97.9)	(110.0)
Closing cash balance	**202.6**	106.3	90.8

Operating cash flows before adjusting items
The cash inflow from operating activities before tax and Adjusting items was £189.0m (2020: £158.9m, 2019: £205.5), which constitutes a cash conversion rate from £178.2m EBITDA of 106% (2020: 99% conversion of £161.1m EBITDA, 2019: 109% conversion of £189.0m EBITDA). The net cash inflow from movements in working capital in the period was £11.4m (2020: £3.9m outflow, 2019: £17.9m inflow). The movement is largely driven by the increase in other payables relating to payments on account from both private and NHS patients.

Investing and financing cash flows
Net cash outflow in investing activities for the period was £48.3m (2020: £46.3m, 2019:£48.6m). There was a cash inflow for the sale and leaseback of Spire Cheshire hospital for proceeds, less costs, of £88.9m of which £33.4m is reflected in investing, and £55.5m reflecting the retained value of the freehold via the leaseback is reflected in investing cash flows. A cash inflow for proceeds, less costs, relating to the transfer of Sussex of £1.8m is reflected in financing cash flows. These were offset by the cash outflow for the acquisition of Claremont hospital of £14.7m net of cash acquired and the purchase of plant, property and equipment in the period totalled £69.3m (2020: £46.6m, 2019:£60.6m), which included replacement MRI or CT scanners and associated works. The total capital investment in the year in respect of additions of plant, property and equipment amounted to £77.1m (2020: £50.8m, 2019: £62.5m).

Net cash used in financing activities for the period was £39.2m (2020: £97.9m, 2019:110.0m) after the inflow from the sale and leaseback of Cheshire set out above, and including interest paid and other financing costs of £80.0m (2020: £84.5m, 2019: £75.5m), and £14.7m (2020: £13.4m, 2019: £19.3m) of lease liability payments. No dividend has been paid to shareholders (2020: nil, 2019: £15.2m).

Borrowings
At 31 December 2021, the Group has bank borrowings (inclusive of IFRS 9 adjustments) of £427.5m (2020: £420.8m, 2019: £420.8m), drawn under facilities which mature in July 2023.

	Year ended 31 December		
(£m)	**2021**	2020	2019
Cash	**202.6**	106.3	90.8
Bank borrowings	**427.5**	420.8	420.8
Bank borrowings less cash and cash equivalents	**224.9**	314.5	330.0

As disclosed in the 2020 year-end financial results, the Group had reached agreement with its lenders to provide the necessary financial flexibility to continue to support the NHS for a longer period than was initially envisaged, this included a covenant waiver of the net debt/EBITDA ratio and interest cover test for June 2021 and a new liquidity measure as a consequence of this arrangement. This test requires cash and cash equivalents, including headroom under undrawn committed facilities, to remain above £50m, and allowed a net debt/EBITDA ratio up to 6x if it didn't fall below 4x during the year. The new liquidity measure fell away in June 2021 as the maximum net debt/EBITDA ratio reduced below 4x. As at 31 December 2021 this measure stood at 2.3x, and the new liquidity measure referred to above fell away from 30 June 2021.

The net debt for covenant purposes in respect of the Senior Facility was £222.4m (FY20: £318.7m) and comprises the senior facility of £425.0m, less cash and cash equivalents. The EBITDA for covenant purposes comprises pre-IFRS 16 EBITDA of £106.0 (FY20: £90.7m) less annual rental of a finance lease pre-IFRS 16 of £9.1m (FY20: £8.8m).

As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance this debt. As part of this exercise, and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325m and the Group continued to have access to an undrawn RCF of £100m. This new arrangement has a maturity of 4 years, with the Group having the option to extend by another year. The financial covenants relating to this new agreement are materially unchanged.

Interest cover is 4.5x (2020: 4.0x, 2019: 4.8x).

As at 31 December 2021 lease liabilities were £837.8m (2020: £749.5m, 2019:£745.3m).

Dividend
No dividend is proposed for the year ended 31 December 2021.

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

"The job of the Board and our management team now will be to drive our business forward. The structural after-effects of the pandemic on NHS waiting lists and the huge increase in the demand for self-pay healthcare has changed the demand landscape for treatment across a range of routine and more complex health categories for many years to come.

Sir Ian Cheshire
Chairman
2 March 2022

Dear Shareholder,

I am delighted to have joined Spire Healthcare at such an important time for the UK's healthcare. It is pleasing to have found a solid governance foundation and healthy culture in which identifying concerns and speaking up is not only encouraged, but also embedded fully across all areas of the business.

In this 2021 Annual Report we are reporting against the 2018 UK Corporate Governance Code (the 'Code'). As a Board we have taken the time during the year to review the requirements of the Code issued by the Financial Reporting Council.

Directors

Following my appointment as Chairman-designate on 4 March 2021, I became Non-Executive Chairman from the close of our annual general meeting in May when Garry Watts stepped down. I would like to thank Garry for his commitment to Spire Healthcare over a number of years. He oversaw many significant developments during his tenure as Chairman including embedding the corporate governance structure and internal controls that we have in place. You can read more about the process that led to my appointment on page 95.

In June, the Board carefully considered Jitesh Sodha's request to become a non-executive director of PZ Cussons Plc. The Board recognised the value such an appointment would have both for his professional development and from a business perspective. The Board was assured that he had sufficient time to honour both this commitment and his executive role at Spire Healthcare.

We reported in February 2022 that Jitesh is recovering after an accident he sustained while cycling. We all miss him hugely, but I'm pleased to say that he's making good progress although his recovery is likely to be long given the seriousness of his condition. In the meantime, Harbant Samra, our Group Financial Controller, has taken on Jitesh's responsibilities as interim Chief Financial Officer in Jitesh's absence.

Offer from Ramsay Health Care

The importance of sound governance and stakeholder engagement during a takeover period cannot be understated. When it was announced that Ramsay Health Care had made a bid to acquire Spire Healthcare in May, we put a stakeholder engagement plan together that focused on communicating with our shareholders, lenders and colleagues. The Board considered every detail of the bid, and made arrangements to present it to shareholders. A vote was held in July, and by a narrow margin, shareholders did not provide sufficient votes to support the Scheme of Arrangement.

I would like to acknowledge my fellow Board members who remained flexible and diligent throughout the process in discharging their duties to the Company and its shareholders.

Principal decisions of the Board

The principal decisions of the Board during the year are set out on page 84.

Stakeholder engagement

The restrictions presented by COVID-19 continued to mean that a large element of the Board's regular stakeholder engagement was conducted virtually. It is hoped that we can undertake more in person meetings and events this year. Meetings that were held by the Non-Executive Directors included with our colleagues, Consultants and shareholders. As part of our oversight of the wider team's we also considered relationships with other stakeholders including the NHS, CQC, suppliers and finance providers.

On pages 35 to 41 we set out the ways in which we engage with key stakeholders, what they are telling us and how that has been taken into account in the Board's decision-making process.

2021 performance evaluation

The Board's evaluation in 2021 was externally facilitated by Oliver Ziehn of Lintstock Ltd with support from the Senior Independent Director and the Company Secretary. The process involved an online questionnaire which each of the Directors completed and this resulted in a written report. The principal conclusions of the review were shared with the Board in December. It was determined that the Company's Board continued to operate effectively, in an open and transparent manner, providing support and challenge to senior management. A fuller review of the areas of focus and our agreed action plan can be found on page 86. A number of the areas from the previous year's evaluation were unable to be given the appropriate attention due to the approach from Ramsay Health Care and the change in Chairman and these will be further considered during 2022.

Risk management

Our risk culture is centred on risk awareness, openness, continuous improvement and encouraging the right behaviours to ensure an appropriate outcome for both the Company and its stakeholders. A review of our Principal Risks is set out on pages 58 to 68.

Annual general meeting

In line with Government guidance our annual general meeting in 2021 was held without shareholders present to maintain safety whilst the country was in lockdown.

At the time of writing it is hoped that shareholders will be able to attend our annual general meeting scheduled for 11 May 2022 in person. Shareholders are recommended to look out for further details which will be included in the 2022 Notice of annual general meeting and also posted on our website at www.spirehealthcare.com/AGM.

Sir Ian Cheshire
Non-Executive Chairman
2 March 2022

Compliance with the UK Corporate Governance Code in 2021

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

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

Code provision	How has the Company not complied with the provisions of the UK Code?	The Board's response
38	The pension contribution rates for Executive Directors are not aligned with those available to the workforce.	The Remuneration Committee agreed in 2020 that for new Executive Directors, the nature and value of any retirement benefits provided will be set by reference to the rate received by the majority of the workforce. The retirement benefits for incumbent Executive Directors are currently 18% of base salary, consistent with the policy on appointment. Benefits for incumbent Executive Directors will be reduced to be consistent with the policy for new appointments with effect from 1 January 2023.

Director independence

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

The Company does not consider Dr. Ronnie van der Merwe, who has been nominated to act as a Non-Executive Director by Mediclinic International PLC, the Company's principal shareholder, to be independent. Mediclinic International PLC's subsidiary, Mediclinic Jersey Limited (formerly Remgro Jersey Limited), entered into a relationship agreement with the Company in June 2015 (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, when Mediclinic International PLC controls 15% or more of the votes, it will be entitled to appoint one Non-Executive Director to the Board. It controls 29.9% of votes as at 2 March 2022. The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of Mediclinic International PLC.

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

Conflicts of interest

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

Director
Dr. Ronnie van der Merwe

Conflict
Chief executive officer of Mediclinic International PLC, which controls 29.9% of the voting rights in the Company as at 2 March 2022.

Changes to your Board during 2021

Individual	Event	Date
Sir Ian Cheshire	Appointed Chairman-designate	4 March 2021
	Appointed Non-Executive Chairman	From the conclusion of the Company's annual general meeting on 13 May 2021

Principal decisions of the Board during 2021

Throughout this annual report, we provide examples of how the Company takes into account the likely consequences of long-term decisions; builds relationships with stakeholders; understands the importance of engaging with our colleagues; understands the impact of our operations on the communities in our region and the environment we depend upon; and attribute importance to behaving as a responsible business. The Directors recognise the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision-making.

Decision of the Board	Stakeholders	Link to Spire Healthcare's strategy	Further details can be found
Purchase of The Claremont Hospital/ Disposal of Spire Sussex Hospital	– NHS – Patients – Consultants	Key partner with NHS First choice for private healthcare Improving revenue, profit and cash	See page 74
Recommendation of offer for Spire Healthcare by Ramsay Health Care	– Shareholders – Colleagues	n/a	See pages 71 and 105
Investing in digital and our estate	– Patients – Colleagues – Consultants	First choice for private healthcare Uncompromising on patient safety and clinical care	See page 24
Sale and leaseback of Spire Cheshire Hospital	– Lenders	Improving revenue, profit and cash	See pages 74 and 78

The Board has a formal schedule of matters reserved to it and delegates certain matters to committees. Specific matters reserved for the Board considered during the year to 31 December 2021 included reviewing the Group's performance (monthly and year to date), approving capital expenditure, setting and approving the Group's strategy and annual budget.

Key roles and responsibilities

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

Non-Executive Chairman
Sir Ian Cheshire

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

Chief Executive Officer
Justin Ash

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

Deputy Chairman and Senior Independent Director
Martin Angle

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

Company Secretary
Philip Davies

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

Board and Committee structure

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

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

The Non-Executive Directors

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

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

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

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

Your Board in 2021

A principal focus of the Board this year was to consider the approach from Ramsay Health Care and Directors met on a number of occasions outside of the regular schedule to do this. During these sessions the Board received advice from its legal and financial advisers. The principal decisions of the Board during the year can be found on page 84.

Whilst COVID restriction were ongoing we held our meetings virtually but looked to meet in person in the second half of the year as. Director attendance at scheduled meetings is shown on page 86.

The agenda at scheduled meetings in 2021 covered standing agenda items, including: a review of the Group's performance from the Chief Executive Officer, the current month's and year to date financial statistics by the Chief Financial Officer and a review of clinical performance and medical governance by both the Group Clinical Director and Group Medical Director. In addition, the Board received a verbal report from committee chairs, where their committee met immediately in advance of the scheduled Board meeting, and the Board regularly received reports on legal and statutory matters.

The Board's plan for 2022

It is currently planned that the Board will convene for eight scheduled meetings in 2022, as well as holding any necessary ad hoc Board and committee meetings to consider non-routine business.

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

The Board will maintain its focus on the Group's pursuit of its 2022 targets during the year. Its activities will include:
- reviewing and approving the 2021 Annual Report;
- reviewing the revised five-year strategic plan and approving the 2022 Annual Operating Plan;
- completing deep dives into key areas of the business;
- embedding the risk management framework;
- reviewing the make up of the Board; and
- following a rolling agenda, ensuring proper time for strategic debate.

Furthermore, the Board will maintain its commitment to continuous improvement of clinical quality and the implementation of the Company's Quality Improvement strategy. It will maintain overall responsibility for the Group's system of internal control and risk management processes via the relevant Board committees.

Board evaluation

2022 Action plan

The 2021 Board evaluation identified two principal areas of focus and associated actions to address them during 2022.

Area of focus	Actions
1) Stakeholders	– Review existing engagement arrangements with stakeholders to ensure they remain appropriate and that the Board continues to hear stakeholders' views
2) Strategy	– Board to build on strategic discussions on the future of the business and receive regular updates on progress against strategic objectives – Consider further the impact of sustainability on strategy

Disclosure Committee

The Board has established a Disclosure Committee to ensure, under delegated authority, that the Company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation. The Disclosure Committee also manages the Company's share dealing code, ensuring colleague compliance and provides training where required. The members of the Disclosure Committee are shown on page 88.

Share Schemes Committee

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

Executive Committee

The Executive Committee meets twice a month, splitting its time between project work and strategic matters. The Executive Committee delegates certain matters to the Safety, Quality and Risk Committee who have specific focus on safety, quality and risk matters respectively (see the Governance framework on page 88).

National Medical Professional Standards Committee

After a review of the National Medical Governance Committee in 2021, this committee has been replaced by the National Medical Professional Standards Committee. This meets monthly and is chaired by the Group Medical Director, with membership including the Group Clinical Director, Chief Operating Officer (Deputy Chair), Responsible Officer, Associate Medical Directors, Group Director of Medical Standards and Effectiveness, Head of Legal (Regulatory) and Director of Integrated Quality Governance.

The purpose of the Medical Professional Standards Committee is to:
- have oversight of performance and safety standards monitoring of Consultants and GPs with Practising Privileges or employed by Spire Healthcare;
- have oversight over the investigations relating to the practice of doctors with practising privileges at Spire Healthcare's facilities in order to provide assurance to the Executive Committee and Board in relation to compliance with medical policies relating to professional standards;
- provide oversight of Consultant related Patient Notification Exercises in order to promote and maintain good medical practice, and inform the continuous quality improvement programme across Spire Healthcare; and
- ensure that local and organisational learning is determined and actioned in relation to medical professional standards and performance.

Board meetings

The attendance of the Directors who served during the year ended 31 December 2021, at meetings of the Board, is shown in the following table. The number of meetings a Director could attend in the year is shown in brackets. In addition to the scheduled meetings shown, the Board also met to review and respond to the Ramsay Health Care offer for the Company on a number of occasions.

Board meeting attendance

Non-Executive Chairman	
Sir Ian Cheshire[1]	7 (7)
Deputy Chairman and Senior Independent Director	
Martin Angle	11 (11)
Executive Directors	
Justin Ash	10 (11)
Jitesh Sodha	11 (11)
Non-Executive Directors	
Adèle Anderson	11 (11)
Tony Bourne	11 (11)
Dame Janet Husband	11 (11)
Jenny Kay	11 (11)
Simon Rowlands	11 (11)
Professor Cliff Shearman	11 (11)
Dr. Ronnie van der Merwe	11 (11)

1 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021

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 2021 Board calendar included sessions on clinical data analysis and statutory regulations. The Board considers its size and composition to be appropriate for the current requirements of the business but will continue to keep this under review.

Committee composition is set out in the relevant committee reports and listed on page 88. No one other than committee chairs and members of the committees is entitled to participate in meetings of the Audit and Risk, CGSC, Disclosure, Nomination and Remuneration committees, unless by invitation of the respective committee chair.

Martin Angle is the Deputy Chairman and Senior Independent Director. Biographical details of the Directors are set out on pages 90 to 93.

Appointments to the Board

Recommendations for appointments to the Board are made by the Nomination Committee. As part of the recruitment process the Nomination Committee follows a formal, rigorous and transparent procedure. Further information is set out in the Nomination Committee Report on page 94.

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

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

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

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

On joining the Board, it is the responsibility of the Chairman and Company Secretary to ensure that all newly appointed Directors receive a full and formal induction which is tailored to their individual needs. The induction programme includes a comprehensive overview of the Group, dedicated time with other Directors and senior management, as well as guidance on the duties, responsibilities and liabilities as a director of a listed and regulated company. These activities formed part of the induction programme for Sir Ian Cheshire. Due to the ongoing COVID-19 position it was only possible for him to visit our hospitals virtually on first joining Spire Healthcare with physical visits arranged when circumstances permitted.

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

As already noted, in the event of a general training need, in-house training will be provided to the entire Board. Necessary and relevant regulatory updates are provided by the Company Secretary or by external advisers as required.

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

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

All Directors have access to the advice and services of the 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 appointed at the time offered themselves for election or re-election at the seventh annual general meeting in May 2021. Directors are elected or re-elected in accordance with the requirements of the Code.

All Directors will stand for re-election or re-election at the annual general meeting in May 2022. The biographical details of each Director standing for re-election is included in the 2022 Notice of annual general meeting. The Board believes that each of the Directors standing for re-election is effective and demonstrates commitment to their respective roles. Accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2022 annual general meeting relating to the re-election of the Directors.

The biographical details of all Directors are set out on pages 90 to 93.

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

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

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

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

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

Accountability

The Audit and Risk Committee
The Audit and Risk Committee Report is set out on pages 99 to 103 and identifies its members, whose biographies are set out on pages 91 and 92.

The report describes the Audit and Risk Committee's work in discharging its responsibilities during the year ended 31 December 2021, and its terms of reference can be found on the Group's website at www.investors.spirehealthcare.com.

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

The Audit and Risk Committee and the Clinical Governance and Safety Committee, whose reports are set out on pages 99 to 103 and pages 96 to 98 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.

Governance framework in 2021

Non-Executive Chairman
Sir Ian Cheshire

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

Senior Independent Director
Martin Angle

The Board of Spire Healthcare Group plc
The Board comprises eleven Directors – the Non-Executive Chairman, two Executive Directors and seven Non-Executive Directors, six of whom are deemed to be independent for the purposes of the 2018 UK Corporate Governance Code. Philip Davies serves the Board as Company Secretary.

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

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

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

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

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

Disclosure Committee
Sir Ian Cheshire (chair), Martin Angle, Justin Ash, Jitesh Sodha

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

Nomination Committee
Sir Ian Cheshire (chair), Adèle Anderson, Martin Angle, Dame Janet Husband, Dr. Ronnie van der Merwe

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

Remuneration Committee
Tony Bourne (chair), Martin Angle, Jenny Kay, Simon Rowlands

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

Executive Committee
The Group also operates an Executive Committee (convened and chaired by the Chief Executive Officer). The Executive Committee meets fortnightly.

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

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

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

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

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

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

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

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

The Group undertakes an ongoing programme of meetings with investors, which during 2021 was led by the Chief Executive Officer, Chief Financial Officer and the Head of Investor Relations. Due to the restrictions presented by COVID-19 these were principally held virtually.

The Non-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 Company Secretary or directly at the annual general meeting.

The Company reports its financial results to shareholders twice a year, with the publication of its annual and half yearly financial reports.

In conjunction with these announcements, presentations or teleconference calls are held with institutional investors and analysts, and copies of any presentation materials issued are made available through the Company's website at www.investors.spirehealthcare.com.

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

Modern slavery
We are committed to act ethically and with integrity in all our relationships in line with our value of "Doing the right thing". Accordingly, our approach to tackling the risk of modern slavery touching our business continues to evolve under the oversight of the internal multi-department modern slavery working group.

The two main areas of focus in our business are at front-line level, in safeguarding patients (and anyone else who comes through our facilities), and in our supply chain. In terms of our business operations, we believe practitioners and our staff are uniquely placed to identify and deal with modern slavery through the training and protections in place to protect patients. The safeguarding system trains those practitioners and other colleagues (clinical and non-clinical) to recognise and report signs of abuse. We believe the rigour of this system mitigates the risk of modern slavery from either going undetected or being inadequately dealt with at front-line level and this risk is further controlled by the support, training and infrastructure in place for all colleagues to be able to raise concerns, through our network of local 'Freedom to Speak up Guardians', or other available channels. In 2021, we maintained high levels of training and awareness on the subject and, in October, again co-ordinated an awareness campaign with National Anti-Slavery Day. In terms of the supply chain risk, we undertook deep-dive due diligence of our key direct suppliers of PPE during the year and were satisfied with the outcome. This action complemented our existing supplier due diligence processes, where no issues were found in 2021. In 2022, we will explore further targeted in-depth due diligence of other categories of higher risk suppliers.

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

Annual general meeting
Shareholders are encouraged to participate at the Company's annual general meeting, ensuring that there is a high level of accountability and identification with the Group's strategy and goals. Due to the restriction presented by COVID-19 it was not possible to hold the 2021 annual general meeting with shareholders present. A summary of the proxy voting at the 2021 annual general meeting was made available via the London Stock Exchange and on the Company's website as soon as reasonably practicable on the same day as the meeting and is shown below:

	Summary of resolution	Total votes for %	Total votes against %	Number of votes withheld
1	2020 Annual Report and Accounts	99.99	0.01	795,400
2	2020 Directors' Remuneration Report	99.87	0.13	615,699
3	Directors' Remuneration Policy	99.68	0.32	4,562
4 to 14	Election or re-election of Directors	Between 99.89 and 96.39	Between 0.11 and 3.61	Maximum 14,487
15	Reappointment of auditors	99.81	0.19	8,903
16	Auditors' remuneration	99.99	0.01	5,503
17	Political expenditure	99.73	0.27	620,461
18	Authority to allot shares	96.43	3.57	2,155
19	Disapplication of statutory pre-emption rights*	97.10	2.90	6,712
20	Disapplication of statutory pre-emption rights for an acquisition*	88.08	11.92	4,211
21	Authority to purchase own shares*	99.81	0.19	47,649
22	General meetings to be held on 14 clear days' notice*	98.79	1.21	6,654

* Special resolution.

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

Philip Davies
Company Secretary
2 March 2022

Board of Directors

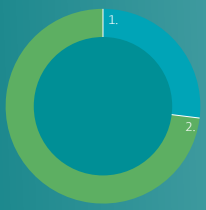
A diverse Board with strong leadership skills and relevant healthcare, operational and financial experience.

Key to committees

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

☐ Committee chair

Board gender diversity

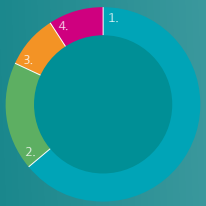


1. Female 27%
2. Male 73%

Board tenure

1. 0-3 years 55%
2. 4-6 years 18%
3. 7-9 years 27%

Board composition



1. 64%
2. 18%
3. 9%
4. 9%

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

For the most up to date information about Directors and Committee composition
Visit www.spirehealthcare.com/board

Sir Ian Cheshire, Non-Executive Chairman

D **N**

Sir Ian Cheshire joined Spire Healthcare as Chairman-designate in early March 2021 and become Non-Executive Chairman at the conclusion of its annual general meeting in May 2021.

Current external appointments

- chairman of Menhaden Resource Efficiency plc
- non-executive director of BT Group plc
- trustee of the Institute for Government
- chair of We Mean Business Coalition

Skills and previous experience

Sir Ian brings to Spire Healthcare considerable FTSE experience, deep understanding of the government-business interface and broad ESG credentials, which are important to the Company's strategy and long-term sustainable success.

Sir Ian was chairman of Barclays Bank UK PLC until December 2020 and a non-executive director of Barclays PLC until May 2021. He was also previously senior independent director and remuneration committee chair of Whitbread plc until September 2017. Sir Ian held a variety of posts whilst at Kingfisher plc including chief executive of B&Q from 2005 to 2008 and group chief executive from 2008 to 2014. He is involved with many charitable organisations, such as The Prince of Wales's Charitable Fund which he also chairs, and has also worked with various Government departments.

Justin Ash, Chief Executive Officer

C **D** **E**

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

Current external appointments

- non-executive chairman of The New World Trading Company Co.
- member of the strategic council of Independent Healthcare Providers Network
- chair of the trustees of THET (Tropical Health & Education Trust)

Skills and previous experience

Justin was previously chief executive of Oasis Dental Care between 2008 and 2017 before leading its sale to Bupa. Prior to this, he was managing director of Lloyds Pharmacy and has held several other senior retail positions including general manager of KFC in the UK/Ireland, and commercial director of Allied Domecq Spirits and Wines (Europe). Justin was previously a senior consultant with Bain and Company in London and Paris, and a non-executive board member and chair of the audit and risk committee of Al Nadhi Medical Company. He was chair of Independent Healthcare Providers Network until December 2020.

Jitesh Sodha, Chief Financial Officer

D E

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

Current external appointments

- non-executive director of PZ Cussons Plc

Skills and previous experience

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

Martin Angle, Deputy Chairman and Senior Independent Director

A D N R

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

Current external appointments

- deputy chairman and senior independent director of Gulf Keystone Petroleum plc
- non-executive director of Ocean Biomedical Inc
- Honorary Professor, College of Social Sciences and International Studies, University of Exeter

Skills and previous experience

Martin has previously held a number of non-executive positions including with Pennon Group plc and its separately regulated subsidiary South West Water, Savills Plc (senior independent director), National Exhibition Group (chairman), Dubai International Capital, and Shuaa Capital, then the only listed Gulf investment bank.

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

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

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

Skills and previous experience

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

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

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

Adèle Anderson, Independent Non-Executive Director

A C N

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

Current external appointments

- member of the audit committee of the Wellcome Trust

Skills and previous experience

Adèle is a qualified chartered accountant and has gained extensive financial experience during her career including significant knowledge of audit committees. Until July 2011 she was a partner in KPMG LLP and held a number of senior roles across their business including chief financial officer of KPMG UK, chief executive officer of KPMG's captive insurer and chief financial officer of KPMG Europe.

Adèle was a non-executive director and chair of the audit committees of easyJet plc until February 2019, and intu properties plc until October 2019.

Tony Bourne, Independent Non-Executive Director

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 Sensyne Health plc
- non-executive director of Totally plc
- non-executive chairman of CW+ (the Chelsea and Westminster Hospital NHS Foundation Trust charitable trust)

Skills and previous experience

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

Jenny Kay, Independent Non-Executive Director

C R

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

Current external appointments

Skills and previous experience

Jenny has extensive experience as a front line registered nurse and subsequent experience in senior management and board roles across the NHS including as Director of Nursing in a successful acute Trust in Kent. She was a senior independent director at East London NHS Foundation Trust until the end of December 2020. Jenny also worked at the Department of Health in the Chief Nursing Officer's team, leading on communications. Additionally, Jenny has experience as Director of Quality in a Clinical Commissioning Group.

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

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

Simon Rowlands, Independent Non-Executive Director

R

Simon Rowlands was appointed a Non-Executive Director in June 2014.

Current external appointments

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

Skills and previous experience

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

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

Professor Cliff Shearman, Independent Non-Executive Director

C

Professor Cliff Shearman was appointed an independent Non-Executive Director in October 2020.

Current external appointments

- Emeritus Professor of Vascular Surgery, University of Southampton
- non-executive director of University Hospitals Dorset NHS Foundation Trust

Skills and previous experience

Cliff was a Consultant Vascular Surgeon for 26 years, initially in Birmingham and then in Southampton, and Professor of Vascular Surgery at the University of Southampton. His research interests focus on factors that lead to diabetic vascular disease and how to improve the clinical outcomes for people with diabetes.

Cliff was a clinical service director and associate medical director in the University Hospital Southampton. At a national level he was president of the Vascular Society of Great Britain and Ireland and was one of the team that separated vascular surgery from general surgery leading to a new speciality, centralisation of services and a new training programme for vascular surgeons. These changes have been associated with dramatic improvements in outcomes for patients. Cliff was a member of the Council and a Trustee of the Royal College of Surgeons of England, serving as vice president from 2018 until July 2021. He was awarded an OBE in 2021 for services to vascular surgery.

Dr. Ronnie van der Merwe, Non-Executive Director

N

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

Current external appointments

- group chief executive officer of Mediclinic International PLC

Skills and previous experience

Ronnie has a strong track record of leadership and management within the healthcare industry, including strategy, organisational development, clinical performance, adoption of technology, and quality and data management.

As a specialist anaesthesiologist in private practice, Ronnie gained extensive experience in trauma and elective anaesthesia, intensive care management, and the management of acute and chronic pain. He subsequently expanded his expertise at medical insurance company Sanlam Health before joining Mediclinic in 1999. As chief clinical officer, he took responsibility for various aspects of the business, contributed greatly to the growth and strategic positioning of the group, and served as chair of the board of trustees of the in-house medical aid scheme, Remedi. He also served on the board of the premier private emergency medical care provider in South Africa, ER24, and as executive director of Mediclinic International Limited from 2010 up to the combination of the businesses of Mediclinic (then Al Noor Hospitals Group plc) and Mediclinic International Limited. He was appointed as group chief executive officer in 2018.

Nomination Committee report

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

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

Committee meetings

2

Committee membership and attendance at meetings
The Nomination Committee members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

21Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
Sir Ian Cheshire (Committee Chair)	May 2021	Non-Executive Chairman	n/a
Adèle Anderson	May 2020	Independent Non-Executive Director	2 (2)
Martin Angle	March 2019	Deputy Chairman and Senior Independent Director	2 (2)
Dame Janet Husband	July 2014	Independent Non-Executive Director	2 (2)
Dr Ronnie van der Merwe	May 2020	Non-Executive Director	2 (2)

Garry Watts was a member of the Nomination Committee until he stepped down from the Board on 13 May 2021.

Nomination Committee members' biographies are shown on pages 90 to 93.

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

"We recognise the importance of diversity, which includes but is not limited to gender, and we have a clear strategy to promote diversity and inclusion across the business.

Sir Ian Cheshire
Chair, Nominations Committee

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

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

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

Dear Shareholder,

As the new Chair of the Nomination Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2021. I would like to take this opportunity to thank Martin Angle for his service as Committee Chair until May of this year, and I am pleased that he remains an important member of the team, which comprises mainly independent Non-Executive Directors.

COVID-19 continued to affect the way the Committee functioned and interacted this year. There was an ongoing reliance on virtual meetings, and interview techniques were adapted as necessary to ensure that any candidates fit with Spire Healthcare's culture of care and collaborative working, while also bringing the cognitive diversity, experience and challenge we need.

During the year, the activities of the Committee maintained it focus on the identification and appointment of the right individuals to the Company's Board and senior leadership team, recognising the requirement of the new UK Corporate Governance Code 2018 (the 'Code') in its decision-making.

Towards the end of 2020, Garry Watts announced his decision to retire from the Group after ten years as its Chairman, stepping down at the Company's annual general meeting in May 2021. Following my own appointment as his successor, I was able to work alongside Garry and our fellow Directors for two months prior to that, to ensure an orderly handover.

Succession planning and appointments to the Board

The formal search for Garry's replacement as Chairman was led by Independent Non-Executive Director, Simon Rowlands, with support from a sub-committee formed of other Non-Executive Directors. Following a competitive process, the sub-committee engaged and retained Heidrick & Struggles, an executive search firm, to advise on the appointment. Heidrick & Struggles are a signatory to the Voluntary Code of Conduct, and have no other connection with the Company or the individual directors.

Following a detailed briefing session, Heidrick & Struggles undertook the search, and subsequently proposed a 'long list' of potential candidates for review by Simon Rowlands and his sub-committee. A key element of our consideration as to an individual's suitability for the role was that candidates should have strong FTSE experience, a deep understanding of the government-business interface, and broad environmental, social and governance (ESG) credentials.

Taking on board these factors, the 'long list' was reduced to a list of prioritised candidates, who were each approached by Heidrick & Struggles, before the firm drew up a final shortlist. Shortlisted candidates were invited to a formal interview with Simon Rowlands and his sub-committee, and further meetings with other Spire Healthcare directors. After due consideration, the Committee recommended my appointment as Chairman of the Board, a decision that was confirmed by shareholders at our annual general meeting in May 2021.

Performance evaluation

In early 2022, the Committee completed its annual performance evaluation. In discussing the matters identified in Lintstock's Report the Committee agreed minor actions to be implemented during the year.

Diversity and inclusion

Spire Healthcare recognises the importance of diversity, which includes but is not limited to gender, and a culture of inclusion, which is considered at every level of recruitment. This is reflected in the Committee's own approach to recruitment of Board members. All appointments are made on merit and based on objective criteria. We have a clear strategy to promote diversity across the business.

While Spire Healthcare employs a large majority of female colleagues and the Company's gender pay gap is lower than average, we recognise that there is further progress to be made towards better gender representation at Board and senior leadership levels. Our aim is to have 33% female representation on the Board and Executive Committee as soon as practicable, commensurate with selection being on qualification and merit. Our Board currently has 27% female representation and I am particularly pleased that the gender split on our Executive Committee is 57% male, 43% female.

Details of the Company's staff diversity and gender pay gap, in line with reporting requirements, can be found in the Our impact section on page 44. The chart on the same page also illustrates the diversity of the Board in terms of gender.

Re-election of Directors

The Committee met in early 2022 to review the continuation in office and potential reappointment of all members of the Board. Following this review, the Committee recommended to the Board that all Directors standing be reappointed, and hence all Directors will seek election or re-election at the annual general meeting in May.

Sir Ian Cheshire
Chair, Nomination Committee
2 March 2022

Clinical Governance and Safety Committee report

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

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

Committee meetings

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Committee membership and attendance at meetings
The CGSC members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings they could have attended is also shown):

21Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
Dame Janet Husband (Committee Chair)	July 2014	Independent Non-Executive Director	4 (4)
Adèle Anderson	February 2018	Independent Non-Executive Director	4 (4)
Justin Ash	October 2017	Chief Executive Officer	4 (4)
Tony Bourne	July 2014	Independent Non-Executive Director	4 (4)
Jenny Kay	June 2019	Independent Non-Executive Director	4 (4)
Professor Cliff Shearman	January 2021	Independent Non-Executive Director	4 (4)

Garry Watts was a member of the CGSC until he stepped down from the Board on 13 May 2021.

CGSC members' biographies are shown on pages 90 and 93.

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

"As the pandemic continued to impact on our hospitals and the ability to engage with hospital teams in person, our Non-Executive Hospital Engagement Programme has helped us to maintain virtual oversight of the clinically focused activities across the Group.

Professor Dame Janet Husband
Chair, Clinical Governance and Safety Committee

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

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

Dear Shareholder,

When the year started, no one knew how the ongoing pandemic would affect our patients, our colleagues, our business, or indeed people across the UK and the world. What we did know was that Spire Healthcare would need to be very alert to changes, and retain the ability to adapt and respond appropriately. That's why, this year more than ever, effective communication has been at the forefront of the activities of the Clinical Governance and Safety Committee (the 'Committee' or the 'CGSC'), and its efforts to strengthen the Company's Board-to-Ward approach.

In a period when it has not been possible to visit hospitals in person and talk directly with both senior and front line staff, we have stepped up communications from the Committee to our hospitals and across the business. This has included a structured programme of non-executive hospital engagement, making full use of virtual channels to provide support and reassurance to colleagues, and to ensure we hear first-hand about the issues they are facing day-to-day.

Adapting to changing requirements

Across the majority of sites, our people have coped well with the constraints imposed by COVID-19 throughout the year, and working relationships with local NHS trusts have continued to improve. COVID Testing, PPE requirements, and patient cancellations have impacted the patient pathway, The Gold/Silver/Bronze command structure has worked extremely well at ensuring essential information is shared at pace groupwide, and as a clear support and escalation structure for each hospital.

This well managed response to the pandemic has increased the confidence of both patients and colleagues at Spire Healthcare hospitals, and we are now returning to full activity. However, COVID infection, prevention and control restrictions remain in place, and several hospitals have restructured their operating lists to make the best possible use of their theatre capacity. Most have continued to focus largely on the specialities that patients relied on them for before the pandemic, in particular orthopaedics and cardiac procedures. However, at several sites we have re-designed or expanded our services, making more theatre time available for more complex or urgent care. For example, at Spire Southampton, we have further developed our capacity for urology and oncological surgery during the pandemic.

Committee activities in 2021

During 2021 we held all four scheduled CGSC meetings using virtual technology rather than meeting face to face. While we would prefer to meet in person, these remote sessions have ensured the Committee has met its broad remit this year, including the oversight of Spire Healthcare's clinical governance, as well as medical professional standards, clinical risk and the clinical aspects of health and safety. At each meeting, we also had an update on the impact of the pandemic. This gave us assurance that we were maintaining patient and colleague safety during this difficult period, and as we ramped up our services towards normal business, it meant we were fully aware of the changing risk profile. Close liaison with the Audit and Risk Committee ensures that clinical risk is also monitored as part of the corporate risk register, thereby providing assurance to the Board as a whole.

One of the ways in which we monitor performance and progress across the organisation is by undertaking themed reviews of specific areas of clinical practice or service. Our first themed review of 2021 covered our Pathology transformation – how we are optimising the laboratory operating model through specialist hubs, while improving our pathology governance and digital capabilities. Having discussed this in detail at our first Committee meeting of the year, we also received an update on the excellent progress of this project in September.

Our next themed review was Radiology, which is an area particularly close to my heart having been a practising radiologist for many years. The Committee had an excellent presentation from Spire's National Clinical Specialist for Diagnostic Imaging, Geraint Evans, who reinforced the importance of diagnostics as the demand for imaging services continues to grow year on year. Around 95% of patient pathways include some form of diagnostic imaging or image-guided treatment, which is why it is so important that we have in place a comprehensive replacement programme for our imaging equipment.

'Get it Right First Time' (GIRFT) was the subject of our third themed review of the year. GIRFT is a national programme across the whole of the NHS, which aims to use data to drive improvements. It is supported by the Independent Health Providers Network (IHPN), and they have led a pilot to review orthopaedics and spinal services across the independent sector, and to promote quality improvement. As part of this review, 33 Spire Healthcare hospitals were visited and recommendations were made, for example we are piloting a dedicated dashboard for orthopaedics, as well as developing a framework for national meetings in spinal surgery and orthopaedics.

Alongside this, we are working with the NHS more closely than we have in previous years, particularly at a local level. Congratulations are due to Tracy Coates, who is now our Patient Safety Specialist, and has linked into a national group on patient safety, along with representatives from across the NHS and the wider health sector.

Our final themed review of the year concerned the quality of services provided by our Resident Medical Officers (RMOs). Their role is of critical importance as they provide 24 hour professional medical services in each of our hospitals and may be called upon in an emergency situation. Most of our hospitals have one RMO on duty at a time but some larger hospitals have two. The review highlighted the value of their services but also the need to understand what it is like for them working in a Spire Healthcare hospital and how we might support them better in the future.

Clinical risk remains a standing item on our agendas, and we continue to learn from clinical incidents, most of which cause 'no harm' to patients. There is a strong focus on learnings which are shared across our hospitals to help prevent any further similar occurrences. Every patient death is also reviewed in detail by our Medical Examiner, Dr Suzie Lishman. This is part of a National Initiative to ensure that lessons learned from the review of the management of patient deaths are captured and embedded into future practice

We also review issues that are raised through our Freedom to Speak Up (FTSU) Guardians. The FTSU initiative has gone from strength to strength this year, enhancing the oversight of concerns raised, and ensuring that most of them can be resolved locally.

Hospital engagement

Once again this year, Non-Executive Director in-person hospital visits have not been possible due to the pandemic. However, Jenny Kay, Cliff Shearman and I have continued our Hospital Engagement Programme – holding Zoom calls with the hospital directors and directors of clinical services at 24 hospitals during 2021. Martin Angle, Senior Independent Director, and other Non-Executive Directors from the Committee have also joined the meetings on occasions.

These Zoom calls continued to be very useful and have helped us understand many of the issues that have challenged the safe and efficient delivery of services in our hospitals during the year. We found a consistently robust approach to safety and quality in all the hospitals we engaged with, while the support given by the Executive Team and local Hospital Management Teams has been a major factor in maintaining staff morale and loyalty during a very difficult period.

We did find that clinical workforce concerns are widespread across the Group. Many of these concerns reflect national shortages in healthcare professionals that impact on all healthcare providers. While international recruitment has helped in the short term, other solutions such as our major new nursing apprenticeship scheme will be required, and this will be a key focus for the Group and the Committee in the coming years.

Supporting Consultants

We are pleased to see that there is growing recognition that Spire Healthcare puts the quality of patient care first, and this is a key factor for our Consultants when making their choice of hospital group in which to base their practice. Following the failed Ramsay Health Care bid this year, we have heard from several Consultants who were pleased to be continuing to work in Spire Healthcare hospitals. They told us that they appreciate the focus we place on strong clinical governance, and are confident we offer them a safe environment to undertake their clinical practice.

During the year, regular MAC Briefings, chaired by Dr Cathy Cale, Group Medical Director, have given us further insight into many of the issues facing Consultants during the pandemic. It is also clear that their direct communication with Cathy has helped to alleviate their concerns. Dr Cale's leadership is much appreciated, and I look forward to working with her more closely during 2022 as she takes on responsibility for Integrated Clinical Governance across the Group.

Other activities

Members of the Committee have attended a wide range of briefings, meetings and specialist conferences in 2021 mainly using virtual platforms. These have included local MAC Committee meetings and national meetings, such as the Safety, Quality and Risk Committee, and the National Medical Professional Standards Committee.

Along with Jenny Kay and Cliff Shearman, I attended both National MAC Chairs Conferences this year. I was also delighted to attend our National Radiology Imaging Conference, while Jenny Kay attended conferences for our National Pharmacy Managers, Theatre Managers, Cancer Leads, and SSG Leads.

Quality improvement and governance

We welcomed the CQC back to our hospitals this year, as they made a cautious return to on-site inspections. We now have 95% of hospitals rated 'Good' and 'Outstanding' across the Group, and we expect to build on our excellent inspection results with three more due to be inspected in 2022.

The Committee was delighted to see the launch of our new Quality Improvement (QI) strategy and we look forward to talking to those actively involved in the programme during 2022. We were also pleased to note the work Dr Cathy Cale and her team have done on improving medical professional standards with the introduction of new updated policies. These are now in place to support and protect Consultants and to improve the way we work with them, ensuring everything is handled in a transparent, standard and well understood way.

I would like to extend a very special thank you to Alison Dickinson for her fantastic contribution to improving clinical governance across Spire Healthcare in her role as Group Clinical Director. While remaining in this role, Alison has taken up new responsibilities around clinical transformation, standardisation and efficiency that will be rolled out during 2022. It is so important that we use our resources in the best possible way – with ongoing COVID-19 challenges, and other pressures on our people, resources and data. I am confident Alison will play a critical role in ensuring that we do this at every level of the organisation.

Supporting these initiatives, our new integrated governance report will cover all aspects of governance, together with Key Performance Indicators, and has been designed to provide a more strategic oversight of governance data. This new report is split across the areas of Safe care, Effective care, Positive experience, Well led, and Sustainable use of resources – as we move towards an integrated governance report that aligns with the NHS Quality Assurance Framework.

Looking ahead

While the Committee has continued to function well during the year, despite the ongoing difficulties caused by the pandemic, we hope to resume our personal hospital visits during 2022. This will give us the opportunity to tour the hospital facilities, to meet junior front-line colleagues as well as more senior members of hospital management teams, and to meet some of our Consultant colleagues face to face for the first time in over two years.

During 2022 we are planning four themed reviews which will be presented at our quarterly meetings. These include the services we offer to children and young persons, and a detailed review of how our electronic pre-operative assessment initiative is progressing across our hospitals.

Our overall focus in the coming year will be on continuing to improve and develop oversight of clinical governance across the business, as well as supporting new ways of working as Spire Healthcare continues to undergo its transformation to meet the increasing demands of healthcare across all sectors of our business.

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

Audit and Risk Committee report

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

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

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

Committee meetings

5

Committee membership and attendance at meetings
The Audit and Risk Committee members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
Adèle Anderson (Committee Chair)	July 2016	Independent Non-Executive Director	5 (5)
Martin Angle	September 2019	Senior Independent Director	5 (5)
Tony Bourne	July 2014	Independent Non-Executive Director	5 (5)
Dame Janet Husband	July 2014	Independent Non-Executive Director	5 (5)

Audit and Risk Committee members' biographies are shown on pages 90 and 93.

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

"

In 2021, the Audit and Risk Committee focused on: major accounting judgements; cyber security internal audits; longer-term post-pandemic risks and the appropriate risk appetite for the future; and, preparations for new Financial and Internal Control reporting requirements.

Adèle Anderson
Chair, Audit and Risk Committee

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

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

Dear Shareholder,

As Chair of the Audit and Risk Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2021.

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

Internal Audit function
As reported in last year's Annual Report, in April 2020, we appointed KPMG as a co-source internal audit resource. With the onset of the COVID-19 pandemic, all on-site internal audit activity had to stop to minimise the risk to staff members. The team moved to operating remotely. During 2021, the team continued uninterrupted with the Internal Audit programme despite the second and third waves of COVID-19, whilst improving its ability to undertake remote audits. The 2021 Internal Audit plan focused on: hospital audits that included testing the soft control culture at hospitals, core month end financial controls and governance; Data Protection and Cyber Security; and patient notification exercises.

The Committee receives an update report from the Director of Audit, Risk and Compliance on internal audit activity four times a year, with two of the Committee meetings reserved for deep dives into specific internal control matters. In each update to the Committee, the Committee receives the executive summary of recently published internal audit reports, and the Chair receives the full internal audit report. The Committee also receives a status update of any remedial actions agreed with management. If there are significant findings, the Committee asks the appropriate senior management to attend to discuss the findings.

The 2022 audit plan was, as usual, prepared on a risk-focused basis with input from the senior leadership team and Non-Executive Directors. The plan will continue internal audit reviews of hospital sites, supplemented by a number of corporate reviews at Head Office.

The Director of Audit, Risk and Compliance, under International Internal Audit Standards, has to declare to the Committee any potential compromises on his independence. This may include other "control" functions for which he has line management responsibility. The Committee has to approve any activity that falls outside of Internal Audit. In 2021, the Director of Audit, Risk and Compliance has the following control functions reporting into him, all approved by the Committee: Risk Management; Data Protection Officer; and the Corporate Guardian (responsible for the Raising Concern processes). From 1 January 2022, he no longer has the Data Protection Officer reporting to him.

Risk management function
The Risk management and internal control report details the changes to the risk environment the Group has faced in 2021 (see pages 58 to 68).

The risk management team has continued to provide reports into various management and Board governance committees of the Group including this Committee. Clinical Governance and Safety Committee received risk reports focused on clinical and medical risks. This Committee continued to review the Principal Risks as they evolved during 2021.

From early 2021, the risk management team was able to restart on-site hospital support to review risk assessment libraries and risk registers, instead of undertaking those reviews remotely. Risk management is a key line of enquiry under the CQC's Well Led domain of Regulatory Inspection. The CQC inspections undertaken in 2021, for which the Board has had an outcome, have all reported positively on the risk management at the hospitals inspected.

The Committee reviews the risk appetite the executive report against the Principal Risks providing challenge where appropriate on the level of risk the executive wish to tolerate.

Emerging risks
As reported in the 2020 Annual Report, the Committee had to focus on short-term immediate risks to the Group brought about by the onset of the COVID-19 pandemic during 2020. In 2021, The Committee was able to review the emerging risks identified by the Executive Committee both at the start and at the end of the year. The emerging risks are discussed in more detail in the Risk management and internal control report on page 59.

New Financial and Internal Control reporting requirements
In 2020, the Committee has received a briefing from the external auditors on the broad range of matters that the UK Government is consulting on in relation to Corporate Governance following the publication of the Independent Review of the Financial Reporting Council in 2018 and the Brydon Report in 2020. In 2021, management set up a project team to prepare for the most likely aspects of new legislation from the UK Government in this area. The Committee has received reports from management on the progress of this project and is satisfied that the Group should be well positioned to comply with the likely new legislative requirements.

The Committee reviewed the proposed climate change disclosures as recommended by the Task Force on Climate-Related Financial Disclosures and that became mandatory for Premium Listed Companies in 2021 (see pages 53 to 55).

Viability
The Committee reviewed the process undertaken by management to support and allow the Directors to make the Group's viability statement. The Committee considered and provided input into the determination of which of the Group's principal risks and combinations thereof might have an impact on the Group's liquidity and solvency. The Committee reviewed the results of management's scenario modelling and the stress testing of these models. The Group's Viability statement can be found on page 69.

Other activities in 2021

Prior to the release of the Company's 2021 interim results, the Committee completed a thorough review of:

- viability and going concern under ongoing national restrictions from further waves of the COVID-19 pandemic;
- revenue recognition under the NHS COVID-19 contract;
- assessment of Goodwill for impairment; and
- assessment of property carrying values for impairment.

The Committee also reviewed the Company's banking covenant compliance.

In addition to providing oversight of the Group's financial reporting, internal controls and risk framework, the Committee has had the opportunity to complete a number of deep dive sessions during the year. These included sessions on the Group's Cyber Security, Risk Appetite and Climate Change disclosures (as reported above).

External audit

Annual auditor appointment

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

The shareholders re-appointed Ernst & Young LLP as the Company's external auditor during 2021. Ernst & Young LLP has served the business since 2008. Whilst recognising that the 10-year period of its appointment technically began with the Company's admission in 2014, the Committee agreed that a full audit tender should be linked to the end of the previous lead audit partner's term of office and took place in 2020. Our current audit partner from Ernst & Young LLP is Stephney Dallmann who took on the role in 2020.

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

External auditor independence

The Committee reviewed the independence and effectiveness of the external auditor. We did this by:

- reviewing its proposed plan for the 2021 audit;
- discussing the results of its audit, including its views about material accounting issues and key judgements and estimates, and its audit report;
- reviewing the quality of the people and service provided by Ernst & Young LLP; and
- evaluating all of the relationships between the external auditor and the Group, to determine whether these impair, or appear to impair, the auditor's independence.

Significant issues and material judgements

The Audit and Risk Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements.

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

The table below summarises the matters where the most material judgements have been made in relation to reporting in 2021:

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
Improper revenue recognition	Pressure to achieve results could lead management to manipulate the financial reporting of revenue. This could include the: – manipulation of prices charged, in particular in relation to PMI; – misreporting of qualifying costs which were rechargeable under the contract entered into with the NHS to support its response to the COVID-19 pandemic (NHS COVID-19 contract); – miscoding of procedures by hospitals impacting revenue recorded; – misreporting of other income in the year; and – overstatement of accrued revenue at the year end.	Central management carry out a detailed review of monthly hospital performance compared to forecast, in particular focusing on the cut-off of revenue reported at the balance sheet date. The Group maintains effective segregation of duties to safeguard the integrity of pricing masterfile data on which billing is dependent. Management routinely reconciles revenues and cash collections as part of monthly cash flow management procedures. This includes accrued revenue, which is substantiated with reference to subsequent billings and cash collection. The Group worked closely with KPMG, who were appointed by the NHS to independently review Spire's billings under the NHS COVID-19 contract. KPMG's detailed review included examination of underlying supporting data at each month end. The results of KPMG's analysis, which completed in July 2021 were reviewed by the Committee.

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
Goodwill carrying value	Goodwill is tested for impairment semi-annually. This is achieved by comparing the value-in-use of the goodwill with its carrying value in the accounts. The value-in-use calculations require the Group to estimate future cash flows expected to arise in the future, taking into account market conditions. The current value of goodwill is underpinned by these forecasts. The present value of these cash flows is determined using an appropriate discount rate.	The Committee has reviewed in detail the analysis produced by management to assess the carrying value of Goodwill. Its review included assessing for reasonableness the key underlying assumptions used by management in their analysis. These included the discount factor rate, future anticipated growth rates and forecasted levels of capital maintenance investment (excluding expenditure on new or enhancement of assets). In particular, the Committee undertook a detailed review of management's approach for determining the discount factor rate, which is set with reference to the Group's Weighted Average Cost of Capital (WACC). The Committee noted that management's WACC of 6.9% (on a post-tax basis) was 30 basis points below the bottom end of EY's comparative range. However, management's sensitivity analysis confirmed that the WACC would need to increase by 200 basis points before the calculation shows no headroom. The Committee has reviewed management's latest assessments in May and September 2021 and again in February 2022. This regular recurring review process has allowed for earlier visibility of the key assumptions and any potential issues.
Property carrying values	Freehold and Leasehold property is held at depreciated cost and its carrying value is required to be assessed for indicators of impairment by management on an annual basis. For those properties with an indicator, an impairment test is performed by calculating a value in use, by means of a discounted cash flow model. As this process involves some degree of estimation there is a risk that properties are held in the financial statements at inappropriate carrying values.	The Committee reviewed the analysis prepared by management to assess the carrying value of those properties with an indicator of potential impairment, including the appropriateness of the key underlying assumptions. These included future anticipated growth rates, the discount factor rate and levels of ongoing capital maintenance investment (excluding expenditure on new or enhancement of assets). This work was conducted in two phases. An initial review was performed in December. This initial review was performed to provide early visibility of any potential Issues and to allow for a preliminary assessment of the reasonableness of the key judgements applied by management. These judgements included: – the terminal growth rate; – the discount factor rate; – forecasts in ongoing capital maintenance; and – growth rates applied at an individual hospital level over the next five years. Management's review was updated at the year end using the latest available forecasts. A shortlist of hospitals was identified from this activity and reviewed in detail by the Committee to ensure that management's conclusions were appropriate. The Committee noted that the work carried out by the external auditors, Ernst & Young LLP, supported its own findings in this area.
Provision for Paterson Public Inquiry costs	Following the publication of the Public Inquiry report on Ian Paterson on 4 February 2020, the Group continues to assess the potential impact of the remedial actions recommended in the report. During 2020 the Group recognised a charge of £22.2m to ensure the recommended actions are fully adhered to. It is possible that, as further information becomes available, an adjustment to this provision will be required.	The Committee has reviewed the information prepared by management, including the key assumptions and judgements underpinning their assessment. The Committee also notes that, whilst it is possible that new information may necessitate a revision to this charge in the future, the position taken by management at 2021 year end is appropriate at this time.
Adjustments to EBITDA ('Adjusting Items')	It is the Group's policy to disclose EBITDA after adjusting for certain items, due to their nature, amount or incidence, in order to provide a meaningful comparison of the Group's underlying performance. Group underlying performance is considered the comparable year-on-year business, and therefore excludes items of a one-off or irregular nature. Pressure to achieve targets could lead management to manipulate the outcome by overstating the level of Adjusting Items.	The Committee: – reviewed in detail each item which was proposed by management to be classified as an Adjusting Item; and – assessed whether the proposed approach was consistent with prior periods.

UK Competition and Markets Authority (CMA) Order
During the year, the Company has complied with the CMA Order in relation to Statutory Audit Services for Large Companies.

Audit risk
The Committee received from Ernst & Young LLP a detailed plan identifying the scope of their audit for the year, planning materiality and their assessment of key risks. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process. Ahead of the full-year audit, the Committee reviewed the key risks that Ernst & Young LLP identified to ensure their areas of audit focus remain appropriate.

Working relationship with the external auditor
During the year, the Committee met with the external auditor without management present to provide additional opportunity for open dialogue and feedback between both parties. Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner ahead of each Committee meeting. Additionally, the Director of Audit, Risk and Compliance liaises with, and meets, the external auditors on a regular basis, and the external auditors receive a copy of each Internal Audit report.

External financial reporting
The Committee is responsible for monitoring, reviewing and challenging the integrity of the financial statements, and ensuring compliance with legal, regulatory and statutory requirements, giving due consideration to the provisions of the UK Corporate Governance Code.

The external auditor provided reports for the half-year and year-end reporting, including all significant issues, with an assessment of their view of the appropriateness of management's judgements.

At the request of the Board, the Committee considered whether the Annual Report and Accounts for the year ended 31 December 2021 was fair, balanced and understandable, and whether it provided the necessary information for the shareholders to assess the Group's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and performance in the year, internal verification of the factual content, comprehensive review undertaken at different levels in the Group to ensure consistency and overall balance, and detailed review by senior management and the external auditor. The Committee was satisfied that, taken as a whole, the Annual Report and Accounts for the year ended 31 December 2021 is fair, balanced and understandable, and has affirmed that view to the Board.

Our priorities for 2022
The Committee's focus in 2022 will be:
- delivery of the benefits from the Group's transformation programme;
- cyber security;
- preparation for compliance with likely new financial reporting internal control legislative requirements; and
- risks associated with climate change.

Non-audit services and independence
Ernst & Young LLP provided non-audit services to the Group during the year ended 31 December 2021. These services related only to the Interim Review. Total non-audit service fees amounted to £0.1m (2020: £0.1m). All non-audit fees are approved by the Committee.

Corporate concerns
The Committee also continued its monitoring and oversight of the procedures for the receipt, retention and treatment of qualifying disclosures by staff. Further details can be found on page 46 in the Our impact section.

Clinical Governance and Safety Committee (CGSC)
To ensure that the Committee and the CGSC complement each other's work, Dame Janet Husband and I have developed the follow protocols:
- we both sit on each other's Committees; and
- we split the focus of risk management with the CGSC focusing on the clinical risk management at corporate and hospital level and this Committee on the Principal Risks, and non-clinical operational risks, of the Group.

Annual evaluation of the Committee's performance
The latest evaluation of the Committee's performance was carried out in early 2022 and confirmed that it continued to perform effectively.

Adèle Anderson
Chair, Audit and Risk Committee
2 March 2022

Remuneration Committee report

At a glance
The Remuneration Committee must have at least three members, all of whom must be independent Non-Executive Directors, and the Board appoints the Remuneration Committee's Chair. If a member is unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

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

Committee meetings

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Committee membership and attendance at meetings
The Remuneration Committee members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
Tony Bourne (Committee Chair)	July 2014	Independent Non-Executive Director	10 (10)
Martin Angle	March 2019	Deputy Chairman and Senior Independent Director	9 (10)
Jenny Kay	June 2020	Independent Non-Executive Director	10 (10)
Simon Rowlands	October 2020	Independent Non-Executive Director	10 (10)

Remuneration Committee members' biographies are shown on pages 90 and 93.

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

"

We have again looked to more widely recognise the contribution of all colleagues in a year when we have had strong revenue performance.

Tony Bourne
Chair, Remuneration Committee

Role and responsibilities
The Remuneration Committee has authority from the Board to determine the framework and total remuneration arrangements of the Executive Directors and, in consultation with the Chief Executive Officer, senior management. It also oversees the Group's share-based incentive arrangements. In practice, the Committee agrees the:

- policy for cash remuneration, executive share plans, service contracts and termination arrangements;
- reward packages of the Chairman, Executive Directors and the Executive Committee, including arrangements on appointment;
- termination arrangements for Executive Directors and the Executive Committee members;
- recommendations to the Board concerning any new executive share plans or changes to existing schemes which require shareholders' approval;
- basis on which awards are granted and their amount to Executive Directors and senior management under the LTIP; and
- ensures a consistency of remuneration arrangements across all levels within Spire Healthcare.

The Remuneration Committee also has responsibility for matters identified by the UK Corporate Governance Code relating to workforce engagement.

Dear Shareholder,

This Remuneration Report includes details of decisions taken by the Remuneration Committee in respect of 2021, as well as a summary of how we intend to operate the Remuneration Policy for the coming year.

We presented our updated Remuneration Policy for approval at the 2021 annual general meeting and were delighted to receive a vote of 99.68% in favour of our proposals. I would like to thank shareholders for their support. The overall pay structure has been in place since 2014 and remains aligned with mainstream FTSE practices. We are not proposing any major changes to our approach in the coming year.

Performance in 2021

The Company delivered strong performance in 2021, with a clear focus on our strategic imperatives. During the year, management and our employees continued to effectively navigate the challenges presented by COVID-19. The business once again supported the NHS during the first quarter of 2021. However, we transitioned to a more 'normalised' trading environment for the remainder of the year. There was outstanding growth in revenues from self-funded private medical treatment, and this has been a key driver of the strong financial results delivered for the year.

Quality remains an integral part of everything that we do. We were delighted to see that 95% of our sites are now rated as 'Good' or 'Outstanding'. The business also has put in place a number of efficiency programmes which seek to make savings and streamline processes – these are vital for both responding to ongoing challenges presented by the pandemic and also improving our longer-term profitability. The investment we have made over several years in high quality standards has kept our patients safe and will underpin our ability to capitalise on the increase in demand for self-pay healthcare for both routine and complex health categories for many years to come.

During the year, the Board also considered the unsolicited bid from Ramsay Health Care to acquire the business. As we sought to protect the interests of shareholders and wider stakeholders, the Board naturally took the bid seriously. We ultimately decided to allow our shareholders to decide on the merits of the offer given the uplift it provided to our share price. While the bid consumed considerable time, the management team remained focus on underlying operations and the progress of strategic priorities. In addition, the offer did not distract our colleagues from continuing to focus on the care of our patients. Although the majority shareholder support was not sufficient to proceed with the scheme of arrangement, the process did underline the potential and value we have as a standalone business and our ability to capitalise on the structural changes to healthcare in the UK.

Overall, our revenues increased from £919.9m to £1,106.2m, and our EBITDA grew from £161.1m to £178.2m. Our 63% growth in self-pay revenue versus FY19 was ahead of the market, and puts us in a strong position to build further on this year's record revenue growth in 2022 and beyond.

2021 incentive outcomes

The strong financial and operating performance in the year resulted in bonuses being earned in respect of 2021. Justin Ash and Jitesh Sodha will receive a bonus of 48.4% and 54.4% of maximum respectively. A significant portion of the bonuses earned will be deferred into shares to ensure continued alignment with our shareholders. Further detail on the performance criteria for this award is set out in the main body of the report.

In light of the strong outcomes, the Remuneration Committee also approved an exceptional thank-you gift for all colleagues across the Group not already participating in a bonus scheme. This was in recognition of their continued hard work and commitment to patient care during the year and their contribution to a strong set of financial results. The total value of this bonus was £1.5m.

The 2019 LTIP awards were based on performance to 31 December 2021. The Company's recent share price performance has resulted in relative TSR over the last three years outperforming the upper-quartile of the comparator group and therefore this element will vest in full. The Operational Excellence element – split equally between Regulatory Rating and Family & Friends – vested at 62.5% of maximum. The threshold for the EPS targets was not achieved, however the Remuneration Committee noted that the targets for this award were set prior to onset of the pandemic, and therefore envisaged a very different trading environment. The overall vesting outcome for this award is 53.75% of maximum. Vested awards will be subject to a two-year holding period.

The Remuneration Committee is satisfied that the outcomes under the incentive plans are a fair reflection of the strong performance delivered by the business.

Remuneration for 2022

For the coming year, remuneration arrangements will continue to be operated in line with the policy approved by shareholders at the annual general meeting held in May 2021.

Any increase to salaries for Executive Directors will not exceed the average increase awarded to the wider workforce. As previously announced, retirement benefits for Executive Directors will also be reduced at the start of 2023 to align with benefits available to the wider workforce.

For 2022, the maximum bonus opportunity for Executive Directors remains unchanged at 150% of salary. For the Chief Executive Officer, the performance measures and weightings will remain heavily weighted towards the achievement of EBITDA targets (60%) and the remainder assessed based on Free Cash Flow (20%) and individual strategic objectives (20%). Taking into account the importance of the transformation objectives in 2022 and specifically the key role of the Chief Financial Officer in driving forward these changes, the Remuneration Committee have determined that 30% of the bonus for the Chief Financial Officer will be linked to delivery of structural cost savings which are crucial to our long-term profitability, with the balance of bonus based on EBIDTA (40%), Free Cash Flow (10%) and individual strategic objectives (20%).

The annual strategic objectives for both directors include metrics directly related to our ESG strategy, further complementing the existing Operational Excellence measures in the LTIP.

For LTIP grants to Executive Directors, it is expected that awards equivalent to 200% of salary will be granted, consistent with the limits in the Remuneration Policy. The LTIP grant policy has been set at this level since IPO in 2014. However, award levels were temporarily reduced in 2019 to reflect the decrease in the share price. In light of the improvement in the share price, the Remuneration Committee last year moved towards the maximum policy level and has elected this year to reinstate the previous maximum grant level. Notwithstanding the modest increases in the face value at grant for 2022, it is noted that we expect the number of shares under award to be materially lower than previous years. For example, if the grant price is 220p, we would expect the number of shares under award to be c.15% lower than the 2021 award and c.50% lower than the 2020 award. The Remuneration Committee is satisfied that the targets linked to Regulatory Rating are aligned with our strategy and are highly stretching as the portfolio is subject to regular review, with expectations on care and quality continuing to evolve overtime. The target ranges represent performance ahead of industry averages.

The LTIP performance measures remain unchanged from 2021, save for increases to the targets for ROCE and Operational Excellence.

During the year, the Remuneration Committee also remained informed of developments in our approach to pay and benefits across the wider organisation, including proposed changes to our reward strategy for colleagues. The Remuneration Committee was also provided with a detailed update on the findings from the colleague engagement survey that was undertaken during the year. These discussions provide important context when making decision on pay at the senior executive level, and we intend to continue to include these items in the Remuneration Committee's rolling agenda.

Shareholder engagement

We consulted with shareholders prior to the adoption of the Remuneration Policy at the 2021 annual general meeting and I would like to once again thank shareholders for their input on our proposals.

I remain committed to an open dialogue with all of our shareholders and other stakeholders. If you have any questions about this year's Directors' Remuneration Report, please contact me via companysecretary@spirehealthcare.com.

We look forward to your continued support at our annual general meeting in May.

Tony Bourne
Chair, Remuneration Committee
2 March 2022

Remuneration principles – how our approach to pay reflect the principles of the UK Corporate Governance Code	
Clarity	– Incentive arrangements are intended to be closely aligned to our strategy to effectively engage with participants. The Remuneration Committee regularly engages with wider stakeholders including shareholders and seeks to provide clear disclosure and explanation of our pay arrangements.
Simplicity	– Our remuneration policies are straightforward and easy to understand.
Risk	– Our variable incentive schemes contain an appropriate balance of financial and non-financial measures so that risk is effectively managed and mitigated. Discretion, malus and clawback help to prevent payments for failure.
Predictability	– Potential values from remuneration arrangements are clearly communicated.
Proportionality	– Incentives incorporate performance measures that are linked to the strategic goals of the business. Variable pay is intended to reward for successful execution of the strategy over the short and longer term. The Remuneration Committee is also mindful of the outcomes of variable incentives for the wider workforce.
Alignment to culture	– Targets for variable incentives are intended to be based on a balance of measures to provide a rounded assessment of performance. We are conscious of our impact on wider stakeholders and how that ultimately impacts the value we create for shareholders.

Remuneration Policy report

Summary of Remuneration Policy and approach for 2022

The Directors' Remuneration Policy was approved by shareholders at the annual general meeting on 13 May 2021. This Remuneration Policy will continue to apply for 2022.

The table below summarises the key terms within the policy together with the detail on how remuneration arrangements will be operated in the coming year. The full Remuneration Policy can be found in the 2021 Annual Report and Accounts.

Remuneration element	Summary of policy	Implementation for 2022
Fixed remuneration		
Salary	Fixed remuneration set at levels appropriate to the role to secure and retain required talent. When setting the salary level, the Remuneration Committee takes into account factors including: scope and responsibility of the role, skills and experience of the individual, salary levels for similar roles within comparators, overall structure of the remuneration package and wider workforce remuneration.	Any increases in the Executive Directors' salaries will not exceed the average increase awarded to the wider workforce.
Benefits	A range of role-appropriate benefits may be provided to Executive Directors. These include: private medical cover, income protection, life assurance, an annual health assessment and car allowance. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company.	No changes to approach.
Retirement benefits	Retirement benefits assist with retirement planning and are provided to support retention. For new Executive Directors, retirement benefits will be aligned to the rate received by the majority of employees, currently 8% of salary. The maximum contribution available to incumbent Executive Directors is 18% of salary.	Retirement benefits paid to Executive Directors in 2022 are unchanged from 2021. As previously disclosed, retirement benefits for incumbent Executive Directors will be reduced to the wider workforce level by 1 January 2023.
Performance-related pay		
Annual bonus	The annual bonus incentivises and rewards the achievement of annual financial, operational and individual objectives. – At least 50% assessed against financial metrics, the remainder will be linked to performance against strategic and/or individual objectives. – Portion of the bonus will be deferred into shares for three years (currently 50% for Justin Ash and 33% for Jitesh Sodha). – Awards are subject to malus and clawback. – Policy maximum: 150% of salary.	2022 maximum: 150% of salary. Justin Ash – 2022 bonus: EBITDA (60%), Free Cash Flow (20%) and individual strategic measures (20%). Jitesh Sodha – 2022 bonus: EBITDA (40%), Free Cash Flow (10%), transformation objectives (30%) and individual strategic objectives (20%). The details of targets for the coming year are commercially sensitive; however, the Remuneration Committee expects to provide full disclosure of targets and bonus outcomes in the 2022 Directors' Remuneration Report.

<table>
<tr><th>Remuneration element</th><th>Summary of policy</th><th>Implementation for 2022</th></tr>
<tr><td colspan="3">Performance-related pay continued</td></tr>
<tr><td>LTIP</td><td>The LTIP incentivises and rewards the achievement of long-term strategic objectives, alongside aligning the interests of Executive Directors and shareholders.
– At least 30% based on measures linked to the share price; remainder based on financial and/or operational measures.
– Targets are set by the Remuneration Committee for a three-year performance period. Awards are subject to a two-year holding period.
– Awards are subject to malus and clawback.
– Policy maximum: 200% of salary.
– The Remuneration Committee may adjust targets in certain circumstances (e.g. major acquisition or disposal; change to accounting standards).</td><td>2022 LTIP grants: 200% of salary

Performance will be measured from 1 January 2022 to 31 December 2024. Measures and targets will be as follows:

<table>
<tr><th></th><th>25% vests</th><th>50% vests</th><th>100% vests</th></tr>
<tr><td>Relative TSR (35%)</td><td>Median</td><td>–</td><td>Upper quartile</td></tr>
<tr><td>ROCE (35%)</td><td>6.0%</td><td>7.3%</td><td>9.6%</td></tr>
<tr><td>Regulatory Rating (15%)</td><td>84% achieve ‘Good’ or above</td><td>88% achieve ‘Good’ or above</td><td>94% achieve ‘Good’ or above</td></tr>
<tr><td>Employee Engagement (15%)</td><td>76%</td><td>79%</td><td>82%</td></tr>
</table>
1 Straight-line vesting between points shown.
2 Return on Capital Employed is calculated as ‘Adjusted EBIT/Capital Employed’. Capital Employed is calculated as ‘Total Assets less Cash less Current Liabilities less Capital expenditure in the previous 12 months’. Capital expenditure in the last 12 months reflects additions of fixed assets (excluding leased assets). Return on Capital Employed will be measured at a point in time on 31 December 2023.
3 Vesting for the Regulatory Rating element can be scaled back (including to nil) if any site is rated ‘inadequate’. The Remuneration Committee is satisfied that outcomes at the upper-end of the scale would represent exceptional and market-leading results for the portfolio.</td></tr>
<tr><td colspan="3">Further details</td></tr>
<tr><td>Shareholding guidelines</td><td>Executive Directors are expected to build up and maintain a shareholding equivalent to twice their respective base salary.

In addition, following departure, Executive Directors will be expected to hold 200% of base salary (or actual relevant holding on departure, if lower) on departure, for two years following cessation of employment.</td><td>No change to approach for 2022.</td></tr>
<tr><td>Non-Executive Directors</td><td>Fees are appropriate to ensure that Non-Executive Directors are paid to reflect the individual responsibility taken as well as skills and experience.

Benefits may be provided to Non-Executive Directors including travel and other reasonable expenses incurred in the course of performing their duties.</td><td>Fees for 2022 as follows:
– Non-Executive Chairman: £230,000
– Deputy Chairman and Senior Independent Director: £150,000
– Basic fee for independent Non-Executive Directors: £55,000
– Basic fee for non-independent Non-Executive Directors: £50,000
– Chairs of Audit and Risk Committee and Remuneration Committee: £10,000
– Chair of the Clinical Governance and Safety Committee: £15,000</td></tr>
</table>

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 2021. This comprises the total remuneration in respect of the full year from 1 January 2021 to 31 December 2021.

	Justin Ash		Jitesh Sodha	
(£000)	**2021**	2020	**2021**	2020
Gross salary[1]	**624.2**	618.1	**420.0**	396.9
Less: salary waived[2]	**–**	(30.7)	**–**	(19.7)
Net Salary	**624.2**	587.4	**420.0**	377.2
Benefits	**7.1**	6.9	**16.9**	16.9
Retirement Benefits	**112.4**	111.3	**75.6**	71.5
Total Fixed Pay	**743.7**	736.3	**512.5**	485.3
Annual Bonus[3]	**453.2**	322.9	**342.7**	207.4
Long-term incentives[4,5]	**899.9**	192.5	**578.0**	138.4
Total Variable Pay	**1,253.1**	515.4	**920.7**	345.8
Total	**2,096.8**	1,251.7	**1,433.2**	831.1

1 As disclosed last year, on 1 January 2021, Jitesh Sodha received an increase to his salary of 4.8% that reflected a significant expansion in the scope of his responsibilities since joining Spire including additional responsibility for Property, Supply Chain, and Digital Strategy and Implementation, as well as his continued development as an exceptional leader within the business.
2 During 2020, both Executive Directors voluntarily agreed to take a 20% cut in base salary for three months. These savings were donated to an NHS charity.
3 Half of the annual bonus paid to Justin Ash and one-third of the annual bonus paid to Jitesh Sodha will be deferred into shares for three years.
4 Both Executive Directors were participants of the 2019 LTIP awards. These awards are due to vest during 2022. For the purposes of this table, the value of awards is based on the average share price during the final quarter of 2021 (237.3p). These awards were granted at a share price of 132.84p for both individuals (these being the five-day average share prices on the dealing days prior to the date of grant). Therefore, c.44% of the value shown is attributable to the increase in share price.
5 The 2018 LTIP awards have been restated to reflect the actual share price on vesting, which was 169.2p.

Additional notes to the table

Salary

The salaries for the Executive Directors were:
– Justin Ash's salary is £624,225 (£615,000 per annum on appointment in 2017); and
– Jitesh Sodha's salary is £420,000 (£395,000 per annum on appointment in 2018).

Benefits

The benefits consist of private medical cover (for the Executive Directors and their families), life assurance, health assessment and income protection cover. Jitesh Sodha also receives a car allowance.

Retirement benefits

The amount set out in the table represents the Group contribution to the Executive Directors' retirement planning at a rate of 18% of base salary.

Amounts above the HMRC annual allowance are paid as taxable cash supplements. The level of retirement benefit is below the maximum allowable under the previous Remuneration Policy and is consistent with benefit levels offered to other senior executives in the business. As noted in the Policy, the intention is for benefits to be reduced to be consistent with the wider workforce with effect from 1 January 2023.

Annual bonus

For the 2021 financial year, the maximum bonus opportunity for Justin Ash and Jitesh Sodha was 150% of base salary, with 60% of the award based on EBITDA, 20% on Free Cash Flow and 20% assessed against individual strategic objectives.

All bonuses in the Group, including those payable to Executive Directors were subject to a minimum EBITDA threshold of £150 million and a minimum quality trigger. Both of these hurdles were achieved for 2021, and therefore Executive Directors were considered for bonuses. A portion of bonuses for Executive Directors are deferred into shares for three years.

Financial measure targets and outcomes for 2021 were as follows:

	Threshold	Target	Max
EBITDA			
Targets	£165.4m	£185.3m	£200.0m
Outcome (% of max bonus)	6%	30%	60%
Free Cash Flow (FCF)			
Targets	£0m	£20m	£40m
Outcome (% of max bonus)	0%	10%	20%

EBITDA for the year was £178.2m and free cash flow was £27.4m.
The assessment of the financial measures therefore resulted in an outcome of 34.4% of the overall bonus.

For 2021, the strategic element comprised 20% of the overall bonus and was centred around the achievement of the following areas of focus:

Area of focus	Progress and achievements during the year	Outcome
Chief Executive Officer		
Develop and deliver a clear shareholder value creation narrative	A capital markets day was not held due to the approach from Ramsay Health Care. Clear narrative with investors achieved and all written feedback received was positive. Rise in Spire Healthcare's share price was maintained post-approach.	2/6
Ensure the key components of Five-year plan for 2021 delivered by year end	Significant projects including pricing engine and ePOA delivered. Transformation Programme commenced with £3m of savings delivered by year-end.	5/6
Deliver a non-organic development/M&A programme that improves ROCE and drives growth	The Five-year plan was revised and approved by the Board during 2021 as part of the approach by Ramsay Health Care. The acquisition of The Claremont Hospital was completed. Strong capital discipline shown and FCF despite COVID constraints.	3/6
Develop an engaged QI culture	Spire Healthcare is on track to have over 100 QI practitioners across its estate. Justin Ash personally attended QI launches/graduation celebrations and reviewed QI projects during visits.	4/4
Total bonus achieved against individual strategic targets		14%
Chief Financial Officer		
Deliver balance sheet and cash strategy with path to de-leveraging and preparation for bank refinancing in 2022	A net debt/EBITDA year end ratio of 2.3x achieved after the sale and leaseback of Spire Cheshire Hospital. New financing substantially completed with lenders at the year-end.	5/5
Drive business strategy review to build on the Five-year plan	The Five-year plan was revised and approved by the Board during 2021 as part of the approach by Ramsay Health Care. The acquisition of The Claremont Hospital was completed.	5/5
Deliver year 1 of carbon net zero plan	8% ahead of target after Q3 2021.	5/5
Finalise and implement cyber security plan to increase maturity and successfully start the Hospital Management System rollout	Delivered network access control, Security Operations Centre and multi factor authentication to improve cyber security capabilities. Strong user base for HMS and successful rollout of ePOA and outpatient bookings.	5/5
Total bonus achieved against individual strategic targets		20%

Based on the assessment above, the outcome was 14% of the maximum bonus for the Chief Executive Officer and 20% of maximum for the Chief Financial Officer. Taking into account overall performance during the year, the Remuneration Committee is satisfied that the outcomes are fully warranted.

For Justin Ash, 50% of the bonus will be deferred into shares for three years, with deferral of one-third of the award for Jitesh Sodha.

Long Term Incentive Plan (LTIP)

The performance period for awards granted in 2019 ended on 31 December 2021. This award was based on targets linked to EPS, relative TSR performance and operational excellence measures. Justin Ash and Jitesh Sodha both participated in this award.

The performance targets for this award were disclosed on a prospective basis in the 2019 Directors' Remuneration Report and the result at the conclusion of the three-year performance period was as follows:

	0% vest	25% vests	50% vests	100% vests	Outcome	Percentage outcome
TSR v FTSE 250 (excluding investment trusts) (35%)	n/a	Median[1]		Upper quartile	Upper quartile	35.0%
Adjusted EPS – outcome for 2021 (35%)	9.0p[1]	10.0p	12.0p	14.0p	Below threshold	0%
Regulatory Rating (15%)	n/a	80% achieve 'Good' or above[1]	80% achieve 'Good' or above	90% achieve 'Good' or above	92% achieved 'Good' or above	15.0%
Friends & Family (15%)	n/a	82%[1]	85%	87%	82%	3.75%
						53.75%

1 There is no vesting for performance below these levels.
2 There is straight line vesting between the points shown.

The targets for 2019 awards were set prior to the onset of the pandemic and therefore envisaged a different economic environment. While the EPS element lapsed due to the change in market conditions, Spire Healthcare's overall performance over the 2019 LTIP performance period has been strong. This is demonstrated by the vesting under the relative TSR element, and the strong progress against the Operational Excellence targets which are strategically vital to ensuring the long-term sustainability and success of the Group.

Therefore, the Committee is satisfied that the vesting outcomes are fully warranted. Vested shares are subject to a two-year holding period.

Awards under the LTIP were granted to Justin Ash and Jitesh Sodha on 18 March 2021. 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 2023. The maximum award granted to Executive Directors was equivalent to 175% of base salary (2020: 150%). As noted last year, ROCE was introduced to ensure focus on profitability and capital discipline, replacing the EPS measure.

The full details of the performance conditions applying to the 2021 awards are set out below.

	25% vests	50% vests	100% vests
Relative TSR (35%)	Median[1]	–	Upper quartile
Return on Capital Employed (35%)[2]	6.0%[1]	7.2%	9.6%
Regulatory Rating (15%)[4]	82% achieve 'Good' or above[1]	86% achieve 'Good' or above	90% achieve 'Good' or above
Employee Engagement (15%)	76%[1]	79%	82%

1 There is no vesting for performance below this level.
2 Return on Capital Employed is calculated as 'Adjusted EBIT/ Capital Employed'. Capital Employed is calculated as 'Total Assets less Cash less Current Liabilities less Capital expenditure in the previous 12 months'. Capital expenditure in the last 12 months reflects additions of fixed assets (excluding leased assets). Return on Capital Employed will be measured at a point in time on 31 December 2023.
3 The Remuneration Committee may adjust targets in certain circumstances (e.g. major acquisition or disposal; change to accounting standards).
4 Vesting for the Regulatory Rating element can be scaled back (including to nil) if any site is rated as 'inadequate'.
5 Straight-line vesting between points shown.

Outstanding share awards

The following table provides details of all outstanding awards, as at 31 December 2021, made to Executive Directors under the LTIP that remain within their three-year performance period:

	Type of award	Date of grant	Number of shares	Share price	Face value at grant[1]	End of performance period
Justin Ash	Conditional Share Award (in the form of nil-cost options)	25 March 2019	694,444	£1.3284	£922,500	31 December 2021
		6 April 2020	1,028,046	£0.897	£922,500	31 December 2022
		18 March 2021	665,606	£1.641	£1,092,394	31 December 2023
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	25 March 2019	446,025	£1.3284	£592,500	31 December 2021
		6 April 2020	660,289	£0.897	£592,500	31 December 2022
		18 March 2021	447,843	£1.641	£735,00	31 December 2023

1 The face value of awards made in 2021 was equivalent to 175% of base salary. The share price used to determine the number of shares under the 2021 award was based on the average of the mid-market quotation at close of business over the 5 trading days ending on 17 March 2021 (164.1p). The face value of awards made in 2019 and 2020 were equivalent to 150% of base salary.
2 The 2021 awards are subject to relative TSR, ROCE performance and Operational Excellence conditions. The 2019 and 2020 awards are subject to TSR, EPS and Operational Excellence conditions. Further detail on specific targets is set out in the 2019 and 2020 Directors Remuneration Reports.

The following table provides details of all outstanding awards, as at 31 December 2021, that have completed their three-year performance period and have vested to Executive Directors under the LTIP but remain within the two-year holding period:

	Type of award	Date of grant	Number of shares originally awarded	Number of share lapsed	Number of shares in two-year holding period	End of two-year holding period
Justin Ash	Conditional Share Award (in the form of nil-cost options)	28 March 2018	576,058	467,184	108,874	28 March 2023
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	28 March 2018	414,219	335,932	78,287	28 March 2023

The following table provides details of awards granted to the Executive Directors during 2021 under the Deferred Share Bonus Plan, which relate to bonuses payable in respect of 2020 and disclosed in last year's Remuneration Report. Awards will normally vest three years after the grant date.

	Type of award	Date of grant	Number of shares	Share price	Face value at grant
Justin Ash	Conditional Share Award (in the form of nil-cost options)	18 March 2021	97,251	£1.66	£161,438
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	18 March 2021	41,637	£1.66	£69,118

These awards will be released in 2024, and remain subject to malus terms during this period.

Sharesave

The Company encourages share ownership and operates an HMRC-approved Savings-Related Share Option Plan (Sharesave). Participation in Sharesave is conditional on three months' service and Executive Directors may participate in the same way as all other colleagues. Sharesave is an all-employee share plan and there are no performance conditions.

	Date of grant	Number of shares	Option price	Awards are exercisable between
Justin Ash	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022
Jitesh Sodha	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022

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 2021.

(£000)	**2021 Fees**	**2021 Benefits[1]**	**2021 Total**	2020 Fees	2020 Benefits[1]	2020 Totals
Sir Ian Cheshire[2]	**155.9**	**–**	**155.9**	–	–	–
Adèle Anderson	**65.0**	**–**	**65.0**	65.0	–	65.0
Martin Angle	**150.0**	**2.1**	**152.1**	150.0	5.9	155.9
Tony Bourne	**65.0**	**–**	**65.0**	65.0	0.1	65.1
Professor Dame Janet Husband	**70.0**	**2.9**	**72.9**	70.0	7.3	77.3
Jenny Kay	**55.0**	**–**	**55.0**	55.0	–	55.0
Simon Rowlands	**50.0**	**–**	**50.0**	50.0	–	50.0
Professor Cliff Shearman[3]	**55.0**		**55.0**	13.8	–	13.8
Dr. Ronnie van der Merwe[4]	**50.0**	**–**	**50.0**	50.0	–	50.0
Garry Watts (former Director)[5]	**133.6**	**0.8**	**134.4**	280.3	8.7	289.0
Total	**849.5**	**5.8**	**855.3**	799.1	22.0	821.1

1 Reasonable expenses incurred by any Non-Executive Director will be reimbursed by the Company but they have no other contractual entitlement to benefits. For Non-Executive Directors certain expenses relating to the performance of a Non-Executive Director's duties in carrying out activities, such as travel to and from Company meetings, are classified as taxable benefits by HMRC. In line with current regulations these taxable benefits have been disclosed and are shown in the taxable benefits column in the Directors' remuneration table above. The figures shown include the cost of the expenses grossed up for tax and national insurance.
2 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021. Between 4 March 2021 and 13 May 2021 he was paid the standard fee for an independent Non-Executive Director of £55,000 per annum. From 14 May 2021 he received a fee of £230,000 per annum as Non-Executive Chairman.
3 Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020.
4 Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director and Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. As a Non-Executive Director nominated by the principal shareholder, the fees for Dr. Ronnie van der Merwe are paid to a subsidiary company within the Mediclinic International PLC group.
5 Garry Watts stepped down from the Board on 13 May 2021.

Non-Executive Directors

There was no increase to fees during 2021. A review will be completed during the year. The current fees payable to the Non-Executive Directors are shown above.

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. In addition, Executive Directors are required to retain this level of shareholding (or actual relevant holding on departure, if lower), for two years after stepping down from the Board. There is no requirement for Non-Executive Directors to hold shares in the Company.

	Shareholding		Guidelines
	As at 31 December 2021	As at 31 December 2020	Proportion of shareholding guideline achieved[1]
Non-Executive Chairman			
Sir Ian Cheshire[2]	**–**	–	
Garry Watts[3]	**653,577**	653,577	
Executive Directors			
Justin Ash	**394,654**	394,654	119.0%
Jitesh Sodha	**50,500**	50,500	47.7%
Non-Executive Directors			
Adèle Anderson	**9,582**	9,582	
Martin Angle	**–**	–	
Tony Bourne	**11,904**	11,904	
Professor Dame Janet Husband	**10,231**	10,231	
Jenny Kay	**–**	–	
Simon Rowlands	**786,516**	786,516	
Professor Cliff Shearman	**–**	–	
Dr. Ronnie van der Merwe	**–**	–	

1 Calculated based upon the closing share price on 31 December 2021 of 250.0 pence. Unvested DSBP shares and vested LTIP awards subject to a holding period only are taken into account on a net of tax basis for the purpose of the guidelines. As noted above during 2022, shares relating to the 2019 LTIP will vest for both Executive Directors.
2 Sir Ian Cheshire was appointed to the Board as Chairman-designate on 4 March 2021. He did not hold any shares in the Company on appointment.
3 Garry Watts stepped down from the Board on 13 May 2021. His shareholding is shown as at this date.

There have been no changes to Directors' shareholdings between 31 December 2021 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 2021. Unvested awards are structured as nil-cost options.

	Options	Shares		
	Unvested and not subject to performance conditions[1]	Unvested and subject to performance conditions[2]	Unvested and not subject to performance conditions[3]	Vested and not subject to performance conditions[4]
Non-Executive Chairman				
Sir Ian Cheshire[5]	–	–	–	–
Garry Watts[6]	–	–	–	–
Executive Directors				
Justin Ash	3,302	2,388,096	268,084	108,874
Jitesh Sodha	3,302	1,554,157	114,777	78,287
Non-Executive Directors				
Adèle Anderson	–	–	–	–
Martin Angle	–	–	–	–
Tony Bourne	–	–	–	–
Dame Janet Husband	–	–	–	–
Jenny Kay	–	–	–	–
Simon Rowlands	–	–	–	–
Professor Cliff Shearman	–	–	–	–
Dr. Ronnie van der Merwe	–	–	–	–

1 Consists of awards granted under Sharesave.
2 Consists of grants under the LTIP that have been awarded but remain subject to performance conditions.
3 Consists of grants under the DSBP that have been awarded but remain subject to performance conditions.
4 Consists of grants under the LTIP that have vested and currently subject to a two-year holding period.
5 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021.
6 Garry Watts stepped down from the Board on 13 May 2021.

Letters of appointment

Non-Executive Director	Date of appointment	Notice period	Date of expiry
Adèle Anderson	28 July 2016	2 months	No later than 30 June 2022
Martin Angle	14 March 2019	3 months	No later than 30 June 2024
Tony Bourne	24 June 2014	2 months	No later than 30 June 2023
Sir Ian Cheshire[1]	4 March 2021	12 months	No later than 30 June 2023
Dame Janet Husband	24 June 2014	2 months	No later than 30 June 2023
Jenny Kay	1 June 2019	2 months	No later than 30 June 2022
Simon Rowlands[2]	24 June 2014	2 months	23 July 2022
Professor Cliff Shearman	1 October 2020	2 months	No later than 30 June 2023
Dr. Ronnie van der Merwe[3]	24 May 2018	n/a	No later than 30 June 2024

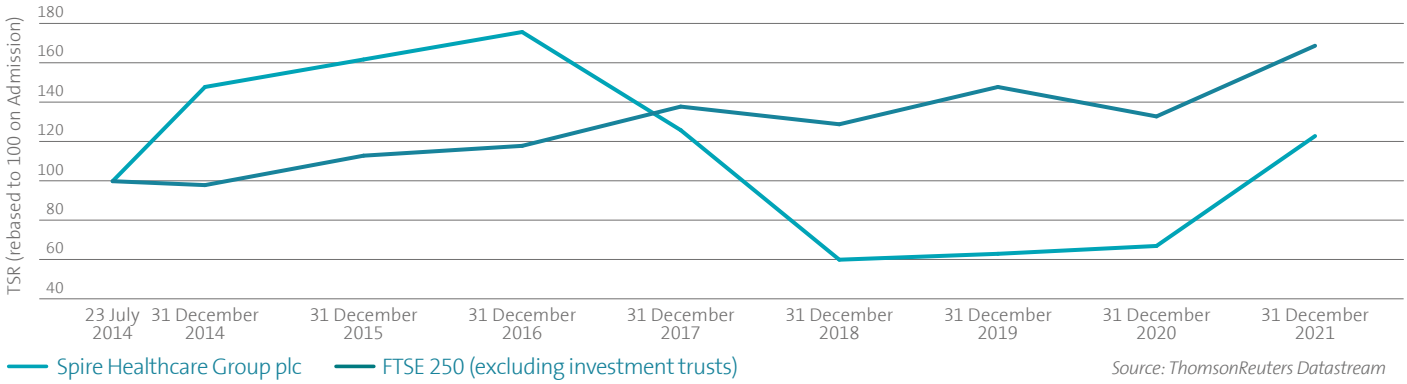
1 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021. He became Non-Executive Chairman at the conclusion of the Company's annual general meeting on 13 May 2021.
2 Simon Rowlands appointment was renewed for a further one-year period during 2021.
3 Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director, Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. Dr. Ronnie van der Merwe is considered to be a non-independent Non-Executive Director.

Service contracts

Justin Ash and Jitesh Sodha will put themselves up for re-election at the annual general meeting to be held on 11 May 2022. Executive Directors are employed under ongoing service contracts with the Group. These contracts do not have a fixed term of appointment. Copies of their service contracts are available to shareholders for inspection at the Company's registered office.

Performance graph

The graph below illustrates Spire Healthcare Group plc's TSR performance against the FTSE 250 (excluding investment trusts) since Admission on 23 July 2014. Given that the Company is a constituent of the FTSE 250 index, the Remuneration Committee considers this an appropriate peer group.



Source: ThomsonReuters Datastream

The table below shows the total remuneration paid in respect of the Chief Executive Officer role.

	2014	2015	2016	2017	2018	2019	2020	**2021**
Chief Executive's single figure remuneration (£000s)[1,2]	6,223.1	1,095.8	320.5	128.2	732.4	1,010.1	1,251.7	**2,096.8**
Annual bonus payout (% of maximum)	34%	0%	0%	0%	0%	30%	35%	**48.4%**
LTIP vesting (% of maximum)[3]	n/a	n/a	n/a	n/a	n/a	n/a	18.9%	**53.75%**

1 2017: Justin Ash was appointed Chief Executive Officer on 30 October 2017. The value shown for 2017 therefore represents a part-year figure for his time in role. During 2017: (i) Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017 for which he was paid £714,600; and (ii) Simon Gordon undertook the role of Interim Chief Executive Officer between 13 June 2017 and 29 October 2017 for which he was paid c.£243,000.
2 2016: Rob Roger stepped down from the Board on 30 June 2016. The value shown for 2016 therefore represents a part-year figure for his time in role. Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017.
3 Rob Roger and Garry Watts did not have any LTIP awards vesting in respect of 2016; for other participants the LTIP based on performance to 31 December 2016 vested at 50% of maximum. Similarly, Justin Ash and Garry Watts did not have any LTIP awards vesting in respect of 2017, 2018 or 2019; for other participants (including Simon Gordon) the LTIP based on performance to 31 December 2017 and 31 December 2018 lapsed in full while the LTIP based on performance to 31 December 2019 vested at 3.75% of maximum.

Annual change in remuneration

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the annual percentage change in remuneration (based on salary or fees, benefits and annual bonus) for 2020 and 2021. Given the small number of people employed by the Spire Healthcare Group plc entity, data for all employees of the Group has been included.

	2021			2020		
	Salary/fee FY21 vs FY20	**Benefits FY21 vs FY20**	**Annual Bonus FY21 vs FY20**	Salary/fee FY20 vs FY19	Benefits FY20 vs FY19	Annual Bonus FY20 vs FY19
Chairman						
Sir Ian Cheshire[1]	**–**	**–**	**–**	–	–	–
Garry Watts[2]	**–**	**–**	**–**	(4.5)%	(61.7)%	–
Executive Directors						
Justin Ash	**1.0%**	**2.9%**	**40.4%**	(4.5)%	(0.1)%	16.7%
Jitesh Sodha	**5.8%**	**0%**	**65.2%**	(4.5)%	0%	16.7%
Non-Executive Directors						
Adèle Anderson	**0%**	**–**	**–**	0%	(100.0)%	–
Martin Angle	**0%**	**(64.4)%**	**–**	0%	(59.0)%	–
Tony Bourne	**0%**	**–**	**–**	0%	(86.5)%	–
Dame Janet Husband	**0%**	**(60.3)%**	**–**	0%	(67.6)%	–
Jenny Kay	**0%**	**–**	**–**	0%	(100.0)%	–
Simon Rowlands	**0%**	**–**	**–**	0%	–	–
Professor Cliff Shearman[3]	**0%**	**–**	**–**	–	–	–
Dr. Ronnie van der Merwe	**0%**	**–**	**–**	0%	–	–
Average employee	**2.3%**	**11.2%**	**4.4%**	5.3%	2.7%	75.7%

1 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021.
2 Garry Watts stepped down from the Board on 13 May 2021.
3 Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020. To provide a meaningful comparison of percentage increase his fee for 2020 has been considered on a full-time equivalent basis.

CEO pay ratio for 2021

The table below shows the ratio of the total remuneration of the Chief Executive Officer to that of the lower quartile, median and upper quartile employees and bank workers in 2021, consistent with the Regulations.

Spire Healthcare has compared the STFR of the Chief Executive to UK employees for the 12 months ending 31 December 2021 on a full-time equivalent basis. The Company has determined the P25, P50 and P75 individuals with reference to a ranking of total remuneration as at 31 December 2021.

		Pay Ratio		
Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2021	Option A	92:1	66:1	42:1

	CEO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Base salary	£624,225	£19,285	£23,529	£44,503
Total remuneration	£2,096,782	£22,712	£31,798	£49,524

The Company's principles for pay setting and progression in our wider workforce are the same as for our executives. The total reward package is competitive to ensure that they attract and retain the highest quality of talent in a difficult market, whilst providing opportunities for development and career progression. The pay ratios reflect how remuneration arrangements differ between the bank workers who are hourly paid, with no set hours, to qualified clinical colleagues, to more senior executives whose roles require them to create long term value and alignment with shareholder interests.

The median pay ratio reported is consistent with the wider policies in place at Spire Healthcare. All employees are eligible for pay increases, recognition awards, participation in Sharesave, and career and development opportunities.

Notes to the calculation

- Under option A, the ratios are based on the full-time equivalent total remuneration, which includes base salary, incentive payments, taxable benefits and pension benefits for the financial year 1 January to 31 December 2021.
- The reference colleagues at the 25th, 50th and 75th percentile have been determined by reference to the last day of the financial year, 31 December 2021.
- In accordance with the Regulations, employees and bank workers have been included, whilst Non-Executive directors, contractors and consultants have not been included.
- A total of 13,207 employees and bank workers were included in the calculation of the CEO Pay ratio. Colleagues on reduced pay due to long term sickness absence, maternity leave or with zero pay in 2021 were excluded from the calculation.
- Pay for each colleague is calculated in accordance with the single figure of remuneration. All components of remuneration are presented on a full-time equivalent basis by dividing sums by the number of hours for the portion of the year worked and subsequently multiplying by the relevant annual full-time hours.
- Bank workers do not participate in the annual bonus plan, long term incentive plan and do not have any taxable benefits.
- A significant portion of the Chief Executive Officer's pay is variable; the pay ratio is, therefore, significantly impacted by the outcomes of variable pay plans.
- The full amount of the annual bonus for the Chief Executive Officer for 2021 is £453,187 of which 50% is deferred into shares that are subject to a three-year holding period. This is included in the total remuneration figure including the portion deferred into shares.

Three-year Table (2019, 2020 and 2021)

Year	Method		CEO	P25 (LQ)	P50 (Median}	P75 (UQ)
2019	A	Base salary	£615,000	£18,085	£25,573	£36,055
		Total remuneration	£1,010,112	£20,065	£28,487	£40,461
		Pay Ratio		50:1	35:1	25:1
2020	A	Base salary	£587,325*	£18,013	£24,256	£33,165
		Total remuneration	£1,251,684	£20,519	£27,893	£39,978
		Pay Ratio		61:1	45:1	31:1
2021	A	Base salary	**£624,225**	**£19,285**	**£23,529**	**£44,503**
		Total remuneration	**£2,096,781**	**£22,712**	**£31,798**	**£49,524**
		Pay Ratio		**92:1**	**66:1**	**42:1**

* Decrease in salary rate year-on-year due to Chief Executive Officer's voluntary waiver of three months of salary from May to July 2020

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.

£(m)	**2021**	2020	% change
Total remuneration	**397.6m**	351.6	13.1
Distributions to shareholders	**0**	0	–

Advice provided to the Remuneration Committee

During the course of the year, Deloitte LLP provided external advice to the Remuneration Committee and its total fees were £45,250 (2020: £43,500). During 2021, Deloitte LLP also provided other consulting services to the Group. Deloitte LLP has voluntarily signed up to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consulting during the year. The Remuneration Committee is comfortable that the Deloitte LLP engagement partner and team that provides remuneration advice to the Remuneration Committee do not have connections with the Company or any of its Directors that may impair their independence.

The Non-Executive Chairman, Chief Executive Officer, Chief Financial Officer and Group Human Resources Director attended Committee meetings by invitation in order to provide the Remuneration Committee with additional context. No individual participates in decisions regarding their own remuneration.

Statement of voting at 2021 annual general meeting

The following table sets out the voting in respect of the resolutions to approve the Company's Directors' Remuneration Policy and 2020 Directors' Remuneration Report put to shareholders at the Company's annual general meeting held on 13 May 2021:

Resolution at 2021 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Directors' Remuneration Policy	334,256,201	99.68%	1,076,261	0.32%	4,562
Approve the 2020 Directors' Remuneration Report	334,272,939	99.87%	448,386	0.13%	615,699

This report on Directors' remuneration will be put to an advisory vote at the annual general meeting on 11 May 2022. 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. It also includes updates to legislation from The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860) and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. The report was approved at a meeting of the Directors held on 2 March 2022.

Details of all resolutions passed at the annual general meeting held on 13 May 2021 can be found on page 89.

Tony Bourne
Chair, Remuneration Committee
2 March 2022

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 2021.

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 81 and the Directors' Remuneration Report on pages 104 to 117, and should be read in conjunction with this report. The following, included in the Strategic Report, also form part of this report:
- greenhouse gas emissions, which can be found under Our impact on page 52;
- employees, which can be found in Our impact on pages 43 to 48;
- the Corporate Governance report, set out on pages 83 to 89; and
- Our strategy set out on pages 16 to 25.

A description of the Group's exposure and management of risks is provided in the Strategic Report on pages 58 to 68.

Information regarding the Company's Gender Pay Gap Reporting and charitable donations can be found in Our impact on pages 44 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 11.00am on 11 May 2022. Full details of shareholder attendance at the meeting will be provided in the 2022 Notice of annual general meeting and at www.spirehealthcare.com/AGM.

At the meeting, resolutions will be proposed to receive the Annual Report and Financial Statements, approve the Directors' Remuneration Report, 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
As a result of the COVID-19 uncertainty and agreement with Lenders for a covenant waiver, the Board did not propose an interim dividend in respect of 2021.

For a similar reason the Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2021.

Board of Directors
The following changes were made to the Board of Directors during the year:
- Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021. He replaced Garry Watts, who stood down from the Board at last year's annual general meeting, as Chairman on 13 May 2021

The UK Corporate Governance Code provides for all directors of FTSE companies to stand for election or re-election by shareholders every year. Accordingly, all members of the Board will retire and seek election or re-election at this year's annual general meeting. Full biographical details of all of the Directors can be found on pages 90 and 93.

Further information on the contractual arrangements of the Executive Directors is given on pages 107 and 108. 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 87 in the Corporate Governance section.

Amendment of articles of association
The Company may only make amendments to the Articles of Association of the Company by way of special resolution of the shareholders, in accordance with the Companies Act 2006.

Employees
The Group is an equal opportunities employer and is committed to creating an environment which will attract, retain and motivate its people, by creating a working environment in which individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. Spire Healthcare employs people who consider themselves to have a disability (a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities). Employees who consider themselves to have a disability are under no obligation to inform their employer of this, however, we are fully aware of, and comply with, our obligations in accordance with the relevant provisions of the Equality Act 2010.

We remain committed to colleague involvement throughout the business. Colleagues are kept well informed of the clinical and financial performance of the hospital that they work in as well as the Group more widely. Examples of colleague involvement and engagement are highlighted throughout this Annual Report. When appropriate, consultations with employee and union representatives take place.

The Group gives full and fair consideration to applications for employment from disabled persons. Should an employee become disabled during their employment with Spire Healthcare, every effort is made to enable them to continue their service with the Group.

Further information on our colleagues can be found under Our impact on pages 43 to 48.

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 401,117,923 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 239,283 ordinary shares of 1 pence each (2020: 239,283). Further details can be found in note 21 on page 158.

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 21 to the Company's financial statements on page 157.

The Company has made no purchases of its own shares during the year and no shares were acquired by forfeiture or surrender or made subject to a lien or charge. Details of the shares purchased by the Company's Employee Benefit Trust are shown in note 21 on page 158.

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 2022 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 113.

During the year, no Director had any material interest in any contract of significance to the Group's business.

Employee share scheme participation
The Company's operates an all-employee Sharesave scheme which has been well received by colleagues. This is an important part of our total reward package and encourages and supports employee share ownership.

Material interests in shares
As of 2 March 2022, 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	% disclosed
Mediclinic International PLC	29.90
Toscafund Asset Management	17.0
Bank of America Corporation	5.50
FIL Limited	5.49
Melquart Opportunities Master Fund Limited	3.82

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 109 to 117. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

The relationship agreement entered into with Mediclinic Jersey Limited (formerly called Remgro Jersey Limited), a subsidiary of Mediclinic International PLC, in June 2015 is deemed a material agreement between the Company and its principal shareholder. The agreement does not include a change of control provision but does terminate upon the earlier of the Company's ordinary shares ceasing to be listed and traded on the London Stock Exchange's main market for listed securities and the principal shareholder ceasing to be entitled, in aggregate, to exercise or to control the exercise of 15% or more of the votes to be cast on all or substantially all matters of a general meeting of the Company.

Compensation for loss of office
There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs as a result of a change of control.

Disclosures required under listing rule 9.8.4R

The table below is included to meet the requirements of Listing Rule section 9.8.4R. The information required to be disclosed by that section, where applicable to the Company, can be located in the Annual Report 2021 at the references set out above.

Information required	Location in Annual Report 2021
Long-term incentive schemes	Directors' Remuneration Report pages 107 to 117
Equity securities allotted for cash	Note 21 on page 157
Parent and subsidiary undertakings	Note 16 on page 154
Subsisting significant agreements	Page 119
Controlling shareholder relationships	Page 154

Financial Risk

The Group's disclosure regarding financial risk is disclosed in note 30 of the financial statements.

Events after the reporting period

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

As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance its debt. As part of this exercise, and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100.0m of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325.0m and the Group continued to have access to an undrawn RCF of £100.0m. This new arrangement has a maturity of four years, with the Group having the option to extend by a further year. The financial covenants relating to this new agreement are materially unchanged.

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

Going concern

The Group's going concern statement is disclosed on page 69.

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:

Philip Davies
Company Secretary
2 March 2022

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group's financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with the Companies Act 2006. Under company law the Directors must not approve the Group's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the Company and of the profit or loss of the Group and the Company 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 accounting estimates that are reasonable and prudent;
- present information in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Each of the Directors confirms that, to the best of their knowledge:
- that the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By order of the Board.

Justin Ash
Chief Executive Officer
2 March 2022

Sir Ian Cheshire
Chairman
2 March 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Overview of our audit approach

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

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

Tailoring the scope

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

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

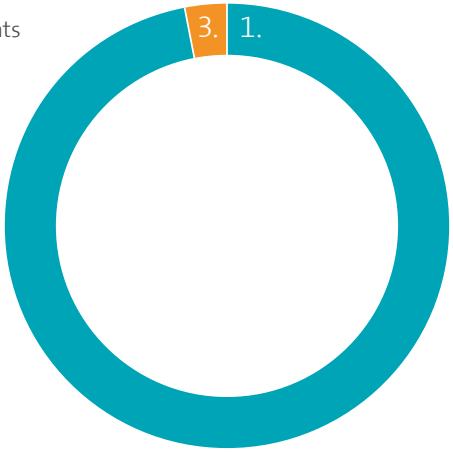
Of the 23 (2020: 29) components selected, we performed an audit of the complete financial information of two components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 21 (2020: 27) components ("specific scope components"), we performed audit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

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

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

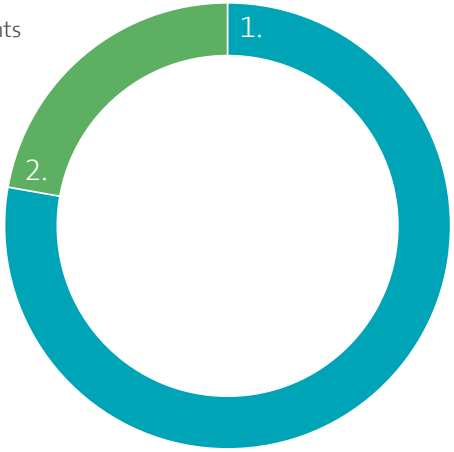
Revenue

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



Total assets

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



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

Involvement with component teams
All audit work performed for the purposes of the audit was undertaken by the Group audit team.

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

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

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

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

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

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

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

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

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

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

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

Our application of materiality

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

Materiality

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

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

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

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

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

Performance materiality

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

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

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

Reporting threshold

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Other matters we are required to address

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

Use of our report

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

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

Consolidated income statement

For the year ended 31 December 2021

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

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

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

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

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

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

Consolidated statement of changes in equity

For the year ended 31 December 2021

(£m)	Note	Share capital	Share premium	Capital reserves (note 21)	EBT share reserves (note 21)	Hedging reserve (note 21)	Retained earnings	Total	Non-controlling interests (note 16)	Total Equity
As at 1 January 2020		4.0	826.9	376.1	(0.8)	(2.1)	(264.2)	939.9	–	939.9
Loss for the year		–	–	–	–	–	(233.9)	(233.9)	–	(233.9)
Other comprehensive loss for the year		–	–	–	–	(1.1)	–	(1.1)	–	(1.1)
Total comprehensive loss		–	–	–	–	(1.1)	(233.9)	(235.0)	–	(235.0)
Share-based payments	27	–	–	–	–	–	1.7	1.7	–	1.7
As at 1 January 2021		**4.0**	**826.9**	**376.1**	**(0.8)**	**(3.2)**	**(496.4)**	**706.6**	**–**	**706.6**
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**–**	**(9.7)**	**(9.7)**	**0.8**	**(8.9)**
Other comprehensive profit for the year		**–**	**–**	**–**	**–**	**2.7**	**–**	**2.7**	**–**	**2.7**
Total comprehensive profit/(loss)		**–**	**–**	**–**	**–**	**2.7**	**(9.7)**	**(7.0)**	**0.8**	**(6.2)**
Non-controlling interests adjustment[1]		**–**	**–**	**–**	**–**	**–**	**6.1**	**6.1**	**(6.1)**	**–**
Share-based payments	27	**–**	**–**	**–**	**–**	**–**	**2.8**	**2.8**	**–**	**2.8**
Deferred tax adjustment on share-based payments reserve		**–**	**–**	**–**	**–**	**–**	**3.0**	**3.0**	**–**	**3.0**
Acquisition of a subsidiary		**–**	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**	**0.5**	**(1.4)**
As at 31 December 2021		**4.0**	**826.9**	**376.1**	**(0.8)**	**(0.5)**	**(496.1)**	**709.6**	**(4.8)**	**704.8**

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

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

Consolidated balance sheet

As at 31 December 2021

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

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

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

Justin Ash
Chief Executive Officer

Sir Ian Cheshire
Chairman

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

Consolidated statement of cash flows

For the year ended 31 December 2021

(£m)	Note	2021	2020
Cash flows from operating activities			
Loss before taxation		**(1.9)**	(231.0)
Adjustments to reconcile profit before tax to net cash flows:			
Impairment of goodwill (Adjusting items) (see note 10)	14	**–**	200.0
Impairment of assets held for sale (Adjusting items) (see note 10)	20	**–**	0.3
Profit on disposal under sale and leaseback (Adjusting items) (see note 10)	7	**(23.5)**	–
Adjusting items – other		**11.1**	9.4
Depreciation of PPE & ROU assets	13	**97.1**	94.0
Profit on the early termination of a lease (Adjusting items) (see note 10)	7	**(0.2)**	–
Finance income	8	**–**	(0.1)
Finance costs	8	**88.1**	85.7
Other income	6	**(1.1)**	–
Share-based payments expense	27	**2.8**	1.7
Movements in working capital:			
Decrease/(increase) in trade receivables and prepayments		**1.7**	(15.5)
Increase in inventories		**(1.9)**	(5.6)
Increase in trade and other payables		**14.3**	18.5
Decrease in provisions		**(2.7)**	(1.3)
Cash generated from operations		**183.8**	156.1
Tax received		**–**	3.6
Net cash flows from operating activities		**183.8**	159.7
Cash flows from investing activities			
Interest received		**–**	0.1
Receipt from financial asset		**0.4**	0.2
Acquisition of a subsidiary, net of cash acquired		**(14.7)**	–
Proceeds from asset sold under Sale and leaseback, net of costs (Adjusting items)		**33.4**	–
Proceeds of asset under sale of operating unit, net of costs (Adjusting items)		**1.8**	–
Purchase of property plant and equipment		**(69.3)**	(46.6)
Proceeds on disposal of property plant and equipment		**0.1**	–
Net cash used in investing activities		**(48.3)**	(46.3)
Cash flows from financing activities			
Interest paid and other financing costs		**(13.2)**	(18.1)
Interest on lease liabilities		**(66.8)**	(66.4)
Payment of lease liabilities		**(14.7)**	(13.4)
Proceeds from asset sold under sale and leaseback (retained value) (Adjusting item)		**55.5**	–
Net cash used in financing activities		**(39.2)**	(97.9)
Net increase in cash and cash equivalents		**96.3**	15.5
Cash and cash equivalents at 1 January		**106.3**	90.8
Cash and cash equivalents at 31 December	19	**202.6**	106.3
Adjusting items (note 10)			
Adjusting items paid included in the cash flow		**85.5**	(2.8)
Total pre-tax adjusting items	10	**5.1**	(212.5)

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

1. General information

Spire Healthcare Group plc (the 'Company') and its subsidiaries (collectively, the 'Group') owns and operates private hospitals and clinics in the UK and provides a range of private healthcare services.

The financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors of the Company on 2 March 2022.

The Company is a public limited company, which is listed on the London Stock Exchange, incorporated, registered and domiciled in England and Wales (registered number: 09084066). The address of its registered office is 3 Dorset Rise, London, EC4Y 8EN.

2. Accounting policies

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

Basis of preparation

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

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

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

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

Going concern

As at 31 December 2021 the Group had cash of £202.6m, a Senior Loan Facility of £425.0m and an undrawn Revolving Credit Facility of £100.0m. These facilities were due to mature in July 2023. As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance this debt. As part of this exercise, and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100.0m of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325.0m and the Group continued to have access to an undrawn RCF of £100.0m. This new arrangement has a maturity of four years, with the Group having the option to extend by another year. The financial covenants relating to this new agreement are unchanged.

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

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on Viability. Based on the current assessment of the likelihood of these risks arising by 31 March 2023, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the Directors have also noted the results of testing for a specific combination of these risks. This testing entailed modelling for the potential impact to the Group if, although considered highly remote, the three risks which individually give rise to the largest adverse financial impact were to take place in combination.

Viability

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

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

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

2. Accounting policies continued

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

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

Revenue recognition

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

Revenue from contracts with customers

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

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

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

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

Revenue recognition – the NHS contracts

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

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

Interest income

Interest is recognised on an effective interest rate basis.

Cost of sales

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

Other operating costs

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

Other income

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

2. Accounting policies continued

Operating profit

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

Adjusting items

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

Cash and cash equivalents

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

Taxation including deferred taxation

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

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

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

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- goodwill not deductible for tax purposes;
- the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- investments in subsidiary companies where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Property, plant and equipment

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

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

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

2. Accounting policies continued

Consolidation

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

Business combinations

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

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

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

Goodwill

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

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

Financial instruments

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

i) Financial assets other than derivatives

Initial recognition and measurement

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

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

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

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

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

2. Accounting policies continued

Financial instruments continued

Subsequent measurement

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

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

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

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

Derecognition

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

Impairment

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

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

ii) Financial liabilities other than derivatives

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities on business combinations

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

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

Derecognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Accounting policies continued

Leases continued

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

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

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

Sale and leaseback of properties

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

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

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium. Where the employee benefit trust purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders in both the Company and the consolidated balance sheet until the shares are cancelled or reissued.

Dividend distribution

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

Pensions

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

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

Other employee benefits

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

Share-based payments

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

The Group also operates a Save-As-You-Earn ('SAYE') scheme, which is open to all employees. Employees are required to save a fixed amount, up to a cap, every month for three years. At the end of the three-year period employees are entitled to use their savings to purchase shares in the Company at a stated exercise price. Employees are free to stop contributing to the scheme and obtain a refund of contributions at any time, but forfeit their entitlement to exercise the options if they do so. Payment of contributions into a SAYE scheme is not a vesting condition; it does not meet the definition of a performance condition because it has no link to service. Failure to meet a non-vesting condition (e.g. by ceasing to contribute to an SAYE scheme) is accounted for as a cancellation of the options so that the expense is accelerated and recognised in the income statement, with a corresponding adjustment to equity as required. The IFRS 2 charge has been calculated using an adjusted Black-Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

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

2. Accounting policies continued

Non-current assets held for sale

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

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

Government grants

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

Impairment

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

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

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

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

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

Impairment continued

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

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

Changes in accounting policy

New standards, interpretations and amendments applied

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

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

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

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

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

2. Accounting policies continued

Changes in accounting policy continued

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

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

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

	Effective date*
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities	1 January 2022
Amendments to IAS 1 – Classification of liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as issued by the IASB as endorsed by the UK, the application of new standards and interpretations will result in an effective date subject to that agreed by the UK Endorsement process.

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

3. Critical accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year:

Judgements

Revenue recognition – NHS contracts

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

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

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

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

Adjusting items

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

3. Critical accounting judgements and estimates continued

Judgements continued

Leases

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

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

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

Financial liability on business combination

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

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

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

Assets held for sale

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

Estimates

Goodwill

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

Property impairment

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

Leases

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

Expected Credit Losses

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

4. Auditor's remuneration

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

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

5. Segmental reporting

In determining the Group's operating segment, management has primarily considered the financial information in internal reports that are reviewed and used by the executive management team and Board of Directors (who together are the chief operating decision maker of Spire Healthcare) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that the Group has a single operating segment, being the provision of healthcare services.

All revenue is attributable to, and all non-current assets are located in, the United Kingdom.

The nature of the NHS COVID-19 specific contracts in FY20 and Q1 21 means that not all of the detail of revenue by location (in-patient, day case or Out-patient) is available. In Q1 21, where a patient was admitted, this revenue has been recorded within the revenue by location. Amounts relating to the minimum income guarantee over and above admitted patients is reflected in the NHS COVID-19 line. In FY20, admission type was not tracked under the NHS cost recovery contract and therefore all revenue under the contract is reflected in the NHS COVID-19 line.

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

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

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

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

6. Other income

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

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

7. Operating profit/(loss)

Arrived at after charging/(crediting):

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

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

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

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

8. Finance income and costs

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

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

9. Staff costs

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

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

9. Staff costs continued

The aggregate payroll costs of these persons were as follows:

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

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

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

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

10. Adjusting items

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

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

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

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

The prior year charge of £12.8m reflects the £11.6m awarded in the High Court referred to above, and the following two items:
- The Group is committed to providing ongoing support to Paterson's patients, and following the release of the Paterson Public Inquiry in February 2020, the Group incurred, or provided for, costs of £22.2m during the year.
- The Group reached a settlement with the Competition and Marketing Authority (CMA) as disclosed in the RNS announcement released on 1 July 2020. Professional costs in respect of the CMA investigation were also recognised, bringing the total cost recognised in the period to £1.3m.

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

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

In the period, the Group announced a strategic, group wide initiative that impacts the operating model of the Group to allow a more efficient governance and reporting structure. As a result, of this initiative, costs of £0.6m have been incurred, and a further £0.6m has been provided for following internal announcements in the year. The majority of this initiative is expected to complete during 2022.

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

10. Adjusting items continued

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

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

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

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

11. Taxation

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

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

Corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was not meaningful (2020: (1.3)%), mainly due to the one-off tax rate impact to deferred tax of £17.7m as a result of the Government announcement to increase the corporation tax rate from 19% to 25% from April 2023, a prior year adjustment of £3.5m, and one-off tax credit movements of £16.0m in respect of the sale and leaseback of a freehold property. The prior year was driven by the effects of revaluing deferred tax assets and liabilities to 19% following the abolishment of the rate reduction to 17% due in April 2020, and the permanent difference relating to the £200m impairment charge. Without these items, the effective tax rate is (5.7%) (2020: 9.4%). Deferred tax is detailed in note 23.

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

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

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

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

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

12. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

For dilutive EPS, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options. Refer to the Remuneration Committee Report for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS.

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

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

The Directors believe that EPS excluding Adjusting items ("Adjusted EPS") better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

Reconciliation of profit after taxation to profit after taxation excluding Adjusting items ("Adjusted profit"):

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

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

13. Property, plant and equipment

(£m)	Freehold property	Leasehold improvements	Equipment	Assets in the course of construction	Right of use (ROU)	Total
Cost:						
At 1 January 2020	866.6	140.4	445.1	17.4	748.8	2,218.3
Reallocation between categories[1]	3.6	1.9	(5.5)	–	–	–
Additions	7.7	7.8	26.7	8.6	–	50.8
Additions to ROU assets	–	–	–	–	0.4	0.4
Adjustments to existing assets (e.g. indexation)	–	–	–	–	14.7	14.7
Disposals	(7.4)	(0.9)	(20.9)	–	–	(29.2)
Transfers	–	14.8	2.0	(16.8)	–	–
At 1 January 2021	**870.5**	**164.0**	**447.4**	**9.2**	**763.9**	**2,255.0**
Additions	**11.4**	**11.9**	**47.6**	**6.2**	**–**	**77.1**
Acquisition of a subsidiary (note 32)	**–**	**0.1**	**4.7**	**–**	**25.5**	**30.3**
Additions to ROU assets	**–**	**–**	**–**	**–**	**32.6**	**32.6**
Adjustments to existing assets (e.g. indexation)	**–**	**–**	**–**	**–**	**9.7**	**9.7**
Disposals	**(35.9)**	**(1.7)**	**(20.9)**	**–**	**(5.8)**	**(64.3)**
Transfers	**(0.7)**	**3.4**	**1.8**	**(4.5)**	**–**	**–**
At 31 December 2021	**845.3**	**177.7**	**480.6**	**10.9**	**825.9**	**2,340.4**
Accumulated depreciation and impairment:						
At 1 January 2020	166.3	38.7	280.7	–	169.2	654.9
Reallocation between categories[1]	1.2	0.8	(2.0)	–	–	–
Charge for year	17.6	8.0	40.4	–	28.0	94.0
Disposals	(7.4)	(0.9)	(20.9)	–	–	(29.2)
Transfers	2.6	0.3	(2.9)	–	–	–
At 1 January 2021	**180.3**	**46.9**	**295.3**	**–**	**197.2**	**719.7**
Charge for the year	**17.9**	**8.4**	**41.1**	**–**	**29.7**	**97.1**
Acquisition of a subsidiary (note 32)	**–**	**–**	**4.1**	**–**	**–**	**4.1**
Disposals	**(9.2)**	**(0.9)**	**(19.7)**	**–**	**(4.2)**	**(34.0)**
At 31 December 2021	**189.0**	**54.4**	**320.8**	**–**	**222.7**	**786.9**
Net book value:						
At 31 December 2021	**656.3**	**123.3**	**159.8**	**10.9**	**603.2**	**1,553.5**
At 31 December 2020	690.2	117.1	152.1	9.2	566.7	1,535.3

1 Management identified a number of assets which should be reclassified from Equipment to Leasehold improvements and Freehold property to better reflect the life of the assets. These have been reflected in the reclassification line in the note above. There is no overall impact to the carrying value of plant, property and equipment.

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

Impairment testing
The Directors consider property and property right of use assets for indicators of impairment at least annually, or when there is an indicator of impairment. As equipment and leasehold improvements do not generate independent cash flows, they are considered alongside the property as a single cash-generating unit ("CGU"). When making the assessment, the value-in-use of the property is compared with its carrying value in the accounts. The value-in-use was calculated in line with the Group's forecast and sensitivities reflected in the Intangible impairment review. Where headroom is significant, no further work is undertaken. Where headroom is minimal, the property is reviewed in more detail, reviewing the factors driving underperformance. No impairment charge was taken in the period.

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

13. Property, plant and equipment continued

Impairment testing continued

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

Right of use (ROU) assets

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

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

14. Intangible assets

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

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

Impairment testing
The Directors treat the business as a single cash-generating unit for the purposes of testing goodwill for impairment, prior to the acquisition of Claremont. The recoverable amount of goodwill is calculated by reference to its estimated value-in-use. In order to estimate the value-in-use, management has used trading projections covering the period to December 2026.

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

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

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

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

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

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

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

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

16. Subsidiary undertakings and non-controlling interest

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

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

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

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

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

16. Subsidiary undertakings and non-controlling interest continued

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

Accumulated balances of material non-controlling interest:

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

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

17. Inventories

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

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

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

18. Trade and other receivables

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

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

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

Other receivables includes a £2.2m receivable from the vendor of Claremont Hospital, which was acquired by the Group during the year, and is the difference between the original estimated purchase price of £19.1m and the final agreed purchase price of £16.9m (see note 32); £7.9m paid into the new Paterson Fund, which is being held by solicitors on account until payments start to be made, with any amount not paid out being returned to Spire; as well as the £7.4m insurance reimbursement right (2020: £5.0m). The amounts paid to the new Paterson fund do not reflect an investment in a financial asset, but merely a right to reimbursement should the fund not be utilised in full.

In the prior year, as well as the £5.0m insurance reimbursement right, other receivables included the £11.6m receivable following the RSA judgment, with the cash being received in January 2021 (see note 10 for more detail).

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

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

18. Trade and other receivables continued

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

The Company was successful in its bid to be included on the NHSE Framework for purchasing additional activity from the independent sector, which commenced in April 2021. Inclusion on the Framework is at an agreed price for activity, based on the NHS tariff, but carries no guaranteed volumes. For contracts under the Framework that include an estimated contract value, billing is in advance for the expected volume, with a quarterly true-up for actual volumes undertaken. This has generated an increase in payments on account in the current year, as volumes under the Framework have generally been lower than anticipated. For contracts under the Framework without an estimated contract value, billing is in arrears based on actual volumes only.

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date (excluding payments on account). A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's trade receivables and the perceived credit quality of its customers reflecting net debt due. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value.

The loss allowance as at 31 December 2021 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	**0.7%**	**2.2%**	**5.1%**	**19.5%**	**23.6%**	**5.5%**
Gross debt (£m)	27.1	22.9	13.7	7.7	5.5	76.9
Less payments on account (£m)						(22.2)
Carrying amount of trade receivables (£m)						54.7
Loss allowance (£m)	0.2	0.5	0.7	1.5	1.2	4.1

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

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

Trade receivables are written off when there is no longer a reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and failure to make contractual payments for a period of greater than two years past due.

The Group assesses on a forward-looking basis expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

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

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

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

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

18. Trade and other receivables continued

The Group applies the IFRS 9 simplified approach to measuring Expected Credit Losses (ECLs) for trade receivables. Under this standard, lifetime ECL provisions are recognised for trade receivables using a matrix of rates dependant on age thresholds and customer types. The ECL rates are determined with reference to historical performance of each payor age group during the last two years.

To develop the ECL matrix, trade receivables were grouped according to shared characteristics (payor/payor type) and the days past due. As the majority of the Group's debt is receivable from large, well-funded insurance companies, the National Health Service or from a large number of individuals, the Group has concluded that historical debt performance of the portfolio during the last two reporting periods provides a reasonable approximation of the future expected loss rates for each payor age category with the exception this year for the impact of COVID-19 on patient debt. The ECL matrix is refreshed at each reporting date. Trade receivables are not modified after initial recognition. Payments on account are excluded from the calculation. No collateral is held in respect of trade receivables. Expected credit losses are calculated on a collective basis and are not allocated to individual financial assets.

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

19. Cash and cash equivalents

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

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

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

20. Non-current assets held for sale

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

In addition, the Group's management have committed to sell a parcel of land at Bostocks Lane. Negotiations are complete and the buyer has submitted a planning application to the authorities. The sale is considered highly probable and the assessment has not changed. It therefore remains as classified as held for sale.

(£m)	2021	2020
Spire St Saviours Hospital property	**3.7**	3.7
Bostocks Lane (East Midlands Cancer Centre)	**1.1**	1.1
	4.8	4.8

21. Share capital and reserves

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

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

21. Share capital and reserves continued

Capital reserves

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

EBT share reserves

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

During 2021, the EBT purchased no shares (2020: nil shares acquired).

Where the EBT purchases the Company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 31 December 2021, 239,283 shares (2020: 239,283) were held by the EBT in relation to the Directors' Share Bonus award and Long-Term Incentive Plan.

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

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

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

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

Hedging reserve

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

22. Borrowings

The Group has borrowings in two forms, bank borrowings and lease liabilities as disclosed on the consolidated balance sheet. Total borrowings at 31 December 2021 were £1,265.3m (2020: £1,170.3m). More detail in respect of these two forms of borrowings are set out below.

Bank borrowings

The bank loans are secured on fixed and floating charges over both the present and future assets by a share pledge over the shareholdings of material subsidiaries of the Group. On 23 July 2014, the Group was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising a five-year, £425.0m term loan and a five-year £100.0m Revolving Credit Facility (RCF). The loan is non-amortising and carries interest at a margin of 2.25% over LIBOR (2020: 2.25% over LIBOR).

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

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

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

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

22. Borrowings continued

Bank borrowings continued

Terms and debt repayment schedule

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

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

(£m)	Maturity	Margin over LIBOR	2021	2020
Senior finance facility[1]	July 2023	2.25%	**428.2**	422.6

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

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

Changes in bank borrowings arising from financing activities

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

1 Non-cash changes reflect interest charged on the loan
2 The loan modification relates to the fees incurred on the loan extensions, which are amortised in accordance with IFRS 9.

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

Lease liabilities

Obligations under finance leases

The Group has finance in respect of hospital properties, vehicles, office and medical equipment. The leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries in the Group. Leases, with a present value liability of £837.8m (2020: £749.5m), expire in various years to 2046 and carry incremental borrowing rates in the range 3.1-14.6% (2020: 4.5-12.9%). Rent in respect of hospital property leases are reviewed annually with reference to RPI, subject to assorted floors and caps. The discount rates used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates. A movement in the incremental borrowing rate of 1% would result in an 8% movement in the lease liability.

Changes in lease liabilities arising from financing activities

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

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

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

In the year, the Group recognised charges of £12.3m (2020: £11.1m) of lease expenses relating to short-term and low value leases for which the exemption under IFRS 16 has been taken. Cash outflows in respect of these are materially in line with the expense recognised, resulting in a total cash outflow of £38.3m (2020: £90.9m). The Group has not made any variable lease payments in the year. The Group is not a lessor for any leases to external parties. There has been one (2020: none) sale and leaseback transaction in this period, of the Cheshire Hospital for consideration of £89.0m. A gain on disposal of £23.5m has been recognised, offset by £0.2m of costs to sell, recorded in Adjusting Items. In addition, the lease in respect of Sussex was modified to reduce the term from 6 years to 12 months following the agreement for the transfer of the business to the NHS Trust in March 2022; and the previous lease at Dorset Rise was disposed of and a new lease, for more space at Dorset Rise, was entered into. Claremont hospital was acquired during the year, which included the addition of a £25.6m new lease (see note 32). Where new leases have the right to extend, the future cash flows are not reflected in the above. The new leases do not include any restrictions or covenants.

22. Borrowings continued
Lease liabilities continued

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current year. The cash flows above do not reflect any termination or extension options. There are no significant restrictions or covenants which impact the cash flows in respect of these leases.

See note 13 for more detail on the depreciation of the Right of Use (ROU) assets and note 8 for more detail on the interest expense relating to leases.

Derivatives
The following derivatives were in place at 31 December:

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

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

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

23. Deferred tax

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

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

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

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

23. Deferred tax continued

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

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

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

24. Provisions

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

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

Following the completion of criminal proceedings against Ian Paterson, a Consultant who previously had practising privileges at Spire Healthcare, in 2018, management agreed settlement of all known civil claimants (and other co-defendants). Spire Healthcare continues to provide on an ongoing support to Paterson's patients, and following the publication of the Public Inquiry report issued on 4 February 2020, continues to hold a provision for its current estimate of the future anticipated costs. It is possible that, as further information becomes available, an adjustment to this provision will be required, but at this time, it reflects management's best estimate of the obligation.

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

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

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

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

25. Trade and other payables

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

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

Accrued expenses includes general operating expenses incurred, but where an invoice was yet to be received at the year end, as well as holiday pay accrued of £9.1m (2020: £3.8m) due to staff deferring leave to maintain operations throughout the COVID-19 pandemic, and bonuses accrued during the year and paid during the following year.

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

Other payables include an accrual for pensions and payments on account. Revenue is not recognised in respect of payments on account until the performance obligation has been met. At year end the balance of payments on account was £9.9m (2020: £7.5m), and other credit balances reclassed from trade debtors, largely relating to NHS credits, were £25.8m (2020: £10.3m).

26. Dividends

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

27. Share-based payments

The Group operates a number of share-based payment schemes for Executive Directors and other employees, all of which are equity settled.

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost in respect of LTIPs and SAYE recognised in the income statement was £2.8m in the year ended 31 December 2021 (2020: £1.7m). Employer's National Insurance is being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the year was £0.4m (2020: £0.3m).

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

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

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

Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') is open to Executive Directors and designated senior managers, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria.

Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years, unless the Committee determines otherwise. Awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the Plan rules.

Vesting of awards will be dependent on a range of financial, operational or share price measures, as set by the Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. Not less than 30% of an award will be based on share price measures. The remainder will be based on either financial and/or operational measures. At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance.

On 6 April 2020, the Company granted a total of 5,638,223 options to the Executive Directors and other senior management. The options will vest based on earnings per share ('EPS') (20%) targets for the financial year ending 31 December 2022, relative total shareholder return ('TSR') (40%) targets on performance over the three year period to 31 December 2022 and operational excellence ('OE') (40%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until 1 April 2030.

27. Share-based payments continued

Long Term Incentive Plan continued

On 18 March 2021, the Company granted a total of 3,595,102 options to the Executive directors and other senior management. The options will vest based on return on capital employed ('ROCE') (35%) targets for the financial year ending 31 December 2023, relative total shareholder return ('TSR') (35%) targets on performance over the three year period to 31 December 2023 and operational excellence ('OE') (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2031. The Executive Directors are subject to a two-year holding period, whilst other senior management are not.

Deferred Share Bonus Plan

The Deferred Share Bonus Plan is a discretionary executive share bonus plan under which the Remuneration Committee determines that a proportion of a participant's annual bonus will be deferred. The market value of the shares granted to any employee will be equal to one-third of the total annual bonus that would otherwise have been payable to the individual. The awards will be granted on the day after the announcement of the Group's annual results. The awards will normally vest over a three-year period.

On 6 April 2020, the Company granted a total of 243,973 options to Executive Directors, with a vesting date of 6 April 2023. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2020, and subject to continued employment.

On 18 March 2021, the Company granted a total of 138,888 options to Executive directors, with a vesting date of 18 March 2024. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2021, and subject to continued employment.

Save As You Earn

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

On 3 May 2019, the Company launched the SAYE scheme. The Company has not launched any new SAYE schemes in the period. There are no performance conditions in respect of the scheme and the vesting date is 1 June 2022. Upon vesting, the options will remain exercisable for 6 months. The IFRS 2 charge has been calculated using an adjusted Black-Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

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

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

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

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

27. Share-based payments continued

Save As You Earn continued

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

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

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

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

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

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

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

28. Commitments

Consignment stock

At 31 December 2021, the Group held consignment stock on sale or return of £23.5m (2020: £22.8m). The Group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

Capital commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the consolidated balance sheet date. They include the full cost of goods and services to be provided under the contracts through to completion. The Group has rights within its contracts to terminate at short notice and, therefore, cancellation payments are minimal.

Capital commitments at the end of the year were as follows:

(£m)	2021	2020
Contracted but not provided for	**29.1**	20.9

29. Contingent liabilities

The Group had the following guarantees at 31 December 2021:

- the bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5m (2020: £1.5m) in relation to contractual pension obligations and statutory insurance cover in respect of the Group's potential liability to claims made by employees under the Employers' Liability (Compulsory Insurance) Act 1969;
- under certain lease agreements entered into on 26 January 2010, the Group has given undertakings relating to obligations in the lease documentation and the assets of the Group are subject to a fixed and floating charge; and
- see note C11 for details of contingent liability in respect of lease arrangements and agreements.

30. Financial risk management and impairment of financial assets

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

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

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

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

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

Credit risk and impairment

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

Trade and other receivables

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

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

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

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

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

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

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

30. Financial risk management and impairment of financial assets continued

Credit risk and impairment continued

Investments

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

Market risk

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

Interest rate risk

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

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

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

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

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

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

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

Sensitivity analysis

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

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

Liquidity risk

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

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

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days, including the servicing of financial obligations. In addition to cash on demand, the Group has available the following line of credit:
– £100.0m of revolving credit facility, which was fully undrawn as at 31 December 2021 (2020: £100.0m undrawn).

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

30. Financial risk management and impairment of financial assets continued

Liquidity risk continued

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

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

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

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

Capital management

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

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

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

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

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

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

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

30. Financial risk management and impairment of financial assets continued

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

30. Financial risk management and impairment of financial assets continued

Cash flow hedge

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

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

Fair value hierarchy

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

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

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

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

31. Related party transactions

Key management personnel

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

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

Key management compensation

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

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

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

32. Business combinations and acquisition of non-controlling interests

Acquisitions in 2021

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

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

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

Assets acquired and liabilities assumed

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

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

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

The amounts recognised, including the provision, are subject to adjustment in line with IFRS 3 for up to 12 months from acquisition, with goodwill being adjusted accordingly.

The fair value of the trade receivables amounts to £1.5m. The gross amount of trade receivables is £1.5m and it is expected that the full contractual amounts can be collected.

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

From the date of acquisition, Claremont Hospital contributed £1.7m of revenue and £nil to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been £22.3m and profit before tax from continuing operations for the Group would have been £2.0m.

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

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

Purchase consideration transferred

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

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

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

33. Financial liabilities

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

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

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

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

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

34. Events after the reporting period

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

As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance this debt. As part of this exercise, and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100.0m of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325.0m and the Group continued to have access to an undrawn RCF of £100.0m. This new arrangement has a maturity of 4 years, with the Group having the option to extend by another year. The financial covenants relating to this new agreement are unchanged.

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

Company balance sheet

As at 31 December 2021
(Registered number: 09084066)

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

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

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

Justin Ash
Chief Executive Officer

Sir Ian Cheshire
Chairman

Company statement of changes in equity

For the year ended 31 December 2021

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

Company statement of cash flows
For the year ended 31 December 2021

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

Notes to the Parent Company financial statements
For the year ended 31 December 2021

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

C1. Basis of preparation
The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ('IAS') in accordance with the Companies Act 2006 and on an historical cost basis. The financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

See note 1 for general information about the Company.

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

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

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

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

C2. Significant accounting policies in this section
Investment in subsidiaries
The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use. In addition, market capitalisation is compared to the investments of the Company when assessing impairment requirements.

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

C3. Key estimates and assumptions in this section
Impairment testing of investments in subsidiaries
The Company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on value-in-use calculated using the same assumptions as noted for the testing of goodwill impairment in note 14 of the Group financial statements. In addition, the market capitalisation is also compared to the investments of the Company to determine if there is a trigger for impairment review. See note C9 for more detail.

C4. Staff costs and Directors' remuneration
The Company had no employees during the year, except for the Directors. The information on compensation for the Directors, being considered as the key management personnel of the Company, is disclosed in note C12.

C5. Auditor's remuneration
During the year, the Company obtained the following services from the Company's external auditor, as detailed below:

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

C6. Cash and cash equivalents

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

C7. Other receivables

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

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

C8. Trade and other payables

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

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

C9. Investment in subsidiaries

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

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

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

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

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

C10. Capital management and financial instruments

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

Credit risk

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

Liquidity risk

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

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

C10. Capital management and financial instruments continued

Liquidity risk continued

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

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

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

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

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

Market risk

Interest rate risk and sensitivity analysis

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

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

C11. Contingent liabilities

Lease arrangements with a consortium of investors

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

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

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

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

C12. Related party transactions

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

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

The amounts outstanding are unsecured and repayable on demand.

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

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

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

Directors' remuneration

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

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

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

Directors' interests in share-based payment schemes

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

Other transactions

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

In order to simplify the structure of the Group and reduce costs, the Company undertook a process in which a number of companies within the Group were identified for members' voluntary liquidation, as follows:

- Classic Hospitals Group Limited
- Fox Healthcare Holdco 2 Limited
- Spire UK Holdco 2A Limited
- Spire Healthcare Holdings 1
- Spire Cambridge (Disposal) Limited
- Spire Fertility (Disposal) Limited
- Spire Healthcare Group UK Limited
- SHC Holdings Limited
- Spire Healthcare Holdings 3 Limited
- Spire Healthcare Holdings 2 Limited
- Classic Hospitals Limited
- Lifescan Limited
- Spire Thames Valley Hospital Limited

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

C13. Events after the reporting period

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

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 can also be viewed there.

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 215, or as follows:

Equiniti Limited
Tel (UK only) 0371 384 2030*
Tel (non-UK) +44 (0)121 415 7047

For the hard of hearing, Equiniti Limited offers a special Textel service that can be accessed by dialling 0371 384 2255*
(or +44 (0)121 415 7028 from outside the UK).

* Lines are open from 8.30am to 5.30pm, Monday to Friday, UK time.

Managing your shares
Please contact our registrar, Equiniti Limited, to manage your shareholding if you wish to:
- register for electronic communications;
- transfer your shares;
- change your registered name or address;
- register a lost share certificate and obtain a replacement;
- consolidate your shareholdings;
- manage your dividend payments; and
- notify the death of a shareholder.

When contacting Equiniti Limited or registering online, you should have your shareholder reference number at hand. This can be found on your share certificate or latest dividend confirmation. You can manage your shareholding online by registering for Shareview at www.shareview.co.uk. This website has a 'frequently asked questions' section which addresses the most common shareholder problems.

All other shareholder enquiries not related to the share register should be addressed to the 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 mandate
If you are a shareholder who has a UK bank or building society account, you are recommended to arrange payment electronically through a bank or building society mandate. There is no fee for this service and notification confirming details of any dividend payment will be sent to your registered address. Please contact Equiniti on 0371 384 2030 or download an application form from www.shareview.co.uk.

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).

Shareholder security
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.

2022 Financial calendar

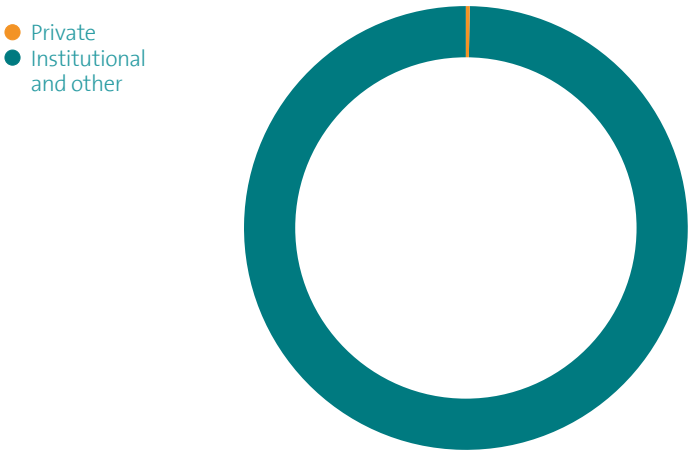
2022 annual general meeting	11 May 2022
Announcement of 2022 half year results	September 2022

Analysis of ordinary shareholders
Holding of ordinary shares as at 31 December 2021

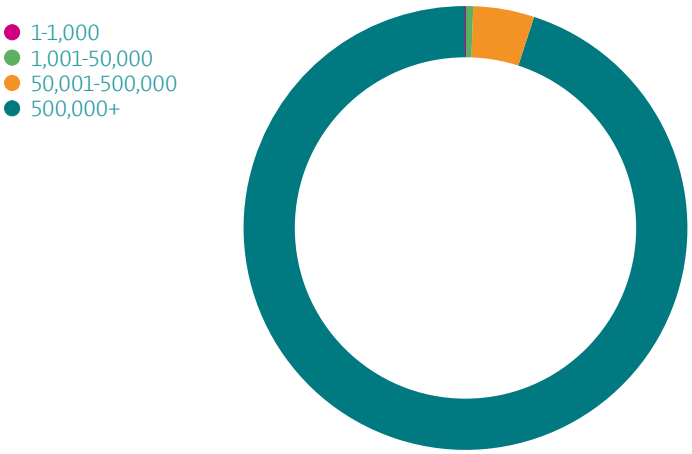
	Private		Institutional and other		Total	
Investor type	**2021**	2020	**2021**	2020	**2021**	2020
Number of holders	**119**	120	**385**	430	**504**	520
Percentage of holders	**23.61%**	23.08%	**76.92%**	76.39%	**100%**	100%
Percentage of shares held	**0.16%**	0.30%	**99.70%**	99.84%	**100%**	100%

	1–1,000		1,001–50,000		50,001–500,000		500,001+	
Investor type	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Number of holders	**91**	92	**243**	233	**104**	113	**66**	82
Percentage of holders	**18.06%**	17.69%	**48.21%**	44.81%	**20.63%**	21.73%	**13.10%**	15.77%
Percentage of shares held	**0.01%**	0.01%	**0.69%**	0.64%	**4.51%**	5.47%	**94.79%**	93.88%

Shareholders percentage by shareholder



Shareholders percentage by shareholding



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London E14 5JP

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Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Alternative performance measures definitions

Performance measure	Definition	Purpose
Adjusted operating profit; or, Adjusted EBIT	Operating profit, less Adjusting items before interest and tax.	Provides a comparable measure of operating profit performance over time.
Conversion of EBITDA to cash	EBITDA divided by operating cash flows before Adjusting items and taxation.	Intends to show the Group's efficiency at converting EBITDA into cash.
EBITDA	EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items.	EBITDA shows the Group's earning power independent of capital structure and tax situation with the purpose of simplifying comparisons with other companies in the same industry as it excludes non-cash accounting entries, such as depreciation.
EBITDA margin	EBITDA as a percentage of revenue.	Provides a comparable performance metric, expressed as a percentage of revenues.
Net debt	Interest-bearing liabilities, less cash and cash equivalents.	Measurement of net Group indebtedness for covenant purposes.
Net bank debt	Interest-bearing liabilities, excluding borrowing costs, less cash and cash equivalents.	Measurement of net Group indebtedness.
Pre IFRS 16	Reported numbers before applying the effects of IFRS 16 Leases.	To provide an understanding of the impact of IFRS 16 to the reported numbers and allow comparison to previously reported numbers.
Net debt/EBITDA	Net debt at the end of the period divided by EBITDA.	Indicates the Group's ability to service its debt from cash earnings.
Clinical staff costs as a percentage of revenue	Clinical staff costs and medical fees as a percentage of revenue.	Provides a comparable measure of cost performance over time in relation to revenue activity.
Other direct costs as a percentage of revenue	Other direct costs include, direct costs and medical fees as a percentage of revenue.	Provides a comparable measure of cost performance over time in relation to revenue activity.

Glossary

The following definitions apply throughout the Annual Report 2020, unless the context requires otherwise:	
Act	The Companies Act 2006, as amended
Acute care	active but short-term treatment for a severe injury or episode of illness
Adjusted EBITDA	represents the Group's operating profit, adjusted to add back depreciation and exceptional operating items
Admission	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
Articles	the Articles of Association of the Company
Board	the Board of Directors of the Company
c.difficile	Clostridium difficile
CAGR	compound annual growth rate
Cardiology	specialty which encompasses the treatment of patients with cardiovascular disease
CCG	Clinical Commissioning Group
CGSC	Clinical Governance and Safety Committee
Cinven	Cinven Partners LLP
CMA	the UK Competition and Markets Authority
Company	Spire Healthcare Group plc
CQC	Care Quality Commission
CO_2e	carbon dioxide equivalent
CQUIN	commissioning for quality and innovation payment which is earned for meeting quality targets on NHS work
CRC Energy Efficiency Scheme	The CRC (Carbon Reduction Commitment) Scheme aims to incentivise energy efficiency and cut emissions in large energy users in the UK's public and private sectors.
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
CRM	customer relationship management system/software
CT	computerised tomography
DSBP	Deferred Share Bonus Plan
Directors	the Executive Directors and Non-Executive Directors
DPA	Data Protection Act
EBITDA	EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items.
EfW	Energy from Waste
EPS	earnings per share
ESOS	Energy Saving Opportunity Scheme
EU	the European Union
Executive Directors	the executive directors of the Company
FCA	the Financial Conduct Authority
FRC	the Financial Reporting Council
GDP	gross domestic product
GDPR	General Data Protection Regulation
GHG	greenhouse gas
GMC	General Medical Council
GP	General Practitioner
Group	Spire Healthcare Group plc and its subsidiaries
HCA Holdings, Inc.	Hospital Corporation of America
HD	Hospital Director
Health & Safety Act	The Health & Safety at Work etc Act 1974
HIS	Health Improvement Scotland
HIW	Health Inspectorate Wales
HMRC	HM Revenue & Customs
HSE	Health and Safety Executive
IFRS	International Financial Reporting Standards, as adopted by the EU
IPO	initial public offering of Shares to certain institutional and other investors
ISO 14001	environmental management system
ISO 18001	health and safety management system
ITU	Intensive Therapy Unit
JAG accreditation	The Joint Advisory Group on Gastrointestinal Endoscopy (JAG) accreditation is the formal recognition that an endoscopy service has demonstrated that it has the competence to deliver against the measures in the Endoscopy Global Rating Scale standards.

KPI	key performance indicator
Lifescan	a former Spire Healthcare service, offering advanced healthcare CT scans, health checks and blood tests
Listing Rules	the listing rules of the FCA made under section 74(4) of the Financial Services and Markets Act 2000
LTIP	Long Term Incentive Plan
MAC	Medical Advisory Committee
MRI	magnetic resonance imaging
MRSA	Methicillin-resistant Staphylococcus aureus
MSSA	Methicillin-sensitive Staphylococcus aureus
NDC	Spire Healthcare's national distribution centre in Droitwich
NHS	the National Health Services in England, Scotland, Wales and Northern Ireland, collectively
NI	National Insurance
NIC	National Insurance Contributions
Non-Executive Directors	the non-executive directors of the Company
Official List	the record of whether a company's shares are officially listed, maintained by the FCA (the UKLA Official List)
Oncology	specialty which encompasses the treatment of people with cancer
Perform	formerly part of Spire Healthcare, specialised in sports medicine, rehabilitation and human performance
PHIN	Private Healthcare Information Network
PILON	payment in lieu of notice
PIP Claims	the claims relating to the supply of alleged faulty PIP breast implants
PMI	private medical insurance/insurer
PPE	property, plant and equipment
PPU	Private Patient Unit
PROMs	Patient Reported Outcome Measures
Public Health England	the executive agency, whose purpose is to protect and improve the nation's health and wellbeing, and reduce wealth inequalities
Registrar	Equiniti Limited
Registration Regulations	the Care Quality Commission (Registration) Regulations 2009
Regulated Activities Regulations	the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
ROCE	return on capital employed
SAP	global software developer/software
Self-pay	when a procedure or treatment provided is funded by the patient directly
Shareholders	the holders of Shares in the capital of the Company
Shares	the ordinary shares of 1 pence each in the Company, having the rights set out in the Articles
tCO_2e	tonnes of equivalent carbon dioxide
TSR	total shareholder return
UK	the United Kingdom of Great Britain and Northern Ireland
UKAS	UK Accounting Standards
UK Code	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time-to-time

Forward looking statements

Important information: forward-looking statements

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

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

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