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Pricing information and other related disclosures are expected to be published on this website. Prospective investors are advised to access such information prior to making an investment decision.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE US SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS (“**QIBs**”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE US SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB AS DEFINED IN, OR IN RELIANCE ON, RULE 144A, OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

CANADIAN INVESTORS ARE ADVISED THAT THIS EMAIL AND THE DOCUMENT ATTACHED HERETO MAY ONLY BE TRANSMITTED IN THOSE JURISDICTIONS IN CANADA AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE, AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. THE DOCUMENT ATTACHED HERETO IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING IN CANADA. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THE DOCUMENT ATTACHED HERETO OR THE MERITS OF THE SECURITIES DESCRIBED THEREIN AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE DISTRIBUTION OF THE SECURITIES CONTAINED IN THE DOCUMENT ATTACHED HERETO IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE COMPANY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES.

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This electronic transmission and the attached document and the Offer when made are only addressed to and directed at persons in member states of the European Economic Area (the “**EEA**”), other than the

United Kingdom, who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC (the “**Prospectus Directive**”) and amendments thereto, including Directive 2010/73/EU to the extent implemented in a relevant member state of the EEA) (“**Qualified Investors**”). This electronic transmission and the attached document must not be acted on or relied on in any member state of the EEA, other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only in any member state of the EEA, other than the United Kingdom, to Qualified Investors, and will be engaged in only with such persons.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company and J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley Securities Limited and Numis Securities Limited (together, the “**Underwriters**”) and Morgan Stanley & Co. International plc (together with the Underwriters, the “**Banks**”) that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acting on behalf of, or you are an institutional investor outside the United States acquiring such securities in “offshore transactions”, as defined in, and in reliance on, Regulation S under the Securities Act; (ii) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors, to the extent you are acting on behalf of persons or entities in the EEA; (iii) the shares acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined in the Prospectus Directive) or the UK; and (iv) if you are not in the United States, the UK or the EEA, you are an institutional investor that is eligible to receive this document and you consent to delivery by electronic transmission.

For investors resident in Ontario and Quebec (the “**Relevant Provinces**”): You acknowledge and agree that: (a) the securities described in the attached document are only being distributed to investors resident in the Relevant Provinces; (b) you are (i) an “accredited investor” as such term is defined in National Instrument 45-106—Prospectus and Registration Exemptions and are receiving this email from a registered Canadian dealer, or (ii) an “accredited investor” who is a “permitted client”, as such term is defined in National Instrument 31-103—Registration Requirements, Exemptions and Ongoing Registrant Obligations, of a dealer relying on the “international dealer exemption”, which dealer has sent this email; and (c) where required by law, you are participating in the offering as principal for your own account and not as agent.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of prospective investors described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Banks nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form. None of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Shares. The Banks and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the attached document.

The Banks are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached document.

July 2014

Spire Healthcare Prospectus



This document comprises a prospectus (the “**Prospectus**”) for the purposes of Article 3 of European Union Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) relating to Spire Healthcare Group plc (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (the “**FSMA**”), and has been prepared in connection with the offer of ordinary shares of the Company (“**Shares**”) to certain institutional investors and certain other investors (the “**Offer**”) as described in *Part 13: “Details of the Offer”*. The Prospectus will be made available to the public in accordance with the Prospectus Rules.

Application will be made to the FCA for all of the Shares issued and to be issued in connection with the Offer to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange plc (the “**London Stock Exchange**”) for all of the Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together, “**Admission**”). Conditional dealings in the Shares are expected to commence on the London Stock Exchange on 18 July 2014. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on 23 July 2014. **All dealings before the commencement of unconditional dealings will be on a “when issued” basis and of no effect if Admission does not take place. Such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Shares to be admitted to listing or dealt with on any other exchange. The new Shares issued by the Company will rank *pari passu* in all respects with each other and with the existing Shares, including the right to receive dividends or other distributions declared, made or paid after Admission.**

The directors of the Company, whose names appear on page 82 of this Prospectus (the “**Directors**”) and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The Company is offering newly issued Shares (the “**New Shares**”) in the Offer so as to raise expected gross proceeds for the Company of £315 million. Rozier S.à r.l. (the “**Selling Shareholder**”) is offering between 98,381 and 55,090,638 existing Shares (the “**Existing Shares**”) so as to raise expected gross proceeds for the Selling Shareholder of up to £165.3 million. The Company will not receive any of the proceeds from the sale of the Existing Shares, all of which will be paid to the Selling Shareholder.

Prospective investors should read this Prospectus in its entirety. See “Risk Factors” in Part 1 for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares.



Spire Healthcare

Spire Healthcare Group plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 09084066)

**Offer of up to 180,486,626 Shares of 1 pence each
at an Offer Price expected to be between 210 pence and 300 pence per Share
and admission to the premium listing segment of the Official List
and to trading on the London Stock Exchange**

Joint Global Co-ordinators and Joint Bookrunners

BofA Merrill Lynch

J.P. Morgan Cazenove

Morgan Stanley

Joint Sponsors

J.P. Morgan Cazenove

Morgan Stanley

Co-lead Manager

Numis Securities

**ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION
(assuming the Offer Price is set at the mid-point of the Price Range)**

Issued and fully paid	
Number	Nominal Value
374,419,968	£3,744,200

The Price Range and the New Share Offer Size Range have been set by the Company. The Existing Share Offer Size Range has been set by the Selling Shareholder. It is currently expected that the Offer Price, the New Share Offer Size and the Existing Share Offer Size will be set within the Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. The Price Range is indicative only and may change during the course of the Offer, and the Offer Price may be set within, above or below the Price Range. All Shares subject to the Offer will be issued or sold at the Offer Price, which will be determined by the Company and the Selling Shareholder in consultation with the Joint Bookrunners, following a bookbuilding process. A number of factors will be considered in determining the Offer Price, the Share Offer Size and the basis of allocation, including the level and nature of demand for the Shares during the bookbuilding process, the level of demand in the Consultant and Staff Offer, prevailing market conditions and the objective of establishing an orderly after-market in the Shares, as well as the Company's historical performance, estimates of its business potential and earnings prospects, an assessment of the Company's management and consideration of these factors in relation to the market valuation of companies in related businesses. See *Part 13: "Details of the Offer"* for further information.

Unless required to do so by law or regulation, the Company does not envisage publishing a supplementary prospectus or an announcement triggering the right to withdraw applications for Shares pursuant to section 87Q of FSMA on determination of the Offer Price, the New Share Offer Size or the Existing Share Offer Size. If the Offer Price is set within the Price Range and the New Share Offer Size and Existing Share Offer Size are set within the New Share Offer Size Range and Existing Share Offer Size Range, respectively, a pricing statement containing the Offer Price and confirming the number of Shares which are comprised in the Offer (the "**Pricing Statement**") and related disclosures are expected to be published on or about 18 July 2014 and will be available on the Company's website at www.spirehealthcare.com/IPO. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range; and/or (iii) the number of Existing Shares to be sold by the Selling Shareholder is set above or below the Existing Share Offer Size Range, the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected date of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the Company's announcement.

In connection with the Offer, Morgan Stanley Securities Limited, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilisation transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 15% of the total number of Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, it is expected that the (the "**Over-allotment Shareholders**") will grant the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15% of the total number of Shares comprised in the Offer (the "**Over-allotment Shares**") at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offer and will form a single class for all purposes with the other Shares. Assuming the Over-allotment Option is exercised in full, the Offer will be up to 193,762,334 Shares (assuming the Offer Price is set at the mid-point of the Price Range).

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Notice to overseas shareholders

The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act"). The Shares offered by this Prospectus may not be offered or sold in the United States, except to

qualified institutional buyers (“QIBs”), as defined in, and in reliance on, the exemption from the registration requirements of the US Securities Act provided in Rule 144A under the US Securities Act (“**Rule 144A**”) or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Prospective investors are hereby notified that the sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. The Shares have not been recommended by any US federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States. No actions have been taken to allow a public offering of the Shares under the applicable securities laws of any jurisdiction, including Australia, Canada or Japan, other than the United Kingdom. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada or Japan. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen in Australia, Canada or Japan.

The distribution of this Prospectus and the offer and sale of the Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholder, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley Securities Limited, Numis Securities Limited or Morgan Stanley & Co. International plc to permit a public offering of the Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those in the preceding paragraphs. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution of the Shares, and the transfer restrictions to which they are subject, see section 15 of Part 13: “*Details of the Offer*”.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA421 B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available information

For so long as any of the Shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the “**US Exchange Act**”), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

Company’s website

Information contained on the Company’s website is not incorporated into and does not form part of this document.

The date of this Prospectus is 7 July 2014.

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Section A—Introductions and warnings		
Element	Disclosure Requirement	Disclosure
A.1	Warning	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the Shares should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court in a Member State of the European Economic Area (“Member State”), the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and applied its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	Consent for Intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B—Issuer		
Element	Disclosure Requirement	Disclosure
B.1	Legal and commercial name	Spire Healthcare Group plc (the “ Company ”)
B.2	Domicile and legal form	The Company’s registered office is in the United Kingdom. Spire Healthcare Group plc was incorporated and registered in England and Wales on 12 June 2014 with registered number 09084066 under the Companies Act 2006 as a private company limited by shares under the name Spire Healthcare Group Limited. The Company’s name was changed to Spire Healthcare Group plc and re-registered as a public limited company on 23 June 2014. The principal legislation under which the Company operates, and under which the New Shares will be created, is the Companies Act 2006.
B.3	Current operations and principal activities	The Group is a leading private hospital group in the United Kingdom, with 39 private hospitals and 13 clinics across England, Wales and Scotland. The Group delivered tailored, personalised care to more than 236,000 in-patients and daycase patients in 2013, and is the leading provider by volume of knee and hip operations in the United Kingdom. The Group estimates that it also had more than 1.7 million out-patient episodes (including consultations) in the same period.

		<p>The UK healthcare market is facing significant supply challenges as a result of government budget constraints and increasing demand from a growing population. The Group is well-positioned to access the potential private sector growth that these challenges are expected to afford through private medical insurance (“PMI”), self-pay and NHS funded provision.</p> <p>The Group was founded as part of the acquisition and rebranding of 25 Bupa hospitals in 2007. Since then, it has added further hospitals and clinics through new developments and acquisitions, including 10 Classic hospitals in 2008 and, most recently, the acquisition of St. Anthony’s hospital in Greater London on 22 May 2014. Pending clearance from the CMA, St. Anthony’s is being held and operated separately from the other hospitals in the Company’s portfolio. Since its inception, the Group has made capital investments of £509 million (including acquisitions) in its estate and continues to deliver tailored, personalised care with successful and award winning clinical outcomes and high levels of patient satisfaction. The Group’s successful clinical outcomes are mirrored by strong Care Quality Commission (“CQC”) inspection results, with compliance against essential standards of 99.5% compared with a national average of 85%.</p> <p>During the year ended 31 December 2013, the Group employed 6,944 people (full-time equivalents) nationwide and has more than 3,500 experienced, self-employed consultant surgeons and other specialists with substantive practices either working in or referring patients to the Group’s facilities. In 2013, the Group generated revenue of £764.5 million and EBITDAR of £209.0 million, representing a CAGR of 5.4% and 7.8% respectively since 2009 despite the economic downturn.</p>
B.4a	Significant recent trends affecting the Group and the industry in which it operates	<p>The Company operates in the private acute healthcare industry in the United Kingdom. According to Laing & Buisson, the total private acute healthcare market in the UK amounted to £6.7 billion in 2013. Significant recent trends include:</p> <ul style="list-style-type: none"> • The market benefits from demographic trends such as population growth, increasing life expectancy, an ageing population and lifestyle choices leading to an increase in acute and chronic medical conditions. • Consumer expectations for enhanced care and the availability of more advanced and costly treatment techniques have been leading to and are expected to further drive the demand for health care services. • According to Laing & Buisson, within the total UK private acute healthcare market, the private hospital market has grown by a compound annual growth rate of 7.1% over the past decade. In 2003, the UK private hospital market amounted to £2.3 billion. By 2013, the market has been projected to grow to an estimated £4.6 billion, approximately, doubling in size. • Purchasing by commissioners across the NHS in England has contributed significantly to the results of many private healthcare providers, and is expected to continue to do so, supported by market-style procurement. Spending by the NHS in England and the rest of the United Kingdom is seen as unlikely to keep up with increased demand for healthcare over the medium term, resulting in a funding gap estimated in accordance with data provided by Laing & Buisson, PESA and NHS England to be approximately £35 billion by 2020/21.
B.5	Group description	<p>Prior to the reorganisation in preparation for the Offer (the “Reorganisation”) and Admission, the Company is a non-trading and wholly owned subsidiary of Spire Healthcare Limited Partnership. Immediately prior to the Admission, the Company will become the</p>

		<p>holding company of the Group. Prior to the completion of the Reorganisation, the term “Group” refers to Spire Healthcare Group UK Limited and Spire UK Holdco 2A Limited, together with each of their consolidated subsidiaries and subsidiary undertakings from time to time; thereafter, the term “Group” refers to the Company and its consolidated subsidiaries and subsidiary undertakings from time to time. The term “Admission” refers to admission of the ordinary shares of the Company of 1 pence each (“Shares”) to the premium listing segment of the Official List of the FCA (the “Official List”) and to trading on the London Stock Exchange’s main market for listed securities.</p>
B.6	Major shareholders	<p>As at the date of the Prospectus, to the extent known by the Company, the Company is owned or controlled by the Cinven Funds, which, immediately prior to Admission, together hold, directly or indirectly, 98.6% of the voting rights attached to the issued share capital of the Company. Immediately following the Offer and Admission, assuming that the Cinven Funds sell the maximum number of Shares they have indicated that they will make available in the Offer, and it is expected that the Cinven Funds will hold 54.2% of the voting rights attached to the issued share capital of the Company, assuming no exercise of the Over-allotment Option, and 47.5% assuming the Over-allotment Option is exercised in full (in each case assuming that the Offer Price is set at the mid-point of the Price Range).</p> <p>None of the Company’s major shareholders have or will have different voting rights attached to the Shares they hold.</p> <p>On 7 July 2014, the Company and the Cinven Funds entered into the Relationship Agreement which will, conditional upon Admission, regulate the ongoing relationship between the Company and the Cinven Funds. The principal purpose of the Relationship Agreement is to ensure that the Company and its subsidiaries are capable of carrying on their business independently of the Cinven Funds, that transactions and relationships with the Cinven Funds (including any transactions and relationships with any member of the Group) are at arm’s length and on normal commercial terms, and that the goodwill, reputation and commercial interests of the Company are maintained.</p> <p>The Relationship Agreement will continue for so long as (a) the Shares are listed on the premium listing segment of the Official List and (b) the Cinven Funds or any of their concert parties together are entitled to exercise or to control the exercise of 15% or more of the votes which are generally exercisable at general meetings of the Company.</p> <p>Under the Relationship Agreement, the Cinven Funds are able to nominate two non-executive Directors for appointment to the Board for so long as they are entitled to exercise or to control the exercise of the equivalent of 30% or more of the votes which are generally exercisable at general meetings of the Company. The Cinven Funds are able to nominate one non-executive Director for appointment to the Board for so long as they are entitled to exercise or control the exercise of between 15% and 30% of the votes which are generally exercisable at general meetings of the Company. As it is expected immediately following Admission that the Cinven Funds will hold more than 30% of the voting rights attached to the issued share capital of the Company, they will be entitled to nominate two non-executive Directors for appointment to the Board. The first such nominees are Simon Rowlands and Dr Supraj Rajagopalan.</p> <p>The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of the Cinven Funds.</p>

		<p>Following Admission, for so long as there is a controlling shareholder (as defined in the Listing Rules), the Articles allow for the election or re-election of any independent director to be approved by separate resolutions of (i) the Company's shareholders and (ii) the Company's shareholders excluding any controlling shareholder and its associates. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed independent director, which (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote, and (b) may be passed by a vote of the shareholders of the Company voting as a single class. Furthermore, in the event that the Company wishes the FCA to cancel the listing of the Shares on the premium listing segment of the Official List or transfer the Shares to the standard listing segment of the Official List, the Company must obtain at a general meeting the prior approval of (y) a majority of not less than 75% of the votes attaching to the shares voted on the resolution, and (z) a majority of the votes attaching to the shares voted on the resolution excluding any shares voted by a controlling shareholder and its associates.</p> <p>In all other circumstances, the Company's major shareholders have and will have the same voting rights attached to the Ordinary Shares as all other shareholders.</p>
B.7	Key financial information and narrative description of significant changes to financial condition and operating results of the Group during or subsequent to the period covered by the historical key financial information	<p>The selected financial information set out below has been extracted without material adjustment from the Historical Financial Information relating to the Group included in <i>Part 11: "Historical Financial Information"</i>.</p>

Combined Income Statement					
	Financial year ended 31 December			Three-months ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
				(£ millions)	
Revenue	674.0	738.9	764.5	190.6	210.4
Cost of sales	(320.9)	(366.4)	(382.1)	(94.9)	(105.6)
Gross profit	353.1	372.5	382.4	95.7	104.8
Other operating costs	(218.9)	(242.7)	(282.8)	(68.8)	(79.4)
Operating profit	134.2	129.8	99.6	26.9	25.4
Exceptional items included within other operating costs	(4.2)	(20.5)	(11.5)	(3.0)	(4.9)
Operating profit before exceptional items . .	138.4	150.3	111.1	29.9	30.3
Profit/(loss) on disposal of property, plant and equipment	(0.2)	0.5	44.2	44.8	19.6
Interest income	0.2	0.4	0.4	0.1	—
Finance costs	(183.3)	(190.3)	(153.9)	(38.6)	(35.5)
Exceptional finance (costs)/income	—	(129.1)	(42.2)	26.6	—
Total finance costs	(183.3)	(319.4)	(196.1)	(12.0)	(35.5)
Profit/(loss) before taxation	(49.1)	(188.7)	(51.9)	59.8	9.5
Taxation	26.4	58.3	154.1	103.9	(1.9)
Profit/(loss) for the year/period	(22.7)	(130.4)	102.2	163.7	7.6
<i>Attributable to:</i>					
Owners of the parent	(22.3)	(130.0)	102.2	163.7	7.6
Non-controlling interests	(0.4)	(0.4)	—	—	—
	(22.7)	(130.4)	102.2	163.7	7.6
Combined Balance Sheet Data					
	As at 31 December			As at 31 March	
	2011	2012	2013	2013	2014
				unaudited	
				(£ millions)	
Non-current assets	2,014.7	1,994.9	1,345.9	1,345.9	1,338.6
Current Assets	211.2	254.7	268.9	268.9	314.4
Total Assets	2,225.9	2,249.6	1,614.8	1,614.8	1,653.0
Equity attributable to owners of the parent . . .	(426.5)	(441.8)	(256.2)	(256.2)	(248.6)
Non-controlling interests	(0.1)	—	—	—	—
Total Equity	(426.6)	(441.8)	(256.2)	(256.2)	(248.6)
Non-current liabilities	2,460.1	2,486.9	1,011.9	1,011.9	1,718.9
Current liabilities	192.4	204.5	859.1	859.1	182.7
Total liabilities	2,652.5	2,691.4	1,871.0	1,871.0	1,901.6
Total equity and liabilities	2,225.9	2,249.6	1,614.8	1,614.8	1,653.0
Combined Cash Flow Statement Data					
	Financial year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
				(£ millions)	
Net cash from operating activities	194.6	176.8	99.7	9.9	40.9
Net cash (used in)/generated from investing activities	(43.3)	(34.8)	647.1	692.4	12.9
Net cash used in financing activities	(93.9)	(103.6)	(769.1)	(729.5)	(20.1)
Net increase/(decrease) in cash and cash equivalents	57.4	38.4	(22.3)	(27.2)	33.7
Cash and cash equivalents at the year/ period-end	95.4	133.8	111.5	106.6	145.2
Other key figures and pro forma data					
	Financial year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
				(£ millions)	
Total revenue	674.0	738.9	764.5	190.6	210.4
EBITDA ^{(1),(2)}	186.9	201.7	154.1	40.2	41.5
EBITDAR ^{(1),(3)}	189.2	205.3	209.0	52.1	56.0
(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate this measure in the same manner, and that consequently the measures reported are not necessarily comparable with similarly described measures employed by other companies.					
(2) EBITDA represents operating profit for the relevant period adjusted to add back depreciation and exceptional operating items.					

		<p>(3) EBITDAR represents EBITDA, adjusted to add back rent expense. Please find below the reconciliation calculation from operating profit to EBITDA and EBITDAR:</p> <table><tr><th></th><th colspan="3">Financial year ended 31 December</th><th colspan="2">Three-month period ended 31 March</th></tr><tr><th></th><th>2011</th><th>2012</th><th>2013</th><th>2013</th><th>2014</th></tr><tr><th></th><th colspan="3"></th><th colspan="2">unaudited</th></tr><tr><th></th><th colspan="5"> (£ millions)</th></tr><tr><td>Operating profit</td><td>134.2</td><td>129.8</td><td>99.6</td><td>26.9</td><td>25.4</td></tr><tr><td>Exceptional operating items^(a)</td><td>4.2</td><td>20.5</td><td>11.5</td><td>3.0</td><td>4.9</td></tr><tr><td>Operating profit before exceptional items</td><td>138.4</td><td>150.3</td><td>111.1</td><td>29.9</td><td>30.3</td></tr><tr><td>Depreciation</td><td>48.5</td><td>51.4</td><td>43.0</td><td>10.3</td><td>11.2</td></tr><tr><td>EBITDA^(b)</td><td>186.9</td><td>201.7</td><td>154.1</td><td>40.2</td><td>41.5</td></tr><tr><td>Rent</td><td>2.3</td><td>3.6</td><td>54.9</td><td>11.9</td><td>14.5</td></tr><tr><td>EBITDAR</td><td>189.2</td><td>205.3</td><td>209.0</td><td>52.1</td><td>56.0</td></tr></table> <p>(a) Includes business reorganisation and hospital setup costs, PIP patient recalls, corporate restructuring and financing costs, and regulatory costs.</p> <p>Certain significant changes to the Group’s financial condition and results of operations occurred during the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014. These changes are set out below.</p> <p>During the period under review, the Group’s revenue increased from £674.0 million in 2011 to £764.5 million in 2013, due in large part to increased volumes of work undertaken for NHS-funded patients arising from increased levels of NHS outsourcing, together with smaller increases in PMI- and self-pay-funded patient volumes.</p> <p>Operating profit before exceptional items increased from £138.4 million in 2011 to £150.3 million in 2012, before falling to £111.1 million in 2013 as a result of the Group’s increased rent costs arising from the completion in January 2013 of the £704 million sale of the companies holding freehold and leasehold interests subject to long term institutional leases in 12 of its hospitals (“2013 Freehold Sale”). The 2013 Freehold Sale permitted the Group to refinance its then-existing borrowings and lower its total finance costs.</p> <p>Save as described above, there has been no significant change in the financial position or results of operations of the Group during the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 or the period subsequent to 31 March 2014, the date to which the last combined financial information of the Group was prepared.</p>		Financial year ended 31 December			Three-month period ended 31 March			2011	2012	2013	2013	2014					unaudited			(£ millions)					Operating profit	134.2	129.8	99.6	26.9	25.4	Exceptional operating items ^(a)	4.2	20.5	11.5	3.0	4.9	Operating profit before exceptional items	138.4	150.3	111.1	29.9	30.3	Depreciation	48.5	51.4	43.0	10.3	11.2	EBITDA ^(b)	186.9	201.7	154.1	40.2	41.5	Rent	2.3	3.6	54.9	11.9	14.5	EBITDAR	189.2	205.3	209.0	52.1	56.0
	Financial year ended 31 December			Three-month period ended 31 March																																																																
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B.8	Key pro forma financial information	<p>The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of the Offer on the Group’s net assets, the redemption of existing financing and draw down of new financing and the Reorganisation, as if they had taken place on 31 March 2014. This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group’s actual financial position or results. The unaudited pro forma statement of net assets is compiled on a basis consistent with the accounting policies of the Group and on the basis set out below from the IFRS combined balance sheet of the Group as at 31 March 2014, as set out in <i>Part 11: “Historical Financial Information”</i>. It may not, therefore, give a true picture of the Group’s financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.</p>																																																																		

		As at 31 March 2014 (note 1)	Adjustments			Unaudited pro forma Total (note 5)
		£m	IPO net proceeds (note 2) £m	Reorganisation (note 3) £m	Refinancing (note 4) £m	£m
	Assets					
	Non-current assets					
	Intangible assets	514.9	—	—	—	514.9
	Property, plant and equipment	808.8	—	—	—	808.8
	Deferred tax asset	14.9	—	—	—	14.9
	Total non-current assets	1,338.6	—	—	—	1,338.6
	Current assets					
	Inventories	25.4	—	—	—	25.4
	Trade and other receivables	143.8	—	—	(10.3)	133.5
	Cash and cash equivalents	145.2	255.2	—	(340.6)	59.8
	Total current assets	314.4	255.2	—	(350.9)	218.7
	Total assets	1,653.0	255.2	—	(350.9)	1,557.3
	Non-current liabilities					
	Borrowings—bank loans	696.2	—	—	(276.4)	419.8
	Borrowings—shareholder loans	823.8	—	(823.8)	—	—
	Borrowings—finance lease	72.2	—	—	—	72.2
	Derivative financial instruments	50.2	—	—	(50.2)	—
	Deferred tax liability	76.5	—	—	—	76.5
	Total non-current liabilities	1,718.9	—	(823.8)	(326.6)	568.5
	Current liabilities					
	Provisions	3.1	—	—	—	3.1
	Borrowings—bank loans	0.8	—	—	(0.8)	—
	Borrowings—shareholder loans	46.8	—	(46.8)	—	—
	Borrowings—finance lease	7.5	—	—	—	7.5
	Derivative financial instruments	21.2	—	—	(21.2)	—
	Trade and other payables	103.3	—	—	—	103.3
	Total current liabilities	182.7	—	(46.8)	(22.0)	113.9
	Total liabilities	1,901.6	—	(870.6)	(348.6)	682.4
	Net Assets/(liabilities)	(248.6)	255.2	870.6	(2.3)	874.9
	Notes:					
	(1) The financial information has been extracted, without material adjustment, from the combined balance sheet of the Group as at 31 March 2014, as set out in <i>Part 11: "Historical Financial Information"</i> .					
	(2) The Company expects to receive gross proceeds of £315 million, which, at the mid-point of the price range, would result from the issue of 123,529,412 New Shares of 1 pence each at a price of 255 pence per New Share. The Company expects to receive £255.2 million in net proceeds after estimated costs in connection with the Offer of £59.8 million. The estimated costs in connection with the Offer include underwriting commissions, fees, expenses and other costs for the Accrued Incentive Payments.					
	(3) Adjustments have been made to reflect the exchange of the £870.6 million shareholder loans for ordinary shares in the Company. Additional interest payable on the shareholder loans at the date of redemption will be £30.7 million, reflecting interest accruing in the period from 1 April 2014 to the date of redemption. No adjustment has been made for this.					
	(4) The Company intends to use the net proceeds of the Offer, existing cash and cash equivalents (together, £340.6 million), the New Facility of £419.8 million (£425 million less £5.2 million expenses) and £10.3 million, received from the related party as part of the financing, to redeem the bank loans of £699.3 million and settle £71.4 million of related derivative instruments. The £699.3 million includes £2.3 million of unamortised financing costs at 31 March 2014 in connection with the repayment of bank loans. No adjustment has been made for movement in the derivative financial instrument liability or interest accruing on bank loans after 31 March 2014.					
	(5) Other than the adjustments detailed above, no other adjustments have been made for events occurring after 31 March 2014.					
B.9	Profit forecast	Not applicable. There is no profit forecast or estimate included in the Prospectus.				
B.10	Description of the nature of any qualifications in the accountant's report on the historical financial information	Not applicable. There are no qualifications to the accountant's report on the historical financial information.				
B.11	Insufficient working capital	Not applicable. In the opinion of the Company, taking into account the net proceeds receivable by the Company from the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.				

Section C—Securities		
Element	Disclosure Requirement	Disclosure
C.1	Type and class of securities	<p>On Admission, there will be 401,081,391 ordinary shares of one pence each in the share capital of the Company (the “Shares”) in issue (assuming the New Share Offer Size (as defined below) is set at the top end of the New Share Offer Size Range (as defined below)). The New Share Offer Size and the Existing Share Offer Size will be set out in a pricing statement (the “Pricing Statement”), which is expected to be published on or about 18 July 2014 and will be available on the Company’s website at www.spirehealthcare.com/IPO.</p> <p>All Shares in issue on Admission will be fully paid.</p> <p>When admitted to trading, the Shares will be registered with ISIN number GB00BNLPYF73 and SEDOL number BNLPYF7.</p>
C.2	Currency	United Kingdom Pounds Sterling.
C.3	Number of securities to be issued	<p>As at the date of this Prospectus, the issued share capital of the Company is £50,000, comprising 100 ordinary shares Shares of 1 pence each and 49,999 preference shares of 1 Pound Sterling each (all of which were fully paid or credited as fully paid). Immediately following Admission, the issued share capital of the Company is expected to be between £3,557,570 comprising 355,756,973 Shares (if the New Share Offer Size is set at the top of the New Share Offer Size Range) and £4,010,814 comprising 401,081,391 Shares (if the New Share Offer Size is set at the bottom of the New Share Offer Size Range).</p>
C.4	Description of the rights attaching to the securities	<p>The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.</p> <p>On a show of hands every owner of a Share in the capital of the Company (each a “Shareholder”) who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Share.</p> <p>Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.</p>
C.5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Shares, save as described below and in section 15 of <i>Part13: “Details of the Offer”</i> .
C.6	Admission	Application will be made to the FCA for all of the Shares, issued and to be issued, to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.
C.7	Dividend policy	<p>The Directors intend to adopt a progressive dividend policy based on a payout ratio of around 20%. This dividend policy will reflect the underlying earnings and growth of the business and the cash conversion of the Group.</p> <p>Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.</p>

		<p>The current intention of the Board is that the first dividend to be paid by the Company will be a pro rata final dividend in respect of the year ended 31 December 2014.</p> <p>The Company may revise its dividend policy from time to time. There are no guarantees that the Company will pay dividends or the level of any such dividends.</p>
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Section D—Risks		
Element	Disclosure Requirement	Disclosure
D.1	Key information on the key risks specific to the issuer and its industry	<p>The Group relies on patients choosing its hospitals and clinics for their treatment and on GPs and consultants referring patients to the Group and on consultants providing clinical care in its hospitals and clinics. If GPs, consultants and other referral sources cease referring patients to the Group's hospitals and clinics, or if consultants stop practising in its hospitals and clinics the Group's revenue could decrease.</p> <p>Demand for the Group's services is affected by macroeconomic and political conditions that are outside of the Group's control.</p> <p>The majority of the Group's revenue comes from private medical insurers, and failure of the Group to maintain its contractual and professional relationships with private medical insurers on terms similar to those currently in place could have a material adverse effect on the Group's business, results of operations and prospects.</p> <p>The Group relies on the NHS for a significant proportion of its revenue and the loss of such revenue either through reduced volumes, lower rates or policy decisions removing NHS work from the private sector could adversely impact the Group.</p> <p>The Group depends on its ability to attract and retain experienced skilled medical personnel and/or qualified staff in a number of disciplines, and any reduction in the number of such individuals or an increase in the wages and salaries necessary to attract and retain them could negatively impact the Group.</p> <p>If the Group does not comply with the healthcare or other governmental regulations applicable to its businesses, the Group could be subject to civil or criminal penalties, have onerous conditions imposed on its licence to provide healthcare services, be excluded from NHS participation or its authorisation to conduct business could be suspended or revoked, any of which could result in a material decrease in the Group's sales or stop sales entirely.</p> <p>The Competition and Markets Authority (the "CMA") recently issued a final report on competition in the private healthcare market in the United Kingdom. The CMA will impose measures in the future to address concerns named in the report. It is possible that the Group may not be able to immediately comply with these measures or may be adversely impacted by them.</p> <p>Quality deficiencies could adversely impact the Group's brand, reputation, and ability to market its services effectively, which would have a corresponding negative impact on the Group's business, results of operations, financial condition and prospects.</p>

		<p>The Group's ability to grow its business relies, in part, upon organic expansion and making suitable acquisitions, the availability of sufficient opportunities and its ability to successfully integrate new businesses which may be inadequate to support growth.</p> <p>The Group could be subject to litigation for actions by third parties or may be found liable for damages which may not be covered by its insurance policies and which may subject the Group to significant liability that it may not be able to insure on acceptable terms in the future.</p>
D.3	Key information on the key risks specific to the securities	<p>There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained.</p> <p>Moreover, even if a market develops, the Shares could be subject to market price volatility and the market price of the Shares may decline in response to developments that are unrelated to the Company's operating performance, as a result of sales of substantial amounts of Shares, for example, following the expiry of the lock-up period or the issuance of additional Shares in the future, and shareholders could earn a negative or no return on their investment in the Company.</p> <p>Finally, shareholders in the United States or other jurisdictions outside the United Kingdom may not be able to participate in future equity offerings.</p>

Section E—Offer		
Element	Disclosure Requirement	Disclosure
E.1	Net proceeds and costs of the offer	<p>Through the issue of New Shares pursuant to the Offer, the Company expects to raise gross proceeds of £315 million. The aggregate expenses of, or incidental to, Admission and the Offer to be borne by the Company are estimated to be approximately £59.8 million, which the Company intends to pay out of the proceeds of the Offer.</p> <p>Through the sale of Existing Shares pursuant to the Offer, the Company expects the Selling Shareholder to raise up to £165.3 million (assuming that both the Offer Price and the Existing Share Offer Size are set at the top of their respective ranges) before taking into account expenses. Assuming the Offer Price is set at the mid-point of the Price Range, the aggregate underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholder in connection with the Offer are estimated to be up to approximately £4.0 million.</p>
E.2a	Reasons for the offer and use of proceeds	<p>The Directors believe that the Offer will:</p> <ul style="list-style-type: none"> • enable access to capital markets if necessary for future growth; • enhance the Group's profile with investors, business partners and customers; • further enhance the ability of Spire to attract and retain consultants, key management and employees; • diversify the shareholder base; • enable the Group to reduce its outstanding debt; and • enable the Selling Shareholder to partially monetise its holding, also allowing for a liquid market for its shares going forward.

		<p>The Company expects to receive £315 million from the subscription of New Shares in the Offer before estimated underwriting commissions, fees and expenses incurred in connection with the Offer of approximately £59.8 million, including estimated costs for the Accrued Incentive Payments. As a result, the Company expects to receive net proceeds of approximately £255.2 million from the Offer.</p> <p>The Company intends to use the net proceeds of the Offer, together with existing cash resources and new debt facilities, to reduce the Group's indebtedness by repaying £795.2 million which is expected to give the Company greater financial flexibility to drive the future growth of the business.</p>
E.3	Terms and conditions of the offer	<p>The Offer is being made by way of:</p> <ul style="list-style-type: none"> • an Institutional Offer by the Company and the Selling Shareholder of New Shares and Existing Shares, respectively: (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations, and (ii) in the United States, only to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act; and • a Consultant and Staff Offer to Eligible Consultants and Staff in the United Kingdom by the Company and the Selling Shareholder of New Shares and Existing Shares, respectively. <p>If there is more demand for Shares in the Institutional Offer than the number of Shares available in the Institutional Offer, such applications for Shares will be scaled back. Whilst the Company and the Selling Shareholder expect to satisfy all applications in the Consultant and Staff Offer in full, applications for Shares in the Consultant and Staff Offer may be scaled back in certain circumstances.</p> <p>The price at which the Shares are to be issued and sold in the Offer (the “Offer Price”) is expected to be between 210 pence and 300 pence per Share (the “Price Range”). The number of New Shares to be issued in the Offer (the “New Share Offer Size”) is expected to be between 105,000,000 Shares and 150,000,000 Shares (the “New Share Offer Size Range”) and the number of Existing Shares to be sold in the Offer (the “Existing Share Offer Size”) is expected to be up to 55,090,638 Shares (the “Existing Share Offer Size Range”).</p> <p>In addition, existing Shares (representing up to 15% of the total number of Shares that are subject to the Offer) are being made available pursuant to the Over-allotment Option granted by the Over-allotment Shareholders.</p> <p>The Price Range and the New Share Offer Size Range have been set by the Company. The Existing Share Offer Size Range has been set by the Selling Shareholder. It is currently expected that the Offer Price, the New Share Offer Size and the Existing Share Offer Size will be set within the Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. All Shares subject to the Offer will be issued or sold at the Offer Price, which will be determined by the Company and the Selling Shareholder in consultation with the Joint Bookrunners, following a book-building process. A number of factors will be considered when setting the Offer Price, including the</p>

		<p>level and nature of demand for Shares during the book-building process, the level of demand in the Consultant and Staff Offer and the objective of encouraging the development of an orderly after-market in the Shares. The Offer Price, the New Share Offer Size and the Existing Share Offer Size are expected to be announced on or around 18 July 2014. The Pricing Statement, which will contain, among other things, the Offer Price, the New Share Offer Size and the Existing Share Offer Size, will (subject to certain restrictions) be published on the Company's Website at www.spirehealthcare.com/IPO.</p> <p>If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range; and/or (iii) the number of Existing Shares to be sold by the Selling Shareholder is set above or below the Existing Share Offer Size Range, then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA.</p> <p>In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected date of publication of the Pricing Statement would be extended, and the arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the accompanying announcement.</p> <p>It is expected that Admission will become effective and unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. on 23 July 2014. Prior to Admission, it is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange on 18 July 2014. The expected date for settlement of such dealings will be 23 July 2014. All dealings in the Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.</p> <p>The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature, including Admission becoming effective by no later than 8.00 a.m. on 23 July 2014 and on the Underwriting Agreement not having been terminated prior to Admission.</p>
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Expected timetable of principal events	
Event	Time and Date⁽¹⁾⁽²⁾
Latest time and date for receipt of completed Online Applications	11:00 p.m. on 15 July 2014
Latest date for receipt of indications of interest in the Institutional Offer	11:00 p.m. on 16 July 2014
Announcement of the Offer Price and Offer Size, publication of the Pricing Statement and notification of allocations of Shares in the Institutional Offer ⁽³⁾	7:00 am on 18 July 2014
Commencement of conditional dealings in Shares on the London Stock Exchange	8:00 am on 18 July 2014
Admission and commencement of unconditional dealings in Shares on the London Stock Exchange	8:00 am on 23 July 2014
CREST accounts credited in respect of Shares acquired in the Institutional Offer in uncertificated form	23 July 2014
Notification by e-mail of share allocation for Shareholders who applied for Shares in the Consultant and Staff Offer	23 July 2014
Refunds of any amounts due to applicants in the Consultant and Staff Offer	no later than five Business Days following Admission
<p>Notes:</p> <p>(1) Times and dates set out in the timetable above and mentioned throughout this document that fall after the date of publication of this document are indicative only and may be subject to change without further notice.</p> <p>(2) All references to time in this timetable are to UK time.</p> <p>(3) The Offer Price and Offer Size will be set out in the Pricing Statement. The Pricing Statement will not automatically be sent to persons who receive this document but it will be available free of charge at the Company's registered office at 3 Dorset Rise, London EC4Y 8EN. In addition, the Pricing Statement will (subject to certain restrictions) be published on the Company's website at www.spirehealthcare.com/IPO.</p> <p>None of the Shares comprising the Offer may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this document and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration, other than the United Kingdom.</p> <p>Investors agreeing to subscribe for New Shares and/or purchase Existing Shares pursuant to the Offer agree with each of the Company and the Selling Shareholder to be bound by certain terms and conditions upon which Shares will be issued and/or sold in the Offer. Upon being allocated Shares pursuant to the Offer, each investor agrees to become a member of the Company, to acquire the Shares allocated to it at the Offer Price and to pay the Offer Price for the Shares allocated to it. If an investor fails to pay as required, the relevant investor will remain liable to pay such amount and will be deemed to have appointed the Joint Global Co-ordinators to sell any or all of the Shares allocated to it at such price as the Joint Global Co-ordinators may achieve subsequent to any such failure to pay.</p>	

		<p>Under the terms and conditions of the Offer, each investor makes certain representations, warranties and acknowledgements to the Company and the Selling Shareholder customary for an offer of this type, including but not limited to: (i) in relation to certain characteristics of the investor; (ii) the investor's compliance with restrictions contained in the Offer and with specified laws and regulations; (iii) reliance, responsibility and liability in respect of the Prospectus, the Offer and information outside of the Prospectus; (iv) compliance with laws; (v) jurisdiction; and (vi) liability for duties or taxes.</p> <p>On request, an investor may be required to disclose certain information, including any information about the agreement to subscribe for and/or purchase Shares, the investor's nationality (if an individual) and the jurisdiction in which the investor's funds are managed or owned (if a discretionary fund manager). The terms and conditions also provide for the following issues: the sending of documents to the investor; the investor being bound by the Articles upon the transfer or issue of Shares; the application of English law to the contract to subscribe for and/or purchase Shares; and joint agreements to subscribe for and/or purchase Shares.</p> <p>From Admission, the Offer will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.</p>
E.4	Material interests	There are no interests, including conflicting interests, that are material to the Offer, other than those disclosed in B.6 above.
E.5	Selling Shareholder and Lock-up	<p>Expected interests of the Selling Shareholder immediately prior to and following Admission</p> <p>The indicative interests in Shares of the Selling Shareholder (through its underlying ultimate beneficial holders) immediately prior to Admission, together with a corresponding estimate of their interests in Shares immediately following Admission, are set out in the table below (calculated on the basis that the Offer Price is set at the mid-point of the Price Range, no exercise of the Over-allotment Option, and that each such holder of beneficial interests in Shares sells the maximum number of Shares it has indicated it will make available in the Offer).</p>

		Interest immediately prior to Admission		Maximum number of Existing Shares to be sold pursuant to the Offer		Interest immediately following Admission	
		No.	% of total issue	No.	% of holding	No.	% of total issue
	Shareholder⁽¹⁾						
	Fourth Cinven Fund (No. 2) Limited Partnership	50,194,698	20.1%	9,021,270	17.97%	41,173,428	11.0%
	Fourth Cinven Fund (No. 3–VCOC) Limited Partnership	49,766,146	19.84%	8,944,248	17.97%	40,821,898	10.90%
	Fourth Cinven Fund (No. 1) Limited Partnership	48,106,685	19.18%	8,646,000	17.97%	39,460,685	10.54%
	Fourth Cinven Fund (No. 4) Limited Partnership	47,493,885	18.93%	8,535,864	17.97%	38,958,021	10.40%
	Fourth Cinven Fund (UBTI) Limited Partnership	26,719,637	10.65%	4,802,201	17.97%	21,917,436	5.85%
	Fourth Cinven Fund FCPR	21,983,840	8.76%	3,951,058	17.97%	18,032,782	4.82%
	Fourth Cinven Fund Co-Investment Limited Partnership	2,442,649	0.97%	439,006	17.97%	2,003,643	0.54%
	Fourth Cinven (MACIF) Limited Partnership	698,973	0.28%	125,624	17.97%	573,349	0.15%
	Garry Watts	511,483	0.20%	153,445	30.00%	358,038	0.10%
	Rob Roger	681,715	0.27%	340,858	50.00%	340,857	0.09%
	Note:						
	(1) Ultimate beneficial interests held through Rozier S.à r.l.						
	Part of the proceeds of any sale of Shares by the Selling Shareholder will benefit certain of the Directors of the Group who have indirect interests in shareholder debt outstanding, which will be partly satisfied from the proceeds of any such sale.						

		<p>Lock-up arrangements</p> <p>Pursuant to the Underwriting Agreement and related arrangements:</p> <p>(i) the Company has undertaken, for 180 days from the date of Admission, not to issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Shares or any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of Admission, and in each case as described in this document) or to enter into any agreement, commitment or arrangement which provides for the issue, offer or sale of Shares or to do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed;</p> <p>(ii) the Cinven Funds have undertaken, for 180 days from the date of Admission, not to offer, pledge, sell, contract to sell or pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Shares or any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities, in each case, which are held by the Cinven Funds on Admission or do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed; and</p> <p>(iii) each Director has undertaken, for 365 days from the date of admission, not to offer, pledge, sell, contract to sell or pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Shares or any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities, in each case, which are held by the Director (whether directly or through any employee share option plan) or do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed.</p>
E.6	Dilution	Pursuant to the Offer, existing Shareholders will experience a 33.0% dilution from the issue of 123,529,412 New Shares (i.e., its, his or her proportionate interest in the Company will drop by 33.0%), if the New Share Offer Size is set at the mid-point of the New Share Offer Size Range.
E.7	Expenses charged to the investor	Not applicable. No expenses will be charged by the Company or the Selling Shareholder to any investor who subscribes for or purchases Shares pursuant to the Offer. The Company intends to pay for the expenses of, or incidental to, Admission and the Offer to be borne by it out of cash resources.

PART 1

RISK FACTORS

Any investment in the Shares is subject to a number of risks. Prior to investing in the Shares, prospective investors should carefully consider risk factors associated with any investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Prospective investors should note that the risks relating to the Group, its industry and the Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors and the Company believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects and, if any such risk should occur, the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

1. Risks relating to the Group's business and industry

1.1 The Group relies on patients choosing its hospitals and clinics for their treatment, on GPs and consultants referring patients to the Group and on consultants providing clinical care in its hospitals and clinics. If GPs, consultants and other referral sources cease referring patients to the Group's hospitals and clinics, or if consultants stop practising in its hospitals and clinics, the Group's revenue could decrease.

The Group's business is dependent upon patients choosing its hospitals and clinics for their treatment. Patients may select a hospital based, in whole or in part, on the recommendation of their general practitioner ("GP") or consultant. As a result, the Group is dependent on GPs and consultants referring their patients to the Group's facilities for treatment. The Directors believe that GPs, consultants and other clinicians typically consider a number of factors when using or recommending a particular facility, including the quality of care and specialists at a hospital, the competency of a hospital's staff, convenient scheduling and a hospital's location and physical condition. Consultants, none of whom are employed by the Group, and GPs with whom the Group has relationships have no obligation to refer their patients to the Group's facilities and may change their facility recommendations at any time, which may result in the movement of patients to a competing hospital, including clinics established by consultants themselves. At some of the Group's hospitals and clinics, a relatively small number of consultants and GPs account for a significant portion of patient referrals. In addition, the Group depends on consultants treating their patients in Group facilities. As such, the Group's business is dependent upon the establishment and maintenance of strong relationships with these consultants and GPs. Some consultants also practise at other private hospitals and clinics, or practise primarily in NHS facilities near the Group's hospitals. If a particular specialty offered by the NHS were consolidated or relocated to another site, consultants may move with the NHS practice, limiting their ability to continue to practise at the Group's hospitals. Any deterioration in such relationships, service quality, relocations or other circumstances may lead to a significant number of consultants, GPs and other clinicians ceasing to refer their patients to the Group's hospitals and clinics. In addition, consultants may stop practising, relocate or otherwise stop referring patients to the Group's hospitals within its catchment areas. A material reduction in the number of referrals to the Group's hospitals and clinics, or a reduction in the availability of suitably qualified consultants to provide care at the Group's facilities would have a material adverse effect on the Group's business, results of operations and prospects.

1.2 Demand for the Group's services is affected by macroeconomic and political conditions that are outside of the Group's control.

Levels of demand for the Group's business can be affected by a number of factors that are beyond its control such as general macroeconomic conditions, conditions in the financial services markets, geopolitical conditions and other general political and economic developments. Recent turmoil in the financial markets, including in the capital and credit markets, may continue to put pressure on the economy in the United Kingdom and/or globally and could have a negative effect on demand for the Group's business.

In 2013, 54.4% of the Group's revenue was generated from private medical insurance ("PMI")-funded patients and 17.1% of the Group's revenue was generated by self-pay patients, who purchase treatment themselves. Both the PMI market and the self-pay market are subject to fluctuations in demand and are likely to be adversely affected in an economic downturn, particularly if employers become unable to employ additional workers or provide health insurance coverage for their current employees or if there is a decline in the number of people with sufficient income or capital to pay for insurance coverage or treatment themselves. To the extent that payors are negatively impacted by a decline in the economy, the Group may experience further pressure on commercial rates, less demand and a reduction in the amounts the Group expects to collect, any of which could have a corresponding material adverse effect on the Group's business, results of operations and prospects.

1.3 The failure of the Group to maintain its contractual and professional relationships with private medical insurers on terms similar to those currently in place could have a material adverse effect on the Group's business, results of operations and prospects.

In 2013, 54.4% of the Group's revenue and a substantial portion of its profits were derived from patients whose medical expenses were directly or indirectly paid by private medical insurers.

Most of the patients who use the Group's hospitals and services do so because their private medical insurer recognises the Group's facilities as an appropriate provider of the treatment or services required by the patient, which is often a prerequisite for the private medical insurer to pay for or reimburse the fees of a patient's treatment at the Group's facilities. Accordingly, the Group's ability to attract patients who are funded by private medical insurers could be adversely impacted if one (or more) private medical insurers for any reason were to remove Group facilities from the provider's approved list of hospitals and facilities, eliminate coverage of treatment options that the Group provides, impose more onerous reimbursement policies, change its policies in a manner which makes access to the Group's facilities or services more difficult or costly to patients, or otherwise withdraw recognition status from Spire or its consultants. Any change in policy conditions or withdrawal of recognition by a private medical insurer could have a material adverse effect on the utilisation of the Group's facilities, which could have a corresponding material adverse effect on the Group's business, results of operations and prospects.

The Group has agreements in place with a number of private medical insurers setting out, among other things, the prices payable or reimbursable by private medical insurers for the services the Group provides. The Group has historically been able to implement modest annual price increases under these arrangements at or above the retail price inflation rate. In the case of Bupa Insurance, AXA and Aviva (who in 2013 accounted for 36%, 23% and 13% of the Group's total PMI revenue, respectively), prices are broadly determined in accordance with framework agreements which provide for periodic price increases or reviews. These three agreements have no fixed expiration, although they may be terminated (by either party) with at least six months' notice on or after 31 March 2015 (in the case of Bupa Insurance), upon 12 months' notice (in the case of AXA) and on or after 31 December 2015 (in the case of Aviva). In the course of its business, the Group will seek, and is currently seeking, to negotiate pricing terms with these and other private medical insurers prior to any such termination.

The Group may not be able to renew its existing arrangements with private medical insurers prior to termination (after the expiration of the relevant notice period or initial term) on terms comparable to what it has achieved in the past. Recently, Bupa Insurance indicated a desire to amend the economic terms of its commercial relationship with the Group, which could have a significant adverse effect on the Group's revenue or profit derived from Bupa-funded patients, if such amendments result in a significant reduction in pricing terms.

In addition, should any of the Group's agreements with private medical insurers be terminated, private medical insurers may withdraw recognition of the Group's facilities and hospitals from their approved lists

(as has occurred to at least one competitor in the sector in the past five years) or otherwise take actions which may reduce the Group's revenue or profitability. If the Group is successful in extending current agreements or in entering into alternative arrangements, the duration of such extensions or arrangements is uncertain, and the extensions or alternative arrangements may be subject to cancellation. In addition, the Group may not receive any revenue if it is not able to receive patient referrals. The Group's future success therefore depends, in significant part, on its ability to maintain good relationships with private medical insurers. Should some or all of the Group's arrangements with private medical insurers be renewed on pricing or other terms less favourable than in the past, be discontinued, fail to be renewed or extended or otherwise be adversely modified without alternative arrangements being made on comparable terms, this could have a material adverse effect on the Group's business, results of operations and prospects.

1.4 The Group's PMI revenue is not subject to any minimum purchase commitments and any reduction in demand for the Group's services could have a material adverse effect on its business, results of operations and financial condition.

The Group has agreements in place with a number of private medical insurers setting out the prices payable or reimbursable by private medical insurers for the services the Group provides. Under the terms of these agreements, these private medical insurers are under no obligation to encourage a patient's GP or consultant to refer patients to the Group's facilities, and have no direct ability to require their members to use the Group's facilities or services. As such, depending on the needs of private medical insurers and their view of the Group's hospitals, private medical insurers may decide to discourage (directly or indirectly) referrals by GPs and consultants to Group hospitals. Additionally, given the absence of minimum commitments, any decline in the overall market for private medical insurance could reduce the flow of patient referrals to the Group. The existing agreements the Group has with private medical insurers provide no assurance that future patients will be referred to the Group or that existing patients will not be referred elsewhere.

1.5 A shift in the Group's patient volumes from PMI-funded patients and self-pay patients to publicly funded patients could have a material adverse effect on the Group's margins and profitability. In addition, prices for PMI-funded patients may be subject to downward price pressure, reducing the Group's margins and revenue.

In 2013, 71.5% of the Group's revenue and a substantial portion of its profits were generated from payments received from private insurance or self-pay patients. Services from these payors generally have a higher margin than the services the Group performs for the NHS. In the last twelve months, volumes of work performed for NHS patients increased faster than for private payor groups. If the private payors reduce their use of the Group's services, or the Group continues to experience a material shift in patient volumes away from private patients, the Group's margins could decline.

In addition, whether as a result of increased competition, adverse economic conditions, governmental reform, regulatory activity or other industry-wide factors, reimbursement from private insurers (as described above in "*The failure of the Group to maintain its contractual and professional relationships with private medical insurers on terms similar to those currently in place could have a material adverse effect on the Group's business, results of operations and prospects*") and/or the Group's fixed prices for self-pay customers may be subject to downward pressure in the coming years. Any reduction in the Group's ability to attract private pay patients to use its services relative to historical levels or at levels with comparable profitability could have a material adverse impact on the Group's business, results of operations and prospects.

1.6 The Group relies on the NHS for a significant proportion of its revenue and the loss of such revenue could adversely impact the Group's business, results of operations and financial condition.

Payments for the Group's services by UK publicly-funded entities such as the NHS accounted for 25.0% of the Group's revenue in 2013. Most of the NHS work undertaken in England by the Group is priced at the NHS tariff level. In relation to the basket of procedures undertaken by the Group, NHS tariff decreased by 1% for the fiscal year 2011/12, by 2% for the fiscal year 2012/13, by 3% for the fiscal year 2013/14 and by 2% for the fiscal year 2014/15. There is a risk that NHS budget constraints, public spending cuts or other financial pressures could cause further reduction in NHS tariffs, or cause such publicly-funded entities to spend less money on the type of services that the Group provides, or that UK Government policy changes could result in a decline in the volume of such services purchased by publicly-funded entities from private hospital groups such as the Group. The NHS could reduce or cease spending on services the Group provides, reduce outsourcing expenditures in general or direct resources to the Group's competitors or to

alternative service or commissioning models. Private hospitals may, as a result of a change in policy, be excluded from working with the NHS in the future or conditions for working with the NHS in England may become more restrictive, along similar lines to those currently in place in Wales and Scotland. In addition, the NHS could change regulatory requirements, including the channel through which NHS work is routed to private hospitals, and contractual provisions between consultants and the NHS, which could limit consultants' ability to work with private hospitals. Any such reduction in spending or emergence of alternative service or commissioning models could have a materially adverse impact on the Group's business, results of operations and financial condition.

In addition, all of the Group's hospitals in England are accredited by local NHS Commissioners to provide services under NHS England's standard acute contract. If a Group hospital fails to comply with NHS counter-fraud and security governance, data protection or other standards, that hospital could lose NHS accreditation. Furthermore, the provision of such NHS services is dependent on the Group holding a provider licence issued by Monitor, the sector regulator for healthcare in England. If the Group fails to comply with the core requirements of the licence, Monitor may revoke the licence which could adversely affect each Group hospital's ability to generate NHS revenue. Similarly, the loss of NHS accreditation would not only decrease revenue but harm the reputation of the Group and likely adversely affect each Group hospitals' ability to generate NHS revenue.

1.7 The Group's NHS revenue is not subject to any minimum purchase commitment and any reduction in demand for the Group's services could have a material adverse effect on its business, results of operations and financial condition.

A portion of the Group's revenue is derived from NHS patients (generally at English NHS Tariff). The use of the Group's services is entirely within the discretion of the relevant English NHS Commissioner. The NHS has no obligation to maintain or renew the previous level of local market purchasing activity achieved with the Group.

Each of the Group's hospitals located in England also has locally negotiated standard contract agreements with the relevant CCGs in England. Similar to the Group's PMI arrangements, the NHS has no minimum purchasing or referral commitments under these agreements. The NHS may therefore decide to reduce the price or range of services they are commissioning or move to block or capitated contracts (i.e. contracts under which a hospital agrees to treat all patients in an area for an agreed price per capita). The Group's existing NHS relationships provide no assurance that future patient placements will be made with the Group or that existing patients will not be referred elsewhere.

1.8 The Group may not achieve NHS or other publicly funded fee rate increases or may be expected to agree to decreases in fee rates which could have an adverse impact on its business, results of operations and financial condition.

The fee rates, that the Group charges publicly-funded entities for its services, are national tariffs which are generally subject to adjustments each year. In relation to the basket of procedures undertaken in England by the Group, NHS tariff decreased by 1% for the fiscal year 2011/12, by 2% for the fiscal year 2012/13, by 3% for the fiscal year 2013/14 and by 2% for the fiscal year 2014/15. Rates are expected to remain flat or to continue to decrease, as fee rates have been increased by reference to the RPI and sector specific wage indices, but deflated by a national efficiency target imposed by Monitor. The Group typically will not perform procedures for the NHS below national tariff rates, but it cannot ensure that such pricing practices will continue in the future. The current economic climate and the objective of the UK Government to reduce the budget deficit means that purchasers of the Group's services, particularly publicly-funded entities, may not agree to fee rate increases, may require that there is no annual uplift or may require fees to be reduced to meet local and national cost-saving requirements. Should NHS tariff rates, which are a driver of the Group's revenue, fail to keep pace with changes in wages or other operating costs of the business, this could have an adverse impact on the Group's business, results of operations and financial condition.

Additionally, the NHS in England is anticipated to revise the composition of the national tariff beginning as early as 2016, including the introduction of a new payment currency based upon a different costing model and the introduction of long term outcome-based incentive payments. These potential changes to the national tariff could have an adverse impact on the Group's business, results of operations and financial condition.

1.9 The Group's executive management team is critical to its continued performance.

The Group relies on the members of its executive management team and their relationships with and knowledge of private medical insurers, regulatory authorities in the healthcare industry, the Department of Health, NHS England, Monitor, NHS Commissioners, NHS Trusts and the entities with whom the Group contracts to provide its services. The Group has implemented policies and remuneration designed to retain and incentivise management; however, there can be no assurance that the Group will be able to retain executive management or to find suitable replacements should one or more members of management leave. The departure of one or more critical members of the Group's executive management team could have a material adverse effect on the Group's business, results of operations and prospects.

1.10 The Group depends on its ability to attract and retain experienced skilled medical personnel and/or qualified staff in a number of disciplines and any reduction in the number of such individuals or an increase in the wages and salaries necessary to attract and retain them could negatively impact the Group's business, results of operations, financial condition or prospects.

The Group's business strategy depends upon its ability to attract and retain skilled employees. Competition for those employees is intense, for example, in the hiring of medical, technical and scientific staff, and could lead to increases in the Group's personnel and recruiting costs. Currently, the Group employs many staff with previous experience and training through the NHS. If the NHS were to materially reduce its hiring and/or training practices or improve its retention rate, the Group could experience a shortage of qualified personnel fit to work in its facilities. Moreover, the Directors believe that future success in the Group's business will be significantly dependent on its ability to attract and retain qualified employees to serve as the Group's hospital or clinic directors. If the Group is unable to achieve that goal or if doing so requires it to bear increased costs, this could adversely impact the Group's expected growth and results of operations.

The Group competes with various providers, including the NHS and other employers, in attracting and retaining qualified management, medical, nursing and care personnel, as well as consultants and specialists. In general, the Group recruits such personnel from the local area in which the relevant facility is located. Accordingly, the availability in certain geographic and specialty areas of suitably qualified personnel can be extremely limited, particularly in areas with significant competition from other hospitals, in more rural areas without local institutions of higher learning, or in certain "shortage professions" such as nurses, consultants in most specialties, theatre nurses and radiotherapy technologists. The NHS could choose to exercise increased control over the consultants that practise at its facilities, particularly through a change in shift patterns, and could influence the amount of time consultants have to practise in the private sector, limiting the Group's access to these consultants. Given low staff turnover in the industry and an ageing workforce, in which a substantial proportion of the Group's staff is nearing retirement age, failure to maintain the Group's existing staff would increase its operating costs, hinder its development and growth, and impact the quality of services the Group provides. Failure to find or train qualified personnel at reasonable wages could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. The age profile of the Group, though in-line with the private industry, is older than the industry as a whole, and may increase the difficulty for the Group to maintain its existing staff while increasing the need to recruit and train qualified personnel.

In addition, the Group's clinical employees are generally required to be accredited by a relevant professional body. Any failure of such employees to remain accredited or increased difficulty in attracting and retaining appropriately accredited clinical employees could result in the loss of applicable licences, recognition or registrations of the affected Group facility, which could have a material adverse effect on the Group's business, results of operations or prospects.

1.11 If the Group's costs increase, its results of operations and financial condition could be materially adversely affected.

Costs in the UK healthcare sector have historically grown at a rate above the retail price index. In addition, the Group is also subject to increased costs as a result of increased competition for qualified staff, increased utilities costs, increased insurance premia, and the introduction of new technologies, treatments, pharmaceuticals and medical devices or otherwise, which could have a material adverse effect on the Group's business, results of operations or prospects.

1.12 If the Group does not comply with the healthcare or other governmental regulations applicable to its businesses, the Group could be subject to civil or criminal penalties, have onerous conditions imposed on its licence to provide healthcare services, be excluded from NHS participation or its authorisation to conduct business could be suspended or revoked, any of which would result in a material decrease in the Group's sales or stop sales entirely.

The Group's business is subject to a high level of regulation and supervision, as described in *Part 6: "Business Overview—Regulation and Licensing"*, and the costs of ongoing regulatory compliance. The regulatory requirements relevant to the Group's business govern its operations from the initial establishment of new facilities, which are subject to registration and licensing requirements, to the recruitment and appointment of staff, occupational health and safety, duty of care to patients, clinical and educational standards, conduct of professional and support staff and other areas. The Group is also subject to additional healthcare regulations and laws of general applicability, including competition laws. These regulations and laws cover areas that include, among others:

- the construction and management of healthcare facilities, especially the operation of hospitals and other healthcare facilities, including health and safety requirements, the latter of which are due to be enhanced such that clinical incidents may also be investigated by the Health and Safety Executive under existing legislation, rather than simply left to the CQC or the police;
- the registration of existing (and new) private hospitals or clinics with the CQC;
- the rate of, and accurate reporting and billing for, government and third-party reimbursement; and
- the regulation and general lawfulness of pecuniary interests and other financial arrangements with consultants referring GPs and other sources.

Furthermore, certain regulations relevant to the Company's business have recently changed and new regulations or regulatory bodies may be introduced in the future, or otherwise be amended or replaced. The Group may fail to adapt to changes in the regulatory environment quickly enough, or in a cost-efficient manner. There can be no assurance that its operations will not be adversely affected by regulatory developments or that the cost of compliance with new regulations will not be material.

An example of these recent regulatory changes is Monitor's introduction of a licensing regime as of 1 April 2014 for (subject to limited exceptions) any healthcare provider, including those within the independent sector, who provide NHS commissioned services. Licensees are subject to a number of standard conditions, but depending on the type of services being provided may also have to comply with a separate set of more onerous conditions. The Group's services are currently outside the scope of these more onerous conditions, however the scope of these additional conditions remains subject to change, and certain of the Group's services or facilities may be subject to more onerous conditions going forward, potentially resulting in additional costs or restricting the services the Group may be able to provide for the NHS. Monitor has the authority, in the event of persistent or extreme breaches by a provider of its licence conditions, to impose conditions and penalties upon the provider's licence or ultimately to revoke the licence.

Further significant changes to the regulatory landscape are being introduced by the CQC. The first wave of key changes will take effect on 1 October 2014 relating to a new legal duty of candour, new fundamental standards of care, and a new "fit and proper person" test. Each of these will impact the way Group members carry out their business by requiring additional oversight and regulatory compliance in relation to disclosure and transparency with patients, safety and quality standards and the duty of care of Directors. Please see *Part 6: "Business Overview—Regulation and Licensing—Inspection reports"* for an outline of these proposed changes.

Inspections by regulators are carried out on both an announced and unannounced basis depending on the specific regulatory provisions relating to the different services the Group provides. A failure to comply with regulations, the receipt of a poor rating in an inspection or a lower rating, or the receipt of a negative report that leads to a determination of regulatory non-compliance or any failure to cure any material defect noted in an inspection report could result in reputational damage, fines, conditions being placed on the registration, the revocation or suspension of the registration of any facility or service or a decrease in, or cessation of, the services provided by the Group or any given facility. If the Group fails to comply with one or more of these laws or regulations, the Group may face a number of legal consequences, including monetary and administrative penalties, criminal prosecution, increased compliance costs, complete or partial exclusion from NHS work, disclosure of the noncompliance, temporary or permanent closure of a

facility or a complete or partial curtailment of the Group's authorisation to perform a line of service or its business in its entirety. Any of these consequences could have a material adverse impact on the Group's business, financial condition or results of operations.

1.13 Measures to remedy adverse economic effects on competition in the UK private healthcare market may have an adverse effect on the Group's business and results of operations.

The UK Competition and Markets Authority ("CMA") recently published its final report on competition in the private healthcare market in the United Kingdom. The CMA found that weak competitive constraints faced by private hospital operators in many local markets lead to higher prices being charged to self-pay patients for in-patient treatment and for some daycase and out-patient treatments. The CMA is expected to impose measures by 1 October 2014 to improve the availability of information on hospital performance in order to address this concern. In addition the CMA will impose measures to ensure that it has the power to review any new arrangements in which a private hospital operator will manage a private patient unit ("PPU") and to prohibit a private hospital operator from managing a PPU where the CMA decides that arrangement is likely to significantly lessen competition in the local area. There is a risk that this review power may restrict the opportunities for Spire to obtain contracts to manage PPUs in the future in certain areas.

While the CMA did not find an adverse economic effect on competition in respect of private hospital provisioning outside of London (within London, where Spire does not have a major presence, the CMA required certain hospital divestitures by one of the Group's competitors), it did impose measures to improve the availability of information on consultant and hospital fees and consultant performance, which may increase compliance costs for the Company. New information requirements under the CMA will require hospital operators to ensure that consultants provide patients with a letter including pricing and treatment information at several steps along the patient's journey, including prior to undergoing surgery at a private healthcare facility. These new requirements may place a burden on the Group's IT and software systems or test its ability to adapt its internal controls in order to comply. If the Group fails to comply with the informational requirements, or should any checks or controls put in place to ensure compliance fail, the Group could be subject to enforcement measures which could lead to an adverse effect on the Group's reputation, revenue, ability to operate in the private healthcare sector, and financial condition.

The CMA will also impose restrictions on benefits and incentive schemes provided by private hospital operators to consultants. While some incentive schemes considered by the CMA may have encouraged consultants to refer their patients for treatment or tests to particular providers in exchange for a portion of the treatment fees, the schemes at Spire's facilities generally offered consultants office space, secretarial and administrative services, as a means of making its hospitals more attractive places for consultants to practise. As a result of the CMA report, the Group expects to unwind the approximately 300 schemes in place with consultants currently practising at Spire facilities to make them compliant, including charging these consultants the fair market value for any services previously offered free of charge to consultants under such arrangements. There is a risk that these changes may influence a consultant's decision to refer patients to Spire facilities as opposed to the facilities of a competitor. In addition, some consultants who are close to retiring or who have recently entered private practice may be disincentivised from working in the private sector at all, reducing the overall number of consultants available to work at a Spire facility.

In addition, any future review of competition in the Group's markets may result in further remedial measures, including restrictions on acquiring new facilities, divestiture of existing facilities, increased oversight of arrangements between private hospital groups and the NHS, increased public disclosure, constraints on contract terms between the Group and consultants or private medical insurers, price controls or other measures that could have a material adverse effect on the Group's business, results of operations and financial condition.

1.14 The Group's acquisition of St. Anthony's Hospital is subject to CMA approval.

Although the Group's acquisition of St. Anthony's hospital in Greater London was completed in May 2014, until it receives final CMA approval of the acquisition, the Group must operate St. Anthony's separately from the rest of its network. The Group is unable to benefit from integration synergies until the acquisition is cleared by the CMA. In addition, the CMA may require that the Group divest St. Anthony's on competition grounds, which would have a material adverse effect on the Group's growth strategy, business, results of operations and prospects.

1.15 The Group could be adversely affected by violations of anti-bribery laws or violations of other government regulations by its employees.

Anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to public officials for the purpose of obtaining or retaining business. The Group's internal policies mandate compliance with these anti-bribery laws. The Group operates many facilities throughout the United Kingdom and employs thousands of persons across multiple companies. The Group relies on its management structure, regulatory and legal resources and effective operation of its compliance programme to direct, manage and monitor the activities of these employees. Despite the Group's training, oversight and compliance programmes, the Group cannot ensure that its internal control policies and procedures will always protect it from deliberate, reckless or inadvertent acts of its employees or agents that contravene the Company's compliance policies or violate applicable laws. Violations of these laws, or allegations of such violations, could disrupt the Group's business and result in a material adverse effect on the Group's results of operations or financial condition.

The Group relies upon its management structure, regulatory and legal resources and the effective operation of its compliance programmes to direct, manage and monitor the Group's operations to comply with government regulations. If employees were to deliberately, recklessly or inadvertently fail to adhere to these regulations, then the Group's authority to conduct business could be terminated and its operations could be significantly curtailed. Any such terminations or reductions could materially reduce the Group's revenue. If the Group fails to identify and promptly remediate any non-compliant business practices in companies that it acquires, the Group could be subject to penalties, claims for repayment or other sanctions. Any such terminations or reductions could materially reduce the Group's sales, with a resulting material adverse effect on its business, financial condition and results of operations.

1.16 Quality deficiencies could adversely impact the Group's brands, reputation and ability to market its services effectively, which would have a corresponding negative impact on the Group's business, results of operations, financial condition and prospects.

The Group's future growth will partly depend on its ability to maintain its reputation for high quality services by meeting its quality goals. Factors such as poor clinical outcomes, health and safety incidents, problems at the Group's facilities, negative press or patient, GP or consultant dissatisfaction could lead to a deterioration in the level of the Group's quality ratings or the public perception of the quality of its services, which in turn could lead to a loss of patient referrals. Any impairment of the Group's brands, reputation, loss of goodwill or damage to the value of its brand names could have a material adverse effect on the Group's business, results of operations and financial condition.

Regulatory action could result in the loss of patients or customer relationships or could result in the Group ceasing to provide a service or closing a particular facility because of the negative publicity such regulatory action may generate. In addition, action taken by a regulator in relation to one or more of the Group's services or the Group directly, regardless of the substantive merit or the eventual outcome of such action, may have a material adverse effect on the Group's reputation and its ability to attract and/or retain consultants, expand its business or seek licences for new services, either locally or nationally.

Many of the Group's patients have complex medical conditions, are considered vulnerable and often require a substantial level of care and supervision. There is a risk that one or more patients could be harmed by one or more of the Group's employees or consultants, either intentionally, through negligence or by accident. A serious incident involving harm to one or more patients could result in negative publicity. Furthermore, the damage to the Group's reputation or to the reputation of the relevant facility from any such incident could be exacerbated by any failure on its part to respond effectively. There can be no assurance that the Group's clinical, educational and other governance procedures will enable it to prevent an event giving rise to significant negative publicity. For example, malpractice connected to a consultant, Mr Ian Paterson, who practised at Spire Parkway Hospital and Spire Little Aston from 1993 to 2011 resulted in a large number of patients being recalled following concerns, inter alia, of inappropriate treatment. An independent review was commissioned by the Group to review the Spire hospitals' governance arrangements and other matters relevant to the concerns. Such incidents may result in adverse publicity and significant reputational damage. Spire, like other private hospital groups, relies on consultants adhering to the Spire consultants handbook and consultant appraisal and review processes in order to monitor consultant compliance and these may not be adequate to prevent consultant malpractice. Such incidents or the negative publicity surrounding them could have a material adverse effect on the Group's brand, reputation and the utilisation of its services, which would have a corresponding negative

impact on the Group's business, results of operations, financial condition and prospects. In addition, the Group may not be able to adequately implement recommendations for future procedures to prevent similar instances from happening in the future.

1.17 Significant competition could adversely affect the Group's revenue and ability to grow.

The Group is only one of several large private hospital operators in the UK and faces numerous competitors in its business. Some of the Group's competitors possess greater financial, marketing or research and development resources and may, as a result of the manifestation of the risks described in this section, achieve a superior reputation for clinical excellence and patient satisfaction. Many of the Group's hospitals are in locations in which there are other private hospitals competing directly with the Group. In some cases, the Group's competitors have actively tried to attract its consultants and their referrals. In other cases, the Group's competitors have invested large sums of money in renovating their facilities or in advancing their technology. Technological innovation has historically been a significant competitive factor in the healthcare sector. The introduction of new products and services by competitors could render one or more of the Group's products or services less competitive or obsolete.

Increased competition could have a material adverse effect on the volume of patients treated in the Group's facilities, pricing levels or on the attractiveness of the Group's product offering in relation to other local competition or the attractiveness of its facilities to local consultants and GPs. In order to remain competitive, the Group could be required to invest additional funds in technology, equipment or staff to maintain market share in these areas, which may adversely affect the Group's earnings or cash flow at these locations. An adverse effect on the Group's revenue or its ability to grow, or unexpected capital expenditures or investments, loss of consultants or patients, decreased market share or smaller catchment area for the Group's locations all could result in a material adverse effect on its business, results of operation, financial condition and prospects.

1.18 The Group operates in a competitive environment and faces competition from the NHS and other public and not-for-profit entities for patients and other service users as well as for appropriate sites to expand its facilities.

In addition to competition from private hospital operators, the Group faces current and prospective competition for patients and other service users from numerous local, regional and national providers of health care services, including PPUs of the NHS and the NHS itself. NHS Trusts are now allowed to increase their non-NHS revenue to 49.9% of their total revenue, which, in the local areas where the Group competes with PPUs, will increase competition and may make it more difficult for the Group's hospitals to attract privately insured or self-insured patients. Among the Group's non-private sector competitors are public sector bodies which do not operate on a for-profit basis, such as foundation trusts, other entities that operate on a not-for-profit basis, and charitable organisations, each of which may have the ability to finance capital expenditures on a tax-exempt basis or through the receipt of charitable contributions, neither of which options are available to the Group. The non-private nature of these health care providers may provide them financial benefits, such as tax breaks, and reputational advantages that could enable them to attract patients to their facilities rather than to the Group.

1.19 The Group's development opportunities could be limited by competition.

The Group may face competition from private hospital operators that build or purchase facilities in locations in which it currently operates. The Group also competes for suitable sites for development opportunities and for the acquisition of existing businesses or facilities. In this regard the Group also faces competition from public sector entities that may benefit from the same advantages described above. As the Group's growth strategy involves acquiring or building hospitals in suitable locations, competition for these sites could curtail the Group's growth plans or hinder the development of its hospital network if the Group's competitors are more successful in making acquisitions or growing organically. Competition could limit the Group's ability to attract and retain patients and expand its business, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.20 The Group is dependent, in part, on revenue from a limited number of large hospitals.

In the year ended 31 December 2013, 25% of the Group's revenue and 36% of its EBITDAR was generated at its largest five hospitals. Any disruption to operations at these hospitals, including as a result of natural disasters, adverse publicity, regulatory action or otherwise, could have a disproportionate adverse effect on the Group's business, results of operations and financial condition.

1.21 The Group may fail to deal with clinical waste in accordance with applicable regulations or otherwise be in breach of relevant medical, health and safety or environmental laws and regulations.

As part of the Group's normal business activities, it produces and stores clinical waste, which may produce effects harmful to the environment or human health. The storage and transportation of such waste is strictly regulated. The Group's clinical waste disposal services are outsourced and should the relevant service provider fail to comply with these regulations, the Group could face sanctions or fines which could adversely affect the Group's brand, reputation, business or financial condition. More generally, the Group's business is subject to laws and regulations relating to the environment and public health. If applicable laws and regulations were to become more stringent, the Group could incur additional compliance costs which could in turn adversely affect its business and operations.

Health and safety risks are inherent in the services that the Group provides and are constantly present in its facilities. A health and safety incident could be particularly serious as the patients at its facilities may be dependent persons and therefore highly vulnerable. From time to time, the Group has experienced health and safety incidents. Some of the Group's activities are especially vulnerable to medical risks, including the transmission of infections to employees and patients and the prescription and administration of drugs. The Group's activities are also exposed to risks relating to health and safety, primarily in respect of food and water quality, as well as fire safety and the risk that patients may cause harm to themselves, other patients or the Group's employees. If any of the above medical or health and safety risks were to materialise, it could have a significant material adverse effect on the Group's brand and reputation. Failure to comply with applicable regulations could also result in the Group being held liable or fined and any of its licences, permits or registration certificates could be suspended or withdrawn. Any of these consequences may have a material adverse impact on the Group's business, results of operations and financial condition.

1.22 The Group is subject to regulations relating to personal information. Any failure to adequately protect its patients' personal data could expose the Group to liability.

The Group processes its patients' sensitive personal data as part of its business. There is a risk that this data could become public in the event of a security breach in respect of such data at its facilities. If such a breach were to occur, the Group could face liability under data protection laws, sanctions or fines from the UK Information Commissioner, could suffer reputational damage with the Group's patients, consultants or private medical insurers and could suffer damage to its brands, all of which would have a material adverse effect on the Group's business, results of operations, financial performance or prospects.

The above risks similarly apply to how the Group manages and processes lawful requests for data, for example Subject Access Requests under the Data Protection Act.

1.23 The Group's ability to grow its business relies, in part, upon organic expansion and making suitable acquisitions, the availability of sufficient opportunities and its ability to successfully integrate new businesses which may be inadequate to support growth.

In pursuit of the Group's organic growth strategy, management has provided guidance in respect of revenue growth, expansion of theatre capacity and planned new build developments. The Group's ability to expand its business through organic growth is dependent upon many factors, including identification of appropriate new build expansion opportunities, the obtaining of planning permissions, being awarded licenses for both the expansion and related health care services, financing of the expansion and integration of the expansion into the Group's relationships with the NHS, referring GPs, consultants and private medical insurers. The Group may face margin pressure as newly established facilities initially operate below capacity, potentially for several years. Delays in expansion caused by difficulties in respect of any of the above factors may lead to cost overruns and longer than anticipated periods before the Group's target return on capital employed is generated on an investment. The Group may incur significant capital expenditure but be prevented from opening a new facility as a result of regulatory, planning or other factors. Any significant delays or termination of a material expansion project could have a material adverse effect on the utilisation of the Group's facilities and services, which would have a corresponding negative impact on its business, results of operations and financial condition.

The success of the Group's acquisition strategy depends on its ability to identify suitable acquisition candidates, to accurately assess the value, strengths, weaknesses, liabilities and potential profitability of such acquisition candidates, to negotiate acceptable purchase terms, to obtain approval from the CMA and any other necessary permits or approvals and to integrate the operations of such businesses, once acquired. The integration of an acquired asset or business, such as the recent acquisition of St. Anthony's* Hospital

completed in May 2014, carries risks that can affect the Group's assets and liabilities, its financial position and results of operation. Following an acquisition, the systems and infrastructure of the acquired company must be integrated while legal questions and contractual obligations are being clarified. A successful integration will depend on the Group's ability to effect any required changes in operations or personnel on time and in-line with original estimates of costs and synergies, and an acquisition may fail to achieve the Group's return targets at the time of such acquisition or require renovation or other capital expenditures or the recognition of unforeseen liabilities.

The Group's management is continually evaluating opportunities to expand through acquisitions of existing facilities and through alternative means such as joint ventures or similar arrangements. The Group may in the future pursue acquisition opportunities outside the UK. Such international expansion may bring with it challenges related to foreign regulatory regimes, foreign currency risks and other risks related to operating a multi-national enterprise. In addition, the Group's business plan also relies on its ability to dispose of unwanted sites or properties that do not fit with its strategic objectives. Such disposals may expose the Group to liabilities in the future.

The integration and operation of any future acquisitions, or any liabilities or unknown or underestimated variables connected with disposals, may expose the Group to certain risks, including difficulties in integrating the acquired businesses in a cost-effective manner, the failure to receive PMI recognition of a new facility, the establishment of effective management information and financial control systems, unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions. Any failure to identify appropriate acquisitions or to properly integrate them once acquired could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.24 Acquisitions may place a financial burden on the Group. In addition, the Group faces competition from other companies for suitable acquisition targets, which could affect future growth.

The Group's ability to make future acquisitions depends, in part, on its available financial resources and could be limited by restrictions imposed by competition or other authorities or by availability of funding, in particular under the Group's credit arrangements. Future acquisitions may require the Group to borrow additional debt, issue additional equity, or assume significant liabilities, resulting in either increased financial leverage or significant dilution of existing shareholders. In addition, any financing arrangements that the Group may enter into in respect of future acquisitions might be available to the Group only on terms that restrict its business. Completed acquisitions subject the Group to risks relating to, among other matters, integration of the acquired businesses (including combining the acquired company's infrastructure and management information systems with the Group's, harmonisation of its marketing, patient service and logistical procedures with the Group's and, potentially, reconciling divergent corporate and management cultures), possible non-realisation of anticipated synergies from the combination, potential loss of key personnel or customers of the acquired companies and the risk of assuming unknown liabilities not disclosed by the seller or not uncovered during due diligence. If the Group is not able to effect acquisitions on reasonable terms, there could be an adverse effect on the Group's business, financial condition and results of operations.

The Group also competes with other companies in seeking suitable acquisition targets, and the continuing consolidation of competitors could affect future growth of the business. If the Group is not able to continue to effect acquisitions on reasonable terms, this could have an adverse effect on its business, financial condition and results of operations.

1.25 The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged.

The Group's information technology platform supports, among other things, management control of patient administration, billing and financial information and reporting processes. The measures the Group has taken to mitigate potential information technology security risks may prove inadequate, and the Group's information technology continuity plans may be ineffective. Any system failure that causes an interruption in service or availability of the Group's systems, notably SAP and patient databases, could adversely affect operations or delay the collection of revenue. Additionally, a system failure that hinders validation of bills to the NHS or to private medical insurers may result in delays in or refusal of payment. The Group's servers are vulnerable to computer viruses, break-ins and similar disruptions from

* On 22 May 2014, the Group completed the acquisition of St. Anthony's hospital. Pending clearance from the CMA, St. Anthony's will be held and operated separately from the other hospitals in the Company's portfolio.

unauthorized tampering. The occurrence of any of these events could result in interruptions, delays, the loss or corruption of data, cessations in the availability of systems or liability under privacy and security laws, all of which could have a material adverse effect on the Group's business and results of operations and harm the Group's business reputation.

The Group receives an average of 78% of its NHS patients through the Choose & Book system, which is expected to be redesigned into a new e-referral system by 2016. Any issues arising with the current Choose & Book system, the new e-referral system and/or the transfer to the new system, including incompatibility with a Group hospital's systems, delays, crashes or other downtime in the system and disuse of the system by GPs and consultants may result in the Group hospitals being unable to take advantage of the system as a source of patient referrals. This could result in loss of patient referrals, and in patients being routed to the Group via channels such as GP Connect (the Group's referral system), the post or by other means which may not perform as effectively, leading to delays in receiving referrals or a loss of NHS work, which could have a material adverse effect on the Group's business and results of operations and harm its reputation.

1.26 The Group may face difficulties in financing the growth of its business

Recent turmoil in the financial markets, including in the capital and credit markets, may continue to put pressure on the economy in the United Kingdom or globally and could limit the Group's ability to finance the growth of its business. Borrowings under the New Facilities will not become repayable until July 2019, and there can be no assurance that any deterioration in the financial markets will not impair the Group's ability to obtain financing beyond that date. In addition, the Group has historically financed the development of new facilities and the modification of its existing facilities through a variety of sources, including its own operating cash flows and bank borrowings. While the Group intends to seek to finance new and existing development, including its planned new build developments and planned theatre capacity expansion, from similar sources in the future, there may be insufficient cash reserves to fund planned capital expenditure in the longer term (i.e. more than twelve months after Admission). Market conditions and other factors may prevent the Group from obtaining debt financing on appropriate terms or at all. If conditions in the UK or the global economy remain uncertain or weaken, this could have a materially adverse impact on the Group's business, results of operations, financial condition and prospects.

1.27 The Group could be subject to litigation for actions by third parties or may be found liable for damages which may not be covered by its insurance policies and which may subject the Group to significant liability that it may not be able to insure on acceptable terms in the future.

The Group has extended practising privileges to more than 7,300 consultants and has more than 3,500 consultants with a substantive practice* at the Group's hospitals. The Group discharged more than 236,000 in-patients and day cases during the 2013 calendar year. Healthcare companies, including Spire, are regularly subject to actions alleging negligence, malpractice and other legal claims that may involve large potential damages and significant defence costs, whether or not the defendant is ultimately found liable. The Group could be exposed to claims for negligence in the operation of its hospitals or patient treatment, for example claims relating to hospital-based infectious diseases (such as MRSA).

The Group may also incur liability in respect of claims made by or on behalf of patients under product liability or sale of goods law when supplying prostheses and other medical products to patients. If these products are subsequently found to have been defective at the time of supply the Group may have legal liability even if it did not know and could not have known about the defect. There can be no assurance that significant claims will not be asserted against the Group, that adverse verdicts will not be reached or that the Group's insurance will cover losses it may sustain as a result of such actual or potential litigation. The Group could be exposed to losses which insurers dispute as being within the scope of policy coverage or which are not covered due to non-compliance with policy conditions. For example, Spire has been notified of 142 claims against it related to a supply of alleged faulty PIP breast implants and is currently in a dispute with its insurer regarding the scope of coverage.

While the Group has been able to obtain third-party liability insurance in the past to partially cover patient, third-party and employee personal injury claims, there can be no assurance that such insurance will be available in the future, on acceptable terms or at all. In addition, the Group is partially self-insured up to pre-determined levels, above which its third-party liability insurance applies. A successful claim in excess

* The Group considers a consultant's practice to be substantive if the consultant accounted for at least £10,000 of the Group's revenue in 2013.

of the limits of the Group's insurance coverage could have a material adverse effect on its business, results of operations and financial condition. In addition, although consultants practising at the Group's facilities work generally as independent contractors, liability claims, against these consultants, regardless of their merit or eventual outcome, also could adversely affect the Group's sales and reputation, which could in turn have a material adverse effect on its business, financial condition and results of operations.

1.28 The Group's insurance may be inadequate, premia may increase and, if there is a significant deterioration in its claims experience, insurance may not be available on acceptable terms.

The Group maintains liability insurance intended to cover patient, third-party and employee personal injury claims. Because the Group is partially self-insured up to pre-determined levels, there may be claims in respect of which the liability for damages and costs falls to the Group before being met or reimbursed by any insurance underwriter. There may also be claims in excess of the Group's insurance cover or claims which are not covered by the Group's insurance due to other policy limitations or exclusions or where it has failed to comply with the terms of the policy. Furthermore, there can be no assurance that the Group will be able to obtain liability insurance cover in the future on acceptable terms, or without substantial premium increases or at all, particularly if there is deterioration in the Group's claims experience history. In addition, the Group's English NHS work is covered under the NHS Clinical Negligence Scheme for Trusts ("CNST") subject to the Group complying with CNST terms of cover. Changes to the rules of CNST or in government policy could mean that CNST may not be available for NHS work in the future. A successful claim against the Group not covered by or in excess of its insurance cover or CNST indemnity could have a material adverse effect on the Group's business, results of operations and financial condition.

1.29 The Group may have exposure to greater than anticipated tax liabilities.

Determining the Group's provision for corporation and other tax liabilities, and the application and calculation of any tax relief, requires significant judgments and estimates, and there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Group believes its estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in its financial statements and may materially affect its financial results in the period or periods for which such determination is made. Any adverse tax determination may require the Group to pay material amounts in taxes and penalties or materially reduce the Group's existing tax assets, which could have a material adverse effect on the Group's business, results of operations or financial condition.

1.30 The Group may lose the ability to use certain key hospital properties subject to long leases or any properties which may become subject to compulsory purchase orders.

In 2013, the Group increased its number of leasehold hospital properties through the sale of companies owning freehold or leasehold interests in 12 hospital properties, which are now occupied by the Group under long leases. Under the typical terms of the relevant leases, in the event of certain material breaches or other events of default by the Group, the landlord may enforce its right to terminate the Group's lease and in certain circumstances, the leases could cross-default. The operation of the Group's businesses in those as well as its other leased properties depends on its right to use the premises demised by the relevant lease. There can be no assurances that any affected landlord would continue to allow the Group to use the land demised by the lease if the Group fails to meet its contractual obligations thereunder. In addition, any property in the United Kingdom may at any time be compulsorily acquired by, among others, a Local Authority or a governmental department in connection with redevelopment or infrastructure projects which are to the benefit of the public. If the Group were unable to procure another suitable facility in a timely manner on commercially reasonable terms, or if a compulsory purchase order was made in respect of any of the Group's properties, the Group's business would be materially adversely affected.

1.31 The Group faces risks associated with the planned referendum on Scottish independence.

Spire faces potential risks associated with the planned referendum on Scottish independence. The outcome of the referendum could have an adverse impact on the regulatory, currency and tax regime to which the Group's operations are currently subject and could also result in Spire becoming subject to a new regulatory, currency, health and safety, or tax regime in Scotland where the Group's Murrayfield and Shawfair Park hospitals are located. In addition, the outcome of the referendum could contribute to prolonged uncertainty around certain aspects of the Scottish economy, Scottish companies (who provide their employees with medical coverage) and UK consumers' confidence and willingness to self-pay for services. Any combination of these factors could increase the Group's operating costs in Scotland, delay

capital expenditure programs, or place additional regulatory burdens on the Group that could otherwise harm or negatively impact the Group's business and results of operations.

2. Risks relating to the Offer and the Shares

2.1 The Cinven Funds will retain a significant interest in and will continue to exert substantial influence over the Company following the Offer and its interests may differ from or conflict with those of other shareholders.

Immediately following Admission, and assuming the Cinven Funds sell the maximum number of Shares they have indicated they will make available in the Offer, the Cinven Funds will continue to beneficially own between 54.0% and 54.4% of the Company's issued ordinary share capital (assuming no exercise of the Over-allotment Option and between 47.3% and 47.6% if the Over-allotment Option is exercised in full). As a result, the Cinven Funds will possess sufficient voting power to maintain significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. The interests of the Cinven Funds may not always be aligned with those of other holders of Shares. In particular, the Cinven Funds may hold interests in, or may make acquisitions of or investments in, other businesses that may be, or may become, competitors, counterparties or suppliers of the Group.

2.2 There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained.

Prior to Admission, there has been no public trading market for the Shares. The Company can give no assurance of the extent to which investor interest in the Shares will lead to the development of a trading market following Admission, how liquid that market might be or, if a trading market does develop, whether it will be sustainable. If an active and liquid trading market does not develop or is not sustained, the liquidity and trading price of the Shares could be materially adversely affected and investors may have difficulty selling their Shares.

2.3 Shares in the Company may be subject to market price volatility and the market price of the Shares in the Company may decline in response to developments that are unrelated to the Company's operating performance.

The Shares may be subject to market price volatility and the market price of the Shares may decline in response to developments that are unrelated to the Group's operating performance. The Offer Price is expected to be fixed by agreement between the joint Global Co-ordinators, the Company and the Cinven Funds and it may differ significantly from the market price for the Shares following the Offer. The Offer Price may bear no relationship to the price at which the Shares will trade following Admission. The market price of the Shares may be volatile and subject to wide fluctuations. The market price of the Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these Risk Factors, as well as period-to-period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price of the Shares could also be affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, strategic actions by competitors, including acquisitions and/or restructurings, changes in market conditions and regulatory changes in any number of countries, whether or not the Group derives significant revenue therefrom. Investors may not be able to sell their Shares at or above the Offer Price.

2.4 The market price of the Shares could be negatively affected by sales of substantial amounts of such shares in the public markets, including following the expiry of the lock-up period, or the perception that such sales could occur.

Following Admission, the Cinven Funds and the Directors and Senior Management will own beneficially, in aggregate, assuming they sell the maximum number of Shares they have indicated they will make available in the Offer, between 54.7% and 55.0% of the Company's issued ordinary share capital (assuming no exercise of the Over-allotment Option and between 48.0% and 48.2% if the Over-allotment Option is exercised in full). The Company, the Cinven Funds, the Directors and Senior Management are subject to restrictions on the sale and/or transfer of their respective holdings in the Company's issued share capital as described in "Lock-up arrangements" in paragraph 11 of *Part 13: "Details of the Offer"*. The issue or sale of

a substantial number of Shares by the Directors, Senior Management or the Cinven Funds in the public market after the lock-up restrictions in the Underwriting Agreement expire (or are waived by the Joint Bookrunners), or the perception that these sales may occur, may depress the market price of the Shares and could impair the Group's ability to raise capital through the sale of additional equity securities.

2.5 The issuance of additional Shares in the Company in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Group may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. As a result, the Company's existing Shareholders may suffer dilution in their percentage ownership or the price of the Shares may be adversely affected.

2.6 Shareholders may earn a negative or no return on their investment in the Company.

The Group's results of operations and financial condition are entirely dependent on the trading performance of the members of the Group. The Company's ability to pay dividends will depend, among other things, on its financial performance, any restrictions relating to regulatory capital in subsidiaries and the availability of distributable profits and reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally the Company's ability to receive sufficient dividends from its subsidiaries. The payment of dividends by subsidiaries is, in turn, subject to restrictions, including the existence of sufficient distributable reserves and cash in those subsidiaries as well as certain restrictions in the Group's debt financing arrangements. These restrictions could limit or prohibit the payment of dividends to the Company by its subsidiaries, which could restrict the Company's ability to pay dividends to Shareholders.

2.7 Shareholders in the United States or other jurisdictions may not be able to participate in future equity offerings.

The Articles of the Company provide for pre-emptive rights to be granted to Shareholders, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict the Group's ability to allow participation by Shareholders in future offerings. In particular, Shareholders in the United States may not be entitled to exercise these rights unless either the rights and Shares are registered under the US Securities Act, or the rights and Shares are offered pursuant to an exemption from, or transaction not subject to, the registration requirements of the US Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable US or other Shareholders to exercise their pre-emption rights or, if available, that the Company will utilise any such exemption.

2.8 Not all rights available to shareholders under US law will be available to holders of the Shares.

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical US companies. The rights of holders of the Shares are governed by English law and the Articles. In particular, English law currently limits significantly the circumstances under which the shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US company.

2.9 The Company's ability to pay dividends in the future depends, among other things, on the Group's financial performance and capital requirements and is therefore not guaranteed.

There can be no guarantee that the Group's historic performance will be repeated in the future, particularly given the competitive nature of the industry in which it operates, and its revenue, profit and cash flow may not support the payment of dividends. While the Directors intend to adopt a dividend policy which reflects the underlying earnings and growth of the business and the cash conversion of the Group while retaining sufficient capital in the Group to fund continued investment and sufficient capital reserves, there can be no assurance that the Group will pay dividends in the future. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things,

applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

2.10 Overseas shareholders may be subject to exchange rate risk.

The Shares are, and any dividends to be paid in respect of them will be, denominated in Pounds Sterling. An investment in Shares by an investor whose principal currency is not Pounds Sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of Pounds Sterling in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms.

PART 2

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

GENERAL

Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholder or any of J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley Securities Limited and Numis Securities Limited (together, the “**Underwriters**”) and Morgan Stanley & Co. International plc (together with the Underwriters, the “**Banks**”). No representation or warranty, express or implied, is made by any of the Banks or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by any of the Banks or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to FSMA, neither the delivery of this document nor any subscription or sale of Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this document or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this document by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs after the publication of the Prospectus and prior to Admission or if this document contains any material mistake or substantial inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement).

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, business adviser, financial adviser or tax adviser for legal, business, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

Each of J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc and Morgan Stanley Securities Limited, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, and Numis Securities Limited, authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offer. None of the Banks will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter, or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer. Each of the Banks and each of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholder or any of

the Banks or any of their representatives that any recipient of this document should subscribe for or purchase the Shares. Prior to making any decision as to whether to subscribe for or purchase the Shares, prospective investors should read this document. Investors should ensure that they read the whole of this document carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

Investors who subscribe for or purchase Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder or any of the Banks.

None of the Company, the Directors, the Selling Shareholder or any of the Banks or any of their representatives is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, the Banks and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and/or acquire Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any or issue, offer, subscription, acquisition, dealing or placing by, each of the Banks and any of their affiliates acting as investors for their own accounts. In addition certain of the Banks or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Banks intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company and the Selling Shareholder, for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company and the Selling Shareholder and any of their respective affiliates in the future.

PRESENTATION OF FINANCIAL INFORMATION

The financial information in this document has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). The significant IFRS accounting policies applied in the financial information of the Company are applied consistently in the financial information in this document.

FINANCIAL INFORMATION

The Company was incorporated on 12 June 2014 and re-registered as a public limited company on 23 June 2014 in order to acquire 100% of the share capital of Spire Healthcare Group UK Limited (“**OPCO sub-group**”) and Spire UK Holdco 2A Limited (“**PROPCO sub-group**”) (and became the holding company for the Group—hereby known as “**Spire Healthcare Group**”) immediately prior to Admission by way of the Reorganisation. As a consequence, there is no historical financial information relating to the Company. Please refer to section 2 of *Part 15: “Additional Information”* for details of the Reorganisation.

The Company’s financial year follows the calendar year. The historical financial information in respect of Spire Healthcare Group included in *Part 11: “Historical Financial Information”* for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 has been reported on in accordance with Standards for Investment Reporting issued by the Auditing Practices Board. The financial information in respect of the three month period ended 31 March 2013 has been included for comparison purposes only and is unaudited.

Operating profit

Operating profit is presented in the income statement and represents the profit to the Group from operations, stated prior to taxation, net finance costs and profit/(loss) on disposal of property, plant and equipment. Also set out in the income statement is Operating profit before exceptional items which is presented in order to enable year on year performance to be measured on a comparable basis. During the periods under review, exceptional items have included business reorganisation and hospital setup costs, PIP patient recalls, corporate restructuring and financing costs and regulatory costs.

EBITDA and EBITDAR

EBITDA represents the Group's operating profit, adjusted to add back depreciation and exceptional operating items. EBITDAR represents EBITDA, adjusted to add back operating expenses for rent of land and buildings.

Information regarding EBITDA and EBITDAR or similar measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of EBITDA and EBITDAR or similar measures and the criteria upon which EBITDA and EBITDAR or similar measures are based can vary from company to company. EBITDA and EBITDAR, by themselves, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. The reconciliation of Group operating profit to EBITDA and EBITDAR are as follows:

	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Operating profit	134.2	129.8	99.6	26.9	25.4
Exceptional operating items ⁽¹⁾	4.2	20.5	11.5	3.0	4.9
Operating profit before exceptional items	138.4	150.3	111.1	29.9	30.3
Depreciation	48.5	51.4	43.0	10.3	11.2
EBITDA	186.9	201.7	154.1	40.2	41.5
Rent	2.3	3.6	54.9	11.9	14.5
EBITDAR	189.2	205.3	209.0	52.1	56.0

(1) Includes business reorganisation and hospital setup costs, PIP patient recalls, corporate restructuring, financing costs and regulatory costs.

The Group uses EBITDAR and EBITDA in its management reporting and in assessing the Group's growth and operational efficiencies.

The Group believes EBITDAR is currently a relevant measure of operating performance of its business. Due to the 2013 Freehold Sale the Group conducted during the periods under review, its rent of land and buildings is not comparable across periods. By separating the impact of rent of land and buildings on the Group's gross profit (operating profit before exceptional operating items and depreciation of property, plant & equipment, which the Group refers to as EBITDA), EBITDAR provides a measure of operating performance that the Group believes is more comparable across the periods under review.

Return on Capital Employed ("ROCE")

ROCE is calculated by dividing EBITDA by the capital invested. The Group applies this metric only to incremental developments (e.g. new acquisitions, theatre developments, new-build/brownfield projects, new radiotherapy centres). The Group does not make any other adjustments to this calculation.

HISTORICAL FINANCIAL INFORMATION

This Prospectus presents selected historical financial information as at and for the years ended 31 December 2009 and 2010. This information has been extracted without adjustment from the audited financial information of Spire Healthcare Limited Partnership for the periods indicated.

CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to “sterling”, “Pounds Sterling”, “GBP”, “£” or “pence” are to the lawful currency of the United Kingdom. The Company prepares its financial statements in Pounds Sterling.

ROUNDINGS

Certain data in this document, including financial, statistical and operating information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

MARKET, ECONOMIC AND INDUSTRY DATA

This document contains historical market data and forecasts which have been obtained from industry publications, market research and other publicly available information. Certain information regarding market size, market share, market position, growth rates and other industry data pertaining to the Group and its business contained in this document consist of estimates based on data compiled by professional organizations and on data from other external sources, including Laing & Buisson, NHS England and the Institute for Fiscal Studies.

Industry publications and market research generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions.

In some cases there is no readily available external information (whether from trade and business organizations and associations, government bodies or other organizations) to validate market related analyses and estimates, requiring the Group to rely on internally developed estimates. Although the Group believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and the Group cannot assure investors as to the accuracy of such estimates or that a third party using different methods to assemble, analyze or compute market data would obtain the same results. The Group does not intend, and does not assume any obligation, to update industry or market data set forth in this document. Because market behaviour, preferences and trends are subject to change, prospective investors should be aware that market and industry information in this document and estimates based on any data therein may not be reliable indicators of future market performance or the Group’s future results of operations.

The Company confirms that all such data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this document, the source of such information has been identified.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company has been incorporated under the laws of England and Wales. Service of process upon Directors and officers of the Company, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since most directly owned assets of the Company are outside the United States, any judgment obtained in the United States against it may not be collectable within the United States. There is doubt as to the enforceability of certain civil liabilities under US federal securities laws in original actions in English courts, and, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgment of a US court for a liquidated amount as a debt enforceable by fresh proceedings in the English courts.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company's website and the Equiniti website for the Offer do not form part of this document.

DEFINITIONS

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in *Part 16: "Definitions"*.

INFORMATION NOT CONTAINED IN THIS DOCUMENT

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "Summary", "Risk Factors", "Business" and "Operating and Financial Review" regarding the Company's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Important factors that could cause the Group's actual results to so vary include, but are not limited to:

- the failure of revenue growth in each of the Group's payor categories or in the market as a whole to meet the Group's expectations and guidance;
- the Group's ability to establish and maintain strong relationships with consultants and GPs;
- the Group's ability to attract quality consultants, and recruit and retain other healthcare professionals, such as nurses and technicians;
- the Group's relationship with the NHS and PMI providers and its ability to negotiate and retain fee arrangements;
- changes in UK healthcare law, policy and regulation;
- exposure to litigation by patients and claims exceeding the scope of the Group's insurance coverage or that are not covered by its insurance policies;
- competition from other hospitals and healthcare providers;
- changes in the mix of patients and payors;
- the Group's ability to identify new build expansion opportunities, bring new theatre capacity into operation in accordance with its guidance, and avoid delays or other problems in implementing expansion projects, or the failure of such expansion opportunities to meet the Group's expectations regarding revenue growth or ROCE;

- the Group's ability to successfully integrate businesses that it may acquire in the future, and its ability to realise anticipated cost savings, revenue enhancements or other synergies from such acquisitions;
- loss of the services of one or more of the Group's senior management team or a significant portion of its management personnel; and
- the Group's ability to enhance its facilities with the most recent technological advances in diagnostic and surgical equipment.

Forward-looking statements contained in this document speak only as of the date of this document. The Company, the Directors, the Selling Shareholder and the Banks expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules of the FCA.

PART 3

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Garry Watts (Non-executive Chairman) Rob Roger (Chief Executive Officer) Simon Gordon (Chief Financial Officer) John Gildersleeve (Deputy Chairman and Senior Independent Director) Simon Rowlands (Non-executive Director) Dr Supraj Rajagopalan (Non-executive Director) Tony Bourne (Independent Non-executive Director) Dame Janet Husband (Independent Non-executive Director) Robert Lerwill (Independent Non-executive Director)
Company Secretary	Daniel Toner
Registered and head office of the Company	3 Dorset Rise London, EC4Y 8EN
Joint Global Co-ordinators and Joint Bookrunners	J.P. Morgan Securities plc 25 Bank Street, Canary Wharf London, E14 5JP Merrill Lynch International 2 King Edward Street London, EC1A 1HQ Morgan Stanley Securities Limited 25 Cabot Square, Canary Wharf London, E14 4QA
Joint Sponsors	J.P. Morgan Securities plc 25 Bank Street, Canary Wharf London, E14 5JP Morgan Stanley & Co. International plc 25 Cabot Square, Canary Wharf London, E14 4QA
Co-lead Manager	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London, EC4M 7LT
English and US legal advisers to the Company	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London, EC4Y 1HS
English and US legal advisers to the Banks	Allen & Overy LLP One Bishops Square London, E1 6AD
Auditor and Reporting Accountant	Ernst & Young LLP 1 More London Place London, SE1 2AF
Registrars, Receiving Agent and Nominee	Equiniti Limited Aspect House Spencer Road Lancing, West Sussex BN99 6DA

PART 4

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

Expected timetable of principal events

Event	Time and date ⁽¹⁾⁽²⁾
Latest time and date for receipt of completed Online Applications	11:00 p.m. on 15 July 2014
Latest date for receipt of indications of interest from institutional investors under the Institutional Offer	11:00 p.m. on 16 July 2014
Announcement of the Offer Price and Offer Size, publication of the Pricing Statement and notification of allocations of Shares in the Institutional Offer ⁽³⁾	7:00 am on 18 July 2014
Commencement of conditional dealings in Shares on the London Stock Exchange	8:00 am on 18 July 2014
Admission and commencement of unconditional dealings in Shares on the London Stock Exchange	8:00 am on 23 July 2014
CREST accounts credited in respect of Shares acquired in the Institutional Offer in uncertificated form	23 July 2014
Notification by e-mail of share allocation for Shareholders who applied for Shares in the Consultant and Staff Offer	23 July 2014
Refunds of any amounts due to applicants in the Consultant and Staff Offer	no later than five Business Days following Admission

Notes:

- (1) Times and dates set out in the timetable above and mentioned throughout this document that fall after the date of publication of this document are indicative only and may be subject to change without further notice.
- (2) All references to time in this timetable are to UK time.
- (3) The Offer Price and Share Offer Size will be set out in the Pricing Statement. The Pricing Statement will not automatically be sent to persons who receive this document but it will be available free of charge at the Company's registered office at 3 Dorset Rise, London EC4Y 8EN. In addition, the Pricing Statement will (subject to certain restrictions) be published on the Company's website at www.spirehealthcare.com/IPO.

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

Offer statistics⁽¹⁾

Price Range (per Share) ⁽²⁾	210 pence to 300 pence
Number of Shares in the Offer ⁽²⁾	105,318,635 to 180,486,626
—New Shares	105,000,000 to 150,000,000
—Existing Shares	99,381 to 55,090,638
Percentage of the issued Share capital being offered in the Offer ⁽²⁾	up to 45.0%
Number of Existing Shares subject to the Over-allotment Option	15,797,795 to 27,072,994
Number of Shares in issue following the Offer ⁽³⁾	374,419,968
Market capitalisation of the Company at the Offer Price ⁽³⁾	£954,770,918
Estimated net proceeds of the Offer receivable by the Company ⁽⁴⁾⁽⁵⁾	£255.2 million
Estimated gross proceeds of the Offer receivable by the Selling Shareholder ⁽⁶⁾	up to £165.3 million

Notes:

- (1) Assumes all of the steps set out in paragraph 2 of *Part 15: “Additional Information—Reorganisation”* are completed in full. To the extent that these steps are not completed in full, the Offer will not proceed and Admission will not be sought.
- (2) The Price Range and the New Share Offer Size Range have been set by the Company. The Existing Share Offer Size Range has been set by the Selling Shareholder. It is currently expected that the Offer Price, the New Share Offer Size and the Existing Share Offer Size will be set within the Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. All Shares subject to the Offer will be issued or sold at the Offer Price, which will be determined by the Company and the Selling Shareholder in consultation with the Joint Bookrunners, following a book-building process. A number of factors will be considered when setting the Offer Price, including the level and nature of demand for Shares during the book-building process, the level of demand in the Consultant and Staff Offer and the objective of encouraging the development of an orderly after-market in the Shares. The Offer Price, the New Share Offer Size and the Existing Share Offer Size are expected to be announced on or around 18 July 2014. The Pricing Statement, which will contain, among other things, the Offer Price, the New Share Offer Size and the Existing Share Offer Size, will (subject to certain restrictions) be published on the Company’s Website at www.spirehealthcare.com/IPO.
- (3) Assuming the Offer Price is set at the mid-point of the Price Range.
- (4) The estimated net proceeds receivable by the Company are stated after deduction of the estimated underwriting commissions and other fees and expenses of the Offer (including VAT) payable by the Company, which are currently expected to be, in the aggregate, approximately £59.8 million (including expenses and costs for Accrued Incentive Payments as defined and described in section 6.5 of *Part 15: “Additional Information”*). The Company will not receive any of the net proceeds from the sale of the Existing Shares in the Offer by the Selling Shareholder or the sale of Shares pursuant to the Over-allotment Option.
- (5) Additional proceeds in the amount of £95,000 will be provided by John Gildersleeve, Tony Bourne, Dame Janet Husband and Robert Lerwill in aggregate at Admission by way of subscriptions for Shares at the Offer Price.
- (6) Estimated maximum gross proceeds receivable by the Selling Shareholder assuming that the Offer Price and Existing Share Offer Size are set at the top of their respective ranges, and assuming no exercise of the Over-allotment Option.

PART 5

INDUSTRY OVERVIEW

Unless otherwise stated all references to NHS policy and structure should be taken to refer to England, where the Group conducts the overwhelming majority of its activities (a small amount of revenue is derived from operations in Northern Ireland, the Isle of Man and the Channel Islands, Scotland and Wales). The devolved governments of Scotland, Wales and Northern Ireland have control over a substantial part of their own health and social care spending and policy and may operate differently in those jurisdictions. In the United Kingdom, the terms 'health care' and 'medical care' refer to the provision of services and should not be taken to include the pharmaceutical industry as the terms would be construed in the United States.

UK HEALTH CARE MARKET

According to the Office for National Statistics, the total UK healthcare market was worth an estimated £144 billion in 2012, divided into public and private sectors. UK health expenditure grew by approximately 8.0% per year up to the start of the recession in 2009 and has grown by approximately 1.6% per year thereafter. The public healthcare sector is mainly served by the NHS. Founded in 1948, the NHS is the central body administering the provision of health services. NHS England is supervised by the Department of Health and funded through taxation and national insurance contributions. The published 2013/14 budget for NHS England is £95.6 billion, with £65.6 billion thereof allocated to local health economy commissioners such as Clinical Commissioning Groups (“CCGs”) and local authorities. NHS Wales and NHS Scotland are much smaller with budget allocations of £5.8 billion and £10.7 billion, respectively, in 2013/14.

The United Kingdom’s private acute healthcare sector was worth an estimated £6.7 billion in 2012 according to Laing & Buisson. Private healthcare is funded through three main routes, PMI, NHS and self-pay. PMI is either provided as part of a benefits package to employees through their employer (“**Corporate PMI**”), or purchased directly by the public (“**Individual PMI**”). Private sector patients can also be treated in NHS hospitals in designated PPU and private beds in which case funding derives from either PMI or self-pay. Separately, patients can also pay directly for private healthcare.

NHS work is undertaken by the private healthcare sector in England through the “Any Qualified Provider” patient choice agenda, introduced in 2007/08 and originally known as “Any Willing Provider”, which allows NHS patients requiring elective surgery to choose qualified private sector providers to provide their treatment via an online portal called Choose & Book or through local contracting.

Private delivery of publicly funded healthcare is limited in Scotland and recent policy guidelines from NHS Scotland indicate that the Scottish Government will continue to minimise private sector participation where possible. There is limited political support in Wales for widespread private sector participation in the delivery of publicly funded healthcare, and NHS Wales typically only purchases healthcare services from the private market as a last resort.

PRIMARY AND SECONDARY CARE

The UK healthcare system, both public and private, is divided into primary and secondary care. “Primary care”, typically the initial point of contact for most patients, usually treats day-to-day medical requests. These services are provided by a wide range of independent contractors, including GPs, but also dentists, pharmacists and optometrists. Care requirements beyond the primary level are referred to as “secondary care,” also referred to as “acute” healthcare and subdivided into “elective” care and “emergency” care. “Elective” care refers to surgery or other form of medical care provided by specialists (i.e. consultants) following referral from a primary or community health professional such as a GP. “Emergency” care refers to surgery or other form of medical care provided in circumstances where urgency or other conditions generally do not allow for prior consultation with a GP or other primary professional.

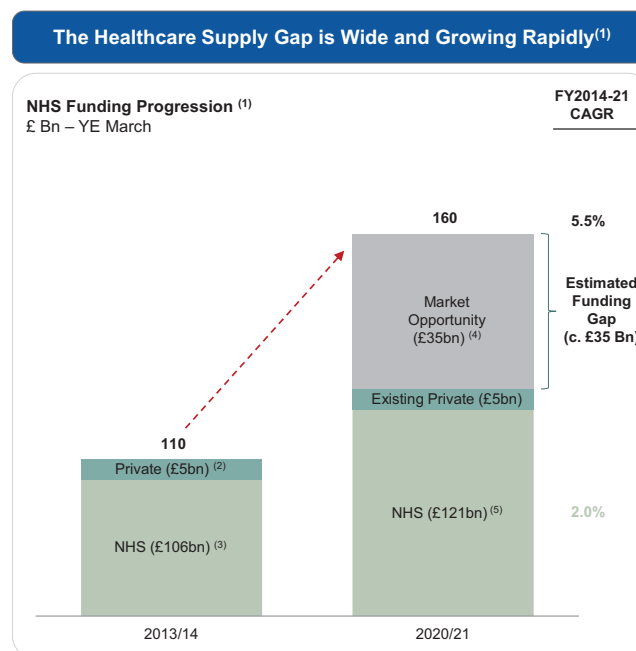
The UK healthcare system features a leading role for GPs, who are the most significant providers of primary care in their local community, providing initial screening for a wide range of health problems. GPs usually work in practices as part of a team, which includes nurses, healthcare assistants, practice managers, receptionists and other staff. Practices also work closely with other healthcare professionals, such as health visitors, midwives and social services. A potential patient would normally see a GP or other healthcare professional at their premises (typically referred to as a “surgery”). If a patient’s condition is beyond the GP’s expertise, then the patient usually will be referred to a hospital for tests, treatment or to see a consultant with specialist knowledge, who may in turn refer the patient on to a hospital.

THE FUNDING GAP

Public spending on the NHS in the United Kingdom has increased faster than general inflation since the 1950s, with an average real growth rate, according to NHS data, of 4.0 per cent a year between 1949/50 and 2010/11, when spending reached £137.4 billion. This is significantly greater than GDP growth over this period and as a result spending on the NHS as a share of GDP has increased from 3.5 per cent in 1949/50 to 7.9 per cent in 2007/08 (before the financial crisis and associated recession struck) according to public data. Spending increased particularly rapidly under the last Labour Government, with an average real growth rate of 6.4 per cent a year between 1996/97 and 2009/10, according to Laing & Buisson.

Despite the substantial cuts to public spending implemented in the wake of the financial crisis, the current Coalition Government chose to extend a degree of protection to the NHS in the 2010 Spending Review. However, in the absence of appetite for substantial tax increases or cuts in non-healthcare spending, the NHS's funding position is unlikely to improve in the near term. The Institute of Fiscal Studies expects NHS funding increases to remain well below their long-term average and predicts NHS funding is unlikely to grow even in line with national income growth.

At the same time, demographic pressures are expected to result in rising demand for healthcare services. According to the King's Fund, the population of England, Scotland and Wales is projected to grow by 5 million over the next decade, with the population of those aged 65 and older expected to grow by 32% by 2032 as medical advances continue to extend life expectancy. As the population ages, the incidence of long-term and chronic conditions is also expected to rise, increasing pressure on NHS budgets as the NHS is the main provider of treatment for chronic conditions. At the same time, technological advances including new developments in robotics, bio-pharmaceutical research and genetics are being used to help improve patient outcomes and help reduce the average length of stay for patients. As a result of these and other factors, NHS England expects demand for healthcare services to exceed the projected 2020/21 NHS budget of £121 billion, creating a funding gap of up to approximately £35 billion* (assuming total UK healthcare services demand continues to grow at the most recent NHS estimated growth rate of 5.5%). In the absence of material funding increases to the NHS in the coming years, the estimated gap is likely to be filled by individuals either choosing to turn to private medical insurance or self-pay funding or enhancements to NHS productivity (which have the potential to include a greater degree of outsourcing to private providers), each of which is expected to direct healthcare spending to the private sector.



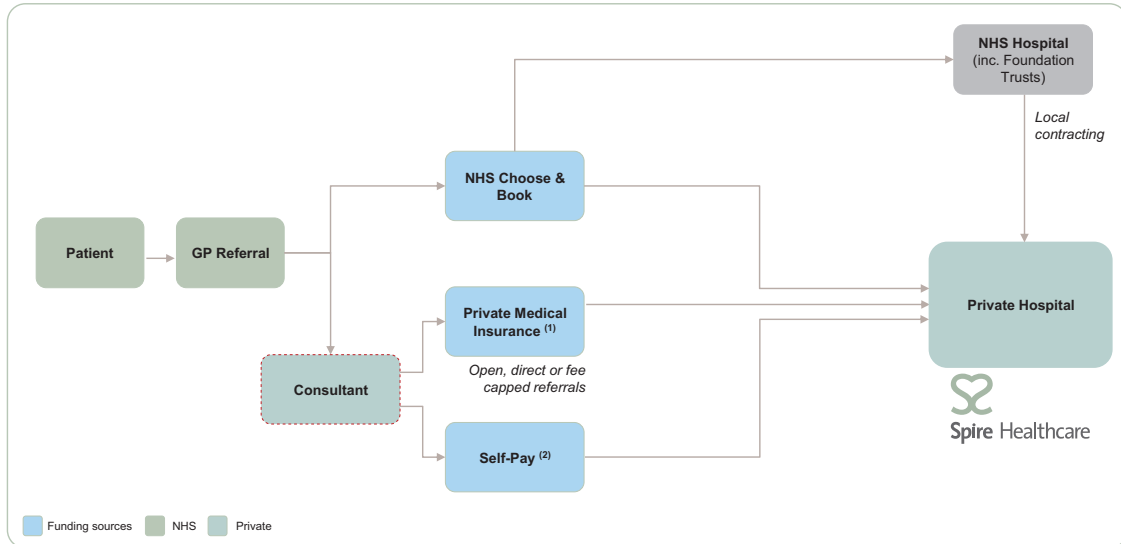
Source: Laing & Buisson Private Acute Medical Care 2013, PESA 2013, NHS England, Company calculations

* Estimated funding gap in 2020/21 in accordance with data provided by Laing & Buisson, PESA 2013, NHS England and the Company.

THE PATIENT PATHWAY TO TREATMENT IN A PRIVATE HOSPITAL

The Group receives patients through multiple routes. The patient's journey typically begins with a visit to his or her GP, who will either treat the patient directly or provide a referral to a consultant. The procedure or treatment provided by the consultant can be funded by the NHS, a PMI provider or by the patient directly (referred to as "self-pay"). The Group accepts patients using all three funding methods: Group hospitals may obtain referrals for patients who cannot be accommodated at local NHS Trusts (NHS local contract) or through the NHS "Choose & Book" system and PMI and self-pay patients can obtain a private consultation where they are referred to a Group hospital.

Below is a simplified illustration of a patient's potential journey through the private healthcare system.



Source: Company

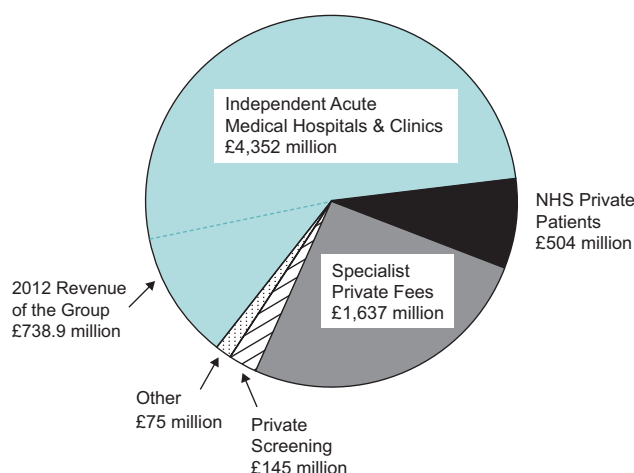
(1) Some self-pay patients book directly with a consultant without requiring a GP referral.

UK PRIVATE ACUTE HEALTH CARE MARKET

The UK private acute medical care market is largely comprised of acute medical hospitals and clinics owned and operated by private companies and voluntary organisations (collectively, the independent sector), private patient services in NHS hospitals, private fees paid to consultants and other specialists and other associated private acute segments. According to Laing & Buisson, the UK private acute medical care market was worth an estimated £6.71 billion in calendar year 2012, represented by £4.4 billion of revenue generated by independent acute medical hospitals and clinics, £1.6 billion paid to consultants and other specialists practising privately in independent acute medical hospitals and practising privately at NHS

facilities, an estimated £0.5 billion in private patient income collected by the NHS in the United Kingdom, and an estimated £145 million spent on private health screening.

UK Private Acute Medical Care Market in 2012 = £6.71 billion

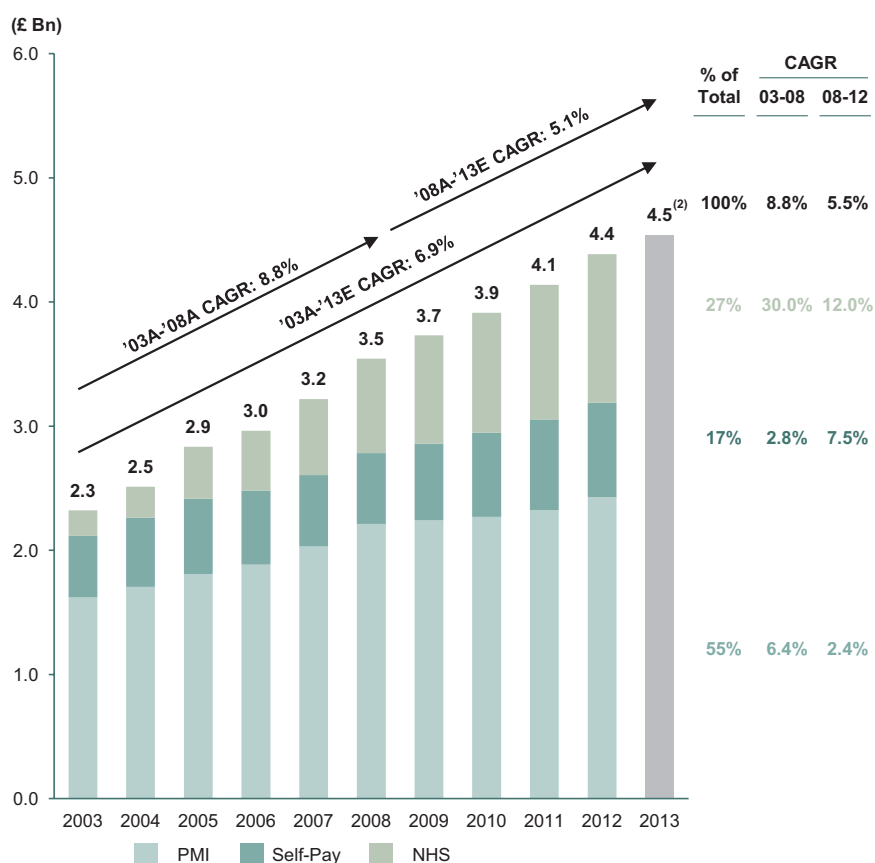


Source: Laing & Buisson, Company Information

UK Private Hospital Market

According to Laing & Buisson, the UK private hospital market has grown by a compound annual growth rate (“CAGR”) of 7.1% over the past decade, doubling in size from an estimated £2.3 billion in 2003 to approximately £4.6 billion in 2013. From 2008 until 2013, Laing & Buisson estimated that the market grew by £1.1 billion from £3.5 billion, representing a slightly lower CAGR of 5.5%.

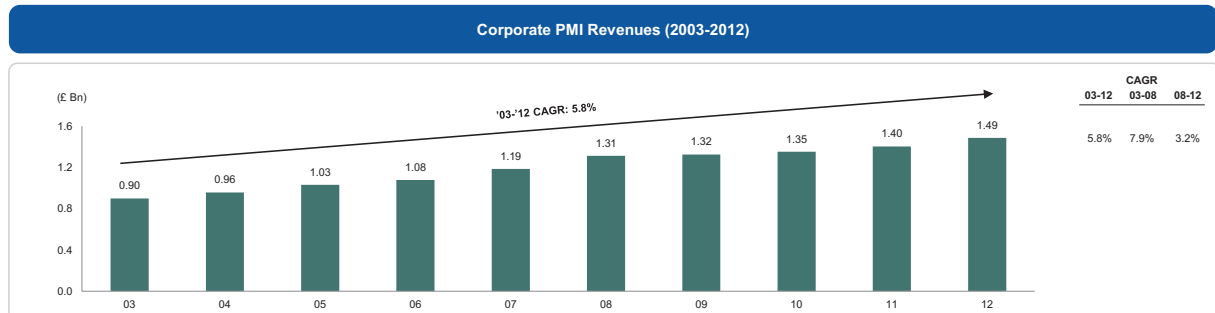
The chart below shows the development of the UK private hospital market and payor trends :



Source: Laing & Buisson, Company Information

Private Medical Insurers

PMI is the most important source of funding for the private hospital market in the United Kingdom, providing approximately 54% of the total revenue of the private UK healthcare market in 2012, according to Laing and Buisson. Historically, growth in PMI coverage has roughly tracked growth in GDP, though there was a brief period of decoupling from 2003-2006 coinciding with significant increases in NHS funding, reducing waiting lists and making the NHS a more attractive route for patients and limiting the scope for PMI growth.



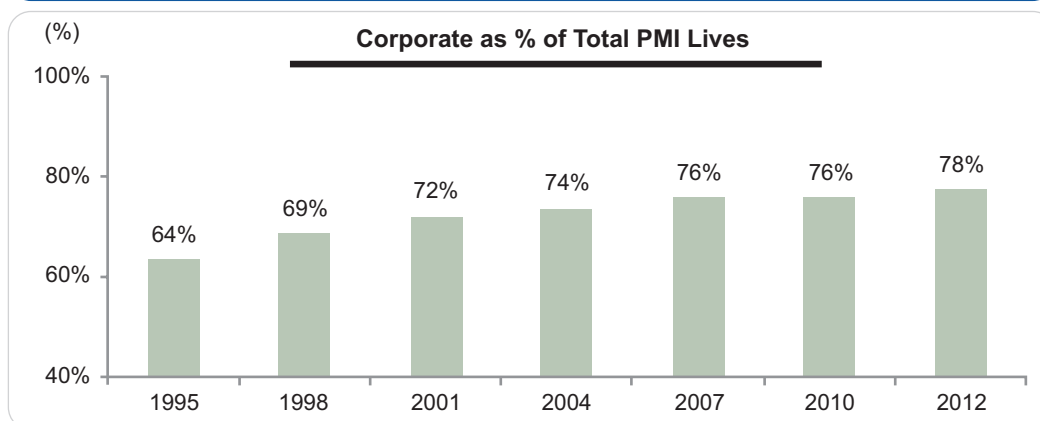
Source: Laing & Buisson Private Acute Medical Care 2013, Laing & Buisson Health Cover 2013, Company Information.

Even during the recent recession, when the number of people covered by PMI declined, PMI as a source of funding continued to grow. According to Laing & Buisson, at the end of 2012 penetration of private medical cover was an estimated 10.8% of the UK population, equivalent to 6,890,000 people. As the economic recovery gathers strength in the UK, according to Laing & Buisson, growth in PMI coverage is expected to increase in line with a forecast 2.5% per annum GDP growth from 2013-2018, reflecting increased corporate uptake as well as an expected increase in PMI by SMEs providing cover for their employees. According to Oxford Economics, as the economy continues to recover, strong employment growth is expected in high PMI penetration industries, including financial and insurance; IT, telecoms and media; administrative and other services; and professional, scientific and technical. This should allow for continuing growth of corporate PMI revenue which, according to Laing & Buisson, has grown at a 5.8% CAGR between 2003 and 2012.

The number of people covered by PMI varies from region to region, and the Group estimates that PMI penetration typically lies between 7% and 19% of any given hospital's catchment area, with an average of approximately 12% in 2013. Recently a split has developed between the corporate PMI market, which has been improving and continued growth of 5 - 6% per annum can be expected, according to Laing & Buisson, and the individual PMI market, which has been in gradual long-term decline, driven by affordability issues.

Additionally, the ageing UK workforce is likely to significantly increase the corporate PMI target market as more individuals are entering the UK workforce, while the most populous age groups have yet to reach retirement age. The retirement age of the UK, moreover, is expected to increase as the workforce expands, according to the Office of National Statistics, keeping more workers in active employment for longer, and thus expanding the pool of potential beneficiaries of corporate PMI. Corporate PMI as a percentage of total PMI has steadily increased for over a decade and was at 78% in 2012, according to Laing & Buisson.

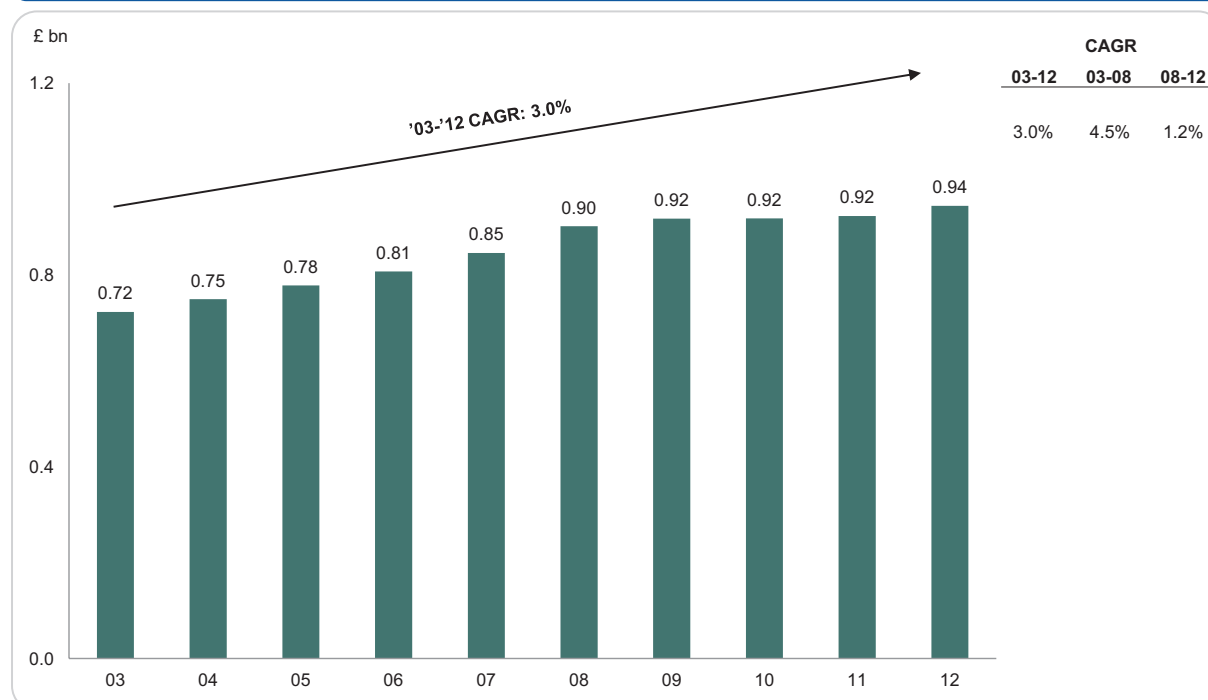
Structural Change in PMI Market



Source: Laing & Buisson Private Acute Medical Care 2013, Company Information.

Corporate PMI dynamics diverge from individual PMI as individual PMI obtains a significant proportion of its base from corporate PMI retirees. Individual PMI demand decreased during the recent recession, but is stabilising in line with economic recovery. Historic increases in individual PMI costs over the past decade also subdued demand, but private medical insurers are now providing greater product innovation and choice, though there are still some individuals moving from individual PMI into corporate PMI or to self-funding their medical treatment. Despite the downward pressure that the recent recession and price increases have placed on individual PMI demand, individual PMI premia have grown at a 1.9% CAGR from 2003 to 2012, according to Laing & Buisson.

Individual PMI Revenues (2003-2012)



Source: Laing & Buisson Private Acute Medical Care 2013, Laing & Buisson Health Cover 2013, Company Information.

The United Kingdom has many private medical insurers that offer corporate and individual insurance packages. According to Laing & Buisson, the largest providers in 2013 were Bupa, with an approximate 39.5% market share by income, AXA, which had an approximate 25.5% market share, Aviva, which had an approximate 13.2% market share, and Pruhealth, which had an approximate 8.8% market share. Other private medical insurers include Cigna, WPA and Simplyhealth.

Despite this growth in the scope of PMI provision over the last 10 years, the Directors believe there is unlikely to be real growth in PMI payouts per claim in the near future as insurers seek to keep down claims costs inflation by progressing directional initiatives to promote alternatives at lower prices. It follows that as independent hospitals increase their NHS activity to record levels, this might “crowd out” PMI and self-pay payor groups. As these groups have relatively higher profit margins than the NHS as a payor, this could have an overall margin dilutive effect.

NHS Participation in the Private Hospital Market

NHS purchasing activity

The NHS in England is an important provider of patient funding in the private hospital market. Since the launch of the patient choice agenda in 2007/08, the NHS has acted to embed the major independent sector hospital groups into the market as accredited and more recently licenced providers. The NHS in England also uses independent sector hospital groups to provide additional outsourced capacity to reduce waiting times or achieve cost efficiencies compared to treating patients in NHS facilities. Independent sector acute medical/surgical hospitals and clinics have seen their revenue boosted by wider use of independent sector capacity by the NHS, which has systematically increased outsourcing due to capacity constraints and efficiency needs. Between 2004 and 2012 inclusive, NHS spending on independent sector acute medical care more than quadrupled in real terms. According to Laing & Buisson, patient choice activity (through NHS Choose & Book) is now the primary source of NHS activity for independent sector hospitals. In the last few years, although the rate of growth in central NHS purchasing has declined as centrally-driven procurement of services has decreased, the upward growth trend for patient choice activity (through NHS Choose & Book) has continued. According to NHS England, elective NHS patient admissions to private sector hospitals rose from approximately 80,000 patients during October 2011 to December 2011 to over 100,000 patients during October 2013 to December 2013, and GP referrals of NHS patients to private sector hospitals for out-patient appointments rose from approximately 120,000 during October 2011 to December 2011 to over 160,000 patients during October 2013 to December 2013.

The increased level of activity of independent sector acute medical hospitals in respect of NHS business is reflected in a significant shift in the hospitals’ funding mix, which moved from 69% private medical cover, 9% NHS, 18% private self-pay and 4% other in 2003 to be 55%, 27%, 14% and 3%, respectively, in the calendar year 2012, according to Laing & Buisson. Though the NHS has increased its purchases of independent sector services, its own provision of private services has declined over time, restrained by a cap on private patient incomes for individual NHS Trusts introduced by the Labour Government in 2002/2003. However, encouraged by the knowledge of the Coalition government’s imminent decision to increase this cap, allowing up to 49.9% of revenue for a given NHS Trust to be non-NHS revenue, according to NHS data there were consecutive real increases in NHS private patient revenue in 2011/12 (up 2.5%) and 2012/13 (up 1.5%), marking the first significant period of real growth for 10 years. Ten out of the top 10 leading private revenue generating trusts in the NHS are in London and most have been, or are currently, undergoing redevelopment and refurbishment, which will enable them to engage in significantly higher levels of private activity. Many other providers in more rural regions are seeking to develop their private patient services from low bases as income generation is being sought to offset NHS efficiency savings.

The NHS as a purchaser, is a key customer of many private sector interests and is likely to continue to be so, supported by market-based procurement overseen by the independent regulator Monitor. Despite flat NHS budgets, the Directors believe NHS spending on acute medical care in the private sector will continue its strong annual growth rate of 5-10% in real terms over the near term. As a mixed healthcare market continues its gradual development, and as market-based procurement attracts more interest from more providers, there are expected to be higher levels of outsourcing to the private market.

NHS tariffs

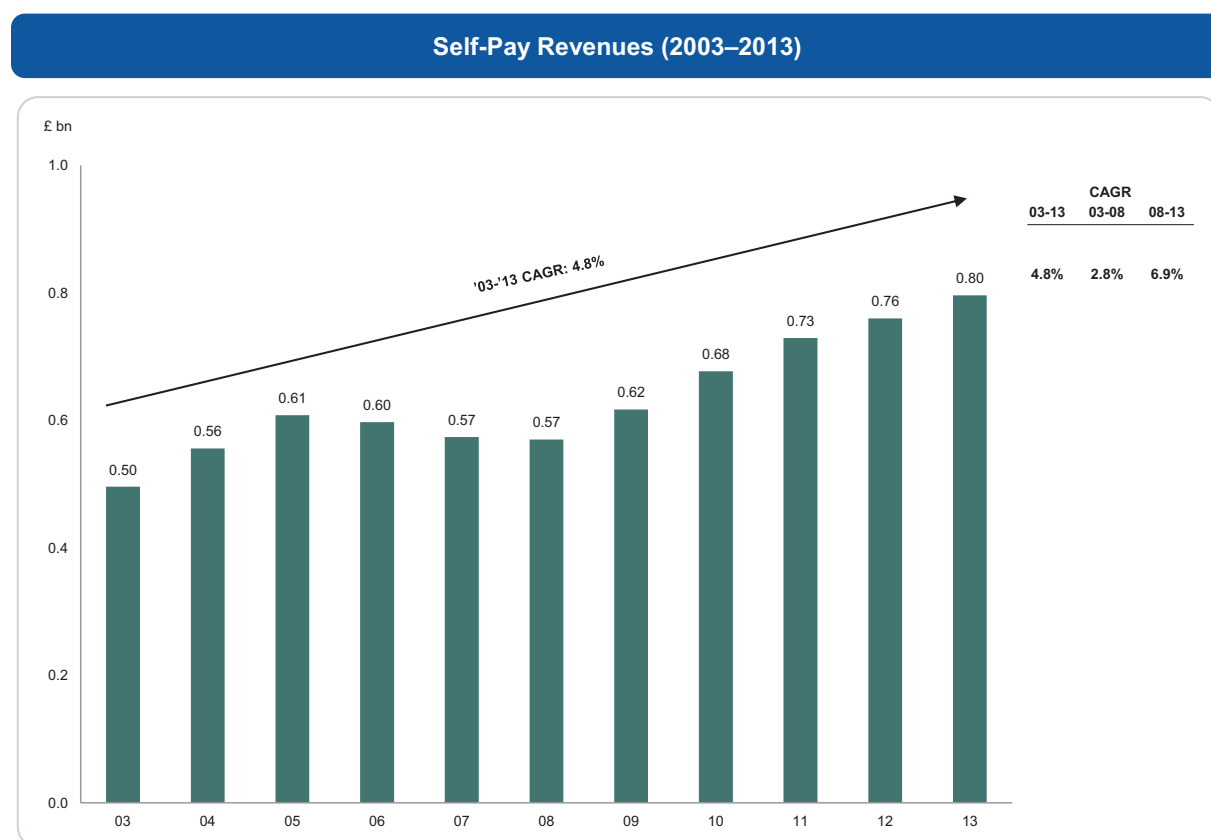
The payment system in England by which commissioners pay healthcare providers is called Payment by Results (“PbR”). The two key features of PbR are nationally determined “currencies” and tariffs governing payment to both NHS and private hospitals. Tariffs are the set prices for each unit of healthcare service for which a payment is made, otherwise known as a currency. Tariff prices have traditionally been based on the average cost of services reported by NHS providers in the mandatory reference costs collection. The payment received by the provider is determined by multiplying the relevant tariff by a

nationally determined market forces factor, unique to each market, reflecting differences in the cost of providing services across the country.

Monitor's proposed approach to the 2015/16 tariff, as laid out in its April 2014 engagement and consultation document, is to employ the model used to set 2014/2015 prices as a base and then adjust the base to account for cost pressures, offset by provider efficiency requirements. The net tariff adjustment for 2014/15 was a 1.5% reduction across the market, and the 2015/16 net efficiency factor has been proposed as 1.2% reduction. Tariffs are currently the same for both public and private healthcare providers. Meanwhile, Foundation Trusts struggle to make positive returns at the current tariff prices with Foundation Trusts reporting average profit margins of 5%. According to Commissioning Success and the Trust Development Authority, around 50% of Acute Trusts are forecasting a deficit for the 2013/14 financial year, with approximately 25% of Foundation Trusts in deficit at the end of 2013. An intention of cutting tariffs is at odds with the viability of public sector trusts.

Self-pay

Patients without private medical insurance are increasingly seeking to self-fund private medical treatment as NHS funding remains static in the face of increased demand. In the last 10 years, growth in the private health care market by self-pay patients was disproportionately attributed to cosmetic procedures which accounted for £69 million in 2003 and £209 million in 2012, according to Laing & Buisson. Self-pay revenue in the UK grew by a 4.8% CAGR from 2003 to 2013 and by 15% in real terms during 2009 to 2011 as the UK GDP contracted by 1.5%. Self-pay demand remained largely static in 2012, consistent with subdued real economic growth in the United Kingdom that year.



Source: Laing & Buisson Private Acute Medical Care 2013, Company Information.

The recent flattening of NHS spending has led to increased waiting times and emerging evidence that CCGs are becoming more robust in constraining reimbursement for certain procedures. The Directors believe this will drive more individuals to choose to self-fund. Additionally, self-pay patients are finding it easier to self-fund their healthcare as on-demand products administered by PMI providers have been made available to them, treatments are becoming more affordable due to clinical innovations and easier access to treatments, drugs and therapies in the private market, and a growth in fixed price offerings provides greater certainty to patients from the outset. Individuals frustrated with the way PMI providers handle

claims and the increased level of exclusions have also moved away from PMI and started to self-fund. Increased consumer confidence from the macroeconomic recovery, greater price and consultant performance transparency and the relative attraction of private care from a waiting time and quality perspective (e.g. lower infection rates) are also key motivators for individuals to choose to self-fund.

The Directors believe the demand for private self-pay services will remain steady, with the potential for improvement in the medium term as some patients previously accustomed to corporate PMI provision may opt to self-insure by moving to self-pay. The UK self-pay market has yet to experience significant growth as a direct result of poor NHS performance, though additional public spending constraints and longer waiting times may encourage more patients to self-pay in the medium term purely for these reasons. In addition, the one area of rapid growth which may continue is the overseas private self-pay business, as treatment is increasingly sought in London and other parts of the United Kingdom as part of a wider global health market.

UK Private Hospital Networks

The UK private acute medical care market is principally served by large hospital operators, many of which have long operating histories. According to Laing & Buisson, an estimated 70.5% of revenue generated by independent acute medical/surgical hospital and clinics in 2012 belonged to the five largest private hospital groups—General Healthcare Group (BMI) (20.0%), Spire Healthcare (16.9%), HCA (15.1%), Nuffield Health (10.3%) and Ramsay Health Care (8.3%). The market share of the five largest private hospital groups has remained relatively stable at around 70% for the past six years, as the largest operators have expanded their services in and around existing hospitals, notably through the development of satellite out-patient facilities offering consulting, diagnostics and minor treatments to support full-service activity in their hospitals, and within specialist treatment areas (including cancer, cosmetic surgery and fertility) with a focus on high acuity/high technology treatment.

National hospital networks enjoy multiple scale benefits and can use them to provide a high quality of care, invest capital in new equipment and facilities refurbishment in a cost-effective manner and deliver good operating margins. Independent competitors can develop a strong local presence, but typically have limited scale from which to develop their propositions. PPU within NHS facilities benefit from their physical proximity to the range of specialist departments available at the facility, and revenue from PPUs are increasing, driven by NHS budgetary constraints and regulatory change. The most successful PPUs are expected to pose an increasing competitive threat to private hospitals in their local markets.

In addition to the large hospital networks, according to Laing & Buisson, overall capacity within the UK private acute medical care market includes approximately 465 independent sector hospitals and clinics and 83 PPUs in the NHS, though the large majority of activity within the independent sector is carried out by the 201 hospitals with overnight beds, with total capacity for 9,341 patients at any one time. New capacity has recently entered the sector including full-service hospitals from Circle (Reading) and Spire (Brighton), a new day hospital in Essex (Baddow), the Kent Institute of Medicine and Surgery and the HCA Platinum Centre in North London. In addition, several new PPUs have opened in the past year and the first of a number of new NHS private patient facilities that are believed to be in development. These include the Clatterbridge Centre managed by Irish hospital group Mater Private, its first involvement in the UK hospital market.

PART 6

BUSINESS OVERVIEW

Investors should read this Part 6: “Business Overview” in conjunction with the more detailed information contained in this document including the financial and other information appearing in Part 9: “Operating and Financial Review”. Where stated, financial information in this section has been extracted from Part 11: “Historical Financial Information”.

INTRODUCTION

The Group is a leading private hospital group in the United Kingdom, with 39 private hospitals and 13 clinics across England, Wales and Scotland (including the new radiotherapy centre in Bristol). The Group delivered tailored, personalised care to more than 236,000 in-patients and daycase patients in 2013, and is the leading provider by volume of knee and hip operations in the United Kingdom. The Group estimates that it also had more than 1.7 million out-patient episodes (including consultations) in the same period.

The UK healthcare market is facing significant supply challenges as a result of government budget constraints and increasing demand from a growing population with a longer life expectancy. Through its network of private hospitals and diversified mix of PMI, self-pay and NHS-funded patients, the Directors believe that the Group is well-positioned to access the growth opportunities in the UK private healthcare market that these challenges are expected to afford.

The Group was founded on the acquisition and rebranding of 25 Bupa hospitals in 2007. Since then, it has added further hospitals and clinics through new developments and acquisitions, including 10 Classic hospitals in 2008 and, most recently, the acquisition of St. Anthony’s hospital in Greater London on 22 May 2014. Pending clearance from the CMA, St. Anthony’s will be held and operated separately from the other hospitals in the Company’s portfolio. Since its inception, the Group has made capital investments of £509 million in its estate (including acquisitions) and continues to deliver tailored, personalised care with successful and award winning clinical outcomes and high levels of patient satisfaction. The Group’s successful clinical outcomes are mirrored by strong CQC inspection results, with compliance against essential standards of 99.5% compared with a national average of 85%.

The Group offers in-patient/daycase procedures in areas including orthopaedics, gynaecology, cardiology, neurology, oncology and general surgery and also diagnostic services including imaging and pathology. The Group also offers out-patient services, such as consulting, minor procedures, treatments, health checks and physiotherapy.

During the year ended 31 December 2013, the Group employed 6,944 people (full time equivalents (“FTEs”)) nationwide and had more than 3,500 experienced, self-employed consultant surgeons and other specialists with substantive practices either working in or referring patients to the Group’s facilities. In 2013, the Group generated revenue of £764.5 million and EBITDAR of £209.0 million, representing a CAGR of 5.4% and 7.8% respectively since 2009 despite the economic downturn. In 2013, the Group’s average revenue per hospital was £20.1 million, compared to £17.2 million in 2009.

COMPETITIVE STRENGTHS

The Directors believe the Group benefits from the following competitive strengths which should enable the Group to access the expected long-term increase in demand for privately delivered healthcare in the United Kingdom.

Well positioned to access the expected long-term structural growth in the UK healthcare market

The UK healthcare market benefits from a number of long-term structural growth drivers. According to the King’s Fund, the population in the United Kingdom is expected to grow by 15% from 2013 to 2032, with the population of individuals 65 years old and older growing by 32% in the same period. Advances in technology and medical innovation have contributed to people living longer lives, which in turn has led to increasing levels of medical intervention required to treat the acute and chronic conditions associated with old age, including the increasing incidence of cancer, obesity and diabetes. In addition to these demographic trends, increasing consumer expectations for enhanced care and the availability of more advanced and complex treatments, procedures and medical devices, which lead to improved patient outcomes, is expected to continue to drive the demand for health care services in the United Kingdom.

Against this backdrop of increasing demand, the UK healthcare market, which has historically been dominated by direct provisioning from the NHS, faces supply constraints, primarily resulting from the expected emergence of a public funding gap, estimated in accordance with data provided by Laing & Buisson, PESA and NHS England to be approximately £35 billion by 2020/21, between anticipated demand for NHS services and the expected NHS funding in 2020/21. By way of comparison, this funding gap represents more than a quarter of the total UK healthcare market in 2013/14 and is more than five times the size of the entire private acute healthcare sector in 2013. This expected public funding gap is due to the constrained ability of the NHS to expand its own capacity to meet healthcare demand and is expected to drive further outsourcing from the NHS to more efficient independent healthcare providers (whilst retaining public funding through the NHS tariff mechanism or public-private partnerships). This is also expected to make private acute healthcare alternatives (funded either by PMI providers or self-pay) an attractive choice for those otherwise unable to receive timely care as a result of experiencing direct or indirect rationing in the NHS for non-life threatening conditions in the form of longer wait times or withdrawal of certain elective procedures (e.g. cataracts, hernias, etc.) in the public system.

The Group is a leader, delivering award winning clinical outcomes in a market with significant barriers to entry

The Group is the second largest operator in the UK private acute healthcare sector by revenue with a 16.9% market share based on 2012 revenue, according to Laing & Buisson. The Directors believe many of the Group's hospitals have earned reputations as centres of excellence delivering successful and award winning clinical outcomes, and that this positions it well with patients, consultants, GPs and PMI providers. For example, Spire's hospitals are very well represented among the top hospitals in the United Kingdom in terms of patient reported outcomes (PROMS health gain) for knee and hip replacements (on the basis of patient surveys of knee and hip health gains). In addition, returns to theatre, unplanned readmissions and unplanned transfers to a higher level of care have remained consistently low, and the Group has consistently achieved lower than the national average infection rates at its facilities (as measured by MRSA, C difficile and surgical site infection). The Group's successful clinical outcomes are mirrored by strong CQC inspection results, with compliance against essential standards of 99.5% compared with a national average of 85.0%.

The Group was the first private hospital provider in the United Kingdom to publish clinical performance and patient reported outcomes on its website, improving the transparency around its performance and helping potential patients and referrers recognise the value of the services it provides. Indicative CMA remedies will require UK healthcare providers to disclose their clinical outcomes to the public and allow better comparison among providers. The Group believes this is an opportunity to highlight the Group's strong historical clinical performance compared with its competitors including the NHS. The Group's experience and reputation for high clinical standards continue to drive demand for services at its hospitals as well as attracting more patients and increasing numbers of leading consultants. This in turn, the Directors believe, helps the Group to further enhance its reputation for high-quality care as well as efficiency, to attract the best consultants and to strengthen its relationships within the local community.

The Directors believe the Group is well positioned in a market with significant barriers to entry, as noted by the Competition and Markets Authority in their Final Report: "We concluded that in all local areas including central London a combination of high sunk costs and long lead times associated with developing a private hospital together constituted significant barriers to entry and expansion". The Group already possesses a well invested estate and national network, which combined with its operational knowhow, brand and strong relationships with consultants, GPs and employees provides a strong platform from which to expand further.

Broad geographic hospital coverage with increasing focus on providing a high acuity service offering

With 39 hospitals* and 13 clinics, the Group maintains strong coverage in key urban areas across England (excluding central London) Wales and Scotland, with a particular focus on regions which have strong PMI coverage. On the basis of a 30 minute drive time from each hospital, the Group estimates that more than 60% of both the United Kingdom's top quartile earners and those covered by PMI are within the Group's catchment area. The Group's broad geographic coverage provides an attractive network proposition for

* Includes the acquisition of St. Anthony's hospital completed on 22 May 2014. Pending clearance from the CMA, St. Anthony's is being held and operated separately from the other hospitals in the Group's portfolio.

insurers, as well as substantial scale benefits including improved purchasing, pathology and supply chain capabilities.

The Group offers a wide range of services across almost twenty specialties and treats patients along every stage of their journey through a combination of in-patient, daycase and out-patient procedures. The range of services offered by each hospital within the group has been developed with a focus on local market demand, profit potential and the availability of consultants. The Group has invested to expand its capabilities in more complex surgical procedures and treatments where the Group is capable of delivering the most value to patients, payors and consultants.

For example, the Group recently expanded the Spire Southampton Hospital, located in a region with a comparatively high PMI coverage and in close proximity to the local teaching hospital. The expansion added a sixth operating theatre, increased chemotherapy and radiotherapy capacity (allowing the facility to deliver a full cancer service) and added an offsite physiotherapy clinic.

Diversified payor mix with strong stakeholder relationships

Healthcare spending in the United Kingdom is funded by the NHS, PMI providers and individual self-pay patients. All of the Group's hospitals are recognised by the principal UK PMI providers, all are able to accept self-pay revenue, and all of the Group's English hospitals qualify for work under the NHS England standard contract.

In 2013, PMI providers, NHS and self-pay customers accounted for 54.4%, 25.0% and 17.1% of the Group's revenue, and 3.5% was attributable to other sources^{**}. This diversity of payor mix provides the Group with a natural funding hedge as improving macroeconomic conditions contribute to an increase in PMI and self-pay patients, while enhanced NHS demand in weaker macroeconomic conditions tends to result in increased levels of NHS outsourcing to Spire's facilities.

To protect and grow the Group's position in each of the three main payor categories, the Group seeks to maintain close relationships among all relevant constituencies. This includes working with GPs to strengthen the Group's local presence and increase referrals, while hospital directors work closely with CCGs to understand and help shape commissioning priorities in their respective local areas. The benefits arising from such engagement are demonstrated by the fact that all of the Group's hospitals in England and Scotland provide solutions to assist NHS Trusts in managing waiting times. The Group also has good relationships with all of the principal UK PMI providers and works closely with them to support transformational initiatives designed to lead to higher PMI take-up, including promoting "on-demand" self-pay products and helping to increase PMI penetration in the SME segment.

The patient experience is critical to the Group's continuing success and ongoing brand development, and is led by strong clinical performance and investment in facilities and technology. The Group's latest survey of patients found that 92% of patients rated Spire as either "excellent" or "very good". In addition, the Group works hard to maintain a high level of engagement with its consultants, with the relationship led locally by the individual hospital directors. The Group's continuous investment since 2007 has resulted in high and increasing consultant satisfaction levels and long consultant tenure, exceeding five years for the majority of consultants.

Well-invested and scalable asset base with capacity to take on greater volumes

Since 2008, the Group has invested £300 million, excluding acquisitions (of which approximately £160 million is considered by the Directors to be maintenance-related), in new and expanded hospitals, theatres, scanners, equipment and services to meet the needs of each hospital's local community. The Directors believe that this investment by the Group has laid the foundations for future growth, especially in higher acuity services such as oncology, cardiology and neurosurgery. The Directors believe that the Group's ability to offer these complex procedures and to provide high levels of complex care provides it with a competitive advantage in its markets. Moreover, the Group believes its focus on opportunities, collaborative efforts with consultants and anaesthetists, available theatre and bed capacity and financial profile enable it to pursue its strategies effectively.

^{**} Other revenue includes consultant revenue, third party revenue streams (e.g. pathology services to external hospitals), secretarial services and commissioning for quality and innovation payments (earned for meeting quality targets on NHS work) ("CQUIN").

The Group has significant existing capacity to take on additional patient volumes, with theatre utilisation across its estate averaging 64% in 2013. The Group has also demonstrated the opportunity to generate attractive returns arising from the expansion of local capacity where warranted by demand and opportunity (for example, at Spire Bristol). The Group intends to continue to develop new theatres with the right capabilities to meet local market needs. It anticipates adding or expanding 16 theatres over the next four years, including adding two new theatres and expanding the four theatres acquired at St. Anthony's.

The Group considers itself to be different from many other independent hospital providers in that it operates its own network of 21 pathology laboratories, one of the largest in the UK. This not only brings benefits in terms of cost control, but also enables quality improvements in terms of turnaround time and support. The pathology network also delivers a number of contracted services to both NHS and other independent hospitals, with capacity to take on further work.

Additionally, in contrast to many NHS and other independent hospital providers, the Group retains its own sterilisation services in the majority of its hospitals, which contribute to enabling a flexible and responsive theatre service for consultants.

The Group's willingness to invest in its hospitals and to retain control over key support services such as pathology and sterilisation differentiates it from other groups, supports plans to undertake additional services and encourages more referrals from GPs. The support provides an attractive environment for consultants, and increases the Group's ability to attract the best consultants and to collaborate with them to offer specialised procedures that would otherwise not be available from acute private hospitals.

Strong management team with decentralised structure allowing focus on local markets

The Group's Senior Management team, led by its Chief Executive Officer, Rob Roger, and its Chief Financial Officer, Simon Gordon, have, along with their Chief Operations Officer, Andrew Gore, and Group Medical Director, Jean-Jacques de Gorter, more than 50 years of combined management experience and have successfully led the expansion of the Group's portfolio and capabilities. They have implemented numerous strategic actions that have been integral to the Group's continued growth, including the acquisition of St. Anthony's*, the development of Montefiore hospital, the building of Shawfair Park hospital and the Bristol radiotherapy centre. The Group operates under a decentralised organisational structure between senior management and the individual hospital and clinic directors, enabling each hospital to offer services in response to local consultant and patient dynamics and any fluctuations in demand.

Senior Management has kept operational costs under tight control leading to increased productivity. A number of key activities such as pathology, sterilisation and supply chain management are managed in-house, improving both quality and efficiency. There has also been a rigorous focus on KPIs and significant investment in the Group's SAP platform, permitting granular facility performance monitoring and allowing the Group to prioritise its activities on the areas where it can deliver the highest value.

Track record of growth with positive recent momentum

The Group's business outperformed its UK peers during the past few years and has shown consistently positive top line growth throughout the recent economic downturn. From 2009 through 2013, the Group grew revenue from £620.0 million to £764.5 million, a CAGR of 5.4%, with revenue increasing at least 3.5% each year. The Group's KPI-driven culture and focus on efficiency (through labour and capacity management, improvements in patient yield and treatment pathway conservation and cost control), which contributes to the maintenance and improvement of clinical outcomes, has delivered EBITDAR margin improvement from 25.0% to 27.3% over the same period (although EBITDAR margins from 2011 to 2013 have decreased slightly, from 28.1% to 27.3%). This performance has been achieved while consistently increasing the percentage of revenue derived from NHS procedures, which are often subject to lower pricing levels. The Group's increased efficiency and higher margins have resulted in stable cash flows over the same period.

This momentum has been carried into 2014, with revenue for the three months ended 31 March 2014 ahead of the corresponding period in 2013 by 10.4%.

* On 22 May 2014, the Group completed the acquisition of St. Anthony's hospital. Pending clearance from the CMA, St. Anthony's will be held and operated separately from the other hospitals in the Company's portfolio.

STRATEGY

The Group aims to strengthen its position as a leading UK private hospital group, to extend the range of services offered, to grow its network of consultants, hospitals and clinics, to continue to invest to maintain clinical excellence and to leverage its expertise to build its value and increase patient satisfaction. The key components of its strategy are as follows:

Seize UK market growth opportunity through focus on all three payor groups

The Group intends to continue to pursue a proactive and differentiated engagement approach with each payor group, reflecting the multi-faceted nature of healthcare funding in the United Kingdom through private insurance, individual patients and the public sector.

According to Oxford Economics, strong employment growth is expected in high PMI penetration industries through 2018. In addition, the Directors expect the PMI sector to grow meaningfully over the medium term as a result of the economic recovery, making private insurance relatively more affordable and attractive to individuals and employers, while funding pressures on the NHS should further enhance the value delivered by private healthcare providers. The Directors believe that the Group is well-positioned to benefit from these trends because of its national coverage, close relationships with insurers and integrated service offering and acuity mix. The Group will continue to focus on deepening its relationships with insurers by building integrated solutions, improving the effectiveness of its clinical pathways, and demonstrating its value proposition through excellent clinical outcomes, all of which are designed to expand the PMI market in a collaborative manner. On the demand side, Spire is seeking to increase PMI patient volumes and revenue by enabling more of its facilities to offer more complex treatments and procedures (including neurosurgery, complex orthopaedics, cardiac and oncology). Spire is also expanding its GP communication efforts, including through enhanced targeting and marketing to GPs who do not currently refer PMI patients.

The Directors believe that growth in self-pay is supported by similar factors to the expected growth in PMI. The self-pay market has benefitted from the rising price of individual PMI premia and the increasing number of individuals for whom PMI is not available (e.g. elderly populations who are unlikely to obtain private insurance on attractive terms, because the cost of cover is individually risk rated). Spire's strategy for increasing its self-pay revenue includes: continuing to develop relationships with GPs; increasing brand awareness through targeted marketing to potential patients, developing a sustainable and targeted value proposition through competitive and transparent fixed prices for a range of common procedures with demonstrable quality outcomes, and expanding into new services where self-pay demand is present.

The Directors believe that the Group's NHS business presents an opportunity for further growth due to the need for greater NHS productivity and the outsourcing opportunities that this is expected to generate as a result of NHS funding constraints. The Group aims to reinforce its key NHS relationships with CCGs, GPs and regulators, while expanding its service offering to include additional procedural specialties including more complex procedures delivering attractive returns. In addition, incremental opportunities for the Group to partner with the NHS include the rollout of new contracting models such as prime contracting, which is expected to bring increased volume to those providers who are both efficient and clinically effective, areas in which the Group believes it is a leader.

Maximise existing capacity utilisation by leveraging technology to drive efficient scheduling and design optimal workflows

Spire expects to accommodate anticipated growing demand through maximising its existing capacity and expanding its capabilities within its existing network.

Various structural trends have favoured out-patient and daycase care in preference to in-patient care, including improvements in surgical practices (e.g. minimally invasive techniques) leading to quicker recovery times and better outcomes and earlier and more widespread use of diagnostic imaging allowing earlier and more targeted treatment. The Group intends to build upon these trends and the Directors believe this shift in practice will continue to generate better outcomes for patients while simultaneously freeing up capacity to increase patient volumes. The Group will continue its focus on theatre utilisation—which has increased from 63% to 64% between 2011 and 2013—and the rollout of its SAP system will enable the Group to track capacity in a consistent manner across the portfolio and dynamically identify areas of improvement. NHS patients can be scheduled for treatment during periods with weaker private demand, helping to maximise theatre utilisation without additional fixed costs, resulting in high implied

marginal profitability. This has the added benefit of ensuring that NHS patients are seen as quickly as possible with the aim of achieving the best NHS track-record for local waiting lists and in any event within the 18 week targets mandated for most commissioning arrangements.

Expand existing sites and develop new service offerings, including radiotherapy

The Group plans selectively to expand its capacity within its existing network in areas with strong local demand with the aim of broadening the Group's range of specialties and its capability to treat patients with higher acuity or requiring more complex procedures. The Group also aims to grow its orthopaedics, cardiac, oncology and general surgery practices and develop more complex capabilities in areas of higher acuity.

Many patients requiring complex procedures can only be treated in locations where consultants not only have the appropriate specialised equipment and facilities, but also extensive staff and support services such as those commonly found in the NHS. The Group aims to develop partnerships with consultants and to optimise its in-house specialist capabilities, generally to replicate the support structure clinicians have in the NHS to encourage consultants to bring more patients with acute needs to its hospitals. For example, in 2012 the Group invested £3.3 million in a sixth operating theatre at Southampton to provide additional capacity at the hospital. This capacity has facilitated the expansion of Southampton's cardiac program through commissioning by NHS England and the University of Southampton NHS Foundation Trust to deliver cardiothoracic surgery, including open-chest surgery and coronary bypass. The Group has also added incremental theatre capacity at existing sites to drive additional volume, for example a new theatre at Bushey in 2010 and the expansion of an existing theatre at Harpenden in 2012.

The Group plans further to expand the number of theatres at existing sites in the next four years and leverage specialist nursing employees to support patients with more complex needs, with plans to expand in Harpenden, South Bank and Cardiff in 2014, with a targeted year three ROCE of 20-25%. In addition the Group will continue to invest in cutting-edge equipment; recent examples include Magnetic Resonance guided Focused Ultrasound Surgery (MRgFUS) and 3T MRI machines, present at the Parkway and Gatwick Park sites respectively.

The Group seeks to focus on high acuity/complex services to provide a broader range of services for patients with serious illnesses. For example, to enhance its oncology offering, which has grown from approximately 21,700 treatments in 2008 to 31,000 treatments in 2013, and in order to provide care for the entire cancer pathway, the Group is planning to expand its radiotherapy offering. In the spring of 2014, the Group opened a radiotherapy facility in Bristol in conjunction with its existing Bristol site, building upon the experience gained through the Group's existing collaboration with CancerPartners UK, who have radiotherapy bunkers co-located with four of the Group's hospitals.

The Group is also considering the development of new hospital and brownfield projects. The Group expects to open three new sites in the next four years, of which one in the second half of 2016 and two in 2017. The Group believes capital investment for each site will be approximately £45 million, and each site expects to generate revenue of approximately £35 million by year five, equating to a targeted ROCE of approximately 20-25% at that time.

Continued focus on cost management to protect and enhance margins

The Group aims to continue to explore ways to offset the high fixed costs associated with running a hospital, particularly by improving efficiency, reducing variable costs, optimising the utilisation of its theatre and bed capacity, managing overtime and delivering reliable care processes. These efforts focus on locally procured services allowing local management to react quickly to demand patterns in local markets and central services to leverage the Group's scale.

In addition, by relying less on agency staff in favour of a permanent work force, the Group has improved the level of staff quality and has achieved a shift in staff composition which has led to cost savings. In addition, the Group's in-house pathology services has reduced pathology costs and provides a revenue source, as its hub and spoke supply distribution network is able to provide outsourced pathology services to other healthcare providers. The Group's in-house supply chain operates through a national distribution centre providing daily deliveries to the majority of the Group's hospitals, which the Directors believe provides a cost advantage relative to its competitors.

Expand through development and acquisitions

The Group has identified a focused portfolio of new-build/brownfield opportunities in areas of high PMI cover or where specific market opportunities are created by the weaknesses of competitors. The Group has consistently demonstrated its ability to deliver attractive returns on capital supported by, amongst other things, a thorough, disciplined and analytical approach to project selection, historically targeted on investments delivering a 20% ROCE (typical capital outlay of approximately £45 million per hospital project with target year five revenue of approximately £35 million). For example, the Group invested in developing a Brighton hospital, which now has three operating theatres, six ambulatory care bays, full diagnostic capabilities including a 64 slice CT scanner and a 1.5 tesla MRI scanner and eight consulting rooms. The Group is currently evaluating a number of additional new hospitals and brownfield projects, targeting two potential projects in inner London, where Spire does not currently have a presence, and others in outer London and selected regional locations. Brownfield projects typically take 18 months to be completed, and it usually takes a new hospital a further twelve months to become EBITDA positive. Capacity expansion projects, such as the building of new theatres, typically take 9-15 months to develop depending on complexity.

In addition, the Group aims to continue to grow by taking advantage of selected acquisition opportunities which are complementary to the existing estate and strategy. For example, on 22 May 2014 the Group completed the acquisition of St. Anthony's hospital that was announced in April 2014. Pending clearance from the CMA, St. Anthony's will be held and operated separately from the other hospitals in the Company's portfolio. St. Anthony's hospital is a four theatre facility with the ability to carry out high-acuity work, supported by an eight-bed ICU. Management has plans for redevelopment and theatre expansion and sees significant scope in improving revenue and margins through targeted capital expenditure.

Other potential acquisition targets could include hospitals that come up for sale via mandated CMA divestitures, selected regional add-ins and international opportunities, where such opportunities are projected to achieve returns on capital in line with historical acquisitions.

HISTORY

The Group was founded with the acquisition of Bupa Hospitals, a network of 25 private hospitals, by Cinven in 2007. Cinven installed a new management team and, the following year, the Group acquired a 10-hospital network, Classic Hospitals and Thames Valley Hospital. With these acquisitions, the Group became the second largest private hospital provider in the United Kingdom. In 2009, Spire Eye Centres began operations with an ophthalmological suite at the South Bank hospital. In 2009, the Group opened the first of its radiotherapy cancer centres in Portsmouth in conjunction with Cancer Partners UK ("CPUK"). In 2010, the Group opened its greenfield hospital, Shawfair Park in Edinburgh and the Group opened four other new out-patient satellite clinics.

In 2012 the Group opened Perform, a sports medicine, physiotherapy and rehabilitation brand, at St. George's Park, aligned with the England Football Association. Spire also opened the Montefiore Hospital in Brighton/Hove and a cardiac catheterisation lab at Bristol in the same year.

Throughout this period, the Group continued to expand its existing estate and invest in new services and technologies, for example installing 28 static MRI and 22 static CT scanners by 2014. The Group established a cardiac catheterisation lab at Cardiff in 2014, and has continued to expand operating theatre capacity across its hospital network.

Through the 2013 Freehold Sale, the Group sold the companies owning freehold or leasehold interests in 12 of its hospitals subject to long-term institutional leases which raised £704 million and reduced total consolidated net bank debt to £703 million as at 31 December 2013.

The Group opened a new wholly-owned and operated, state of the art radiotherapy centre in Bristol in 2014, and most recently, on 22 May 2014 the Group completed the acquisition of St. Anthony's hospital. Pending clearance from the CMA, St. Anthony's is being held and operated separately from the other hospitals in the Group's portfolio.

BUSINESS DESCRIPTION

The Group is comprised of 39 private hospitals and 13 clinics located throughout the UK. The Group's business also includes Perform, a sports medicine, physiotherapy and rehabilitation brand and Lifescan, an early-detection screening service. At its facilities, the Group offers in-patient, daycase and out-patient care

across a range of clinical specialties including orthopaedics, cardiac, cancer, general surgery and neurology treatments. Orthopaedics is the Group's largest specialty, accounting for 48% of its in-patient and daycase revenue (excluding other revenue) in 2013, followed by general surgery, which accounted for 13%. The Group also offers gynaecology, plastic surgery, urology and oncology specialties, each of which accounted for 4-6% of its revenue in 2013. Other specialties (and their corresponding contribution to 2013 revenue) include ophthalmology (3%), gastroenterology (3%), ENT (3%), neurosurgery (2%), cardiothoracic (2%) and cardiology (2%). Other services accounted for 5% of the Group's revenue. The Group offers transparent pricing for self-pay treatments, including fixed rates for many procedures in a ready-available list on its website. The key services the Group offers to complement its specialties include consulting, surgery, minor procedures, diagnostics, treatments, health checks, physiotherapy, imaging, and pathology.

The Group receives patients through multiple routes. The patient's journey typically begins with a visit to his or her GP, who will provide a referral to a specialist consultant. The Group maintains state-of-the-art facilities, technology and equipment and has a broad range of treatments and excellent reputation to attract high quality consultants, each of which drives patient referrals. The procedure or treatment provided can be funded by the NHS, a PMI provider or directly by the patient (referred to as "self-pay"). The Group accepts patients using all three funding methods. The Group hospitals may obtain referrals for the patient who cannot be accommodated at local NHS Trusts or through the NHS "Choose & Book" online system.

Each Spire hospital works locally to capture referrals from GPs and consultants, through GP liaison teams at each hospital and regular seminars and briefings for GPs and consultants on clinical developments. Each hospital also develops relationships with the local NHS Trust.

THE GROUP'S BUSINESS MODEL

Of the Group's £764.5 million in revenue in 2013, 54.4% was derived from PMI, 25.0% from NHS sources (approximately 19% of total revenue from Choose & Book sources), 17.1% from self-pay users and 3.5% from other sources. The following table details the evolution of the Group's revenue from each of these payor sources for the periods indicated:

	Year ended 31 December				
	2009	2010	2011	2012	2013
	(£ millions)				
Total revenue	620.0	643.0	674.0	738.9	764.5
<i>Of which:</i>					
PMI	371.7	378.2	403.1	416.1	415.8
NHS	138.5	147.3	135.9	175.3	191.4
Self-Pay	88.9	95.9	110.4	121.2	130.8
Other	20.9	21.6	24.6	26.3	26.5

For a breakdown of revenue by payor and specialty, please see the table in *Part 9: "Operating and Financial Review—Significant Factors Affecting the Group's Results of Operations—Payor and procedure mix—Payor mix"*.

PMI-funded patients

Upon the referral of a GP or a consultant, a potential patient covered by PMI may be treated in one of the Group's facilities. Prior to receiving treatment, PMI patients are pre-authorised by the insurance company to ensure that payment for the procedure will be covered by the insurer (certainty of payment). After the patient is seen, the PMI provider is invoiced directly by both the Spire hospital at which the patient was treated and by the consultant or specialist involved with the treatment or procedure. The PMI provider then pays the invoices directly based on prices or price lists agreed with the Group and consultant or specialist, respectively.

The Group has built strong relationships with the private medical insurers in the UK, including Bupa, AXA, Aviva, Pruhealth, Simplyhealth, Cigna and WPA. All Spire hospitals are on the relevant approved hospital list for the majority of the members of Bupa, AXA, Aviva and Pruhealth (which together accounted for approximately 88% of the PMI market in 2012, according to Laing & Buisson). Prices agreed with PMI providers are generally set out in an "evergreen" framework agreement with an initial term of one to three years, following which the agreement will extend, generally subject to a termination provision with appropriate notice (typically six months). These agreements will normally provide for an

agreed framework for price increases during the initial and any subsequent terms, although in practice these are generally renegotiated in and around the relevant termination notice period and replaced with new framework agreements.

Recently, Bupa Insurance indicated a desire to amend the economic terms of its commercial relationship with the Group and the Group will seek, and is currently seeking, to negotiate pricing terms with BUPA Insurance and other private medical insurers which could affect the Group's revenue or profit derived from PMI-funded patients. In the absence of a pricing agreement, PMI providers may nonetheless continue to pay standard rates or their customers may pay for their own treatment directly (at standard rates) and seek reimbursement from their insurer at a later date.

Although pricing may take into account patient volumes funded by the relevant PMI provider, PMIs do not guarantee patient volumes, as GPs and consultants have significant influence as to where to refer their patients (subject to the patients' ability to secure pre-authorisation for the desired facility).

NHS-funded patients

NHS patients generally come to the Group through one of two routes, namely under patient choice via the Choose & Book system which represented 19% of total Group revenue in 2013, or from local contracts under which the Group's hospitals accept NHS-funded patients whom the local NHS Trust cannot directly treat (typically due to waiting time issues) which represented 6% of total Group revenue in 2013. If a patient is NHS funded, providers will generally invoice the relevant NHS entity directly for one amount covering both consultant and hospital charges.

The Group seeks to build key NHS relationships and expand its service offering by increasing investment in both facilities and technology or new service areas. The Group has identified several areas of growth in its core areas of orthopaedics, cardiac and general surgery and has planned several theatre expansions at its existing hospitals.

Patient choice (Choose & Book)

Spire negotiates standard contracts as issued by NHS England annually, with local CCGs under patient choice (including Choose & Book) on a hospital by hospital basis. The arrangements are reviewed or renewed on an annual basis and are based on indicative activity plans with no minimum volume or value determined. Pricing is based on national tariffs, with roughly 1,700 procedure codes with varying price structures for in-patients, daycases and out-patients and varying levels of complexity/comorbidity. The tariffs are adjusted by local market forces factors based on geographic location.

The amount of patient choice activity (including Choose & Book) the Group performs is influenced by its relationship with local GPs who refer patients to Group hospitals. Choose & Book uses an online portal to allow a GP or consultant to book an appointment for a patient directly at a Spire hospital under patient choice. As GPs are in a unique position to help a patient choose a provider on the Choose & Book portal, the Group typically seeks to form relationships with GPs through dedicated liaison staff and focused education. Scotland, Northern Ireland and Wales do not use the Choose & Book system, but some NHS work is still commissioned in Scotland. The average number of Choose & Book discharges per Group hospital has increased steadily from approximately 700 in 2009 to approximately 1,000 in 2011 to approximately 1,800 in 2013.

Procedures the Group is able to perform under patient choice (including those referred to it under Choose & Book) are set out by category in its standard contracts. The Group has the ability to schedule procedures to utilise available spare capacity. The Group actively seeks to direct the flow of choice activity (including Choose & Book) to fill capacity when there are scheduling gaps in private discharges.

Local contracts

Local contracts result from the transfer of hospital waiting lists from local NHS Trusts to Group hospitals as a result of capacity constraints in the NHS Trusts. The pricing is negotiated on a case-by-case basis, usually based on NHS tariffs adjusted for a surcharge, allowing the Group to manage pricing pressure. The principal driver of local contracts is excessive waiting list times in local trusts, which vary by region and point in time. Political pressure may also impact the volume of local contracts at Group hospitals, as policy changes may reduce the use of local contracts or drive waiting list reductions. Most price changes with NHS counterparties take effect annually on 1 April.

Self-pay patients

The Group strives to offer attractive services for self-pay users in addition to those covered by PMI in order to make Spire hospitals a potential patient's top choice. In addition, the Group works with GPs to facilitate convenient and fully-informed referrals and to engage in meaningful exchanges regarding limitations on NHS funding for certain procedures and treatments. The Group also seeks to educate GPs and potential patients on its transparent pricing policy and the high quality of Spire hospitals, to increase brand awareness.

If a patient is treated at a Group hospital as a self-pay customer, Spire generally handles the invoicing on behalf of the consultant as well as the hospital. A self-pay customer will receive one invoice for the procedure, covering both the hospital's fees and the consultants' fees. Spire then collects payment on behalf of the hospital and the consultant. The Group offers self-pay customers fixed-rate pricing for many procedures and publishes this pricing on its website to improve transparency, which the Directors believe is a key determinant in a potential self-pay patient deciding to seek treatment.

THE GROUP'S SERVICE OFFERING

The Group offers in-patient, daycase and out-patient services. In-patient and daycase procedures include orthopaedics, gynaecology, cardiology, neurology, oncology and general surgery and also diagnostic services including imaging and pathology. Out-patient services include consulting, minor procedures, treatments, health checks and physiotherapy.

Medical specialties

Orthopaedics is the Group's largest specialty, with Spire performing more knee and hip replacements than any other private hospital company in the UK. General surgery is the group's second largest practice, followed by gynaecology. In recent years, the types of treatments offered have become increasingly complex. Between 2012 and 2013, 14 sites have grown acuity.

The key medical specialties of the Group hospitals are described below:

- *Orthopaedics.* Orthopaedics is a branch of surgery concerned with the musculoskeletal system. Orthopaedic surgeons use both surgical and nonsurgical means to treat musculoskeletal trauma, sports injuries, degenerative diseases, infections, tumours and congenital disorders. The Group's orthopaedic procedures include: back pain investigations, hip replacement surgery, back surgery, joint pain treatment, carpal tunnel syndrome, knee arthroscopy, epidural injections, knee ligament surgery, facet joint injections, knee replacement surgery, foot bunion removal, shoulder arthroscopy, ganglion removal, shoulder replacement surgery and extracorporeal shock wave therapy.
- *General Surgery.* The Group offers private general surgery options including complex cancer surgery, haemorrhoid treatment, hernia repair and varicose vein treatment. The Group can also perform other surgeries, including mastectomies, colonoscopies and weight loss surgery.
- *Gynaecology.* Gynaecology is the medical specialty dealing with the care of the female reproductive system. The Group offers a comprehensive, specialist service for all gynaecological conditions, including pelvic pain, period problems, prolapse, incontinence, fertility and polycystic ovarian syndrome, gynaecological malignancy and endometriosis. The Group's obstetric and gynaecological treatments include: colposcopy, endometrial ablation, female sterilisation, hysterectomy, nuchal scanning, ovarian cyst removal, stress urinary incontinence, ultrasound scan, uterine fibroid embolisation, vaginal repair operation and termination. The Group's hospitals also offer other women's health procedures, such as breast lump investigation and removal.
- *Plastic Surgery.* Plastic surgeons perform cosmetic surgery intended to improve or alter a patient's appearance. Plastic surgery also includes non-surgical procedures such as mole removal, laser hair reduction or laser skin treatments for scars or blemishes. Surgical treatments include, but are not limited to, breast enlargement or reduction, liposuction, tummy tucks, facelifts and implants.
- *Urology.* Urology is the medical and surgical specialty that focuses on the male and female urinary tracts, and on the male reproductive system, in order to diagnose, treat and manage patients with urological disorders. Treatments and procedures carried out include: vasectomy, vasectomy reversal, cystoscopy, circumcision, kidney stone treatment and prostatectomy.

- *Oncology.* Oncology is the branch of medicine that deals with cancer. The Group has dedicated teams with specially trained nurses to support the oncologists and haematologists who practice at its hospitals. The Group's oncology offering includes the diagnosis (pathology) as well as treatment of cancer patients. The number of oncology treatments has increased more than 40% in the last five years from approximately 21,700 in 2008 to approximately 31,000 in 2013. Diagnostic services include physical examinations, blood tests, scans and biopsies. As part of treatment, patients may receive chemotherapy, radiotherapy and surgery.
- *Ophthalmology.* Ophthalmology is the branch of medicine that deals with the anatomy, physiology and diseases of the eye, including both medical and surgical treatments. The Group's ophthalmic surgeons perform a variety of common eye procedures including "keyhole" refractive cataract surgery, intra-vitreous injections for wet age-related macular degeneration, oculoplastic surgery, selective laser trabeculoplasty for glaucoma, squint surgery as well as minor operations.
- *Gastroenterology and digestive surgery.* Gastroenterology is the medical and surgical specialty focused on the digestive system and its disorders, including diseases of the oesophagus, stomach, small intestine, large intestine and rectum. The Group has state-of-the-art ultrasound, CT and MRI scanners helping its consultants to make accurate and rapid diagnoses without evasive examination. Some of its services include treatments for iron deficiency, jaundice, abnormal LFTs (liver function test), change in bowel habits, rectal bleeding, unintentional weight loss, abdominal pain, severe acute abdominal pain (in-patient) and gallstone and laparoscopic surgery (in-patient and daycase).
- *ENT.* ENT, or Otolaryngology, is specialty focused on the ear, nose and throat. The Group's ENT consultants often treat patients with persistent ear, nose and throat conditions, sinus infections, age-related hearing loss and cancers of these regions.
- *Neurology and neurophysiology.* Neurology is the area of medicine that deals with conditions and diseases that affect the nervous system. This includes problems affecting the brain, spinal cord, peripheral nerves and muscles, as well as the special senses of vision, smell, taste and hearing. The Group uses advanced technology and techniques to perform a wide range of investigations on the brain, nerves, muscles and balance mechanisms. The Group offers a wide range of neurosurgery and neurology services, including treatment for facial neuralgias (head, ear, nose, jaw or mouth pain), cranial neuralgias (headaches), low back pain and sciatica, arm and neck pain, cervical disc prolapse and hydrocephalus, cervical and lumbar disorders, tumours, epilepsy, spasticity and head injuries.
- *Cardiology and cardiovascular surgery.* Cardiology deals with disorders of the heart, including congenital heart defects, coronary artery disease, heart failure, valvular heart disease and electrophysiology, which are treated through surgery or medicine. Cardiovascular surgery is surgery on the heart or large blood vessels to the heart performed by cardiac surgeons to treat heart disease (for example, coronary artery bypass grafting), correct congenital heart defects or treat valvular heart disease. It also includes heart transplantation. The Group offers a range of tests and scans, procedures and heart operations performed by its cardiac nurses and technicians, consultant cardiologists and cardiac surgeons including electrocardiograms, cardiac MRI scans, coronary angiography, pacemaker implementation, ablation of arrhythmia, valve replacement and coronary artery bypass graft.

The following table details the Group's 2013 revenue mix by payor and specialty type:

(% of 2013 in-patient and daycase revenues by payor) ⁽¹⁾	PMI	Self-pay	NHS	Overall
Orthopaedics	41%	31%	68%	48%
General Surgery	13%	16%	9%	13%
Oncology	8%	1%	0%	5%
Gynaecology	7%	6%	4%	5%
Urology	6%	6%	2%	4%
Plastic surgery	2%	20%	2%	5%
Ophthalmology	3%	7%	3%	3%
Gastroenterology	4%	2%	1%	3%
ENT	3%	2%	3%	3%
Cardiology	3%	1%	1%	2%
Neurosurgery	3%	2%	1%	2%
Cardiothoracic	1%	1%	3%	2%
Other	6%	5%	3%	5%
Total	100%	100%	100%	100%

(1) Excludes other revenue

Specialist services

Spire Healthcare has strengthened its business in the last five years by developing and acquiring private capacity with a strong focus on specialist services including radiotherapy and pathology.

Radiotherapy

Radiotherapy is the use of high-energy rays, usually x-rays and similar rays (such as electrons) to treat disease. It works by destroying cancer cells in the treated area. The directors believe it is a relatively underprovided for treatment for cancer in the United Kingdom, in part due to the relatively high capital costs of the equipment compared to a chemotherapy drug regimen. Purpose built private cancer treatment centres were opened at Spire Portsmouth Hospital in August 2009, at Spire Southampton in January 2010 and at Spire Little Aston in March 2011. The UK's first stand-alone private cancer centre (also a collaboration between the Group and CPUK) opened in Elstree, North London in October 2010.

The Group provides consultation and diagnostics, chemotherapy and cancer surgery services at 21 of its facilities. The income that the Group receives directly from CPUK takes the form of rental payments for the use of Spire facilities, including CT facilities, by CPUK and their radiotherapy patients. The influx of CPUK patients at Spire facilities has led to an overall increase in revenues from oncology services for the Group at these locations, which will continue to be operated by the Group under Spire's contract with CPUK. All CPUK contracts are long-term in nature with at least 10 years remaining. The three onsite contracts (Portsmouth, Southampton, Little Aston) do not expire until the end of 2029.

In 2014, the Group also opened a new Spire owned and operated radiotherapy centre associated with its hospital in Bristol. The Group plans to open an additional four wholly-owned radiotherapy centres by the end of 2017, at an expected capital investment of approximately £12 million per site, with a targeted ROCE for each centre of approximately 20% by the fifth year of its operation.

Pathology

The Group has one of the largest networks of independent pathology laboratories in the United Kingdom, which performed over 1.5 million tests and generated £4.7 million of third party revenue in 2013. The services performed in the Group's laboratories assist medical practitioners with making treatment decisions for their patients and are made available to the Group's hospitals as well as third party customers, including the independent and NHS sectors, which are a growing part of Spire's pathology services revenue. Spire's pathology diagnostic testing services across all clinical and cellular pathology disciplines include andrology, blood transfusion, clinical chemistry, cytology, endocrinology, histology, haematology, immunology, microbiology, serology and virology. Spire's pathology services use advanced technological platforms as well as numerous laboratory processes that are supported by logistics and electronic connectivity, which allows efficient delivery of quality and cost-effective services to customers.

The Group provided pathology services to the 2012 London Olympic and Paralympic Games, raising the Group's profile in the medical specialty area.

Out-patient and wellness offerings

Physiotherapy

In addition to the Group's general orthopaedics practice, the Group has established Perform, a service focused on rehabilitation from injury, improved levels of strength, health and fitness, education and behavioural change in the workplace through multidisciplinary Perform teams in order to give patients the most appropriate treatment. Perform's teams include sports and exercise medicine physicians, physiotherapists, exercise physiologists, podiatrists, nutritionists and allied health practitioners, using advanced medical, performance and rehabilitation technologies. Spire currently offers Perform at eight of its facilities, with its flagship centre located at St. George's Park.

Perform is the official healthcare provider for St. George's Park, the new training home of England's 24 national football teams. Perform provides screening, strength and conditioning programmes, cardiac testing and rehab and recovery plans. Spire has an agreement with the Professional Footballers' Association to offer residential rehab to 900 professional players until 2015. The Football Association appointed Spire as the preferred provider to carry out the Scholar Cardiac Screening programme for Club England and professional teams. Additionally, Perform at St. George's Park has partnered with Michael Johnson Performance, a US-based performance training brand founded by the four-time Olympic Champion. The centre offers advanced equipment such as hydrotherapy, an altitude chamber and running tracks for biomechanical analysis.

Health scanning and assessments

The Group offers a range of specially designed health checks and screenings for diseases such as heart disease, colon cancer and lung cancer through its Lifescan service, which utilises the advanced diagnostic capabilities of CT scanning technology. Lifescan was founded in 2003 and acquired by Spire in 2011.

The Group also provides health assessments in partnership with Bupa under the Bupa Wellness brand at many of its hospitals on an out-patient basis.

THE GROUP'S HOSPITALS AND CLINICS

The Group currently operates 39 hospitals, including the recently acquired St. Anthony's* hospital, and 13 clinics located throughout nine geographical regions in the UK. In 2013, all of its hospitals were profitable on an EBITDAR basis and the Group's five largest hospitals by revenue generated £191.0 million, or 25%, of the Group's total revenue in the year ended 31 December 2013.

The Group strives to deliver leading outcomes and create centres of excellence in each of its locations, and generally offers comparable types of services across its hospital portfolio. Due to location and other factors, some hospitals may differ from others in terms of payor and procedure mix.

As of June 30, 2014, the Group's hospitals are spread across nine geographical regions: East of England; Greater London; Midlands; North East & Yorkshire; North West; Scotland; South East; South West; and Wales, and are detailed in the table below:

Name	Region	Theatres	ICU/HDU Beds	Asset Status
Southampton	South East	6	9	Leased
Cambridge Lea	East of England	5	4	Freehold
Bushey	Greater London	5	4	Leased
Bristol	South West	5	6	Leased
Leeds	North East & Yorkshire	4	8	Leased
Harpenden	East of England	4	4	Freehold
Roding	Greater London	4	3	Leased
Leicester	Midlands	4	2	Leased
Hull	North East & Yorkshire	4	2	Leased
Edinburgh Murrayfield	Scotland	4	2	Leased
Manchester	North West	4	4	Leased
St. Anthony's*	Greater London	4	8	Freehold

Name	Region	Theatres	ICU/HDU Beds	Asset Status
Cardiff	Wales	4	2	Freehold
Washington	North East & Yorkshire	3	2	Leased
Hartwood	East of England	3	2	Freehold
Norwich	East of England	3	3	Freehold
Wellesley	East of England	3	3	Freehold
Gatwick Park	Greater London	3	2	Leased
Parkway	Midlands	3	1	Freehold
Cheshire	North West	3	2	Freehold
Fylde Coast	North West	3	1	Leased
Wirral	North West	3	2	Freehold
Portsmouth	South East	3	2	Leased
Brighton (Montefiore)**	South East	3	3	Leased
Little Aston	Midlands	3	2	Leased
Clare Park	South East	2	2	Leased
South Bank	Midlands	2	3	Freehold
Methley Park	North East & Yorkshire	2	1	Freehold
Thames Valley	Greater London	2	2	Freehold
Elland	North East & Yorkshire	2	2	Freehold
Liverpool	North West	2	2	Freehold
Regency	North West	2	2	Freehold
Shawfair Park	Scotland	2	0	Leased
Alexandra	South East	2	2	Freehold
Dunedin	South East	2	2	Freehold
St. Saviour's	South East	2	2	Freehold
Sussex	South East	2	1	Leased
Tunbridge Wells	South East	2	2	Leased
Yale	Wales	2	2	Freehold

* On 22 May 2014 the Group completed the acquisition of St. Anthony's hospital. Pending clearance from the CMA, St. Anthony's will be held and operated separately from the other hospitals in the Company's portfolio.

** Montefiore House is fully controlled, but jointly held with 49.9% of the equity held by a group of consultants practising at the hospital.

The Group's leading hospitals

Below is a short description of some of the Group's leading hospitals across the UK, listed in alphabetical order.

Spire Bristol Hospital

Spire Bristol Hospital is the Company's only hospital in the South West region. It has a strong presence in orthopaedics and a growing reputation in cardiology. Spire Bristol Hospital opened the Group first dedicated cancer treatment centre to add to the hospital's reputation for speciality work and also to address potential increased competition from another hospital which just relocated in the city. Spire completed the Cancer Centre at a cost of approximately £13 million, with the aim of providing care for the entire cancer pathway. Opened in April 2014, the centre offers, in a single location, radiotherapy, chemotherapy and full out-patient facilities. The Group expects that the use of an integrated, dedicated site will improve the patient experiences and pathway. The Group will use the experience it gained at Bristol to enact a future strategy for rolling out additional radiotherapy centres.

Spire Bushey Hospital

Spire Bushey Hospital is in the Greater London region and is one of the largest hospital in the Group's portfolio. It has a strong orthopaedics specialty, drawing on consultants from the nearby Royal National Orthopaedic Hospital ("RNOH"), and oncology. Approximately three quarters of the hospital's patients are in-patient/daycases and are covered by PMI. This is largely a result of the catchment area's comparatively high rate of PMI penetration of 18%. From 2009 to 2010, the Group redeveloped the Bushey Hospital complex, which was a complex, multi-stage operation that included moving pathology offsite and relocating X-ray, theatre changing rooms and admin offices. The primary purpose for the

redevelopment was to provide additional theatre capacity. This additional capacity enabled Spire Bushey Hospital to resist aggressive local competition by adding the capacity to support new consultants, which diminished risk of defection to competitors. The Group also hoped to secure growth and take market share by supporting new orthopaedic consultants and increasing share of other consultants' surgeries. Spire made a capital investment of approximately £5 million and delivered a year three ROCE of 20-25%.

Spire Cambridge Lea Hospital

Spire Cambridge Lea Hospital is one of the Company's flagship facilities. The hospital is the largest private hospital in the Cambridge area and treats a higher number of PMI and self-pay customers due to the relative wealth of the surrounding population. The largest specialty in the hospital is orthopaedics, which accounts for more than half of annual revenue. Services being developed include thoracic surgery, neurosurgery and chemotherapy. The Group has focused on strengthening its consultant base at Cambridge Lea, which is drawn from the university hospital, by investing in equipment and creating co-brands with leading consultant groups.

Spire Cardiff Hospital

Spire Cardiff Hospital is a "Centre of Excellence" for orthopaedic care, having achieved specific high standards in clinical quality, education and research. The hospital carries out complex orthopaedic and associated consultative services, supported by state-of-the-art clinical equipment (e.g. an isokinetic testing machine), critical care facilities and ICU beds. It has recently benefited from the introduction of a cardiac catheter lab and endoscopy suite. It also achieves extremely low infection rates and a very low rate of readmission. The hospital is also among the few in the UK offering a hyperbaric treatment service on site.

Spire Edinburgh Hospital

Spire Edinburgh Hospital is one of the largest hospitals in the Company's portfolio, with a single management team overseeing two sites: Murrayfield, the main site in the town centre, and Shawfair, a daycase-only hospital which opened in 2010 in the South East of Edinburgh. Shawfair focuses on IVF, cardiology and catheterisation lab procedures, physiotherapy and ophthalmology, with scope for further expansion and conversion to an overnight facility. Orthopaedics and general surgery represent roughly half of in-patient and daycase work, and while case complexity is below the Company's portfolio average, the hospital focuses on high degrees of repeatability of procedure to drive efficiency.

Spire Harpenden Hospital

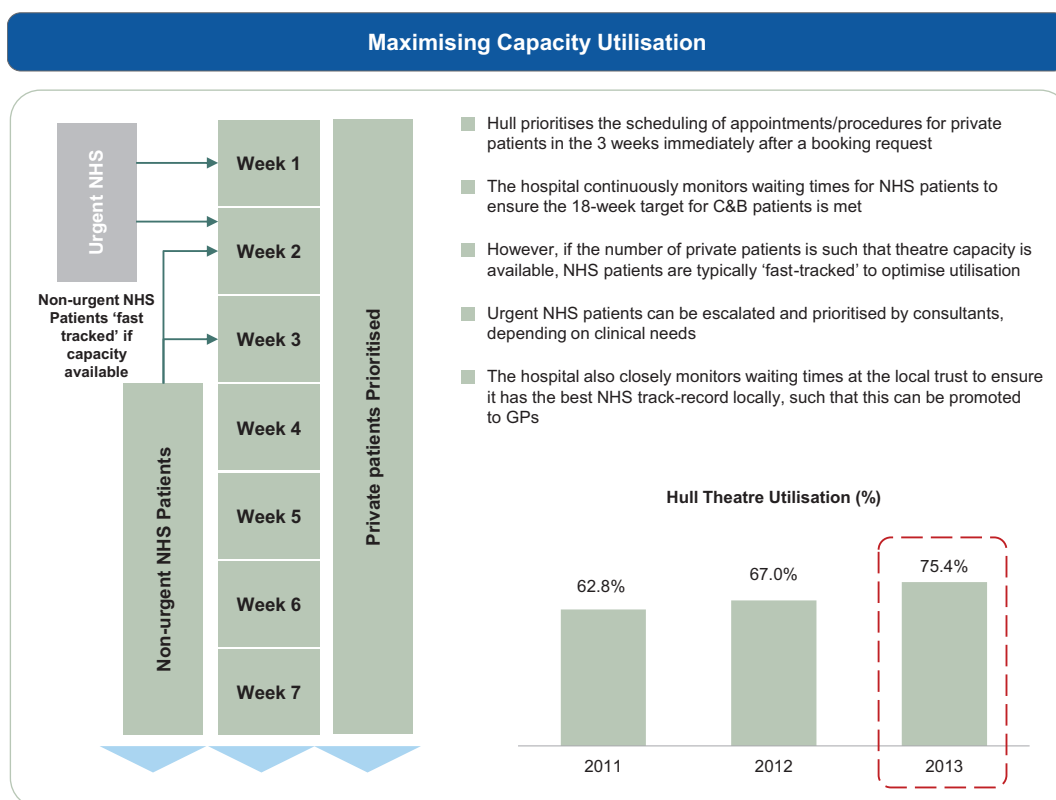
Spire Harpenden Hospital has a large orthopaedics practice which currently generates approximately half of the hospital's total revenue and is expanding its oncology practice significantly. Approximately two-thirds of the hospital's in-patient/daycases come from PMI, with the remainder being approximately evenly split between NHS and self-pay customers. In response to growing demand the hospital will shortly benefit from an additional operating theatre and ward bedrooms.

Spire Hull Hospital

Spire Hull Hospital is located in the North East & Yorkshire region and maintains a strong relationship with NHS Hull CCG. The hospital covers a range of specialities including orthopaedic and cardiac care. The hospital is also among the few in the UK offering a hyperbaric treatment services on-site. Spire Hull Hospital has reconfigured significantly over time and has added additional theatre capacity and an NHS-dedicated ward, which has helped the hospital to maximize theatre capacity utilisation via NHS infill. Along with adding a new theatre in 2010, in 2014, the hospital also finalised terms for the construction of an out-patient facility on a nearby site to allow for facility reconfiguration. In June 2014 Spire Hull Hospital signed a lease on a facility less than a ten minutes' drive away. The facility consists of two daycase theatres, and outpatient activity is expected to be transferred there from the main hospital site, thereby creating additional theatre and bed capacity to cope with more complex procedures.

Furthermore, Spire Hull Hospital serves as an example of how Spire is expanding its NHS offering to cater for specialist commissioning. Spire already had a small self-pay and PMI offering, however careful planning was necessary to manage larger patient volumes. In November of 2012, Hull PCT (now Hull CCG) asked Spire Hull to provide a chronic pain infusion service (i.e. pain management) as soon as possible. The Group purchased three infusion pumps, and service began almost immediately. Additionally, Spire developed a specialist team of three Pain Consultant Anaesthetists dedicated to the pain service.

Since the initial NHS referral of patients, volumes have increased substantially, growing from 65 pain infusion episodes in 2012 to 708 in 2013 and 1,241 expected in 2014.



Source Company Information

Spire Leeds Hospital

Spire Leeds Hospital is capable of supporting complex cases in a range of areas including orthopaedics, general surgery, oncology, cardio thoracic and spinal neurosurgery. The hospital is complemented by several clinics, including the Company's Harrogate Clinic, which serves patients from Harrogate, Ripon, Knaresborough and York and the Ilkley Clinic, which provides consultant appointments with patients from Ilkley, Guiseley, Yeadon, Otley, Menston, Burley in Wharfedale and Pool in Wharfedale. This is largely a result of the catchment area's comparatively high rate of PMI penetration.

Spire Parkway Hospital

Spire Parkway Hospital is a mid-size hospital in the affluent area of Solihull to the South East of Birmingham. In November 2013, Spire Parkway became the first centre outside London and second in the UK to offer Magnetic Resonance-guided Focused Ultrasound treatment ("MRgFUS"). This minimally invasive technology is currently used to treat uterine fibroids, but has the potential to expand to a much broader range of surgical interventions. The hospital was the first private facility in the UK with this offering and is one of only a handful of treatment units in Europe.

Spire Portsmouth Hospital

Spire Portsmouth Hospital is a mid-size market leading private hospital in its local South East region catchment area. The hospital has expanded its catchment area to include more prosperous semi-rural postcodes in Hampshire, West Sussex and Southwest Surrey. Outside of orthopaedics, Spire Portsmouth Hospital has focused on growing gynaecology and cosmetic/plastic surgery. In addition, the hospital has prioritised out-patient revenue generation. The NHS has become an important source of referrals for Spire Portsmouth Hospital with in-patient and daycase revenue growing in recent years.

Spire Southampton Hospital

Spire Southampton Hospital is the largest hospital in the South East region by size. Orthopaedics and cardio-thoracic surgery represent more than half of in-patient and daycase revenue. Case complexity is above the Company's portfolio average given its significant ICU and HDU capacity, with seven ICU beds and two HDU beds. Spinal and cardiac procedures are typically the specialties with higher acuity at Spire Southampton Hospital. Since 2011, Southampton has invested to improve its cardiology offering and improve utilisation of the catheter lab. The hospital also benefits from having an intensive care unit, which allows it to treat highly acute conditions. Southampton was commissioned in 2011 by NHS England and University Hospital Southampton to deliver cardiothoracic surgery for a three year period. The contract is expected to be worth approximately £3.5 million per annum, with approximately 350 cases per annum. Procedures include open-chest surgery and coronary bypass. The hospital recently gained recognition as a cardiac specialist provider for NHS England.

Because of its high complexity capabilities, Spire Southampton Hospital has significant regional influence and its catchment is wider than the average site in the Group's portfolio. In 2012, the Spire Southampton Hospital installed a sixth operating theatre and expanded its complex cardiac offering to provide procedures such as aortic aneurisms. An offsite Perform physiotherapy is scheduled to open in May 2014, which will allow expansion into sports medicine and reconfiguration of the main site to improve out-patient areas. The hospital is predominantly private funded. Spire Southampton Hospital's recent growth in NHS work has been driven by large, high complexity overspill contracts, like cardio-thoracic surgery, with the closely located University Hospital Southampton NHS Foundation Trust, which is the teaching hospital where nearly all the local consultants work.

Clinics

The Group works to expand its hospital catchment area by establishing outreach clinics featuring out-patient treatment and consultation rooms, which raise brand awareness and the Group's profile with patients, GPs and consultants, and expand catchment areas. The Group typically employs two models for its clinics: owned clinics, where the Group owns the buildings and equipment, and rented consultation space, generally in partnership with a local GP practice.

COMPETITION

The Group's principal direct competitors, according to Laing & Buisson, are the four other large private hospital networks: BMI (with a market share of 20.0% in 2012), HCA (15.1%), Nuffield Health (10.3%) and Ramsay Health Care (8.3%). The Group's market share was approximately 16.9% in 2012.

BMI operates 56 hospitals. Nuffield, a registered charity, predominantly has facilities in the South of England, and has diversified into operating fitness facilities. Of the Group's other competitors, HCA has a very strong presence in London, but according to the final report of the Competition and Markets Authority ("CMA"), must divest either its London Bridge and the Princess Grace hospitals or its Wellington hospital, including the Wellington hospital platinum medical centre (although HCA has launched a judicial review of the CMA's decision in this regard). Ramsay, another competitor, is primarily NHS-focused, though it has developed a premium care offering for private patients.

The Group also indirectly competes with private patient units within the NHS and independent hospitals throughout the United Kingdom.

Competition and Markets Authority review

As described in *Part 1: "Risk Factors—Measures to remedy adverse economic effects on competition in the private healthcare market may have an adverse effect on the Group's business and results of operations"*, the CMA recently published its final report on competition in the private healthcare market in the United Kingdom. The CMA found that weak competitive constraints faced by private hospital operators in many local markets lead to higher prices being charged to self-pay patients for in-patient treatment and for some daycase and out-patient treatments. The CMA will impose measures to improve the availability of information on hospital performance in order to address this concern. In addition the CMA will impose measures to ensure that it has the power to review any new arrangements in which a private hospital operator will manage a PPU and to prohibit a private hospital operator from managing a PPU where the CMA decides that the arrangement is likely to significantly lessen competition in the local area. There is a

risk that this review power may affect opportunities for Spire to obtain contracts to manage PPUs in the future in certain areas.

The CMA did not find that weak competitive constraints lead to higher prices being charged by Spire, or by BMI or Nuffield, for the treatment of insured patients outside central London. The only region in which the CMA found that weak competitive constraints lead to higher prices being charged for insured patients is in central London, where Spire does not have a major presence. In light of this conclusion, the CMA will not require any hospital divestitures outside of central London, but will require certain hospital divestitures from HCA in central London. The Group is not required to dispose of any hospitals. Additionally, the CMA considered but rejected the imposition of price controls in any region.

Certain aspects of the Group's business will be subject to on-going regulatory monitoring by the CMA once the CMA issues its final remedies order concerning competition in the private healthcare market in the United Kingdom. In particular, the Group anticipates that further scrutiny of its performance may emerge as a result of:

- the CMA's power to monitor financial arrangements between hospitals and consultants, and the fact that hospitals may face sanctions where these arrangements include incentives banned by the CMA;
- the CMA's ability to review against a new competition bids test by Spire and other hospital groups to operate new PPUs, which may restrict the ability of the Group to win further business in the future;
- the CMA's intention to review in 2019 the information transparency/publication measures it plans to impose on Spire and other hospital groups to improve the availability of information on hospital performance, and
- the CMA's ability to change those measures at that point, potentially requiring Spire and other hospital groups to publish additional performance data.

Although the CMA concluded that there was no evidence of any link between the strength of Spire's competitive position in local markets (and in aggregate at national level) and Spire's prices charged to PMIs, Spire's PMI prices are likely to remain under regulatory scrutiny.

It should be noted that HCA, AXA and the Federation of Independent Practitioner Organisations (an organisation representing the majority of UK consultant medical professional organisations that have private practise committees) have each commenced judicial review proceedings in respect of aspects of the CMA's report and remedies. It is not expected that any of these proceedings will impact the CMA's remedies insofar as they impact Spire and its consultants.

SUPPLIERS

The Group has customary supply agreements with its major suppliers for consumables, prostheses and other medical devices and pharmaceuticals. These agreements are negotiated by the Group's central procurement team to leverage the Group's combined bargaining power.

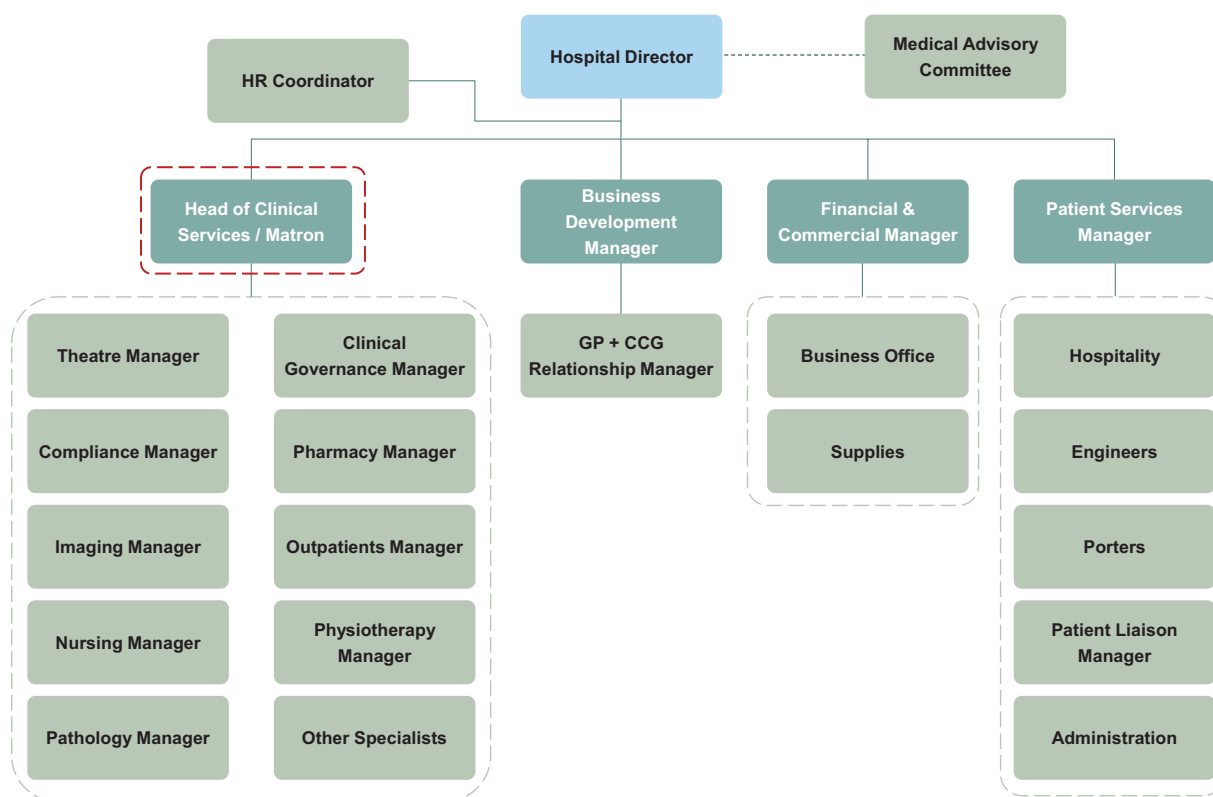
The Group purchases medical devices from suppliers such as Johnson & Johnson, GE, Smith & Nephew and Stryker UK Limited. As part of the Group's agreement with AAH Pharmaceuticals Limited, it has agreed to procure at least three quarters of its pharmaceuticals from them.

The Group's supply chain is managed in-house through a national distribution centre in Droitwich, and two other large national centres. These centres act as hubs in the Group's hub and spoke system and are used to supplement local areas and pathology services at most hospitals. The distribution centres provide daily deliveries of medical consumables to all Group hospitals (more than 1.2 million stock keeping units annually) using this hub and spoke system.

CORPORATE ORGANIZATION AND CLINICAL OVERSIGHT

The Group has a constant focus on clinical quality and promotes best practice in analysis and sharing of clinical data. The Group focuses on certain specialisms to build centres of excellence, with notably strong reputations in orthopaedics, cardiology, oncology and bariatrics. The Group has a growing reputation for management of high acuity cases and is expanding ICU/HDU beds to support high acuity procedures. Spire has a national network with high quality facilities and equipment and achieved successful clinical integration of acquisitions to introduce efficient and effective clinical pathways and processes.

The following chart is illustrative of the Group's hospital management structure.



Source: Company Information

Reporting structures vary by hospital according to local needs. There are key reporting lines across all hospitals through the Head of Clinical Services or Matron as well as rigorous oversight procedures (clinical outcomes and regulatory compliance) enforced across all treatment pathways.

Each hospital director (“**HD**”) is accountable to the healthcare regulator as the Registered Manager and is responsible for their site’s operational and financial performance which is monitored by the use of a Group-wide company balance scorecard. This broadly measures staff engagement, clinical and regulatory performance, key stakeholder satisfaction and shareholder value. The HDs are expected to develop strategic and operational plans to address local market dynamics and changing healthcare needs. HDs’ plans are required to meet general guidelines and deviations have to be justified with executive management. HDs have autonomy to pursue local growth initiatives and represent Spire’s interests in the local economy. HDs also compete for capital expenditure with other hospitals in the network by developing business cases for the most significant investments, and each site has a local maintenance capital expenditure budget. Spire bases incentives for HDs on portfolio and site-level performance, enhancing the alignment of objectives between each hospital and group. The Group typically promotes HDs internally to increase distribution of best practice and to give HDs a broader path. HDs that display strong performance are typically promoted to manage larger hospitals or the hospitals facing the most challenging environments.

Additionally, each hospital, except Thames Valley which has a part-time matron, has a full-time matron or Head of Clinical Services who is responsible for nursing care quality.

Employees

The average number of full-time equivalent persons employed by the Group during the periods indicated, analysed by category, were as follows:

	For the year ended 31 December		
	2011	2012	2013
Clinical	3,366	3,596	3,650
Non-clinical	2,987	3,136	3,294
Total	6,353	6,732	6,944

The Group is currently not bound to collective bargaining agreements with trade unions.

The Group employs “bank” staff (staff who do not work regularly scheduled hours, but are directly employed by the Group, which accounted for approximately 10% of the Group’s hospital staff costs in the year ended 31 December 2013) and, less frequently, temporary agency staff (approximately 1.5% of the Group’s hospital staff costs in the year ended 31 December 2013) in order to permit a more flexible cost base during periods of reduced activity levels. The Group has, however, proactively grown its clinical full time staff in order to improve clinical quality and reduce bank and agency costs over time.

The average tenure of the Group’s staff is estimated at eight years. Approximately one-eighth of the staff need to be replaced each year in order to maintain a steady state (i.e. turnover of approximately 15%).

Spire Staff

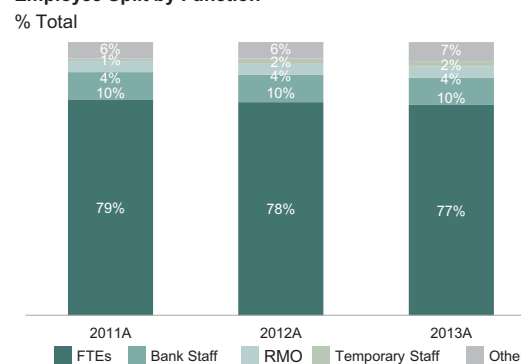
Spire employs approximately 11,000 non-unionised employees (including bank staff), equating to 6,944 FTEs, 53% of whom are clinical staff. Spire uses bank (directly employed by Spire) and temporary (i.e. agency) staff in hospitals on a regular basis. Bank and agency staff are typically approximately 10% and 30% respectively more expensive than full-time equivalents (FTEs), but allow flexibility in the cost base during quieter trading periods. Usage varies across hospitals depending on local staffing availability. Additionally, Spire has proactively grown its clinical FTEs in order to improve clinical quality and reduce bank and agency costs. Surgical consultants, anaesthetists and certain other healthcare professionals are self-employed, and hence not included in the FTE figures.

Nurses

Spire employs 2,796 nurses with low agency use of less than 3% for each of the past three years. The nursing staff is highly qualified, with the average ward nurse ratio being 84% registered general nurses and 16% health care assistants. A high qualified nurse ratio drives patient safety and better clinical outcomes. Furthermore, Spire maintains safe nurse staffing levels across all hospitals as indicated by the Group’s nursing staff guidelines set out below.

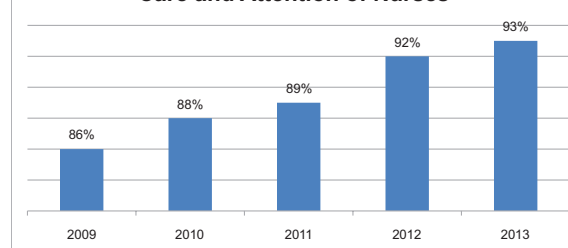
Staff-mix for Hospitals

Employee Split by Function



Source: Company Information

Care and Attention of Nurses*



Source: Company Information

* “very good” or “excellent” score in patient satisfaction survey

Spire Nursing Staff Guideleines

	Time	Nurse : Patient
Early Shift	07.00 – 15.00	1 : 5
Late Shift	14.00 – 21.00	1 : 6
Night Shift	21.00 – 08.00	1 : 7

■ High nurse to patient ratios ensure patients receive best care possible

Source: Company Information

Training

Staff training and education is promoted to maintain high service levels. Mandatory training and staff assessments are undertaken on an annual basis. Health care assistants are given the opportunity to undertake vocational qualifications, with 60% of health care assistants having one or more vocational certificates in general or specialist areas.

High nursing staff engagement has resulted in a good risk reporting culture, falling surgical mortality and improving patient satisfaction. The Group has three sites accredited by the UK Resuscitation Council undertaking critical care training of both Spire and NHS employees.

The following chart shows patient survey results where the patients rated their experience with the Company as 'excellent' or 'very good', which has grown from 87% in 2009 to 92% in 2013.

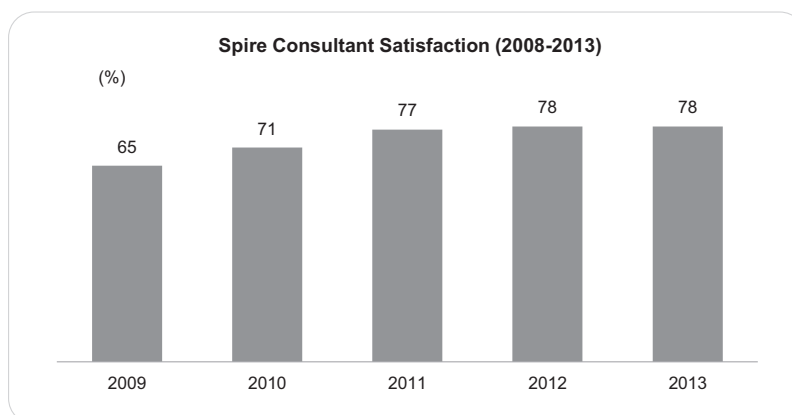


Source: Company Information

Attracting Consultants

The Group believes consultants are attracted to its advanced facilities, technology and equipment; excellent brand and reputation; availability of a broad range of treatments; skilled nursing staff and medical support staff; efficiency of administrative support; and promotion of consultants with GPs. The Groups' continued investment in facilities over the last six years has contributed to high consultant satisfaction levels, leading to an overwhelming majority of the Group's consultants with a substantive practice having worked with the Group for over five years. The Group targets consultants through continuous investment meant to attract high-quality consultants and through providing theatre capacity to new consultants which helps engender loyalty.

The following chart shows the percentage of consultants who are satisfied with their experience with Spire, which was grown from 65% in 2009 to 78% in 2013.



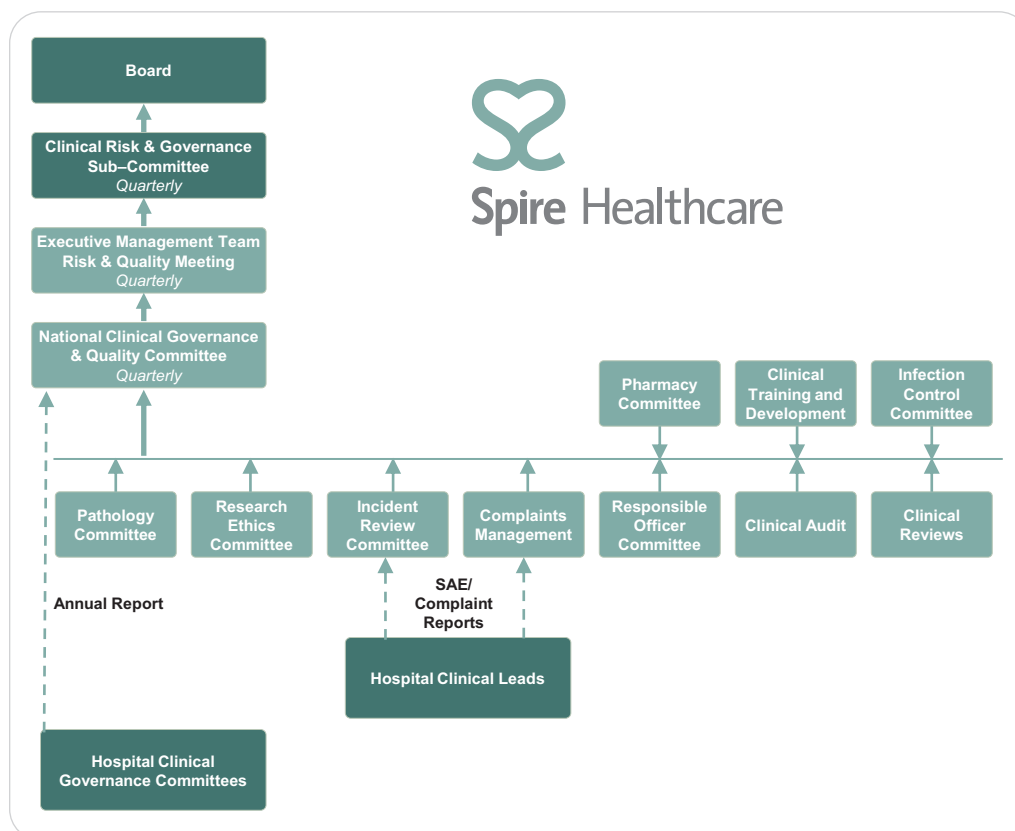
Source: Company Information

Pension liabilities

Group employees are entitled to participate in a defined contribution pension plan. All employees are eligible to join the plan immediately on joining service with the Group. An unfunded unapproved pension arrangement is in place in respect of one senior former employee. The Group does not operate any defined benefit pension arrangements.

CLINICAL GOVERNANCE

Spire maintains strong clinical governance oversight on the corporate level. The following chart sets out the Group's clinical governance and risk structure.



Source: Company Information

Each Group hospital has a Medical Advisory Committee (“MAC”) which provides advice to each hospital director on maintaining high clinical standards and ensuring continuous improvement in the quality of clinical care. MACs usually consist of around 10 consultants representing, as far as possible, the range of specialties of regular users of the hospital. A MAC meeting takes place every three months and covers a range of topics including regulatory compliance and the maintenance of high clinical standards, new applications from consultants to practice at the hospital, developments in clinical practice and the viability of business proposals for new equipment and services requested by consultants. Across the Group, MAC members are expected to communicate relevant information and decisions from MAC meetings to consultants in the specialty they represent.

Local clinical governance committees are responsible for reviewing the implementation of the clinical governance and quality strategy and, for the safe operation of the hospital; local governance committees report directly to the hospital director, keeping the MAC informed. The MAC appoints one of its members as ‘designated consultant’ to take responsibility for supporting the clinical governance committee. The role of the committee includes monitoring information on adverse incidents, clinical performance, complaints, audit and reviews from external bodies, agreeing actions plans and escalating issues to the HD when required. Membership typically includes the hospital Matron or Head of Clinical Services, the clinical governance/effectiveness co-ordinator and the heads of department from across the hospital.

Clinical Risk

The Group undertakes clinical risk management, as part of its overall clinical governance and quality framework focusing on clinical quality, infection control and patient outcomes. As part of its clinical risk management, the Group monitors how its systems and processes affect patient safety, clinical effectiveness and customer experience. The Group invests time and resources to continuously improve its systems and processes, which involves re-designing processes to remove unnecessary complexity, thoroughly analysing adverse events in order to improve service reliability and listening to the insights of patients, consultants, regulators and staff.

Adverse events and “near misses” are monitored in accordance with the Group policy on adverse events. The Group has a multi-disciplinary central incident review team whose role is to review and analyse every serious adverse event (“SAE”) and its subsequent root cause analysis on a monthly basis. All reported SAEs are scrutinised by the Clinical Governance and Risk Committee (sub-committee of the Board) on a quarterly basis, which in turn reports directly to the Board. The central incident review team may also recommend national actions, such as changes to policy, training or care pathways, arising from individual incidents or trends, and these are reported to the national clinical governance committee every quarter. The central Clinical Services team monitor and report on a wide range of clinical performance indicators with relevant benchmarking in order to provide business units, the Executive Management team and the Board with regular assurance with respect to clinical quality. Performance data are submitted to the CQC in England.

Each business unit develops quality improvement plans following the findings of the quarterly clinical governance report and other activities incorporated into the Group’s quality system, such as clinical risk management, complaints management, analysis of claims, the findings of clinical audits and reviews from external bodies. These plans include any review or re-audit requirements and identify which group or people will be responsible for such review. Every business unit receives at least one formal clinical review involving a team led by the chief nursing officer.

The Group’s clinical risk management has successfully implemented meaningful infection prevention and control systems. In 2013, zero cases of MRSA bacteraemia were reported in Group facilities. In 2012, Spire reported the fewest number of episodes of notifiable infections to the Health Protection Agency the Group has had since it was formed in 2007. Additionally, the Group’s surveillance programme following hip and knee replacement demonstrated continuous improvement in surgical site infection rates with rates of 0.49% in 2011, 0.34% in 2012 and 0.22% in 2013. These improvements are due to compliance with best practice, attention to detail by the Group’s nursing teams and high standards of hygiene and infection prevention.

Health and safety risk

The Group maintains an audit and inspection programme to ensure that staff prioritise the safety of the Group’s premises for patients, the public and staff. Audits are undertaken by an external specialist

consultancy, which result in a score that is measured against the Group's internally set target of 80%. Business units must meet this target to meet the requirements of the overall balanced scorecard.

Results of audits and lessons learned from any Health and Safety SAE/RIDDOR incidents are reported on a weekly basis to the executive management team. All RIDDORS are reviewed quarterly by the Clinical Governance and Risk Committee the sub-committee of the Board. The Group actively encourages staff to report health and safety incidents and risks, and the learning from proactive monitoring and findings from incident reviews is used to improve further and refine training programmes, policies and working practices.

PROPERTY, PLANT AND EQUIPMENT

The Group's headquarters is located in London, where it leases approximately 857 square meters of office space. The Group's shared services centre, covering billing and certain auxiliary services, is located in a facility in Reading.

The Group's national distribution centre ("NDC") is located in Droitwich. The Group's lease for the 5,295 square meter building expires in April 2021. The Group has five additional reference hubs which the Group also operates as leasehold assets.

Of the 39 hospitals in the Group's portfolio, 20 are owned freehold and the remaining 19 are leased under long-term lease arrangements with a variety of landlords. The average tenure remaining under the leases is 26 years. Spire also has renewal options for most of its leases. The Group paid £54.9 million in rent under its current leases during the year ended 31 December 2013.

Hospitals present a complex environment in terms of facilities, equipment and building services. The Group's hospitals contain services and systems similar to NHS Trusts for critical heating and ventilation, water quality and distribution, surgical instrumentation decontamination, piped medical gas services, fire protection and complex electrical services, despite generally being smaller in property size.

The Group's facilities infrastructure is assessed by insurers and annually by the Group's national engineering team, which utilises the Group's professional system for property risk and compliance management across the Group's estates. This is supplemented by a programme of external audits to ensure statutory obligations for fire safety and water hygiene are met. The resultant risk profile informs the business of future capital requirements, which the Directors believe enables the Group to manage its capital requirements effectively.

The Group spent £24.5 million on maintenance capital expenditures in 2013, including replacing the central ventilation plant supplying theatre suites at Murrayfield Hospital, Manchester Hospital and Fylde Coast Hospital, to ensure the maintenance of modern, efficient infrastructure at all Group hospitals. The Group has also replaced six ultraclean ventilation systems across the Group's hospitals. Energy efficient central boiler and domestic hot water plants were installed at Spire Bristol Hospital and Spire Liverpool Hospital, which help to contribute to the Group's continued commitment to reduce its carbon emissions.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

The Group is involved in a number of legal and arbitration proceedings, most of which are claims brought by patients against its hospitals and/or consultants that have practised with it.

Other than as described below, the Group is not aware of any actual or threatened proceedings that it believes are not adequately insured against or could have a material adverse effect on its business or financial condition. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and the Group can offer no assurances in this regard and cannot exclude the possibility of liability from disputes with patients, government agencies, other hospitals, employees, suppliers, tax authorities or other parties.

The Group is party to an English group litigation action, along with further claims, including in Scotland, pending against Spire and other defendants under the Sale of Goods Act 1979 and the Supply of Goods and Services Act 1982. The claims relate to the supply of alleged faulty PIP breast implants ("PIP Claims"). Spire has been notified of 142 PIP Claims, of which 45 are claims within a court ordered group litigation action. A trial of the group litigation action's preliminary issues of liability is scheduled for October 2014. The Group is in a dispute with its insurer regarding the interpretation of the terms of its insurance policy and the scope of policy coverage in respect of the PIP Claims and related expenses. The Group is exploring alternative dispute resolution as a means of determining the scope of coverage. In 2012,

the Group made a provision in the amount of £6.0 million to cover expenses in connection with the PIP Claims, including the removal and replacement of breast implants.

Approximately 350 individual claims and letters before action have been received by the Group by patients of a consultant, Mr Ian Paterson, who previously had practising privileges at the Group's Little Aston and Parkway hospitals (the "**Paterson Claims**"). The consultant is the subject of an investigation by the General Medical Council regarding his fitness to practise and a criminal inquiry by West Midlands Police. The patients are claiming against Mr Ian Paterson, his NHS Trust and Spire. As against Spire, the plaintiffs allege, among other things, that Spire was negligent in its management and had insufficient controls in place to respond to concerns regarding the consultant and should be vicariously liable for the actions of Spire employees who worked closely with Mr Ian Paterson. It is difficult for the Group to predict the outcome of any of these claims which require examination of the care provided by Mr Ian Paterson in each case and raise untested arguments as to the scope of a private hospital's duty of care. The aggregate amount of claims is not accurately quantifiable and proceedings have been initiated with respect to approximately 20 claims. The Group maintains malpractice insurance to cover medical malpractice claims by patients against the Group and its employees, subject to certain terms and limitations.

CNST / INSURANCE COVERAGE

For work funded by NHS England commissioners, the Group has been a direct member of the CNST administered by the NHS Litigation Authority since 1 April 2013. The Group's CNST membership covers any negligence claims brought by an NHS patient against Spire, its staff, any sub-contractor or consultant. Prior to April 2013, Spire Healthcare had indirect access to CNST via the Primary Care Trust's membership to cover claims for services performed under the NHS Standard Acute Contracts and prior to July 2011 pursuant to the terms of the Extended Choice Network Rules.

In addition to the Group's CNST membership, the Group holds a number of insurance policies which are adjusted on an ongoing basis according to current circumstances. The Group's insurance programme is designed to protect key assets, cash flow and its balance sheet and to set it apart as a world class healthcare business. Deductibles and limits are agreed upon as appropriate. The Group's insurance coverage includes (but is not limited to) general property damage, business interruption, terrorism, public/products liability, employers liability, medical malpractice, motor fleet, D&O liability, crime, pension trustees liability, engineering inspection, data protection and contractors risks insurance.

The Group believes, that its insurance coverage, including the maximum coverage amounts and terms and conditions of the insurance policies, are both standard for its industry and appropriate. The Group cannot, however, guarantee that it will not incur any losses or be the subject of claims that exceed the scope of the relevant insurance coverage or that its insurers would dispute coverage due to non-compliance with policy conditions.

INTELLECTUAL PROPERTY RIGHTS

The Group holds several trademarks in the United Kingdom which include, among others, its company name "Spire," "Spire Healthcare," "LIFESCAN," and "Perform." The trademarks themselves are owned by Group companies or one of its relevant affiliates. With respect to the Group's Lifescan trademark, the Group is subject to several undertakings as part of an agreement with Johnson & Johnson, who own a similar trademark. These undertakings limit the ways in which the Group's Lifescan trademark can be used, in particular prohibiting its use for diabetes-related conditions.

In addition, the Group owns a number of internet domains. The most important of these domains are www.Spirehealthcare.com, www.lifescanuk.org, www.Spireperform.com and www.Spirehealthcare.co.uk.

The Group believes that no single intellectual property right and no individual group of intellectual property rights is materially important to its business as a whole. In order to maintain its competitiveness, the Group also relies on trade secrets, non-patented knowledge, innovative product updates and ongoing technological advances. The Group attempts to protect its position by entering into non-disclosure and similar agreements.

Under certain circumstances, the Group must take legal recourse to assert its intellectual property rights or to determine the validity and scope of the ownership rights of third parties. Currently, the Group is not aware of any legal disputes that would result in it being prohibited from exercising its rights to intellectual property in such a way that would materially impair its business. The Group is also not aware of any legal disputes raised against it due to infringement of patents or trademarks.

Some companies in the Group are partners in collaborations that could result in restrictions with regard to the use of inventions or knowledge developed within the framework of these partnerships.

RESEARCH AND DEVELOPMENT

Whilst Spire does not engage in any material research and development, there is a national Research Ethics Committee in place under the aegis of the UK Health and Safety Executive whose role is to consider applications for research, as well as the ethical considerations relating to the introduction of new procedures and technologies. The Group also participates in various clinical trials.

INFORMATION TECHNOLOGY

The Group introduced an enterprise resource planning system, SAP, in 2013. The Directors believe this implementation represents the first specialist healthcare SAP deployment in the United Kingdom. SAP supports finance and patient administration functions including patient booking, inventory management, patient care management and clinical workflow and billing. In March 2014, the Group received NHS compliance status for SAP to allow Choose & Book bookings to be administered.

The IT operating model was restructured during SAP implementation, bringing most services in-house. The SAP environment is built in a fully-redundant, high-availability configuration. The Group's SAP and stringent management IT governance processes have been accredited by the NHS at their highest standard for IT governance and data protection.

REGULATION AND LICENSING

An overview of the laws and regulations which the Group considers to be most relevant to its business is set out below.

The Group's business operates within a highly regulated sector subject to extensive regulation and frequent regulatory change, especially in England where the majority of the Group's operations are based. Different national regulators operate in England, Wales, Scotland and Northern Ireland. While regulation differs in the four jurisdictions, it typically relates to the quality and auditing of care delivered, staffing, physical design, required services and the nature of the client group cared for. While the Care Standards Act 2000 ("CSA") was replaced by the Health and Social Care Act 2008 ("HSCA") in relation to independent hospitals in October 2010 in England, it is still in force in Wales.

In addition to specific sector related regulations described hereunder, the Group's facilities are also subject to a variety of laws and regulations of general applicability. Examples include various competition law, planning law restrictions, building regulations and other regulations, such as fire, health and safety regulations and the requirements of the Data Protection Act 1998 in relation to all personal data of patients at its clinics and hospitals. There are particular regulations relating to health records, subject access requests (rights to access are modified in respect of health records) and sensitive personal data. The Freedom of Information Act 2000 applies to information held by providers on behalf of a public authority and data disclosed by providers to public authorities.

As stated above, the health care sector is subject to frequent regulatory change, with the current registration and regulatory body for adult health and social care in England being the Care Quality Commission ("CQC"). The CQC took over control from the previous health regulators, the Commission for Social Care Inspection ("CSCI") and the Healthcare Commission, following the implementation of the HSCA.

The Health and Social Care Act 2008 ("HSCA")

The HSCA established the CQC as the current registration and regulatory body for health care in England. The CQC and its equivalent bodies in Scotland, Wales and Northern Ireland are empowered to (i) register healthcare providers to ensure they are meeting essential common quality standards, (ii) monitor and inspect all registered health care services, (iii) utilise enforcement powers, such as warning notices, conditions on registration, fines or suspension or revocation of registration, if standards are not being met, (iv) undertake regular reviews of how well those who arrange and provide services locally are performing and special reviews on particular care services, pathways of care or themes where there are particular concerns about quality and (v) report the outcomes of the CQC's work so that people who use the services have information about the quality of their local health care services.

The HSCA is different from the CSA in that it requires registered providers to be registered for the “regulated activities” they carry out, i.e. Registered Providers are not registered specifically at each location but are registered to carry out specific regulated activities, the location of which is noted as a condition of registration. This is a very important difference, as outlined in “—*Civil Enforcement Powers*” below. It should be noted that the range of activities which now require registration is much greater under the HSCA than it was under the CSA.

Like the CSA, the HSCA empowers the Secretary of State for Health in England to issue regulations containing legally binding obligations on care providers. To date, the most important regulations under the HSCA are the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010 (“**Regulated Activities Regulations**”), which set out which activities are registrable and the requirements relating to persons carrying on or managing a regulated activity; and the Care Quality Commission (Registration) Regulations 2009 (“**Registration Regulations**”), which impose further legal requirements on Registered Providers, including the requirement for providers to consider their current and continued financial viability. The CQC can take civil or criminal enforcement action under HSCA. Failure to comply with specified regulations is an offence for which registered providers can be prosecuted. There are different regimes relating to offences under the two regulations. Currently, registered providers can only be prosecuted for breaches of the Regulated Activities Regulations if they fail to remedy the breach following service of a warning notice by the CQC. Breach of specified regulations constitutes a criminal offence punishable by (at the choice of the CQC) a simple caution or fixed penalty notice (as an alternative to prosecution) or prosecution may result upon conviction in a fine for the care provider of up to £50,000 for each offence.

The HSCA requires that where the care provider is a company it must have a registered manager at each of the locations where it is registered to carry out regulated activities. Registered managers are subject to regulation similar to care providers under the HSCA. Registered managers must pass a fit and proper person test. Failure to have a registered manager might result in regulatory action, including suspension or cancellation of registration.

In order to assist providers in complying with the Regulated Activities Regulations, the CQC has produced guidance on compliance titled “Essential Standards of Quality and Safety” (“**ESQS**”). The ESQS consist of the CQC’s interpretation of the Regulated Activities Regulations and the Registration Regulations. The ESQS indicate an associated outcome for each regulation representing the experience that the CQC expect people using the service to have and indicate what a care provider should be doing to comply with the Regulations.

Vetting

Anyone who applies to register with the CQC as a registered provider or as a registered manager of a CQC regulated service is required to have an enhanced Disclosure and Barring Service check (formerly a Criminal Record Bureau check) countersigned by the CQC. Service providers must also obtain a Disclosure and Barring Service check (formerly a Criminal Record Bureau check) for everyone who is employed to carry out a regulated activity under the HSCA. Relatively recent changes to the vetting and barring regime have the effect that employees whose work does not necessarily involve direct contact with people in vulnerable circumstances may no longer be required to undergo these checks. The CQC has the authority to request evidence that a service provider has carried out the necessary Disclosure and Barring Service checks on its employees and can take enforcement action if this has not been done.

As part of recent changes, the Government has also stated that it will introduce a regime to ensure that board members of all provider organisations, both public and private, will be “committed, capable and qualified to uphold leadership positions”. This regime will be regulated by the CQC and will be one of three key regulatory changes expected to be introduced from 1 October 2014 (see further below). Specifically, it is intended that as part of that new regime the CQC can refuse registration in the case of a new provider or require the removal of a director it considers unfit on inspection or following notification by the provider of a new appointment. The precise content of the new Fit and Proper Person Test has recently been the subject of a consultation, and final regulations are expected within the next few weeks.

Civil Enforcement Powers

The HSCA contains broader civil enforcement powers than the CSA. In addition to powers to issue warning notices requiring specified action to be taken within a set timescale (or risk prosecution), powers to impose conditions of registration and powers to cancel registration (all of which were contained in the

CSA), the HSCA now gives the CQC the new power of suspending registration in the face of repeated and persistent failure to address safety and quality concerns. Suspension of registration may be in respect of one or more locations of the care provider's operations. This power is potentially very dangerous for a care provider because the CQC can effectively render the care provider's operations unlawful, by immediately serving a notice on the care provider to discontinue trading at the whole or part of any location or locations. In practice this would mean the suspension of a line of services or the complete closure of one or more of the Group's facilities. All criminal and civil enforcement powers may have a serious effect on the reputation and the profits of the care provider.

Inspection Reports

The CQC's role is currently evolving in the wake of regulatory changes. In principle however, the CQC retain a critical role in driving through patient safety and quality of care in England's health and social care provider bodies. They set the standards, inspect against the standards, issue recommendations and compliance requirements where necessary and have significant enforcement powers. Enforcement adopts an escalation approach, with Warning Notices before conditions are imposed, escalating to action for breach of regulation (both civil and criminal breaches apply), with fines imposed against serious and/or persistent breaches. The ultimate sanction for any provider is revocation of the license and deregistration by the CQC, which has taken place in extreme cases where the CQC conclude that a service is irretrievably unsafe or non-compliant.

The inspection regime for the CQC has been changed beyond recognition, with inspection panels running to 20-30 people, conducting a review over several days. The new regime is being piloted in Waves 1 and 2 within the NHS however the independent sector will be part of this new inspection regime within the next 9-12 months. The regulations allow for inspections to be carried out either announced or unannounced, depending on the services being inspected and whether the inspection is routine or as a result of specific information having been provided to the regulator. Broadly speaking, the majority of inspections are unannounced. The panels include CQC inspectors, clinicians and nurses from other healthcare organisations and patients. They will take evidence from staff and patients, documents and observed interactions between patients and staff. With 20-30 individuals in the inspection team, indications to date in the pilot are that there is significant complexity of evidence, which is then triangulated with a view to creating the overall rating of the provider, against numerous accounts from the inspection. So far, those inspected through the pilot have received critical reports with immediate actions required. Whilst the CQC Standards remain at the heart of the qualitative analysis, the CQC have introduced a patient centric focus, with five key questions to be answered per organisation: Are they safe? Are they effective? Are they caring? Are they responsive to people's needs? Are they well led?

In addition to the above shift in emphasis, there is also the future definition of 'fundamental standards', beneath which healthcare provision ought never to drop. These standards are being developed by the National Institute for Health and Care Excellence ("NICE"), with the intention that they are monitored by the CQC, and in the event of breach immediate enforcement action and sanctions will be imposed. Fundamental Standards will be in place from 1 October 2014 and are again subject to a recent consultation process. Providers will need to ensure, once the fundamental standards are defined, that internal systems to monitor quality and safety are in place to identify any lapses in those standards, so that they are rectified before regulatory scrutiny. A system of delivering continuous improvement in quality, reinforced by a robust governance structure and a culture of openness to ensure concerns are freely raised by staff, are all the markers of a successful and compliant healthcare provider of 2014 and beyond.

One of the CQC's main powers is the power to issue Warning Notices as a result of an organisation's non-compliance with particular quality standards, on a standard by standard basis. On the basis of amendments to their powers introduced via the Care Act which received Royal Assent on 15 May 2014, the CQC will be able to issue a new Warning Notice where it considers that an organisation needs "significant improvements in quality". Also introduced in the Care Act is a new criminal offence linked to the provision of inaccurate or misleading information on performance, where the provider works within NHS patient services (including the independent sector with NHS contracts). Penalties include fines and publication orders.

Monitor

Monitor is the sector regulator for healthcare in England. As of 1 April 2014, subject to certain exemptions, any healthcare provider, including those within the independent sector, must hold a provider

licence from Monitor in order to provide NHS commissioned services. Each licence will be subject to standard conditions, which are published on Monitor's website. The conditions relate to (among other things) the provision of data and information and prohibit providers from doing anything that would reasonably be regarded as being against the interests of people who use health care services by being detrimental to the integration of, or cooperation between, providers. A separate, more onerous category of conditions designed to ensure the continuity of essential NHS services will also apply to independent sector licensees to the extent that they provide services which are designated as 'Commissioner Requested Services'.

Monitor will police compliance with these conditions, and take enforcement action where conditions are breached. Where breaches are persistent, or extreme, Monitor can revoke a licence or impose a financial penalty (currently indicated as up to 10% of the provider's turnover from applicable NHS services in England).

To be eligible for a Monitor licence, the service provider must also be registered with the CQC and must confirm that, from the outset, and on an on-going basis, its directors and/or governors satisfy a prescribed fit and proper person test. To be a fit and proper person, an individual must not (among other things) have recent criminal convictions, director disqualifications or be an undischarged bankrupt.

Certain members of the Group are required to apply for (and have been granted) a Monitor licence. At this stage it appears that none of the Group's services will fall within the scope of "Commissioner Requested Services".

Other licensing and registration regimes

In addition to the licensing and registration regimes imposed by the CQC and Monitor, in the ordinary course of business the Group and/or its personnel are required to hold a variety of clinical and non-clinical licences and registrations in respect of various premises, facilities and activities. These include (with an indication of the relevant licensing authority or subject matter where necessary):

- General Pharmaceutical Council registration;
- National Pharmacy Association membership;
- Controlled Drugs Licence (Home Office);
- Termination of Pregnancies Licence (Home Office);
- Human Fertilisation and Embryology Authority Licence;
- Human Tissue Authority Licence;
- Clinical Pathology Accreditation (UK) Ltd.;
- SGS UK Limited accreditation (theatre equipment and sterilisation);
- Medicines and Healthcare Products Regulatory Agency Blood Safety and Quality Regulations accreditation;
- Denatured Alcohol License (HM Customs & Revenue);
- Waste Carriers Registration (Environment Agency);
- Hazardous Waste Producer Registration (Environment Agency);
- Radioactive substances permit (Environment Agency);
- Administration of Radioactive Substances Advisory Committee Licence;
- Data Protection Act registration;
- Alcohol licence (various local authorities);
- Copyright Licensing Agency licence;
- Business Radio licence (Ofcom);
- Public Performance Licence (Performing Rights Society); and
- TV licence (TV Licensing Authority).

Corporate Manslaughter and Corporate Homicide Act 2007 (“CMCHA”)

Under the CMCHA, the Group would be guilty of an offence if the way in which its activities are managed or organised causes a person’s death and amounts to a gross breach of a relevant duty of care owed by the Group to the deceased person. Offences under the CMCHA could lead to a significant fine, which may be determined as a percentage of the Group’s turnover.

The Health & Safety Legislation

The Group is subject to dozens of separate laws or regulations relating to health and safety, though many of them only affect it tangentially. These laws are enforced mainly at the national level, with one material exception being fire safety laws, which are enforced by local fire inspectors. The most significant occupational health and safety law is the Health & Safety at Work etc Act 1974 (“**Health & Safety Act**”). The Health & Safety Act imposes a duty of care upon members of the Group not only in regards to its employees but also to its patients. Group members are required to take care to prevent serious accidents and remove from its facilities conditions that could lead to such accidents. This is an area of special concern in services like health care where patients can be temporary residents in the Group’s facilities. To ensure that the Group remains in compliance with these laws, members maintain a Health and Safety committee involving senior management and employ health and safety specialists in each of their divisions. The Group also employs a specialist consulting firm to test its compliance with, and improve its policies concerning, health and safety laws. In the last five years, the Group has not been subject to any prosecutions for a violation of any health and safety legislation, nor has it been fined for failure to comply with any such law or regulation.

Scotland, Northern Ireland and Wales

Healthcare Improvement Scotland (“**HIS**”) is a national body set up to achieve the following objectives through a programme of evidence gathering, improvement and scrutiny: to support healthcare professionals in Scotland find and use the best advances in medicines, technology and medical practice to improve the quality of healthcare and to make sure that every hospital, every GP practice and every clinic improves the care they provide to patients. HIS is also responsible for the inspection and regulation of all independent healthcare services in Scotland, responsibilities it took over from the Care Commission in April 2011. HIS is currently responsible for registering and regulating independent hospitals, voluntary hospices and private psychiatric hospitals against the Public Services Reform (Scotland) Act 2010 and the National Care Standards (and other associated regulations). The Scottish Government consulted on the future arrangements for regulation of independent healthcare services last year and is currently considering the way forward.

The Regulator for Northern Ireland is the Regulation and Quality Improvement Authority (“**RQIA**”). The legislation under which RQIA was established is the Health and Personal Social Services (Quality, Improvement and Regulation) (Northern Ireland) Order 2003. The RQIA registers and inspects independent hospitals. The regulation of services is based on the new minimum care standards that ensure that care providers are adhering to the regulations and delivery of service that meets the minimum care standards.

Healthcare Inspectorate Wales (“**HIW**”) was established as the independent inspectorate and regulator of all healthcare in Wales on 1 April 2006. HIW registers and inspects independent health services against the requirements of the Care Standards Act 2000, the Private and Voluntary Healthcare Regulations, other associated regulations and the National Minimum Standards made by the National Assembly for Wales. HIW’s primary focus is on: making a significant contribution to improving the safety and quality of healthcare services in Wales, improving citizens’ experience of healthcare in Wales whether as a patient, service user, carer, relative or employee, strengthening the voice of patients and the public in the way health services are reviewed and ensuring that timely, useful, accessible and relevant information about the safety and quality of healthcare in Wales is made available to all.

The powers of the regulatory bodies in Scotland, Northern Ireland, and Wales are broadly similar to those of the CQC.

The CSA provides for the registration and regulatory structure for all non-NHS health care services in Wales. The essential principle of the CSA is to register operators (Registered Providers) at specific locations (Registered Premises). The Healthcare Inspectorate Wales is in charge of independent hospitals. Services remain registered as “establishments” and “agencies” under the CSA and both the provider and

manager need to be separately registered for every establishment or agency that they manage. The CSA enables the Welsh Ministers in Wales to issue regulations which contain legally binding obligations on Registered Providers governing their operations. Additionally, the Welsh Ministers are empowered to publish national minimum standards which provided more specific detail as to the minimum standards expected of Registered Providers in relation to issues such as the delivery of care, record keeping and the physical standards of the Registered Premises. The national minimum standards in themselves do not have the force of law and must to be enforced by specific reference to the regulations.

The regulations also deal with matters such as the activities which require registration, the fees for registration, when the national regulator must be notified of certain matters, the frequency of quality audits to be carried out by Registered Providers, when a Registered Provider will be committing a criminal offence and what action the relevant national regulator must take before a Registered Provider can be prosecuted for an offence under the regulations. Additionally, civil enforcement provisions are set out relating to the regulator's power to cancel registration or amend or impose new registration conditions.

As stated, the regulations and NMS issued by the Welsh Ministers are still the legal framework in Wales.

Additional significant recent and future developments

The following additional key changes which have recently been introduced, or are expected to occur in health regulation in England over the next two to three years, will likely impact the way Group members conduct their business:

- introduction of a statutory duty of candour from 1 October 2014;
- introduction of two new criminal offences associated with healthcare providers; and
- expansion of the Health and Safety Executive's scope of responsibilities, to include investigating clinical incidents.

The introduction of a statutory duty of candour within healthcare regulation will have a significant impact on all providers from an operational, strategic and risk perspective. The draft regulations have confirmed that this new duty will focus at corporate entity level (i.e. breach is by the registered provider) and will only draw individuals in at director level where there is evidence of deliberate attempts to prevent the duty of candour being complied with.

The two new criminal offences associated with healthcare providers which have recently been, or are expected to be, introduced are namely 1) an offence introduced via the Care Act 2014 which arises from the deliberate presentation of inaccurate or misleading performance data (within NHS commissioned services, including the independent sector) and 2) the offence of wilful neglect, representing criminalisation of wholly substandard healthcare where harm is caused. The second offence is aimed at care which falls so far below that which is regarded as reasonable, as to merit being classified as criminal. It is aimed both at individuals and corporate bodies and is expected to be triggered in the event that reckless or wilful/deliberate actions in delivering healthcare causes harm.

PART 7

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The following table lists the names, positions and ages of the Directors:

Name	Age	Position
Garry Watts	57	Non-executive Chairman
Rob Roger	53	Chief Executive Officer
Simon Gordon	44	Chief Financial Officer
John Gildersleeve	69	Deputy Chairman and Senior Independent Director
Simon Rowlands	57	Non-executive Director
Dr Supraj Rajagopalan	36	Non-executive Director
Tony Bourne	60	Independent Non-executive Director
Dame Janet Husband	74	Independent Non-executive Director
Robert Lerwill	62	Independent Non-executive Director

Garry Watts (Non-executive Chairman)

Garry Watts, FCA, MBE, the Non-executive Chairman of the Company, was prior to this Executive Chairman of the Group from the time he joined Spire in 2011. Prior to joining Spire he was CEO of SSL International plc for seven years (and before that its CFO). SSL was a £2.5 billion international consumer healthcare brands company, which was acquired by Reckitt Benckiser in late 2010. Garry is also Chairman of BTG plc, and of Foxtons Group plc, deputy chairman of Stagecoach Group plc and a non-executive director of Coca-Cola Enterprises, Inc. A chartered accountant and former partner at KPMG, Garry was previously an executive director of Celltech plc and of Medeva plc and a non-executive director of Protherics plc. Other roles have included 17 years as a member of the UK Medicines and Healthcare Products Regulatory Agency Supervisory Board.

Garry Watts is a member of the clinical governance and risk committee.

Rob Roger (Chief Executive Officer)

Rob Roger has been CEO of Spire since May 2011. Previously he was appointed CFO when Spire Healthcare was formed in 2007. Prior to joining Spire Rob spent nine years with the Tussauds Group as CFO. During this time he also had responsibility for business development, was CEO (acting) in 2001/2002 and oversaw the opening of Madame Tussauds in six markets. He oversaw the sale of Tussauds Group to Merlin Entertainment in April 2007. Prior to this, Rob was CFO of First Choice holidays and flights from 1995-1997, and was CFO of Pizza Hut in France from 1992-1995 overseeing the roll out of 150 sites across France. Rob qualified as a chartered accountant with PricewaterhouseCoopers LLP.

Rob Roger is a member of the nomination committee.

Simon Gordon (Chief Financial Officer)

Simon Gordon joined Spire in July 2011 having spent eight years as Group Finance Director of leading international health and fitness club business, Virgin Active. Prior to joining Virgin Active, Simon worked for KPMG on both audit and transaction advisory projects for both listed and private companies. Simon qualified as a chartered accountant with KPMG.

Simon Gordon does not sit on any board committees.

John Gildersleeve (Deputy Chairman and Senior Independent Director)

John Gildersleeve has been the Deputy Chairman and Senior Independent Director of Spire since June 2014. He has been chairman of The British Land Company plc since January 2013, prior to which he served as a non-executive director of British Land from September 2008 and as senior independent director from November 2010. John is also deputy chairman of Carphone Warehouse Group PLC and a non-executive director of TalkTalk Telecom Group PLC. Until 2004, John was a director of Tesco plc. He was formerly chairman of New Look Retail Group Limited, EMI Group, Gallaher Group and Carphone Warehouse Group and was also a non-executive director of Lloyds TSB Bank PLC and Vodafone Group.

John Gildersleeve is a member of the remuneration committee and the nomination committee.

Simon Rowlands (Non-executive Director)

Simon Rowlands has been a Non-executive Director since June 2014 and has served as a non-executive director of the Spire Group since 2007. His other current appointments include non-executive directorships at MD Medical Group and Avio. Simon is a Founding Partner of European private equity firm Cinven Partners which he joined in 1986. At Cinven, Simon established and led the healthcare team and was involved in a number of transactions including General Healthcare Group, Amicus and Partnerships in Care in the UK; USP in Spain; and Générale de Santé, Aprovia and MediMedia in France. In July 2012, Simon became Senior Adviser at Cinven. Prior to joining Cinven, Simon worked with an international consulting firm on multi-disciplinary engineering projects in the UK and southern Africa. He has an MBA in business, a BSc in engineering and is a chartered engineer.

Simon Rowlands does not sit on any committees.

Dr Supraj Rajagopalan (Non-executive Director)

Dr Supraj Rajagopalan has been a Non-executive Director since June 2014 and has served as a non-executive director of the Group since 2012. He is a partner at Cinven, where he leads the firm's activities in the healthcare sector. During nearly 10 years at Cinven, he has been involved in a wide variety of transactions, most recently leading the firm's investments in AMCo and Medpace. He has sat on the board of several other Cinven portfolio companies, including Phadia and Ahlsell. Prior to joining Cinven in 2004, Supraj worked at the Boston Consulting Group in London, advising corporate clients in the healthcare and financial services sectors. Before this, he was a doctor in the NHS. Supraj graduated with undergraduate and postgraduate degrees in Medical Sciences from the University of Cambridge.

Dr Supraj Rajagopalan is a non-executive director and does not sit on any committees.

Tony Bourne (Independent Non-executive Director)

Tony Bourne has been a Non-executive Director since June 2014. He is currently a remuneration committee member and is also non-executive director at various companies including Barchester, one of the UK's largest residential care home businesses, and Bioquell Plc, a London Stock Exchange-listed company with a leading position in bio-decontamination and in testing, regulatory and compliance services. Tony was chief executive of the British Medical Association for nine years until 2013. Prior to this he was in investment banking for over 25 years, including as a partner at Hawkpoint and as global head of the equities division and a member of the managing board of Paribas. Tony has also previously served as a non-executive director of Southern Housing Group, from 2004 to 2013, and Scope, which focuses on cerebral palsy and is one of the UK's largest charities.

Tony Bourne is a member of the audit committee, the remuneration committee and the clinical governance and risk committee.

Dame Janet Husband (Independent Non-executive Director)

Dame Janet Husband has been a Non-executive Director since June 2014. She also currently holds the position of Emeritus Professor of Radiology at the Institute of Cancer Research and serves on the boards of Royal Marsden NHS Foundation Trust and Nuada Medical Group as a non-executive director. Prior to her appointment with the Group, she also served as a Specially Appointed Commissioner to the Royal Hospital Chelsea, was president of the Royal College of Radiologists and chaired the National Cancer Research Institute in the UK. She obtained her education at Guy's Hospital Medical School and was appointed as Professor of Diagnostic Radiology at the University of London, Institute of Cancer Research in addition to more than twenty years as a practising consultant radiologist.

Janet Husband is a member of the audit committee, the nomination committee and the clinical governance and risk committee.

Robert Lerwill (Independent Non-executive Director)

Robert Lerwill is a chartered accountant and has been a Non-executive Director since June 2014. He spent 13 years with Arthur Andersen and 10 at WPP as CFO. He then joined Cable & Wireless as CFO in 1996 and subsequently became deputy CEO and CEO of Cable & Wireless Regional, leaving in 2003. In 2000,

Robert joined Aegis plc as a non-executive director and chair of the audit committee and then served as CEO of Aegis Group from 2005 to 2008. Robert also served as a non-executive director at Synergy Health plc from 2005 to 2012, becoming chairman of the board in 2010, and at British American Tobacco plc from 2005 to 2013, where he was also chair of the audit committee. Robert currently serves as a non-executive director of ITC Limited, a large Indian conglomerate DJI (Holdings) plc and the Payments Council Limited. Robert has a BA degree from Nottingham University (industrial economics) and has also attended the Advanced Management Program at Harvard Business School.

Robert Lerwill is a member of the audit committee and the nomination committee.

Executive management team

The Company's current executive management team, in addition to the Executive Directors listed above, consists of the chief operations officer, group medical director, commercial director, business development director, director of group services, HR and IT and the Group's general counsel. The executive management team aid the Executive Directors in the management of the Company's business.

Chief Operations Officer

Andrew Philip Gore has been the Chief Operations Officer of the Group for two years. The Chief Operations Officer is responsible for the day to day operations of all Spire businesses and for their delivery of revenue and profit targets. Prior to taking on the role of Chief Operations Officer, he served as a National Operations Director. In addition to his 15 years of hospital director experience, Andrew has 15 years of hotel management experience. He trained as a hotel manager and qualified as a member of Hotel Catering and Institutional Management Association.

Group Medical Director

Jean-Jacques de Gorter is the Group Medical Director and has overseen the Company's clinical governance and quality for the past nine years. Prior to this he served as Director of Clinical Services for Bupa Hospitals and as a Medical Director for NHS Direct. He is currently a non-executive director at the Milton Keynes Foundation Trust and chairs its Quality Committee. Dr de Gorter graduated with a Bachelor of Medicine and Bachelor of Surgery from Charing Cross and Westminster Medical School and subsequently completed his MBA degree at Cranfield School of Management.

Corporate governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. Except as described below, as of the date of this Prospectus and on and following Admission, the Board complies and will comply with the UK Corporate Governance Code (the "**Governance Code**") published in September 2012 by the Financial Reporting Council, as it may be amended from time to time. As envisaged by the Governance Code, the Board has established an audit and risk committee, a nomination committee and a remuneration committee and has also established a separate clinical governance and risk committee. If the need should arise, the Board may set up additional committees as appropriate.

The Governance Code recommends that, in the case of a FTSE 350 company, at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgment and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Board considers that the Company complies with the requirements of the Governance Code in this respect with John Gildersleeve, Tony Bourne, Janet Husband and Robert Lerwill determined to be independent.

The Governance Code also recommends that the board of directors should appoint one of the independent non- executive directors as the senior independent director and John Gildersleeve has been appointed to fulfil this role. The Senior Independent Director will be available to Shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

The Governance Code also recommends that the chairman of the board of directors should meet the independence criteria set out in the Governance Code on appointment. Garry Watts was not independent on appointment, having previously served as Executive Chairman of Spire. Following his appointment as

Non-executive Chairman, Garry is responsible for the leadership and overall effectiveness of the Board and setting the Board's agenda, but he is no longer responsible for the day to day management of the Group.

Audit and risk committee

The audit and risk committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, risk management, whistleblowing and fraud systems in place within the Group. The audit committee will normally meet at least three times a year and as requested by the external auditor.

The audit and risk committee is chaired by Robert Lerwill and its other members are Tony Bourne and Janet Husband. The Governance Code recommends that all members of the audit and risk committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that one such member has recent and relevant financial experience. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Nomination committee

The nomination committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive Officer and other senior executives. The nomination committee will normally meet at least once a year.

The nomination committee is chaired by John Gildersleeve and its other members are Janet Husband, Robert Lerwill and Rob Roger. The Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Remuneration committee

The remuneration committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman and other senior executives and prepares an annual remuneration report for approval by the Shareholders at the annual general meeting. The remuneration committee will normally meet at least twice a year.

The remuneration committee is chaired by Tony Bourne and its other members are John Gildersleeve and Robert Lerwill. The Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Group complies with the requirements of the Governance Code in this respect.

Clinical governance and risk committee

The clinical governance and risk committee assists the Board in monitoring the Group's non-financial risks including clinical performance, health and safety and facilities and plant. The committee also reports to the audit and risk committee on matters of internal control and risk management within its remit. The committee will normally meet at least six times a year.

The clinical governance and risk committee is chaired by Dame Janet Husband and its other members, supported by group medical director, are Tony Bourne, Rob Roger and Garry Watts.

Share dealing code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares which is based on, and is at least as rigorous as, the model code as published in the Listing Rules.

The code adopted will apply to the Directors and other persons discharging managerial responsibilities and relevant employees of the Group.

Relationship Agreement with the Cinven Funds

As at the date of the Prospectus, to the extent known by the Company, the Company is owned or controlled by the Cinven Funds, which, immediately prior to Admission, together hold indirectly 98.6% of the voting rights attached to the issued share capital of the Company. Immediately following the Offer and Admission, it is expected that the Cinven Funds will hold approximately 54.2% of the voting rights attached to the issued share capital of the Company, assuming no exercise of the Over-allotment Option, and 47.5% assuming the Over-allotment Option is exercised in full (in each case assuming that the Offer Price is set at the mid-point of the Price Range and that the Cinven Funds sell the maximum number of Shares they have indicated they will make available in the Offer).

On 7 July 2014, the Company and the Cinven Funds entered into the Relationship Agreement which will, conditional upon Admission, regulate the on-going relationship between the Company and the Cinven Funds. The principal purpose of the Relationship Agreement is to ensure:

- that the Company is able to comply with the Listing Rules and will be carrying on an independent business as its main activity;
- that all transactions and arrangements between the Group and the Cinven Funds and their respective associates are at arm's length and on normal commercial terms;
- that the Cinven Funds and their respective associates will not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, or propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- that the goodwill, reputation and commercial interests of the Company are maintained; and
- that the Board will manage the Company in the interests of the Shareholders as a whole.

The Relationship Agreement will continue for so long as (a) the Shares are listed on the premium listing segment of the Official List and (b) the Cinven Funds or any of their associates and concert parties together are entitled to exercise or to control the exercise of 15% or more of the votes which are generally exercisable at general meetings of the Company.

Under the Relationship Agreement, the Cinven Funds are able to nominate two Directors for appointment to the Board for so long as they are entitled to exercise or to control the exercise of the equivalent of 30% or more of the votes which are generally exercisable at general meetings of the Company. The Cinven Funds are able to nominate one non-executive Director for appointment to the Board for so long as they are entitled to exercise or control the exercise of between 15% and 30% of the votes which are generally exercisable at general meetings of the Company. As it is expected immediately following Admission that the Cinven Funds will hold more than 30% of the voting rights attached to the issued share capital of the Company, they will be entitled to nominate two non-executive Directors for appointment to the Board. The first such nominees are Simon Rowlands and Dr Supraj Rajagopalan.

The Directors believe that the terms of the Relationship Agreement will enable the Company to comply with the Listing Rules and allow the Group to carry on its business independently of the Cinven Funds.

Following Admission, the Articles will allow the election and re-election of independent directors to be conducted in accordance with the requirements of the Listing Rules.

Conflicts of interest

Simon Rowlands and Dr Supraj Rajagopalan hold positions at Cinven, which manages the Cinven Funds. Immediately following the Offer and Admission, it is expected that the Cinven Funds will hold approximately 54.2% of the voting rights attached to the issued share capital of the Company, assuming no exercise of the Over-allotment Option, and 47.5% assuming the Over-allotment Option is exercised in full (in each case assuming that the Offer Price is set at the mid-point of the Price Range and that the Cinven Funds sell the maximum number of Shares they have indicated they will make available in the Offer).

Save as set out in the paragraph above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests or other duties.

PART 8

SELECTED FINANCIAL INFORMATION

The selected financial information set out below has been extracted without material amendment from Section B of *Part 11: "Historical Financial Information"* of this document, where it is shown with important notes describing some of the line items.

SELECTED COMBINED INCOME STATEMENT

	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
			(£ millions)		
Revenue	674.0	738.9	764.5	190.6	210.4
Cost of sales	(320.9)	(366.4)	(382.1)	(94.9)	(105.6)
Gross profit	353.1	372.5	382.4	95.7	104.8
Other operating costs	(218.9)	(242.7)	(282.8)	(68.8)	(79.4)
Operating profit	134.2	129.8	99.6	26.9	25.4
<i>Exceptional items included within other operating costs</i> . .	(4.2)	(20.5)	(11.5)	(3.0)	(4.9)
<i>Operating profit before exceptional items</i>	138.4	150.3	111.1	29.9	30.3
Profit/(loss) on disposal of property, plant and equipment	(0.2)	0.5	44.2	44.8	19.6
Interest income	0.2	0.4	0.4	0.1	—
<i>Finance costs</i>	(183.3)	(190.3)	(153.9)	(38.6)	(35.5)
<i>Exceptional finance (costs)/income</i>	—	(129.1)	(42.2)	26.6	—
<i>Total finance costs</i>	(183.3)	(319.4)	(196.1)	(12.0)	(35.5)
Profit/(loss) before taxation	(49.1)	(188.7)	(51.9)	59.8	9.5
Taxation	26.4	58.3	154.1	103.9	(1.9)
Profit/(loss) for the year/period	(22.7)	(130.4)	102.2	163.7	7.6

SELECTED COMBINED BALANCE SHEET

	As at 31 December			As at
	2011	2012	2013	31 March
	(£ millions)			2014
ASSETS				
Non-current assets				
Intangible assets	516.2	515.8	514.9	514.9
Property, plant and equipment	1,477.8	1,463.0	813.9	808.8
Deferred tax assets	20.7	16.1	17.1	14.9
	2,014.7	1,994.9	1,345.9	1,338.6
Current Assets				
Inventories	24.4	25.5	26.2	25.4
Trade and other receivables	91.4	95.4	131.2	143.8
Cash and cash equivalents	95.4	133.8	111.5	145.2
	211.2	254.7	268.9	314.4
Total Assets	2,225.9	2,249.6	1,614.8	1,653.0
EQUITY AND LIABILITIES				
Equity				
Hedging reserve	(197.8)	(83.3)	—	—
Other reserves	(228.7)	(358.5)	(256.2)	(248.6)
Equity attributable to owners of the parent	(426.5)	(441.8)	(256.2)	(248.6)
Non-controlling interests	(0.1)	—	—	—
Total Equity	(426.6)	(441.8)	(256.2)	(248.6)
Non-current liabilities				
Borrowings	2,023.1	2,092.6	882.1	1,592.2
Derivative financial instruments	216.1	196.1	52.4	50.2
Deferred tax	220.9	198.2	77.4	76.5
	2,460.1	2,486.9	1,011.9	1,718.9
Current liabilities				
Provisions	1.3	3.6	3.2	3.1
Borrowings	34.6	40.7	746.8	55.1
Derivative financial instruments	47.5	54.5	22.1	21.2
Trade and other payables	109.0	105.7	87.0	103.3
	192.4	204.5	859.1	182.7
Total liabilities	2,652.5	2,691.4	1,871.0	1,901.6
Total equity and liabilities	2,225.9	2,249.6	1,614.8	1,653.0

SELECTED COMBINED CASH FLOW STATEMENT

	Financial Year Ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Cash flows from operating activities					
Profit/(loss) before taxation	(49.1)	(188.7)	(51.9)	59.8	9.5
Adjustments for:					
depreciation	48.5	51.4	43.0	10.3	11.2
goodwill impairment	—	0.4	0.9	—	—
share-based payments	—	0.1	—	—	—
(profit)/loss on disposal of property, plant and equipment	0.2	(0.5)	(44.2)	(44.8)	(19.6)
interest income	(0.2)	(0.4)	(0.4)	(0.1)	—
finance costs	183.3	190.3	153.9	38.6	35.5
exceptional finance (income)/costs	—	129.1	42.2	(26.6)	—
	182.7	181.7	143.5	37.2	36.6
Movements in working capital:					
decrease/(increase) in trade and other receivables	4.1	(1.4)	(32.0)	(13.0)	(11.5)
(increase)/decrease in inventories	(2.7)	(1.1)	(0.7)	1.4	0.8
increase/(decrease) in trade and other payables	10.5	(4.7)	(10.7)	(15.5)	15.1
increase/(decrease) in provisions	—	2.3	(0.4)	(0.2)	(0.1)
Net cash from operating activities	194.6	176.8	99.7	9.9	40.9
Cash flows from investing activities					
Acquisition of group undertakings	(0.9)	—	—	—	—
Purchase of property, plant and equipment	(43.1)	(55.2)	(53.7)	(8.0)	(18.4)
Proceeds from disposal of property, plant and equipment . .	0.5	20.0	700.4	700.3	31.3
Interest received	0.2	0.4	0.4	0.1	—
Net cash generated from/(used in) investing activities	(43.3)	(34.8)	647.1	692.4	12.9
Cash flows from financing activities					
Acquisition of minority interest	—	—	(0.6)	—	—
Interest paid	(93.7)	(92.4)	(59.2)	(22.2)	(12.4)
Debt assurance costs	(0.2)	—	—	—	—
Repayments of borrowings	(11.1)	(15.4)	(789.3)	(707.3)	(7.7)
Proceeds from issue of equity to non-controlling interests . .	—	0.5	—	—	—
Proceeds from long-term borrowing	11.1	3.7	80.0	—	—
Net cash used in financing activities	(93.9)	(103.6)	(769.1)	(729.5)	(20.1)
Net increase/(decrease) in cash and cash equivalents	57.4	38.4	(22.3)	(27.2)	33.7
Cash and cash equivalents at beginning of year/period	38.0	95.4	133.8	133.8	111.5
Cash and cash equivalents at end of year/period	95.4	133.8	111.5	106.6	145.2

KEY PERFORMANCE INDICATORS AND SELECTED HISTORICAL FINANCIAL INFORMATION

The following table details the Group's revenue mix by payor type for the periods indicated:

	Financial Year ended 31 December				
	2009	2010	2011	2012	2013
	(£ millions)				
Total revenue	620.0	643.0	674.0	738.9	764.5
<i>Of which:</i>					
PMI	371.7	378.2	403.1	416.1	415.8
NHS	138.5	147.3	135.9	175.3	191.4
Self-pay	88.9	95.9	110.4	121.2	130.8
Other*	20.9	21.6	24.6	26.3	26.5

* Other revenue includes fees paid to the Group by consultants (e.g. for use of Group facilities and services), third party revenue streams (e.g. pathology services to external hospitals), revenue from providing secretarial and administrative services and commissioning for quality and innovation payments (earned for meeting quality targets on NHS work) ("CQUIN").

The following table details the Group's revenue mix by procedure type for the periods indicated:

	Financial Year ended 31 December				
	2009	2010	2011	2012	2013
	(£ millions)				
Total revenue	620.0	643.0	674.0	738.9	764.5
<i>Of which:</i>					
In-patient/daycase	425.3	435.7	450.8	492.1	505.9
Out-patient	173.8	185.7	198.6	220.5	232.1
Other	20.9	21.6	24.6	26.3	26.5

The following table details the Group's capital expenditure by type for the periods indicated:

	Financial Year Ended 31 December				
	2009	2010	2011	2012	2013
	(£ millions)				
Maintenance	21.8	24.8	21.8	19.0	24.5
% Revenue	3.5%	3.9%	3.2%	2.6%	3.2%
IT	2.4	1.3	9.5	10.3	6.0
Developments:					
Major refurbishment/development of current hospitals	29.3	14.3	12.1	14.8	17.9
New hospital developments	13.5	5.3	—	11.9	—
Radiotherapy—Bristol	—	—	—	—	6.1
Total development	42.8	19.6	12.1	26.7	24.0
Total capital expenditure	67.0	45.7	43.4	56.0	54.5
% Revenue	10.8%	7.1%	6.4%	7.6%	7.1%
Interest capitalised	—	—	(0.1)	(0.8)	(0.8)
Acquired through a business combination	—	—	(0.2)	—	—
Purchase of property, plant and equipment	67.0	45.7	43.1	55.2	53.7

PART 9

OPERATING AND FINANCIAL REVIEW

This Part 9: “Operating and Financial Review” should be read in conjunction with Part 2: “Presentation of Financial and Other Information”, Part 5: “Industry Overview”, Part 6: “Business Overview” and Part 11: “Historical Financial Information”. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 9—“Operating and Financial Review” is extracted from the financial information set out in Part 11: “Historical Financial Information”.

The following discussion of the Group’s results of operations and financial conditions contains forward-looking statements. The Group’s actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly under Part 1: “Risk Factors” and Part 2: “Presentation of Financial and Other Information—Forward-Looking Statements”. In addition, certain industry issues also affect the Group’s results of operations and are described in Part 5: “Industry Overview”.

OVERVIEW

The Group is a leading private hospital group in the United Kingdom, with 39 private hospitals and 13 clinics across England, Wales and Scotland. The Group delivered tailored, personalised care to approximately 236,000 in-patients and daycase patients in 2013, and is the leading provider by volume of knee and hip operations in the United Kingdom. The Group estimates that it also had more than 1.7 million out-patient episodes (including consultations) in the same period.

With the UK healthcare market facing unprecedented supply challenges as a result of government budget constraints and increasing demand from a growing, ageing and longer-living population, the Group is well-positioned to access the potential private sector growth through PMI, self-pay and NHS funded provision.

The Group was formed with the acquisition and rebranding of 25 Bupa hospitals in 2007 and 10 Classic hospitals in 2008. Since then, the Group has successfully added further hospitals and clinics, most recently with the acquisition of St. Anthony’s hospital in Greater London on 22 May 2014. Pending clearance from the CMA, St. Anthony’s will be held and operated separately from the other hospitals in the Group’s portfolio. Since inception in 2007, the Group has made capital investments totalling £509 million (including acquisitions) and continues to maintain its hospitals to a high standard to deliver tailored, personalised care with successful and award winning clinical outcomes and high levels of patient satisfaction.

The Group offers out-patient services, such as consulting, diagnostic imaging, pathology, minor procedures, health checks and physiotherapy. The Group also offers in-patient/day-case procedures in areas including orthopaedics, gynaecology, cardiology, neurology, oncology and general surgery. During the year ended 31 December 2013, the Group employed 6,944 (full-time equivalents) people nationwide and more than 3,500 experienced, self-employed consultant surgeons and other specialists with substantive practices at the Group’s facilities. In 2013, the Group generated revenue of £764.5 million and EBITDAR of £209.0 million, which have grown at a CAGR of 6.5% and 5.1% respectively since 2011 despite the economic downturn.

KEY PERFORMANCE INDICATORS

The Directors regularly review certain KPIs in managing the financial performance of the Group. These include: revenue by payor and patient type, patient volumes, by payor, theatre numbers and utilisation and EBITDAR.

The following table sets out the Group's KPIs during the period under review:

	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
			(£ millions)		
Total revenue	674.0	738.9	764.5	190.6	210.4
<i>Of which:</i>					
<i>PMI</i>	403.1	416.1	415.8	106.0	109.6
<i>NHS</i>	135.9	175.3	191.4	47.7	59.3
<i>Self-Pay</i>	110.4	121.2	130.8	30.6	34.3
<i>Other⁽¹⁾</i>	24.6	26.3	26.5	6.3	7.2
<i>Of which:</i>					
<i>In-patient/daycase</i>	450.8	492.1	505.9	127.9	140.5
<i>Out-patient</i>	198.6	220.5	232.1	56.4	62.7
<i>Other</i>	24.6	26.3	26.5	6.3	7.2
			(thousands)		
In-patient/Daycase discharges	223	233	236	59	64
<i>Of which:</i>					
<i>PMI volumes</i>	134	131	124	32	32
<i>NHS volumes</i>	54	67	76	18	23
<i>Self-pay volumes</i>	35	35	36	9	9
			(theatres/%)		
No. of theatres⁽²⁾	111	115	115	115	115
Utilisation⁽³⁾	63%	65%	64%	62%	66%
			(£ millions)		
EBITDAR	189.2	205.3	209.0	52.1	56.0
EBITDA	186.9	201.7	154.1	40.2	41.5

Notes:

- (1) Other revenue includes fees paid to the Group by consultants (e.g. for use of Group facilities and services), third party revenue streams (e.g. pathology services to external hospitals), revenue from providing secretarial and administrative services and commissioning for quality and innovation payments (earned for meeting quality targets on NHS work) ("CQUIN").
- (2) Represents the number of theatres in use at period end.
- (3) Theatre utilisation is calculated by dividing utilised theatre hours by maximum theatre hours (maximum theatre hours is defined as 10 hours per weekday and seven hours per Saturday for 50 weeks per year).

CURRENT TRADING AND PROSPECTS

Revenue performance for the first quarter of 2014, relative to the first quarter of 2013, has been favourably impacted by the timing of Easter, which fell outside the first quarter of 2014. Notwithstanding this effect, the business has seen strong revenue growth in 2014 and underlying performance has continued steadily since 31 March 2014. The rates of revenue growth by payor have remained largely unchanged since 31 March 2014, with self-pay and NHS revenue growth rates remaining substantially ahead of the revenue growth rate for PMI.

EBITDAR margin in the first quarter of 2014 was 26.6% compared to 27.3% in the same period in 2013. Relative to 2013, margins in 2014 have been adversely impacted by a reduction of 3% in NHS tariff applicable to the 2013/2014 fiscal year (i.e. from 1 April 2013 to 31 March 2014). Until 31 March 2015, the Group is exposed to a further 2% reduction in NHS tariff applicable from 1 April 2014 and an increase in central costs.

The Group expects to have increased central costs as a listed plc of approximately £3 million per year, with an impact of approximately £1.3 million anticipated for the year ending 31 December 2014. In addition, the Group expects costs in connection with senior management and key employee long term incentive plans to increase to approximately £6 million per year over the medium term, having an impact of approximately £1 million for the remainder of 2014, increasing by approximately £2 million per year thereafter to approximately £6 million per year by 2017.

NHS revenue growth has not impeded growth in either self-pay or PMI revenues. The mix of procedures undertaken by the Group remains stable, and the Group expects EBITDAR margins for the balance of 2014 to remain relatively consistent with those reported in the first quarter of 2014, save for the impact on EBITDAR margins of the 2% reduction to NHS tariff from 1 April 2014.

On 11 March 2014, a subsidiary of the Group entered into a contract for the sale of a long leasehold interest in the land and buildings of the Spire Washington Hospital, Washington, Tyne and Wear for total consideration of £32.3 million. The proceeds of this transaction have been retained by the Group to fund development activities. The starting rent for the lease retained for this hospital is £2.3 million per year, indexed to RPI.

The Group completed the acquisition of St. Anthony's hospital in May 2014. Pending clearance from the CMA, St. Anthony's will be held and operated separately from the other hospitals in the Group's portfolio. The Group expects total capital (including that spent to date) necessary for the acquisition of St. Anthony's hospital, including the development of a new six operating theatre complex, to be approximately £60 million. The Group expects this development phase to be completed by the end of 2016. St. Anthony's hospital generated revenue of £32 million and EBITDA of £3.3 million (approximately £2.5 million excluding identified VAT and business rate benefits) for the twelve months ended 31 March 2013. After the implementation of the Group's development plan and the integration with Spire, the Group expects St. Anthony's to generate pre-taxation ROCE of approximately 25-30% by year five, with run-rate EBITDAR margin by the end of 2015 of approximately 25%.

Over the next five years, in addition to the St Anthony's development, the Group expects to add a further ten operating theatres to its existing estate of hospitals.

Future development opportunities

The Group is also considering the development of new brownfield and newly built facilities. The Group expects to open three new sites in the next four years, of which one hospital in the second half of 2016 and two hospitals in 2017. The Group expects capital investment for each site to be approximately £45 million, and expects each site to generate annual revenue of approximately £35 million per site by year five, with targeted pre-taxation ROCE of approximately 20-25% by year five.

Spire has also identified additional opportunities in the radiotherapy field and is currently considering the opening of four new radiotherapy sites in addition to the Bristol Specialist Care Centre. The Group expects to open two radiotherapy sites in 2016 and two radiotherapy sites by the end of 2017. Capital investment is expected to amount to approximately £12 million per site, and each site is targeted to generate a pre-taxation ROCE of approximately 20% by year five.

Going forward, as a result of the above-described future development activities, the Group expects its depreciation expenses to increase in line with the increase in the cost of its assets. The Group projects that its depreciation expenses will be approximately 5.8% of revenue in 2014, increasing to up to 6.0% of revenue over the next five years.

SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

Payor and procedure mix

The Group has a diversified revenue base, with revenue being generated from three primary payor types: PMI, NHS and self-pay, as well as from a comprehensive range of specialties and procedures with broad geographical coverage that is accessible to all the UK's major urban centres, with the exception of central London. Total revenue consists of in-patient and daycase revenue, out-patient revenue and other revenue. Though most of the Group's patients will progress through with multiple stages of treatment and have multiple related appointments for diagnostics, procedures and recovery during their patient journey, after an initial consultation, revenue is generally received in a single, general payment covering the rest of their care. That revenue is then classified as a certain type of revenue (in-patient, daycase or out-patient), but in some cases, revenue generated from a single patient is split into a combination of in-patient/daycase revenue, out-patient revenue or other revenue.

Payor mix

The Group generated 54.4% of its revenue from PMI, 25.0% from NHS and 17.1% from self-pay in 2013. The Group believes this diversity of payor mix provides a natural funding hedge as improving

macroeconomic conditions generally contribute to an increase in the volume of PMI and self-pay patients, while enhanced NHS demand in weaker macroeconomic conditions tends to result in increased levels of NHS outsourcing to the Group's facilities. NHS work is usually booked during times of weaker private demand in order to maximise theatre capacity utilisation and sustain revenue growth. As NHS revenue increases, margins may decrease as the profit margins on NHS work are typically lower than on PMI and self-pay. NHS margins are impacted by a lower rate per procedure and also by the fact that the Group must settle any fees for consultants and anaesthetists from this fee. While self-pay rates are generally slightly higher than PMI rates, PMI prices are set nationally while self-pay prices are set locally. As a result, there can be some localised competitor effects that decrease local self-pay prices below the corresponding national PMI price. For PMI and some self-pay procedures the consultants and anaesthetists charge the patient separately from the Group.

The adverse impact on trading margins from undertaking NHS work can be mitigated where such work is performed within existing spare operating capacity. In such circumstances the additional costs to the Group of undertaking the procedures may be limited to the direct costs (prostheses, drugs and consumables) and the consultants and anaesthetists fee.

Most of the NHS work undertaken by the Group is priced at NHS tariff. In relation to the basket of procedures undertaken by the Group, NHS tariff decreased by 1% for the fiscal year 2011/12, by 2% for the fiscal year 2012/13, by 3% for the fiscal year 2013/14 and by 2% for the fiscal year 2014/15. In 2013, the NHS agreed that certain procedures undertaken in out-patients (notably physiotherapy) fell outside of the tariff for particular procedures and the Group has been able to collect additional fees when undertaking this work.

Under the NHS Standard Acute Contract, which governs the Choose & Book services, the Group is required to treat an NHS patient within 18 weeks of referral, consistent with the waiting targets imposed on NHS hospitals. While the Group's gross margin may decrease as NHS work becomes a greater percentage of the Group's revenue, the Group is able to regulate, to a certain degree, the volume of NHS work undertaken and the time taken for treatment to optimise the use of its operating theatres.

The following table details the Group's revenue mix by payor type for the periods indicated:

	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Total revenue	674.0	738.9	764.5	190.6	210.4
<i>Of which:</i>					
PMI	403.1	416.1	415.8	106.0	109.6
NHS	135.9	175.3	191.4	47.7	59.3
Self-pay	110.4	121.2	130.8	30.6	34.3
Other ⁽¹⁾	24.6	26.3	26.5	6.3	7.2

(1) Other revenue includes fees paid to the Group by consultants (e.g. for use of Group facilities and services), third party revenue streams (e.g. pathology services to external hospitals), revenue from providing secretarial and administrative services and CQUIN.

PMI

PMI has historically been the largest source of revenue for the Group with it generating revenue of £403.1 million, £416.1 million and £415.8 million, accounting for 59.8%, 56.3% and 54.4% of the Group's total revenue in 2011, 2012 and 2013, respectively. The Group estimates its geographic coverage reaches over 60% of the UK's PMI population with a focus on the wealthiest regions with the highest PMI coverage. The Group has long-standing relationships with all key insurers and all of the Group's hospitals are included in key insurer networks. To continue to deepen its relationships with all insurers and grow PMI revenue, the Group is expanding its acuity mix, targeting GPs not currently referring PMI patients, investing in service offerings to encourage private business away from NHS and re-engineering clinical pathways to deliver efficiencies and enable market growth. The Group is focused on increasing its transparency around clinical quality and delivery of services and therefore reinforcing its differentiated product. Additionally, the Group is supporting transformation initiatives, such as SME-directed insurance, operated by large insurers.

PMI growth has historically tracked GDP growth, with the exception of 2003-2006 when there was a significant increase in NHS funding during a period of GDP growth. During the recession there was downward pressure on individual and corporate PMI demand, which has stabilised during the economic recovery. The recession also led to a lag effect on PMI claims, which have also started to stabilise post-recession along with the recovery of PMI coverage, though subject to a time lag effect as corporate PMI spending tends to increase only after economic conditions have improved, and employee claims under those corporate policies tend to lag further as the number of insured lives increases. See “—*Volume and capacity*” below. PMI coverage is expected to rebound over the next five years as the economy continues to recover with UK GDP expected to grow at 2.5% CAGR from 2013 to 2018, according to ONS, and SMEs are also expected to increasingly offer up PMI coverage, according to Laing and Buisson. Additionally, strong employment growth is expected in high PMI penetration industries such as financial & insurance, administrative & other services, IT, telecoms & media, and professional, scientific & technical, which is expected to increase corporate PMI coverage. The ageing workforce in the UK is also anticipated to increase PMI coverage as retirees are increasingly choosing individual coverage in retirement.

The Group believes its PMI revenue performance in the first half of 2014 is likely to be slightly better than the first half of 2013, with volume performance trending to stable against a backdrop of volume decline in 2013. Headline inflation-based contractual rate increases may be adversely affected by a change in procedure mix (with a bias towards day case procedures, which typically generate lower revenues) in the first half of 2014, but are expected to be positive on an overall net basis.

The Group believes PMI volumes will continue to recover in the second half of 2014 with a close correlation of the growth of insured lives to the rate of growth of GDP. The Group expects a timing lag between the growth in insured lives and growth in medical claims of between 18 and 24 months. The Group expects prices to be largely mix neutral but sub-inflationary throughout 2015. For 2015, the Group expects PMI volumes to demonstrate further growth as GDP expansion contributes to further growth in insured lives and as the lag impact begins to drive improvements in procedure volumes. Overall, the Group expects this combination of factors to drive PMI revenue growth above recent market trends.

NHS

The Group's NHS revenue has grown at a 18.7% CAGR from 2011 to 2013 and generated £135.9 million, £175.3 million and £191.4 million of revenue in 2011, 2012 and 2013, respectively. NHS Choose & Book is now the primary source of NHS activity for independent sector hospitals with the Choose & Book system being increasingly relied upon by NHS England to offload excess patient demand as the public sector faces increased wait times and funding restrictions. The Choose & Book system is expected to continue to grow rapidly, driven by underlying demand growth and growth in GP and patient awareness of the system. Additionally, local autonomy and flexibility have been given to GP-led CCGs, which now have more flexibility in commissioning arrangements with local hospitals. The transition of commissioning to CCGs has provided new opportunities for the Group to engage in NHS commissioning and develop local relationships to drive NHS activity growth.

The NHS remains under significant funding pressure and its partnership with private hospitals has become key to maintaining its level of NHS healthcare provision. The Group is building on its NHS relationships and actively expanding its NHS service offering by targeting procedures where it can deliver strong value for money to the public system and make acceptable returns. The Group is also expanding its service offerings via targeted extension to other specialities, including diagnostics, increasing its consideration of alternative contracting models, expanding its high acuity offerings and utilising available capacity to preserve margins by targeting NHS work during periods of weaker private demand.

The Group expects its NHS revenues in the first half of 2014 to experience strong growth relative to a weaker first half in 2013. The Group expects its NHS revenue growth from the second half of 2014 onwards to be more representative of trends over the two years ended 31 December 2013, somewhat tempered by tariff reductions the Group expects to trend from a reduction of 2% for the fiscal year 2014/15 to flat over the next three fiscal years. The cost base of the Group includes a high proportion of fixed costs that are not expected to increase directly with activity. Hence as activity increases and the Group is able to utilise available spare capacity to schedule NHS patients within the core operating hours of the business, the fixed cost leverage benefits to margins can be considerable. These favourable effects have partially mitigated the impact on EBITDAR margin of an increase in NHS volumes (including the associated costs of consultants and anaesthetists fees which the Group incurs for NHS work), accompanied by the declining NHS tariff in recent years.

Self-pay

The Group's self-pay revenue has grown at an 8.8% CAGR from 2011 to 2013 and generated £110.4 million, £121.2 million and £130.8 million of revenue in 2011, 2012 and 2013, respectively. According to Laing and Buisson, the self-pay market has grown at a 4.8% CAGR from 2003 to 2013, fuelled by reduced individual PMI coverage, long NHS waiting lists and the increasing affordability and relative attraction of private care in terms of speed of access and the high quality of clinical care. The Directors believe the self-pay market will grow rapidly in the next five years as the economy recovers, NHS restrictions and wait times increase and private insurers focus on corporate solutions, leading certain individuals, including the increasing affluent, elderly population, to "self-insure". To capitalize on this self-pay opportunity the Group is continuing to develop its self-pay proposition and strengthening its communication with GPs in respect of service restrictions, increasing patient awareness of the Group, expanding its service offerings, and developing a sustainable and targeted value proposition through competitive and transparent pricing on offered procedures such as hernias, cataracts, varicose veins, knee arthroscopy, knee and hip replacements, bariatric surgery and spinal injections.

The Group expects its self-pay revenue growth in 2014 to be in line with 2013, with rate increases in line with inflation. Revenue for 2015 is expected to grow in line with or slightly ahead of historical market growth, mainly due to an increasing substitution effect versus individual PMI, and NHS. The Group expects increasing disclosure and comparison of clinical outcome, across private and public hospital providers to continue to strengthen its position in the market for self-pay patients.

Procedure mix

The Group's revenue, across all the procedure categories described above, are derived from a payor mix of PMI, NHS and self-pay customers. The key activities that generate the Group's revenue from these payors are in-patient and daycase procedures making up £505.9 million or 66% of revenue in 2013 and out-patient services accounting for £232.1 million or 30% of revenue in 2013.

The following table details the Group's revenue mix by procedure type for the periods indicated:

	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Total revenue	674.0	738.9	764.5	190.6	210.4
<i>Of which:</i>					
<i>In-patient/daycase</i>	450.8	492.1	505.9	127.9	140.5
<i>Out-patient</i>	198.6	220.5	232.1	56.4	62.7
<i>Other</i>	24.6	26.3	26.5	6.3	7.2

In-patient/daycase procedures

In-patient revenue refers to the Group's revenue generated from procedures requiring an overnight stay. These typically involve invasive surgeries for patients. Daycase patients are admitted for procedures which do not require an overnight stay in hospital, but, unlike out-patient procedures, do require an in-hospital recovery period. A given procedure type can generate both in-patient and daycase patients. Some of the Group's key services—orthopaedics, general surgery, gynaecology and urology—are generally conducted as in-patient or daycase procedures. Total in-patient/daycase revenue during the historical period under review has increased by £55.1 million, or 12.2%, from £450.8 million in 2011 to £505.9 million in 2013. This increase is due to a number of factors, with the largest drivers being increases in patient volumes in existing specialties, investment in higher acuity offerings and increases in reimbursement rates. The majority of NHS activity is in-patient or daycase work and this accounts for a large proportion of the overall growth in revenues between 2011 to 2013.

PMI makes up the majority of in-patient/daycase revenue, contributing 58.7%, 54.2% and 52.4% in 2011, 2012 and 2013, respectively. This proportion has decreased from 2011 levels as a result of growth in NHS and self-pay revenue. NHS in-patient/daycase revenue increased as a proportion of in-patient/daycase revenue from 25.2% in 2011 to 31.2% in 2013 in-line with the overall increase of NHS revenue that the Group experienced from 2011 to 2013. Self-pay in-patient/daycase revenue increased as a proportion of

revenue from 16.2% in 2011 to 16.4% in 2013, driven mainly by implementing and marketing fixed price procedures.

The volume of patient procedures directly influences the Group's revenue. The Group measures in-patient/daycase volume by the number of patient discharges at its facilities. In the recent historical periods there was an increase in in-patient/daycase discharges each year from approximately 223,000 in 2011 to approximately 236,000 in 2013. In-patient/daycase revenue also grew each year from £450.8 million in 2011 to £505.9 million in 2013. While an increase in volume played a significant role in the increase of out-patient revenue, and while the Group estimates that it had more than 1.7 million outpatient episodes in 2013 (including consultations), out-patient revenue leads to in-patient/daycase revenue as both a driver of surgical work through diagnoses and other pre-operation services as well as a provider of the follow-up services, rehabilitation, etc.

The Group's volume is also measured in terms of discharges by payor type. Payor mix volumes change each year, with recent decreases in the number of PMI patient discharges and increased utilisation of theatres for NHS procedures being the main drivers for the change in payor mix during the last three financial years. In the last half of the financial year ended 31 December 2013, NHS and self-pay in-patient/daycase volumes grew and PMI volumes, while still lower, were beginning to stabilise. PMI patient volumes were approximately 134,000, 131,000 and 124,000 patient discharges for 2011, 2012 and 2013, respectively. PMI volumes started stabilising in the second half of 2013 and grew positively in the first quarter of 2014. Self-pay patient volumes measured by patient discharges were approximately 35,000, 35,000 and 36,000 in 2011, 2012 and 2013, respectively, with the growth in self-pay in-patient/daycase volumes nearly doubling from the second half of 2013 to the first quarter of 2014. NHS patient volumes measured by discharges were approximately 55,000, 67,000 and 76,000 in 2011, 2012 and 2013, respectively. NHS volumes increased markedly in the second half of 2013 and first quarter of 2014, with the growth in the volume of NHS in-patient/daycase discharges increasing from 17.2% in the second half of 2013 to 25.2% in the first quarter of 2014.

Out-patient services

Out-patient revenue relates to procedures which do not require in-hospital recovery, including diagnoses (e.g. scans and pathology) and out-patient medical procedures (e.g. injections, minor operations, physiotherapy, etc.). Total out-patient revenue during the historical period under review has increased by £33.5 million, or 16.9%, from £198.6 million in 2011 to £232.1 million in 2013. This increase is due primarily to increased MRI/CT revenue, procedure fees and NHS consultations, as described below. PMI makes up the majority of out-patient revenue, contributing 69.8%, 67.8%, and 65.0% in 2011, 2012, and 2013, respectively. NHS out-patient revenue increased as a proportion of out-patient revenue from 11.3% in 2011 to 14.4% in 2013, in line with the overall increase of NHS revenue that the Group experienced during that period. Self-pay out-patient revenue increased as a proportion of revenue from 18.8% in 2011 to 20.6% in 2013.

Growth in diagnostics, including MRI and CT scans and pathology services, has been the largest driver of out-patient revenue growth during the periods under review. The Group's investment in diagnostic imaging has increased its out-patient revenue through providing improved diagnostic services. Additionally, through the ability to more immediately provide diagnostic tests, the Group is able to recognise and treat illnesses sooner, which decreases the dependency on surgery and increases the Group's out-patient volumes and revenue.

The Group's increase in procedure fees from 2011 to 2013 were driven by a switch of procedures from in-patient/daycase to out-patient procedures largely relating to minor operations that can be performed in small theatres and out-patient areas. PMI accounted for 63.7% of this growth.

NHS out-patient revenue principally relates to out-patient consultations, where the NHS pays a flat fee for each consultation or procedure. The majority of NHS out-patient growth has been from NHS consultation fees which increased by £8.6 million, or 59.3%, from £14.5 million in 2011 to £23.1 million in 2013.

Additional revenue for other procedures is earned where the hospitals meet the conditions to charge for particular procedures under contracted terms.

Per cent. growth	Year ended 31 December			Half year ended 30 June 2013	Half year ended 31 December 2013	Three month period ended 31 March 2014
	2011	2012	2013	unaudited	unaudited	
PMI revenue	6.6	3.2	(0.1)	(1.6)	1.6	3.4
<i>PMI In-patient/daycase volume</i>	<i>0.6</i>	<i>(2.2)</i>	<i>(5.5)</i>	<i>(7.9)</i>	<i>(2.9)</i>	<i>0.6</i>
NHS revenue	(7.7)	29.0	9.2	4.1	14.1	24.3
<i>NHS In-patient/daycase volume</i>	<i>0.0</i>	<i>22.4</i>	<i>14.6</i>	<i>11.9</i>	<i>17.2</i>	<i>25.2</i>
Self-pay revenue	15.1	9.8	7.9	5.0	10.9	12.1
<i>Self-pay In-patient/daycase volume</i>	<i>4.8</i>	<i>0.6</i>	<i>2.9</i>	<i>1.4</i>	<i>4.4</i>	<i>8.4</i>
Total revenue	4.8	9.6	3.5	0.9	6.3	10.4
<i>Total In-patient/daycase volume</i>	<i>1.1</i>	<i>4.3</i>	<i>1.5</i>	<i>(1.0)</i>	<i>4.1</i>	<i>9.5</i>

For PMI, volume has lagged due to the impact of the recession on insured lives. In the Group's experience, corporate PMI spending tends to increase only after economic conditions have improved, and claims activity tends to lag a decline/upturn in insured lives by 18 to 24 months. The impact of volume performance on PMI revenues has been mitigated by favourable rate performance including general RPI-based contracted rate increases over the period, positive mix effect resulting from the Group's investments in high acuity procedures and positive mix effect of the distribution of insured lives across the market, with Bupa suffering a decline in market share.

For self-pay, the business has experienced more immediate recovery of volumes since the end of the recession. Management have re-engineered the self-pay proposition for a number of surgical procedures moving to a fixed price proposition and promoting these prices for each hospital across its website. The Group is seeing an improved propensity to self-pay as consumer confidence improves, as the changes to its self-pay proposition have given customer pricing certainty and as the opportunity for and perception of NHS treatment have declined.

In relation to the NHS, patient demand has driven strong growth in Choose & Book patient volumes over the track record period. The significant re-organisation of NHS commissioning (and the formation of CCG's) had a short term impact on the Group in the first half of 2013 as specialist commissioning and local contracting of complex work slowed down whilst the new CCG regime was being established. Most of the NHS work undertaken by the Group is priced at NHS tariff. In relation to the basket of procedures undertaken by the Group, NHS tariff decreased by 1% for the fiscal year 2011/12, by 2% for the fiscal year 2012/13, by 3% for the fiscal year 2013/14 and by 2% for the fiscal year 2014/15. In 2013, the NHS agreed that certain procedures undertaken in out-patients (notably physiotherapy) fell outside of the tariff for particular procedures; as a result, the Group has been able to collect additional fees when undertaking this work.

Capacity

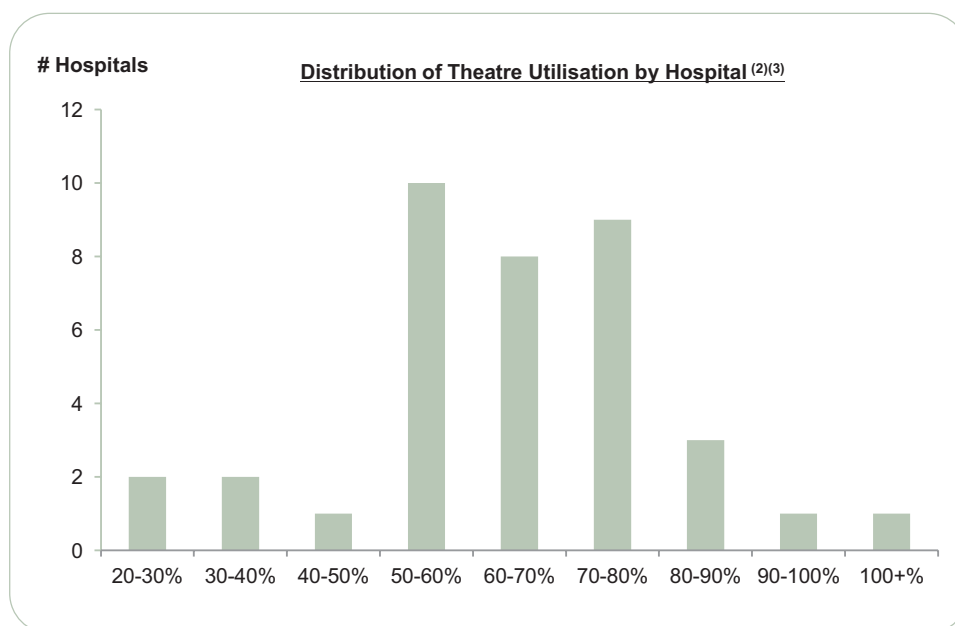
The Group has continuously increased its theatre capacity, expanding from 103 theatres in 2008 to 115 theatres in 2013. In 2013, the Group added three new theatres, and it is currently planning on adding 16 new theatres over the next five years, with seven new theatres in 2014 (including the redevelopment of four existing theatres acquired with St. Anthony's), three new theatres in 2015, four new theatres in 2016 and two new theatres in 2017. Each theatre is expected to involve £3-£5 million of capital investment.

The Group had 111, 115 and 115 theatres at 31 December 2011, 2012 and 2013, respectively, and 115 theatres at 31 March 2014, and has significant existing capacity to take on additional patient volumes with theatre utilisation across its estates averaging 63% in 2011, 65% in 2012 and 64% in 2013. Utilisation can be increased by ensuring consultants are available to deliver services during standard operating hours. The deployment of new IT systems, implemented by SAP, has allowed for a more consistent measurement of capacity utilisation and assists the Group's management in identifying areas for improvement. The Group manages capacity utilisation by seeking to schedule NHS work during periods of weaker private demand.

The Group has established a programme intended to efficiently and effectively manage utilisation and rates. Various trends have favoured out-patient and daycase care over in-patient care and led to increased growth in daycase volumes compared to in-patient volumes. Specifically, improvements in surgical practice, particularly minimally invasive surgery, have led to quicker recovery times and better outcomes and earlier,

more widespread, use of diagnostic imaging allowing earlier treatment and decreased dependence on surgery. These trends have reduced the amount of time patients stay in the Group's hospitals, increasing bed availability. The Group expects these trends to continue over the next five years. Additionally, the Group aims to improve efficiency in use of current capacity by employing and retaining high quality theatre managers, with the goal of implementing better consultant scheduling, improving availability of consumable packs for theatres (which reduce set-up and turnaround times), enhancing daycase patient flow and decreasing recovery and pre-theatre preparation times. To more effectively manage the yield at their theatres, the Group is focusing on managing the availability of consultants, offering new services and offering NHS work in periods of low private demand. The Group is also planning to add new capacity to existing sites as is required by expanding the footprint, reconfiguring hospital layouts, and moving services off-site. Furthermore, the Group adds new space close to existing sites through satellite clinics and pursuing its hub and spoke distribution model.

The chart below sets out the distribution of theatre utilisation in the Group by hospital in 2014.



Source: Company Information.

Excludes St. Anthony's and includes one theatre utilisation rate for Murrayfield and Shawfair Park hospitals combined.

Cost base management

The Group's cost base is included within cost of sales and other operating costs. Cost of sales comprises clinical staff (including for example, ward, theatre and out-patient staff, radiologists and physiotherapists), other direct costs (including consumables, prostheses, drugs and clinical equipment hire), core medical fees (diagnostic consultant fees for PMI and self-pay patients), NHS medical fees (consultant and anaesthetists fees for NHS work). Other operating costs includes hospital costs (hotel and administrative staff, property and equipment and directly attributable selling, general and administrative expenses) and central costs (including IT, human resources, bonuses and other Group costs).

The following table sets out the Group's costs for the years ended 31 December 2011, 2012 and 2013, and for the three months ended 31 March 2014:

	Year ended 31 December			2011-2013	Three month period ended 31 March
	2011	2012	2013	CAGR	2014
	(£ millions, except percentages)				
Revenue	674.0	738.9	764.5	6.5%	210.4
Clinical staff	(119.4)	(129.4)	(133.9)	5.9%	(35.0)
Other direct costs	(143.9)	(157.2)	(162.6)	6.3%	(46.8)
Medical fees—Core	(40.7)	(43.8)	(46.0)	6.3%	(11.8)
Medical fees—NHS ⁽¹⁾	(16.9)	(36.0)	(39.6)	53.0%	(12.0)
Gross profit	353.1	372.5	382.4	4.1%	104.8
<i>Gross profit margin</i>	52.4%	50.4%	50.0%		49.8%
Hospital costs (excluding rent)	(131.7)	(136.9)	(141.5)	3.6%	(39.4)
Hospital operating profit	221.4	235.6	240.9	4.3%	65.4
<i>Hospital profit margin</i>	32.8%	31.9%	31.5%		31.1%
Central costs	(32.2)	(30.3)	(31.9)	(0.3)%	(9.4)
EBITDAR	189.2	205.3	209.0	5.1%	56.0
<i>EBITDAR margin</i>	28.1%	27.8%	27.3%		26.6%

(1) All NHS revenue is gross of consultant fees.

The cost base of the Group includes a high proportion of fixed costs that are not expected to increase directly with activity. These include central costs, hospital costs and clinical staff costs where activity is undertaken within the core operating hours of a hospital. Although historically, clinical staff cost increases have been sub-inflationary, the Group expects clinical staff cost inflation, including nursing cost inflation, for 2014/15 to be in line or slightly above RPI in 2014/15. As activity increases and the Group is able to utilise available spare capacity within the core operating hours of the business, the fixed cost leverage benefits to margins can be considerable. These favourable effects have partially mitigated the impact on EBITDAR margins of an increase in NHS revenues (including the associated costs of consultants and anaesthetists fees which the Group incurs for NHS work), accompanied by the declining NHS tariff in recent years.

Other direct costs are largely variable, but some scale benefits are achievable. Prostheses costs, which constituted 25.4% of other direct costs in 2013, are expected to increase due to mix effects. Orthopaedic cost increases are anticipated to be largely limited to RPI and driven by mix effects, which will require the use of a greater volume of more expensive prostheses as the Group increasingly focuses on higher acuity procedures. While prostheses are expected to increase as a percentage of direct costs as a result, the Group expects to be able to control these costs effectively through economies of scale and focused volume purchasing practices. Core medical fees are driven by the volume of diagnostic work and through on-going active renegotiation of fees, the Group expects to reduce its core medical fees, especially for radiologists and histopathologists. The Group also seeks to maintain its level of NHS medical fees through active renegotiation of fees going forward. NHS medical fees are predominantly linked to the level of NHS tariff for any given procedures.

Over the two years ended 31 December 2013, the Group reported a CAGR in revenue of 6.5%. Clinical staff costs and core medical fees have grown at a CAGR of 5.9% and 6.3% respectively, representing a rate lower than the rate of growth in revenues over the same period. NHS medical fees over the last two years have grown in direct proportion to the rate of growth in NHS revenues and accounted for 21.0% of NHS revenues in 2013. As a result of the growth in the Group's NHS revenue as a proportion of total revenue, other direct costs have also grown at a higher rate than revenues given the relative greater weighting of NHS activities towards orthopaedic procedures with higher associated prostheses costs.

As a further means of controlling costs, since its formation, the Group has sought to optimise the delivery of support services to the business and separate locally driven patient-centric services (e.g. sterilisation)

and central functions (e.g. procurement, logistics, pathology and back-office services), to enable scale benefits to be achieved where this objective does not compromise patient care or customer service.

2013 Freehold Sale

On 17 January 2013, the Group completed the partial refinancing of its loan facilities through the sale of companies owning freehold and leasehold interests (ten freehold and two existing leasehold titles) in 12 of the Group's hospitals for £704 million to a consortium of purchasers comprising Malaysia's Employees Provident Fund (EPF), affiliated investment funds of Och-Ziff Capital Management Group and Moor Park Capital. The proceeds of the transactions were used to repay a portion of the Group's loan facilities, reducing total consolidated bank debt to £703 million.

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. Rent is indexed annually in line with RPI, subject to a floor of 0.0% and a cap of 5.0%. The capital expenditure covenants measured on an average basis over each five-year period during the term of the leases, require the Group to incur, in total, £5.0 million of maintenance capital expenditure and £3.0 million of additional capital expenditure on the portfolio of 12 hospitals each year, such being subject to indexation in line with RPI.

The sale of these hospital sites resulted in:

- a £44.8 million one-off gain on sale recognised in the Group's income statement in 2013;
- a £661 million decrease in the Group's plant, property and equipment assets on the balance sheet;
- as a result of the reduction in plant, property and equipment, a decrease in the Group's depreciation expense by £11.4 million in 2013;
- a £745 million decrease in the Group's liabilities through the repayment or waiver of the debt using the proceeds of the sale;
- as a result of the decrease in the Group's liabilities, a decrease in the Group's interest expense of £46.2 million in 2013; and
- an increase of £51.3 million per annum in the Group's rent expense in 2013, and consequently a decrease in EBITDA in 2013 of £49 million.

The Group's EBITDAR figures, which reflect results prior to the impact of additional rent expenses, have increased each year from 2011 to 2013 and remain comparable throughout the period.

Going forward, the leases will result in additional rental expense and cash outflow from operating activities. The year ending 31 December 2014 will be the first financial year reflecting a full 12 months impact from the 2013 Freehold Sale, which will lead to an additional rental expense of £2.0 million before annual indexation and £3.5 million after annual indexation.

The leases for these 12 hospitals have an embedded annual rental uplift, indexed annually in line with RPI, subject to a floor of 0.0% and a cap of 5.0%, resulting in a 2.57% increase in rental rates to approximately £52.5 million for 2014, and an expected rate of approximately £54 million for 2015.

In addition, on 11 March 2014 the Group completed the sale of a long leasehold interest in the land and buildings of the Spire Washington Hospital, Washington, Tyne and Wear, which had a net book value at 31 December 2013 of £12.3 million, for total consideration of £32.3 million, of which £1.0 million was received in May 2014. The proceeds of this transaction have been retained by the Group to fund development activities. The starting rent for the lease is £2.3 million per annum, indexed to RPI, capped at 4% per annum.

Currently the Group has 20 freehold hospitals, including St. Anthony's, and 19 leasehold hospitals.

KEY INCOME STATEMENT LINE ITEMS

Revenue

Revenue represents the amounts derived from the provision of private healthcare services in the UK, after deducting trade discounts and value added tax. Revenue from charges to patients is recognised when the

treatment is provided. NHS revenue is recognised gross of NHS medical fees (consultant and anaesthetist fees for NHS work).

Cost of sales

The Group's cost of sales principally comprises salaries and other costs of clinical staff, consultant and clinical fees, medical services and inventories, including drugs, consumables and prostheses.

Other operating costs

Other operating costs include hospital and non-hospital costs. Hospital costs mainly comprise non-clinical staff costs, rent associated with 19 properties leased under operating leases, depreciation, maintenance, insurance and running costs of properties and equipment. Non-hospital costs include administrative expenses including the provision of central support services, IT and other administrative costs of the Group.

Exceptional items included in other operating costs

Exceptional items included in other operating costs consist of business reorganisation and hospital set-up costs, costs associated with PIP patient recalls, corporate restructuring and financing costs and regulatory costs. Reorganisation and set up costs were mainly associated with the set-up of the new hospitals. PIP items related to costs associated with treating breast surgery patients who were supplied potentially defective PIP implants. Corporate restructuring, refinancing and regulatory costs related to advisors' fees associated with the 2013 Freehold Sale refinancing activity and the OFT and CMA enquiries into the private healthcare market.

Profit on disposal of property, plant and equipment

Profit on disposal of property, plant and equipment consists of the Group's net gain or loss from disposals of assets.

Finance income

Finance income consists of interest income from bank deposits and cash balances.

Total finance costs

The Group's finance costs include interest on loans from the ultimate parent undertaking and management, interest on bank facilities, finance charges payable under its finance leases, the change in fair value of interest rate derivatives net of finance costs capitalised during the year.

Exceptional finance costs or income include the non-cash fair value of swap losses, recycled to the income statement, net of income associated with the early settlement of bank debt and arose as a direct or indirect consequence of the 2013 Freehold Sale.

Taxation

Corporation tax for the period comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity. Current tax is the expected corporation tax payable on the taxable result for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to the tax payable in respect to previous years.

Deferred tax is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: goodwill not deductible for tax purposes and 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.

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. Deferred tax is recognised on temporary differences arising on investments in subsidiary companies, except 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. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

RESULTS OF OPERATIONS

The following table summarises the Group's financial performance for the periods indicated:

	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
	unaudited				
	(\$ millions)				
Revenue	674.0	738.9	764.5	190.6	210.4
Cost of sales	(320.9)	(366.4)	(382.1)	(94.9)	(105.6)
Gross profit	353.1	372.5	382.4	95.7	104.8
Other operating costs	(218.9)	(242.7)	(282.8)	(68.8)	(79.4)
Operating Profit	134.2	129.8	99.6	26.9	25.4
Exceptional items included within other operating costs . .	(4.2)	(20.5)	(11.5)	(3.0)	(4.9)
Operating profit before exceptional items	138.4	150.3	111.1	29.9	30.3
Profit/(loss) on disposal of property, plant and equipment	(0.2)	0.5	44.2	44.8	19.6
Interest income	0.2	0.4	0.4	0.1	—
Finance costs	(183.3)	(190.3)	(153.9)	(38.6)	(35.5)
Exceptional finance (costs)/income	—	(129.1)	(42.2)	26.6	—
Total finance costs	(183.3)	(319.4)	(196.1)	(12.0)	(35.5)
Profit/(loss) before taxation	(49.1)	(188.7)	(51.9)	59.8	9.5
Taxation	26.4	58.3	154.1	103.9	(1.9)
Profit/(loss) for the year/period	(22.7)	(130.4)	102.2	163.7	7.6

Three months ended 31 March 2014 compared with the three months ended 31 March 2013

Revenue

Revenue for the three months ended 31 March 2014 increased by £19.8 million, or 10.4%, to £210.4 million from £190.6 million for the three months ended 31 March 2013. In-patient and daycase revenues increased by £12.6 million, or 9.9%, from £127.9 million to £140.5 million from a 9.5% increase in patient volumes in the period.

Out-patient revenue grew by £6.3 million, or 11.2%, from £56.4 million to £62.7 million, including an increase of £1.7 million in diagnostic revenues (pathology, CT and MRI) and a £3.6 million increase in minor procedures undertaken in out-patient treatment rooms.

Overall, revenue growth for the three month ended 31 March 2014 showed an improvement on the positive trend in performance reported in the second half of 2013 and saw growth in revenues in all payor categories.

PMI

PMI volumes, measured by in-patient and daycase discharges, increased by 0.6% in the first three months ended 31 March 2014 compared to the same period in 2013 and to approximately 32,000 discharges. PMI rates for in-patient and daycases also increased by 1.4% over the same period. PMI rates increases were sub-inflationary as a result of a higher proportion of procedures being daycase than in-patient episodes relative to the first quarter of 2013.

These factors, combined with a 5.2% increase in out-patient revenues from PMI, resulted in an increase in total PMI revenue of 3.4% in the three months ended 31 March 2014 compared with the three months ended 31 March 2013.

NHS

NHS volume measured by in-patient and daycase discharges increased by 25.2% in the first three months ended 31 March 2014 compared to the same period in 2013 to approximately 23,000 discharges. NHS tariff rates for in-patient and daycases also decreased by 2.1% over the same period. The underlying impact of tariff reductions on the basket of services delivered by the Group to the NHS was 3% for the first quarter of 2014. The impact of tariff reductions was partially mitigated by an improvement in case complexity.

These factors, combined with a 35.7% increase in out-patient revenues from NHS, resulted in an increase in total NHS revenue of 24.3% in the three months ended 31 March 2014 compared with the three months ended 31 March 2013.

Self-pay

Self-pay volumes measured by in-patient and daycase discharges increased by 8.4% in the first three months ended 31 March 2014 compared to the same period in 2013 to approximately 9,000 discharges. Self-pay rates for in-patient and daycases also increased by 1.3% in the same period. The Group reported favourable case mix variances, including a higher rate of increase in self-pay orthopaedic and general surgery revenues linked to the actions taken by the Group to provide pricing certainty and target procedures where public provision is being restricted. These factors contributed to an underlying increase in rates for self-pay for clinically necessary (non-cosmetic) procedures of 8.6% in the period. From the beginning of 2012 until early 2013, the Group benefitted from a significant number of hip revision procedures associated with a patient recall undertaken by DePuy. These revision procedures are highly complex and are priced at a substantial premium to average self-pay procedures. The absence of similar work undertaken in the first quarter of 2014 had an adverse impact on rates achieved overall and masked a significant rate improvement in underlying recurring case mix.

These factors, combined with a 15.1% increase in out-patient revenues from self-pay patients, resulted in an increase in total self-pay revenue of 12.1% in the three months ended 31 March 2014 compared with the three months ended 31 March 2013.

Cost of sales

Cost of sales for the three months ended 31 March 2014 increased by £10.7 million, or 11.3%, to £105.6 million from £94.9 million for the three months ended 31 March 2013. As a percentage of revenue, cost of sales increased from 49.8% in the first quarter of 2013 to 50.2% in the first quarter of 2014. The increase in costs were primarily the result of inflation and increases of clinical staff salaries and costs of prostheses, drugs, and other consumables.

Cost of sales as a percentage of revenues was also adversely impacted by the increase in NHS revenues as a percentage of total revenues (leading to disproportionate increases in prostheses costs given the high orthopaedic element of NHS case load and the cost of consultants and anaesthetists fees for NHS procedures.) NHS revenues accounted for 28.2% of revenues for the quarter ended 31 March 2014 and 25.0% of revenues for the quarter ended 31 March 2013. In-patient and daycase revenues related to orthopaedic procedures accounted for 49.3% of total in-patient and daycase revenues for the three months ended 31 March 2014, compared with 48.3% of total in-patient and daycase revenues for the three months ended 31 March 2013. NHS tariffs decreased by 3% in April 2013.

Gross profit

Gross profit for the three months ended 31 March 2014 increased by £9.1 million, or 9.5%, to £104.8 million from £95.7 million in the three months ended 31 March 2013. This increase was primarily due to increased revenue, offset in part by a reduction in gross profit margin, from 50.2% in the first quarter of 2013 to 49.8% in the first quarter of 2014, as a result of cost inflation as described above and increased amounts of NHS work undertaken at lower tariff rates than in the prior period.

Other operating costs

Other operating costs for the three months ended 31 March 2014 increased by £10.6 million, or 15.4%, to £79.4 million from £68.8 million for the three months ended 31 March 2013. As a percentage of revenue, other operating costs increased from 36.1% in the first quarter of 2013 to 37.7% in the first quarter of 2014. These increases were primarily the result of increased administrative staff numbers and wage inflation, bonus provisions, property overhead costs and administrative, marketing and other related

expenses. Rent of land and buildings for the three months ended 31 March 2014 increased by £2.6 million, or 21.8%, to £14.5 million from £11.9 million for the three months ended 31 March 2013. This increase was primarily due to the full-quarter impact of the 2013 Freehold sale and annual increases in rent payable under leases for the 12 hospitals sold in 2013.

	Three month period ended 31 March	
	2013	2014
	unaudited (£ million)	
Depreciation	10.3	11.2
% of revenue	5.4%	5.3%
Rent of land and buildings	11.9	14.5
% of revenue	6.2%	6.9%
Hospital costs	35.8	39.4
% of revenue	18.8%	18.7%
Central costs	7.8	9.4
% of revenue	4.1%	4.5%
Exceptional cost	3.0	4.9
% of revenue	1.6%	2.3%
Total other operating costs	68.8	79.4
% of revenue for total other operating costs	36.1%	37.7%

Exceptional items included within other operating costs

Exceptional items included within other operating costs for the three months ended 31 March 2014 comprised corporate restructuring and financing costs and business reorganisation costs as well as regulatory costs associated with the enquiry from the Competition and Markets Authority, totalling £4.9 million. Exceptional items included in other operating costs for the three months ended 31 March 2013 comprised corporate restructuring and financing costs, regulatory costs and business reorganisation, totalling £3.0 million.

	Three month period ended 31 March	
	2013	2014
	unaudited (£ million)	
Business reorganisation and hospital set up costs	0.3	0.5
PIP patient recalls	—	—
Corporate restructuring and financing costs	2.0	3.4
Regulatory costs	0.7	1.0
	3.0	4.9

Operating profit before exceptional items

Operating profit before exceptional items for the three months ended 31 March 2014 increased by £0.4 million, or 1.3%, to £30.3 million from £29.9 million in the three months ended 31 March 2013.

Profit on disposal of property, plant and equipment

Profit on disposal of property, plant and equipment for the three months ended 31 March 2014 decreased by £25.2 million to £19.6 million from £44.8 million for the three months ended 31 March 2013. This decrease was primarily due to the first quarter of 2014 comprising only profit on the sale of a long leasehold interest in the land and buildings of the Spire Washington Hospital in the first quarter of 2014, compared to the much larger 2013 Freehold Sale in the three months ended 31 March 2013.

Interest income

Interest income for the three months ended 31 March 2014 decreased by £0.1 million to nil from £0.1 million for the three months ended 31 March 2013. Income comprises interest on bank deposits.

Total finance costs

Total finance costs for the three months ended 31 March 2014 increased by £23.5 million to £35.5 million from £12.0 million for the three months ended 31 March 2013. This increase was primarily due to the impact of the £26.6 million exceptional finance income in the first quarter of 2013. This arose as a consequence of 2013 Freehold Sale and relates to a credit to the income statement from a partial waiver of bank debt and interest rate swap liabilities on settlement which did not recur in 2014. Excluding the impact of the £26.6 million exceptional credit, total finance costs decreased in the three months ended 31 March 2014, to £35.5 million as compared to £38.6 million in the three months ended 31 March 2013.

Taxation

Deferred tax credited to the income statement for the three months ended 31 March 2013 was £103.9 million, of which £102.3 million related to the release of deferred tax liabilities on assets disposed of as part of the 2013 Freehold Sale. For the three months ended 2014 the current and deferred tax charge was £1.9 million, although the Group expects to shield taxable profits in 2014 as a whole as a consequence of tax deductibles arising from the settlement of residual derivative financial instruments immediately prior to the Listing.

Year ended 31 December 2013 compared with the year ended 31 December 2012

Revenue

Revenue for the twelve months ended 31 December 2013 increased by £25.6 million, or 3.5%, to £764.5 million from £738.9 million for the twelve months ended 31 December 2012. In-patient and daycase revenues increased by £13.8 million, or 2.8%, from £492.1 million to £505.9 million from a 1.5% increase in patient volumes in the year.

Out-patient revenues grew by £11.6 million, or 5.3%, from £220.5 million to £232.1 million, including an increase of £3.2 million in diagnostic revenues (pathology, CT and MRI) and a £3.0 million increase in minor procedures undertaken in out-patient treatment rooms, supported by investment in medical equipment.

Revenue performance varied considerably between the first six months of 2013 and the second six months of 2013 and the factors affecting this are discussed below. Overall, revenue for the first six months of 2013 grew by 0.9% compared to the first six months of 2012 but by 6.3% for the second six months of 2013 compared to the second six months of 2012. The rate of revenue growth in the second half was consistent with the trend in revenue growth over the previous three years.

PMI

PMI volumes, measured by in-patient and daycase discharges, decreased by 5.5% in 2013 compared with 2012 to approximately 124,000 discharges. PMI rates for in-patient and daycases increased by 4.8% over the same period. The loss of patient volumes was focused towards lower acuity specialities and as a consequence the Group reported favourable mix variances in the year which complimented inflationary price increases.

These factors, combined with a 1.0% increase in out-patient revenues from PMI, resulted in a decrease in total PMI revenue of 0.1% for the year.

PMI volume performance varied significantly between the first and second half of 2013. In the first half of 2013 a decline in patient volume linked to market and economic factors was compounded by steps undertaken by Bupa to reduce the incidence of claims within its insured base. This led to a disproportionate decline in Bupa volumes in the first half relative to the decline experienced across the broader PMI base.

For the first six months of 2013 PMI volumes, measured by in-patient and daycase discharges, decreased by 7.9% compared with the first six months of 2012. PMI rates for in-patient and daycases increased by 5.7% over the same period. The favourable case mix variances reported for the year as a whole were supplemented by favourable pricing variances associated with a reduced proportion of Bupa volumes at relatively lower reimbursement rates than other insurers. Overall, PMI revenues declined by 1.6% in the first half of 2013 relative to the same period in 2012.

For the second six months of 2013 PMI volumes, measured by in-patient and daycase discharges, decreased by 2.9% compared with the second six months of 2012. The improvement in volume performance was consistent with the trend to stabilisation expected by the Group given increases in the number of PMI insured lives reported in 2012 and 2013. PMI rates for in-patient and daycases increased by 3.8% over the same period in 2012, the rate of increase tempered in the second half as Bupa volumes recovered to more closely mirrored the activity across the broader PMI base. Overall, PMI revenues increased by 1.6% in the second half of 2013 relative to the same period in 2012.

NHS

NHS volume measured by in-patient and daycase discharges increased by 14.6% in 2013 compared to 2012 to approximately 76,000 discharges. NHS rates for in-patient and daycases decreased by 7.5% over the same period. The underlying impact of tariff reductions on the basket of services delivered by the Group to the NHS was 3.0% in 2013. The impact of tariff reductions was compounded by a temporary reduction in case mix complexity associated with the transition in April 2013 of local commissioning to Clinical Commissioning Groups constituted as part of the Health and Social Care Act.

These factors, combined with a 26.3% increase in out-patient revenues from NHS, resulted in an increase in total NHS revenue of 9.2% for the year ended 31 December 2013 compared to the prior year.

For the first six months of 2013 NHS volumes, measured by in-patient and daycase discharges, increased by 11.9% compared with the first six months of 2012. NHS rates for in-patient and daycases decreased by 8.6% over the same period. Whilst growth in Choose & Book patient volumes was strong this mitigated a decline in the volume and complexity of locally commissioned work. The mix of casework from locally commissioned NHS work in the first half of 2013 (arising from the temporary suspension of locally commissioned complex work during and post the transition to CCG's) led to a reduction in the average price per case for such work of 10.6% in the first half of 2013 relative to 2012. Overall NHS revenues increased by 4.1% in the first half of 2013 relative to the same period in 2012.

For the second six months of 2013 NHS volumes, measured by in-patient and daycase discharges, increased by 17.2% compared with the second six months of 2012. NHS rates for in-patient and daycases decreased by 6.6% over the same period. The growth in Choose & Book patient volumes in the second half of 2013 was slightly ahead of the first half and the rate of decline in locally commissioned work slowed. The mix of casework for locally commissioned work improved in the second half of 2013. Overall, NHS revenues increased by 14.1% in the second half of 2013 relative to the same period in 2012.

Self-pay

Self-pay volumes measured by in-patient and daycase discharges increased by 2.9% in 2013 compared to 2012 and to approximately 36,000 discharges. Self-pay rates for in-patient and daycases also increased by 5.1% in the same period. The Group reported favourable case mix variances as patients underwent a higher proportion of more complex procedures than previously, linked to the actions taken by the Group to provide pricing certainty and target procedures where public provision is being restricted.

These factors, combined with a 6.9% increase in out-patient revenues from self-pay patients, resulted in an increase in total self-pay revenue of 7.9% for the year ended 31 December 2013 compared to the prior year.

Self-pay revenue performance improved throughout the year as consumer confidence returned and as the Group continued to improve its self-pay proposition.

For the first six months of 2013 self-pay volumes, measured by in-patient and daycase discharges, increased by 1.4% compared with the first six months of 2012. Self-pay rates for in-patient and daycases increased by 4.0% over the same period. As discussed above in respect of the three months ended 31 March 2014, 2013 comparative performance is also impacted by the disproportionate contribution of DePuy hip revision to self-pay revenues in 2012, which serves to depress the rate comparison between periods. Underlying rates increased for self-pay clinically necessary procedures increased in the period by 9.7% as a result of the factors noted above. Overall self-pay revenues increased by 5.0% in the first half of 2013 relative to the same period in 2012.

For the second six months of 2013 self-pay volumes, measured by in-patient and daycase discharges, increased by 4.4% compared with the second six months of 2012. Self-pay prices for in-patient and daycases increased by 6.2% over the same period. The adverse impact on overall rates of a reduced volume

of DePuy hip revision in the second half of 2012 was mitigated by a further increase in the case mix complexity of other self-pay procedures undertaken in the second half of 2013. Underlying rates increased for self-pay clinically necessary procedures increased in the period by 14.0% as a result of the factors previously explained. Overall self-pay revenues increased by 10.9% in the second half of 2013 relative to the same period in 2012.

Cost of sales

Cost of sales increased by £15.7 million, or 4.3%, to £382.1 million for the year ended 31 December 2013 from £366.4 million for the year ended 31 December 2012. As a percentage of revenue, cost of sales increased from 49.6% in 2012 to 50.0% in 2013. These increases were primarily the result of increased salaries for clinical staff and increases to the costs of treatments, including drugs, prostheses and consumables. Cost of sales as a percentage of revenues was also adversely impacted by the increase in NHS revenues as a percentage of total revenues (leading to disproportionate increases in prostheses costs given the high orthopaedic element of NHS case load and consultants fees and anaesthetists for NHS procedures.) NHS revenues accounted for 25.0% of total revenues for 2013 compared with 23.7% of total revenues for 2012. In-patient and daycase revenues related to orthopaedic procedures accounted for 47.7% of total in-patient and daycase revenues for 2013 which was consistent with 2012. NHS tariffs decreased by 3% in April 2013.

Gross profit

Gross profit increased by £9.9 million, or 2.7%, to £382.4 million for the year ended 31 December 2013 from £372.5 million in the year ended 31 December 2012. This increase was primarily due to increased revenue from NHS and self-pay customers, offset in part by lower PMI revenue and a reduction in gross profit margin, from 50.4% in 2012 to 50.0% in 2013, associated with increased costs and increased amounts of NHS work done at lower tariff rates.

Other operating costs

Other operating costs increased by £40.1 million, or 16.5%, to £282.8 million in the year ended 31 December 2013 from £242.7 million for the year ended 31 December 2012. As a percentage of revenue, other operating costs increased from 32.8% in 2012 to 37.0% in 2013. These increases were primarily the result of increased rent incurred from the 2013 Freehold Sale, reduced depreciation following the 2013 Freehold Sale, increased IT costs associated with the roll-out of a new SAP system, increased IT insourcing and increases in wages and central support costs, partially offset by lower exceptional items.

	Financial year ended 31 December	
	2012	2013
	(£ million)	
Depreciation	51.4	43.0
% of revenue	7.0%	5.6%
Rent of land and buildings	3.6	54.9
% of revenue	0.5%	7.2%
Hospital costs	136.9	141.5
% of revenue	18.5%	18.5%
Central costs	30.3	31.9
% of revenue	4.1%	4.2%
Exceptional cost	20.5	11.5
% of revenue	2.8%	1.5%
Total other operating costs	242.7	282.8
% of revenue for total other operating costs	32.8%	37.0%

Rent of land and buildings increased by £51.3 million to £54.9 million for the year ended 31 December 2013 from £3.6 million for the year ended 31 December 2012. This increase was primarily due to newly incurred annual lease payments resulting from the 2013 Freehold Sale.

Exceptional items included within other operating costs

Exceptional items included within other operating costs for the year ended 31 December 2013 totaled £11.5 million compared to £20.5 million in the year ended 31 December 2012. This decrease was primarily due to a decrease in the provision for PIP patient recalls and corporate restructuring and financing costs, offset partly by an increase in regulatory costs related to the Competition and Markets Authority enquiry.

	Financial year ended 31 December	
	2012	2013
	(£ million)	
Business reorganisation and hospital set up costs ⁽¹⁾	2.6	3.0
PIP patient recalls ⁽²⁾	6.0	—
Corporate restructuring and financing costs ⁽³⁾	9.3	3.5
Regulatory costs ⁽⁴⁾	2.6	5.0
	20.5	11.5

- (1) Reorganisation and hospital set up costs in the year ended 31 December 2013 were mainly associated with the run-off of the old IT system which was creating duplicate costs, mostly related to licensing. IT costs following the implementation of SAP and an onerous tenancy contract for the London Office.
- (2) PIP relates to provisions associated with PIP implants, including the removal and replacement of the PIP brand of breast implants. This amount includes the full provision created by management, which includes estimated hospital and legal costs.
- (3) Mainly comprise of corporate restructuring, refinancing and regulatory costs related to advisors' fees associated with the 2013 Freehold Sale most of which were accrued for as at 31 December 2012.
- (4) Regulatory costs mainly comprised the costs of the Competition and Markets Authority (the successor to the Competition Commission) enquiry.

Operating profit before exceptional items

Operating profit before exceptional items decreased by £39.2 million, or 26.1%, to £111.1 million in the year ended 31 December 2013 from £150.3 million in the year ended 31 December 2012. This decrease is largely driven by the £49 million increase in rent payments arising from the 2013 Freehold Sale.

Profit on disposal of property, plant and equipment

Profit on disposal of property, plant and equipment increased by £43.7 million to £44.2 million for the year ended 31 December 2013 from a profit of £0.5 million for the year ended 31 December 2012. This increase was primarily due to £44.8 million profit on the 2013 Freehold Sale.

Interest income

Interest income remained stable at £0.4 million in the year ended 31 December 2012 and £0.4 million in the year ended 31 December 2013. Amounts in both years reflect interest income on bank deposits.

Total finance costs

Total finance costs decreased by £123.3 million, or 38.6%, to £196.1 million for the year ended 31 December 2013 from £319.4 million for the year ended 31 December 2012. Of this amount, exceptional finance costs decreased by £86.9 million, or 67.3%, to £42.2 million for the year ended 31 December 2013 from £129.1 million for the year ended 31 December 2012.

The exceptional charge in 2012 related to £129.1 million of swap losses that were recycled from the hedging reserve to the income statement in the year, as they no longer met the criteria for the application of hedge accounting. These interest rate swap liabilities were either repaid or waived as a consequence of the 2013 Freehold Sale.

The exceptional finance charge in 2013 of £42.2 million is the net charge arising from an unwind of the hedge accounting for the remaining interest rate derivatives (following the 2013 Freehold Sale) offset by a credit arising from early settlement discounts associated with the early repayment of debt as a consequence of the 2013 Freehold Sale.

Following the extension of the loan facilities in March 2014, and reflecting the revised strategy for the future financing of the Group, the remaining interest rate swap contracts no longer met the criteria for hedge accounting and therefore the non-cash fair value of swap losses of £68.8 million, previously accumulated in the hedging reserve, were recycled as an exceptional charge to the income statement.

Other items arising in the year include a credit to the income statement arising on the partial waiver of bank debt and interest rate swap liabilities on settlement, net of the unamortised debt costs, a total net exceptional finance credit of £26.6 million.

Pre-exceptional items, net financing costs reduced by £36.4 million, or 19.1%, to £153.9 million for the year ended 31 December 2013 from £190.3 million for the year ended 31 December 2012. This reduction arose from a decrease of £46.2 million of interest on bank facilities, following the settlement of debt arising from the 2013 Freehold Sale, offset by a £9.5 million increase in interest on shareholder loans. The increase in interest on shareholder loans is the compounding impact of this interest being rolled up on an annual basis.

	Financial year ended 31 December	
	2012	2013
	(£ millions)	
Interest income		
Interest income on bank deposits	0.4	0.4
Finance costs		
Interest on loans from ultimate undertaking and management	(81.2)	(90.7)
Interest on bank facilities	(102.8)	(56.6)
Finance charges payable under finance leases	(7.2)	(7.5)
Change in fair value of interest rate derivatives	0.1	0.1
	(191.1)	(154.7)
Finance costs capitalised in the year	0.8	0.8
	(190.3)	(153.9)
Exceptional finance (costs)/income	(129.1)	(42.2)
Total finance costs	(319.4)	(196.1)

Taxation

No tax was payable during the year. Total tax credited to the income statement increased by £95.8 million to £154.1 million in the year ended 31 December 2013 from £58.3 million for the year ended 31 December 2012. This increase was primarily due to deferred tax released on assets disposed of as part of the 2013 Freehold Sale and £15.5 million attributable to a reduction in tax rates. Current tax payable for the year remained constant as no taxes were payable in 2012 or 2013.

Year ended 31 December 2012 compared with the year ended 31 December 2011

Revenue

Revenue for the year ended 31 December 2012 increased by £64.9 million, or 9.6%, to £738.9 million from £674.0 million for the year ended 31 December 2011. In-patient and daycase revenues increased by £41.3 million or 9.2%, from £450.8 million to £492.1 million from a 4.3% increase in patient volumes in the year.

Out-patient revenues grew by £21.9 million, or 11.0%, from £198.6 million to £220.5 million, including an increase of £9.5 million in diagnostic revenues (pathology, CT and MRI) and a £1.7 million increase in minor procedures undertaken in out-patient treatment rooms.

PMI

PMI volumes, measured by in-patient and daycase discharges, decreased by 2.2% in the year ended 31 December 2012 compared to the year ended 31 December 2011 and to approximately 131,000 discharges. In the second half of 2012, the decline in insured lives over the economic recession began to impact on activity levels across the Group. PMI rates for in-patient and daycases increased by 3.1% over the same period.

These factors, combined with a 7.8% increase in out-patient revenues from PMI, resulted in an increase in total PMI revenue of 3.2% for the year ended 31 December 2012 compared to the year ended 31 December 2011.

NHS

NHS volume measured by in-patient and daycase discharges increased by 22.4% in the year ended 31 December 2012 compared to the same period in 2011 to approximately 67,000 discharges. This included a significant expansion of activity through Choose & Book as the Group utilised spare capacity in the absence of growth in private activity. NHS rates for in-patient and daycases also increased by 9.9% over the same period. The underlying impact of tariff decreases on the basket of services delivered by the Group to the NHS was approximately 2% for 2012. The rapid increase in activity under Choose & Book, with a high orthopaedic content, had a significant favourable impact on case mix and consequently on rates.

These factors, combined with a 17.4% increase in out-patient revenues from NHS, resulted in an increase in total NHS revenue of 29.0% for the year ended 31 December 2012 compared to the year ended 31 December 2011.

Self-pay

Self-pay volumes measured by in-patient and daycase discharges increased by 0.6% in the year ended 31 December 2012 compared to the same period in 2011 to approximately 35,000 discharges. Volume performance was adversely impacted by the economic recession.

Self-pay rates for in-patient and daycases increased by 4.3% in the same period. The Group benefitted from a significant number of hip revision procedures associated with a patient recall undertaken by DePuy. Underlying rate increases were sub-inflationary given a decline in the propensity to fund more complex surgical procedures. The DePuy recall process included a substantial amount of diagnostic activity and patient assessment, which contributed to a significant increase in out-patient revenues in the year.

These factors, combined with a 19.5% increase in out-patient revenues from self-pay patients, resulted in an increase in total self-pay revenue of 9.8% for the year ended 31 December 2012 compared to the year ended 31 December 2011.

Cost of sales

Cost of sales increased by £45.5 million, or 14.2%, to £366.4 million for the year ended 31 December 2012 from £320.9 million for the year ended 31 December 2011. As a percentage of revenue, cost of sales increased from 47.6% in 2011 to 49.6% in 2012. These increases were primarily the result of increased salaries for clinical staff and increases to the direct costs of treatments.

Cost of sales as a percentage of revenues was also adversely impacted by the increase in NHS revenues as a percentage of total revenues (leading to disproportionate increases in prostheses costs given the high orthopaedic element of NHS case load and consultants and anaesthetists fees for NHS procedures.) NHS revenues accounted for 23.7% of total revenues for 2012 compared with 20.2% of total revenues for 2011. The growth in Choose & Book activity was biased to orthopaedic procedures with a consequent relative increase in prostheses, drugs and consumables costs.

Gross profit

Gross profit increased by £19.4 million, or 5.5%, to £372.5 million for the year ended 31 December 2012 from £353.1 million in the year ended 31 December 2011. This increase was primarily due to increased revenue, offset in part by a reduction in gross profit margin, from 52.4% in 2011 to 50.4% in 2012, as a result of increases in costs of sales that outpaced increases in rates the Group was able to charge for its services and increased amounts of NHS work done at lower tariff rates.

Other operating costs

Other operating costs increased by £23.8 million, or 10.9%, to £242.7 million in the year ended 31 December 2012 from £218.9 million for the year ended 31 December 2011. As a percentage of revenue, other operating costs increased from 32.5% in 2011 to 32.8% in 2012. These increases were primarily due

to an increase in exceptional costs as well as the result of increased non-clinical staff, corporate restructuring and finance costs and PIP patient recalls.

	Financial year ended 31 December	
	2011	2012
	(£ millions)	
Depreciation	48.5	51.4
% of revenue	7.2%	7.0%
Rent of land and buildings	2.3	3.6
% of revenue	0.3%	0.5%
Hospital costs	131.7	136.9
% of revenue	19.5%	18.5%
Central costs	32.2	30.3
% of revenue	4.8%	4.1%
Exceptional items	4.2	20.5
% of revenue	0.6%	2.8%
Total other operating costs	218.9	242.7
% of revenue for total other operating costs	32.5%	32.8%

Exceptional items included within other operating costs

Exceptional items included within other operating costs increased by £16.3 million to £20.5 million for the year ended 31 December 2012 from £4.2 million for the year ended 31 December 2011. This increase was primarily due to an increase in PIP patient recalls and corporate restructuring and set-up costs related to the new hospital in Brighton and St. George's Park facility.

	Financial year ended 31 December	
	2011	2012
	(£ millions)	
Exceptional items		
Business reorganisation and hospital set up costs ⁽¹⁾	2.1	2.6
PIP patient recalls ⁽²⁾	—	6.0
Corporate restructuring and financing costs ⁽³⁾	—	9.3
Regulatory costs ⁽³⁾	2.1	2.6
Total exceptional costs	4.2	20.5

(1) Reorganisation and set up costs were mainly associated with the set up of the new hospital in Brighton and the Perform facility at St. George's Park.

(2) PIP relates to provisions associated with PIP implants, including the removal and replacement of the PIP brand of breast implants. This amount includes the full provision created by management, which includes estimated hospital and legal costs.

(3) Mainly comprised of corporate restructuring, refinancing and regulatory costs related to advisors' fees associated with the 2013 Freehold Sale and refinancing activity, most of which were accrued for in 2012, and the OFT/Competition Commission enquiry.

Operating profit before exceptional items

Operating profit before exceptional items increased by £11.9 million, or 8.6%, to £150.3 million in the year ended 31 December 2012 from £138.4 million in the year ended 31 December 2011.

Profit/loss on disposal of property, plant and equipment

Profit on disposal of property, plant and equipment increased by £0.7 million to £0.5 million for the year ended 31 December 2012 from a loss of £0.2 million for the year ended 31 December 2011.

Finance income

Finance income increased by £0.2 million to £0.4 million for the year ended 31 December 2012 from £0.2 million for the year ended 31 December 2011. This increase was primarily due to increased amounts of interest income on bank deposits.

Total finance costs

Total finance costs increased by £136.1 million, or 74.2%, to £319.4 million for the year ended 31 December 2012 from £183.3 million for the year ended 31 December 2011. This increase was substantially the result of exceptional finance charges in 2012.

The exceptional charge in 2012 related to £129.1 million of swap losses that were recycled from the hedging reserve to the income statement in the year, due to the fact that the swaps no longer met the criteria for the application of hedge accounting. These interest rate swap liabilities were either repaid or waived as a consequence of the 2013 Freehold Sale.

Net funding costs, pre-exceptional items, increased by £7.0 million, or 3.8% to £190.3 million for the year ended 31 December 2012 from £183.3 million for the year ended 31 December 2011. This increase primarily arose from a £8.9 million increase in interest on shareholder loans. The increase in interest on shareholder loans is due to the compounding impact of interest being rolled up on an annual basis.

	Financial year ended 31 December	
	2011	2012
	(£ millions)	
Interest income		
Interest income on bank deposits	0.2	0.4
Finance costs		
Interest on loans from ultimate undertaking and management	(72.3)	(81.2)
Interest on bank facilities	(103.3)	(102.8)
Finance charges payable under finance leases	(7.0)	(7.2)
Change in fair value of interest rate derivatives	(0.8)	0.1
	(183.4)	(191.1)
Finance costs capitalised in the year	0.1	0.8
	(183.3)	(190.3)
Exceptional finance (costs)/income	—	(129.1)
Total finance costs	(183.3)	(319.4)

Taxation

There were no taxes payable during the year. The total tax credited to the income statement increased by £31.9 million, or 120.8%, to £58.3 million for the year ended 31 December 2012 from £26.4 million for the year ended 31 December 2011. This increase was primarily due to deferred taxation of £29.7 million released to the income statement following the recycling of swap losses from the hedging reserve.

Additional analysis of results of operations

EBITDAR

EBITDAR is defined as operating profit adjusted to add back exceptional operating items, depreciation of property plant & equipment and expenses for rent of land and buildings. The Group believes EBITDAR is a relevant measure of operating performance of its business. Due to the 2013 Freehold Sale transactions the Group conducted during the periods under review, its rent of land and buildings is not comparable across periods. By separating the impact of rent of land and buildings on the Group's gross profit (operating profit before exceptional operating items and depreciation of property, plant & equipment, which the Group refers to as EBITDA), EBITDAR provides a measure of operating performance that the Group believes is more comparable across the periods under review.

The Group's capacity and labour management, improved patient pricing and cost control (particularly on NHS prostheses and consumables, have driven the Group's EBITDAR growth since 2011. Furthermore,

the Group's operating efficiency has resulted in strong EBITDAR margins despite an increase in NHS activity. For example, in the first three months of 2014, EBITDAR margin was 26.6%, a decrease of 70 basis points from the same period in 2013, as a result of growth in direct costs due to volume and RPI effects. Direct costs increased as a percentage of revenue in the first three months of 2014 due to NHS tariff reduction, the impact of increased NHS consultant fees and minor increased central costs. These factors were substantially offset by reduced clinical staff costs through improvement in operational efficiencies.

	Financial year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Operating profit	134.2	129.8	99.6	26.9	25.4
Exceptional operating items ⁽¹⁾	4.2	20.5	11.5	3.0	4.9
Operating profit before exceptional items	138.4	150.3	111.1	29.9	30.3
Depreciation of property, plant & equipment	48.5	51.4	43.0	10.3	11.2
EBITDA	186.9	201.7	154.1	40.2	41.5
Rent of land and buildings	2.3	3.6	54.9	11.9	14.5
EBITDAR	189.2	205.3	209.0	52.1	56.0

(1) Includes business reorganisation and hospital setup costs, PIP patient recalls, corporate restructuring and financing costs, and regulatory costs.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The Group has historically financed its capital investment and working capital requirements through a combination of cash flows from its operating activities and short and long-term bank borrowings. The Group expects that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations together with bank borrowings, including under the New Facilities Agreement.

	Financial Year Ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Cash flows from operating activities					
Profit/(loss) before taxation	(49.1)	(188.7)	(51.9)	59.8	9.5
Adjustments for:					
depreciation	48.5	51.4	43.0	10.3	11.2
goodwill impairment	—	0.4	0.9	—	—
share-based payments	—	0.1	—	—	—
(profit)/loss on disposal of property, plant and equipment	0.2	(0.5)	(44.2)	(44.8)	(19.6)
interest income	(0.2)	(0.4)	(0.4)	(0.1)	—
finance costs	183.3	190.3	153.9	38.6	35.5
exceptional finance cost/(income)	—	129.1	42.2	(26.6)	—
	182.7	181.7	143.5	37.2	36.6
Movements in working capital:					
decrease/(increase) in trade and other receivables	4.1	(1.4)	(32.0)	(13.0)	(11.5)
(increase)/decrease in inventories	(2.7)	(1.1)	(0.7)	1.4	0.8
increase/(decrease) in trade and other payables	10.5	(4.7)	(10.7)	(15.5)	15.1
increase/(decrease) in provisions	—	2.3	(0.4)	(0.2)	(0.1)
Net cash from operating activities	194.6	176.8	99.7	9.9	40.9

	Financial Year Ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Cash flows from investing activities					
Acquisition of group undertakings	(0.9)	—	—	—	—
Purchase of property, plant and equipment	(43.1)	(55.2)	(53.7)	(8.0)	(18.4)
Proceeds from disposal of property, plant and equipment . .	0.5	20.0	700.4	700.3	31.3
Interest received	0.2	0.4	0.4	0.1	—
Net cash (used in)/generated from investing activities	(43.3)	(34.8)	647.1	692.4	12.9
Cash flows from financing activities					
Acquisition of minority interest	—	—	(0.6)	—	—
Interest paid	(93.7)	(92.4)	(59.2)	(22.2)	(12.4)
Debt assurance costs	(0.2)	—	—	—	—
Repayments of borrowings	(11.1)	(15.4)	(789.3)	(707.3)	(7.7)
Proceeds from issue of equity to non-controlling interests . .	—	0.5	—	—	—
Proceeds from long-term borrowing	11.1	3.7	80.0	—	—
Net cash used in financing activities	(93.9)	(103.6)	(769.1)	(729.5)	(20.1)
Net increase/(decrease) in cash and cash equivalents	57.4	38.4	(22.3)	(27.2)	33.7
Cash and cash equivalents at beginning of year/period	38.0	95.4	133.8	133.8	111.5
Cash and cash equivalents at end of year/period	95.4	133.8	111.5	106.6	145.2

Three months ended 31 March 2014 compared with the three months ended 31 March 2013

Cash generated from operations was £40.9 million for the three months ended 31 March 2014, an increase of £31.0 million from an inflow of £9.9 million for the three months ended 31 March 2013. This increase was primarily due to a movement in working capital of £31.6 million in the three months ended 31 March 2014 over the previous year, including a £30.6 million favourable movement in trade and other payables. As explained below, the 2013 Freehold Sale had a significant non-recurring impact on working capital in 2013 including the combined impact of rental payments in advance and the settlement of transaction costs substantially accrued at the 31 December 2012 balance sheet date.

Cash generated from investing activities was £12.9 million for the three months ended 31 March 2014, a decrease of £679.5 million, from the £692.4 million inflow for the three months ended 31 March 2013. This decrease was primarily due to the proceeds from the 2013 Freehold Sale in the three months ended 31 March 2013, whereas in the three months ended 31 March 2014, proceeds of £31.3 million arose from the sale of a long leasehold interest in the Spire Washington hospital. This decrease was offset by an increase in capital expenditure in the three months ended 31 March 2014 of £10.4 million to £18.4 million for the three months ended 31 March 2014, including the development of a cardiac catheterisation lab in Cardiff and the completion of the radiotherapy centre in Bristol.

Cash used in financing activities was £20.1 million for the three months ended 31 March 2014, a decrease of £709.4 million, from £729.5 million for the three months ended 31 March 2013. This decrease was primarily due to the early payment of bank debt in the three months ended 31 March 2013, following the 2013 Freehold Sale, whereas in the three months ended 31 March 2014, debt repaid was limited to £7.7 million of repayments under amortising bank loan facilities. In addition, following the repayment of debt in the three months ended 31 March 2013, interest paid on the Group's bank loan facilities decreased from £22.2 million in the three months ended 31 March 2013 to £12.4 million for the three months ended 31 March 2014.

Year ended 31 December 2013 compared with the year ended 31 December 2012

Cash generated from operating activities was £99.7 million for the year ended 31 December 2013, a decrease of £77.1 million, or 43.6%, from an inflow of £176.8 million for the year ended 31 December 2012. This decrease was primarily due to additional rent payable from completion of £51.3 million per annum, following the 2013 Freehold Sale and adverse movements in working capital of £38.9 million, mainly comprising £30.6 million of trade and other receivables and £6.0 million of trade and other payables. The increase in trade and other receivables was due to a change in payment arrangements with

NHS, a prepayment of rent in December 2013 of £10.4 million, following the 2013 Freehold Sale, and revised payment terms adhered to by PMI customers.

Cash generated from investing activities was £647.1 million for the year ended 31 December 2013, an increase of £681.9 million from an outflow of £34.8 million for the year ended 31 December 2012. This increase was primarily due to proceeds from the 2013 Freehold Sale in 2013, whereas the sale proceeds of £20.0 million in 2012 mainly comprised the sale subject to lease of a single hospital, the Shawfair hospital. Excluding the 2013 Freehold Sale, cash flow from investing activities would have been an outflow of £56.9 million in the year ended 31 December 2013.

Cash used in financing activities was £769.1 million for the year ended 31 December 2013, an increase of £665.5 million from an outflow of £103.6 million for the year ended 31 December 2012. This increase was primarily due to the early payment of bank debt in 2013, under the 2013 Freehold Sale, partly offset by a reduction in interest payable of £33.2 million, reflecting the reduced level of borrowings with effect from 17 January 2013, the date on which the debt was repaid.

Year ended 31 December 2012 compared with the year ended 31 December 2011

Cash generated from operating activities was £176.8 million for the year ended 31 December 2012, a decrease of £17.8 million, or 9.1%, from an inflow of £194.6 million for the year ended 31 December 2011. This decrease was primarily due to an increase in working capital of £16.8 million, comprising £5.5 million of trade and other receivables and £15.2 million of trade and other payables, partly offset by reductions in working capital associated with inventories and provisions, resulting from improved procurement.

Cash used in investing activities was £34.8 million for the year ended 31 December 2012, a decrease of £8.5 million, or 19.6%, from an outflow of £43.3 million for the year ended 31 December 2011. This decrease was primarily due to an increase in the purchase of property, plant, and equipment of £12.1 million, offset by the sale proceeds of £20.0 million from the sale, subject to lease of Spire Shawfair Park hospital.

Cash used in financing activities was £103.6 million for the year ended 31 December 2012, an increase of £9.7 million, or 10.3%, from an outflow of £93.9 million for the year ended 31 December 2011. This increase was primarily due to higher repayments of bank debt of £4.3 million and lower levels of new borrowings of £7.4 million year on year.

Working Capital

In the ordinary course of business, the Group has relatively stable working capital requirements. The total amount of working capital measured by payables days and receivables days is anticipated to remain at approximately 50-60 days. In 2013, the Group's total working capital increased substantially, of which £21.0 million was due to the 2013 Freehold Sale, £12.0 million associated with NHS activity exceeding the activity plans on which payments on account are based and £9.0 million due to a change in Bupa's payment cycle from bi-weekly to monthly in July 2013.

Since April 2012, the terms on which the NHS settles payments under the Standard Acute Contract ("SAC") has been based upon activity plans agreed at a local level with the relevant local commissioning body. The Group has received monthly payments on account of work undertaken under the SAC based on these activity plans, with a reconciliation to actual work undertaken taking place on a quarterly basis. Receipt of cash payments from the NHS which arises from these reconciliations to actual activity lag the quarter end in which the service was provided by approximately 2.5 months. Activity plans are agreed with the commissioning body for a twelve month period and are reviewed as part of the annual renewal of the SAC.

When the Group consistently undertakes more work for the NHS than is projected in these local annual activity plans there can be a shortfall in payments on account which can lead to a short term build up in trade receivables from the NHS, settled up to 2.5 months after the relevant quarter end and therefore settled up to 5.5 months after the activity was originally invoiced by the Group.

The following table sets out the Group's working capital as at the dates indicated:

	As at 31 December			As at 31 March	
	2011	2012	2013	2013	2014
				unaudited	
	(£ millions)				
Receivables					
PMI	28.6	23.6	39.3	32.0	48.0
NHS	18.9	19.3	37.5	23.3	38.6
Self-pay	0.9	1.9	0.8	2.6	0.5
Other	43.0	50.6	53.6	52.8	56.7
Total receivables	91.4	95.4	131.2	110.7	143.8
Days	38	36	58	47	57
Inventory	24.4	25.5	26.2	24.0	25.4
Days	46	41	38	35	32
Payables	(109.0)	(105.7)	(87.0)	(90.2)	(103.3)
Days	74	63	48	50	50
Provisions	(1.3)	(3.6)	(3.2)	(3.4)	(3.1)
Total working capital	5.5	11.6	67.2	41.1	62.8
% Revenue	(0.8%)	(1.6%)	8.8%	(6.7%)	8.4%
Change in working capital	17.0	(6.1)	(55.6)	(29.5)	4.4

Capital Expenditure

	Financial Year Ended 31 December		
	2011	2012	2013
	(£ millions)		
Maintenance	21.8	19.0	24.5
% Revenue	3.2%	2.6%	3.2%
IT	9.5	10.3	6.0
Developments:			
Major refurbishments/development of current hospitals	12.1	14.8	17.9
New hospital developments	—	11.9	—
Radiotherapy—Bristol	—	—	6.1
Total development	12.1	26.7	24.0
Total capital expenditure	43.4	56.0	54.5
% Revenue	6.4%	7.6%	7.1%

The Group had capital expenditure of £43.4 million in 2011, £56.0 million in 2012, £54.5 million in 2013 and £18.4 million in the first three months of 2014. The Group has invested extensively in diagnostic capabilities since 2009 including MRI and CT scanners and increased pathology capabilities. Since 2011, the Group has constructed a new hospital in Brighton (opened November 2012), developed a medical science facility in conjunction with the Football Association at St George's Park and continued to expand capacity and operating capabilities within its existing hospital network.

Maintenance capital expenditure going forward is expected to remain constant at 3-3.5% of revenues, excluding IT development costs, which will account for approximately £3-5 million per annum for the next two years. Development capital expenditure will include fourteen new theatres to be added over next three years (excluding the two theatres to be developed at St. Anthony's) with a capital investment of approximately £3-5 million per theatre. The Group expects each theatre to generate an approximate ROCE of 20-25% by year three.

The Group has also introduced a new IT platform for patient administration and financial accounting which went live in April 2013. The costs of this project over the previous 3 years totalled £17.4 million.

In 2011, as part of development capital expenditure the Group extended the operating theatre complex at its Roding hospital, remodelled out-patient facilities in Manchester and Cambridge, purchased the trade and assets of Lifescan, a business undertaking CT based health assessments, purchased four MRI scanners and three CT scanners.

In 2012, the Group developed a new theatres at its Southampton and Fylde Coast hospitals, opened a cardiac catheterisation lab in Bristol, undertook the fit-out of the medical science facility at St Georges Park and part funded the development of a new hospital in Brighton.

In 2013, the Group funded the development of a cardiac catheterisation lab in Cardiff which opened in February 2014, a new endoscopy suite in Worcester and extensions to out-patient facilities at a number of hospitals. The Group also part funded the development of a standalone radiotherapy centre in Bristol. The Group also purchased or upgraded MRI for six of its sites, including the launch of MRI guided focused ultrasound services at one of its hospitals in Birmingham, the first private facility to offer an alternative to surgery for uterine fibroids and the commissioning of its first 3T MRI at Spire Gatwick Park hospital. The Group also purchase or upgraded an additional two CT machines in the year.

In 2014 the Group has completed the construction of its radiotherapy site in Bristol, which opened to patients in April 2014 and has commissioned the construction of three additional theatres and is funding development of out-patient services at a number of its hospitals. Development work is also underway at Roding hospital to develop an ambulatory care unit designed to improve daycase patient flow for orthopaedics. The Group has plans to purchase a total of four additional MRI and CT machines in the year.

In 2014, the Group expects to incur capital expenditure of approximately £75 million, to be used for the core estate, new theatres and additional radiotherapy capacity, of which £15.2 million has been committed, but not yet provided for as at 31 March 2014. The Group also intends to spend an aggregate of approximately £60 million including that spent to date in 2014 and 2015 for the acquisition and development of St. Anthony's hospital to reconfigure and expand its operating suites.

For 2015, the Group expects to invest approximately 7.5% of annual revenue on a combination of maintenance capital expenditure and new theatres in existing sites.

Currently, the Group plans to add four new radiotherapy sites, targeting a year five pre-taxation ROCE of approximately 20% and three new hospitals and nine new theatres, in addition to the seven new theatres planned for 2014 (including the four existing theatres at St Anthony's), targeting a year five pre-taxation ROCE of 20-25%. For radiotherapy and new hospital sites, approximately 75% of total costs to open a site are generally incurred in the year prior to opening, and 25% in the year in which the site opens.

Indebtedness

The following table provides further detail on the Group's borrowings as at 31 December 2011, 31 December 2012 and 31 December 2013 as well as at 31 March 2014:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	(£ million)			
Unsecured borrowings at amortised cost				
Ultimate parent undertaking (August 2037 maturity)	563.9	631.8	707.6	727.9
Ultimate parent undertaking (March 2038 maturity)	110.0	124.7	138.9	142.7
	673.9	756.5	846.5	870.6
Secured borrowings at amortised cost				
Bank loans	1,309.4	1,297.2	702.7	697.0
Obligations under finance leases	74.4	79.6	79.7	79.7
	1,383.8	1,376.8	782.4	776.7
The bank loans and finance leases are secured on fixed and floating charges over the assets of certain subsidiary undertakings.				
Total borrowings				
Amount due for settlement within 12 months	34.6	40.7	746.8	55.1
Amount due for settlement after 12 months	2,023.1	2,092.6	882.1	1,592.2
	2,057.7	2,133.3	1,628.9	1,647.3

As at 31 December 2013, the Group's gross indebtedness (comprising bank debt drawn under the Opco Facilities Agreement, Propco Cash Pay Facilities Agreement and Propco PIK Facility Agreement and obligations under finance leases, but excluding interest rate swap liabilities and loan notes due to parent undertakings) was 5.1x its EBITDA. On the same basis, net indebtedness (gross indebtedness less cash on the balance sheet) was 4.4x its EBITDA. Following Admission and entry by the Group into the New Facilities Agreement (as described below), and assuming EBITDA of £155.4 million for the 12 months ended 31 March 2014, the Group's gross debt and net debt to EBITDA are both expected to decrease to approximately 3.0x EBITDA.

Opco Facilities Agreement

A senior facilities agreement was entered into on 25 September 2008 (as amended and restated on 8 June 2009, 17 January 2013 and 25 March 2014), between, among others, certain members of the Group and The Royal Bank of Scotland Plc as the security agent (the "**Opco Facilities Agreement**"), the borrowers under which are Spire Healthcare Holdings 3 Limited, formerly Spire Healthcare Group Limited, and Spire Healthcare Limited.

As at 31 March 2014, the total amount of principal and interest outstanding under the Opco Facilities Agreement, net of unamortised loan costs was £229.3 million. Since then, the Opco Group has drawn down an additional £40.0 million under its D facility to finance the acquisition of St. Anthony's hospital.

Following Admission, and the advances to be made on the date of Admission under the New Facilities Agreement, the total amount of principal and interest outstanding under the Opco Facilities Agreement will be repaid and all security granted in relation to the Opco Facilities Agreement will be released.

Propco Cash Pay Facilities Agreement

A cash pay facilities agreement was entered into on 25 September 2008 (as amended and restated on 8 June 2009, 17 January 2013 and 25 March 2014), between, among others, Rozier (GP1A) Limited on behalf of Rozier No.1A Limited Partnership and The Royal Bank of Scotland Plc (the "**Propco Security Agent**") (the "**Propco Cash Pay Facilities Agreement**"), the borrowers under which are the various subsidiaries of the Propco Group, including the property owning entities.

As at 31 March 2014, the total amount of principal and interest outstanding under the Propco Cash Pay Facilities Agreement, net of unamortised loan costs was £420.1 million.

Following Admission, and the advances to be made on the date of Admission under the New Facilities Agreement, the total amount of principal and interest outstanding under the Propco Cash Pay Facilities Agreement will be repaid and all security granted in relation to the Propco Cash Pay Facilities Agreement will be released.

Propco PIK Facility Agreement

A PIK ('payment-in-kind') facility agreement was entered into on 25 September 2008 (as amended and restated on 8 June 2009, 17 January 2013 and 25 March 2014), between, among others, Rozier (GP1A) Limited on behalf of Rozier No.1A Limited Partnership and the Propco Security Agent (the "**Propco PIK Facility Agreement**"), the borrowers under which are the same entities as for the Propco Cash Pay Facilities Agreement.

As at 31 March 2014, the total amount of principal (including interest which has to date been capitalised or paid-in-kind) and interest outstanding under the Propco PIK Facility Agreement, net of unamortised loan costs was £47.6 million.

The Propco PIK Facility Agreement contains substantially the same terms as the Propco Cash Pay Facilities Agreement except that accrued interest under the Propco PIK Facility Agreement capitalises at the end of each interest period. In addition, the Propco PIK Facility Agreement is subordinated to the Propco Cash Pay Facilities Agreement.

Following Admission, and the advances to be made on the date of Admission under the New Facilities Agreement, the total amount of principal and interest outstanding under the Propco PIK Facility Agreement will be repaid and all security granted in relation to the Propco PIK Facility Agreement will be released.

Interest Rate Swap Agreements

Each of the borrowers under the Propco Cash Pay Facilities Agreement and the Propco PIK Facility Agreement is party to interest rate hedging contracts with each of The Royal Bank of Scotland plc and Bank of Scotland plc (the “**Interest Rate Swap Agreements**”). Following Admission, and the advances to be made on the date of Admission under the New Facilities Agreement each Interest Rate Swap Agreement will be terminated, the termination costs will be settled and all security granted in relation to the Interest Rate Swap Agreements will be released.

Loan Notes

As at 31 March 2014, Spire Healthcare Holdings 1, formerly Spire UK Holdco 6, has outstanding liabilities (including accrued interest) of £575.4 million in the form of unsecured interest bearing loan notes to Rozier Finco Limited all of which have been listed and qualify as Eurobonds (the “**Holdco 6 QEBs**”) and £66.3 million of unsecured interest bearing loan notes to Rozier Finco 2 Limited (the “**Holdco 6 Loan Notes**”).

As at 31 March 2014, Spire UK Holdco 2A Limited has outstanding liabilities (including accrued interest) of £152.5 million in the form of unsecured interest bearing loan notes to Rozier Finco Limited which have also been listed and qualify as Eurobonds (the “**Holdco 2A QEBs**”).

As at 31 March 2014, Spire Healthcare Group UK Limited has outstanding liabilities (including interest accrued) of £76.4 million in the form of unsecured interest bearing loan notes to Rozier Finco 2 Limited (the “**Group Notes**”).

As part of the Reorganisation, the abovementioned QEBs and loan notes will be capitalised or repaid as further detailed in *Part 15: “Additional Information—Reorganisation”*.

New Facilities Agreement

Prior to Admission the Group will enter into the £525 million New Facilities Agreement, which provides for the £425 million New Term Loan Facility and the £100 million New Revolving Facility. The New Facilities are governed by English law and are conditional on Admission.

Purpose

The funds available under the New Term Loan Facility will be used, together with a portion of the net proceeds of the Offering and the Group’s existing cash: (i) to repay the Existing Facilities and settle the termination costs of the Interest Rate Swap Agreements in full in the amount of approximately £795.2 million; and (ii) to pay all fees, costs and expenses, stamp, registration and other taxes incurred by the Group or any member of the Group in connection with the refinancing of the Group’s existing indebtedness. The New Revolving Facility is made available for general corporate and working capital purposes of the Group. The New Revolving Facility can be utilised by way of loans, letters of credit or ancillary facilities.

Fees

There is no commitment fee payable in respect of the New Term Loan Facility. A commitment fee applies to the New Revolving Facility at a rate of 35 per cent. per annum of the then applicable margin per annum, payable on the unused and uncanceled amount of the New Revolving Facility for the availability period applicable to the New Revolving Facility (i.e. the period from the date of Admission to the business day one month prior to the Termination Date as defined below). An arrangement fee, which is in line with customary terms for such facilities, will be paid in respect of the New Facilities and certain customary fees will also be payable to the facility agent and security agent.

Currency

The New Term Loan Facility may be drawn in Pounds Sterling and the New Revolving Facility may be drawn in Pounds Sterling, euro, US dollars and certain other currencies that may be agreed with the relevant lenders.

Maturity, voluntary prepayment and voluntary cancellation

The New Facilities mature on the date falling five years after the date of initial utilisation of the New Facilities (the “**Termination Date**”). Any amounts still outstanding under the New Facilities at that time will then be due and payable. Subject to certain conditions, all or part of the utilisations under the New Facilities may be voluntarily prepaid and all or part of the available commitments under the New Facilities may be cancelled in each case without penalties. Such voluntary prepayments are required to be made in a minimum amount of £5 million in respect of both the New Term Loan Facility and the New Revolving Facility and such voluntary cancellations are required to be made in a minimum amount of £5 million of the relevant facility, in each case, following giving the facility agent three business days’ notice of such prepayment or cancellation. No amount of the New Term Loan Facility that is prepaid may be re-borrowed; however, amounts prepaid/repaid under the New Revolving Facility maybe re-borrowed during the availability period (i.e. until the business day one month prior to the Termination Date).

Mandatory prepayment

In addition to voluntary prepayments, the New Facilities will be required to be repaid in full or part in certain other circumstances, including (i) with respect to a lender under the New Facilities if it becomes unlawful for such a lender to perform its obligations and/or fund its participation in the New Facilities, and such lender’s participation has not been transferred; and (ii) any person or group of persons acting in concert (other than Cinven Partners LLP, any funds managed or advised by Cinven Partners LLP and any person controlled directly or indirectly by Cinven Partners LLP or by funds managed or advised by Cinven Partners LLP and any investor in any fund managed or advised by Cinven Partners LLP which investor is designated by Cinven Partners LLP as an indirect co-investor in the Company and whose direct interests in the Company are voted at the direction of Cinven Partners LLP) gains control of the Company, and, in respect of loans made by a lender, such lender requires prepayment.

Security

The New Facilities Agreement is to be initially secured by share pledges over the shares in certain material subsidiaries of the Company, which include (i) the borrowers, (ii) any wholly owned holding company of a subsidiary referred to in paragraph (iii) and (iii) material subsidiaries which each represent more than 5.0% of the earnings before interest, tax, depreciation and amortisation (“EBITDA”), or gross assets of the Group. These material subsidiaries represent approximately, in aggregate, substantially all of the EBITDA and gross assets of the Group as of the date of this document. Following Admission, any subsidiary that meets the requirements of paragraphs (ii) or (iii) above will be required to accede to the New Facilities Agreement and grant customary guarantees and its shares will also be pledged to the lenders.

Covenants

The New Facilities Agreement contains certain covenants customary for a listed entity (including a negative pledge which, subject to certain exceptions prohibits any member of the Group from granting or permitting to exist security over its assets or entering into arrangements similar to security)). There are no specific restrictions on dividends or debt incurrence. The New Facilities Agreement does not restrict the ability of the Company and other members of the Group to enter into a transaction or a series of transactions to acquire any business or company unless, the acquisition would be deemed a class 1 transaction under the Listing Rules published by the UK Listing Authority or the acquisition would require the approval of the shareholders of the Company in a general meeting (excluding transactions with shareholders on arm’s length terms or better). A ‘class 1’ transaction under the Listing Rules published by the UK Listing Authority is, in summary, (subject to certain specific situations) a major transaction outside the ordinary course of business the size of which results in a 25 per cent. threshold being reached under any one of the class tests. The class tests comprise an assets test (gross assets the subject of the transaction divided by the consolidated gross assets of the Company), a profits test (profits attributable to the assets the subject of the transaction divided by the consolidated profits of the Company), a consideration test (the consideration for the transaction divided by the aggregate market value of all the ordinary shares of the Company) and a gross capital test (gross capital of the company or business being acquired divided by the gross capital of the company). The New Facilities Agreement includes a restriction on any member of the Group entering into a transaction or a series of transactions to dispose of any asset other than disposals for customary exceptions or where the higher of market value or consideration receivable for the disposal does not exceed 10 per cent. of the consolidated gross assets of the Group in any financial year. The New Facilities Agreement also includes a guarantor coverage covenant whereby the Group must ensure that the

EBITDA of the guarantors and the aggregate gross assets of the guarantors represents not less than 80 per cent. of consolidated EBITDA and consolidated gross assets of the Group at all times.

Financial covenants

The New Facilities also include an interest cover covenant and leverage covenant which must be complied with, being: (i) the ratio of consolidated EBITDA to net interest payable for the Group (“**interest cover**”) and (ii) the ratio of total net debt of the Group to consolidated EBITDA (“**leverage**”). The specified minimum level for the interest cover ratio is 4.00:1 and the specified maximum level for the leverage ratio is 4.00:1, tested first at 31 December 2014 and semi-annually thereafter by reference to the audited consolidated financial statements for each financial year and the consolidated financial statements for each half year. On Admission, the ratio of the Group’s total net debt to consolidated EBITDA must not exceed 3.25:1.

Events of default

The New Facilities Agreement contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including breach of the financial covenants described above and a cross default in respect of indebtedness of the Group where the aggregate amount of the indebtedness that (i) has not been paid when due nor within any originally applicable grace period is or exceeds £20 million; (ii) is declared or otherwise becomes payable prior to its stated maturity date as a result of an event of default is or exceeds £20 million; or (iii) any creditor of any member of the Group becomes entitled to declare due and payable prior to its stated maturity date as a result of an event of default is or exceeds £20 million.

The occurrence of an event of default would allow the lenders of the New Facilities to, amongst other things, accelerate all or part of the outstanding loans and/or cancel the commitments and/or declare all or part of the loans payable on demand and/or exercise or direct the security agent (who holds the security on behalf of the lenders) to exercise its rights under the New Facilities Agreement, security documents and other finance documents.

Incremental facility

The New Facilities Agreement enables the Group to raise incremental facilities in circumstances where (i) the ratio of total net debt of the Group to consolidated EBITDA (adjusted pro forma to take into account the utilisation of the incremental facility commitments) does not exceed the ratio of total net debt of the Group to consolidated EBITDA as at the date of Admission, (ii) the margin payable in respect of such incremental facility does not exceed 1.5% per annum above the original margin applicable to the New Term Loan Facility and (iii) no event of default is continuing. A borrower of an incremental facility will use the funds towards its general corporate purposes including towards acquisitions, distributions or other transactions expressly permitted by the New Facilities Agreement.

Contractual Commitments

The following table summarises the Group’s contractual obligations, commercial commitments and principal payments scheduled as at 31 March 2014. As noted above, following Admission, amounts due to ultimate parent undertakings and secured bank facilities will be repaid.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>One year or less</u> (£ million)	<u>One to two years</u>	<u>More than two years</u>
Non-derivative financial liabilities					
Amount due to ultimate parent undertakings	870.6	926.9	—	—	926.9
Secured bank facilities	697.0	734.6	27.1	707.5	—
Obligations under finance leases	79.7	219.3	7.8	8.0	203.5
Trade and other payables	57.2	57.2	57.2	—	—
Derivative financial liabilities					
Interest rate swaps	71.4	72.6	23.8	21.4	27.4
	<u>1,775.9</u>	<u>2,010.6</u>	<u>115.9</u>	<u>736.9</u>	<u>1,157.8</u>

	<u>Less than one year</u>	<u>One to five years</u> (£ million)	<u>More than five years</u>
Future commitments under operating leases as at 31 March 2014			
Land and buildings	58.6	241.2	1,393.7
Other	<u>0.8</u>	<u>2.3</u>	<u>—</u>
	<u>59.4</u>	<u>243.5</u>	<u>1,393.7</u>

The amounts due to the ultimate parent undertakings are repayable on the occurrence of predetermined conditions of the loans, which are assumed to occur no later than the maturity date of the relevant bank facility.

Dividend policy

The Directors intend to adopt a progressive dividend policy based on a payout ratio of around 20%. This dividend policy will reflect the underlying earnings and growth of the business and the cash conversion of the Group.

Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.

The current intention of the Board is that the first dividend to be paid by the Company will be a pro rata final dividend in respect of the year ended 31 December 2014.

The Company may revise its dividend policy from time to time. There are no guarantees that the Company will pay dividends or the level of any such dividends.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and short-term investment securities (held as cash and cash equivalents on the Group's balance sheet).

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 from developing into losses. The majority of the Group's revenues are earned from PMI providers and the NHS. Revenue due from PMI providers is generally an obligation of a credit worthy large insurance institution. The remainder of revenues arise from individual self-pay patients, who typically pay at the time of treatment and from consultants, who pay for auxillary services and office space.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance is composed of specific losses that relate to individual exposures and also a collective loss component established in respect of losses that have been incurred but not yet identified, determined based on historical payment statistics.

Note 16 of the Group's historical financial information shows the ageing and customer profiles of trade receivables outstanding at the period end.

Investments

The Group limits its exposure to credit risk by only investing in short-term money market deposits with large financial institutions, which must be rated at least Investment Grade by key rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have

sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity at the holding company level, taking into account the need for the segregation of accounts for regulatory purposes. The Group meets its short-term operational working capital requirements using available cash and cash equivalents 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, following Admission, the Group will have a £100 million New Revolving Facility available.

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. In the opinion of the Group, the carrying value of the financial instruments is approximately equal to their fair value, except for floating rate debt which is carried after the deduction of £0.8 million (2013: £1.0 million, 2012: £14.0 million, 2011: £28.0 million) of issue costs as of 31 March 2014.

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. As at 31 March 2014, 63% of the Group's borrowings were hedged to fixed interest rates by interest rate swaps. Money market investments, held at floating rates of interest, represented 8% of total assets held by the Group.

Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.

The Group has entered into a number of interest rate swaps in the past in order to fix the interest payable on its bank loans, therefore minimising its exposure to interest rate risk.

Sensitivity analysis

A change of 25bps in interest rates as at the reporting date would have increased/(decreased) finance costs on the income statement and total equity on the balance sheet by the amounts shown below. This analysis assumes all other variables remain constant.

	Income statement		Balance sheet	
	25bps increase	25bps decrease	25bps increase	25bps decrease
As at 31 March 2014				
	(£ million)			
Variable rate instruments	(0.4)	0.4	(0.4)	0.4
Interest rate swaps	0.2	(0.2)	4.2	(4.2)
Sensitivity (net)	<u>(0.2)</u>	<u>0.2</u>	<u>3.8</u>	<u>(3.8)</u>
As at 31 December 2013				
	(£ million)			
Variable rate instruments	(0.4)	0.4	(0.4)	0.4
Interest rate swaps	0.2	(0.2)	4.3	(4.3)
Sensitivity (net)	<u>(0.2)</u>	<u>0.2</u>	<u>3.9</u>	<u>(3.9)</u>

	Income statement		Balance sheet	
	25bps increase	25bps decrease	25bps increase	25bps decrease
As at 31 December 2012				
	(£ million)			
Variable rate instruments	(0.8)	0.8	(0.8)	0.8
Interest rate swaps	0.6	(0.6)	13.6	(13.6)
Interest rate caps	0.1	(0.1)	0.1	(0.1)
Sensitivity (net)	<u>(0.1)</u>	<u>0.1</u>	<u>12.9</u>	<u>(12.9)</u>

	Income statement		Balance sheet	
	25bps increase	25bps decrease	25bps increase	25bps decrease
As at 31 December 2011				
	(£ million)			
Variable rate instruments	(0.8)	0.8	(0.8)	0.8
Interest rate swaps	0.6	(0.6)	15.6	(15.6)
Interest rate caps	0.1	(0.1)	0.1	(0.1)
Sensitivity (net)	<u>(0.1)</u>	<u>0.1</u>	<u>14.9</u>	<u>(14.9)</u>

Price Risk

The Group is not exposed to commodity price risk but as a provider of services it is subject to both general and industry specific wage pressures, including legislative changes concerning the minimum wage level. NHS contracts are also subject to annual price review. In common with the majority of government-funded providers, most of the Group's price changes with NHS counterparties take effect annually on April 1st. Contracts with private medical insurers are typically multi-year contracts with price adjustments built-in (e.g. RPI-driven) and, therefore, are not subject to annual price review.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions 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 estimates and underlying assumptions are reviewed on an ongoing basis.

In preparing these financial statements, the Directors have made the following significant judgements and estimates:

Taxation

Deferred tax assets are recognised to the extent the Directors believe it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation rates and taxation rates.

The Group expects that an additional quantum of tax losses of approximately £58.0 million will be realised in the pre-IPO refinancing from breaking the out of the money interest rate swap relating to the debt being refinanced. The Group does not expect to have tax payable for twelve months following the IPO, but expects to have a 20% tax rate for the second half of 2015 with a 20% tax charge thereafter (being the main rate of corporate tax, effective from 1 April 2015).

Leases

In the determination of the classification of a number of leases over hospital properties as operating leases, the Directors have made certain assumptions about the discount rate applied to the annual rent payable over the remainder of the lease term and of the useful economic life of the hospitals. Further information about commitments under these leases is given in note 24 of *Part 11: "Historical Financial Information"*.

Estimation of useful lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, the Directors take into account certain subjective factors such as the state of technological innovation, product life cycles and maintenance programmes. The Directors also make residual value assessments which take into account such issues as future market conditions, the remaining lives of the assets and projected disposal values. The estimated useful lives are contained in note 1 of *Part 11: "Historical Financial Information"*.

Goodwill

Goodwill is considered for impairment at least annually or more frequently if there is an indication that goodwill may be impaired. This is achieved by comparing the value in use of the goodwill with its carrying value in the accounts. The value in use calculations require the Group to estimate future cash flows expected to arise in the future, taking into account market conditions. The present value of these cash flows is determined using an appropriate discount rate.

The assumptions considered to be most critical in reviewing goodwill for impairment include:

- the rate of revenue growth, which is dependent on calculations derived from assumptions adopted regarding future prices and the volume and mix of services provided growth rates used to extrapolate cash flows beyond the 5 year plan period;
- the level of inflationary increase in the cost, in particular as it applies to wages and consumable costs; and
- discount rates.

The recoverable amount from acquisitions is based on the cash flow forecasts that reflect the assumptions made at the time of the assessment. The key assumptions that have been made when reviewing goodwill for impairment are shown in note 12 of *Part 11: "Historical Financial Information"*.

Fair value of interest rate swaps

The Group uses the Sterling zero coupon curve as at the balance sheet date to discount financial instruments where the fair value cannot otherwise be found from quoted market values. In addition, from 1 January 2013, as required under IFRS 13, the credit risk of counterparties has been included in these assessments of fair value. The Directors apply certain judgements, estimates and assumptions to value such instruments. Further information is contained in note 27 of *Part 11: "Historical Financial Information"*.

Hedge accounting and reclassification of related reserves

Hedge accounting is discontinued when the hedging relationship no longer qualifies for hedge accounting. One of the criteria which must be satisfied to qualify for hedge accounting is that the forecast hedged transaction must be considered highly probable. In assessing whether the interest rate swaps qualify for hedge accounting, management must make a judgement on whether the hedged interest payments on the debt are considered highly probable for the duration of the swap. If the hedge is no longer considered effective, then consideration must be given as to whether movements in the fair value of the swap previously taken to reserves through the statement of comprehensive income, must be reclassified to the income statement. To do this, management must make a judgement on whether the hedged interest payments on the debt are considered more likely than not to occur. To the extent that any of these underlying hedged cash flows are not considered more likely than not to occur, then a portion of the hedge reserve must be reclassified to the income statement. The valuation of the UK interest rate swaps and the application of hedge accounting involve significant judgement as they are based on a view of likely future events, although there can be no certainty as to how the events will actually unfold.

PART 10
CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness

The table below sets out the capitalisation and indebtedness of the Group as at 31 March 2014.

The information has been extracted without material adjustment from the Operating Group's financial information included in *Part 11: "Historical Financial Information"* as at 31 March 2014.

	As at 31 March 2014 (£ millions)
Total current debt	
Guaranteed	—
Secured	8.3
Unguaranteed/unsecured	46.8
	<u>55.1</u>
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	768.4
Unguaranteed/unsecured	823.8
	<u>1,592.2</u>
Shareholder's equity	
Other reserves	—
Total Capitalisation	<u>1,647.3</u>

Since 31 March 2014 the Group has drawn an additional £40 million Term Loan under Facility D of the Opco Facilities Agreement.

Secured debt comprises bank loans secured on fixed and floating charges over both the present and future assets of material subsidiaries of the Group, net of unamortised financing costs of £2.3 million, and finance leases secured on the leased assets.

Unguaranteed/unsecured debt relates to shareholder and management loans. On Admission, parts of the interest on such shareholder and management loans may (depending on the level of proceeds from the issue of New Shares) be partially written off with the principal and remaining interest being converted to ordinary equity of Spire Healthcare Group plc.

As at 31 March 2014 there are no reserves other than the accumulated deficit of the Group.

Capitalisation and indebtedness does not include the fair value of the Group's derivatives.

The following table sets out the net indebtedness of the Group as at 31 May 2014 which has been extracted without material adjustment from the management accounts.

	As at 31 May 2014
	£ millions
Cash	159.9
Cash equivalent	—
Trading securities	—
Liquidity	159.9
Current financial receivables	—
Current bank debt	8.1
Current portion of non-current debt	—
Other current financial debt	—
Current financial indebtedness	8.1
Net current financial indebtedness	151.8
Non-current bank loans	807.2
Bonds issued	—
Other non-current loans	—
Non-current financial indebtedness	807.2
Net financial indebtedness	655.4

The information as at 31 May 2014 is unaudited. The statement of indebtedness has been extracted from management accounts that have been prepared using policies that are consistent with those used in preparing the historical financial information as disclosed in *Part 11: “Historical Financial Information”*.

Net Financial Indebtedness does not include the fair value of the Operating Group’s derivatives.

Non-current loans comprises: (A) Senior Finance Facilities; (B) PIK Facility; and (C) obligations under finance leases.

On Admission, the Senior Finance Facilities and the PIK Facility will be repaid in full by a combination of the Group’s cash resources, proceeds from the issue of new ordinary shares and by drawing down under the New Facilities. Further details of this refinancing are set out in *Part 9: “Operating and Financial Review”* of the Prospectus.

The Group has entered into an Authorised Guarantee Agreement (“AGA”) with regard to the premises of the former customer contact centre at Victoria Harbour City, Manchester. Under the AGA, a subsidiary of the Company acts as a guarantor to the new tenants until the end of the lease term in January 2016. The maximum contingent liability at 31 May 2014 was £1.2 million. In addition the bankers to the Operating Group have issued letters of credit in the maximum amount of £1.5 million in relation to contractual pension obligations and statutory insurance cover.

PART 11
HISTORICAL FINANCIAL INFORMATION

SECTION A—ACCOUNTANT’S REPORT ON THE COMBINED HISTORICAL FINANCIAL INFORMATION



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The Directors
Spire Healthcare Group plc
3 Dorset Rise
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7 July 2014

Dear Sirs

Spire Healthcare Group

We report on the combined historical financial information of Spire Healthcare Group set out in Section B of Part 11: “*Historical Financial Information*” for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 (the “**Combined Historical Financial Information**”). The Combined Historical Financial Information has been prepared for inclusion in the prospectus dated 7 July 2014 of Spire Healthcare Group plc on the basis of the accounting policies set out in note 1. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

We have not audited or reviewed the combined historical financial information for the three month period ended 31 March 2013 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of Spire Healthcare Group plc are responsible for preparing the Combined Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Combined Historical Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Combined Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Combined Historical Financial Information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members’ names is available for inspection at 1 More London Place, London SE1 2AF, the firm’s principal place of business and registered office.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Combined Historical Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Combined Historical Financial Information gives, for the purposes of the prospectus dated 7 July 2014, a true and fair view of the state of affairs of Spire Healthcare Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B—COMBINED HISTORICAL FINANCIAL INFORMATION

The combined financial information set out below comprising Spire Healthcare Group UK Limited and Spire UK Holdco 2A Limited, together with their respective subsidiary undertakings, for the years ended 31 December 2011, 2012 and 2013 and for the three months ended 31 March 2014 (with comparison figures for the three months ended 31 March 2013) has been prepared by the directors of the Company on the basis set out in the accompanying notes.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this document does not constitute statutory accounts.

Spire Healthcare Group
Combined income statement

(£ million)	Notes	Financial year ended 31 December			Three month period ended 31 March	
		2011	2012	2013	2013 unaudited	2014
Revenue		674.0	738.9	764.5	190.6	210.4
Cost of sales		(320.9)	(366.4)	(382.1)	(94.9)	(105.6)
Gross profit		353.1	372.5	382.4	95.7	104.8
Other operating costs		(218.9)	(242.7)	(282.8)	(68.8)	(79.4)
Operating profit	3	134.2	129.8	99.6	26.9	25.4
Exceptional items included within other operating costs	6	(4.2)	(20.5)	(11.5)	(3.0)	(4.9)
Operating profit before exceptional items		138.4	150.3	111.1	29.9	30.3
Profit/(loss) on disposal of property, plant and equipment	7	(0.2)	0.5	44.2	44.8	19.6
Interest income	8	0.2	0.4	0.4	0.1	—
Finance costs	9	(183.3)	(190.3)	(153.9)	(38.6)	(35.5)
Exceptional finance (costs)/income	9	—	(129.1)	(42.2)	26.6	—
Total finance costs		(183.3)	(319.4)	(196.1)	(12.0)	(35.5)
Profit/(loss) before taxation		(49.1)	(188.7)	(51.9)	59.8	9.5
Taxation	11	26.4	58.3	154.1	103.9	(1.9)
Profit/(loss) for the year/period		(22.7)	(130.4)	102.2	163.7	7.6
Attributable to:						
Owners of the parent		(22.3)	(130.0)	102.2	163.7	7.6
Non-controlling interests		(0.4)	(0.4)	—	—	—
		(22.7)	(130.4)	102.2	163.7	7.6

Spire Healthcare Group
Combined statement of comprehensive income

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013 unaudited	2014
Profit/(loss) for the year/period	(22.7)	(130.4)	102.2	163.7	7.6
Other comprehensive surplus/ (deficit) for the year/period					
Net gain/(loss) on cash flow hedges	(53.1)	26.3	39.4	7.9	—
Deferred tax on cash flow hedges taken to hedge reserve	9.1	(11.3)	(11.1)	(1.8)	—
Hedge loss recycled to income statement (note 9)	—	129.1	68.8	—	—
Deferred tax on recycled cash flow hedge losses	—	(29.7)	(13.8)	—	—
Other comprehensive income/(deficit) net of tax	(44.0)	114.4	83.3	6.1	—
Total comprehensive surplus/(deficit) for the year/period	<u>(66.7)</u>	<u>(16.0)</u>	<u>185.5</u>	<u>169.8</u>	<u>7.6</u>
Attributable to:					
Owners of the parent	(66.3)	(15.6)	185.5	169.8	7.6
Non-controlling interests	(0.4)	(0.4)	—	—	—
Total comprehensive surplus/(deficit) for the year/period	<u>(66.7)</u>	<u>(16.0)</u>	<u>185.5</u>	<u>169.8</u>	<u>7.6</u>

All other comprehensive income will recycle to profit and loss in this or future periods.

Spire Healthcare Group
Combined statement of changes in equity

(£ million)	Hedging reserve	Other reserves	Total	Non- controlling interests	Total equity
As at 1 January 2011	(153.8)	(206.6)	(360.4)	0.3	(360.1)
Loss for the year	—	(22.3)	(22.3)	(0.4)	(22.7)
Other comprehensive deficit	(44.0)	—	(44.0)	—	(44.0)
Total comprehensive deficit	(44.0)	(22.3)	(66.3)	(0.4)	(66.7)
Employee benefit trust (note 23)	—	0.2	0.2	—	0.2
As at 1 January 2012	(197.8)	(228.7)	(426.5)	(0.1)	(426.6)
Loss for the year	—	(130.0)	(130.0)	(0.4)	(130.4)
Other comprehensive income	114.5	—	114.5	—	114.5
Total comprehensive income/(deficit)	114.5	(130.0)	(15.5)	(0.4)	(15.9)
Employee benefit trust (note 23)	—	0.2	0.2	—	0.2
Other movements	—	—	—	0.5	0.5
As at 1 January 2013	(83.3)	(358.5)	(441.8)	—	(441.8)
Profit for the year	—	102.2	102.2	—	102.2
Other comprehensive income	83.3	—	83.3	—	83.3
Total comprehensive income	83.3	102.2	185.5	—	185.5
Employee benefit trust (note 23)	—	0.1	0.1	—	0.1
As at 1 January 2014	—	(256.2)	(256.2)	—	(256.2)
Profit for the period	—	7.6	7.6	—	7.6
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	7.6	7.6	—	7.6
Balance at 31 March 2014	<u>—</u>	<u>(248.6)</u>	<u>(248.6)</u>	<u>—</u>	<u>(248.6)</u>
As at 1 January 2013	(83.3)	(358.5)	(441.8)	—	(441.8)
Profit for the period (unaudited)	—	163.7	163.7	—	163.7
Other comprehensive income (unaudited)	6.1	—	6.1	—	6.1
Total comprehensive income (unaudited)	6.1	163.7	169.8	—	169.8
As at 31 March 2013 (unaudited)	<u>(77.2)</u>	<u>(194.8)</u>	<u>(272.0)</u>	<u>—</u>	<u>(272.0)</u>

Spire Healthcare Group
Combined balance sheet

		As at 31 December			As at
(£ million)	Notes	2011	2012	2013	31 March 2014
ASSETS					
Non-current assets					
Intangible assets	12	516.2	515.8	514.9	514.9
Property, plant and equipment	13	1,477.8	1,463.0	813.9	808.8
Deferred tax asset	20	20.7	16.1	17.1	14.9
		<u>2,014.7</u>	<u>1,994.9</u>	<u>1,345.9</u>	<u>1,338.6</u>
Current assets					
Inventories	15	24.4	25.5	26.2	25.4
Trade and other receivables	16	91.4	95.4	131.2	143.8
Cash and cash equivalents	17	95.4	133.8	111.5	145.2
		<u>211.2</u>	<u>254.7</u>	<u>268.9</u>	<u>314.4</u>
Total assets		<u>2,225.9</u>	<u>2,249.6</u>	<u>1,614.8</u>	<u>1,653.0</u>
EQUITY AND LIABILITIES					
Equity					
Hedging reserve		(197.8)	(83.3)	—	—
Other reserves		(228.7)	(358.5)	(256.2)	(248.6)
Equity attributable to owners of the parent		(426.5)	(441.8)	(256.2)	(248.6)
Non-controlling interests		(0.1)	—	—	—
Total equity		<u>(426.6)</u>	<u>(441.8)</u>	<u>(256.2)</u>	<u>(248.6)</u>
Non-current liabilities					
Borrowings	18	2,023.1	2,092.6	882.1	1,592.2
Derivative financial instruments	21	216.1	196.1	52.4	50.2
Deferred tax liability	20	220.9	198.2	77.4	76.5
		<u>2,460.1</u>	<u>2,486.9</u>	<u>1,011.9</u>	<u>1,718.9</u>
Current liabilities					
Provisions	19	1.3	3.6	3.2	3.1
Borrowings	18	34.6	40.7	746.8	55.1
Derivative financial instruments	21	47.5	54.5	22.1	21.2
Trade and other payables	22	109.0	105.7	87.0	103.3
		<u>192.4</u>	<u>204.5</u>	<u>859.1</u>	<u>182.7</u>
Total liabilities		<u>2,652.5</u>	<u>2,691.4</u>	<u>1,871.0</u>	<u>1,901.6</u>
Total equity and liabilities		<u>2,225.9</u>	<u>2,249.6</u>	<u>1,614.8</u>	<u>1,653.0</u>

Spire Healthcare Group
Combined statement of cash flows

(£ million)	Notes	Financial year ended 31 December			Three month period ended 31 March	
		2011	2012	2013	2013	2014
		unaudited				
Cash flows from operating activities						
Profit/(loss) before taxation		(49.1)	(188.7)	(51.9)	59.8	9.5
Adjustments for:						
depreciation	3	48.5	51.4	43.0	10.3	11.2
goodwill impairment	12	—	0.4	0.9	—	—
share-based payments		—	0.1	—	—	—
loss/(profit) on disposal of property, plant and equipment	7	0.2	(0.5)	(44.2)	(44.8)	(19.6)
interest income	8	(0.2)	(0.4)	(0.4)	(0.1)	—
finance costs	9	183.3	190.3	153.9	38.6	35.5
exceptional finance costs/(income)	9	—	129.1	42.2	(26.6)	—
		182.7	181.7	143.5	37.2	36.6
Movements in working capital:						
decrease/(increase) in trade and other receivables		4.1	(1.4)	(32.0)	(13.0)	(11.5)
(increase)/decrease in inventories		(2.7)	(1.1)	(0.7)	1.4	0.8
increase/(decrease) in trade and other payables . .		10.5	(4.7)	(10.7)	(15.5)	15.1
increase/(decrease) in provisions		—	2.3	(0.4)	(0.2)	(0.1)
Net cash from operating activities		<u>194.6</u>	<u>176.8</u>	<u>99.7</u>	<u>9.9</u>	<u>40.9</u>
Cash flows from investing activities						
Acquisition of group undertakings		(0.9)	—	—	—	—
Purchase of property, plant and equipment		(43.1)	(55.2)	(53.7)	(8.0)	(18.4)
Proceeds from disposal of property, plant and equipment		0.5	20.0	700.4	700.3	31.3
Interest received		<u>0.2</u>	<u>0.4</u>	<u>0.4</u>	<u>0.1</u>	<u>—</u>
Net cash generated (used in)/from investing activities		<u>(43.3)</u>	<u>(34.8)</u>	<u>647.1</u>	<u>692.4</u>	<u>12.9</u>
Cash flows from financing activities						
Acquisition of minority interest		—	—	(0.6)	—	—
Interest paid		(93.7)	(92.4)	(59.2)	(22.2)	(12.4)
Debt assurance costs		(0.2)	—	—	—	—
Repayments of borrowings		(11.1)	(15.4)	(789.3)	(707.3)	(7.7)
Proceeds from issue of equity to non-controlling interests		—	0.5	—	—	—
Proceeds from long-term borrowing		<u>11.1</u>	<u>3.7</u>	<u>80.0</u>	<u>—</u>	<u>—</u>
Net cash used in financing activities		<u>(93.9)</u>	<u>(103.6)</u>	<u>(769.1)</u>	<u>(729.5)</u>	<u>(20.1)</u>
Net increase/(decrease) in cash and cash equivalents		57.4	38.4	(22.3)	(27.2)	33.7
Cash and cash equivalents at beginning of year/ period		<u>38.0</u>	<u>95.4</u>	<u>133.8</u>	<u>133.8</u>	<u>111.5</u>
Cash and cash equivalents at end of year/period . . .		95.4	133.8	111.5	106.6	145.2

Spire Healthcare Group
Notes to the combined historical financial information

Basis of preparation of the combined historical financial information

The combined historical financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The combined historical financial information has been prepared on the historical cost basis, except for derivative financial instruments that are measured at fair value.

The combined historical financial information comprises Spire Healthcare Group UK Limited and Spire UK Holdco 2A Limited together with each of their subsidiaries, as included in note 14, and until 17 January 2013, the combined historical financial information also included Spire UK Holdco 1A Limited, Spire UK Holdco 3A Limited and their subsidiaries (together, prior to the group re-organisation, the “Group” or “Spire Healthcare Group”). The Group will be acquired by Spire Healthcare Group plc (the “Company”) in July as part of a group reorganisation immediately prior to the Offer (the “Reorganisation”). These companies were under common management and control throughout the periods presented and therefore these combined financial statements have been prepared as if the reorganisation had taken place as at the beginning of the earliest year presented herein.

As the group reorganisation will not lead to a change in control of the companies included in the Spire Healthcare Group, it has been accounted for using the pooling-of-interest method by aggregating the assets, liabilities, results, share capital and reserves, after eliminating intercompany balances and unrealised profits. This combined historical financial information therefore reflects the assets, liabilities and results of operations of the components of the Group that constituted the property ownership and trading businesses.

Transactions with Cinven (the controlling party during the periods presented) and other entities under common control that were not acquired, and therefore are not part of the Spire Healthcare Group, are disclosed as transactions with related parties (see note 28 for further information on related party transactions).

Going concern

As set out in note 18, at the balance sheet date the Group was financed through long term loans from parent undertakings and bank loans. These included:

- Bank loans and liabilities under interest rate swap contracts totalling £768.4 million, including bank loans of £697.0 million which had a maturity date of June 2015,
- Loans from parent undertakings of £870.6 million which are not repayable until the earlier of the sale of the business and 2037-2038; and
- Finance lease liability of £79.7 million of which £74.9 million is not due for repayment until 2015 to 2040.

As disclosed in note 29, since the balance sheet date, the Group has entered into a commitment, contingent upon the completion of the Offer and Admission, for the refinancing of its bank loan facilities with a new facility that matures in 2019. Subject to the completion of the Offer and Admission, the refinancing will be completed and proceeds from the issue of new ordinary shares, existing resources and £425 million from the new term loans, will be applied in the repayment of all of the existing bank loan and interest rate swap liabilities. Concurrent with completion of the Offer, the loans from parent undertakings will be settled through the issue of new shares in Spire Healthcare Group plc.

The Directors have considered the Group’s forecasts and projections, taking account of the reasonably possible changes in trading performance and the current state of its operating market, and are satisfied that, following the completion of the Offer and Admission, completion of the Reorganisation and completion of the refinancing, the Group will be able to operate within the covenants imposed by the new bank loan facility. Accordingly, they have adopted the going concern basis in preparing the combined historical financial information.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

1. Significant accounting policies

The following significant accounting policies have been applied:

New and amended standards and interpretations

The following new IFRS and IFRIC interpretations are effective from 1 January 2014 and have been applied to this historical financial information:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 32 Financial Instruments, Presentation (May 2012 annual improvements)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting—Amendments to IAS 39
- IAS 32 Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32

These standards did not have any significant effect on the financial position of the Group, or result in changes in accounting policy or any significant additional disclosure.

Standards and interpretations issued but not yet applied

There are no standards issued, but only effective for annual periods beginning on or after 1 January 2015 or later, that are expected to have any significant impact on the Group.

Change in accounting policy—presentation of income statement

In previous periods, costs were classified in the income statement according to the nature of the related expense, including staff costs, direct costs, property costs, depreciation, rent and other expenses.

Following a review of peer practice, the Directors are of the view that more reliable and relevant information is presented by classifying costs according to their function, including cost of sales and operating costs. Therefore, the income statement for the current period has been prepared on this basis and those for prior periods have been re-presented on a consistent basis.

Revenue

The Group derives its revenue primarily from providing private health care services to both the public sector and private patients.

Revenue represents the amounts derived from the provision of private healthcare services in the UK, after deducting trade discounts and value added tax. Revenue from charges to patients is recognised when the treatment is provided.

Cost of sales

Cost of sales principally comprises salaries of clinical staff, consultant and clinical fees, medical services and inventories, including drugs, consumables and prosthesis.

Other operating costs

Other operating costs mainly comprise non-clinical staff costs, rent associated with properties leased under operating leases, depreciation, maintenance and running costs of properties and equipment. It also includes administrative expenses, including the provision of central support services, IT and other administrative costs.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

1. Significant accounting policies (Continued)

Operating profit

Operating profit is the profit arising from the normal, recurring operations of the business and after charging exceptional items as defined above.

Operating profit is adjusted to exclude exceptional items to calculate the Key Performance Indicator 'Operating profit before exceptional items', which is utilised in measuring performance before the impact of non-recurring, exceptional items in the income statement.

Exceptional items

Exceptional items are those items which, by virtue of their size or incidence, either individually or in aggregate, need to be disclosed separately to allow a full understanding of the underlying performance of the Group.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary company at the date of acquisition.

Goodwill on the acquisition of subsidiary companies is capitalised and presented as part of intangible assets in the balance sheet. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost means purchase price, less trade discounts, calculated on an average basis. Net realisable value means estimated selling price, less trade discounts, and less all costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Property, plant and equipment

Freehold and leasehold properties and other tangible assets are stated at cost less accumulated depreciation.

Depreciation

No depreciation is charged on freehold land or properties under construction. Other assets are depreciated so as to write off the carrying amounts of the assets over their expected useful lives as follows:

Freehold buildings and improvements	— 5 - 50 years
Leasehold buildings and improvements	— lower of unexpired lease term or expected life, with a maximum of 35 years
Plant and machinery	— 5 - 10 years
Fixtures, fittings and equipment	— 3 - 10 years

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

1. Significant accounting policies (Continued)

The expected useful lives of property, plant and equipment are reviewed annually and revised as appropriate. The review of the asset lives 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.

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.

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.

Pensions

The Group operates the Spire Healthcare Pension Plan a defined contribution scheme. The assets of the scheme are held separately from those of Spire Healthcare 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.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Leases

Leasing arrangements which transfer to the Group substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is the shorter.

The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income statement in proportion to the capital element outstanding.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

1. Significant accounting policies (Continued)

Taxation including deferred taxation

Total income tax on the result for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised:

- goodwill not deductible for tax purposes; and
- 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.

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.

Deferred tax is recognised on temporary differences arising on investments in subsidiary companies, except 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.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Derivative financial instruments

The Group has entered into various derivative financial instrument arrangements to manage its exposure to interest rate risk. Further information is contained in note 27.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each balance sheet date.

Hedge accounting

The Group applies cash flow hedge accounting if the criteria for doing so are met.

If the criteria are met, the Group formally documents the hedging relationship between a hedging instrument and a hedged item. Documentation includes the risk management objectives and the strategy in undertaking the hedge transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

2. Significant judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The following accounting policies have been identified as involving particularly complex or subjective judgements or assessments:

- **Deferred tax**

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation rates and taxation rates.

- **Leases**

In the determination of the classification of a number of leases over hospital properties as operating leases, assumptions have been made about the discount rate applied to the annual rent payable over the remainder of the lease term and of the useful economic life of the hospitals. Further information about commitments under these leases is given in note 24.

- **Estimation of useful lives and residual values**

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining lives of the assets and projected disposal values. The estimated useful lives of property, plant and equipment are set out in note 1.

- **Goodwill**

Goodwill is considered for impairment at least annually or more frequently if there is an indication that goodwill may be impaired. This is achieved by comparing the value in use of the goodwill with its carrying value in the accounts. The value in use calculations require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. The present value of these cash flows is determined using an appropriate discount rate.

The assumptions considered to be most critical in reviewing goodwill for impairment include:

- the rate of revenue growth, which is dependent on calculations derived from assumptions adopted regarding future prices and the volume and mix of services provided growth rates used to extrapolate cash flows beyond the 5 year plan period,
- the level of inflationary increase in the cost, in particular as it applies to wages and consumable costs, and
- discount rates.

The recoverable amount from acquisitions is based on the cash flow forecasts that reflect the assumptions made at the time of the assessment. Further details are contained in note 12.

- **Fair value of interest rate swaps**

The valuation of interest rate swaps is based on their market value at the balance sheet date. The value of the swaps fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the reporting date. The Group uses the Sterling zero coupon curve to discount financial instruments where the fair value cannot otherwise be found from quoted market values. In addition, from 2013, as

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

2. Significant judgements and estimates (Continued)

required under IFRS 13, credit risk of counterparties has been considered but does not have a material impact on the financial statements. Further information is contained in note 27.

- Hedge accounting and reclassification of related reserves

Hedge accounting is discontinued when the hedging relationship no longer qualifies for hedge accounting. One of the criteria which must be satisfied to qualify for hedge accounting is that the forecast hedged transaction must be considered highly probable. In assessing whether the interest rate swaps qualify for hedge accounting, management must make a judgement on whether the hedged interest payments on the debt are considered highly probable for the duration of the swap. If the hedge is no longer considered effective, then consideration must be given as to whether movements in the fair value of the swap previously taken to reserves through the statement of comprehensive income, must be reclassified to the income statement. To do this, management must make a judgement on whether the hedged interest payments on the debt are considered more likely than not to occur. To the extent that any of these underlying hedged cash flows are not considered more likely than not to occur, then a portion of the hedge reserve must be reclassified to the income statement. The valuation of the UK interest rate swaps and the application of hedge accounting involve significant judgement as they are based on a view of likely future events, although there can be no certainty as to how the events will actually unfold.

3. Operating profit for the year/period

Operating profit for the year/period has been arrived at after charging/(crediting):

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Rent of land and buildings	2.3	3.6	54.9	11.9	14.5
Depreciation of property, plant & equipment	48.5	51.4	43.0	10.3	11.2
(Profit)/loss on disposal of property, plant & equipment	0.2	(0.5)	(44.2)	(44.8)	(19.6)
Staff costs (see note 5)	191.7	202.2	210.9	52.8	57.3

4. Segmental reporting

In determining the Group's operating segment, management has primarily considered the financial information in the internal reports that are reviewed and used by the Executive Management team and the Board of Directors (in aggregate the chief operating decision maker) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that 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 country of domicile of the Group, the United Kingdom.

While no individual customer contributes greater than 10% of total revenue, revenue by wider customer (payor) group is shown below:

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Insured	403.1	416.1	415.8	106.0	109.6
NHS	135.9	175.3	191.4	47.7	59.3
Self-pay	110.4	121.2	130.8	30.6	34.3
Other	24.6	26.3	26.5	6.3	7.2
Total	674.0	738.9	764.5	190.6	210.4

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

5. Staff costs

Employees

The average number of full-time equivalent persons employed by the Group during the period, analysed by category, was as follows:

No.	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Clinical	3,366	3,596	3,650	3,634	3,686
Non-clinical	2,987	3,136	3,294	3,233	3,297
	<u>6,353</u>	<u>6,732</u>	<u>6,944</u>	<u>6,867</u>	<u>6,983</u>

The aggregate payroll costs of these persons were as follows:

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Wages and salaries	166.6	176.1	180.9	45.3	49.4
Social security costs	15.4	15.9	15.8	4.0	4.3
Other pension costs	9.7	10.2	14.2	3.5	3.6
	<u>191.7</u>	<u>202.2</u>	<u>210.9</u>	<u>52.8</u>	<u>57.3</u>

Other pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 March 2014 were £1.3 million (31 March 2013: £1.3 million, 2013: £1.3 million, 2012: £1 million, 2011: £0.9 million).

6. Exceptional items

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Business reorganisation and hospital set up costs	2.1	2.6	3.0	0.3	0.5
PIP patient recalls	—	6.0	—	—	—
Corporate restructuring and financing costs	—	9.3	3.5	2.0	3.4
Regulatory costs	2.1	2.6	5.0	0.7	1.0
	<u>4.2</u>	<u>20.5</u>	<u>11.5</u>	<u>3.0</u>	<u>4.9</u>

In the three months ended 31 March 2014, business reorganisation costs related to dual running costs associated with implementing a new IT system. Corporate restructuring costs related to the preparation for the sale of the business. Regulatory costs comprised costs relating to the Competition and Markets Authority (successor to the Competition Commission) enquiry.

In the three months ended 31 March 2013, business reorganisation costs included dual IT running costs. Corporate restructuring and refinancing costs comprised advisors' fees associated with the sale of twelve properties, subject to leases, and other refinancing activity. Regulatory costs comprised costs relating to the Competition and Markets Authority enquiry.

In the year ended 31 December 2013 reorganisation and set up costs were mainly associated with the dual IT running costs and an onerous lease. Corporate restructuring and refinancing costs related to advisors' fees associated with the sale of twelve properties subject to leases and other refinancing activity. Regulatory costs mainly comprised the costs of the Competition and Markets Authority enquiry.

Spire Healthcare Group

Notes to the combined historical financial information (Continued)

6. Exceptional items (Continued)

In the year ended 31 December 2012 business reorganisation and set-up costs mainly comprised the set-up costs associated with the Montefiore Hospital, Brighton and the St George's Park facility. PIP patient recalls related to a provision for costs associated with PIP implants, including the removal and replacement of the PIP brand of breast implants. Corporate restructuring and refinancing costs mainly related to advisors' fees associated with the sale of twelve properties, subject to leases. Regulatory costs mainly comprised the costs of the Competition and Markets Authority enquiry.

In 2011 reorganisation and set-up costs comprised costs for reorganising the management resources of the business, set up costs associated with a new hospital in Brighton and the cost of integrating newly acquired businesses. Corporate restructuring and refinancing costs related to advisors' fees associated with the potential sale of properties.

The exceptional items are principally cash outflows in the period except for PIP patient recalls, which were provided for in 2012 (see note 19).

7. Profit on disposal of property, plant and equipment

On 11 March 2014, the Group completed the sale of a long leasehold interest in the land and buildings of the Spire Washington Hospital, Washington, Tyne and Wear for a consideration of £32.3 million, of which £1 million was deferred until after the balance sheet date. The property and associated plant and equipment had a net book value at the balance sheet date of £12.3 million.

In the three months ended 31 March 2013 and the year ended 31 December 2013, the profit on disposal included the profit arising on the sale of property, plant and equipment of £44.8 million from the sale of twelve property owning companies on 17 January 2013. Total consideration received was £704 million and the net cash proceeds of the transaction were used to prepay bank borrowings and interest rate swaps.

8. Interest income

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Interest income on bank deposits	0.2	0.4	0.4	0.1	—

9. Finance costs

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Interest on loans from ultimate undertaking and management	72.3	81.2	90.7	21.5	24.2
Interest on bank facilities	103.3	102.8	56.6	15.4	12.4
Finance charges payable under finance leases	7.0	7.2	7.5	1.8	1.9
Change in fair value of interest rate derivatives	0.8	(0.1)	(0.1)	—	(3.0)
	183.4	191.1	154.7	38.7	35.5
Finance costs capitalised in the year/period	(0.1)	(0.8)	(0.8)	(0.1)	—
	183.3	190.3	153.9	38.6	35.5
Exceptional finance costs/(income)	—	129.1	42.2	(26.6)	—
Total finance costs	183.3	319.4	196.1	12.0	35.5

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

9. Finance costs (Continued)

Exceptional finance costs/(income)

In the year ended 31 December 2013, following the extension of the Group's bank loan facilities, and reflecting the Group's revised strategy for future re-financing, it was determined that the remaining interest rate swap contracts no longer met the criteria for hedge accounting and therefore the non-cash fair value of swap losses of £68.8 million, previously accumulated in the hedging reserve, were recycled to the income statement.

Other items arising in the three months ended 31 March 2013 and the year ended 31 December 2013 included a credit to the income statement related to the partial waiver of bank debt and interest rate swap liabilities on settlement, net of the unamortised debt costs. This resulted in a total net credit of £26.6 million.

The charge in 2012 related to £129.1 million of mark to market losses on interest rate swaps losses that were recycled from the hedging reserve to the income statement in the year. It was determined that these instruments which no longer met the criteria for the application of hedge accounting once £745 million of bank borrowings and interest rate swap liabilities were either repaid or waived on 17 January 2013.

Finance costs capitalised during the year/period were calculated based on a weighted cost of borrowing of 8%.

10. Auditor's remuneration

<u>(£ million)</u>	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Amounts receivable by auditor and their associates in respect of:					
Audit of the Group financial statements and subsidiaries	0.4	0.4	0.4	—	—
Transaction services	—	—	—	—	0.9
Other services*	0.1	0.2	0.1	—	—
	0.5	0.6	0.5	—	0.9

* Other services relates to financial and accounting advice.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

11. Tax on loss/profit

(i) Analysis of tax credit in the year/period:

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013 unaudited	2014
Current tax					
UK Corporation tax arising in subsidiaries on profit/(loss) for the year/period	1.2	0.9	—	—	0.6
Adjustments in respect of prior years	3.3	(0.1)	(7.4)	—	—
Total current tax	4.5	0.8	(7.4)	—	0.6
Deferred tax					
Origination and reversal of temporary differences	(30.9)	(31.5)	(13.4)	(1.6)	1.3
Released on disposal of property owning subsidiaries	—	—	(102.3)	(102.3)	—
Change in tax rates	—	(0.5)	(15.5)	—	—
Adjustments in respect of prior years	—	2.6	(1.7)	—	—
Total deferred tax	(30.9)	(29.4)	(132.9)	(103.9)	1.3
Recycling of deferred tax relating to ineffective hedge	—	(29.7)	(13.8)	—	—
Tax on (loss)/profit in the year/period including amounts recycled to income statement	(26.4)	(58.3)	(154.1)	(103.9)	1.9

Corporation tax is calculated at 21.5% (three months ended 31 March & 31 December 2013: 23.25%, 2012: 24.5%, 2011: 26.5%) of the estimated taxable profit or loss for the period.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

11. Tax on loss/profit (Continued)

(ii) Factors affecting the tax credit/charge

The effective tax assessed for the year/period, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK. The differences are explained below:

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Weighted rate of corporation tax	26.5%	24.5%	23.25%	23.25%	21.5%
Profit/(loss) before taxation	(49.1)	(188.7)	(51.9)	59.8	9.5
Tax (credit)/charge on profit/(loss) at weighted rate of corporation tax	(13.0)	(46.2)	(12.1)	13.9	2.0
Effects of:					
Release of deferred tax previously provided on property assets, following disposal	—	—	(130.8)	(130.8)	—
Expenses not deductible for tax purposes	8.4	14.5	20.1	13.6	2.1
Capital allowances for the year/period in excess of depreciation	(3.5)	0.5	—	—	—
Deferred tax credit on property assets	(28.1)	(30.3)	(12.2)	(4.3)	(2.3)
Non-taxable profit on disposal of property, plant and equipment	—	—	(10.8)	(10.8)	(3.0)
Difference in tax rates	—	(0.5)	2.3	—	—
Adjustments to prior years	3.3	2.6	(9.1)	—	—
Losses brought forward (utilised) and other items not recognised as deferred tax assets	6.5	1.1	(1.5)	14.5	3.1
Total tax (credit)/charge for the year/period	(26.4)	(58.3)	(154.1)	(103.9)	1.9

As at 31 March 2014, subsidiary undertakings of the Group have unused capital allowances totalling £251.7 million (31 March 2013: £193.4 million, 2013: £237.6 million, 2012: £197.5 million, 2011: £171.8 million) to offset against future trading profits.

As at 31 March 2014, subsidiary undertakings of the Group have losses carried forward totalling £111.3 million (31 March 2013: £117.4 million, 2013: £117.2 million, 2012: £63.5 million, 2011: £91.1 million) to offset against future profits. Subsidiary undertakings have unpaid interest that will generate taxable deductions of £4.7 million when paid.

The amounts described above relating to unused capital allowances, carried forward losses and unpaid interest include amounts recognised as deferred tax assets.

Deferred tax assets have been recognised in respect of the capital allowances, trading losses and unpaid interest to the extent they will be utilised in the next year or can be matched against appropriate deferred tax liabilities.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

12. Intangible assets

(£ million)	<u>Goodwill</u>
Cost:	
At 1 January 2011	514.9
Amounts recognised in the year	<u>1.3</u>
At 31 December 2011 and 1 January 2012	516.2
Amounts recognised in the year	<u>—</u>
At 31 December 2012 and 1 January 2013	516.2
Amounts recognised in the year	<u>—</u>
At 31 December 2013 and 1 January 2014	516.2
Amounts recognised in the period	<u>—</u>
At 31 March 2014	<u>516.2</u>
Impairment:	
At 1 January 2011	—
Charge for the year	<u>—</u>
At 31 December 2011 and 1 January 2012	—
Charge for the year	<u>0.4</u>
At 31 December 2012 and 1 January 2013	0.4
Charge for the year	<u>0.9</u>
At 31 December 2013 and 1 January 2014	1.3
Charge for the period	<u>—</u>
At 31 March 2014	<u>1.3</u>
Net Book Value:	
At 31 March 2014	<u>514.9</u>
At 31 December 2013	514.9
At 31 December 2012	515.8
At 31 December 2011	516.2

Goodwill relates principally to two separate acquisitions of hospital businesses:

- £422.5 million from the acquisition of hospitals from BUPA in 2007; and
- £82.6 million on the acquisition of the Classic Hospitals Group in 2008.

The balance of £11.1 million arose on subsequent acquisitions, net of impairment charges of £1.3 million.

The recoverable amount of goodwill relating to cash-generating units is calculated by reference to value in use. In order to evaluate the value in use, management utilised available projections covering the period 2014-18.

Impairment testing

Management identified a number of key assumptions relevant to the value in use calculations, being revenue growth, which is impacted by an interaction of a number of elements of the operating model, including pricing trends, volume growth and the mix and complexity of discharges, assumptions regarding cost inflation and discount rates. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market trends. Revenue growth is projected to be in line with historic trends and average 6.5%. Cost assumptions are consistent with the Group's historic track record, after taking account of headline inflation at 3.3% (2013: 3.3%, 2012: 2.5%, 2011: 2.5%).

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

12. Intangible assets (Continued)

Impairment testing (Continued)

A long-term growth rate of 2.25% (2013: 2.25%, 2012: 2.25%, 2011: 2.25%) has been applied to cash flows beyond 2018, which is based on historic growth rates achieved by the sector, which have typically exceeded RPI. Pre-tax discount rates were based on the capital asset pricing model, utilising a sector specific Beta in arriving at the equity premium and cost of debt based on current bank lending rates. A specific pre-tax discount rate was calculated to reflect the profile of cash flows inherent to that specific cash-generating unit and these were in the range of 9.75%-10.50% (2013: 9.75%-10.5%, 2012: 10.25%-10.5%, 2011: 10.5%-11.0%).

The recoverable amount from each acquisition is based on cash flow forecasts that reflect the assumptions stated above. As at the balance sheet date, it is not considered to be reasonably possible that circumstances will change so that the key assumptions made in assessing the recoverable amount relating to each of the acquisitions will be revised to the point where the goodwill is considered impaired.

13. Property, plant and equipment

(£ million)	Freehold property	Long leasehold property	Equipment	Assets in the course of construction	Total
Cost:					
At 1 January 2011	1,189.6	268.1	154.5	0.3	1,612.5
Additions	6.3	10.4	25.5	1.2	43.4
Reclassifications	—	1.6	(0.1)	(1.5)	—
Disposals	(0.7)	—	(0.1)	—	(0.8)
At 31 December 2011 and 1 January 2012	1,195.2	280.1	179.8	—	1,655.1
Additions	0.3	15.2	40.5	—	56.0
Reclassifications	3.2	(3.2)	—	—	—
Disposals	(20.2)	—	—	—	(20.2)
At 31 December 2012 and 1 January 2013	1,178.5	292.1	220.3	—	1,690.9
Additions	0.1	11.1	37.1	6.2	54.5
Disposals	(610.8)	(116.7)	(23.0)	—	(750.5)
At 31 December 2013 and 1 January 2014	567.8	186.5	234.4	6.2	994.9
Additions	4.0	0.2	14.0	—	18.2
Disposals	—	(15.1)	—	—	(15.1)
At 31 March 2014	<u>571.8</u>	<u>171.6</u>	<u>248.4</u>	<u>6.2</u>	<u>998.0</u>

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

13. Property, plant and equipment (Continued)

(£ million)	Freehold property	Long leasehold property	Equipment	Assets in the course of construction	Total
Depreciation:					
At 1 January 2011	76.9	16.0	36.0	—	128.9
Charge for the year	24.8	6.5	17.2	—	48.5
Disposals	(0.1)	—	—	—	(0.1)
At 31 December 2011 and 1 January 2012	101.6	22.5	53.2	—	177.3
Charge for the year	18.8	9.0	23.6	—	51.4
Reclassifications	0.2	(0.2)	—	—	—
Disposals	(0.8)	—	—	—	(0.8)
At 31 December 2012 and 1 January 2013	119.8	31.3	76.8	—	227.9
Charge for the year	12.7	4.7	25.6	—	43.0
Disposals	(64.0)	(7.4)	(18.5)	—	(89.9)
At 31 December 2013 and 1 January 2014	68.5	28.6	83.9	—	181.0
Charge for the period	2.6	1.9	6.7	—	11.2
Disposals	—	(3.0)	—	—	(3.0)
At 31 March 2014	71.1	27.5	90.6	—	189.2
Net Book Value:					
At 31 March 2014	500.7	144.1	157.8	6.2	808.8
At 31 December 2013	499.3	157.9	150.5	6.2	813.9
At 31 December 2012	1,058.7	260.8	143.5	—	1,463.0
At 31 December 2011	1,093.6	257.6	126.6	—	1,477.8

On 17 January 2013 twelve hospital properties with a net book value of £661 million were disposed of as a result of the sale of twelve property owning companies.

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

As at 31 March 2014, included in the net book value of property, plant and equipment above is £32.0 million (2013: £32.5 million, 2012: £34.6 million, 2011: £30.8 million) relating to assets held under finance leases on which there was a depreciation charge of £0.5 million in the period (2013: £1.2 million, 2012: £1.1 million, 2011: £1.1 million).

14. Subsidiary undertakings

The table below lists the subsidiary undertakings of the Group as at 31 March 2014:

Registered in the UK	Principal activity	Class of share
Spire Healthcare Group UK Limited	Holding company	Ordinary
Spire UK Holdco 2A Limited	Holding company	Ordinary
Spire UK Holdco 4 Limited	Holding company	Ordinary
Spire Healthcare Holdings 1 (formerly Spire UK Holdco 6)	Holding company	Ordinary
Spire Healthcare Holdings 2 Limited (formerly Spire UK Finance Limited)	Holding company	Ordinary
Spire Healthcare Holdings 3 Limited (formerly Spire Healthcare Group Limited)	Holding company	Ordinary
Spire Healthcare (Holdings) Limited	Holding company	Ordinary
SHC Holdings Limited	Holding company	Ordinary
Spire Healthcare Limited	Health provision	Ordinary
Spire Healthcare Properties Limited	Hospital leasing	Ordinary

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

14. Subsidiary undertakings (Continued)

<u>Registered in the UK</u>	<u>Principal activity</u>	<u>Class of share</u>
Fox Healthcare Holdco 1 Limited	Holding company	Ordinary
Fox Healthcare Holdco 2 Limited	Holding company	Ordinary
Fox Healthcare Acquisitions Limited	Holding company	Ordinary
Classic Hospitals Group Limited	Holding company	Ordinary
Classic Hospitals Property Limited	Property company	Ordinary
Classic Hospitals Limited	Health provision	Ordinary
GX Holdco Limited	Holding company	Ordinary
Lifescan Limited	Health provision	Ordinary
London Fertility Centre Limited	Health provision	Ordinary
Montefiore House Limited†	Health provision	Ordinary
Medicainsure Limited	Holding company	Ordinary
The Richard Villar Practice Limited	Health provision	Ordinary
Spire Thames Valley Hospital Limited	Health provision	Ordinary
Spire Thames Valley Hospital Propco Limited	Property company	Ordinary
Spire Links 2 Limited	Holding company	Ordinary
Spire Property 1 Limited	Property company	Ordinary
Spire Property 2 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 9 Limited	Property company	Ordinary
Spire Property 13 Limited	Property company	Ordinary
Spire Property 16 Limited	Property company	Ordinary
Spire Property 17 Limited	Property company	Ordinary
Spire Property 18 Limited	Property company	Ordinary
Spire Property 19 Limited	Property company	Ordinary
Spire Property 23 Limited	Property company	Ordinary

† Ownership interest is 50.1%

15. Inventories

<u>(£ million)</u>	<u>As at 31 December</u>			<u>As at</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>31 March 2014</u>
Prosthesis, drugs, medical and other consumables	<u>24.4</u>	<u>25.5</u>	<u>26.2</u>	<u>25.4</u>

Cost of sales for the three months ended 31 March 2014 includes inventories recognised as an expense amounting to £39.7 million (3 months ended 31 March 2013: £31.6 million (unaudited), 2013: £134.1 million, 2012: £126.0 million, 2011: £114.9 million).

16. Trade and other receivables

<u>(£ million)</u>	<u>As at 31 December</u>			<u>As at</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>31 March 2014</u>
<i>Amounts falling due within one year:</i>				
Trade receivables	54.8	55.9	87.9	96.2
Other receivables	26.6	28.9	20.9	21.6
Prepayments	10.0	10.6	22.4	26.0
	<u>91.4</u>	<u>95.4</u>	<u>131.2</u>	<u>143.8</u>

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

16. Trade and other receivables (Continued)

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

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

The ageing of trade receivables at the reporting date was:

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Not past due and not impaired	33.4	31.3	55.1	60.3
Past due 0 - 30 days, not impaired	11.4	11.2	17.2	16.9
Past due 31 - 90 days, not impaired	6.5	7.2	11.8	6.5
More than 3 months, not impaired	3.5	6.2	3.8	12.5
Total	54.8	55.9	87.9	96.2

Trade receivables comprise the following wider customer/payor groups:

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Private medical insurers	28.6	23.6	39.3	48.0
NHS	18.9	19.3	37.5	38.6
Patient debt	0.9	1.9	0.8	0.5
Other	6.4	11.1	10.3	9.1
Total	54.8	55.9	87.9	96.2

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

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
At 1 January	7.2	5.6	3.5	5.0
Provided in the year/period	4.8	2.0	3.4	0.2
Utilised during the year/period	(6.4)	(4.1)	(1.9)	(0.3)
At 31 December/March	5.6	3.5	5.0	4.9

17. Cash and cash equivalents

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Cash at bank	2.2	5.8	33.9	16.0
Short-term investments	93.2	128.0	77.6	129.2
	95.4	133.8	111.5	145.2

Short-term investments are money market deposits.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

18. Borrowings

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
<i>Unsecured borrowings at amortised cost</i>				
Amount due to ultimate parent undertaking and management . . .	673.9	756.5	846.5	870.6
<i>Secured borrowings at amortised cost</i>				
Bank loans	1,309.4	1,297.2	702.7	697.0
Obligations under finance leases	74.4	79.6	79.7	79.7
	<u>1,383.8</u>	<u>1,376.8</u>	<u>782.4</u>	<u>776.7</u>

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

Total borrowings

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Amount due for settlement within 12 months	34.6	40.7	746.8	55.1
Amount due for settlement after 12 months	2,023.1	2,092.6	882.1	1,592.2
	<u>2,057.7</u>	<u>2,133.3</u>	<u>1,628.9</u>	<u>1,647.3</u>

Obligations under finance leases

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

£ million	As at 31 December						As at 31 March 2014	
	2011		2012		2013		2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	6.4	3.6	7.6	4.3	7.7	4.9	7.8	4.8
After one year but not more than five years	29.5	12.3	31.3	17.0	31.9	17.1	31.8	17.1
More than five years	188.2	58.5	184.3	58.3	181.4	57.7	179.7	57.8
Total minimum lease payments	224.1	74.4	223.2	79.6	221.0	79.7	219.3	79.7
Less amounts representing finance charges	(149.7)	—	(143.6)	—	(141.3)	—	(139.6)	—
<i>Present value of minimum lease payments</i>	<u>74.4</u>	<u>74.4</u>	<u>79.6</u>	<u>79.6</u>	<u>79.7</u>	<u>79.7</u>	<u>79.7</u>	<u>79.7</u>

The property leases, with a present value liability of £75 million expire in 2040 and carry an implicit interest rate of 9.1%.

Terms and debt repayment schedule

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

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

18. Borrowings (Continued)

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

(£ million)	Maturity	Margin over LIBOR	2011	2012	2013	2014
Term loan – operating companies	June 2015	1.75% - 3.0%	108.4	105.6	104.5	99.2
Term loan – operating companies	June 2015	3.0%	—	—	80.1	80.1
Capex loan – operating companies . . .	June 2015	1.75%	50.0	50.0	50.0	50.0
Term loan – property companies	June 2015	1.25% - 2.35%	989.5	973.9	421.4	420.1
PIK loan – property companies	June 2015	7.05%	91.7	98.7	46.7	47.6
Term loan	Redeemed	1.75% - 3.5%	40.2	38.3	—	—
Mezzanine loan	Redeemed	9.75%	23.6	25.0	—	—
Capex loan	Redeemed	1.75%	6.0	5.7	—	—
			<u>1,309.4</u>	<u>1,297.2</u>	<u>702.7</u>	<u>697.0</u>

Facilities were fully drawn at the period/year end except for the following undrawn amounts:

Revolving credit facility	<u>40.7</u>	<u>27.5</u>	<u>28.5</u>	<u>28.5</u>
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On 17 January 2013, following a partial refinancing of the Spire Group under the sale, subject to leases, of 12 hospital property owning companies, term loans with a total value of £606.4 million were either repaid or waived.

On 18 December 2013 one of the Spire operating groups was refinanced, following which all of the liabilities outstanding under its bank facilities were repaid.

On 25 March 2014 the Group entered into an agreement with its current bank lenders to extend the repayment date of all facilities to 30 June 2015, following which all the outstanding bank loan balances were reclassified from current liabilities to non-current liabilities in the balance sheet.

Since the balance sheet date, the Group has signed a commitment, contingent upon the completion of the Offer and Admission, for a new bank loan facility with a syndicate of banks, comprising a 5 year, £425 million term loan and a 5 year £100 million revolving loan. The loans are non-amortising and carry interest at an initial margin of 2.25% over LIBOR. The proceeds of this facility will be used in part repayment of all existing debt immediately prior to the Offer.

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

(£ million)	Maturity	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Ultimate parent undertaking	August 2037	563.9	631.8	707.6	727.9
Ultimate parent undertaking	March 2038	110.0	124.7	138.9	142.7
		<u>673.9</u>	<u>756.5</u>	<u>846.5</u>	<u>870.6</u>

The principal amounts drawn under these facilities as at 31 March 2014 were £690.3 million with a maturity date in August 2037 and £142.1 million with a maturity date in March 2038. These loans are unsecured and interest bearing at 12% per annum.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

19. Provisions

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
At beginning of period	1.2	1.3	3.6	3.2
Acquired on acquisition of subsidiary undertaking	0.1	—	—	—
Charge for the year/period	0.4	5.9	—	—
Utilised during the year/period	(0.4)	(3.6)	(0.4)	(0.1)
At end of period	<u>1.3</u>	<u>3.6</u>	<u>3.2</u>	<u>3.1</u>

Provisions relate to onerous tenancy contracts, end of life dilapidations under leases and commitments to patients in respect of the removal or replacement of the PIP brand of breast implants.

Provisions as at 31 March 2014 are expected to be utilised within 3 years.

20. Deferred taxation

Deferred tax liabilities/(assets) are analysed as follows:

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Temporary differences on:				
Property, plant and equipment	282.5	250.8	99.9	99.5
Derivative financial instruments	(65.9)	(54.6)	(14.9)	(14.3)
Losses and other	(16.4)	(14.1)	(24.7)	(23.6)
	<u>200.2</u>	<u>182.1</u>	<u>60.3</u>	<u>61.6</u>
Presented as:				
Deferred tax asset	(20.7)	(16.1)	(17.1)	(14.9)
Deferred tax liability	220.9	198.2	77.4	76.5
	<u>200.2</u>	<u>182.1</u>	<u>60.3</u>	<u>61.6</u>

Deferred tax on property, plant and equipment has arisen on differences between the carrying value of the relevant assets and the tax base.

Deferred tax assets are recognised where the Group has trading or non-trading losses or unclaimed writing down allowances to the extent that they are likely to be utilised within the next year.

Other deferred tax relates to temporary timing differences on non-specific provisions and expense accruals.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Rates applying in the three months ended 31 March 2014 and 31 December 2013 were 21% on amounts arising from 1 April 2014, reducing to 20% on amounts realised from 1 April 2015, 23% for the three month period ended 31 March 2013, 23% in the year ended 31 December 2012 and 24% in the year ended 31 December 2011.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

20. Deferred taxation (Continued)

The movement for the year/period in the net deferred tax liability is as follows:

(£ million)	Property, plant and equipment	Derivative financial instruments	Losses and other	Total
At 1 January 2011	313.4	(56.9)	(16.4)	240.1
Recognised in profit or loss	(30.9)	—	—	(30.9)
Recognised in other comprehensive income	—	(9.0)	—	(9.0)
At 31 December 2011 and 1 January 2012	282.5	(65.9)	(16.4)	200.2
Recognised in profit or loss	(31.7)	(29.7)	2.3	(59.1)
Recognised in other comprehensive income	—	41.0	—	41.0
At 31 December 2012 and 1 January 2013	250.8	(54.6)	(14.1)	182.1
Recognised in profit or loss	(150.9)	14.8	(10.6)	(146.7)
Recognised in other comprehensive income	—	24.9	—	24.9
At 31 December 2013 and 1 January 2014	99.9	(14.9)	(24.7)	60.3
Recognised in profit or loss	(0.4)	0.6	1.1	1.3
Recognised in other comprehensive income	—	—	—	—
At 31 March 2014	<u>99.5</u>	<u>(14.3)</u>	<u>(23.6)</u>	<u>61.6</u>

21. Derivative financial instruments

(£ million)	As at 31 December			As at 31 March 2014
	2011	2012	2013	
Amounts arising within 12 months	47.5	54.5	22.1	21.2
Amounts arising after 12 months	216.1	196.1	52.4	50.2
	<u>263.6</u>	<u>250.6</u>	<u>74.5</u>	<u>71.4</u>

On 17 January 2013, interest rate swap liabilities with a value of £138.6 million were either repaid or waived and the related instruments were terminated. Further information regarding the interest rate swap contracts is contained in note 27.

22. Trade and other payables

(£ million)	As at 31 December			As at 31 March 2014
	2011	2012	2013	
Trade payables	42.7	36.3	38.0	47.8
Other payables	23.2	19.7	9.6	9.4
Corporation tax	—	—	—	0.6
Other taxation and social security	4.0	4.3	5.2	5.0
Accruals	39.1	45.4	34.2	40.5
	<u>109.0</u>	<u>105.7</u>	<u>87.0</u>	<u>103.3</u>

23. Employee Benefit Trust

A number of share-based payment arrangements are in place to incentivise key management and personnel.

One of these arrangements relates to awards to be made to certain employees in the event of a future sale of the business, which are linked to the value of the business at the point of sale. The intention is that payments will be made to those employees, provided that they continue in service with the Group up to the date of sale.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

23. Employee Benefit Trust (Continued)

An amount of £0.5 million is recognised in the financial statements as at 31 March 2014, which represents the best estimate of the expected liability at that date.

The IFRS 2, Share-based payment disclosures have not been presented, as the amounts involved are not material.

24. Commitments

(a) Operating leases

The Group had future minimum lease payments under non-cancellable operating leases as set out below:

(£ million)	As at 31 December						As at 31 March 2014	
	2011		2012		2013			
	Land and buildings	Other	Land and buildings	Other	Land and buildings	Other	Land and buildings	Other
Not later than one year	2.5	0.6	3.9	0.7	56.3	—	58.6	0.8
Later than one year and not later than five years	12.9	1.2	18.1	1.4	229.7	0.7	241.2	2.3
Later than five years	49.1	—	78.5	—	1,340.9	2.2	1,393.7	—
	<u>64.5</u>	<u>1.8</u>	<u>100.5</u>	<u>2.1</u>	<u>1,626.9</u>	<u>2.9</u>	<u>1,693.5</u>	<u>3.1</u>

On 17 January 2013, the Group sold twelve of its property owning companies to a consortium of investors, comprising Malaysia's Employees Provident Fund (EPF), affiliated funds of Och-Ziff Capital Management Group and Moor Park Capital. This sale involved varying the terms of lease arrangements which, until that date, had been in place between these property owning companies and other operating companies in the Group. With effect from 17 January 2013, the total third party annual commitments under these operating leases increased by £51.3 million per annum.

(b) Consignment stock

At 31 March 2014 the Group held consignment stock on sale or return of £18.2 million (31 December 2013: £17.6 million, 31 December 2012: £15.9 million, 31 December 2011: £15.3 million).

(c) Capital expenditure commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the balance sheet date. They include the full cost of goods and services to be provided under the contracts through to completion. The Group has rights within its contracts to terminate at short notice and therefore cancellation payments are minimal.

Capital commitments at the end of the period were as follows:

(£ million)	As at 31 December			As at 31 March 2014
	2011	2012	2013	
Contracted but not provided for	<u>12.6</u>	<u>1.6</u>	<u>25.0</u>	<u>15.2</u>

25. Contingent liabilities

The Group had provided the following guarantees at 31 March 2014:

- Under existing bank facilities the bankers to Spire Healthcare Limited, a subsidiary undertaking of the Group, have entered into an Authorised Guarantee Agreement (AGA) with regard to the premises of the former customer contact centre at Victoria Harbour City, Manchester. Under the AGA, Spire Healthcare Limited will act as a guarantor to the new tenants until the end of the lease term, January

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

25. Contingent liabilities (Continued)

2016. The maximum contingent liability at the balance sheet date was £1.2 million (2013: £1.3 million, 2012: £1.8 million, 2011: £2.4 million).

- The bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5 million (2013: £1.5 million, 2012: £1.3 million, 2011: £0.9 million) in relation to contractual pension obligations and statutory insurance cover in respect of the Group's potential liability to claims made by employees under The Employers' Liability (Compulsory Insurance) Act 1969.
- Under certain lease agreements entered into on 26 January 2010, the Group has given undertakings relating to obligations in the lease documentation and the assets of the Group are subject to a fixed and floating charge.

26. Capital management

Capital is represented by capital employed and borrowings, as follows:

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Other reserves	(228.7)	(358.5)	(256.2)	(248.6)
Loans from the ultimate parent undertaking	673.9	756.5	846.5	870.6
Bank loans	1,309.4	1,297.2	702.7	697.0
Obligations under finance leases	74.4	79.6	79.7	79.7
	1,829.0	1,774.8	1,372.7	1,398.7

The policy when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for partners and benefits to other stakeholders, and to sustain the future development of the business.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the needs of the Group.

27. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this historical financial information.

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

27. Financial risk management (Continued)

Credit risk (Continued)

- Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring.

Most revenues arise from private medical insurers and the NHS. Insured revenues give rise to trade receivables which are mainly due from large insurance institutions, which have high credit worthiness. The remainder of revenues arise from individual self-pay patients and consultants.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance is composed of specific losses that relate to individual exposures and also a collective loss component established in respect of losses that have been incurred but not yet identified, determined based on historical data of payment statistics.

Note 16 shows the ageing and customer profiles of trade receivables outstanding at the period end.

- Investments

The Group limits its exposure to credit risk by only investing in short-term money market deposits with large financial institutions, which must be rated at least Investment Grade by key rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity is managed across the Group and consideration is taken of the segregation of accounts for regulatory purposes. Short-term operational working capital requirements are met by cash in hand and overdraft facilities.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days, including the servicing of financial obligations. In addition to cash on demand, the Group has available the following lines of credit:

- £50 million acquisition/capex facility, which was fully utilised at 31 March 2014.
- £30 million of revolving credit facility, of which £28.5 million was undrawn as at 31 March 2014.

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

At 31 March 2014 (£ million)	Carrying amount	Contractual cash flows	1 year or less	1 - 2 years	More than 2 years
<i>Non-derivative financial liabilities</i>					
Amount due to ultimate parent undertakings . . .	870.6	926.9	—	—	926.9
Secured bank facilities	697.0	734.6	27.1	707.5	—
Obligations under finance leases	79.7	219.3	7.8	8.0	203.5
Trade and other payables	57.2	57.2	57.2	—	—
<i>Derivative financial liabilities</i>					
Interest rate swaps	71.4	72.6	23.8	21.4	27.4
At 31 March 2014	<u>1,775.9</u>	<u>2,010.6</u>	<u>115.9</u>	<u>736.9</u>	<u>1,157.8</u>

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

27. Financial risk management (Continued)

Liquidity risk (Continued)

At 31 December 2013 (£ million)	Carrying amount	Contractual cash flows	1 year or less	1 - 2 years	More than 2 years
<i>Non-derivative financial liabilities</i>					
Amount due to ultimate parent undertakings . . .	846.5	926.9	—	—	926.9
Secured bank facility	702.7	721.3	721.3	—	—
Obligations under finance leases	79.7	221.0	7.7	7.9	205.4
Trade and other payables	47.6	47.6	47.6	—	—
<i>Derivative financial liabilities</i>					
Interest rate swaps	74.5	81.7	24.3	23.1	34.3
	<u>1,751.0</u>	<u>1,998.5</u>	<u>800.9</u>	<u>31.0</u>	<u>1,166.6</u>
At 31 December 2012 (£ million)	Carrying amount	Contractual cash flows	1 year or less	1 - 2 years	More than 2 years
<i>Non-derivative financial liabilities</i>					
Amount due to ultimate parent undertakings . . .	756.5	926.9	—	—	926.9
Secured bank facilities	1,297.2	1,394.7	46.5	1,270.9	77.3
Obligations under finance leases	79.6	223.2	7.6	7.8	207.8
Trade and other payables	56.0	56.0	56.0	—	—
<i>Derivative financial liabilities</i>					
Interest rate swaps	250.6	252.7	55.0	53.9	143.8
	<u>2,439.9</u>	<u>2,853.5</u>	<u>165.1</u>	<u>1,332.6</u>	<u>1,355.8</u>
At 31 December 2011 (£ million)	Carrying amount	Contractual cash flows	1 year or less	1 - 2 years	More than 2 years
<i>Non-derivative financial liabilities</i>					
Amount due to ultimate parent undertakings . . .	673.9	926.9	—	—	926.9
Secured bank facilities	1,309.4	1,429.3	41.7	41.4	1,346.2
Obligations under finance leases	74.4	224.1	6.5	6.5	211.1
Trade and other payables	65.9	65.9	65.9	—	—
<i>Derivative financial liabilities</i>					
Interest rate swaps	263.7	278.1	50.1	49.8	178.2
Interest rate caps	(0.1)	(0.1)	—	(0.1)	—
	<u>2,387.2</u>	<u>2,924.2</u>	<u>164.2</u>	<u>97.6</u>	<u>2,662.4</u>

The amounts due to the ultimate parent undertakings are repayable on the occurrence of predetermined conditions of the loans, which are assumed to occur no later than the maturity date of the relevant bank facility.

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.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

27. Financial risk management (Continued)

Fair Value Hierarchy (Continued)

Bases of valuation

The valuation of interest rate swaps is based on their market value at the balance sheet date. The value of the swaps fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the reporting date. The Group uses the Sterling zero coupon curve to discount financial instruments where the fair value cannot otherwise be found from quoted market values. In addition, from 2013, as required under IFRS 13, credit risk of counterparties is included.

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The carrying value of the other financial instruments, being finance leases and debt, is approximately equal to their fair value, except for floating rate debt which is after the deduction of £0.8 million (2013: £1 million, 2012: £14 million, 2011: £28 million) of issue costs, based on a review of current terms against market and expected short term settlements.

As at 31 March 2014, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value

(£ million)	Value as at 31 March 2014	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit and loss				
Interest rate swaps	71.4	—	71.4	—
Financial liabilities at fair value using hedge accounting				
Interest rate swaps	—	—	—	—
	<u>71.4</u>	<u>—</u>	<u>71.4</u>	<u>—</u>

During the reporting period ended 31 March 2014, there were no transfers between the levels in the fair value hierarchy.

As at 31 December 2013, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value

(£ million)	Value as at 31 December 2013	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit and loss				
Interest rate swaps	74.5	—	74.5	—
Financial liabilities at fair value using hedge accounting				
Interest rate swaps	—	—	—	—
	<u>74.5</u>	<u>—</u>	<u>74.5</u>	<u>—</u>

During the reporting period ended 31 December 2013, there were no transfers between the levels in the fair value hierarchy.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

27. Financial risk management (Continued)

Fair Value Hierarchy (Continued)

As at 31 December 2012, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value

(£ million)	Value as at 31 December 2012	Level 1	Level 2	Level 3
<i>Financial liabilities at fair value through profit and loss</i>				
Interest rate swaps	136.3	—	136.3	—
<i>Financial liabilities at fair value using hedge accounting</i>				
Interest rate swaps	114.3	—	114.3	—
	<u>250.6</u>	<u>—</u>	<u>250.6</u>	<u>—</u>

During the reporting period ended 31 December 2012, there were no transfers between the levels in the fair value hierarchy.

As at 31 December 2011, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value

(£ million)	Value as at 31 December 2011	Level 1	Level 2	Level 3
<i>Financial liabilities at fair value through profit and loss</i>				
Interest rate cap	(0.1)	—	(0.1)	—
<i>Financial liabilities at fair value using hedge accounting</i>				
Interest rate swaps	263.7	—	263.7	—
	<u>263.6</u>	<u>—</u>	<u>263.6</u>	<u>—</u>

During the reporting period ended 31 December 2011, there were no transfers between the levels in the fair value hierarchy.

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. As at 31 March 2014, 63% of the Group's borrowings were hedged by interest rate swaps. Money market investments, held at floating rates of interest, represented 8% of total assets held by the Group.

Generally the Group seeks to apply hedge accounting in order to manage volatility in the Income Statement.

The Group has entered into a number of interest rate swaps in order to fix the interest payable on its bank loans, therefore minimising its exposure to interest rate risk.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

27. Financial risk management (Continued)

Market risk (Continued)

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.

<u>(£ million)</u>	<u>Variable</u>	<u>Fixed</u>	<u>Total</u>	<u>Undrawn facility</u>
31 March 2014	254.8	441.5	696.3	28.5
Effective interest rate	3.17%	8.16%	6.34%	
31 December 2013	260.8	442.2	703.0	28.5
Effective interest rate	3.06%	7.97%	6.15%	
31 December 2012	229.2	1,076.9	1,306.1	27.5
Effective interest rate	3.17%	7.67%	6.88%	
31 December 2011	294.8	1,017.9	1,312.7	40.7
Effective interest rate	3.50%	7.98%	6.98%	

The following derivative contracts were in place at 31 March 2014:

<u>(£ million)</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Notional amount</u>	<u>Carrying value</u>
Interest rate swaps	5.9735%	August 2017	441.5	71.4
				<u>71.4</u>

The following derivative contracts were in place at 31 December 2013:

<u>(£ million)</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Notional amount</u>	<u>Carrying value</u>
Interest rate swaps	5.9735%	August 2017	442.2	74.5
				<u>74.5</u>

The following derivative contracts were in place at 31 December 2012:

<u>(£ million)</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Notional amount</u>	<u>Carrying value</u>
Interest rate cap	2.00%	October 2013	105.0	—
Interest rate cap	2.50%	April 2013	40.0	—
Interest rate swaps	5.9735%	August 2017	1,015.5	250.6
				<u>250.6</u>

The following derivative contracts were in place at 31 December 2011:

<u>(£ million)</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Notional amount</u>	<u>Carrying value</u>
Interest rate cap	2.00%	October 2013	105.0	—
Interest rate cap	2.50%	April 2013	40.0	(0.1)
Interest rate swaps	5.97%	August 2017	1,018.5	263.7
				<u>263.6</u>

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

27. Financial risk management (Continued)

Market risk (Continued)

Sensitivity analysis

A change of 25 basis points in interest rates at the reporting date would have increased/(decreased) equity and reported results by the amounts shown below. This analysis assumes that all other variables remain constant.

<u>(£ million)</u>	<u>Profit or loss</u>		<u>Equity</u>	
	<u>25 bp increase</u>	<u>25 bp decrease</u>	<u>25 bp increase</u>	<u>25 bp decrease</u>
At 31 March 2014				
Variable rate instruments	(0.4)	0.4	(0.4)	0.4
Interest rate swaps	<u>0.2</u>	<u>(0.2)</u>	<u>4.2</u>	<u>(4.2)</u>
Sensitivity (net)	<u>(0.2)</u>	<u>0.2</u>	<u>3.8</u>	<u>(3.8)</u>

<u>(£ million)</u>	<u>Profit or loss</u>		<u>Equity</u>	
	<u>25 bp increase</u>	<u>25 bp decrease</u>	<u>25 bp increase</u>	<u>25 bp decrease</u>
At 31 December 2013				
Variable rate instruments	(0.4)	0.4	(0.4)	0.4
Interest rate swaps	<u>0.2</u>	<u>(0.2)</u>	<u>4.3</u>	<u>(4.3)</u>
Sensitivity (net)	<u>(0.2)</u>	<u>0.2</u>	<u>3.9</u>	<u>(3.9)</u>

<u>(£ million)</u>	<u>Profit or loss</u>		<u>Equity</u>	
	<u>25 bp increase</u>	<u>25 bp decrease</u>	<u>25 bp increase</u>	<u>25 bp decrease</u>
At 31 December 2012				
Variable rate instruments	(0.8)	0.8	(0.8)	0.8
Interest rate swaps	<u>0.6</u>	<u>(0.6)</u>	<u>13.6</u>	<u>(13.6)</u>
Interest rate caps	<u>0.1</u>	<u>(0.1)</u>	<u>0.1</u>	<u>(0.1)</u>
Sensitivity (net)	<u>(0.1)</u>	<u>0.1</u>	<u>12.9</u>	<u>(12.9)</u>

<u>(£ million)</u>	<u>Profit or loss</u>		<u>Equity</u>	
	<u>25 bp increase</u>	<u>25 bp decrease</u>	<u>25 bp increase</u>	<u>25 bp decrease</u>
At 31 December 2011				
Variable rate instruments	(0.8)	0.8	(0.8)	0.8
Interest rate swaps	<u>0.6</u>	<u>(0.6)</u>	<u>15.6</u>	<u>(15.6)</u>
Interest rate caps	<u>0.1</u>	<u>(0.1)</u>	<u>0.1</u>	<u>(0.1)</u>
Sensitivity (net)	<u>(0.1)</u>	<u>0.1</u>	<u>14.9</u>	<u>(14.9)</u>

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

28. Related party transactions

Trading transactions

Group companies entered into the following transactions:

(£ million) Counterparty	Nature of transaction	Financial year ended 31 December			Three month period ended 31 March	
		2011	2012	2013	2013	2014
					unaudited	
Rozier Finco Limited	Interest payable	60.4	67.9	75.8	18.1	20.3
Rozier Finco 2 Limited	Interest payable	11.9	13.3	14.9	3.4	3.8
Management team of Spire Group . . .	Interest payable	0.4	0.4	0.5	0.1	0.1
Montefiore House Limited*	Management services	0.2	0.2	0.3	0.1	0.1
Montefiore House Limited*	Property rental	—	0.4	1.7	0.4	0.4

* Montefiore House Limited is a hospital operating company which is owned 50.1% by the Group. A subsidiary company of the Group provides management services to the company and leases the hospital property to the company in exchange for the payment of rent by the company.

Amounts owed by related parties

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Rozier No. 1A Limited Partnership	21.3	21.9	12.6	12.6
Montefiore House Limited	4.2	9.1	18.6	19.3

Loans due to related parties

(£ million)	As at 31 December			As at
	2011	2012	2013	31 March 2014
Spire Healthcare Limited Partnership	2.6	2.6	2.6	2.6
Rozier Finco Limited	563.9	631.8	707.6	727.9
Rozier Finco 2 Limited	110.0	124.7	138.9	142.7
Management team	3.5	3.9	4.4	4.5

On 16 January 2013, Spire UK Holdco 6 issued loan notes with a value of £157.7 million to Rozier Finco Limited, in exchange for the assignment by Rozier Finco Limited of loan notes with the same value from Links UK Holdco 1A Limited and Links UK Holdco 3A Limited.

On 17 December 2013, Spire UK Holdco 6 issued loan notes with a value of £64.3 million to Rozier Finco 2 Limited, in exchange for the assignment by Rozier Finco 2 Limited of loan notes with the same value from Fox Healthcare Holdco 2 Limited.

On 18 December 2013, Fox Healthcare Holdco 2 Limited repaid £74.1 million loan notes owed to Rozier Finco 2 Limited. On the same date, a subsidiary undertaking of the Group, Spire Healthcare Group UK Limited, issued unsecured loan notes of £74.1 million to Rozier Finco 2 Limited.

Amounts payable to Rozier Finco Limited, Rozier Finco 2 Limited and Management carry interest of 12% (2013: 12%, 2012: 12%, 2011: 12%) per annum.

Other transactions with Cinven

Monitoring fees totalling £0.15 million in the three months ended 31 March 2014 (three months ended 31 March 2013: £0.15 million, 2013: £0.6 million, 2012: £0.6 million, 2011: £0.5 million) were paid to Cinven Limited in respect of the monitoring of the performance of the Group on behalf of the Cinven Funds. As at 31 March 2014, £0.1 million (2013: £0.1 million, 2012: £0.1 million 2011: £0.2 million) was unpaid.

Spire Healthcare Group
Notes to the combined historical financial information (Continued)

28. Related party transactions (Continued)

Transactions with key management personnel

The Group made payments to key management personnel, comprising the Directors of Spire Healthcare Limited, the main operating company and the Chairman and the Chief Operations Officer for services provided to the Group. The remuneration and pension costs relating to key management personnel were as follows:

(£ million)	Financial year ended 31 December			Three month period ended 31 March	
	2011	2012	2013	2013	2014
				unaudited	
Remuneration	2.2	1.8	1.5	0.3	0.3
Pension costs	0.2	0.2	0.2	0.1	0.1
Total	2.4	2.0	1.7	0.4	0.4

29. Events after the reporting period

On 22 May 2014, a subsidiary undertaking of the Group completed the purchase of the St Anthony's Hospital, a 92-bed private hospital located in Sutton, Surrey. The anticipated total cost of investment, including planned theatre expansion, is £60 million, which has initially been financed by a new term loan of £40 million. In the year ended 31 March 2013, the hospital reported operating revenues of £32 million. Following the purchase, Spire is liaising with the Competition & Markets Authority ('CMA') in order to seek approval of the transaction. Until approval has been received from the CMA, the hospital will be held and operated separately from the other hospitals in the Group's portfolio.

Since the balance sheet date, the Group has signed a commitment, contingent upon the completion of the Offer and Admission, for a new bank loan facility comprising a 5 year £425 million term loan and a 5 year £100 million revolving loan with a syndicate of banks. The loans are non-amortising and carry interest at an initial margin of 2.25% over LIBOR. The proceeds of the facility will be used in part repayment of existing debt immediately following Admission.

On 12 June 2014 Spire Healthcare Group Limited was incorporated and registered in England and Wales under the Companies Act 2006. The company's name was changed to Spire Healthcare Group plc and it was re-registered as a public limited company on 23 June 2014. Immediately prior to the Offer, as part of a group reorganisation, Spire Healthcare Group plc will acquire 100% of the share capital of Spire Healthcare Group UK Limited and its subsidiary undertakings and Spire UK Holdco 2A Limited and its subsidiary undertakings and Spire Healthcare Group plc will become the holding company of the Group.

PART 12

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A—PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the Group's net assets of the Offer, the redemption of existing financing and draw down of new financing and the Reorganisation, as if they had taken place on 31 March 2014. This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on a basis consistent with the accounting policies of the Group and on the basis set out below from the IFRS combined balance sheet of the Group as at 31 March 2014, as set out in *Part 11: "Historical Financial Information"*. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.

	As at 31 March 2014	Adjustments			Unaudited pro forma Total
	£m (note 1)	IPO net proceeds £m (note 2)	Reorganisation £m (note 3)	Refinancing £m (note 4)	£m (note 5)
Assets					
Non-current assets					
Intangible assets	514.9	—	—	—	514.9
Property, plant and equipment	808.8	—	—	—	808.8
Investments	0.0	—	—	—	0.0
Deferred tax asset	14.9	—	—	—	14.9
Total non-current assets	1,338.6	—	—	—	1,338.6
Current assets					
Inventories	25.4	—	—	—	25.4
Trade and other receivables	143.8	—	—	(10.3)	133.5
Cash and cash equivalents	145.2	255.2	—	(340.6)	59.8
Total current assets	314.4	255.2	—	(350.9)	218.7
Total assets	1,653.0	255.2	—	(350.9)	1,557.3
Non-current liabilities					
Borrowings— <i>bank loans</i>	696.2	—	—	(276.4)	419.8
Borrowings— <i>shareholder loans</i>	823.8	—	(823.8)	—	—
Borrowings— <i>finance lease</i>	72.2	—	—	—	72.2
Derivative financial instruments	50.2	—	—	(50.2)	—
Deferred tax liability	76.5	—	—	—	76.5
Total non-current liabilities	1,718.9	—	(823.8)	(326.6)	568.5
Current liabilities					
Provisions	3.1	—	—	—	3.1
Borrowings— <i>bank loans</i>	0.8	—	—	(0.8)	—
Borrowings— <i>shareholder loans</i>	46.8	—	(46.8)	—	—
Borrowings— <i>finance lease</i>	7.5	—	—	—	7.5
Derivative financial instruments	21.2	—	—	(21.2)	—
Trade and other payables	103.3	—	—	—	103.3
Total current liabilities	182.7	—	(46.8)	(22.0)	113.9
Total liabilities	1,901.6	—	(870.6)	(348.6)	682.4
Net Assets/(liabilities)	(248.6)	255.2	870.6	(2.3)	874.9

Notes:

- (1) The financial information has been extracted, without material adjustment, from the combined balance sheet of the Group as at 31 March 2014, as set out in *Part 11 "Historical Financial Information"*.

- (2) The Company expects to receive gross proceeds of £315 million, which, at the mid-point of the price range, would result from the issue of 123,529,412 New Shares of 1 pence each at a price of 255 pence per New Share. The Company expects to receive £255.2 million in net proceeds after estimated costs in connection with the Offer of £59.8 million. The estimated costs in connection with the Offer include underwriting commissions, fees, expenses and other costs for the Accrued Incentive Payments as defined and described in section 6.5 of *Part 15: "Additional Information"*.
- (3) Adjustments have been made to reflect the exchange of the £870.6 million shareholder loans for ordinary shares in the Company. Additional interest payable on the shareholder loans at the date of redemption will be £30.7 million, reflecting interest accruing in the period from 1 April 2014 to the date of redemption. No adjustment has been made for this.
- (4) As set out in *Part 13: "Details of the Offer"*, the Company intends to use the net proceeds of the Offer, existing cash and cash equivalents (together, £340.6 million), the New Facility of £419.8 million (£425 million less £5.2 million expenses) and £10.3 million, received from the related party as part of the financing, to redeem the bank loans of £699.3 million and settle £71.4 million of related derivative instruments. The £699.3 million includes £2.3 million of unamortised financing costs at 31 March 2014 in connection with the repayment of bank loans. No adjustment has been made for movement in the derivative financial instrument liability or interest accruing on bank loans after 31 March 2014.
- (5) Other than the adjustments detailed above, no other adjustments have been made for events occurring after 31 March 2014.

SECTION B—ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION



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The Directors
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7 July 2014

Dear Sirs

Spire Healthcare Group plc (the “Company”)

We report on the pro forma financial information (the “**Pro Forma Financial Information**”) set out in this Part 12 of the price range prospectus dated 7 July 2014 (the “**Prospectus**”), which has been prepared on the basis described in notes 1 to 5, for illustrative purposes only, to provide information about how the Offer and the use of net proceeds, the redemption of existing financing and draw down of new financing and the Reorganisation might have affected the net assets of the Company and its subsidiaries (the “**Group**”) as of 31 March 2014 presented on the basis of the accounting policies adopted by Spire Healthcare Group plc in preparing the financial information for the period ended 31 March 2014. This report is required by item 7 of Annex II of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with items 1-6 of Annex II of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members’ names is available for inspection at 1 More London Place, London SE1 2AF, the firm’s principal place of business and registered office.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004

Yours faithfully

Ernst & Young LLP

PART 13

DETAILS OF THE OFFER

1. BACKGROUND

The Company is offering between 105,000,000 and 150,000,000 New Shares in the Offer so as to raise expected gross proceeds for the Company of £315 million. The Selling Shareholder is offering up to 55,090,638 Existing Shares so as to raise expected gross proceeds for the Selling Shareholder of up to £165.3 million. The Company will not receive any of the proceeds from the sale of the Existing Shares, all of which will be paid to the Selling Shareholder.

In addition, a maximum of a further 27,072,994 Over-allotment Shares are being made available by the Over-allotment Shareholders pursuant to the Over-allotment Option described below.

The Offer is being made by way of:

- an Institutional Offer by the Company and the Selling Shareholder of New Shares and Existing Shares, respectively: (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations, and (ii) in the United States, only to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act; and
- a Consultant and Staff Offer to the Eligible Consultants and Staff in the United Kingdom by the Company and the Selling Shareholder of New Shares and Existing Shares, respectively.

Certain restrictions that apply to the distribution of this document and the Shares being issued and sold under the Institutional Offer in jurisdictions outside the United Kingdom are described below.

When admitted to trading, the Shares will be registered with ISIN number GB00BNLPYF73 and SEDOL (Stock Exchange Daily Official List) number BNLPYF7 and trade under the symbol “SPI”.

Immediately following Admission, it is expected that up to 45.0% of the Company’s issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules) assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option (increasing to up to 51.8% if the maximum number of Over-allotment Shares are acquired pursuant to the Over-allotment Option).

Completion of the Offer will be subject, among other things, to the determination of the Offer Price, the New Share Offer Size and the Existing Share Offer Size and each of the Company’s, the Selling Shareholder’s and the Underwriters’ decisions to proceed with the Offer. It will also be subject to the satisfaction of conditions contained in the Underwriting Agreement including Admission occurring and to the Underwriting Agreement not having been terminated. The Offer cannot be terminated once unconditional dealings in the Shares have commenced. Further details of the Underwriting Agreement are set out in paragraph 8.1 of *Part 15: “Additional Information”*.

The rights attaching to the Shares sold pursuant to the Offer, including any Shares sold pursuant to the Over-allotment Option, will be uniform in all respects, including the right to vote and the right to receive all dividends and other distributions declared, made or paid in respect of the Company’s share capital after Admission. The Shares will, immediately on and from Admission, be freely transferable under the Articles of Association.

No expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Shares pursuant to the Offer. However, for investors who acquire Shares in the Consultant and Staff Offer, there are fees and charges associated in dealing, after Admission, in Shares which are held in the Corporate Nominee Service (see “—*Holding and Dealing in Shares Acquired in the Consultant and Staff Offer*” below).

2. REASONS FOR THE OFFER AND USE OF PROCEEDS

The Directors believe that the Offer will:

- enable the Company to reduce its outstanding debt;
- enable the Selling Shareholder to partially monetise its holding, also allowing for a liquid market for its shares going forward;

- diversify the shareholder base;
- enhance the Group's profile with investors, business partners and customers;
- further enhance the ability of Spire to attract consultants, and recruit and retain key management and employees; and
- enable access to capital markets if necessary for future growth.

The Company expects to receive approximately £315 million from the subscription of New Shares in the Offer before estimated underwriting commissions, fees and expenses incurred in connection with the Offer of approximately £59.8 million, including costs for the Accrued Incentive Payments as defined and described in section 6.5 of *Part 15: "Additional Information"*. As a result, the Company expects to receive net proceeds of approximately £255.2 million from the Offer.

The Company intends to use the net proceeds, together with existing cash resources and new debt facilities, to reduce the Group's indebtedness by repaying £795.2 million which is expected to give the Company greater financial flexibility to drive the future growth of the business.

Through the sale of Existing Shares pursuant to the Offer, the Company expects the Selling Shareholder to raise up to £165.3 million (assuming that both the Offer Price and Existing Share Offer Size are set at the top of their respective ranges and assuming no exercise of the Over-allotment Option) before taking into account expenses. Assuming the Offer Price is set at the mid-point of the Price Range, the aggregate underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholder in connection with the Offer are estimated to be up to approximately £4.0 million.

The Company will not receive any of the proceeds from the sale of the Existing Shares, all of which will be paid to the Selling Shareholder.

3. SHARE OFFER SIZE, OFFER PRICE, BOOKBUILDING AND ALLOCATION

This section should be read in conjunction with the section entitled *Part 4: "Expected Timetable of Principal Events and Offer Statistics"*.

The Offer comprises an offer of:

- between 105,000,000 and 150,000,000 are New Shares, being offered for subscription by the Company; and
- between 98,381 and 55,090,638 are Existing Shares, being offered for sale by the Selling Shareholder (assuming no exercise of the Over-allotment Option),

up to a maximum of 180,486,626 Shares.

It is currently expected that the New Share Offer Size and the Existing Share Offer Size will be set within the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. However, the number of New Shares to be issued may fall outside the New Share Offer Size Range and/or the number of Existing Shares to be sold may fall outside the Existing Share Offer Size Range. See section 12 of this *Part 13: "Details of the Offer"* for the steps the Company will take should the New Share Offer Size be set above or below the New Share Offer Size Range and/or the Existing Share Offer Size be set above the Existing Share Offer Size Range. The actual number of New Shares to be issued by the Company and Existing Shares to be sold by the Selling Shareholder in the Offer will only be determined at the time the Offer Price is determined and could be higher or lower than those ranges. In addition, further Shares representing 15% of the Offer will be made available by the Over-allotment Shareholders pursuant to the Over-allotment Option described below.

All Shares issued or sold pursuant to the Offer will be issued or sold at the Offer Price. It is currently expected that the Offer Price will be in the price range of 210 pence to 300 pence per Share but the Offer Price may be set within, above or below that Price Range. See section 12 of this *Part 13: "Details of the Offer"* for the steps the Company will take should the Offer Price be set above the Price Range or if the Price Range is revised higher.

A number of factors will be considered in deciding the Offer Price and the Offer Size, including prevailing market conditions, the level and the nature of the demand for Shares, the Company's historical performance estimates of its business potential and earning prospects and the objective of encouraging the development of an orderly and liquid after-market in the Shares. The Offer Price and the Offer Size will be

established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated). Accordingly, the Offer Price will not necessarily be the highest price at which all of the Shares subject to the Offer could be issued or sold. The Offer Price will be determined by the Company and the Selling Shareholder in consultation with the Joint Global Co-ordinators.

The Underwriters will solicit from prospective investors indications of interest in acquiring Shares under the Institutional Offer. Prospective institutional investors will be required to specify the number of Shares which they would be prepared to acquire either at specified prices within the Price Range or at the Offer Price (as finally determined). There is no minimum or maximum number of Shares which can be applied for in the Institutional Offer. In addition, applications for Shares will be sought by the Company and the Selling Shareholder in the Consultant and Staff Offer, on the basis that the number of Shares which may be allocated to Eligible Consultants and Staff who validly submit Online Applications for Shares in the Consultant and Staff Offer will vary depending on the Offer Price. Applications will then be aggregated and this demand will be taken into account by the Company and the Selling Shareholder alongside indications of interest in the Institutional Offer in establishing the Offer Price and the Offer Size as described above and the allocations of Shares to prospective investors in the Offer.

In the event that demand for the Shares being offered exceeds the number of Shares made available in the Offer, allocations in the Institutional Offer may be scaled down in any manner by the Joint Global Co-ordinators in consultation with the Company and the Selling Shareholder, and applicants may be allocated Shares having an aggregate value which is less than the sum applied for. The Joint Global Co-ordinators may allocate such Shares in consultation with the Company and the Selling Shareholder (provided that there is no obligation to allocate such Shares proportionately).

Whilst the Company and the Selling Shareholder expect to satisfy all applications in the Consultant and Staff Offer in full, applications for Shares in the Consultant and Staff Offer may be scaled back in the circumstances described in section 5 of this *Part 13: "Details of the Offer"*.

The Offer Price, the New Share Offer Size and the Existing Share Offer Size will be determined by the Company and the Selling Shareholder in consultation with the Joint Global Co-ordinators and are expected to be announced on 18 July 2014. The Offer Price and Share Offer Size will be set out in the Pricing Statement. The Pricing Statement will not automatically be sent to persons who receive this document but it will be available free of charge at the Company's registered office at 3 Dorset Rise, London EC4Y 8EN. In addition, the Pricing Statement will (subject to certain restrictions) be published on the Company's website at www.spirehealthcare.com/IPO. The Company and the Selling Shareholder, together with the Underwriters, reserve the right to increase or decrease the aggregate number of Shares issued and/or sold under the Offer.

If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholder is set above the Existing Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then the Company will make an announcement via a Regulatory Information Service and prospective investors will have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected day of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the announcement. Full details of the statutory right to withdraw an offer to subscribe for or purchase Shares pursuant to section 87Q of FSMA, including the time period during which such withdrawals must be made, are set out in section 12 of this *Part 13: "Details of the Offer"*.

The sale of Shares by the Selling Shareholder under the Offer will give rise to a liability to UK stamp duty and/or SDRT. The Selling Shareholder and Over-allotment Shareholders have agreed to pay: (i) any UK stamp duty chargeable on (a) a transfer on the initial sale of Existing Shares to investors pursuant to the Offer and/or (b) a transfer on an initial sale of Over-allotment Shares to investors pursuant to the Over-allotment Option, and/or (ii) any UK SDRT chargeable on (a) an agreement to transfer Existing Shares on the initial sale of Existing Shares to investors pursuant to the Offer and/or (b) an agreement to transfer Over-allotment Shares on an initial sale of Over-allotment Shares to investors pursuant to the Over-allotment Option (in each case, at a rate of 0.5%). The Selling Shareholder and Over-allotment Shareholders will not assume any liability in relation to any additional element of stamp duty or SDRT

chargeable on a transfer of Shares to a clearance service or depositary receipt issuer or to any agent or nominee thereof (currently imposed at a rate of 1.5%). Each investor which acquires Shares in the Offer will be deemed to undertake that such investor shall not submit any reclaim to HMRC in respect of any stamp duty or SDRT so paid or accounted for by the Selling Shareholder or Over-allotment Shareholders in respect of the Offer.

4. THE INSTITUTIONAL OFFER

Under the Institutional Offer, the Shares will be offered to (i) certain institutional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations, and (ii) in the United States, only to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Certain restrictions that apply to the distribution of the Prospectus and the offer and sale of the Shares in jurisdictions outside the United Kingdom are described below in section 15 of this *Part 13: "Details of the Offer"*.

The latest time and date for indications of interest in acquiring Shares under the Institutional Offer is set out in *Part 4: "Expected Timetable of Principal Events and Offer Statistics"* but that time may be extended at the discretion of the Joint Global Co-ordinators (with the agreement of the Company).

Each investor in the Institutional Offer will be required to undertake to pay the Offer Price for the Shares sold to such investor in such manner as shall be directed by the Underwriters, which is the same price at which all Shares are to be sold in the Offer.

Participants in the Institutional Offer will be notified orally or by email of the number of Shares that they have been allocated as soon as practicable following pricing and allocation, and in any event by 23 July 2014. Each prospective investor in the Institutional Offer will be contractually committed to acquire the number of Shares allocated to it at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed that it will not be entitled to exercise any rights to rescind or terminate or, subject to any statutory withdrawal rights, otherwise withdraw from, such commitment.

5. THE CONSULTANT AND STAFF OFFER

Eligible Consultants and Staff investing in Shares through the Consultant and Staff Offer will be deemed to have invested solely on the basis of the Prospectus, together with any supplements thereto.

The Consultant and Staff Offer is being made to Eligible Consultants and Staff. "**Eligible Consultants and Staff**" are:

- (a) consultants and other professionals holding practising privileges under the Consultant's Handbook or the Clinical Support Specialist's Handbook at hospitals operated by Spire on 31 May 2014; and
- (b) permanent employees and bank workers of the Group as at 31 May 2014,

in each case who receive a personalised email or other notification given by or on behalf of the Company notifying them that they are individually eligible to apply in the Consultant and Staff Offer.

Eligible Consultants and Staff can only apply for Shares in the Consultant and Staff Offer by submitting an Online Application at the Offer Website at spireshareoffer.equiniti.com. Payment for Shares in respect of an Online Application in the Consultant and Staff Offer must be made through the Offer Website using a UK debit card (as further described below).

The Consultant and Staff Offer is subject to a minimum application amount of £500 worth of Shares at the Offer Price and a maximum application amount of £10,000 worth of Shares at the Offer Price. Online Applications can only be made in one of the following permitted investment amounts (the "**Permitted Denominations**"): £500; £1,000; £1,500; £2,000; £2,500; £3,000; £4,000; £5,000; £6,000; £7,000; £8,000; £9,000; and £10,000.

Joint applications from more than one investor are not permitted in the Consultant and Staff Offer and multiple applications from the same investor in the Consultant and Staff Offer are not permitted. Applications will only be accepted from the relevant individual Eligible Consultant or Staff who was named in the personalised email or other notification confirming eligibility.

The latest time for receipt of Online Applications in the Consultant and Staff Offer is 11:00 p.m. (UK time) on 15 July 2014. Eligible Consultants and Staff wishing to submit an Online Application in the

Consultant and Staff Offer should ensure that they allow sufficient time in order to complete an Online Application by that deadline.

As the Offer Price will not be known until after the closing date for applications, applications for Shares in the Consultant and Staff Offer are required to be based on the amount in Pounds Sterling that Eligible Consultants and Staff wish to invest and not the number of Shares they wish to acquire.

The Company and the Selling Shareholder expect to satisfy all applications in the Consultant and Staff Offer in full. However, in the event that the aggregate of (1) the value (at the Offer Price, when determined) of Shares applied for in the Consultant and Staff Offer and (2) the value (at the Offer Price, when determined) of the Shares to be allocated to the Trust pursuant to a mandatory allocation in the Institutional Offer (together, the “**Relevant Application Size**”) would be greater than 10 per cent. of the aggregate of the value (at the Offer Price, when determined) of the New Share Offer Size and the Existing Share Offer Size (when each is determined), then applications for Shares in the Consultant and Share Offer would be scaled back by such amount in order that the Relevant Application Size does not exceed 10 per cent. of the aggregate of the New Share Offer Size and the Existing Share Offer Size.

Any scale back of applications for Shares in the Consultant and Staff Offer would be carried out on a pro rata basis, which means that each applicant in the Consultant and Staff Offer would each be scaled back on a proportionate basis by reference to the amount of money that the relevant applicant applied to invest in Shares in the Consultant and Staff Offer. Accordingly, applicants who apply for Shares under the Consultant and Staff Offer may not receive all of the Shares that they apply for.

All Shares acquired in the Consultant and Staff Offer will be required to be held in the Corporate Nominee Service. The terms and conditions of the Corporate Nominee Service are set out in *Part 14: “Terms and Conditions of the Corporate Nominee Service”*. If an investor whose Shares are held in the Corporate Nominee Service wishes to receive a share certificate after Admission, the investor will be able to request such a change from the Corporate Nominee Service. There will be a charge for the issuing of a share certificate, which is currently £10 per share certificate as at the date of this document.

All applications under the Consultant and Staff Offer will be made on the terms and conditions of the Consultant and Staff Offer set out in section 13 of this *Part 13: “Details of the Offer”*. If no part of an application is accepted, all monies paid on application will be refunded to the relevant applicants, without interest. If an application is accepted in part, refunds in respect of the difference between the aggregate Offer Price of the Shares allocated to the relevant applicant and the application monies paid by the relevant applicant will be paid to relevant applicant, without interest. No fractional entitlements to Shares will be allocated and therefore allocations will be satisfied by rounding down to the nearest whole Share. Any sums less than the Offer Price of one Share will not be refunded but will be given by the Company to charity.

Payment for Shares in respect of an Online Application must be made by a UK debit card issued by a bank or building society in the United Kingdom from a personal account of the individual applicant in respect of which they have sole or joint title to the funds in such account. Payments by credit cards will not be accepted. There will be no additional charge levied by the Company, the Selling Shareholder or the Receiving Agent for payments for Shares made by debit card.

Applicants in the Consultant and Staff Offer who have any questions about how to complete an Online Application should contact the helpline of the Receiving Agent on 0800 011 3617 (from within the UK) or on +44 121 415 0829 (if calling from outside the UK). Calls from within the UK are normally free of charge from landlines but charges may apply from mobile phones. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline operators cannot provide advice on the merits of the Offer nor give financial, tax, investment or legal advice.

Applicants in the Consultant and Staff Offer who are allocated and subscribe for or acquire Shares in the Consultant and Staff Offer will be notified of their shareholding by email no later than Admission and a Corporate Sponsored Nominee Statement is expected to be posted to such applicants no later than two business days following Admission.

The Underwriters and their affiliates are not in any way involved in the procurement of applications under the Consultant and Staff Offer.

6. DEALING ARRANGEMENTS

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors, the Selling Shareholder and the Underwriters. Further details of the Underwriting Agreement are described in paragraph 8.1 of *Part 15: “Additional Information—Underwriting arrangements”*. If an application is made by a prospective investor in the Consultant and Staff Offer pursuant to an Online Application together with payment in respect of that application, and the conditions contained in the Underwriting Agreement are not satisfied or waived or the Underwriting Agreement is terminated, all monies paid on application will be refunded, without interest.

Application will be made to the FCA for all the Shares to be listed on the Official List and Application will be made to the London Stock Exchange for all the Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.

It is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 18 July 2014. The expected date for settlement of such dealings will be 23 July 2014. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a “when issued basis”. If the Offer does not become unconditional in all respects, any such dealings will be of no effect and any such dealings will be at the risk of the parties concerned. Investors should note that it is expected that investors who apply for, and are allocated, Shares in the Institutional Offer will be able to deal in any Shares they are allocated on a conditional basis. Investors who acquire Shares in the Consultant and Staff Offer will not be able to deal on a conditional basis.

It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 23 July 2014. It is intended that the issue of Shares allocated to investors who wish to hold Shares in uncertificated form will take place through CREST on Admission. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account will be at the risk of the person concerned.

In connection with the Offer, each of the Underwriters and any of their respective affiliates acting as an investor for its own account may take up the Shares and in such capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offer. Accordingly, references in this document to the Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters and any of their respective affiliates acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

7. CREST

CREST is a paperless settlement system allowing securities to be transferred from one person’s CREST account to another’s without the need to use share certificates or written instruments of transfer. With effect from Admission, the Articles will permit the holding of Shares in the CREST system.

Application has been made for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and, after Admission, holders of Shares who wish to receive and retain share certificates will be able to do so.

8. HOLDING AND DEALING IN SHARES ACQUIRED IN THE CONSULTANT AND STAFF OFFER

All Shares acquired in the Consultant and Staff Offer will be required to be held in the Corporate Nominee Service. After Admission, such shareholders will be able to withdraw their Shares from the Corporate Nominee Service upon payment of an administration charge to the Corporate Sponsored Nominee.

The Company expects that most non-institutional shareholders will find the Corporate Nominee Service to be a convenient way of holding Shares.

8.1 Corporate Nominee Service

This section and section 8.2 below should be read in conjunction with the Terms and Conditions of the Corporate Nominee Service set out in *Part 14: “Terms and Conditions of the Corporate Nominee Service”*. This section 8.1 and section 8.2 below only apply to Shareholders who acquire Shares through the Consultant and Staff Offer. The Corporate Nominee Service will only be available to persons who acquire Shares in the Consultant and Staff Offer if they have a registered address in the UK. Following Admission, the Corporate Nominee Service will be available to all persons holding Shares who have a registered address in the UK or another country within the EEA.

The Corporate Nominee Service, a Company-sponsored nominee arrangement, provides a convenient way of holding Shares, which removes the need to have a share certificate which has to be kept safe and secure. In addition, individuals' names will not appear on the Company's shareholder register, which is a public register, so their details remain confidential. Instead, the Shares will be held on behalf of those individuals in the name of Equiniti Corporate Nominees Limited. The Corporate Nominee Service has been set up exclusively for persons who hold Shares in the Company and will hold those Shares electronically within the CREST system.

Persons holding Shares in the Corporate Nominee Service:

- will have similar rights to those Shareholders who hold share certificates (including the right to receive the same annual and other financial information as is sent to Shareholders who hold a share certificate, should they wish to receive it, and to attend, speak and vote on a show of hands and on a poll at general meetings of the Company);
- will receive Corporate Sponsored Nominee Statements showing the number of Shares held at Admission (being the point at which they become members of the Company) and at least once every 12 months thereafter; and
- are entitled to leave the Corporate Nominee Service at any time and obtain a share certificate instead or have their Shares transferred into another nominee arrangement or deposit account. There will be a charge for the issuing of a share certificate which, as at the date of this document, is £10 per share certificate.

8.2 Dealings in Shares held through the Corporate Nominee Service

Share dealing services will be available to persons holding Shares in the Corporate Nominee Service once they have received their shareholder reference numbers. It is expected that Shareholders who validly applied and paid for Shares in the Consultant and Staff Offer will be sent their shareholder reference number by email within two days following Admission.

Shareholders holding Shares in the Corporate Nominee Service will have access to a range of share dealing services. These services are provided by Equiniti Financial Services Limited which is authorised and regulated by the FCA.

Online dealing at www.shareview.co.uk. Shareholders can access the online facility which will provide real-time share price quotes during UK stock market opening hours (normally 8:00 a.m. - 4:30 p.m. weekdays, excluding bank holidays) for Shareholders wishing to buy more or sell some or all of their Shares. The facility will normally be available 24 hours per day but, outside UK stock market hours, Shareholders can only give a 'limit-price' instruction which will be acted upon as soon as the market re-opens. The cost for share dealing online starts from £15.

Using the telephone helpline on 08456 037 037. Shareholders can call the share dealing helpline which will provide real-time share price quotes during UK stock market opening hours (normally 8.00am to 4.30pm weekdays, excluding bank holidays) for Shareholders wishing to buy more or sell some or all of their Shares (and until 6.00pm on such days for enquiries only). The cost for share dealing through the telephone helpline starts from £25.

By post. Shareholders wishing to sell some or all of their Shares can use a postal instruction. This facility will be available from the date of Admission. Shareholders can only apply to sell all their Shares by post using a postal dealing form which can be obtained by calling the telephone helpline number shown above. Postal sale instructions will be aggregated together and sold once per day during the duration of the facility. The sale price for the Shares will normally be determined on the next business day following which

a valid postal instruction form is received. The cost for using this service until the end of October 2014 will be 1.75% subject to a minimum of £35.

The charges referred to above are correct as at the date of this document. Please refer to the latest terms and conditions of the relevant share dealing service which will be available at www.shareview.co.uk for up-to-date charges after the date of this document.

9. OVER-ALLOTMENT AND STABILISATION

In connection with the Offer, Morgan Stanley Securities Limited, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilising transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 15% of the total number of Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, the Over-allotment Shareholders have granted to the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15% of the total number of Shares comprised in the Offer at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offer and will form a single class for all purposes with the other Shares.

For a discussion of certain stock lending arrangements to be entered into in connection with the Over-allotment Option, see paragraph 8.2 of *Part 15: "Additional Information—Underwriting arrangements"*.

10. UNDERWRITING ARRANGEMENTS

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions, to procure subscribers for the New Shares to be issued by the Company and purchasers for the Existing Shares to be sold by the Selling Shareholder in the Institutional Offer, or, failing which, themselves to subscribe for or purchase such Shares, at the Offer Price. The Underwriting Agreement contains provisions entitling the Underwriters to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any moneys received in respect of the Offer will be refunded to applicants without interest. The Underwriting Agreement provides for the Underwriters to be paid commission in respect of the New Shares issued, the Existing Shares sold and any Over-allotment Shares sold following exercise of the Over-allotment Option. Any commissions received by the Underwriters may be retained, and any Shares acquired by them may be retained or dealt in, by them, for their own benefit.

Further details of the terms of the Underwriting Agreement are set out in paragraph 8.1 of *Part 15: "Additional Information—Underwriting arrangements"*. Certain selling and transfer restrictions are set out below.

The Company, the Selling Shareholder and the Underwriters expressly reserve the right to determine, at any time prior to publication of the Pricing Statement, not to proceed with the Offer. If such right is exercised, the Offer will lapse and any monies received in respect of the Offer will be refunded to applicants without interest.

11. LOCK-UP ARRANGEMENTS

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement and related arrangements, the Cinven Funds, the Individual Sellers and the Directors have agreed that, subject to certain exceptions, during the period of 180 days in respect of the Cinven Funds, and 365 days in respect of the Individual Selling Shareholders and the Directors, in each case from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Further details of these arrangements, which are contained in the Underwriting Agreement, are set out in paragraph 8.1 of *Part 15: “Additional Information—Underwriting arrangements”*.

12. WITHDRAWAL RIGHTS

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied to subscribe for or purchase Shares in the Offer will have at least two business days following the publication of the supplementary prospectus within which to withdraw their offer to acquire Shares in the Offer.

In addition, in the event that (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of new Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholder is set above or below the Existing Share Offer Size Range then applicants who have applied to subscribe for or purchase Shares in the Offer would have a statutory right to withdraw their offer to subscribe for or purchase Shares in the Offer in its entirety pursuant to section 87Q of FSMA before the end of a period of two business days commencing on the first business day after the date on which an announcement of this is published via a Regulatory Information Service or such later date as may be specified in that announcement). In those circumstances, the Pricing Statement would not be issued until this deadline for exercising such statutory withdrawal rights has ended.

The right to withdraw an application to acquire Shares in the Offer in these circumstances will be available to all investors in the Offer. If the application is not withdrawn within the stipulated period, any offer to apply for Shares in the Offer will remain valid and binding. Investors wishing to exercise a statutory right to withdraw their offer to subscribe for or purchase Shares in the Institutional Offer must do so by lodging a written notice of withdrawal by hand (during normal business hours only) at the offices of any of the Joint Global Co-ordinators at their respective addresses set out in *Part 3: “Directors, Secretary, Registered and Head Office and Advisers”* so as to be received no later than two business days after the date on which the supplementary prospectus is published or the date on which an announcement is made (as described above). Notice of withdrawal given by any other means or which is deposited with or received after the expiry of such period will not constitute a valid withdrawal. Following publication of a supplementary prospectus or an announcement is made (as described above), applicants who have applied for Shares via the Consultant and Staff Offer wishing to exercise a statutory right to withdraw their offer to subscribe for or purchase Shares in the Consultant and Staff Offer may do so by:

- registering the withdrawal by emailing offer@equiniti.com; or
- lodging a written notice of withdrawal with the Receiving Agent at the address specified in supplementary prospectus or announcement by the time and date specified therein.

In each of the cases above relating to an applicant for Shares in the Consultant and Staff Offer, such notification must provide (i) the investor's name, (ii) the investor's address and postcode, and (iii) the amount in Pounds Sterling of Shares that such investor has applied for, and it must be received by the Receiving Agent no later than the end of the period stipulated in the supplementary prospectus or announcement (as described above) (which will be at least a period of two business days commencing on the first business day after the date on which the supplementary prospectus or announcement, as the case may be, is published).

13. TERMS AND CONDITIONS OF THE CONSULTANT AND STAFF OFFER

These terms and conditions apply to investors agreeing to subscribe for or purchase Shares under the Consultant and Staff Offer. Each investor in the Consultant and Staff Offer agrees with each of the Company, the Selling Shareholder and the Underwriters to be bound by these terms and conditions as being the terms and conditions upon which Shares will be sold under the Consultant and Staff Offer.

If you are one of the Eligible Consultants and Staff applying in the Consultant and Staff Offer, the terms and conditions of the Consultant and Staff Offer set out in this section 13 of this *Part 13: "Details of the Offer"* form part of, and are incorporated into, the terms and conditions of the Consultant and Staff Offer.

13.1 Introduction

For the purposes of these terms and conditions only, references to "you" are to the person applying to buy Shares in the Consultant and Staff Offer pursuant to an Online Application.

If you apply for Shares in the Consultant and Staff Offer you will be agreeing with the Company, the Selling Shareholder and the Underwriters to the terms and conditions set out below.

13.2 Offer to subscribe for or purchase Shares

Applications must be made pursuant to an Online Application. By completing and submitting an Online Application, you, as the applicant shall:

- (A) offer to acquire at the Offer Price the maximum number of Shares (rounded down to the nearest whole Share) that may be acquired with the amount that you have specified in your Online Application as the amount which you wish to invest (or any smaller amount in respect of which your application to acquire Shares in the Consultant and Staff Offer is accepted), subject to the provisions of the Prospectus, these terms and conditions, the terms of the Online Application, the Pricing Statement, any supplementary prospectus and the Articles of Association;
- (B) agree that your application to acquire Shares in the Consultant and Staff Offer must be for a minimum investment of £500, for no more than the maximum investment of £10,000, subject to the investment amount complying with one of the Permitted Denominations;
- (C) acknowledge and agree that if the Offer Price is set above the Price Range and/or the number of New Shares to be issued by the Company and/or the number of Existing Shares to be sold by the Selling Shareholder is set above or below the New Share Offer Size Range or the Existing Share Offer Size Range, as the case may be, prospective investors would have a statutory right to withdraw their offer to subscribe for or purchase Shares pursuant to section 87Q of FSMA, but if the application for Shares is not withdrawn within the period stipulated in any supplementary prospectus or announcement (as described above), any offer to apply for Shares in the Offer will remain valid and binding;
- (D) acknowledge and agree that (i) applications for Shares in the Consultant and Staff Offer may be subject to scale back as described in section 5 of this *Part 13: "Details of the Offer"*; (ii) there is no minimum allocation of Shares in the Consultant and Staff Offer; and (iii) in the event your application for Shares in the Consultant and Staff Offer is scaled back by Company and the Selling Shareholder, you may not receive Shares representing the full value (based on the Offer Price) of the amount you applied to invest in the Consultant and Staff Offer;
- (E) agree that the Company has absolute discretion in determining whether or not you qualify as one of the Eligible Consultants and Staff for the purposes of the Consultant and Staff Offer;
- (F) authorise the Receiving Agent to send on behalf of the Company and/or the Selling Shareholder (i) a Corporate Sponsored Nominee Statement and/or (ii) in the event of your application not being

accepted or if your application is accepted in part, a refund for any monies returnable (without interest) back to the debit card used for payment, and (iii) to do all things and, where applicable, to take all actions necessary to procure that your name or the name of the Corporate Nominee Service is placed on the register of members of the Company in respect of the Shares for which your application is accepted;

- (G) in consideration of the Company and the Selling Shareholder agreeing that it will not, prior to the date of Admission (or such later date as the Company may determine), sell to any person or assist in the sale to any person of any of the Shares comprised in the Offer other than by means of the procedures referred to in the Prospectus and as a collateral contract between you, the Company, the Selling Shareholder, and the Underwriters which will become binding on you on the submission of your Online Application:
- (i) agree that, subject to any statutory rights of withdrawal, your application may not be revoked or withdrawn by you until after 31 August 2014 in the event that Admission has not taken place by that date;
 - (ii) undertake to pay the Offer Price for the Shares (payable in full on application) in respect of which your application to subscribe or acquire (as the case may be) Shares from the Company or the Selling Shareholder is accepted (in the manner indicated in section 13.3 below);
 - (iii) warrant that your debit card payment will be honoured at the first attempt to take the payment and agree that, if such payment is not so honoured, you will not be entitled to receive a Corporate Sponsored Nominee Statement (notwithstanding that the Corporate Sponsored Nominee (or its nominee) may have been entered on the register of members of the Company) in respect of the Shares applied for and that any proceeds of sale in respect of the Shares applied for (including whether the sale is at your instruction) shall be held by the Receiving Agent for the benefit of the Company and the Selling Shareholder or to enjoy or receive any rights, dividend, distribution or other payment in respect of such Shares unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company, the Selling Shareholder, the Receiving Agent and the Underwriters against all costs, damages, losses, expenses and liabilities arising out of or in connection with, the failure of your remittance to be honoured on first presentation or the first attempt to take the payment (as the case may be)) and you agree that no claim will be made against the Company, the Selling Shareholder, the Receiving Agent or the Underwriters or any of their respective directors, officers, agents, or employees in respect of the non-receipt of Shares by you or the proceeds of any sale of Shares, or primary loss arising from such non-receipt of Shares or proceeds of sale of Shares;
 - (iv) agree that, at any time prior to unconditional acceptance by the Receiving Agent of such late payment pursuant to sub-section 13.2(G)(iii) above, the Receiving Agent may (on behalf of the Company and the Selling Shareholder and without prejudice to any other rights) terminate the agreement (if any) to allocate such Shares to you without liability to you and may reallocate the Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Shares (other than the refund to you of any payment made at the time of submission of your Online Application, at your own risk and without interest) and, in the event of termination, any Shares which have been issued to you will be sold as soon as is reasonably practicable (and for which purpose you hereby irrevocably authorise the Company, or any person appointed by it for this purpose, to execute on your behalf any instrument of transfer which may be necessary to effect such sale) and consent to the proceeds of such sale being paid to and retained by the Company or any Selling Shareholder and you will pay the Receiving Agent (on behalf of itself and the Company), on demand, such amount as may be necessary to compensate the Company and the Selling Shareholder, the Company, the Receiving Agent and the Underwriters for any losses, costs and expenses incurred or expected to be incurred as a result of the remittance not being honoured on first presentation or the first attempt to take the payment (as the case may be) or as a result of termination of the agreement. Any decision by the Receiving Agent to accept payment shall be without prejudice to the decision of the Company and/or the Selling Shareholder to accept the whole or any part of your application as described in section 13.3 of this *Part 13: "Details of the Offer"*;
 - (v) agree, on request by the Company, the Selling Shareholder, the Receiving Agent or the Underwriters, to disclose promptly in writing to the Company, the Selling Shareholder, the

Receiving Agent or the Underwriters such information as they may request in connection with your application and authorise the Company, the Selling Shareholder, the Receiving Agent and the Underwriters to disclose any information relating to your application which it may consider appropriate;

- (vi) agree that any Corporate Sponsored Nominee Statement to which you may become entitled and monies returnable to you may be retained pending clearance of your remittance, investigation of any suspected breach of these terms and conditions and any verification of identity which is, or which the Company, the Selling Shareholder or the Receiving Agent in its absolute discretion considers may be required for the purposes of the UK Money Laundering Regulations 2007 and that any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- (vii) agree that, if evidence of identity satisfactory to the Company, the Selling Shareholder and/or the Receiving Agent is not provided on or before 23 July 2014 or such later date as the Company and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) may agree, the Company and the Selling Shareholder may terminate your contract of allocation and may reallocate or sell such shares and, in such case, your application monies, less any amount retained by the Company and/or the Selling Shareholder (or their respective agents) as compensation for breach of contract, or an amount equal to the proceeds of reallocation or sale net of all expenses, will be refunded without interest to the debit card used for payment, and you agree that, in such event, you will have no claim against the Company, the Selling Shareholder, the Receiving Agent or the Underwriters or any of their respective officers, agents or employees in respect of the balance of your application monies, if any, retained by the Company and/or the Selling Shareholder (or their respective agents), or for any loss arising from the price, the timing or the manner of reallocation or sale, or otherwise in connection therewith;
- (viii) agree that any future communications sent by the Company to you in your capacity as a shareholder of the Company will be in the English language;
- (ix) agree that by submitting an Online Application, your personal information may be held and used by the Company, the Selling Shareholder, the Underwriters and the Receiving Agent for purposes relating to the Consultant and Staff Offer, which may include providing your details to third parties for the purpose of performing credit reference checks, money laundering checks and making tax returns, and keeping a record of applicants under the Consultant and Staff Offer for a reasonable period of time, and may also include providing your details to third parties for the purposes of verifying your identity, which may involve those third parties checking your details against any database (public or otherwise) to which they have access and retaining records of those searches, and using your details in the future to assist other companies for verification purposes. You also agree that if you are allocated shares under the Consultant and Staff Offer, your personal information will be shared with the Company, the Receiving Agent and the Corporate Sponsored Nominee and held and used by the Company, the Receiving Agent and the Corporate Sponsored Nominee for purposes relating to the Consultant and Staff Offer and for their ongoing purposes that require keeping records of, and dealing with, the Company's shareholders in the ordinary course of business (which may involve providing your personal information to third parties, such as Euroclear UK & Ireland);
- (x) agree that the Company and the Selling Shareholder reserve the right to alter any arrangements in connection with the Consultant and Staff Offer (including the timetable and terms and conditions of application);
- (xi) agree that the contract arising from acceptance of all or part of your application under the Consultant and Staff Offer will be, or will be deemed to be, entered into by you, the Company and the Selling Shareholder on these terms and conditions (as may be amended by the Company and the Selling Shareholder pursuant to these terms and conditions); and
- (xii) agree and acknowledge that the Underwriters and their affiliates are not involved in any way in the procurement of applications under the Consultant and Staff Offer and will have no obligations, duties, responsibilities or liabilities to you in connection with the Consultant and Staff Offer, save for such obligations, duties, responsibilities or liabilities as cannot be excluded by the Underwriters under any applicable law or regulation.

If (a) your Online Application is not completed correctly, (b) your Online Application is completed with any information other than as specifically required on the Online Application, (c) your Online Application is received after 11:00 p.m. on 15 July 2014, (d) your debit card payment is not honoured at the first attempt to take the payment, (e) the surname of the holder of the debit card used for payment is different to the surname provided on the Online Application or (f) you submit, or are suspected to have submitted, more than one application in the Consultant and Staff Offer, your application may be rejected by the Receiving Agent on behalf of the Company. In these circumstances, the Company's and/or the Selling Shareholder's decision as to whether to reject or treat your application as valid (which could occur before or after Admission) shall be final and binding on you. None of the Company, the Selling Shareholder, the Receiving Agent, the Underwriters nor any of their respective directors, officers, agents or employees will accept any liability for any such decision and no claim will be made against any such persons in respect of your non-delivery of Shares, or for any loss resulting from such non-delivery.

Notwithstanding the above, any application may be rejected in whole or in part by the Company or the Selling Shareholder in its absolute discretion.

The Company and the Selling Shareholder and those acting on its or their behalf (including the Receiving Agent) reserve the right to treat as valid any application which does not comply fully with these terms and conditions or is not completed in all respects or is not sent in accordance with the instructions on the Online Application. This decision could occur before or after Admission. The Company and the Selling Shareholder and those acting on its or their behalf (including the Receiving Agent) reserve the right to waive in whole or in part any of the provisions of these terms and conditions, either generally or in respect of one or more applications. In these circumstances, the decision of the Company and/or the Selling Shareholder as to whether to treat the application as valid and how to construe, amend or complete it shall be final. You will not, however, be treated as having offered to invest a higher amount than is indicated in the Online Application.

13.3 Acceptance of your offer

The Company and/or the Selling Shareholder may accept your application if your application is received, validated (or treated as valid), processed and not rejected either:

- (A) by notifying, publishing or announcing the Offer Price, Offer Size and the basis of allocation for the Consultant and Staff Offer (in which case the acceptance will be on that basis); or
- (B) by notifying acceptance to the Receiving Agent.

The acceptance of the whole of your application will be at the absolute discretion of the Company and the Selling Shareholder.

No fractional entitlements to Shares will be allocated and therefore allocations will be satisfied by rounding down to the nearest whole number of Shares.

13.4 Conditions

The contract arising from acceptance of an application in the Consultant and Staff Offer will be entered into by you (if you are a successful applicant), the Company and the Selling Shareholder. Under this contract, you will be required to acquire the Shares at the Offer Price. This contract will be conditional upon (i) the Underwriting Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission and (ii) Admission occurring on or prior to 23 July 2014 or such later date as the Company, the Selling Shareholder and the Joint Global Co-ordinators (on behalf of the Underwriters) may agree.

Subject to applicable law, you will not be entitled to exercise any remedy of rescission or for innocent misrepresentation (including pre-contractual representations) at any time after acceptance of your application. This does not affect any other rights you may have, including, for the avoidance of doubt, any statutory withdrawal rights.

The Company, the Selling Shareholder and the Joint Global Co-ordinators expressly reserve the right to determine, at any time prior to publication of the Pricing Statement, not to proceed with the Consultant and Staff Offer or any part of it. If the Consultant and Staff Offer or any part of it is terminated prior to Admission, applications received up to the date of termination will automatically lapse, applications received after that date will be of no effect and any application monies relating thereto will be refunded to applicants without interest in accordance with section 13.5 of this *Part 13: "Details of the Offer"*.

13.5 Return of applicable monies

If any application is invalid or not accepted (in whole or in part) or if any contract created by acceptance does not become unconditional or if any application is accepted for an amount lower than that offered, subject as hereinafter provided, the application monies or the balance of the amount paid on application (as the case may be) will be refunded, without interest by a refund back to the debit card used for payment. Any such debit refund instruction will be made by no later than five business days after Admission. Prior to that time, application monies will be retained by the Receiving Agent in an account designated for these purposes and any interest accrued on the application monies will be retained by, and for the benefit of, the Company and/or the Selling Shareholder. The proceeds of the payment will be held pending acceptance and, if your application is accepted and the conditions in section 13.4 of this *Part 13: "Details of the Offer"* are satisfied, will be applied in discharging the total amount due for the Shares you have been allocated. The right is also reserved to reject any application in respect of which your debit card payment was not successfully made on the first attempt to take the payment and, in any event, by 11.00 p.m. on 15 July 2014. The Company and/or the Selling Shareholder may require you to pay interest or other resulting costs (or both) if the debit card payment used in your Online Application is not honoured on the first attempt to take the payment.

Amounts of less than the Offer Price of one Share will not be refunded but will be given by the Company to charity. Sums refunded will, in all cases, be paid in Pounds Sterling, without interest.

13.6 Allocation and discretion to determine eligibility

The number of Ordinary Shares to be allocated to investors in the Consultant and Staff Offer will be determined after the Offer Period has ended and applications for Shares in the Consultant and Staff Offer may be subject to scale back as described in section 5 of this *Part 13: "Details of the Offer"*.

The Company and the Selling Shareholder have absolute discretion to decide in any individual case whether the conditions of eligibility for the Consultant and Staff Offer have been satisfied.

13.7 Representations and warranties

By completing and submitting an Online Application, you:

- (A) confirm that, in making an application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Company, the Selling Shareholder, any member of the Group, or any of them, other than as is contained in the Prospectus, the Pricing Statement and any supplementary prospectus and agree that none of the Company, the Directors, the Selling Shareholder, the Receiving Agent or any person acting on behalf of them (including the Underwriters) or any person responsible solely or jointly for the Prospectus, the Pricing Statement and/or any supplementary prospectus, or any part of any of them, shall have any liability for any such information or representation (excluding for fraudulent misrepresentation);
- (B) agree that, having had the opportunity to obtain and read the Prospectus and any supplementary prospectus you shall be deemed to have read all such documents in their entirety and to have noted all information concerning the Company, the Selling Shareholder or any member of the Group and the Offer contained in the Prospectus and/or any supplementary prospectus;
- (C) agree that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in the Prospectus, the Pricing Statement and any supplementary prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder, any of the Underwriters or any other person;
- (D) confirm that you have reviewed the restrictions contained in section 13.10 of this *Part 13: "Details of the Offer"* and represent and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions of section 13.10 of this *Part 13: "Details of the Offer"*;
- (E) agree that you are liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by you or any other person on the acquisition by you of any Shares or the agreement by you to acquire any Shares;

- (F) agree that all documents in connection with the Offer may be sent by post to you at your address set out in your Online Application and any such documents will be sent at your own risk;
- (G) represent and warrant that (i) you are eligible to participate in the Consultant and Staff Offer as an individual to whom the offer of Shares in the Consultant and Staff Offer was made in the United Kingdom and (ii) subject as hereinafter provided, the Online Application is completed and delivered solely for and on behalf of the applicant and not directly or indirectly, in whole or in part, for or on behalf of any other person;
- (H) represent and warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (concerning depositary receipts and clearance services);
- (I) confirm that, if the laws of any jurisdiction outside the United Kingdom are applicable to your agreement to subscribe for or purchase Shares, you have complied with all such laws and none of the Company, the Selling Shareholder or the Underwriters will infringe any laws of any jurisdiction outside the United Kingdom as a result of your rights and obligations under your agreement to subscribe for or purchase Shares and under the Articles of Association (and, in making this representation and warranty, you confirm that you are aware of the selling and transfer restrictions set out in section 15 of this *Part 13: "Details of the Offer"*);
- (J) represent and warrant that the offer of Shares in the Consultant and Staff Offer was made to you (and any person on whose behalf you are applying) in the United Kingdom and you are a person in the UK and, in all cases, you are not applying for Shares, nor are you applying for Shares on behalf of a party, with a view to the reoffer, resale or delivery of the Shares, directly or indirectly in or into the United States, Australia, Canada, Japan, South Africa or any jurisdiction other than the United Kingdom or to a person located or resident in the United States, Australia, Canada, Japan, South Africa or any jurisdiction other than the United Kingdom or to any person who you believe is purchasing the Shares for the purpose of such resale, reoffer or delivery;
- (K) represent and warrant that your application to subscribe for or purchase Shares is not a joint application for more than one investor;
- (L) represent and warrant that only one application is being made for your benefit in the Consultant and Staff Offer (whether directly or through other means);
- (M) represent and warrant that your application to subscribe for or purchase Shares is not and will not be funded using funds provided by another person under an arrangement whereby any Shares allocated to you or all or substantially all of the value of such Shares are to be transferred to that other person;
- (N) represent, warrant and undertake that you are not, and you are not applying on behalf of a person engaged in, or whom you know or have reason to believe is, engaged in money laundering;
- (O) represent and warrant that, by submitting an Online Application in the Consultant and Staff Offer, you are (at the date of submitting the Online Application) one of the Eligible Consultants and Staff;
- (P) agree that any material downloaded from the Group's websites in relation to the Consultant and Staff Offer (i) is done at your own risk and that you will be solely responsible for any damage or loss of data that results from the download of any material and (ii) will be used solely for personal use and will not be distributed in or into the United States, Australia, Canada, Japan, South Africa or to any other person wherever located or resident; and
- (Q) agree that none of the Company, the Selling Shareholder, or the Underwriters is liable for any loss of data in the course of receiving and/or processing the Online Application or responsible for the loss or accidental destruction of any Online Application or personal data relating to the investors or any financial or other loss or damage which may result, directly or indirectly, therefrom, including any loss in relation to the non-allocation or non-delivery of any Shares as a result of such loss or destruction.

13.8 Money laundering

You agree that in order to ensure compliance with any applicable money laundering regulations (including, without limitation, the UK Money Laundering Regulations 2007), the Receiving Agent may, at its absolute discretion, require verification of identity from any person lodging an Online Application. Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the despatch of documents.

The surname of the holder of the debit card used for payment in an Online Application must not be different to the surname provided on the Online Application. Applications where the application name and payment name differ may be subsequently rejected and the funds returned in accordance with the terms and conditions of the Consultant and Staff Offer.

You agree that in any of the circumstances set out in the paragraphs above in this section 13.8 of this *Part 13: "Details of the Offer"*, the Receiving Agent may make a search using one or more credit reference agencies of electronic databases in order to verify your identity. Where deemed necessary by the Receiving Agent in its sole and absolute discretion, a copy of the search will be retained.

13.9 Overseas investors

No person receiving a copy of the Prospectus and/or a personalised email or other notification relating to the Consultant and Staff Offer in any territory outside the United Kingdom may treat the personalised email or other notification relating to the Consultant and Staff Offer as constituting an invitation or offer to him nor should he in any event submit an Online Application. No documents relating to the Offer have been submitted to the clearance procedures of any authorities other than the Financial Conduct Authority of the United Kingdom. Any application made in the Consultant and Staff Offer by or on behalf of a person who received a personalised email or other notification relating to the Consultant and Staff Offer outside of the United Kingdom will be rejected.

13.10 Miscellaneous

Persons applying for Shares under the Offer who are allocated Shares may only rely on the information contained in the Prospectus and, to the fullest extent permitted by law, any liability for representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent misrepresentations), are expressly excluded in relation to the Shares and the Offer.

Save where otherwise stated or where the context otherwise requires, terms used in these terms and conditions are as defined in the Prospectus (as supplemented by any supplementary prospectus issued by the Company in relation to the Offer).

The rights and remedies of the Company, the Selling Shareholder, the Underwriters and the Receiving Agent under these terms and conditions are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of any one will not prevent the exercise of others or full exercise.

The Company (with the agreement of the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters)) reserves the right to delay the closing time of the Consultant and Staff Offer by giving notice through a Regulatory Information Service. In this event, the revised closing time will be published in such manner as the Company in its absolute discretion determines subject, and having regard, to the requirements of the Financial Conduct Authority.

The Offer may be terminated without any obligation to you whatsoever at any time prior to Admission. If the Offer is terminated, the Offer will lapse and any monies received in respect of your application will be refunded to you without interest.

In the event that the Company is required to publish any supplementary prospectus, applicants who have applied for Shares in the Offer will have a statutory right to withdraw their offer to subscribe for or purchase Shares in the Offer in its entirety before the end of a period of two business days commencing on the first business day after the date on which the supplementary prospectus is published (or such later date as may be specified in the supplementary prospectus). If a supplementary prospectus is published, it will be made available in the same manner in which the Prospectus is being made available, including on the Offer Website at spireshareoffer.equiniti.com.

In addition, in the event that the Offer Price is set by the Company above the Price Range and/or the number of Shares to be sold by the Selling Shareholder is set by the Company above or below the Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then applicants who have applied for Shares in the Offer will have a statutory right to withdraw their offer to subscribe for or purchase Shares in the Offer in its entirety pursuant to section 87Q of FSMA before the end of a period of two business days commencing on the first business day after the date on which an announcement of this is published by the Company via a Regulatory Information Service (or such

later date as may be specified in that announcement). The arrangements for withdrawing offers to subscribe for or purchase Shares will be set out in the announcement.

If you do not notify the Company of your intention to withdraw in the required manner within the stipulated period set out in any supplementary prospectus or announcement (as described above), your application to subscribe for or purchase Shares in the Consultant and Staff Offer will remain valid and binding upon you.

Investors in the Consultant and Staff Offer wishing to withdraw their offer to subscribe for or purchase Shares after the publication of any supplementary prospectus or announcement (as described above) must do so by:

- registering the withdrawal by emailing offer@equiniti.com; or
- lodging a written notice of withdrawal with the Receiving Agent at the address specified in supplementary prospectus or announcement by the time and date specified therein.

In each of the cases above, such notification must provide (i) the investor's name, (ii) the investor's address and postcode, (iii) their Online Application reference number and (iv) the amount in Pounds Sterling of Shares that such investor has applied for, and it must be received by the Receiving Agent no later than the end of the period stipulated in the supplementary prospectus or announcement (as described above) (which will be a period of at least two business days commencing on the first business day after the date on which the supplementary prospectus or announcement, as the case may be, is published).

Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal.

You agree that all applications, acceptances of applications and contracts resulting from them under the Consultant and Staff Offer shall be exclusively governed by and construed in accordance with English law and that you irrevocably submit to the exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company, the Selling Shareholder, the Receiving Agent or the Underwriters to bring any action, suit or proceedings arising out of or in connection with any such application, acceptances or contracts in any other manner permitted by law or in any court of competent jurisdiction.

You agree and acknowledge that none of the Underwriters acts for you nor will they treat you as their customer by virtue of an application being accepted under the Consultant and Staff Offer and you agree that the Underwriters are acting for the Company and the Selling Shareholder and no one else in connection with the Offer and will not be responsible for providing to you the protections afforded to its customers and that none of the Underwriters owes you any duties or responsibilities concerning, nor will have any liability to you in respect of, the price of the Shares or the suitability of the Shares for you as an investment or otherwise in connection with the Offer.

You authorise the Company, the Selling Shareholder, the Receiving Agent and their respective agents to do all things necessary to effect registration into your name (or the name of the Corporate Sponsored Nominee) (or its nominee) (as applicable) of any Shares acquired by you and authorise any representative of the Company, the Selling Shareholder or the Receiving Agent to execute and/or complete any document of title required therefor.

The dates and times referred to in these terms and conditions are based on the expectation that Admission will occur on 23 July 2014 and may be altered by the Company in its absolute discretion (with the agreement of the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters)) where the Company considers it necessary to do so.

All correspondence, documents and remittances sent or delivered to or by applicants under the Consultant and Staff Offer will be sent or delivered at the applicant's own risk.

All enquiries in relation to submitting an Online Application should be addressed to the Consultant and Staff Offer helpline on 0800 011 3617, (from within the UK) or on +44 121 415 0829 (if calling from outside the UK). Calls from within the UK are normally free of charge from landlines but charges may apply from mobile phones. Lines are open from 8:30 am to 5.30 pm (UK time) Mondays to Fridays (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones. Calls may be recorded and/or monitored for security and training purposes.

For legal reasons the Receiving Agent will only be able to provide information contained in the Prospectus and will be unable to provide advice on the merits of the Consultant and Staff Offer or to provide personal legal, financial, tax or investment advice.

14. FTSE ELIGIBILITY

Subject to satisfying the appropriate criteria, it is anticipated that following completion of the Offer the Company will be included in the FTSE UK Index Series at the quarterly review in September 2014.

15. SELLING RESTRICTIONS

The distribution of this document and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) no Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to subscribe for or purchase any Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged

and agreed that the Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholder, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire Shares in the Offer.

United States

The Shares have not been and will not be registered under the US Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Shares an offer or sale of Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each acquirer of Shares within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

- (a) it is (a) a QIB within the meaning of Rule 144A, (b) acquiring the Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (c) acquiring the Shares for investment purposes, and not with a view to further distribution of such Shares, and (d) aware, and each beneficial owner of the Shares has been advised, that the sale of the Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.
- (b) it understands that the Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the US Securities Act and that the Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (a) understands that the Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Shares established or maintained by a depositary bank, (b) acknowledges that the Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Shares and (c) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

- (c) it understands that the Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “US SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR REALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

and

- (d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Shares while they remain “restricted securities” within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Selling Shareholder, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Canada

The offer and sale of the Shares in Canada will only be made in the Provinces of Ontario and Québec or to residents thereof and not in, or to the residents of, any other Province or Territory of Canada. Such offers and sales will be made only pursuant to a Canadian Offering Memorandum consisting of this Prospectus accompanied by a Canadian supplement.

Australia

This document (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“Corporations Act”); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“ASIC”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors (“Exempt Investors”) who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each subscriber or purchaser of Shares represents and warrants to

the Company, the Selling Shareholder, the Underwriters and their affiliates that such subscriber or purchaser is an Exempt Investor.

As any offer of Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares each subscriber or purchaser of Shares undertakes to the Company, the Selling Shareholder, the Underwriters that such subscriber or purchaser will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the “**FIEL**”). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

South Africa

Due to restrictions under the securities laws of South Africa, the Shares are not offered, and the Offer shall not be transferred, sold, made renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies: (i) the Offer, transfer, sale, renunciation or delivery is to persons falling within the exemptions set out in Section 96 1(a) of the Companies Act, No. 71 of 2008 (as amended) (the “**Companies Act**”), including duly registered banks, mutual banks, financial services providers, financial institutions, (in each case registered as such in South Africa under applicable legislation), the Public Investment Corporation, a person who deals with securities in their ordinary course of business, or a wholly owned subsidiary of a duly registered bank, mutual bank, authorised financial services provider or financial institution, acting as agent in the capacity of an authorised portfolio manager for a pension fund (duly registered in South Africa), or as manager for a collective investment scheme (duly registered in South Africa); or (ii) the contemplated acquisition cost of the Shares, for any single addressee acting as principal is equal to or greater than R1,000,000.

This Offer does not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and subscribe for, shares to the public as defined in the Companies Act and will not be distributed to any person in South Africa in any manner which could be construed as an offer to the public in terms of the Companies Act and should any person who does not fall into any of the above exemptions receive this Prospectus they should not and will not be entitled to acquire any Shares or otherwise act thereon. This Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

Dubai International Financial Centre (“DIFC”)

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“**DFSA**”). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

In relation to its use in the DIFC, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Shares may not be offered or sold directly or indirectly to the public in the DIFC.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“**SIX**”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (“**FINMA**”), and the offer of Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“**CISA**”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

PART 14

TERMS AND CONDITIONS OF THE CORPORATE NOMINEE SERVICE

Risk warnings

Investments made under the Terms and Conditions of the Corporate Nominee Service are in one company only and should therefore be considered as only one part of a balanced portfolio. The value of shares and any income from them can go down as well as up and you (as defined below) may not get back the amount of money you invest. Past performance is no guide to future performance, and if you are in any doubt about the suitability of this Service or investments held on your behalf under it, you should consult an authorised financial adviser. We (as defined below) will not assess the suitability or appropriateness of investments held for you or other services provided to you under these Terms and Conditions of the Corporate Nominee Service and you do not benefit from the FCA Rules on assessing suitability or appropriateness.

About this Part 14: “Terms and Conditions of the Corporate Nominee Service”

This Part 14 sets out the terms and conditions under which we will act as your service provider in connection with your shares in the Company. These Terms and Conditions will come into effect once we have accepted your application to hold the shares in our nominee service. We reserve the right to refuse an application, and you must be aged 18 or over and resident in the UK or EEA in order to use this service.

List of Charges

- Transfer into Nominee FREE
- Transfer out of Nominee £10
- Duplicate Statement £10 + VAT

Confirmation of holding (in addition to free opening and annual statements)

- (a) on the internet FREE
- (b) by telephone FREE
- (c) in writing £10 + VAT

1. Definitions

In these Terms and Conditions, the following words have particular meanings:

- **“you”, “your”** means
 - you, the beneficial holder of shares in the Company, and
 - if there is more than one of you, all the joint holders jointly and individually, and/or
 - your personal representative(s).
- **“we”, “our”, “us”** means Equiniti FS for purposes of this Part 14: “Terms and Conditions of the Corporate Nominee Service”. References to “we, our, us” also include any company to which we may transfer our rights and obligations in accordance with Clause 13.
- **“Equiniti FS”** means Equiniti Financial Services Limited, which is authorised and regulated by the Financial Conduct Authority of **25 The North Colonnade, Canary Wharf, London E14 5HS** (under reference 468631). The main business of Equiniti Financial Services Limited is investment and general insurance services, and its registered office is in the UK at **Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA**, registered in England and Wales no. 06208699. References to Equiniti Financial Services Limited also include any company to whom it transfers its rights and obligations in accordance with Clause 13.
- **“the Equiniti Group”** means Equiniti FS, its subsidiaries and parent companies and any subsidiary of any of its parent companies.
- **“NomineeCo”** means Equiniti Corporate Nominees Limited or any other company (whether or not in the Equiniti Group) on which we may decide in the future.

- **“nominee service”** means the service provided by us to eligible shareholders of the Company under these Terms and Conditions.
- **“the Company”** means Spire Healthcare Group plc.
- **“shares”** means any class of fully paid up shares in the Company held from time to time by NomineeCo on behalf of you and/or other participants.
- **“CREST”** means the computerised system for the transfer of uncertificated securities operated by Euroclear UK & Ireland Limited (under the Uncertificated Securities Regulations 2001).
- **“FCA and FCA Rules”** means respectively, the Financial Conduct Authority and rules made by the FCA which apply to the services provided by us to you, as amended from time to time.
- **“EEA”** means countries in the European Economic Area.

2. The nominee service we will provide

- 2.1 Your shares will be registered and held in the name of NomineeCo, a company that will hold your shares as we direct and for whose acts and omissions we will be responsible.
- 2.2 You will remain the ‘beneficial owner’ of the shares. In other words, although the shares will be registered in the name of NomineeCo, it will hold them on trust for you, so that they really belong to you. This means that they continue to belong to you even if NomineeCo becomes insolvent.
- 2.3 Your shares will be held by NomineeCo in a pooled or omnibus account. We will keep a record of your shares but your individual holding may not be identifiable via separate share certificates or other paper or electronic proof of title. This means that in the event of a default (for example, if NomineeCo improperly fails to retain all of the assets entrusted to it), any shortfall in the investments registered in the name of NomineeCo may be shared pro rata by all the investors whose holdings are so registered.
- 2.4 You will be classified for the purposes of the FCA Rules as a Retail Client. If however you would otherwise be classified under the FCA Rules as an Eligible Counterparty or a Professional Client, you may not necessarily have the rights of a Retail client under the Financial Services Compensation Scheme. For more information on complaints/compensation, please see Clause 24 of these Terms and Conditions.
- 2.5 The decision to join the nominee service is your responsibility. If you are a citizen or resident outside the UK you should consult a professional adviser if you are in any doubt about whether you are going to need any governmental or other consent or to observe any other formalities in order to hold shares via our nominee service.

3. Your dividends and other shareholder entitlements

The terms here in Clause 3 will always apply except where a change in any laws or regulations, or agreements between us and the Company prevent it.

- 3.1 Provided we have received the necessary funds from the Company, we will, subject to any instruction from you to the contrary as set out in 3.2, pay any amounts due to you in connection with your shares on the dividend payment date or other due date or as soon as reasonably practicable thereafter. Monies held in respect of such payments will be held in an account in the name of NomineeCo. You will not be paid interest on cash balances, and we will be entitled to keep any interest earned or any equivalent fee that the bank in question pays us. We will send you the money in sterling (unless we make available a Company facility to receive the payment in a different currency) by electronic payment, or by other payment methods we may decide on from time to time, which could include a cheque if we do not have up-to-date bank details for you. If for any reason we receive money for you in a foreign currency, we may convert it into sterling at the applicable exchange rate on the day we make the conversion. Unless you instruct us otherwise, we will continue to observe any bank mandates or other instructions you have given us or Equiniti Limited concerning your shares.
- 3.2 We may make available a service to enable you to:
 - reinvest any sums receivable on your shares by way of a distribution of dividend by purchasing more shares in the Company; or

- receive new shares instead of a cash dividend if declared by the Board of the Company; or
- receive any sums receivable on your dividend by way of a distribution in any alternative payment method made available by the Company

Provided your instruction as to how you wish to receive your dividend has been processed (subject to the Terms and Conditions of that service), and the necessary shares or funds have been received by us, we will reallocate them to you, subject to these Terms and Conditions.

3.3 We will be holding this money as client money under the FCA Rules and therefore:

- We will deposit the cash in the UK with an authorised bank;
- The bank will hold the cash on our behalf in a trust account separate from any account used to hold money belonging to us or NomineeCo in our own right;
- We will not, however, be responsible for any acts or omissions of the bank; and
- If the bank becomes insolvent, we will have a claim on behalf of our clients against the bank. If, however, the bank cannot repay all of its creditors, any shortfall may have to be shared pro rata between them.

If we are holding cash, whether client money or not, we may withdraw the cash and apply it towards paying fees, charges and other sums due to us.

If there has been no movement on your balance for at least six years (notwithstanding any payments or receipts of charges, interest or similar items), then provided we have taken reasonable steps to trace you and to return the monies we may cease to treat that money as client money. We undertake to make good any valid claims against any released monies.

3.4 If the law obliges us to deduct tax from any payment owing to you, we will only send you the net amount after the required deduction has been made. If you are in any doubt as to your taxation position you should consult your own professional adviser immediately.

3.5 If you need us to send a replacement payment there may be a fee to pay.

Details of our standard fees when issuing replacement payments can be found at:

www.shareview.co.uk/clients/paymentreissue

Any fee will be deducted from the replacement payment being sent to you.

3.6 If there is a rights issue in the Company or similar corporate action, we will, if possible, make arrangements for you to take up your rights in the Company in return for the necessary payment and/or provide instructions to us as to whether those rights should be held or sold. We will write to you if the Company proposes to issue such rights and explain the procedure you should follow if you wish to participate, as well as any costs or fees you may be charged for doing so. If you would like us to take up those rights on your behalf, we must receive your cleared payment of that sum, whether in £s sterling or another currency, in time for the due payment date or any other deadline we notify you about. Where it is not practicable for you to take up your rights, we will where practicable and possible make arrangements for the sale of such rights in the market (or off market to the Company or third party at our discretion) and the distribution of the proceeds of such a sale.

3.7 If there is a capitalisation issue, or other distribution made up of additional shares in the Company, we will, if possible, make arrangements for you to accept. We will write to you if the Company proposes to make such a distribution and explain the procedure you should follow if you wish to participate.

3.8 In the event of a demerger, capital reorganisation or restructuring of the Company, we will assess what to do and contact you at the time. We will not be obliged to take any action unless the Company gives us reasonable notice and pays any costs we may incur. These are two possible courses of action:

- if the resulting company offers a nominee service, we will normally send you their terms and conditions and, unless you tell us otherwise, include your shares in that alternative nominee service; or
- if no nominee service is offered, we will normally try to arrange for you to hold shares in the resulting company under the terms governing the demerger or restructuring.

- 3.9 If there is a takeover or other offer for your shares, we will not accept it unless we have your specific instructions to do so, or if the shares are being acquired compulsorily. On your behalf we will accept any compulsory purchase notices concerning your shares. In these circumstances we will accept a cash offer if this is one of the available alternatives. We will not, however, be liable for any resulting tax or other financial liability.
- 3.10 If, for any reason, any shares in the Company are allocated to NomineeCo, we will reallocate them to eligible members of our nominee service on a pro rata basis. If there are any remaining fractions, we will aggregate and sell them, then either keep the proceeds or give them to charity, unless the Corporate Action documentation provides otherwise.
- 3.11 We will supply to you any other information required to be sent to you by us under applicable law or regulation.
- 3.12 The Company may send you the summary financial statements they send to all their shareholders. If they fail to do so, we cannot be held responsible. But if you contact us, we will do our best to send you a copy of the full annual review and accounts—so long as we can get enough copies from the Company.

4. Voting at Company General Meetings

- 4.1 We will endeavour to arrange for you to attend and vote at general meetings of the Company, so far as this is reasonably practicable and possible.
- 4.2 You may also authorise NomineeCo to vote for you at a Company general meeting in the way you wish. Any instructions you want to give us regarding your vote must reach us at least five (5) working days before the meeting in question—unless we notify you otherwise. We may, at our absolute discretion, agree to accept voting instructions electronically or by telephone. In the absence of specific instructions from you, the votes attached to your shares will not be used at all.

5. Keeping you informed about your holding

We will send you a statement of the number of shares we hold for you, and details of their current market value as soon as you join the nominee service, and a further statement at least once every twelve (12) months thereafter.

If you need us to confirm your holding in writing at any other time, there may be a fee to pay. But you are welcome to check your holding at any time on our website at www.shareview.co.uk

6. Adding to your holding

If you have bought or become entitled to more shares in the Company, you may transfer them to our nominee service—for us to hold under these same Terms and Conditions—at any time.

7. Dealing in your shares

- 7.1 A share dealing service may be made available to you in respect of your shares. If you want to use it to sell your shares, we will act on the instructions of the share dealing service providers nominated on your behalf by the Company. For further details, please contact us. In this case, the share dealing will be governed by the terms and conditions between you and the share dealing service providers—you can send for a copy by getting in touch with them direct.
- 7.2 If you want to use the services of a share dealing service provider other than that or those nominated by the Company, we will first need to transfer your shares back to you in the form of a paper certificate or to a third party of your choice.
- There may be a fee for this transfer. So if you plan to use an alternative share dealing service provider, please let us know and we will send you the transfer form to complete, along with details of any fee and how to pay it.
- 7.3 Share dealing charges will vary from time to time. Please contact the share dealing service providers individually for their up-to-date fees and charges.

8. Tax

You will be responsible for paying any taxes or duties due in connection with your shares, including but not limited to, any tax on the income received in respect of your shares or on any capital gains from disposing of your shares, we will not be liable for them in any way. If you are in any doubt as to your taxation position you should consult your own professional adviser immediately. Your own tax treatment will depend on your individual circumstances.

9. Joint holders and trusts

9.1 NomineeCo may hold shares for up to four joint holders.

9.2 Normally we will only accept instructions signed by all joint holders. We may, however, always at our sole discretion, agree to act on instructions signed by one or more joint holders—rather than by every one of you. We will not be liable for any loss a joint holder may suffer as a result.

9.3 We and NomineeCo cannot and will not take formal notice of any trust affecting the shares, whether express, implied or constructive.

10. The security in your shares

10.1 Your shares will not be lent to, nor deposited as collateral with, a third party. No money will be borrowed by us against the security of your shares.

10.2 You must not assign or transfer your interest in the shares to anyone else or borrow money against the security of your shares. Neither we nor NomineeCo will be bound to take notice of, nor arrange to carry out, any trust, mortgage, charge, pledge or claim in favour of anyone else. We may decline any notice we receive concerning the right, title, interest or claim of anyone else to an interest in your shares, except when that interest has arisen through bankruptcy, court order or death.

11. Communications between you and us

11.1 Any communication or agreement between you and us under these Terms and Conditions must be in the English language. We will always communicate with you in English.

11.2 Please address all letters, instructions, notices, and other documents for us to:

The Manager, Equiniti Corporate Nominees Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA United Kingdom

You must send us any instructions or notices in writing—and we need an original paper document please, not a fax or email. In a few special circumstances and at our sole and absolute discretion we may be able to waive the requirement for your instructions to be in writing.

11.3 We will send all payments, notices and other documents by post to the sole or first-named joint holder at the address on our register, or the holder and address given to us most recently for correspondence purposes.

If the sole or first-named holder has given us an email address:

- we will have a discretion to send any notices or other documents to you via that email address; and
- by sending to that email address a link to our website, we will have a discretion to use that website to provide you (together with other users of our nominee service), general information or documents relevant to these Terms and Conditions in the future. For example, we may use the website to advise you of updates or amendments to these Terms and Conditions, or new fees and charges, rather than having to send this type of information to you (and all other users of our nominee service) individually by post or email.

If you provide us with an email address but subsequently decide that you do not want us to communicate with you by email or using a website, please send us a letter in the post stating this and we will resume using the last postal address we have for you.

We may choose not to send out a document if you are not resident in the UK or the address you have given us for posting documents is not in the UK, for example if we have reason to believe its distribution in your country may be forbidden by law.

- 11.4 Everything we send you is at your own risk, including any cheque or electronic payments. If we are unable for any reason to send you a payment electronically, we will send it by cheque instead.
- 11.5 We cannot take any part in, nor take any responsibility for, arrangements between joint holders over sharing information or accounting among themselves.
- 11.6 If there should be any dispute or court proceedings concerning your shares or your beneficial interest in them, you must let us know straightaway. If we become aware of a dispute between you and a third party, or between any joint holders, over ownership of the shares, we may decide that we must see an agreement signed by the disputing parties or a court order before we can act on any more instructions. If an agreement or court order of this kind is ever made affecting your shares, you agree to supply us with a copy as soon as possible afterwards.
- 11.7 If communications from us to you are returned by the Post Office marked 'Gone Away', or if, for any other reason, it is our reasonable belief that you no longer live at the address that you have registered with us, we will stop sending communications to you and will attempt to re-establish contact.

In order to do this, we will write to your last known address seeking information about your current whereabouts. If you have a dividend mandate instruction in place, we will also write to your bank asking them to forward our contact details on to you.

If we are still unable to re-establish contact with you, we may instruct a professional tracing agent to locate and make contact with you. If the tracing agent is successful, and you contract with them to use their services, they may charge you.

12. Protecting your personal data

- 12.1 You agree that we may keep the personal details that you or others give us during your relationship with us on an Equiniti Group database. These details may include, but are not limited to:

- information that you or your agents give us on application forms, in letters, via electronic messages or over the phone;
- what we know from providing you with this nominee service and analysing the transactions you carry out through us;
- information that comes to us from credit reference and fraud detection agencies or services, and registration or stockbroking industry exchanges; and/or
- information we receive from our client companies or their agents.

We may store, use and process your personal information in order to:

- assess your application to participate in this service;
- provide you with services;
- keep our records about you up to date;
- check your identity;
- prevent and detect fraud and/or money laundering;
- recover debts; and/or
- carry out research and statistical analysis about our services and how we might improve them. Sometimes we may use an outside market research agency to do this for us, in which case we undertake to ensure that they appropriately protect any personal customer data we share with them.

Unless you tell us not to, we may share your information within the Equiniti Group and we or other Equiniti Group companies may write to you about

- Equiniti Group products and services we believe may interest you; and/or
- selected products and services from third party businesses we know and trust.

If you prefer not to receive this kind of information, simply let us know by completing the instructions on our website at:

www.shareview.co.uk/clients/optout

or calling:

UK Helpline: 0871 384 2252⁽⁹⁾

International Helpline: +44 121 415 7185

12.2 Under the Data Protection Act 1998 you are entitled to a copy of the information we hold about you on request, on payment of a fee. If you think any information we hold about you is inaccurate, do not hesitate to let us know so that we can correct it.

12.3 The information we hold about you is confidential. We will only ever disclose it outside the Equiniti Group:

- at your request or with your consent;
- in line with Paragraph 12.1;
- if the law requires or permits disclosure, or there is a duty to the public to reveal it;
- if we are asked to do so by the FCA, the London Stock Exchange or any other relevant regulatory authority or exchange in the UK or overseas;
- to investigate or prevent fraud or other crimes;
- to the Company so that they can update their own records about you;
- to our agents and others in connection with running accounts and other services for you; and/or
- to any individual or company to whom we propose to transfer our obligations and rights in line with Clause 13 of these terms and conditions.

We may administer your account and provide you with some services via agencies in countries outside the EEA, such as India or the USA, where data protection laws and standards differ from those in the UK.

But, even if we are processing your personal details outside the EEA:

- there will always be a contract in place to ensure that such information is appropriately protected; and
- we will continue to be strictly bound by the UK's Data Protection Act 1998.

12.4 In order to comply with UK money laundering regulations, we may need to confirm your identity. To help us do this, we may:

- make a search with a credit reference agency, which will keep a record of that search and will share that information with other businesses; and/or
- ask you to supply us with proof of identity.

This could lead to a delay in carrying out an instruction you've given us or to our not being able to carry out an instruction at all. In any of these circumstances, we will not be responsible for any resulting loss.

12.5 We monitor and record some phone calls in case we need to check we have carried out your instructions correctly, to help maintain our quality standards and for security purposes.

13. Transferring our obligations

In accepting these Terms and Conditions you agree that we may transfer our obligations under this agreement to any other company, if that other company writes to you and undertakes to carry out all our duties and obligations under this agreement. If it does so, you agree that we will be released from all those duties and obligations that such company has undertaken to carry out. We shall satisfy ourselves that any

(9) Calls cost 8p per minute plus network extras. Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding UK public holidays).

such company is competent to carry out those functions and duties transferred and is regulated to do so by the FCA, if such regulation is required. As part of transferring our rights and obligations to a third party, we may transfer all of the cash, investments and information we hold under these Terms and Conditions to that third party or its nominee. If you receive a written notice under this Clause, and you decide you wish to end this agreement, you may do so by sending us instructions as explained in Clause 14. No charge will be payable by you for this if your instructions reach us within one month of the date of the written notice.

14. If you want to cancel or leave the service

14.1 You may cancel this agreement at any time by letting us know in writing. This is in addition to your legal right to cancel this agreement within fourteen (14) days of the agreement between us being made. Your cancellation letter will take effect as soon as we receive it, although this will not prevent the completion of any transactions that are already under way. The normal charges will be made for these transactions.

14.2 When this agreement has come to an end, we will, unless you instruct us otherwise, transfer any shares being held in our nominee service into your own name, and then send you a share certificate. All transactions are subject to the usual fees.

15. Notification of death

The rights to your shares pass to your legal representatives on your death.

To register the death of a shareholder we will need to see the original UK Grant of Representation, or a sealed office copy (we are not able to accept certified copies). This could be one of the following: Grant of Probate; Letters of Administration; or Certificate of Confirmation (Scotland).

If the relevant shares are held on behalf of more than one person, and after the event the shares are held on behalf of the other person/s then the nominee service will continue to apply.

16. Terminating our service

This agreement may be brought to an end at any time by us giving you three (3) months' notice or automatically if the agreement between us and the Company under which we provide this nominee service comes to an end.

In either case, the completion of transactions already under way will not be affected.

17. Charges for your nominee service

We charge nothing for holding your shares in our nominee service and taking care of much of the administration. We may charge fees for transferring your shares to and from NomineeCo, and some other services provided under this agreement.

Details of these fees are set out in these Terms and Conditions.

We may review these charges from time to time.

We will let you know in writing before we change any of them (see also Clause 18). If at any time you would like an update on our fees they are available from us on request.

In addition to the charges outlined above, we receive fees from the Company sponsoring the service. The Company sponsors this service so that you can benefit from holding your shares in an electronic account at low cost. The fees are negotiated regularly with the Company, with the actual charge made to the Company reflecting the size, complexity and value of the service and the overall relationship with the Company. We also receive fees from brokers with whom the Company has set up arrangements for you to sell your shares or buy additional shares. These fees are charged by us for trade settlement and register access administration. The broker should give you details of these fees at the time of your trade. More information about these fees is available on request.

18. Changing this agreement

We may change these Terms and Conditions from time to time in order to:

- comply with changes in law or regulation;

- correct inaccuracies, errors or ambiguities;
- take account of any corporate reorganisation inside our group of companies or a transfer of our rights, benefits and/or obligations under these Terms and Conditions to a third party; and/or
- reflect changes in the scope and nature of the service we are able to provide, having regard to:
 - our agreement with the Company;
 - the CREST rules and regulations, and our CREST membership;
 - our computer or database systems;
 - our administrative procedures and routines; and/or
 - market practice and overall customer requirements.

If we intend to change the Terms and Conditions and the alteration is material we will give you at least thirty (30) days' advance written notice of the alteration, unless such changes are required by law or regulation to be effected earlier, or it is otherwise impracticable to do so.

See also Paragraph 11.3 as to when we may use email or a website to provide you with such notice.

Remember also, if you do not like an alteration that we propose to make to these Terms and Conditions, that you have a right to leave the nominee service at any time by following the procedure in Clause 14.

19. The extent of our liability

19.1 We will not be responsible for any losses or expenses you incur under this agreement, unless caused by our breaching FCA Rules, or our fraud, wilful default or negligence.

Even in the event of our wilful default or negligence, we will not be liable for any loss attributable to a failure by you to let us know about address or name changes, other changes in personal details, or bankruptcy, or any problem or defect in your ownership or title to the shares (unless caused by us).

19.2 Neither we nor NomineeCo act as agent for the Company or accept any responsibility for anything the Company does or does not do.

19.3 Neither we nor NomineeCo will be responsible for

- acting in accordance with a court order (of whatever jurisdiction) or failing to act in accordance with a court order about which we have not been notified;
- forged or fraudulent instructions. So long as we have shown all due care, we will be entitled to assume:
 - that signatures that purport to be yours are genuine; and
 - if we have agreed to accept a particular instruction over the phone or by email, that the caller's or emailer's identity is genuine—unless it ought to be obvious to anyone that it is not.
- any kind of loss or damage you suffer in the event of 'force majeure'—meaning any failure, interruption or delay in the performance of our obligations because of:
 - industrial disputes;
 - the malfunction or failure of any telecommunications or computer service, or CREST;
 - the failure of third parties to carry out their obligations;
 - the activities of government or international authorities, including changes in law or regulations; and/or
 - any other event or circumstance not within our reasonable control provided, where relevant, that we have complied with the FCA Rules on business continuity. If this type of situation arises, however, we will remedy the situation as soon as reasonably possible.
- any indirect, special or consequential loss (including direct or indirect loss of profit), other than where this results from fraud or a breach of the Conduct of Business Sourcebook or Client Assets Sourcebook in the FCA Rules on our part.

19.4 We and NomineeCo reserve the right to delay acting on any particular instruction you give us, in order that we can get additional information from you, and/or comply with any law or regulations, and/or

investigate the validity or any other aspect of the instruction. Neither we nor NomineeCo will be responsible for any financial loss resulting from such a delay.

- 19.5 Neither we nor NomineeCo will be responsible in any way to anyone for any shortfall that might arise because we are accountable for tax on any of the shares, or any part of the shares, or on any income or capital distribution or other payment they produce, or from any sale proceeds. In order to comply with any tax liabilities of this kind that might arise, we will be entitled to recover the money by making deductions from the income arising from your shares, or by selling any or all of the shares and making deductions from the proceeds.
- 19.6 We and NomineeCo will be entitled to make any agreement with, or give any undertakings to, any tax authority as regards the taxation status of the transactions made under this agreement, and do everything necessary to abide by any such agreement or undertakings.
- 19.7 We and NomineeCo may do, or stop doing, anything that, in our reasonable opinion, is necessary in order to comply with any laws, rules, regulations or the requirements of any regulatory or other body that are binding on us.
- 19.8 We reserve the right to correct your shareholding, at our expense, without reference to you, if we discover we have made an error, and will notify you (where relevant) of any correction made. In the event that we make an error on your shareholding and realise a financial gain in putting your shareholding back in the correct position we will be entitled to retain this.

20. Indemnifying us

- 20.1 You agree to indemnify us and NomineeCo and our respective agents, officers and employees for any liabilities we incur arising from anything done by us in the proper performance of our duties in accordance with this agreement in relation to your shares, except for liabilities that are the result of our or NomineeCo's wilful default, negligence or fraud or a breach of the FCA Rules.
- 20.2 Your obligations under this indemnity will survive even in the event of:
- complete or partial termination of this agreement, or
 - our or NomineeCo's resignation or replacement.
- 20.3 If you are liable under the terms of this agreement to pay us a sum of money and the law requires tax to be deducted or withheld from that sum, you must pay us enough to cover both your liability and the tax sum involved in full. We and you agree to make any payments and adjustments necessary to achieve this.

21. Conflicts of interest

- 21.1 The Equiniti Group has established and implemented a Conflicts Policy (which may be revised and updated from time to time) in line with the FCA Rules, which sets out how we must seek to identify and manage all material conflicts of interest. Such conflicts of interest can occur in our day to day business activities: for example, where one of our clients could make a gain at the direct expense of another client, or we might be faced with an opportunity to make a gain but this would be to the direct disadvantage of one or more of our clients.
- 21.2 Depending on the exact nature of the conflict of interest involved, we may take certain actions in accordance with the Conflicts Policy to mitigate the potential impact of the conflict. Such actions may include putting in place controls between the opposing sides of the conflict, which may control or prevent the exchange of information, and/or involve the appropriate management of staff activities and segregation of duties. Where such controls would be insufficient to eliminate the potential material risk of damage to clients from specific conflicts, then we will disclose the general nature and/or source of those conflicts of interest to you prior to us undertaking the relevant business.
- 21.3 You'll find full details of our Conflicts Policy on our website at www.shareview.co.uk or you are welcome to contact us and ask us for a printed copy.
- 21.4 At the time of the issue of this document no material conflicts of interest were identified which could not be managed in accordance with Paragraph 21.1.

22. Governing law

These Terms and Conditions are governed by English law. Any disputes relating to the agreement between us will be subject to the jurisdiction of the courts of England and Wales.

23. No third party rights

This agreement is only between you and us. It will not give any benefits to, nor be enforceable by, a third party.

24. Complaints and compensation

If you have a complaint of any kind, please be sure to let us know. We will do our utmost to resolve the issue. You can put your complaint in writing to us at:

Complaint Resolution Team, Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA United Kingdom

or email us at:

concerns@equiniti.com

or call us on:

UK Helpline: 0871 384 2030⁽¹⁰⁾

International Helpline: +44 121 415 7047

If we cannot resolve the issue between us, you may—so long as you are eligible—ask the independent Financial Ombudsman Service to review your complaint.

A leaflet with more details about our complaints procedure is available—you are welcome to ask us to supply you with a copy at any time.

We are a member of the Financial Services Compensation Scheme, set up under the Financial Services and Markets Act 2000.

If we cannot meet our obligations, you may be entitled to compensation from the Scheme. This will depend on the type of agreement you have with us and the circumstances of the claim. For example, the Scheme covers corporate sponsored nominees, individual savings accounts and share dealing.

Most types of claims for FCA regulated business are covered for 100% of the first £50,000.

The maximum compensation is £50,000.

For more details about the Financial Services Compensation Scheme, you can call their helpline:

0800 678 1100 or +44 207 741 4100

or go to their website at www.fscs.org.uk

or write to them at:

Financial Services Compensation Scheme

10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU United Kingdom.

Alternative Formats

To request these Terms and Conditions in an alternative format, for example, large print, braille, or an audio tape, please contact us on:

UK Helpline: 0871 384 2030⁽¹¹⁾

International Helpline: +44 121 415 7047

A text phone service is also available on:

UK: 0871 384 2255⁽¹⁾

International: +44 121 415 7028

(10) Calls cost 8p per minute plus network extras. Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding UK public holidays).

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PART 15
ADDITIONAL INFORMATION

1. Incorporation and share capital

- 1.1 The Company was incorporated and registered in England and Wales on 12 June 2014 as a private company limited by shares under the Act with the name Spire Healthcare Group Limited and with the registered number 09084066.
- 1.2 On 23 June 2014, the Company was re-registered as a public limited company with the name Spire Healthcare Group plc.
- 1.3 The Company's registered office and principal place of business is at 3 Dorset Rise, London EC4Y 8EN and its telephone number is 0800 169 1777.
- 1.4 The principal laws and legislation under which the Company operates and the ordinary shares have been created are the Act and regulations made thereunder.
- 1.5 The share capital history of the Company is as follows:
 - 1.5.1 on incorporation the share capital of the Company was £50,000 divided into 100 ordinary shares of 1 pence each and 49,999 redeemable preference shares of £1 each, all of which were allotted to Spire Healthcare Limited Partnership;
 - 1.5.2 immediately prior to the publication of this Prospectus, the share capital of the Company was £50,000 divided in 100 ordinary shares of 1 pence each and 49,999 redeemable preference shares of £1 each. As part of the Reorganisation, the redeemable preference shares will be redeemed by the Company as further described in "*—Reorganisation*" below; and
 - 1.5.3 immediately following completion of the Offer, the issued share capital of the Company is expected to be £3,744,200 comprising 374,419,968 Shares of 1 pence each (all of which will be fully paid or credited as fully paid) (assuming the Offer Price is set at the mid-point of the Price Range).
- 1.6 At a general meeting of the Company on 4 July 2014, the following resolutions were passed by the Company's sole member:
 - 1.6.1 that, conditional on Admission, the Articles be adopted as the new articles of association of the Company with effect from Admission in substitution for, and to the exclusion of, the articles of association of the Company that are in place immediately prior to Admission;
 - 1.6.2 that the Directors be generally and unconditionally authorised for the purposes of section 551 of the Act, in substitution for any prior authority conferred upon the Directors, without prejudice to the continuing authority of the Directors to allot shares in the Company or grant rights to subscribe for any security convertible into shares in the Company pursuant to an offer or agreement by the Company before the expiry of the authority under which such offer or agreement was made to:
 - (a) allot Shares in the Company up to an aggregate nominal amount of £1,693,423 in connection with: (i) the Reorganisation; and (ii) the Offer;
 - (b) following Admission, allot shares and to grant rights to subscribe for or to convert any security into shares, for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date which is fifteen months after the date of the general meeting at which the resolution was passed):
 - (i) up to an aggregate nominal amount of one-third of the aggregate value of the issued share capital of the Company immediately following Admission; and
 - (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of two-thirds of the aggregate value of the issued share capital of the Company immediately following Admission, (including within such limit any

Shares issued or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue:

- (A) to holders of Shares in proportion (as nearly as may be practicable) to their existing holdings; and
- (B) to people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities; and

- (c) make an offer or agreement which would or might require Shares to be allotted, or rights to subscribe for or convert any security into Shares to be granted, after expiry of this authority and the Directors may allot Shares and grant rights in pursuance of that offer or agreement as if this authority had not expired.

1.6.3 that in place of all existing powers, the Directors be generally empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in the Act) in the Company for cash pursuant to the authority conferred by the resolution in 13.1.2 as if section 561 of the Act did not apply to such allotment. This power:

- (a) expires (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution is passed (or, if earlier, at the close of business on the date that is fifteen months after the date this resolution is passed), but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired;
- (b) shall be limited to:
 - (i) the allotment of shares up to an aggregate nominal amount of £1,693,423 in connection with: (i) the Reorganisation; and (ii) the Offer;
 - (ii) the allotment of equity securities in connection with an offer of equity securities to Shareholders in proportion (or as nearly may be) to their existing holding and to people who hold other equity securities, if this is required by the rights of those securities, or, if the directors consider it necessary, as permitted by the rights of those securities, but in each case subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (iii) the allotment of equity securities for cash (other than as described in (b)(i) and (b)(ii)) above) with an aggregate nominal value of up to 5% of the issued share capital of the Company immediately following Admission; and
- (c) applies in relation to a sale of Shares which is an allotment of equity securities by virtue of section 560(3) of the Act, as if in the first paragraph of this resolution, the words “pursuant to the authority conferred by Resolution 2” in the notice of the meeting were omitted.

1.6.4 that the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Shares each subject to the following conditions:

- (a) the maximum aggregate number of Shares authorised to be purchased is 10% of the Company’s issued ordinary share capital immediately following Admission;
- (b) the minimum price (excluding expenses) which may be paid for each Share is 1 pence (being the nominal value of a Share);

- (c) the maximum price (excluding expenses) which may be paid for each Share is the higher of:
 - (i) 105 per cent. of the average of the middle market quotations for the Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and
 - (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System; and
 - (d) the authority shall expire the end of the annual general meeting of the Company to be held in 2015 so that the Company may, before the expiry of the authority enter into a contract to purchase Shares which will or may be executed wholly or partly after the expiry of such authority.
- 1.6.5 that conditional on Admission, the Company be authorised, until the Company's next annual general meeting, to call general meetings on 14 clear days' notice.
- 1.6.6 that the Company and all companies that are its subsidiaries at any time up to the end of the annual general meeting of the Company to be held in 2015, were authorised, in aggregate, to:
 - (a) make political donations to political parties and/or independent election candidates not exceeding £100,000 in total;
 - (b) make political donations to political organisations other than political parties not exceeding £100,000 in total; and
 - (c) incur political expenditure not exceeding £100,000 in total.

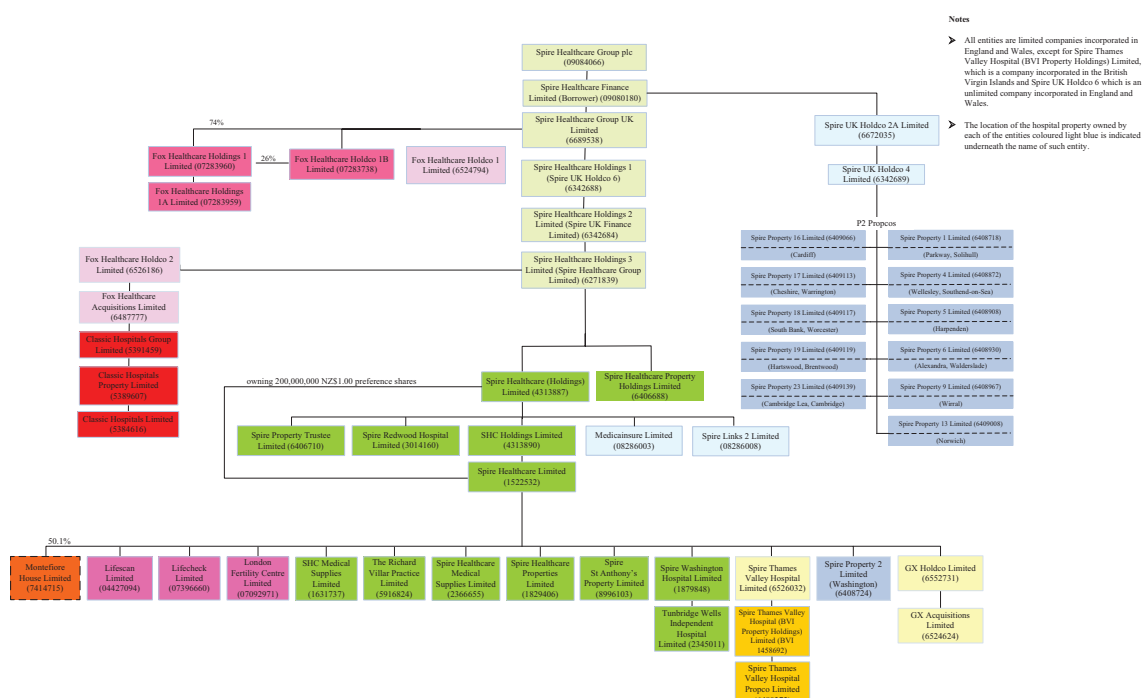
For the purposes of this authority the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Act.

The Company notes that it is not its policy to make political donations and that it has no intention of using the authority for that purpose.
- 1.7 Save as disclosed above and in paragraphs 6 and 8 below:
 - 1.7.1 no share or loan capital of the Company has, within three years of the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
 - 1.7.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
 - 1.7.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 1.8 The Company will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) apply to the issue of shares in the capital of the Company except to the extent such provisions have been disapplied as referred to in paragraph 1.6.2 above.
- 1.9 Conditional upon the Company, the Cinven Funds and the Banks resolving to proceed with the Offer, the Group will undertake the Reorganisation in preparation for the Offer. This process will comprise the steps documented in paragraph 2 below.

2. Reorganisation

- 2.1 In connection with Admission, the Group has undertaken certain steps as part of a reorganisation of its corporate structure and will undertake certain further steps immediately prior to and following Admission (the “**Reorganisation**”). The result of the Reorganisation steps taken immediately prior to Admission is that the Company will become the ultimate holding company of the Group and that certain intercompany debt as well as the Holdco 6 Loan Notes, Holdco 2A QEBs and the Group Loan Notes will be capitalised or repaid.

The following diagram illustrates the anticipated corporate structure of the Group following the key steps of the Reorganisation, which are described below:



2.2 Pre-Admission steps under the Reorganisation

- 2.2.1 On 21 June 2014, Cinven Limited, Fourth Cinven Fund Co-investment Partnership, Fourth Cinven Fund FCPR, Rozier S.à r.l., Spire Healthcare Limited Partnership, Rozier Finco Limited, Rozier Finco 2 Limited, Rozier No. 1A Limited Partnership, Rozier No. 2 Limited Partnership, certain members of the Group and certain members of current and former management of the Group entered into a reorganisation deed to govern the implementation of the Reorganisation (the “**Reorganisation Deed**”). Pursuant to the Reorganisation Deed, the following steps will be implemented prior to Admission:

- the 49,999 redeemable preference shares of £1 each in the Company held by Spire Healthcare Limited Partnership (“**Spire LP**”) will be redeemed;
- Spire LP shall sell the entire issued share capital of Spire Healthcare Group UK Limited (“**SHGUKL**”) to the Company in exchange for the allotment and issue by the Company of 1 ordinary share of 1 pence;
- the Company shall sell all of the shares held by it in SHGUKL to its wholly-owned subsidiary Spire Healthcare Finance Limited (“**SHFL**”) in exchange for the allotment and issue by SHFL of 1 share of 1 pence;
- SHFL shall acquire the entire issued share capital of Holdco 2A from Rozier No.2 Limited Partnership for a cash consideration of £1, which, given the level of Holdco 2A's borrowings, represents the fair market value of the shares in Holdco 2A at the time of the transfer;
- Spire Healthcare Limited shall acquire the entire issued share capital of GX Holdco Limited from Spire LP for a cash consideration of £1;

- (f) the Company may issue a number of ordinary shares of 1 pence each to Spire LP by way of a bonus issue to Spire LP to ensure that Spire LP, following the steps taken in paragraph (g) below, continues to hold a number of ordinary shares in the Company which represent the value of the ordinary shares in SHGUKL held by Spire LP prior to the share-for-share exchange described in paragraph (b) above;
- (g) the right to receive payment under the Holdco 2A QEBs, the Holdco 6 Loan Notes and the Group Loan Notes (including PIK notes issued in respect of those QEBs and loan notes) will be assigned by Rozier Finco Limited and Rozier Finco 2 Limited to Rozier S.à r.l. and certain members of current and former management of the Group who have provided debt funding to Rozier Finco Limited and Rozier Finco 2 Limited in partial repayment of the debt outstanding to Rozier S.à r.l. and such individuals. Rozier S.à r.l. and such individuals will thereafter assign the right to receive payment under the QEBs, loan notes and PIK notes received (via each intermediate holding company) to the direct shareholding company of each of Holdco 2A, Holdco 6 and SHUKGL, in each case with the consideration satisfied through a new issue of ordinary shares; and
- (h) in consideration for a release of the obligations to repay the principal amounts and interest outstanding under each of the Holdco 2A QEBs, the Holdco 6 QEBs, Holdco 6 Loan Notes and the Group Loan Notes (including PIK notes issued in respect of those QEBs and loan notes) as well as under certain intercompany loans outstanding between SHGUKL, Holdco 6, Spire UK Finance Limited and Spire Healthcare Holdings 3 Limited, each of SHUKGL, Holdco 2A, Holdco 6, Spire UK Finance Limited and Spire Healthcare Holdings 3 Limited will issue ordinary shares to the member of the Group who held those instruments.

2.3 Post-Admission steps under the Reorganisation

2.3.1 The following steps will be implemented following Admission:

- (a) certain of the proceeds received by the Company from the Offer will, together with funds drawn down by SHFL under the New Facilities Agreement, be used to repay existing debt as further described in *Part 13: “Details of the Offer—Reasons for the Offer and Use of Proceeds”* and *Part 9: “Operating and Financial Review—Liquidity and Capital Resources—Capitalisation and indebtedness—New Facilities Agreement”* and to repay the principal amounts and any interest outstanding under the Holdco 2A Loan Notes (including any PIK notes issued in respect of such loan notes). To achieve this, the funds will be “pushed down”, following Admission, through subscriptions for shares in the relevant members of the Group or as capital contributions; and
- (b) Holdco 2A and certain of its indirect subsidiaries will undertake reductions of their share capital.

3. Articles of Association

The Articles of Association of the Company to be adopted on Admission (the “**Articles**”) include provisions to the following effect:

3.1 Share rights

Subject to the provisions of the Act, and without prejudice to any rights attached to any existing shares or class of shares: (i) any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine; and (ii) shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder and the Board may determine the terms, conditions and manner of redemption of such shares provided that it does so prior to the allotment of those shares.

3.2 Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting in respect of a share unless all moneys presently payable by him in respect of that share have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

3.3 Dividends and other distributions

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights and restrictions attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of the date on which a call is payable shall be treated for these purposes as paid on the share.

Subject to the provisions of the Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

If the share capital is divided into different classes, the Board may also pay, at intervals determined by it, any dividend payable at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares on which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares, credited as fully paid, by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of all or any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

3.4 Variation of rights

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

3.5 Lien and forfeiture

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Company may sell, in such manner as the Board determines, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear

days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

3.6 Transfer of shares

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

3.6.1 is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

3.6.2 is in respect of one class of share only; and

3.6.3 is in favour of not more than four transferees.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

3.7 Alteration of share capital

Subject to the Act, the Company may by ordinary resolution increase, consolidate or sub-divide its share capital.

3.8 Purchase of own shares

Subject to the Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

3.9 General meetings

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Act. The Board may call general meetings whenever and at such times and places as it shall determine.

3.10 Directors

3.10.1 *Appointment of Directors*

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board.

3.10.2 *No share qualification*

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

3.10.3 *Annual retirement of Directors*

At every annual general meeting held after the first annual general meeting after the date of adoption of the Articles, all Directors at the date of notice of annual general meeting shall retire from office, but shall be eligible for re-election.

3.10.4 *Remuneration of Directors*

The emoluments of any Director holding executive office for his services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £1 million per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee for that service (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

3.10.5 *Permitted interests of Directors*

Subject to the provisions of the Act, and provided that he has disclosed to the Board the nature and extent of his interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Act apply, in which case no such disclosure is required), a Director notwithstanding his office:

- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
- (b) may act by himself or for his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- (c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is (directly or indirectly) interested as a shareholder or otherwise or with which he has such relationship at the request or direction of the Company; and
- (d) shall not, by reason of his office, be accountable to the Company for any remuneration or other benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate the acceptance, entry into or existence of which has been approved by the

Board pursuant to Article 146 of the Articles or which he is permitted to hold or enter into by virtue of paragraph 3.10.5(a), 3.10.5(b) or 3.10.5(c).

3.10.6 *Restrictions on voting*

A Director shall not vote on any resolution of the Board concerning a matter in which he has an interest which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, unless his interest arises only because the resolution concerns one or more of the following matters:

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest (as that term is used in sections 820 to 825 of the Act) representing 1% or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be likely to give rise to a conflict with the interests of the Company in all circumstances);
- (e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- (f) a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

3.10.7 *Indemnity of officers*

Subject to the provisions of the Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, provided that this Article shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article, or any element of it, to be treated as void under the Act.

4. Directors' and Senior Management's interests

- 4.1 Since joining the Group, Garry Watts, Rob Roger and Simon Gordon have subscribed for various instruments in the Group holding structure in the amounts of £399,551, £1,312,773, and £167,805, respectively, which will be converted, exchanged or distributed (depending on the relevant instrument) into or for Shares as a result of the completion of the steps described in paragraph 1.5.1 of this Part 15: "Additional Information". At the mid-point of the Price Range, these transactions would have an aggregate tax incidence (comprising both income and capital gains tax) of

approximately £273,411, £278,809 and £17,543 for each of Garry Watts, Rob Roger and Simon Gordon, respectively.

The interests in Shares in the Company and number of Shares of Garry Watts, Rob Roger and Simon Gordon in the tables below reflect (i) the conversion, exchange or related distribution (where relevant) of the investments referred to above, and (ii) include awards pursuant to the Share Bonus Awards described in paragraph 6.4.1 of this *Part 15: “Additional Information”* and, in the case of Simon Gordon, an award pursuant to the Accrued Incentive Payment described in paragraph 6.5.1 of this *Part 15: “Additional Information”* and (iii) the maximum number of Shares each of Garry Watts and Rob Roger have indicated he will make available in the Offer. To the extent that the Cinven Funds do not sell any Shares in the Offer (other than in respect of the Over-allotment Option), Garry Watts and Rob Roger will only sell a number of Shares to raise proceeds sufficient to satisfy the estimated tax charges indicated above.

The interests in the share capital of the Company of the Directors and Senior Management (all of whom, unless otherwise stated, are beneficial or are interests of a person connected with a Director or a member of Senior Management) were as follows:

(A) Mid-point of the Price Range

Director/Member of Senior Management	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of ordinary shares	Percentage of issued ordinary share capital	Number of ordinary shares	Percentage of issued ordinary share capital
Garry Watts ⁽²⁾	511,483	0.20%	358,038	0.10%
Rob Roger ⁽²⁾	681,715	0.27%	340,857	0.09%
Simon Gordon ⁽²⁾⁽³⁾	245,900	0.10%	245,900	0.07%
John Gildersleeve ⁽⁵⁾	0	0.00%	3,921	0.00%
Simon Rowlands ⁽⁴⁾	0	0.00%	0	0.00%
Dr Supraj Rajagopalan ⁽⁴⁾	0	0.00%	0	0.00%
Tony Bourne ⁽⁵⁾	0	0.00%	9,803	0.00%
Dame Janet Husband ⁽⁵⁾	0	0.00%	3,921	0.00%
Robert Lerwill ⁽⁵⁾	0	0.00%	19,607	0.01%

- (1) The interests in Shares in the Company and number of Shares as at the date of this document have been stated on the basis that the steps described in paragraph 1.5.1 of this *Part 15: “Additional Information”* have been completed in full.
- (2) The interests in Shares in the Company and number of Shares of Garry Watts, Rob Roger and Simon Gordon exclude options over Shares granted, conditional upon Admission, to those persons pursuant to the Share Bonus Awards described in paragraph 6.4.1 of this *Part 15: “Additional Information”*.
- (3) The interests in Shares in the Company and number of Shares of Simon Gordon include an interest in Shares representing beneficial interests in Shares issued to the Trust pursuant to the Accrued Incentive Payments made to those persons described in paragraph 6.5.1. of this *Part 15: “Additional Information”*.
- (4) Excludes shares directly or indirectly held by the Cinven Funds, which are detailed in paragraph 4.2 of this *Part 15: “Additional Information”*.
- (5) Each of John Gildersleeve, Tony Bourne, Janet Husband and Robert Lerwill intends to subscribe for Shares, with a value of £25,000, £10,000, £10,000 and £50,000, respectively, at the Offer Price. The Company intends to meet each of these subscriptions with Shares in full.

(B) Bottom of the Price Range

Director/Member of Senior Management	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of ordinary shares	Percentage of issued ordinary share capital	Number of ordinary shares	Percentage of issued ordinary share capital
Garry Watts ⁽²⁾	312,008	0.12%	218,406	0.05%
Rob Roger ⁽²⁾	564,583	0.22%	282,291	0.07%
Simon Gordon ⁽²⁾⁽³⁾	261,986	0.10%	261,986	0.07%
John Gildersleeve ⁽⁵⁾	0	0.00%	4,761	0.00%
Simon Rowlands ⁽⁴⁾	0	0.00%	0	0.00%
Dr Supraj Rajagopalan ⁽⁴⁾	0	0.00%	0	0.00%
Tony Bourne ⁽⁵⁾	0	0.00%	11,904	0.00%
Dame Janet Husband ⁽⁵⁾	0	0.00%	4,761	0.00%
Robert Lerwill ⁽⁵⁾	0	0.00%	23,809	0.01%

- (1) The interests in Shares in the Company and number of Shares as at the date of this document have been stated on the basis that the steps described on paragraph 1.5.1 of this *Part 15: "Additional Information"* have been completed in full.
- (2) The interests in Shares in the Company and number of Shares of Garry Watts, Rob Roger and Simon Gordon exclude options over Shares granted, conditional upon Admission, to those persons pursuant to the Share Bonus Awards described in paragraph 6.4.1 of this *Part 15: "Additional Information"*.
- (3) The interests in Shares in the Company and number of Shares of Simon Gordon include an interest in Shares representing beneficial interests in Shares issued to the Trust pursuant to the Accrued Incentive Payments made to those persons described in paragraph 6.5.1 of this *Part 15: "Additional Information"*.
- (4) Excludes shares held by the Cinven Funds which are detailed in paragraph 4.2 of this *Part 15: "Additional Information"*.
- (5) Each of John Gildersleeve, Tony Bourne, Janet Husband and Robert Lerwill intends to subscribe for Shares, with a value of £25,000, £10,000, £10,000 and £50,000, respectively, at the Offer Price. The Company intends to meet each of these subscriptions with Shares in full.

(C) Top of the Price Range

Director/Member of Senior Management	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of ordinary shares	Percentage of issued ordinary share capital	Number of ordinary shares	Percentage of issued ordinary share capital
Garry Watts ⁽²⁾	651,116	0.26%	455,781	0.13%
Rob Roger ⁽²⁾	763,708	0.30%	381,854	0.11%
Simon Gordon ⁽²⁾⁽³⁾	234,639	0.09%	234,639	0.07%
John Gildersleeve ⁽⁵⁾	0	0.00%	3,333	0.00%
Simon Rowlands ⁽⁴⁾	0	0.00%	0	0.00%
Dr Supraj Rajagopalan ⁽⁴⁾	0	0.00%	0	0.00%
Tony Bourne ⁽⁵⁾	0	0.00%	8,333	0.00%
Dame Janet Husband ⁽⁵⁾	0	0.00%	3,333	0.00%
Robert Lerwill ⁽⁵⁾	0	0.00%	16,666	0.00%

- (1) The interests in Shares in the Company and number of Shares as at the date of this document have been stated on the basis that the steps described on paragraph 1.5.1 of this *Part 15: "Additional Information"* have been completed in full.
- (2) The interests in Shares in the Company and number of Shares of Garry Watts, Rob Roger and Simon Gordon excludes options over Shares granted, conditional upon Admission, to those persons pursuant to the Share Bonus Awards described in paragraph 6.4.1 of this *Part 15: "Additional Information"*.
- (3) The interests in Shares in the Company and number of Shares of Simon Gordon include an interest in Shares representing beneficial interests in Shares issued to the Trust pursuant to the Accrued Incentive Payments made to those persons described in paragraph 6.5.1 of this *Part 15: "Additional Information"*.
- (4) Excludes shares held by the Cinven Funds, which are detailed in paragraph 4.2 of this *Part 15: "Additional Information"*.

- (5) Each of John Gildersleeve, Tony Bourne, Janet Husband and Robert Lerwill intends to subscribe for Shares, with a value of £25,000, £10,000, £10,000 and £50,000, respectively, at the Offer Price. The Company intends to meet each of these subscriptions with Shares in full.

4.2 In so far as is known to the Directors, the following are the interests (within the meaning of Part VI of the Act) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of the Company on 4 July 2014 (the latest practicable date prior to printing of this document) assuming no exercise of the Over-allotment Option and the sale of the maximum number of Shares such shareholder has indicated it will make available in the Offer:

(A) Mid-point of the Price Range

Shareholder	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of ordinary shares	Percentage of issued ordinary share capital	Number of ordinary shares	Percentage of issued ordinary share capital
Fourth Cinven Fund (No.2) Limited Partnership	50,194,698	20.01%	41,173,428	11.00%
Fourth Cinven Fund (No.3–VCOC) Limited Partnership	49,766,146	19.84%	40,821,898	10.90%
Fourth Cinven Fund (No.1) Limited Partnership	48,106,685	19.18%	39,460,685	10.54%
Fourth Cinven Fund (No.4) Limited Partnership	47,493,885	18.93%	38,958,021	10.40%
Fourth Cinven Fund (UBTI) Limited Partnership	26,719,637	10.65%	21,917,436	5.85%
Fourth Cinven Fund FCPR	21,983,840	8.76%	18,032,782	4.82%

(B) Bottom of the Price Range

Shareholder	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of ordinary shares	Percentage of issued ordinary share capital	Number of ordinary shares	Percentage of issued ordinary share capital
Fourth Cinven Fund (No.2) Limited Partnership	50,371,382	20.07%	44,262,411	11.04%
Fourth Cinven Fund (No.3–VCOC) Limited Partnership	49,941,321	19.89%	43,884,508	10.94%
Fourth Cinven Fund (No.1) Limited Partnership	48,276,019	19.23%	42,421,171	10.58%
Fourth Cinven Fund (No.4) Limited Partnership	47,661,062	18.99%	41,880,795	10.44%
Fourth Cinven Fund (UBTI) Limited Partnership	26,813,689	10.68%	23,561,762	5.87%
Fourth Cinven Fund FCPR	22,061,223	8.79%	19,385,669	4.83%

(C) Top of the Price Range

Shareholder	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of ordinary shares	Percentage of issued ordinary share capital	Number of ordinary shares	Percentage of issued ordinary share capital
Fourth Cinven Fund (No.2) Limited Partnership	50,071,019	19.97%	39,011,140	10.97%
Fourth Cinven Fund (No.3–VCOC) Limited Partnership	49,643,522	19.80%	38,678,070	10.87%
Fourth Cinven Fund (No.1) Limited Partnership	47,988,151	19.14%	37,388,344	10.51%
Fourth Cinven Fund (No.4) Limited Partnership	47,376,860	18.90%	36,912,077	10.38%
Fourth Cinven Fund (UBTI) Limited Partnership	26,653,800	10.63%	20,766,406	5.84%
Fourth Cinven Fund FCPR	21,929,672	8.75%	17,085,762	4.80%

(1) The interests in Shares in the Company and number of Shares as at the date of this document have been stated on the basis that the steps described on paragraph 1.5.1 of this *Part 15: “Additional Information”* have been completed in full.

Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company’s major shareholders have or will have different voting rights attached to the shares they hold in the Company.

- 4.3 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 4.4 Save for a loan to Simon Gordon in the amount of £12,890 which will be repaid following Admission, there are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.
- 4.5 The following table sets out the indicative interests in Shares of the Selling Shareholder (along with the underlying ultimate beneficial interests) immediately prior to Admission and the maximum number of Shares that each such holder of beneficial interests in Shares has indicated that it will make available in the Offer. To the extent the Cinven Funds do not sell any Shares in the Offer (other than in respect of the Over-allotment Option), Garry Watts and Rob Roger will only sell a number of Shares through the Selling Shareholder to raise proceeds sufficient to satisfy the estimated tax charges indicated in paragraph 4.1 of this *Part 15: “Additional Information”*. The business address of the Selling Shareholder is 4 Rue Albert Borschette, L-1246 Luxembourg.

(A) Mid-point of the Price Range

Selling Shareholder ⁽³⁾	Shares owned prior to the Offer ⁽¹⁾		Maximum number of Shares to be sold in the Offer ⁽²⁾	
	No.	%	No.	%
Fourth Cinven Fund (No. 2) Limited Partnership	50,194,698	20.01%	9,021,270	3.60%
Fourth Cinven Fund (No. 3–VCOC) Limited Partnership	49,766,146	19.84%	8,944,248	3.57%
Fourth Cinven Fund (No. 1) Limited Partnership	48,106,685	19.18%	8,646,000	3.45%
Fourth Cinven Fund (No. 4) Limited Partnership	47,493,885	18.93%	8,535,864	3.40%
Fourth Cinven Fund (UBTI) Limited Partnership	26,719,637	10.65%	4,802,201	1.91%
Fourth Cinven Fund FCPR	21,983,840	8.76%	3,951,058	1.58%
Fourth Cinven Fund Co-Investment Limited Partnership	2,442,649	0.97%	439,006	0.18%
Fourth Cinven (MACIF) Limited Partnership	698,973	0.28%	125,624	0.05%
Garry Watts ⁽⁴⁾	511,483	0.20%	153,445	0.06%
Rob Roger ⁽⁴⁾	681,715	0.27%	340,858	0.14%
Rozier S.à.r.l.	248,632,530	99.11%	44,959,574	17.92%

(B) Bottom of the Price Range

Selling Shareholder ⁽³⁾	Shares owned prior to the Offer ⁽¹⁾		Maximum number of Shares to be sold in the Offer ⁽²⁾	
	No.	%	No.	%
Fourth Cinven Fund (No. 2) Limited Partnership	50,371,382	20.07%	6,108,971	2.43%
Fourth Cinven Fund (No. 3–VCOC) Limited Partnership	49,941,321	19.89%	6,056,813	2.41%
Fourth Cinven Fund (No. 1) Limited Partnership	48,276,019	19.23%	5,854,848	2.33%
Fourth Cinven Fund (No. 4) Limited Partnership	47,661,062	18.99%	5,780,267	2.30%
Fourth Cinven Fund (UBTI) Limited Partnership	26,813,689	10.68%	3,251,927	1.30%
Fourth Cinven Fund FCPR	22,061,223	8.79%	2,675,554	1.07%
Fourth Cinven Fund Co-Investment Limited Partnership	2,451,247	0.98%	297,284	0.12%
Fourth Cinven (MACIF) Limited Partnership	701,434	0.28%	85,068	0.03%
Garry Watts ⁽⁴⁾	312,008	0.12%	93,602	0.04%
Rob Roger ⁽⁴⁾	564,583	0.22%	282,292	0.11%
Rozier S.à.r.l.	249,157,213	99.25%	30,486,626	12.14%

(C) Top of the Price Range

Selling Shareholder ⁽³⁾	Shares owned prior to the Offer ⁽¹⁾		Maximum number of Shares to be sold in the Offer ⁽²⁾	
	No.	%	No.	%
Fourth Cinven Fund (No. 2) Limited Partnership	50,071,019	19.97%	11,059,879	4.41%
Fourth Cinven Fund (No. 3–VCOC) Limited Partnership	49,643,522	19.80%	10,965,452	4.37%
Fourth Cinven Fund (No. 1) Limited Partnership	47,988,151	19.14%	10,599,807	4.23%
Fourth Cinven Fund (No. 4) Limited Partnership	47,376,860	18.90%	10,464,783	4.17%
Fourth Cinven Fund (UBTI) Limited Partnership	26,653,800	10.63%	5,887,394	2.35%
Fourth Cinven Fund FCPR	21,929,672	8.75%	4,843,910	1.93%
Fourth Cinven Fund Co-Investment Limited Partnership	2,436,630	0.97%	538,212	0.21%
Fourth Cinven (MACIF) Limited Partnership	697,251	0.28%	154,012	0.06%
Garry Watts ⁽⁴⁾	651,116	0.26%	195,335	0.08%
Rob Roger ⁽⁴⁾	763,708	0.30%	381,854	0.15%
Rozier S.à.r.l.	248,265,249	99.02%	55,090,638	21.97%

- (1) The interests of Shares as at the date of this document have been stated on the basis that the steps described on paragraph 1.5.1 of this *Part 15: “Additional Information”* have been completed in full.
- (2) Assuming no exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Cinven Funds, as the Over-allotment Shareholders, will have sold a maximum of a further 27,072,994 Shares.
- (3) Ultimate beneficial interests held through Rozier S.à.r.l.
- (4) Excluding interests in Shares representing options over Shares granted, conditional upon Admission, to Garry Watts and Rob Roger pursuant to Share Bonus Awards described in paragraph 6.5.1 of this *Part 15: “Additional Information”*.

5. Directors’ terms of employment and appointment

5.1 The Directors and their functions are set out in *Part 7: “Directors, Senior Management and Corporate Governance”*. On 24 June 2014 each of the Non-Executive Directors other than the Chairman entered into letters of appointment with the Company. On 3 July 2014, each of the Executive Directors entered into new service agreements with Spire Healthcare Limited (“SHL”) and the Company. On 4 July 2014, the Chairman entered into a letter of appointment with the Company. The service agreements and the Chairman’s letter of appointment are conditional on, and become effective from, Admission.

5.2 Executive Directors

5.2.1 On and from the date of Admission, Rob Roger will receive a salary of £525,000 per annum and Simon Gordon will receive a salary of £350,000 per annum. From Admission, Rob Roger and Simon Gordon will also be eligible to participate in the Company’s annual cash and deferred bonus schemes and a long-term incentive plan (see paragraphs 6.2 and 6.1 of this *Part 15: “Additional Information”*).

5.2.2 The Executive Directors receive car allowances in the sum of £9,300 in the case of Robert Roger and £10,000 in the case of Simon Gordon which will increase in line with RPI. The Executive Directors are entitled to non-matching annual contributions of 18 per cent of salary to their own personal pension scheme (in the case of Rob Roger) or the Group’s defined contribution pension scheme (in the case of Simon Gordon) and to the extent HMRC limits cap the amounts payable into a pension scheme, they are entitled to be paid a cash allowance of up to 18 per cent of salary in lieu of any contributions that are not payable into the relevant pension scheme. Each Executive Director also receives private medical expenses insurance (for both the Executive Director and his spouse and any dependent children), permanent health insurance and life assurance benefits. Simon Gordon is also entitled to receive an annual health assessment for himself and his spouse.

5.2.3 Each Executive Director’s service agreement is terminable on 12 months’ notice given by either party. SHL as the employer under the service agreements is entitled to terminate the

Executive Director's employment by payment of a cash sum in lieu of notice, equal to: (i) the base salary that would have been payable and (ii) the cost that would have been incurred by the employer in providing the Executive Director with private medical expenses insurance, permanent health insurance, life assurance, pension scheme contributions and income protection cover (where applicable), in each case during the notice period or any unexpired part of the notice period. The payment in lieu of notice can be paid at the employer's discretion as a lump sum or in monthly or such other periodic instalments over the notice period as are considered appropriate. There is a mechanism in each Executive Director's service agreement to reduce the payment in lieu of notice if the director commences alternative employment while any instalments remain payable and from which he receives an annual salary of more than £30,000 per annum.

- 5.2.4 Each of the Executive Directors will be eligible for an annual bonus. Any bonus is discretionary and subject to achievement of a combination of financial and non-financial measures.
- 5.2.5 Each Executive Director is entitled to 30 days' holiday per annum.
- 5.2.6 Each of the Executive Directors is subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation, non-dealing and non-hiring restrictive covenants for a period of 12 months after the termination of their respective service agreements.
- 5.2.7 Each Executive Director will have the benefit of a qualifying third party indemnity from the Company (the terms of which are in accordance with the Act) and appropriate directors' and officers' liability insurance.

5.3 **Non-Executive Directors**

- 5.3.1 The appointment of each of the Non-Executive Directors took effect from 24 June 2014 and is for an initial fixed term of three years from the date of Admission, subject to annual re-election at each annual general meeting of the Company.
- 5.3.2 Garry Watts is entitled to receive an annual fee of £257,000 as non-executive Chairman. He is also entitled to private medical expenses insurance (for both himself and his spouse and any dependent children) and life assurance benefits. These benefits will be provided under the Company's arrangements, or if he obtains equivalent benefits directly, the Company will meet his costs, up to an annual maximum of £9,500. Further, Garry Watts is entitled to an annual health assessment for himself and his spouse and office facilities to enable him to perform his duties as Chairman. His appointment is terminable on 12 months' notice given by either party or immediately by the Company making a payment in lieu of 12 months' fees or such fees as would have been payable for any unexpired portion of the notice period. The Chairman's appointment is for an initial period of three years from the date of Admission.

Garry Watts is also entitled to be paid, as soon as reasonably practicable after Admission, a time pro-rated proportion of the maximum bonus payable to him for the financial year ending 31 December 2014 in respect of his employment as Executive Chairman of Spire which will terminate upon Admission (being 100% of his salary of £257,000, pro-rated for the period from 1 January 2014 to Admission). Save for this payment and the Directors' Share Bonus Award referred to in paragraph 6.4 below, the Chairman is not entitled to participate in the Company's share, bonus, or pension schemes.

- 5.3.3 John Gildersleeve as Deputy Chairman and Senior Independent Director will receive an annual fee of £140,000. His appointment is terminable on three months' notice given by either party.
- 5.3.4 Simon Rowlands and Dr Supraj Rajagopalan are appointed to the Board by Cinven pursuant to the terms of the Relationship Agreement. They will receive no annual fee. They may terminate their appointments at any time.
- 5.3.5 The other Non-Executive Directors (Janet Husband, Robert Lerwill and Anthony Bourne) will receive an annual fee of £50,000. Their appointments are terminable on two months' notice given by either party.

- 5.3.6 In addition to their fees set out above, Janet Husband, Robert Lerwill, Anthony Bourne and John Gildersleeve will receive an additional annual fee of £10,000 for serving as chair of the clinical governance and risk, audit, remuneration and nomination committees of the board, respectively.
- 5.3.7 The Chairman and Non-Executive Directors are also entitled to reimbursement of reasonable expenses.
- 5.3.8 The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's share, bonus or pension schemes.
- 5.3.9 The Company has appropriate directors' and officers' indemnity insurance in place in respect of the Chairman and Non-Executive Directors. Each of the Chairman and Non-Executive Directors will have the benefit of a qualifying third party indemnity (the terms of which are in accordance with the Act).
- 5.3.10 The Chairman and Non-Executive Directors are subject to confidentiality undertakings without limitation in time.
- 5.4 Save as set out in paragraph 5 of this Part 15, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

5.5 **Directors' and Senior Management's Remuneration**

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 31 December 2013, the aggregate remuneration and benefits to the Directors and the senior management of the Group who served during the year ended 31 December 2013, consisting of 3 individuals, was £1.0 million.

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 31 December 2013, the Directors and senior management of the Group were remunerated as set out below:

<u>Name</u>	<u>Position</u>	<u>Annual Salary (£ thousands)</u>	<u>Other Benefits</u>
Garry Watts	Chairman	250.0	3.4
Rob Roger	Chief Executive Officer	413.4	55.0
Simon Gordon	Chief Financial Officer	270.6	50.2
John Gildersleeve	Senior Independent Director	—	—
Simon Rowlands	Non-executive Director	—	—
Dr Supraj Rajagopalan .	Non-executive Director	—	—
Tony Bourne	Independent Non-executive Director	—	—
Dame Janet Husband . .	Independent Non-executive Director	—	—
Robert Lerwill	Independent Non-executive Director	—	—

- 5.6 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

5.7 Directors' and Senior Management's current and past directorships and partnerships.

Set out below are the directorships and partnerships held by the Directors and members of Senior Management (other than, where applicable, directorships held in the Company and/or in any subsidiaries of the Company), in the five years prior to the date of this document:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Garry Watts	BTG plc Foxtons Group plc Stagecoach Group plc Coca-Cola Enterprises Juno Limited Juno Trading Limited Albemarle Fair Oaks Airport Limited (Guernsey) UKRD (Chillington) Limited UKRD (Exmouth) Limited Albemarle Retail Properties LLP Albemarle Cardiff LLP Albemarle Leisure LLP (in administration) Albemarle Croydon LLP Albemarle (Shoreham) LLP Albemarle (Gainsborough) LLP The Close Film Sale and Leaseback LLP	Brevet Hospital Products (UK) Limited British Surgical Industries Limited BTG Management Services Limited Cupal Limited Dakin Brothers Limited Durex Limited Earex Products Limited London International Group Limited LRC Investments Limited LRC Products Limited LRC Secretarial Services Limited New Bridge Street Invoicing Limited Open Championship Limited Pharmalab Limited Prebbles Limited Rivalmuster Scholl Limited Scholl Consumer Products Limited Scholl (Investments) Limited Scholl (UK) Limited Sonet Group Limited Sonet Healthcare Limited Sonet Investments Limited Sonet Prebbles Limited Sonet Products Limited Sonet Scholl Healthcare International Limited Sonet Scholl Healthcare Limited Sonet Scholl Overseas Investments Limited Sonet Scholl UK Limited SSL (C C Manufacturing) Limited SSL (C C Services) Limited SSL International plc SSL (MG) Polymers Limited SSL (MG) Products Limited SSL Products Limited SSL (RB) Products Limited SSL (SD) International Limited The Gada Group Limited Tubifoam Limited Ultra Chemical Limited Ultra Laboratories Limited W. Woodward Limited Albemarle Sussex LLP

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Rob Roger	Fox Healthcare Holdco 1 Limited GX Holdco Limited Spire UK Holdco 2A Limited Association of Independent Healthcare Organisations Scion Films Sale and Leaseback Sixth LLP Orwell Films LLP Montefiore House Limited	The Tussauds Group Limited Hip Chalets Limited
Simon Gordon	Fox Healthcare Holdco 1 Limited GX Holdco Limited Spire UK Holdco 2A Limited Montefiore House Limited	Virgin Active Limited Virgin Active Group Limited
John Gildersleeve	British Land Company plc Carphone Warehouse Group plc TalkTalk Telecom Group plc Pick n Pay Stores Limited RENTplus-UK Limited Freston Road Ventures LLP	Tesco plc Lloyds Banking Group plc Vodafone Group plc Gallaher Group plc EMI Group plc Carphone Warehouse Group plc British Land Company plc
Simon Rowlands	Avio S.P.A. MD Medical Group Investments plc	Cinven Capital Management (BN) Limited Cinven Capital Management (BPS) Limited Cinven Capital Management (CN) Limited Cinven Capital Management (CPS) Limited Cinven Capital Management (FF) Limited Cinven Capital Management (RP) Limited Cinven Capital Management (SF No. 1) Limited Cinven Capital Management (SF No. 2) Limited Cinven Capital Management Limited Cinven Capital Management (TF No 1) Limited Cinven Capital Management (TF No 2) Limited Cinven Capital Management (TF No 3) Limited Cinven Investors Nominees Limited (Dissolved on 23 April 2013) Cinven Capital Management (IV) Limited Cinven Capital Management (SP IV) Limited Cinven Foundation Cinven Luxembourg S.a.r.l Cinven UK Nominees Limited CIP (IV) Nominees Limited Cinven Limited

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
		Cinven Nominees Limited Cinven Partnership Services Limited Coal Pension Venture Nominees Limited Cinven Services Limited RoyVenture Nominees Limited—(Dissolved on 5 March 2013) TCF (E1) Nominees Limited (Dissolved on 23 April 2013) TCF Nominees Limited Allipen Spain S.L. Dolphyn Court Properties Limited Enserve Group Limited Fox Healthcare Holdco 1 Limited Global Narmer, S.L. GX Holdco Limited Health Investment S.L.U Hospital Management Holding S.L. Monte Candina S.L. Santemedia Group Holding S.a.r.l. Santemedia Group S.a.r.l Santemedia Participations Sarl Task Esparteros, S.L. Task Esparteros, S.L.U.vUnited Surgical Partners Europe, S.L. USP Hospitales S.A.
Dr Supraj Rajagopalan . .	Amdipharm Mercury Limited Mercury Pharma Group Limited Cinven Partners LLP Medpace Holdings Inc	Alchemy Holding Sarl Amdipharm Mercury UK Limited Amdipharm Mercury Holdco Limited Amdipharm Mercury Holdco UK Limited Amdipharm Mercury Midco Limited Amdipharm Mercury Midco UK Limited CB Diagnostics Luxembourg Sarl Diacine Holdings Sarl Diacine Sarl Midas Bidco Limited Midas Debtco Limited Midas Guarantee Limited Midas Midco Limited Midas Subholdings Limited Sweden DIA AB Ahlsell AB Scioto Merger Subco Inc Medpace Acquisition Inc
Tony Bourne	Barchester Healthcare Limited Grove Limited Bioquell plc	Southern Housing Group BMJ Group

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
	Chelsea and Westminster Health Charity CWHC Trading Limited	
Dame Janet Husband . . .	Nuada Medical Group UK Limited Royal Marsden NHS Foundation Trust	Great Western NHS Foundation Trust
Robert Lerwill	ITC Limited, India DJI (Holdings) plc Payments Council Limited	British American Tobacco plc Synergy Health plc Transcom SA. Aegis Group plc Multi Graphics Limited

5.7.1 Within the period of five years preceding the date of this document, none of the Directors or members of Senior Management:

- (a) has had any convictions in relation to fraudulent offences;
- (b) save as described in 5.7.2 below, has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

5.7.2 Garry Watts was a partner of Albemarle Leisure LLP when an administrator was appointed on 19 February 2014. The partnership is currently in administration.

6. Employee incentive plans

Following Admission, the Company intends to operate two discretionary executive share plans: a long-term incentive plan (the “**LTIP**”) and a deferred share bonus plan (the “**DBP**”) (together the “**Discretionary Plans**”). Further details regarding the forward looking remuneration arrangements are set out in paragraph 6.7 below.

As part of the legacy remuneration arrangements prior to Admission, the Chairman and the Executive Directors have outstanding Share bonus awards (the “**Directors’ Share Bonus Awards**”), and other current and former employees and members of senior management of the Group, as well as Directors including Garry Watts, Rob Roger and Simon Gordon, have been granted cash and Share bonus awards (the “**Accrued Incentive Payments**”), in each case conditional on Admission.

The principal features of the LTIP, the DBP, the Directors’ Share Bonus Awards and the Accrued Incentive Payments are summarised below.

A reference in this paragraph 6 to the “Board” includes any designated committee of the Board. The LTIP and DBP will be administered and overseen by the Remuneration Committee.

6.1 LTIP

The LTIP was adopted by the Board on 3 July 2014, conditional on Admission.

6.1.1 Status

The LTIP is a discretionary executive share plan. Under the LTIP, the Remuneration Committee may, within certain limits and subject to any applicable performance targets, grant to eligible employees (i) nil cost options over Shares (“**LTIP Options**”) and/or (ii) conditional awards (i.e. a conditional right to acquire Shares) (“**LTIP Conditional Awards**”) and/or (iii) Shares which are subject to restrictions and the risk of forfeiture

(“**LTIP Restricted Shares**”) and/or (iv) rights to receive a cash sum which relates to the value of a number of notional Shares (“**Cash Award**” and, together with LTIP Options, LTIP Conditional Awards and LTIP Restricted Shares, “**LTIP Awards**”). No payment is required for the grant of an LTIP Award. References in this paragraph 6.1 to “Shares” include notional Shares to which a Cash Award relates, where appropriate.

6.1.2 Grant of LTIP awards

The Remuneration Committee may grant LTIP Awards to an eligible employee over Shares with a maximum total market value in any financial year of up to 200% of the relevant individual’s annual base salary. The value of Shares will be determined by reference to the average of the middle market quotations for a Share as derived from the London Stock Exchange Daily Official List on each of the five dealing days (or such shorter period as the Remuneration Committee may determine) preceding the date of grant.

LTIP Awards may be granted during the 42 days beginning on: (i) the date of Admission; (ii) the day after the announcement of the Company’s results for any period; or (iii) any day on which the Remuneration Committee determines that circumstances are sufficiently exceptional to justify the making of the LTIP Award at that time; or during the period of 21 days after the lifting of any dealing restrictions.

However, no LTIP Awards may be granted more than 10 years from the date when the LTIP was adopted.

6.1.3 Performance and other conditions

The Remuneration Committee may impose performance targets on the vesting of LTIP Awards. Any performance targets applying to LTIP Awards may be amended if the Remuneration Committee considers they are no longer a fair measure of performance. Where performance targets are specified for LTIP Awards, the underlying measurement period for such targets will be determined by the Remuneration Committee.

The Remuneration Committee may grant LTIP Awards which are not subject to performance targets (“**Restricted Share Units**”) when it considers it appropriate (including for the recruitment or retention of an individual) but may not grant Restricted Share Units to a current or prospective Executive Director.

6.1.4 Vesting and exercise

LTIP Awards will normally vest, and LTIP Options will normally become exercisable, on the third anniversary of the date of grant of the LTIP Award to the extent that any applicable performance targets have been satisfied and to the extent permitted under any operation of malus. LTIP Options will normally remain exercisable for a period determined by the Remuneration Committee at grant which shall not exceed 10 years from the date of grant.

6.1.5 Cessation of employment

Except in certain circumstances, set out below, an LTIP Award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

However, if a participant so ceases because of his death, ill-health, injury, disability, the participant being employed by a company which ceases to be a Group company or being employed in an undertaking which is transferred to a person who is not a Group company or in other circumstances at the discretion of the Remuneration Committee (each an “**LTIP Good Leaver Reason**”), his LTIP Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director. The proportion of the LTIP Awards which will vest shall be determined by the Remuneration Committee at its absolute discretion taking into account the period of time the LTIP Award has been held by the participant as a proportion of the normal vesting period and subject to the satisfaction of any applicable performance targets measured over the original performance period and the operation of malus.

If a participant ceases to be a Group employee or director for an LTIP Good Leaver Reason, the Remuneration Committee can alternatively decide that his LTIP Award will vest early when he leaves. The extent to which an LTIP Award will vest in these situations will be

determined by the Remuneration Committee at its absolute discretion taking into account, among other factors, the extent to which any applicable performance targets have been satisfied at the date of cessation of employment and the operation of malus. In addition, unless the Remuneration Committee decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the cessation of employment as a proportion of the normal vesting period.

To the extent that LTIP Options vest for a LTIP Good Leaver Reason, they may be exercised for a period of twelve months following vesting and will otherwise lapse at the end of that period.

6.1.6 Corporate events

In the event of a takeover, reconstruction, amalgamation or winding-up of the Company, the LTIP Awards will vest early. The proportion of the LTIP Awards which vest shall be determined by the Remuneration Committee at its absolute discretion taking into account, among other factors, the period of time the LTIP Award has been held by the participant as a proportion of the normal vesting period and the extent to which any applicable performance targets have been satisfied at that time.

To the extent that LTIP Options vest in the event of a takeover, winding-up or reconstruction or amalgamation of the Company they may be exercised for a period of one month measured from the relevant event and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company (including an internal reorganisation, where there is no material change in the identity of the shareholders), the Remuneration Committee may (with the consent of the acquiring company) alternatively decide that LTIP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

6.2 DBP

The DBP was adopted by the Board on 3 July 2014, conditional on Admission. The DBP will operate in conjunction with the Company's executive annual bonus scheme.

6.2.1 Status

The DBP is a discretionary executive share plan. Under the DBP, the Remuneration Committee may, within certain limits, grant to eligible employees (i) nil cost options over Shares ("**DBP Options**") and/or (ii) conditional awards (i.e. a conditional right to acquire Shares) ("**DBP Conditional Awards**") and/or (iii) rights to receive a cash sum which relates to the value of a number of notional Shares ("**Cash Awards**" and, together with DBP Options and DBP Conditional Awards, "**DBP Awards**"). No payment is required for the grant of a DBP Award. References in this paragraph 6.2 to "Shares" include notional Shares to which a Cash Award relates, where appropriate.

6.2.2 Grant of DBP awards

The Remuneration Committee may determine that a proportion of a participant's annual bonus will be deferred into a DBP Award. The market value of Shares granted to any employee under a DBP Award will be equal to one third (or such other proportion as the Remuneration Committee may determine) of the total annual bonus that would otherwise have been payable for that individual. The market value of Shares will be determined by reference to the closing middle-market quotation of a Share as derived from the London Stock Exchange Daily Official List on the dealing day prior to the date of grant or on such other date as is determined by the Remuneration Committee.

DBP Awards may be granted during the 42 days beginning on: (i) the date of Admission; (ii) the day after the announcement of the Company's results for any period; or (iii) any day on which the Remuneration Committee determines that circumstances are sufficiently exceptional to justify the making of the DBP Award at that time; or 21 days after the lifting of any dealing restrictions.

However, no DBP Awards may be granted more than 10 years from the date when the DBP was adopted.

6.2.3 Vesting and exercise

DBP Awards will normally vest, and DBP Options will normally become exercisable, on the third anniversary of the date of grant of the DBP Award to the extent permitted under any operation of malus. DBP Options will normally remain exercisable for a period determined by the Remuneration Committee at grant which shall not exceed 10 years from date of grant.

6.2.4 Cessation of employment

Except in certain circumstances, set out below, a DBP Award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

However, if a participant so ceases because of his death, ill-health, injury, disability, retirement, the participant being employed by a company which ceases to be a Group company or being employed in an undertaking which is transferred to a person who is not a Group company or in other circumstances at the discretion of the Remuneration Committee (each a “**DBP Good Leaver Reason**”), his DBP Award will ordinarily vest in full on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to the operation of malus. However, the Remuneration Committee may alternatively decide that his DBP Award will vest in full early either when a participant leaves or on a later date.

To the extent that DBP Options vest for a DBP Good Leaver Reason, they may be exercised for a period of twelve months following vesting and will otherwise lapse at the end of that period.

6.2.5 Corporate events

In the event of a takeover, reconstruction, amalgamation or winding-up of the Company, the DBP Awards will vest in full early.

To the extent that DBP Options vest in the event of a takeover, winding-up or reconstruction or amalgamation of the Company they may be exercised for a period of one month measured from the relevant event and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company (including an internal reorganisation, where there is no material change in the identity of the shareholder), the Remuneration Committee may (with the consent of the acquiring company) alternatively decide that DBP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

6.3 Provisions applying to each of the Discretionary Plans

6.3.1 Eligibility

All employees (including Executive Directors) are eligible for selection to participate in a Discretionary Plan at the discretion of the Remuneration Committee.

6.3.2 Malus

The Remuneration Committee may in such circumstances as it considers appropriate decide, at any time prior to the vesting of awards under the relevant Discretionary Plan, that the number of Shares subject to such an award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable. The circumstances include a serious misstatement of the Company’s audited financial results; a serious failure of risk management or regulatory compliance within the Group; serious reputational damage to any member of the Group or business unit; serious miscalculation of any relevant performance measure; or the participant’s misconduct.

6.3.3 Awards not transferable

Awards granted under the Discretionary Plans are not transferable other than to the participant’s personal representatives in the event of his death.

6.3.4 Limits

The Discretionary Plans may operate over new issue Shares, treasury Shares or Shares purchased in the market. In any period of 10 calendar years, not more than 10% of the

Company's issued ordinary share capital may be issued or become issuable pursuant to awards granted under either Discretionary Plan and any other employees' share scheme adopted by the Company; and in any period of 10 calendar years, not more than 5% of the Company's issued ordinary share capital may be issued or become issuable pursuant to awards granted under the relevant Discretionary Plan and any other executive share scheme adopted by the Company. Shares issued out of treasury will count towards these limits for so long as this is required under institutional shareholder guidelines. Shares issued or to be issued pursuant to any awards granted on or before the date of Admission will not count towards these limits. In addition, awards which are renounced or lapse shall be disregarded for the purposes of these limits.

6.3.5 Variation of capital

If there is a variation of share capital of the Company or in the event of a rights issue, demerger, special dividend or distribution, the Remuneration Committee may make such adjustments to the Awards granted under each of the Discretionary Plans as it considers appropriate.

6.3.6 Dividend equivalents

In respect of any award granted under any of the Discretionary Plans, the Remuneration Committee may decide that participants will receive a payment (in cash and/or additional Shares) on such terms as it considers appropriate to take account of part or all of any dividends that would have been paid on the Shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested.

6.3.7 Alternative settlement

At its discretion, the Remuneration Committee may decide to satisfy awards granted under the Discretionary Plans with a cash payment equal to any gain that a participant would have made had the relevant award been satisfied with Shares.

6.3.8 Rights attaching to Shares

Except in relation to the award of Shares subject to restrictions, Shares issued and/or transferred under the Discretionary Plans will not confer any rights on any participant until the relevant award has vested or the relevant option has been exercised and the participant in question has received the underlying Shares. Any Shares allotted when an option is exercised or an award vests will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue). A participant awarded Shares subject to restrictions shall have the same rights as a holder of Shares in issue at the time that the participant acquires the Shares, save to the extent set out in the agreement with the participant relating to those Shares. The Company will apply for any Shares which are issued to be admitted to listing by the FCA and to trading on the London Stock Exchange.

6.3.9 Amendments

The Remuneration Committee may, at any time, amend the provisions of the Discretionary Plans in any respect. The prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the persons to whom an award can be made under the relevant Discretionary Plan, the basis for determining a participant's entitlement under an award, the terms of the Shares to be acquired under an award, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the relevant Discretionary Plan, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company and/or its other Group companies. Amendments may not adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants approve such amendment.

6.3.10 Overseas plans

The Board may, at any time, establish further plans based on the LTIP and DBP for overseas territories. Any such plan shall be similar to the LTIP or DBP, as relevant, but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the LTIP or DBP.

6.3.11 Benefits not pensionable

The benefits received under the Discretionary Plans are not pensionable.

6.4 Legacy arrangements—Directors' Share Bonus Awards

6.4.1 Garry Watts, Rob Roger and Simon Gordon have each been granted, conditional upon Admission, share bonus awards to reflect their contribution prior to Admission (the “**Directors' Share Bonus Awards**”). The Directors' Share Bonus Awards have been granted over Shares to create alignment with shareholders in the period following Admission.

6.4.2 The Directors' Share Bonus Awards have been granted in the form of nil cost options. The maximum number of Shares underlying the Directors' Share Bonus Awards for each of Garry Watts, Rob Roger and Simon Gordon are 487,400, 766,000, and 417,800, respectively.

6.4.3 Each Directors' Share Bonus Award has been divided into two equal tranches which will become exercisable on the first and second anniversaries of Admission respectively.

6.4.4 The Directors' Share Bonus Awards have been made to reflect the participants' performance pre-Admission, and thus their vesting is not dependent on continued service. However, the Awards will be subject to a malus provision on the same terms as the Discretionary Plans, described above.

6.4.5 In addition, to provide further alignment with shareholders, the number of Shares that may be exercised in each tranche will only remain exercisable in full if the share price on the relevant date (i.e. the first or second anniversary of Admission) is at least 359 pence (the “**Maximum Exercisable Amount**”). If the share price on the relevant date is at or below 224 pence, then the number of Shares that may be exercised in each tranche will be reduced to 156,250 Shares for Garry Watts, 245,500 Shares for Robert Roger and 133,900 Shares for Simon Gordon (for each the “**Minimum Exercisable Amount**”). If the share price on the relevant date is between 359 pence and 224 pence, then the number of Shares that may be exercised will be calculated on a straight-line basis between the Maximum Exercisable Amount and the Minimum Exercisable Amount.

6.4.6 The share price on the relevant date shall be calculated as the average closing price over the previous 90 calendar days. Adjustments to the Directors' Share Bonus Awards and the share prices referred to in paragraph 6.4.5 may be made if there is any variation of the Company's share capital on terms similar to those described under the Discretionary Plans described above.

6.4.7 Dividend equivalent payments will be made (in cash and/or additional Shares) to take account of any dividends that would have been paid on the Shares that vest under the Directors' Share Bonus Awards by reference to the period between the date the award was granted and when the relevant tranche of the Directors' Share Bonus Award vests.

6.4.8 Directors' Share Bonus Awards may vest early in the event of a takeover, reconstruction or amalgamation of the Company by reference to the per share consideration payable under the relevant transactions or, in the event of a winding-up of the Company, by reference to the share price for the day immediately preceding the day on which the resolution to approve the winding up is passed.

6.4.9 Share Bonus Awards will lapse on the tenth anniversary of Admission.

6.5 Legacy arrangements—Accrued Incentive Payments

6.5.1 In order to reflect their contribution to the past performance of the Group and to the Group achieving Admission, the Company has granted, conditional on Admission, bonus awards worth a gross total of £36 million to (a) approximately 180 current and former employees of

the Group, members of executive management and Directors including Garry Watts, Rob Roger and Simon Gordon, who are participants in a management incentive programme which will terminate immediately prior to Admission (the “**Accrued Incentive Payments**”), and (b) approximately 3,500 beneficiaries of an all-employee share scheme. Garry Watts, Rob Roger and Simon Gordon will receive awards with a value (net of income tax and employee’s National Insurance contributions) of £688,293, £2,358,503 and £1,086,712, respectively under the Accrued Incentive Payments.

- 6.5.2 The Accrued Incentive Payments are not dependent on continued service, however they will not be payable in the event that a recipient leaves the Group prior to Admission other than in certain limited circumstances.
- 6.5.3 The Accrued Incentive Payments will be paid in cash, except for the awards to Simon Gordon and six members of executive management, who will receive 50% of their Accrued Incentive Payments in cash and 50% in the form of Shares at the Offer Price (in each case net of income tax and employee’s national insurance contributions), to be subscribed for and held by the Trust as nominee for each of the individuals. All Shares subscribed for by the Trust on behalf of recipients of Accrued Incentive Payments will be satisfied by way of a mandatory allocation in the Institutional Offer. In addition, other recipients of Accrued Incentive Payments will each be given the opportunity to apply up to £10,000 of such payments to subscribe for Shares through the Consultant and Staff Offer, with such subscriptions being funded by loans repayable on Admission from the cash amounts of the relevant Accrued Incentive Payment.
- 6.5.4 The following table shows the aggregate number of Shares to be issued pursuant to the Accrued Incentive Payments:

	Shares issued pursuant to Accrued Incentive Payments	
	Number of Shares	Percentage of issued ordinary share capital following Admission
Mid-point of the Price Range	853,304	0.2%
Bottom of the Price Range	1,036,156	0.3%
Top of the Price Range	725,308	0.2%

6.6 The Group’s employee trust

- 6.6.1 Spire Healthcare Limited has established an employee trust (the “**Trust**”) which is constituted by a trust deed which was entered into between the Spire Healthcare Limited and Carey Pensions and Benefits Limited as Trustee of the Trust. Spire Healthcare Limited has the power to appoint and remove the trustee.
- 6.6.2 The Trust can be used to benefit employees and former employees of the Group and certain of their dependents. The trustee of the Trust has the power to acquire the Company’s Shares. Any Shares acquired may be used for the purposes of the Discretionary Plans or other employee share plans established by the Group from time to time.
- 6.6.3 Any Shares issued to the Trust in connection with the Discretionary Plans or any other employee share scheme of the Group will be treated as counting against the dilution limits that apply to the relevant Discretionary Plan or scheme.

6.7 Forward Looking Remuneration

- 6.7.1 The Company’s remuneration strategy is to provide pay packages that attract, retain and motivate high-calibre talent to help ensure its continued growth and success as a listed company.
- 6.7.2 The Company’s remuneration strategy aims to encourage and support a high performance culture; reward for achievement of the Group’s corporate strategy and delivery of sustainable growth; and align the interests of the Executive Directors, senior management and employees to the long-term interests of shareholders; whilst ensuring that remuneration

and incentives support good risk management practice and high levels of regulatory compliance and clinical governance and sustainable Company performance.

- 6.7.3 Consistent with this remuneration strategy, the Remuneration Committee has agreed a structure for future remuneration arrangements for senior management, taking into account evolving market and best practices. Remuneration will be set at a level that is considered by the Remuneration Committee to be appropriate for the size and nature of the business. Performance-related pay will be based on stretching targets, and will form a significant part of the overall remuneration package. There will be an appropriate balance between short and longer-term performance targets linked to delivery of the Group's business plan.
- 6.7.4 The Company intends to deliver this policy for senior management, including Executive Directors, via a remuneration framework which combines base salary, benefits, an annual bonus plan including a portion which will normally be deferred into Shares (under the DBP) and share-based awards under the LTIP.
- 6.7.5 It is intended that the following arrangements will form part of the remuneration policy from Admission subject to formal approval by shareholders at the first annual general meeting of the Company following Admission:
- 6.7.6 Base salary
- The base salaries for Executive Directors and senior management will depend on their experience and the scope of their role as well as having regard to practices at peer companies of equivalent size and complexity. In considering the base salary (and other elements of remuneration) of Executive Directors and senior management, due regard will be taken of the pay and conditions of the workforce generally. Base salaries will typically be reviewed on an annual basis.
- 6.7.7 Annual Bonus Plan
- Annual bonuses will be determined by a combination of financial and non-financial performance measures linked to the corporate strategy. The maximum opportunity for Executive Directors for the financial year ending 31 December 2014 will be 150% of salary. One-third of any annual bonus will normally be deferred into awards over Shares under the DBP, with such awards vesting after a three-year period. Further details of the DBP are provided in paragraph 6.2 of this *Part 15: "Additional Information"*.
- 6.7.8 LTIP
- Awards under the LTIP will normally be granted annually to Executive Directors and selected senior management. It is expected that these awards will vest at the end of a three year period subject to the recipient's continued employment at the date of vesting and satisfaction of the performance conditions. It is anticipated that the first awards to be granted under the LTIP to the Executive Directors (and other selected members of senior management) will be made during the course of 2014. The maximum value of the Shares underlying the initial LTIP Awards may not exceed 200% of an individual's annual salary based on the market value of a Share at the date of grant. The performance conditions for these awards are currently expected to be earnings per share growth and relative total shareholder return. The detail of the performance metrics, targets and weightings will be set at the time awards are granted. Further details of the LTIP are provided in paragraph 6.1 of this *Part 15: "Additional Information"*
- 6.7.9 Minimum Shareholding Requirement
- The Remuneration Committee has also adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five year period and then subsequently hold a shareholding equivalent to two times their base salary. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.
- 6.7.10 The Remuneration Committee will keep the remuneration arrangements for the Executive Directors and key senior management under review taking into consideration business strategy over the period; overall corporate performance; market conditions affecting the Company; and evolving best practice.

- 6.7.11 The details of the Company's Executive Director remuneration arrangements, including the operation of the Company's incentive plans and payments made under them, will be set out each year in a remuneration report contained in the Company's annual report. The Company will be required to submit its remuneration policy (as it relates to the Directors) to a binding vote of Shareholders at the first annual general meeting of the Company following Admission. Accordingly, the Company will outline the detail of its future policy relating to the Directors' remuneration, including participation in the annual bonus plan, DBP and LTIP, in its annual report and accounts for the financial year ending 31 December 2014.

7. Pensions

The Company operates a defined contribution group personal pension schemes for employees employed in the United Kingdom to which the relevant employer makes matching contributions based on the employee's level of contributions.

The Company does not operate a defined benefit pension scheme for the benefit of its Directors or members of Senior Management.

8. Underwriting arrangements

8.1 Underwriting agreement

On 7 July 2014 the Company, the Directors, the Selling Shareholder, the Cinven Funds, the Individual Sellers, the Over-allotment Shareholders and the Underwriters entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement:

- 8.1.1 the Company has agreed, subject to certain conditions, to allot and issue the New Shares in the Offer at the Offer Price;
- 8.1.2 the Cinven Funds and the Individual Sellers have agreed, subject to certain conditions, to procure the sale by the Selling Shareholder of the Existing Shares in the Offer at the Offer Price;
- 8.1.3 the Underwriters have severally agreed, subject to certain conditions, to procure subscribers or purchasers for (or, failing which, to subscribe for or purchase themselves) the Shares pursuant to the Institutional Offer;
- 8.1.4 the Underwriters will deduct from the proceeds of the Institutional Offer to the Company and the Selling Shareholder a commission of 1.5% of the product of the Offer Price and the number of Shares issued or sold in the Offer (including following any exercise of the Over-allotment Option);
- 8.1.5 in addition, the Company and the Cinven Funds may, at their absolute discretion, pay an additional commission of up to 1.5% of the product of the Offer Price and the number of Shares issued or sold in the Offer (including following any exercise of the Over-allotment Option);
- 8.1.6 the obligations of the Underwriters to procure subscribers or purchasers for or, failing which, themselves to subscribe for or purchase Shares on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include the absence of any breach of representation or warranty under the Underwriting Agreement and Admission occurring on or before 23 July 2014 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree in writing (being not later than 31 August 2014)). In addition, the Joint Global Co-ordinators have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;
- 8.1.7 Morgan Stanley Securities Limited, as Stabilising Manager, has been granted the Over-allotment Option by the Over-allotment Shareholders pursuant to which it may purchase or procure purchasers for Over-allotment Shares (representing up to 15% of the total number of Shares that are subject to the Offer) at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Offer and/or from sales of Shares, if any, effected during the stabilising period. Except as required by law or regulation, neither the Stabilising Manager, nor any of its agents, intends to disclose the extent of any over-allotments and/or stabilising transactions conducted in

relation to the Offer. The number of Over-allotment Shares to be transferred pursuant to the Over-allotment Option, if any, will be determined not later than 17 August 2014. Settlement of any purchase of Over-allotment Shares will take place shortly after such determination (or if acquired on Admission, at Admission). If any Over-allotment Shares are acquired pursuant to the Over-allotment Option, the Stabilising Manager will be committed to pay to the Over-allotment Shareholders, or procure that payment is made to them of, an amount equal to the Offer Price multiplied by the number of Over-allotment Shares purchased from such Over-allotment Shareholder, less commissions and expenses;

- 8.1.8 the Selling Shareholder and Over-allotment Shareholders have agreed to pay stamp duty and/or SDRT arising on the sale of Shares by them;
- 8.1.9 the Company has agreed to pay the costs, charges, fees and expenses of the Offer (together with any related value added tax), including in certain circumstances stamp duty and/or SDRT associated with the stock lending and stabilisation arrangement referred to in paragraph 8.2 below;
- 8.1.10 each of the Company, the Directors, the Cinven Funds and the Individual Selling Shareholders have given certain representations, warranties and undertakings, subject to certain limits, to the Underwriters;
- 8.1.11 the Company has given an indemnity to the Underwriters on customary terms; and
- 8.1.12 the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

8.2 Stock lending agreement

In connection with settlement and stabilisation, Morgan Stanley Securities Limited, as Stabilising Manager, will enter into a stock lending agreement with the Selling Shareholder and the Cinven Funds. Pursuant to this agreement, the Stabilising Manager will be able to borrow up to a maximum of 15% of the total number of Shares comprised in the Offer (excluding the Shares subject to the Over-allotment Option) on Admission for the purposes, amongst other things, of allowing the Stabilising Manager to settle, on Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Shares pursuant to the stock lending agreement, it will be required to return equivalent securities to the Selling Shareholder by no later than the third business day after the date that is the 30th day after the commencement of conditional dealings of the Shares on the London Stock Exchange.

9. Subsidiaries, investments and principal establishments

The Company is the principal operating and holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

Subsidiaries and subsidiary undertakings

<u>Name</u>	<u>Country of incorporation and registered office</u>	<u>Class and percentage of ownership interest and voting power</u>	<u>Field of activity</u>
Spire Healthcare Group UK Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Spire UK Holdco 2A Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Spire UK Holdco 4 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Spire Healthcare Holdings 1 (formerly Spire UK Holdco 6)	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company

<u>Name</u>	<u>Country of incorporation and registered office</u>	<u>Class and percentage of ownership interest and voting power</u>	<u>Field of activity</u>
Spire Healthcare Holdings 2 Limited (formerly Spire UK Finance Limited)	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Spire Healthcare Holdings 3 Limited (formerly Spire Healthcare Group Limited)	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Spire Healthcare (Holdings) Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
SHC Holdings Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Spire Healthcare Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Health provision
Spire Healthcare Properties Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Hospital leasing
Fox Healthcare Holdco 1 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Fox Healthcare Holdco 2 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Fox Healthcare Acquisitions Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Classic Hospitals Group Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Classic Hospitals Property Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Classic Hospitals Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Health provision
GX Holdco Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Lifescan Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Health provision
London Fertility Centre Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Health provision
Montefiore House Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 50.1%	Health provision
Medicainsure Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
The Richard Villar Practice Limited	30 New Road Impington, Cambridge, CB24 9EL United Kingdom	ordinary shares, 100%	Health provision
Spire Thames Valley Hospital Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Health provision

<u>Name</u>	<u>Country of incorporation and registered office</u>	<u>Class and percentage of ownership interest and voting power</u>	<u>Field of activity</u>
Spire Thames Valley Hospital Propco Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Links 2 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Holding company
Spire Property 1 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 2 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 4 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 5 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 6 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 9 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 13 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 16 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 17 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 18 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 19 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company
Spire Property 23 Limited	3 Dorset Rise, London EC4Y 8EN, United Kingdom	ordinary shares, 100%	Property company

Principal establishments

The following are the principal establishments of the Group. All properties are located in the United Kingdom.

<u>Name and location</u>	<u>Type of facility</u>	<u>Tenure</u>
3 Dorset Rise, London EC4Y 8EN	Offices	Leasehold

Details of the Group's hospitals are included in *Part 6: "Business Overview—The Group's hospitals and clinics"*.

10. Statutory auditor

By resolution of the Directors dated 24 June 2014, Ernst & Young LLP, whose registered address is at 1 More London Place, London SE1 2AF, was appointed as the statutory auditor to the Company. The financial information contained in this Prospectus does not constitute full statutory accounts as referred to in section 434(3) of the Companies Act.

Ernst & Young LLP is registered to perform audit work by the Institute of Chartered Accountants in England and Wales.

11. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this document which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

11.1 2013 Freehold Sale

On 17 January 2013, the Group sold the companies holding its freehold and leasehold interests (ten freehold and two existing leasehold titles) in 12 of the Group's hospitals for £704 million to a consortium of purchasers comprising Malaysia's Employees Provident Fund (EPF), affiliated investment funds of Och-Ziff Capital Management Group and Moor Park Capital. The sale was subject to long leases of the 12 hospitals. The leases were to include standard terms such as annual rental covenants and minimum levels of capital expenditure to be paid by the Group. If the minimum capital expenditure levels are not met, the Group is required to enter into a recovery plan in order to comply with the covenants, but no default would be deemed to have occurred. The proceeds of the sale were used to repay a portion of the Group's loan facilities.

11.2 Underwriting agreement

The Underwriting Agreement is described in paragraph 8 of this *Part 15: "Additional Information—Underwriting arrangements"*.

11.3 Relationship agreement

The Relationship Agreement is described in *Part 7: "Directors, Senior Management and Corporate Governance—Relationship Agreement"*.

11.4 Reorganisation agreement

The Reorganisation is described in paragraph 2 of this *Part 15: "Additional Information"*

11.5 New Facilities agreement

The New Facilities agreement is described in *Part 9: "Operating and Financial Review—Liquidity and capital resources—Capitalisation and indebtedness"*

12. UK taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current or announced UK legislation and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect.

They apply only to Shareholders who are resident and, in the case of individuals, domiciled for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

The statements in paragraph 12.3 apply to any holders of Shares irrespective of their residence.

12.1 Taxation of dividends

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

12.1.1 UK resident individual Shareholders

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the “**gross dividend**”), and will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder’s tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK resident Shareholder who is subject to income tax on the gross dividend at the higher rate or the additional rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. or 37.5 per cent. respectively to the extent that such sum, when treated as the top slice of that Shareholder’s income, falls above the threshold for higher rate or additional rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the cash dividend and an additional rate taxpayer will therefore be liable to additional income tax of 27.5 per cent. of the gross dividend, equal to approximately 30.6 per cent. of the cash dividend. Where the tax credit exceeds the Shareholder’s tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK Shareholder who has ceased to be resident for tax purposes in the UK or is treated as resident outside the UK for the purposes of a double tax treaty (“**Treaty non-resident**”) for a period of five years or less and who receives or becomes entitled to dividends from the Company during that period of temporary non-residence may, if the Company is treated as a close company for UK tax purposes and certain other conditions are met, be liable for income tax on those dividends on his or her return to the UK.

12.1.2 UK resident corporate Shareholders

It is likely that most dividends paid on the Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

12.1.3 UK resident exempt Shareholders

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

12.1.4 Non-UK resident Shareholders

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

12.2 Taxation of disposals

A disposal or deemed disposal of Shares by a Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder’s circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate

shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Shareholders who are not resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the UK or is treated as Treaty non-resident for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

12.3 Stamp Duty and SDRT

12.3.1 The Offer

The stamp duty and SDRT treatment of the subscription or purchase of Shares under the Offer will be as follows:

- (a) The issue of Shares direct to persons acquiring Shares pursuant to the Offer will not generally give rise to stamp duty or SDRT.
- (b) The transfer of, or agreement to transfer, Shares sold by the Selling Shareholder under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholder has agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

12.3.2 Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. As noted above, an exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

12.3.3 Shares transferred through paperless means including CREST

Paperless transfers of Shares (such as those occurring within CREST) are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration given. CREST is obliged to collect SDRT on relevant transactions settled within the system. Persons known as “accountable persons” (such as intermediaries, brokers and custodians) will often deduct SDRT automatically and pay it to HMRC. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will generally arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

12.3.4 Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent.

Following litigation HMRC has confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation. **Accordingly, specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or stamp duty reserve tax charge in any circumstances.**

The statements in this paragraph 12.3 apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

12.4 Inheritance Tax

The Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Shares through trust arrangements.

13. US Federal Income Taxation

The following discussion is a general summary under present law of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Shares. This discussion applies only to US Holders (as defined below) that purchase Shares in the Offer, use the US dollar as their functional currency and will hold the Shares as capital assets. The discussion is a general summary; it is not a substitute for tax advice. It does not address the tax treatment of prospective investors subject to special rules, such as financial institutions, regulated investment companies, real estate investment trusts, dealers, traders in securities that elect to mark-to-market, insurance companies, tax exempt entities, persons owning directly, indirectly or constructively 10% or more of the Company's share capital, US expatriates, investors liable for alternative minimum tax, persons holding Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Shares in connection with a permanent establishment or fixed base outside the United States. It also does not address US federal taxes other than income tax (e.g., estate and gift taxes), US state and local, or non-US tax considerations.

THE STATEMENTS ABOUT US FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE SHARES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN SHARES UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

As used in this section, "US Holder" means a beneficial owner of Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or

more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in an entity treated as a partnership for US federal income tax purposes that holds Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships that hold Shares should consult their own tax advisors regarding the specific US federal income tax consequences to their partners of the acquisition, ownership and disposition of Shares.

The Company believes, and the following discussion assumes, that the Company will not become a passive foreign investment company or “PFIC” for US federal income tax purposes in the foreseeable future, nor has it been a PFIC for its immediately prior taxable year.

13.1 Dividends

Distributions on Shares will generally be dividend income from foreign sources. The dividends will not be eligible for the dividends-received deduction available to US corporations. Dividends received by eligible non-corporate US Holders that satisfy certain holding requirements should be taxed at the preferential rate applicable to qualified dividend income if the Company qualifies for the benefits of the income tax treaty between the United States and the United Kingdom, which the Company believes it will.

Dividends paid in pounds sterling will be includable in income in a US dollar amount based on the spot exchange rate in effect on the date of receipt whether or not the pounds sterling are converted into US dollars at that time. A US holder’s tax basis in the pounds sterling received will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion of the pounds sterling into US dollars generally will be US source ordinary income or loss.

13.2 Dispositions

A US Holder generally will recognise capital gain or loss on the sale or other disposition of Shares equal to the difference between the US dollar value of the amount realised and the US Holder’s tax basis in its Shares. A US Holder’s tax basis in its Shares will generally be the US dollar cost of the Shares. The US dollar cost of a Share purchased with pounds sterling generally will be the US dollar value of the Offer Price paid for the Shares in the Offer. Any gain or loss generally will be treated as arising from US sources. The gain or loss will be long-term capital gain or loss if the US Holder’s holding period exceeds one year. Deductions for capital loss are subject to significant limitations.

A US Holder that receives pounds sterling on the disposition of Shares will realise an amount equal to the US dollar value of the pounds sterling received at the spot exchange rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot exchange rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the pounds sterling received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the pounds sterling received equal to the US dollar value of the pounds sterling received at the spot exchange rate on the settlement date. Any gain or loss on a subsequent disposition or conversion of the pounds sterling into US dollars will be US source ordinary income or loss.

13.3 Medicare Surtax on Net Investment Income

Non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax tax on their “net investment income” (which generally includes, among other things, dividends on, and capital gain from the sale or other taxable disposition of Shares). US Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of Shares.

13.4 Reporting and Backup Withholding

Dividends on and proceeds from the sale or other disposition of Shares may be reported to the US Internal Revenue Service (“IRS”) unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption.

Any amount withheld may be credited against the holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability.

Because the Offer may be treated as part of the Reorganisation, and therefore as part of a tax-free incorporation of the Company for US federal income tax purposes, certain US Holders may be required to report their investment in Shares to the IRS on IRS Form 926. In addition, certain US Holders are required to report information with respect to investments in Shares not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

14. Enforcement and civil liabilities under US federal securities laws

The Company is a public limited company incorporated under English law. Many of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

15. Litigation

Except for the PIP Claims and Paterson Claims disclosed in *Part 6: "Business Overview—Legal and Administrative Proceedings"* on page 72 above, there are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had, a significant effect on the Company's and/or the Group's financial position or profitability.

16. Related party transactions

Save as described in the Company's historical financial information for the year ended 31 December 2011, the year ended 31 December 2012, the year ended 31 December 2013 and the three months ended 31 March 2014 set out in Section A of *Part 11: "Historical Financial Information"*, there are no related party transactions between the Company or members of the Group that were entered into during the year ended 31 December 2011, the year ended 31 December 2012, the year ended 31 December 2013 and the three months ended 31 March 2014 and during the period between 1 April 2014 and 1 July 2014 (the latest practicable date prior to the publication of this document).

17. Working capital

In the opinion of the Company, taking into account the net proceeds receivable by the Company from the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

18. No significant change

There has been no significant change in the financial or trading position of the Group since 31 March 2014, the date to which the Historical Financial Information in Part 11 was prepared.

19. Consents

Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion of the reports in *Part 11: "Historical Financial Information"* and *Part 12: "Unaudited Pro Forma Financial Information"*, in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

A written consent under the Prospectus Rules is different from a consent filed with the US Securities and Exchange Commission under Section 7 of the US Securities Act. As the Shares have not been paid and will not be registered under the US Securities Act, Ernst & Young LLP has not filed a consent under Section 7 of the Securities Act.

20. General

- 20.1 The fees and expenses to be borne by the Company in connection with Admission including the FCA's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £59.8 million (including VAT). In addition the Selling Shareholder has agreed to pay its expenses in connection with the sale of Shares including underwriting commissions of up to approximately £4.0 million (assuming the Offer Price is set at the mid-point of the Price Range and assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment option).
- 20.2 The financial information contained in this document does not amount to statutory accounts within the meaning of section 434(3) of the Act.

21. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HS:

- (a) the Articles of Association of the Company;
- (b) the historical financial information of the Company in respect of the year ended 31 December 2011, the year ended 31 December 2012, the year ended 31 December 2013 and the three months ended 31 March 2014, together with the related Accountant's Report from Ernst & Young LLP, which are set out in *Part 11: "Historical Financial Information"*;
- (c) the unaudited pro forma financial information, together with the related Accountant's Report from Ernst & Young LLP, which is set out in *Part 12: "Unaudited Pro Forma Financial Information"*;
- (d) the consent letter referred to in "Consents" in paragraph 19 above; and
- (e) this document.

Dated: 7 July 2014

PART 16

DEFINITIONS

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“2013 Freehold Sale”	the sale of the Company of freehold and leasehold interests in 12 of its hospitals subject to long-term institutional leases
“Act”	the Companies Act 2006, as amended
“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 to be adopted upon Admission
“ASIC”	the Australian Securities and Investments Commission
“Banks”	J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Morgan Stanley Securities Limited and Numis Securities Limited
“BofA Merrill Lynch”	Merrill Lynch International
“Board”	the board of directors of the Company
“CAGR”	compound annual growth rate
“Cinven”	Cinven Partners LLP
“Cinven Funds”	Fourth Cinven Fund (No.1) Limited Partnership, Fourth Cinven Fund (No.2) Limited Partnership, Fourth Cinven Fund (No.3—VCOC) Limited Partnership, Fourth Cinven Fund (No.4) Limited Partnership, Fourth Cinven Fund FCPR, Fourth Cinven Fund (UBTI) Limited Partnership, Fourth Cinven Fund Co-Investment Partnership and Fourth Cinven (MACIF) Limited Partnership
“City Code”	the City Code on Take-overs and Mergers
“CMA”	The UK Competition and Markets Authority
“CMCHA”	Corporate Manslaughter and Corporate Homicide Act 2007
“CNST”	the NHS Clinical Negligence Scheme for Trusts administered by the NHS Litigation Authority
“Company”	Spire Healthcare Group plc
“Consultant and Staff Offer”	the offer being made to Eligible Consultants and Staff in the United Kingdom by the Company and the Selling Shareholder of New Shares and Existing Shares, respectively, as described in section 5 of <i>Part 13: Details of the Offer</i>
“Corporations Act”	the Corporations Act 2001 of the Commonwealth of Australia
“CCG”	Clinical Commissioning Group
“CQC”	Care Quality Commission
“CQUIN”	commissioning for quality and innovation payment
“CREST”	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
“CT”	computed tomography

“Directors”	the Executive Directors and the Non-Executive Directors
EBITDA	EBITDA represents the Group’s operating profit, adjusted to add back depreciation and exceptional operating items.
EBITDAR	EBITDAR represents EBITDA, adjusted to add back rent expense.
“EEA”	the European Economic Area
“Eligible Consultants and Staff”	<p>(a) consultants and other professionals holding practising privileges under the Consultant’s Handbook or the Clinical Support Specialist’s Handbook at hospitals operated by Spire on 31 May 2014; and</p> <p>(b) permanent employees and bank workers of the Group as at 31 May 2014,</p> <p>in each case who receive a personalised email or other notification given by or on behalf of the Company notifying them that they are individually eligible to apply in the Consultant and Staff Offer</p>
“ESQS”	the CQC has produced guidance on compliance titled “Essential Standards of Quality and Safety”. The ESQS consist of the CQC’s interpretation of the Regulated Activities Regulations and the Registration Regulations.
“EU”	the European Union
“Executive Directors”	the executive Directors of the Company
“Existing Facilities”	the facilities available under the Opco Facilities Agreement, Propco Cash Pay Facility Agreement and Propco PIK Facility Agreement.
“Existing Share Offer Size”	the number of Existing Shares to be sold in the Offer
“Existing Share Offer Size Range”	expected to be between 98,381 Shares and 55,090,638 Shares
“Existing Shares”	Shares to be sold as part of the Offer by the Selling Shareholder (excluding, for the avoidance of doubt, the Over-allotment Shares)
“FCA”	the Financial Conduct Authority
“GDP”	gross domestic product
“Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
“GRNI”	goods received not invoiced
“Group”	prior to Admission, Spire Healthcare Group UK Limited and Spire UK Holdco 2A Limited, together with their direct and indirect subsidiary undertakings and, following Admission, the Company and its direct and indirect subsidiaries and subsidiary undertakings
“FSMA”	the Financial Services and Markets Act 2000, as amended
“HD”	hospital director
“Health & Safety Act”	the Health & Safety at Work etc Act 1974
“HIS”	Healthcare Improvement Scotland
“HIW”	Healthcare Inspectorate Wales
“HMRC”	HM Revenue & Customs

“Holdco 2A Loan Notes”	£25.06 million unsecured interest bearing loan notes by Holdco 2A to Holdco 6, all of which have been listed and qualify as Eurobonds
“ICT”	information and communication technology
“IFRS”	International Financial Reporting Standards, as adopted by the European Union
“Individual Sellers”	Garry Watts and Rob Roger
“Institutional Offer”	the offer being made by the Company and the Selling Shareholder of New Shares and Existing Shares, respectively (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations; and (ii) in the United States, only to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, as described in section 4 of <i>Part 13: Details of the Offer</i>
“ISTC”	independent sector treatment centres
“Joint Bookrunners”	J.P. Morgan Securities plc, Merrill Lynch International and Morgan Stanley Securities Limited
“Joint Global Co-ordinators”	J.P. Morgan Securities plc, Merrill Lynch International and Morgan Stanley Securities Limited
“Joint Sponsors”	J.P. Morgan Securities plc and Morgan Stanley & Co. International plc
“Listing Rules”	the listing rules of the FCA made under section 74(4) of the FSMA
“London Stock Exchange”	London Stock Exchange plc
“MAC”	Medical Advisory Committee
“Monitor”	an executive non-departmental public body of the Department of Health which acts as the sector regulator for health services in England
“MRgFUS”	Magnetic Resonance-guided Focused Ultrasound treatment
“MRI”	magnetic resonance imaging
“NDC”	national distribution centre in Droitwich
“New Facilities”	the New Term Loan Facility and the New Revolving Facility, which are conditional upon Admission
“New Facilities Agreement”	the £525 million multicurrency facilities agreement to be effected prior to 23 July 2014 comprised of the New Term Loan Facility and the New Revolving Facility
“New Revolving Facility”	the £100 million multicurrency revolving credit facility which constitutes part of the New Facilities
“New Share Offer Size”	The number of New Shares to be issued in the Offer
“New Share Offer Size Range”	expected to be between 105,000,000 Shares and 150,000,000 Shares
“New Shares”	new Shares in the Company to be allotted and issued as part of the Offer
“New Term Loan Facility”	the £425 million sterling term loan facility which constitutes part of the New Facilities

“NHS”	the National Health Services in England, Scotland, Wales and Northern Ireland, collectively
“NICE”	the National Institute for Health and Care Excellence
“Non-Executive Directors”	the non-executive Directors of the Company
“Offer”	the issue of New Shares by the Company and the sale of Existing Shares by the Selling Shareholder described in <i>Part 13: “Details of the Offer”</i>
“Offer Price”	the price at which each Share is to be issued or sold pursuant to the Offer
“Official List”	the Official List of the FCA
“Online Application”	the online application form that Eligible Consultants and Staff must use in order to apply for Shares in the Consultant and Staff Offer, which is accessible on the Offer Website at spireshareoffer.equiniti.com
“Opco Group”	Spire Healthcare Group UK Limited together with its direct and indirect subsidiary undertakings
“OSC”	Ontario Securities Commission
“Over-allotment Option”	the option granted to the Stabilising Manager by the Over-allotment Shareholders to purchase, or procure purchasers for, up to 27,072,994 additional Shares as more particularly described in <i>Part 13: “Details of the Offer”</i>
“Over-allotment Shareholders”	the Cinven Funds
“Over-allotment Shares”	The Existing Shares that are the subject of the Over-allotment Option
“PbR”	Payment by Results
“PCAOB”	the Public Company Accounting Oversight Board (United States)
“PIK”	payment in kind
“PIP Claims”	The claims relating to the supply of alleged faulty PIP breast implants
“PPU”	private patient unit
“Price Range”	expected to be between 210 pence and 300 pence per Share
“Pricing Statement”	a pricing statement containing the Offer Price and confirming the number of Shares which are comprised in the Offer
“Private Placement Provinces”	the Canadian provinces of Ontario and Québec
“Propco Group”	Spire UK Holdco 2A Limited together with its direct and indirect subsidiary undertakings
“Prospectus”	the final prospectus approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA
“Prospectus Directive”	the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU

“qualified institutional buyers” or “QIBs”	has the meaning given by Rule 144A
“Qualified Investors”	persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive
“Registrars”	Equinti Limited
“Registration Regulations”	the Care Quality Commission (Registration) Regulations 2009
“Regulated Activities Regulations”	the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010
“Regulation S”	Regulation S under the US Securities Act
“Relationship Agreement”	the relationship agreement entered into between the Company and Cinven Funds as described in <i>Part 7: “Directors, Senior Management and Corporate Governance—Relationship Agreement”</i>
“Reorganisation”	the reorganisation of the Company in preparation for the Offer as described in section 2 of <i>Part 15: “Additional Information—Incorporation and share capital”</i>
“RIDDOR”	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
“RNOH”	Royal National Orthopaedic Hospital
“ROCE”	return on capital employed
“RQIA”	The Regulator for Northern Ireland is the Regulation and Quality Improvement Authority
“Rule 144A”	Rule 144A under the US Securities Act
“SAC”	standards acute contract
“SAE”	serious adverse event
“SDRT”	stamp duty reserve tax
“self-pay”	When a procedure or treatment provided is funded by the patient directly
“Selling Shareholder”	Rozier S.à. r.l
“Senior Management”	Rob Roger and Simon Gordon
“Shareholders”	the holders of Shares in the capital of the Company
“Shares”	the ordinary shares of the Company, having the rights set out in the Articles
“SME”	small and medium enterprises
“Stabilising Manager”	Morgan Stanley Securities Limited
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Underwriters”	J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley Securities Limited and Numis Securities Limited
“Underwriting Agreement”	the underwriting agreement entered into between the Company, the Directors, the Selling Shareholder and the Underwriters described in paragraph 8.1 of <i>Part 15: “Additional Information—Underwriting arrangements”</i>
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia

“US Exchange Act”	United States Securities Exchange Act of 1934, as amended
“US GAAP”	accounting principles generally accepted in the United States
“US GAAS”	auditing standards generally accepted in the United States
“US Securities Act”	United States Securities Act of 1933, as amended

