Spire Healthcare

One Spire – our people, delivering quality care through a pandemic

Annual Report and Accounts
For the year ended 31 December 2020

Spire Healthcare at a glance

Who we are
Spire Healthcare is the largest private hospital group by turnover in the United Kingdom. During 2020, working in close partnership with NHS trusts and almost 7,500 experienced Consultants, our hospitals delivered tailored, personalised care to almost 750,000 insured, self-pay and NHS patients across England, Wales and Scotland.

During the year, we have shared people and resources with the NHS, while continuing to invest in high-quality diagnostics, in-patient, daycase and out-patient care in our 39 hospitals and eight clinics.

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

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

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

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

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

Our values
We are building our reputation as the go-to healthcare brand, famous for clinical quality and care, by demonstrating our dedication to our Purpose and living our values:
– Driving clinical excellence
– Doing the right thing
– Caring is our passion
– Keeping it simple
– Delivering on our promises
– Succeeding and celebrating together

2020 highlights
Our agreements in 2020 with the NHS in England, Wales and Scotland, as part of the response to the COVID-19 pandemic, were made on a cost coverage basis. This was the right thing to do, and provided certainty during a period of significant disruption, ensuring that we maintained strong liquidity throughout the year.

Service coverage where it is needed

39
Spire Healthcare hospitals

14,200
Colleagues

8
Spire Healthcare clinics

7,500
We work in partnership with almost 7,500 experienced Consultants

Revenue

£919.9m

-6.2%

Adjusted operating profit

£67.1m

-31.3%

Sites rated 'Good' or 'Outstanding'

90%

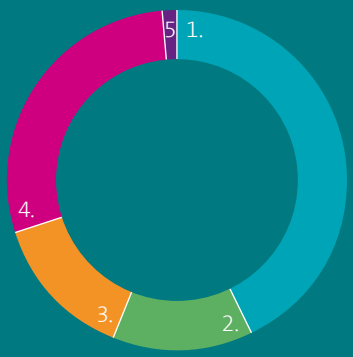
2019: 85%

Year-end cash

£106.3m

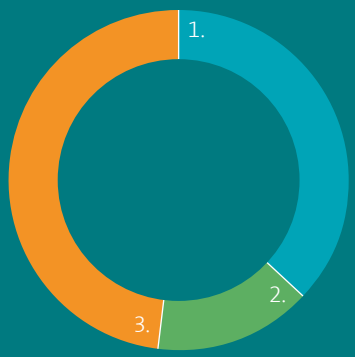
2019: £90.8m

Revenue split by type of patient



1. In-patient **20.5%**
2. Daycase **18.5%**
3. Out-patient **19.8%**
4. NHS COVID-19 contract **39.4%**
5. Other **1.8%**

Revenue split by source[1]



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

1 Excluding other revenue sources of £16.7m.

One Spire – our people, delivering quality care through a pandemic

In a year that has tested all healthcare providers, our core Purpose has never been more relevant. Our people and organisation have demonstrated that we have been able to **make a positive difference to our patients' lives through outstanding personalised care.**

Justin Ash
Chief Executive Officer

We stayed true to our Purpose

We are proud that we stayed true to our Purpose and continued to deliver a positive difference to patients' lives through outstanding personalised care under the most challenging of circumstances.

38
hospitals opened up to NHS patients

214,000
NHS patients cared for in our hospitals[1]

"We're immensely proud that, in this challenging year for everybody, Spire Healthcare's national contracts to support the NHS have made a significant difference to NHS patients' lives. This has been a testament to the tremendous efforts of colleagues across our business, who also worked hard to deliver a strong return to elective private and NHS care in the second half of the year."

Justin Ash, Chief Executive Officer, Spire Healthcare

1 NHS patients cared for, between the start of the contract on 23 March and 31 December. Rounded to nearest 1,000.

We provided vital support to NHS patients and staff

It was a natural step, and the right thing to do, to put our people, facilities, services and equipment at the disposal of the NHS in England, Wales and Scotland to support their efforts to fight the pandemic.

“Our mission is to care for our patients, whether they have COVID-19 or other urgent care needs which are unrelated to the pandemic. The support we have received from Spire has been tremendous, and we are delighted to be working in partnership to benefit the local community at this difficult time.”

Sam Higginson, Chief Executive, Norwich and Norfolk University Hospitals NHS Foundation Trust

91,000
admissions of NHS patients to our hospitals[2]

14,200
colleagues, working together to tackle the pandemic

2 Admissions of NHS patients under the terms of our NHS contracts, between 23 March and 31 December. Rounded to nearest 1,000.


MANAGER ON CALL
WARD MANAGER
WARD SISTER
NURSE IN CHARGE
ERU NURSE
LATE SENIOR
RMO
AM
DAYS SINCE LAST

We shared vital equipment

We shared PPE, gowns and scrubs with NHS colleagues, along with a range of life-saving equipment, such as ventilators, pumps and monitors, as well as vital diagnostic equipment.

52
ventilators and 49 monitors loaned to the NHS

4,500
Around 4,500 gowns transferred to the NHS at a time of acute need at the start of the pandemic

“I am writing to express my thanks to your leadership team for their engagement with the NHS Trust at an early stage and the terrific clinical relationships that have developed. The ventilators moved early, and got us through the very difficult early stages, as we increased our ITU capacity by a factor of four... the strong relationship that has developed will help us all provide care moving forward.”

Partner Trust Consultant surgeon
Received via email


Spire Healthcare

We enabled vital cancer care to continue through the pandemic

Our biggest focus was on cancer care, and many of our hospitals took over surgery and chemotherapy from their local trusts, to allow them to focus on treating COVID-positive patients.

27,000
NHS oncology admissions[3]

High-quality

We offered high-quality facilities in a clean, COVID-secure environment

“I remember someone close to me telling me at the start of my breast cancer journey that once I met my chemo nurses, I would feel like a blanket wrapped around me. I can honestly say I have felt that and more... You have been angels to me, holding my hand through the tears and keeping me strong with your positive attitudes... I will never forget your care and support.”

Patient at Spire Little Aston
Feedback received

3 All oncology admissions of NHS patients between 23 March and 31 December. Rounded to nearest 1,000.

We supported Consultants

We have worked hard to support Consultants during the pandemic, and have also been able to offer junior doctors the opportunity to continue their training at some of our hospitals.

1,600
Almost 1,600 doctors and 130 other clinicians new to Spire Healthcare granted practising privileges

900
Around 900 doctors in training worked in our hospitals[4]

“Under the supervision of Consultants, I operated daily on a range of orthopaedic conditions from daycase hand and foot surgery to joint replacement procedures. Not only was it great practical experience but I learnt a lot about teamwork, management and the broader culture of healthcare. I am very grateful for the time I spent at Spire and would recommend it to other trainees.”

Adam Stoneham, a junior doctor who completed part of his training at Spire Portsmouth

4 Includes a number of other doctors who came over to assist, support and observe.

We supported our people

We care passionately about the welfare of our colleagues and we put in place a range of practical and emotional support to help them through the peak of the pandemic.

80%
of colleagues feel proud to work for Spire Healthcare

83%
of our people in central functions feel we've given good guidance on social and mental wellbeing

"The health and wellbeing of colleagues was just as important as the health and wellbeing of the patients that came through. Support from the central team was amazing – daily calls, the latest guidance, support on creating safe patient pathways. They gave us everything we needed to reassure our people at all times and, of course, PPE was a top priority from the start."

Dawn Davies, Director of Clinical Services, Spire Manchester


CCTV is in operation
on these premises
Business Administration
& Inpatients Booking
Office Hours
8.00 17.30 Mon

We continued to deliver high-quality personalised care

During the pandemic, we retained our uncompromising focus on safety and quality and worked tirelessly to ensure our hospitals remained COVID-secure.

0
No in-patient COVID-19 deaths

90%
of our sites rated 'Good' or 'Outstanding' by the CQC or equivalent in Scotland and Wales

"All the Spire staff I came into contact with treated me perfectly. They took time to get to know me, talked through any concerns I had, and came up with solutions. The nurses were brilliant, and I trusted their medical knowledge and expertise. They made me feel safe and made me laugh, which made everything so much easier."

Patient at Spire Harpenden
Feedback received


Bair Hug
Hill-Rom

We managed cash and built financial resilience

With the vast majority of private elective surgery suspended from April, Group revenues were supported by agreements between Spire Healthcare and the NHS in England, Wales and Scotland.

£314.5m
Net bank debt improved to £314.5m (£330.0m at end of December 2019)

July 2023
Maturity date of our Senior Loan Facility extended by one year to July 2023

> **We have managed cash and our balance sheet well through the pandemic. The COVID-19 contract with the NHS was designed to cover costs rather than drive profit, but with payments in advance and a controlled capex programme, net bank debt has reduced during 2020.**

Jitesh Sodha, Chief Financial Officer, Spire Healthcare

We continued to invest

We continued to invest further in the future of our business, with around £50m spent on upgrades to our hospital facilities and an acceleration of digitisation to benefit patients and colleagues.

£6.2m
spent on MRI and CT upgrades at Spire Southampton, Spire Leeds, Spire Norwich and Spire St Anthony's

59,300
virtual patient consultations carried out, following their launch in 2020

"Outside of our hospitals, we had many of our people working effectively from home for much of this year, and that showed we could run the business remotely. During that period, we have also taken the opportunity to push forward on key developments that will make us more effective in the future, both through investment in equipment in our hospitals and in our digital capabilities."

John Forrest, Chief Operating Officer, Spire Healthcare

We emerged stronger from the peak of the pandemic

We forged stronger relationships with Consultants and NHS colleagues, at both national and local level, helping us to manage a phased transition back to a more balanced business.

> **“The variation to the NHS England contract, announced in August, guaranteed a minimum capacity for private activity in our hospitals in England, which allowed us to increase our private work. Since then, we have seen a significant increase in demand from private patients, which has driven a recovery in out-patient consultations and admissions.”**
>
> **Justin Ash,** Chief Executive Officer, Spire Healthcare

Weekends

Extension of operating hours to include weekends

Self-pay

Monthly self-pay admissions at the end of 2020 were in line with 2019


Patient Record
Strictly Confidential

A poem written by Stephen Fry for Spire Norwich

SPIRE means so much, for language always tells the truth.

SPIRE comes from the Romans, spirare to breathe

Dum spiro spero – while I breathe, I hope.

We find the word in spirit, sprites and esprit.

Spires point to the sky, the upward stretch of our aspiring.

Aspiration is breath. We aspire to breathe.

But SPIRE conspires to find itself

In the sweat of perspiring

In respiration and respiratory.

In expiration expiry and expire.

Most of all we find inspire in SPIRE.

To our last breathe, SPIRE,

For your spirit, your perspiring, your inspiration

We thank you.

Chairman's statement

Making a positive difference

Dear shareholder,
In 2020 Spire Healthcare came together with the NHS and the rest of the independent sector to support the UK's COVID-19 response. An unprecedented agreement between the public and private sectors saved lives, supported the nation's healthcare infrastructure and protected Spire's liquidity.

Garry Watts
Chairman

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

Our Values

Driving clinical excellence
– We stretch ourselves to achieve fantastic results

Doing the right thing
– We make sound and considered judgements

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

Keeping it simple
– We make complex things easier

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

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

Responding to the pandemic

Our major initiative in 2019 was the rollout of our Purpose, which we embedded with training sessions across our sites; the events of 2020 certainly tested it. Our assertion that we exist to make a positive difference to patients' lives through outstanding personalised care could not have been more apt than when we offered our people and resources to the NHS, as their staff worked so hard to control and turn the tide on a virus that has gripped the world.

I am immensely proud of the response from the entire Spire team, led by Justin Ash, who stewarded the independent healthcare sector in signing and implementing an agreement that allowed our hospital teams and central functions to play a considerable part in the wider efforts of the UK's healthcare community. We did everything at cost and, from the beginning, colleagues from across the business stood ready to do whatever they could to help.

Initially we were on standby for any overspill as the NHS became busier; when the call came, we rapidly shifted our organisation from an elective business working regular hours, to a 24 hour operation that supported every aspect of the nation's healthcare. Colleagues stepped up, retrained, pitched in everywhere they were needed – not just in hospitals, but in their communities, too. So much has been achieved by everyone at Spire Healthcare this year – it has been a magnificent team effort, only made possible by the support our people give each other every day.

Performance

Group revenue was down by £60.9m to £919.9m, resulting in a fall in adjusted operating profit from £97.6m to £67.1m. The Group maintained solid levels of liquidity throughout the year by closely managing capital investment outflows and through its participation in the agreement with the NHS, demonstrating the strength and resilience we have built into Spire Healthcare. I pay tribute to the dedication and professionalism of our Executive Committee, senior hospital management and colleagues up and down the country.

Board activity during the period

The Board's main focus this year has been to support our senior management in this vital work with the NHS, whilst ensuring that the business remained in a strong position to resume private work when it was practical to do so. We continued to drive improvements in our quality and clinical governance, which remain so important to the future of our business. Although much of our Board engagement during 2020 was through virtual means, we continued to interact with operational and clinical colleagues, as well as our Consultant partners.

Supporting the Executive Committee

In keeping with the exigencies of the crisis, we reformulated our Board agenda to schedule weekly and then bi-weekly meetings with senior management so as to be aware of the day-to-day challenges and responses, and to be readily accessible to provide direction and support in the timescales demanded by the situation. All Directors took part in the command and control meetings run three times a week by Chief Operating Officer John Forrest, giving the Board a real-time insight into Spire Healthcare's mobilisation and flexible responses.

Board changes

I was delighted to announce the appointment of Professor Clifford Shearman (Cliff) as an independent Non-Executive Director on 1 October 2020. Cliff was a Consultant vascular surgeon for 26 years and is currently Vice President of the Royal College of Surgeons. He is also non-executive director at the Royal Bournemouth and Christchurch NHS Foundation Trust. His appointment has increased the number of Non-Executive Board members with clinical experience to four, strengthening Spire Healthcare's clinical governance and reflecting the Group's commitment to patient safety and clinical quality. Cliff also joined the Clinical Governance and Safety Committee on 1 January 2021.

Governance

The Board continued to evolve its responsibilities under the 2018 UK Corporate Governance Code (the Code) implementing its requirements as appropriate. Stakeholder engagement has been a focus, with a particular emphasis on supporting our colleagues through the challenges they have faced this year. You can read more on pages 69 to 73.

Spire Healthcare's Governance processes have been maintained throughout the year, with frequent discussions between the Chair, the Senior Independent Director, the Chief Executive Officer, Chief Financial Officer and others as necessary. Our advisers have been kept particularly closely informed as the nature of our business has shifted during the pandemic and our operational arrangements with the NHS have been adapted. As set out elsewhere in this Report, Board Committee meetings have continued in full, and in some cases with increased frequency, with an appropriate focus on the changed circumstances during the year.

Paterson Independent Inquiry

The report of the Independent Inquiry into the issues raised by Ian Paterson, the convicted surgeon who practised in our hospitals in the years before 2011, was published in February 2020. We said sorry, once again, to all patients who were treated by Paterson in our hospitals and accepted all the report's recommendations. We are committed to ensuring that every possible lesson has been learnt, to minimise the possibility of another Paterson practising in our hospitals, and have worked throughout the year to implement the recommendations.

Dividend suspension

In recognition of the realities of the COVID-19 pandemic and of the changed relationship with the NHS, we considered it would be prudent and in the long-term interest of shareholders and stakeholders to withdraw the final dividend payment proposed for 2019. Our dividend policy remains on hold and will be reviewed when circumstances permit.

Outlook

The impact of COVID-19 will remain with us for much of 2021, and the medium-term outcome of the UK's exit from the European Union remains unpredictable. The overall positive dynamics in our market, however, have not changed – especially with lengthening waiting lists and the significant demand in both the NHS and private sector resulting from the postponement of elective procedures during the pandemic.

We have deepened key partnerships with our Consultants and NHS colleagues during 2020, and worked on new joint ventures with other health providers. We continue to invest in the business and set new standards centrally, while empowering local colleagues to make decisions that have taken the business forward in a difficult year. I believe we have the resources, the infrastructure and the talent at every level of our organisation to maintain our leading position in the UK's private healthcare market and to deliver real value to shareholders in the coming years.

Conclusion

As most shareholders will already be aware, in September I announced my intention to step down from the Board at the Company's next annual general meeting in May. I am delighted that my successor, Sir Ian Cheshire, will join the Board and will work alongside me and our fellow Directors for the next two months, ensuring an orderly handover. It has been my great honour to have held the role of Chairman, both in an Executive and Non-Executive capacity, over the last 10 years, and I will be leaving the business in extremely capable hands, with a fine executive team at the helm, who have demonstrated that they can take the business forward, even in the most difficult of external circumstances.

I would like to express my sincerest thanks to everyone at Spire Healthcare. It has been a pleasure to work with an exceptional group of people over the last decade and I wish the Group the best for the future.

Garry Watts
Chairman
3 March 2021

Chief Executive Officer's strategic review

Stepping up to support NHS patients and staff

"In common with people and businesses throughout the world, we have faced unprecedented challenges this year. More than most, Spire Healthcare has been at the frontline, supporting public health in the UK, and I couldn't be prouder of the critical role our people have played during the national COVID-19 pandemic."

Justin Ash
Chief Executive Officer

Following an encouraging start to 2020, with revenues up 3% in January and February, including 9% growth in self-pay, Spire Healthcare's focus quickly turned to supporting NHS colleagues and patients in England, Wales and Scotland, as the UK found itself in the grip of a global pandemic.

Signed up to help where needed

In March, together with the rest of the independent health sector, we signed a contract with NHS England to make our colleagues, facilities, services and equipment available to the NHS during the pandemic, at cost. Similar agreements commenced with NHS Wales and NHS Scotland in early April. Given the pressures on the NHS and everyone working within it, I have no doubt it was the right thing to do, and I have been delighted by the response of our people, whose tremendous efforts helped to make sure that the UK's healthcare infrastructure was sufficient to meet heightened demand and maintain time-critical services for vulnerable patients.

How we supported NHS colleagues and patients

We supported the NHS in a range of ways: delivering cancer and other urgent treatment to patients to relieve pressure on local NHS trusts; making a huge amount of equipment available to the NHS, including more than 50 ventilators; supplying PPE from day one; and making our teams available to work in NHS hospitals and the Nightingales. Several of the outstanding examples of this cooperation are detailed in the case studies on pages 33 to 44 in this report, but there are so many more.

At Spire Southampton, for instance, we worked with the team at the local Trust to transfer across oncology and haematology services. We also supported time-critical cardiac and lung surgery for vulnerable patients, delivering surgery with high degrees of complexity across our six operating theatres. On average, around 200 NHS patients received care every day at the hospital.

At Spire Hartswood, along with a handful of our other hospitals, we provided rehabilitative care for patients recovering from COVID-19, after they had spent the most acute part of their illness being treated in their local NHS Trust. We carried out cancer treatment for patients in the West Midlands and Hertfordshire, while in Leeds we established a liver unit caring for a range of patients, including the most vulnerable, end-stage patients who came to us from the NHS Trust.

At Spire Nottingham, we treated patients with a variety of cancers, including breast, skin and bowel cancer, as well as providing urgent diagnostics. We also accelerated the development of a critical care unit at the hospital, which is now one of very few in the independent sector outside London, and the unit stands ready for critically-ill patients from the NHS and the private sector.

Delivering our Purpose

The patient care we provided was underpinned by our collective commitment to our Purpose: 'making a positive difference to our patients' lives through outstanding personalised care.'

I am delighted that our patient feedback shows that we are delivering our Purpose, with 92% saying we delivered outstanding care, 94% feeling their care was personalised and 83% saying we made a positive difference to their lives. We will continue to strive to fulfil our Purpose in 2021.

Strong cash management

All this hard work has helped to save lives and, while we we recovered certain costs, the terms of the contract, where payments were made in advance, helped to maintain the Group's liquidity position. Net revenues from the COVID-19 contracts in England, Wales and Scotland totalled £362.7m during the year, leading to total NHS revenue of £430.0m (2019: £285.7m). As of 31 December, the Company has seen more than 214,000 NHS patients since the start of the COVID-19 contract.

Careful cash management has been important. The efficient use of resources and the suspension of dividend payments during the crisis has helped us to come through the year in a strong position for the future.

Accelerated efficiencies and long-term projects

I am pleased that, during such a challenging period, we were still able to invest further in the future of our business. We have completed a £2.7m theatre suite refurbishment at Spire Liverpool, along with two MRI and two CT scanner projects around the country. We also invested £1m in COVID-testing facilities at Spire Bushey and have replaced 716 beds across 28 hospitals.

I am delighted to confirm that we launched two new Bupa Specialist Centres for breast cancer this year. The services, a partnership between Bupa UK and Spire Healthcare, are located at Spire Bushey and Spire Little Aston hospitals. They provide Bupa members with market-leading speed of access to a comprehensive multi-disciplinary diagnostic and, if required, treatment clinic.

Alongside these investments, we also took the opportunity to accelerate the use of digital technology in both the delivery of patient care and in our back office systems. We implemented virtual consultations and electronic pre-operative assessments, centralised our call centres, and aligned procurement. We also developed a new pricing system that will allow central control and optimisation of self-pay pricing when rolled out across the Group during 2021.

Relationship with the NHS and Consultants

The collective response to the COVID-19 pandemic has strengthened Spire Healthcare's relationship with the NHS, both at a local and national level, and the Company has received significant positive feedback from Consultants, colleagues and patients. It has meant a significant change in working practices and environment for colleagues across the Group.

COVID-19 significantly impacted the Consultants who have practising privileges at Spire Healthcare, with minimal private activity possible during the peak of the pandemic. We have worked hard to ensure that these vital partners have been fully engaged throughout. We have increased our regular communications with Consultants, including dedicated town hall meetings, attended by me and other members of Spire Healthcare's Executive team. We have also expanded our internal communications team to include a Head of Consultant Communications.

With the agreement of our regulators, we implemented new governance systems with the local NHS trusts to allow us to grant practising privileges to Consultants and other healthcare professionals new to Spire Healthcare on an emergency basis, so that they could work safely in our hospitals during the pandemic, carrying out the same duties as they would normally do within the NHS. This has enabled them to care for NHS patients at our hospitals, all benefiting from the high-quality facilities we offer in a clean, COVID-secure environment.

I would like to thank our Medical Advisory Committees and their Chairs for their hard work and diligence during the year. We stayed in frequent communication and their advice and experience has been invaluable.

Supporting our people

We have also worked hard to provide practical, social, emotional and financial support for our colleagues, and it has been to their immense credit that so many have been able to adapt and learn new tasks and functions very quickly. The contract with the NHS protected the employment of all clinical colleagues while, where appropriate, administrative colleagues were retrained and redeployed to perform a range of vital roles. While no more than 39 of our colleagues were furloughed at any point in time, no-one in this situation experienced a reduction in salary, as Spire Healthcare topped up the Government contribution. Later in the year, we committed to repay to the Government the full amount from which Spire Healthcare had benefited under the scheme.

We also took steps to look after the wellbeing and mental health of colleagues through what has been an exceptionally challenging year, and awarded an exceptional thank-you payment of £500 to every colleague not already on a bonus scheme. This was not funded by the NHS.

Meanwhile, for three months at the start of the NHS COVID-19 contract, Garry Watts, Jitesh Sodha and I agreed a 20% salary reduction, and an equivalent sum of money was donated to the NHS Charities Together.

I would like to pay tribute to all our Spire Healthcare and NHS colleagues, as well as Consultant partners and other practitioners, who have demonstrated such resilience, and worked so hard together to deliver the best possible care throughout the year. I was delighted to see that colleagues are feeling increasingly engaged and confident in the future of the Group, despite the difficult environment we have all faced. This was evidenced by the results of our colleague survey in July, with 80% of all respondents saying that they were proud to work for Spire Healthcare.

Diversity and inclusion

We believe that the success of our organisation depends on us recognising, understanding and respecting the diversity of our colleagues. Following the death of George Floyd, we set up a 'Let's talk' network for our Black colleagues to raise and discuss issues that matter to them, that we can then act upon. 2020 also saw us achieve 50% representation of women on our Executive Committee, following two new appointments (see below).

Tackling climate change

We are determined to play our role and lead the sector in tackling climate change, having reduced our greenhouse gas emissions by over 30% over the last five years. Towards the end of the year, we set a bold target to achieve net zero carbon emissions by 31 December 2030. As a strong first step towards meeting the target, we will, from October 2021, be procuring 100% of our electricity from renewable sources.

Responding to the report of the Independent Inquiry into Ian Paterson

Early in 2020, the Paterson Independent Inquiry report was published. I am determined that we support those patients who suffered at the hands of Ian Paterson. In line with the Inquiry's recommendations, we contacted all known living patients of Paterson in the autumn to offer them assistance or discuss their concerns. A number of patients have taken up our offer of support, and are receiving advice from our team of expert clinicians. We have a dedicated freephone patient helpline and email in place for any former patient of Paterson who would like support.

Gearing up swiftly for private work

The variation to the NHS England contract, announced in August, guaranteed a minimum capacity for private activity in each of the 35 Spire Healthcare hospitals in England, with a rebate due from the amount we are paid by the NHS for private appointments. This allowed us to increase our private work and, in the latter stages of 2020, we saw a significant increase in demand, which in turn helped to reduce pressure on NHS waiting lists.

To accommodate this growing demand, we have implemented safe patient pathways in each of our hospitals and I am confident these will not materially restrict capacity. The Group is committed to offering elective care to as many patients as possible, both NHS and private, and to supporting our Consultant partners to rebuild their practices as quickly as possible. Total admissions across all Spire Healthcare sites at the end of 2020 were running at 105%[1] of prior year capacity on a monthly basis.

We saw increasing demand from private patients, with relevant enquiries above the level in 2019, by year end. These enquiries drove a subsequent recovery in out-patient consultations and admissions, albeit with some time lag. By the end of the year, self-pay consultations were outstripping prior year demand by 15%[2] and self-pay admissions were in line with 2019, although a focus on more complex care meant that PMI consultations and admissions lagged behind prior year figures. Private out-patient consultations as a whole were up 6%[2] versus the same period last year, while private admissions continue to build. Private revenue in the second half of the year was £279.7m, up 44.5% on the first half.

At the time of writing, in early 2021, we are supporting the NHS during the national lockdown in new contracts which last until the end of March. We believe, based on trading in late 2020, that the underlying demand for our services is strong, and that trading should return to 2019 levels. Nonetheless, the continuing disruption from the pandemic and associated lockdown presents an ongoing risk.

Strengthening our commitment to safety and clinical quality

I was pleased to welcome Dr. Catherine (Cathy) Cale to Spire Healthcare as Group Medical Director in October 2020. Cathy has served on Boards as Medical Director in three organisations, each in different parts of the health sector, most recently with Hillingdon Hospitals NHS Foundation Trust in London. I would like to thank Fergus Macpherson, who acted as interim Group Medical Director at the end of 2019 and much of 2020, for all his support during what was a particularly challenging period.

To further strengthen the central medical support we provide to hospitals and Consultants, we have implemented a new regional structure with a Medical Director for each of our three geographical business units (North, Central and South), in addition to the existing Assistant Medical Director and Responsible Officer. This will provide increased medical governance and representation throughout the business, reinforcing the Group's commitment to patient safety and clinical quality.

CQC inspection reports on six of our hospitals were published during the year, with all rated 'Good', including three upgrades from 'Requires Improvement' for Spire London East, Spire Hartswood and Spire Leeds. In the case of Spire Leeds, I was particularly pleased that, thanks to the brilliant work of our colleagues, this turnaround was completed within a year. I am delighted to report that 90% of Spire Healthcare sites are now rated 'Good' or 'Outstanding' by the Care Quality Commission, or the equivalent in Scotland and Wales, up from 85% at the end of 2019.

Group General Counsel

We also welcomed Gillian Fairfield, who was appointed Group General Counsel on 1 September. Gillian is a senior lawyer with over 20 years of experience in corporate law, regulatory, finance and governance and has worked with listed companies across a number of sectors.

Well positioned for 2021

The coronavirus pandemic has been the worst public health crisis for many generations. The scale of the numbers of people who have died, been ill or seen their lives affected by the pandemic is difficult to comprehend. My heart goes out to every family who lost a loved one.

The impact of the pandemic on public health, and also the economy, will continue in the months and years to come. The partnerships formed between the NHS and the private sector have been extremely productive in ensuring high-quality care for patients, relieving pressure within the NHS and providing value for the taxpayer.

There remain uncertainties relating to the evolution of the pandemic, as well as associated costs. Overall, however, I am optimistic about the Group's future prospects. The investment we have made in our business and our colleagues means that Spire Healthcare is primed to treat the growing numbers of private and NHS patients needing elective and clinically-urgent care, with our continued focus on outstanding patient care, quality and safety. Our underlying strategy is unchanged, and we emerge from 2020 as a stronger organisation, well positioned for the years ahead.

Justin Ash
Chief Executive Officer

1 December 2020 admissions, compared with December 2019
2 December 2020 vs December 2019

Our response to the COVID-19 pandemic

“We are very proud to be supporting the NHS during the worst public health crisis seen in decades. Even though tackling the coronavirus is the number one priority, it is so important that people with other urgent health conditions continue to access the treatment they require. We are very pleased that we’re able to play our part in meeting this need.”

Nayab Haider
Hospital Director, Spire Norwich

Stepping up to support our NHS colleagues

Signed up to help

The independent hospital sector working alongside the NHS is nothing new. In fact, at Spire Healthcare, we have been serving the NHS for many years, helping reduce waiting lists and taking pressure off NHS trusts and the wider healthcare system.

However, in March 2020, as part of the national response to the COVID-19 pandemic, we signed an agreement with NHS England that went much further – making our people, facilities, services and equipment available to support the NHS in the fight against the pandemic. We signed similar agreements with NHS Wales and NHS Scotland in April, with all services and support provided on a cost coverage basis.

Wide variety of support

The work we took on was wide-ranging, varying significantly across the country, according to local need. Our biggest focus was on providing surgery, treatment and diagnosis for patients with cancer and other critical conditions such as cardiac disease, and many of our hospitals took over whole cancer services and chemotherapy from their local trusts. This gave our NHS colleagues time and space to focus on caring for COVID-positive patients on their wards.

Across our hospitals, we have cared for more than 214,000 NHS patients during the course of the pandemic, who would otherwise have seen their treatment or diagnosis cancelled or postponed. This included more than 27,000 admissions of patients who needed urgent cancer care. In Norwich, we put in place a whole new chemotherapy service, to allow provision to move from the local Trust to our hospital, while we took over the cystic fibrosis service in Manchester, cared for people with acute liver disease in Leeds, and carried out urgent cancer surgery at Spire Cardiff. We also looked after people recovering from COVID-19 in a small number of our hospitals, after they had spent the most acute part of their illness on an NHS ward.

Responding to urgent requests for help, we loaned a wide variety of equipment to local NHS trusts, including ventilators, thermometers, monitors and diagnostic equipment, as well as making PPE, gowns and scrubs available to NHS colleagues. Around 250 of our own people also volunteered to work in their local Trust or at a Nightingale hospital at the height of the pandemic.

Navigating out of COVID-19's initial peak

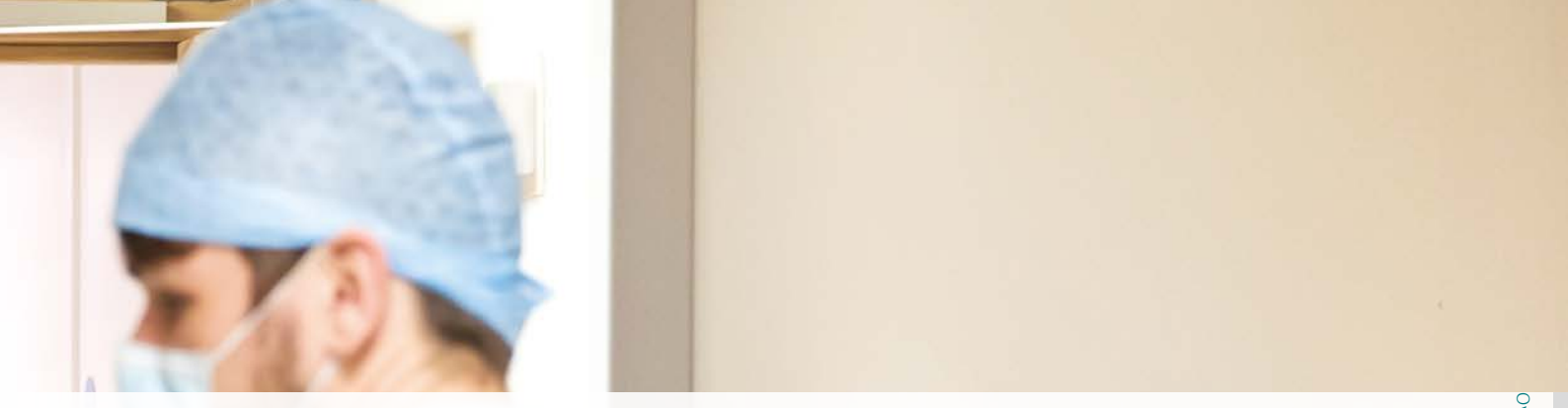
As the focus of the NHS moved towards reducing waiting lists and waiting times, the nature of our work changed so that we could best support the NHS in achieving this aim. We ramped up our diagnostic activity, along with elective work for NHS patients, including orthopaedic care, general surgery and gynaecological treatment. We also relaunched our services for self-paying and insured customers, provided that treating private patients did not conflict with what the NHS needed from us. This made an additional contribution to relieving waiting list pressures in the NHS.

Towards the end of the year, we supported the NHS in managing surges in COVID-19 in certain parts of the country by once again increasing the capacity made available to NHS patients.

As a result of our close cooperation this year, both with the NHS and our own colleagues across the organisation, all Spire Healthcare hospitals are now more fully aligned and working more efficiently as 'One Spire'. We have stronger relationships with Consultants, the NHS at both a national and local level, and GPs; and our colleague engagement remains high.

Hospital highlight:
The local NHS Trust in Southampton transferred its oncology and haematology services to Spire Southampton, where we treated a wide variety of cancers, including gynaecological, neurological and gastrointestinal, while also supporting urgent cardiac and lung surgery.

> **When we joined forces with the Norfolk and Norwich University Hospital NHS Foundation Trust (NNUH) to deliver specialist treatments to NHS patients throughout the coronavirus pandemic, the most important thing was to quickly establish an excellent service relationship.**



Stepping up to support our NHS colleagues:

Building a strong partnership during the pandemic

Nayab Haider
Hospital Director,
Spire Norwich

We offered every inch of space at Spire Norwich to support the local NHS Trust

As part of the agreement between Spire Norwich and the Norfolk University Hospitals NHS Foundation Trust, thousands of NHS patients were seen at our hospital, many receiving vital chemotherapy treatment, which allowed the Trust to focus on caring for people with COVID-19.

"When we joined forces with the Norfolk and Norwich University Hospital NHS Foundation Trust (NNUH) to deliver specialist treatments to NHS patients throughout the coronavirus pandemic, the most important thing was to quickly establish an excellent service relationship," says Nayab Haider, Hospital Director at Spire Norwich. "We had to create clear ownership, determine exactly what we could do to support the Trust, decide the patient pathway, understand how we would share data, and maintain strong governance standards."

With all this to consider, it is all the more remarkable that following a landmark agreement on 23 March 2020, the first NHS patient was treated at Spire Norwich as soon as 1 April. Chemotherapy was the key service to transfer from the NNUH and, as this was not a part of our hospital's current offering, significant work was required to mobilise the unit. We had to engage with the CQC to confirm that we would be working under registration, and the NNUH stepped in to train a group of our nurses, while operating under our governance. Careful media engagement was also required to reassure the Norfolk public that we were capable of continuing the service and would provide a very safe environment to patients.

"Essentially, we were a surgical unit and we needed to become a district hospital," explains Nayab. "That kind of thinking helped the NHS Trust understand what we were trying to do. And it helped us to work out how to use our resources better – not just PPE, but also Consultants and nurses – and to really strengthen our clinical capability to carry out cancer, spinal and cardiology treatment."

Some Consultants already had a practice with Spire Healthcare, but we also arranged for more than 70 further Consultants to get emergency practising privileges. This has helped us build more resilience – nobody knew what was coming at the very beginning of the crisis, but having assessed our capabilities, Nayab and his team knew it was important to fill any gaps, to deliver everything the Trust needed.

"At the beginning we put in extra resource, doing whatever it took," says Louise Sokalsky, Director of Clinical Services at Spire Norwich. "We were able to scale back once we were into the groove. We had to adapt to a different way of working, with guidelines changing almost every day. We needed to step up our communications, and in some cases our people were pushed out of their comfort zone, having to learn new things or even change their roles dramatically. They were challenging times but so many of our people said they just felt lucky that they were doing something useful."

At the height of the pandemic, we also opened a temporary midwifery hub at Spire Norwich. While midwives are generally autonomous practitioners, COVID-19 restrictions made it far more practical for mums to come into a secure environment where they and their babies were safe to meet midwives from across the county. The clear benefit of having clinical colleagues nearby inspired them to find a suitable premises to continue this approach when they moved on from our hospital.

Asked what the one thing he is most proud of throughout all this, Nayab has no hesitation: "It's our team. The resilience and the adaptability they have shown during this period, through all of the pandemic, has been absolutely outstanding. I mean, we even had clinical colleagues performing car parking duties when they were needed. It honestly overwhelms me, and I couldn't be more proud."

My recent diagnosis of breast cancer came at a worrying time with the current climate making treatment options more complicated. It came as a great relief to hear that my local NHS hospital was working with Spire Manchester and I feel extremely fortunate that this meant I was able to get the treatment I needed so quickly and efficiently. The care I've received has been incredible, and I cannot thank the Consultants, nursing team, anaesthetic team and support staff enough.

Cathy Leyland
an NHS patient who was treated at Spire Manchester

Keeping patients safe

Providing safe, COVID-secure environments

Our philosophy is that every patient deserves the same quality of care, regardless of whether they are an NHS, insured or self-pay patient. This philosophy made us a natural partner to the NHS during the pandemic, as we made our people and services available to support it.

In line with our Purpose, we have made a positive difference to many patients' lives this year, providing urgent care and treatments for NHS patients that would otherwise have been delayed, at a time when the country's focus was on tackling COVID-19. Crucially, our hospitals have provided safe, COVID-secure environments that were ideal for treating such patients with time-critical requirements.

Focus on infection control

It took a relentless focus on infection control to ensure our hospitals remained clean and secure from COVID-19. Like all people working in healthcare, many of our colleagues developed symptoms themselves, and around 1,350 were off work self-isolating in the early stages of the pandemic, posing a real challenge to our business. We quickly established a system for regular COVID-19 tests for colleagues, including a £1m investment in testing facilities at Spire Centennial Park in Hertfordshire. We put in red, amber and green pathways for patients coming to our hospitals, to separate those coming in for planned surgery (on the green pathway) from those coming in for out-patient and other appointments (on the red pathway).

We swab tested patients on the green pathway for COVID-19, and required them to self-isolate, prior to surgery. We also temperature-screened everyone entering our hospitals and ensured appropriate PPE was available for all our teams. We took the difficult decision to restrict visiting, to protect patients and colleagues, and vaccinated almost 6,200 colleagues against flu. In addition, the introduction of virtual consultations and electronic pre-operative assessments reduced the need for some patients to come into our hospitals physically. This helped our people and patients stay safe and has enabled us to increase capacity for both private and NHS treatments, while minimising any risk.

During 2020, Spire Healthcare had no in-patient COVID-19 deaths.

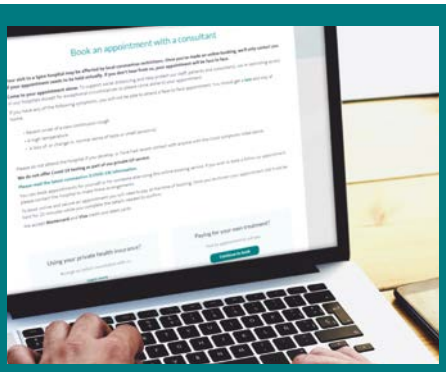
Commitment to quality, safety and governance

At Spire Healthcare, we are uncompromising in pursuing the highest quality patient safety and care. During the pandemic, we have retained this focus and continued to strengthen our governance processes. We increased the frequency of our Board Clinical Governance and Safety Sub-Committee, maintained our monthly executive Safety, Quality and Risk Committee, and ensured that frequent internal audits of our hospitals continued on a virtual basis.

Our safety culture is recognised by our patients and healthcare regulators. The CQC published reports on six of our English hospitals and Healthcare Inspectorate Wales published reports on our two hospitals in Wales. All received a 'Good' rating or the equivalent. This means that 90% of all our hospitals are now rated 'Good', 'Outstanding' or the equivalent.

This was an important factor in building trust with our NHS partners and developing the relationships needed to secure the best outcomes for patients during the pandemic. Our Medical Advisory Committees and Consultants also made an invaluable contribution, providing support and guidance to reinforce our commitment to quality, safety and governance in the most challenging of times. They continue to help us to develop new systems and pathways to keep our patients and colleagues safe, which is important in encouraging patients who may not feel confident about visiting a hospital to do so.

Hospital highlight:
Spire Nottingham accelerated the development of its critical care unit this year, and now has one of very few in the independent sector outside London. The unit was opened, ahead of schedule, providing the best possible care for critically-ill patients.



Introduction of digital technology

The pandemic provided a platform to accelerate the delivery of our digital programmes, which enable patients to receive advice and care in the comfort of their own homes, while improving our own efficiency. In March, we secured licences to facilitate virtual patient consultations, with almost 60,000 consultations with Consultants and Spire GPs taking place by the end of the year.

Electronic pre-operative assessment (ePOA) was piloted in three Spire Healthcare sites (Spire Nottingham, Spire Hartswood and Spire Leicester) in the first half of the year. Full implementation of ePOA across all sites will continue into 2021, with the aim of significantly reducing the use of paper within Spire Healthcare, while facilitating a better patient experience and shorter processing time, freeing up nursing time and hospital consulting rooms.

We also hosted virtual training and events for General Practitioners, enabling Spire Healthcare to reach and engage with the local medical community, thereby protecting and developing an important source of patient referrals.

59,300
Virtual consultations undertaken

Keeping patients safe:

Providing a place of safety for the local cystic fibrosis service at Spire Manchester

Dawn Davies
DIrector of Clinical Services, Spire Manchester

> **“It was in March, in the early stage of COVID-19, that one of the senior managers from the Trust came in to look around our hospital. We were told that they had a group of extremely vulnerable patients who they needed to keep safe.”**

We enabled hundreds of patients, extremely vulnerable to the virus, to continue their treatment

At the start of the pandemic, Manchester University NHS Foundation Trust’s cystic fibrosis service was temporarily transferred from Wythenshawe Hospital to Spire Manchester, to work under Spire Healthcare’s governance, together with the supporting clinicians, including doctors, nurses, pharmacists and physiotherapists.

“It was in March, in the early stage of COVID-19, that one of the senior managers from the Trust came in to look around our hospital. We were told that they had a group of extremely vulnerable patients who they needed to keep safe,” explains Dawn Davies, Director of Clinical Services at Spire Manchester. “The patients had cystic fibrosis, making them extremely vulnerable to the virus. And, because the unit and the patients themselves have to be completely isolated, our facility provided them with a viable solution to keep their service running safely.”

Ward 1 at Spire Manchester has 19 beds, and as the Adult Cystic Fibrosis Centre at Wythenshawe Hospital typically has a similar number of in-patient beds, with patients staying for anything from a week to a month, this looked like a good option. The Centre also has lots of frequent daycase patients who are in and out on the same day, so Ward 1 was the perfect solution for these patients. Alongside this, the Bupa Health Assessment unit at our hospital – a standalone unit on the ground floor – was ideal for safe out-patient services.

“It was only when we started talking about out-patients that we realised the scale of what we were looking at,” says Dawn. “They wanted to move the whole service to Spire Manchester, not just a ward with a small number of long-stay patients, but also their out-patient facilities and their daycase service.”

And with the COVID-19 pandemic accelerating at quite a pace, the Spire Healthcare team also realised that there was real urgency to move the patients and establish the service at our hospital. The wellbeing and safety of the patients was most definitely at risk, as at Wythenshawe they were in the respiratory unit, which was rapidly filling up with COVID-19 patients.

“Once we’d agreed the location, we moved the whole facility in a week – that meant really good communications and tight working relationships between my pharmacist and their pharmacist, my lead nurse and their lead nurse. That was the only way it was going to work,” says Dawn. “It was a real team effort and absolutely the right thing to do for those patients. They were extremely vulnerable and at high risk. We set up inductions for the staff, and registration at our hospital for the cystic fibrosis Consultants. All the things we would normally do for a new starter were done in a week for more than 100 people.”

As a “green site”, COVID-secure, and with dedicated patient pathways for cystic fibrosis patients, Spire Manchester became a place of safety for them. We also relieved pressure on other local NHS hospitals by performing time-critical breast and lung cancer surgery for NHS patients at our hospital; and we took on gynaecological lists for St Mary’s Hospital, dental and endoscopy work for the Royal Manchester Children’s Hospital, and endoscopy work for Salford Royal NHS Foundation Trust.

“While the cystic fibrosis service was on our site, it was important that we made the NHS colleagues working with us to feel welcome as part of the Spire team and part of our community,” says Dawn. “It was also very personal to me, as my daughter-in-law was formerly a patient of the Cystic Fibrosis Centre. So, it was nice to be able to help and to talk with her about that. It was like I was giving something back for her too, making it quite a personal journey for me.”

Investments in our estate
Our investments in quality and our core estate continued during a vastly different year for healthcare in the UK. Whilst we spent £20m less than originally planned, we still invested around £50m on areas where our Consultants and patients will really notice a difference to the services and care we can offer.

Projects have included:
- replacement of around 50% of our beds – over 700 beds at 28 hospitals;
- refurbishment of theatre suite at Spire Liverpool;
- new MRI scanners at Spire Southampton and Spire Leeds;
- new CT scanners at Spire St Anthony's and Spire Norwich;
- replacement of the X-ray machine at Spire Wirral; and
- a new multistorey car park at Spire Bristol.

We also brought into service the Critical Care Unit at Spire Nottingham, with the support of the local NHS Trust, and invested £5.6m in CQC compliance work across seven of our sites.

We will continue with scheduled refurbishments and the purchase of new equipment and technology over the next few years, making further upgrades to our imaging, diagnostics and pathology departments. This will ensure we have the resilience we need to increase capacity as demand grows, continue to provide the highest quality care to all payor groups, and deliver maximum returns for shareholders.

700
Beds replaced across 28 hospitals

£5.6m
Invested in CQC compliance across our sites

A portrait of care
We were delighted that the National Portrait Gallery featured Tendai Mahachi, an Operating Department Practitioner in the theatre team at Spire Dunedin, in their 'Hold Still' exhibition. The online exhibition showcased 100 photographs from lockdown and the portrait itself was taken by Neil Palmer, a photographer who lives locally to Tendai.

"Neil put an advert on social media, saying that he was taking photographs of key workers. To be honest, the selling point for me was the free photos," laughs Tendai. But Neil had other ideas, and he really wanted to photograph what was going on in the pandemic, to try and capture the mood of the nation. A moment in time like nothing we have ever seen before.

Tendai has been surprised by the amazing reaction to Neil's photograph, but she can see how he captured something special: "It evokes this fragility and the fact that you're quite vulnerable, and you're not actually in control. All that's coupled up with fear. If you're in the front line, you're thinking, even with all the extra safety precautions we've been taking, I'm still exposed. Other people have the choice to stay at home, but we don't, you have to go in and do your job as normal. So, the best thing you can do is do your job the best you can, and just pray that you're safe."

Photograph: Neil Palmer

Supporting our people

Adapting to new environments

The resilience and flexibility of our colleagues throughout this year has been exceptional. We are enormously proud of what our teams achieved through the peak of the pandemic and beyond – adapting to new circumstances, taking on new responsibilities, and in most cases, working in new environments, either at one of our sites or at their local NHS hospital.

The NHS contracts helped us ensure that no more than 39 of our colleagues were furloughed at any point in time, and Spire Healthcare topped up the Government contribution, so that no one experienced a reduction in salary. We provided an exceptional £500 COVID-19 gift to all colleagues not on a bonus scheme (over 7,500 people in total), as a thank you for their efforts in this challenging period. In recognition of the enormous contribution played by our bank colleagues in helping us to respond to unprecedented pressures, we also offered people on our bank greater security by giving them the opportunity to take up permanent contracts with the Company. This was taken up by around 400 colleagues; a very positive step for the business.

Clear guidance and support

Clarity has been the key to our response to the pandemic. It started with good leadership, made possible by our new gold (central), silver (regional) and bronze (local) command structures. This ensured that everyone was clear what they needed to do, and it allowed for strong local leadership, with hospital directors empowered to form effective working relationships with local NHS trusts.

As regulations and circumstances changed quickly, clear guidance was provided to colleagues, Consultants and patients, making sure that safety remained a top priority at all times. This included the procurement of PPE; our supply chain team did an excellent job to ensure that we did not run out of PPE, especially at the start of the pandemic, and colleagues had all the PPE they needed, when they needed it.

Health and wellbeing

Underpinning everything has been Spire Healthcare's culture of supporting our people. We care passionately about the welfare of our colleagues and have put a range of practical and emotional support systems in place to help them through the pandemic. We provided advice on issues ranging from finance to flexible working, supported colleagues who were shielding or self-isolating with welfare calls and food parcels, and secured access to benefits designed for NHS staff. We stocked our hospital shops with essentials and toiletries to avoid the need for our colleagues to go out shopping after finishing a busy shift.

We placed particular emphasis on our colleagues' mental health and wellbeing, understanding the emotional strain placed on them by the high-pressure and often traumatic work they were doing. We increased the number of mental health first aiders at every site, provided mindfulness sessions and support from a motivational coach, introduced a new wellbeing toolkit for line managers, and ensured every colleague had access to trauma helplines and counselling support. We set up partnership sessions with Mental Health First Aid England, which were attended by 500 colleagues, launched a 'Little Book of Working from Home' to help colleagues adapt to the different stresses and pressures of home-working, established a 'Let's Talk' mental health network and even set up a nightcap club for colleagues feeling lonely.

Families have also been supported – recognising that many of our colleagues were not always able to get to the shops, we provided hot and cold food onsite 24/7, not just for colleagues, but also for them to take home to their families at the end of their shift.

Keeping in touch

We recognised the challenge of keeping our people in touch with the leadership team and each other at a time when travel was restricted and a significant proportion of central function colleagues were working from home. To do this, we put in place a range of online communication channels, including regular, information cascades for hospital senior management teams and Zoom 'Town Hall' sessions to give colleagues the opportunity to discuss issues and ask questions to Executive Committee members.

As we entered the first peak of the pandemic in March, we brought forward the launch of our new Ryalto communication app, which enables colleagues to share news and stories, as well as quizzes, ideas for kids and other ways of boosting morale. Since its launch, colleagues have scrolled through the newsfeed over 3.5 million times. Our teams were also encouraged to share stories of the heroic work done and initiatives started by our people, which were then shared organisation-wide to boost morale.

Meanwhile, members of the Executive Committee and our Non-Executive Directors visited hospital sites virtually when in-person visits were not possible, ensuring the gap from Board to ward was bridged, with the Chief Executive Officer visiting every hospital virtually during the first lockdown.

Surveys of our employees during this period showed that 80% of colleagues said they were proud to work for Spire Healthcare (up from 79% in autumn 2019), 98% of colleagues in central functions felt that our communications have been effective, and 83% think we have given good guidance on social and mental wellbeing.

How our colleagues moved around the organisation to where they were most needed

During the COVID-19 pandemic, Spire Healthcare colleagues up and down the country were deployed to new roles, retraining and upskilling to fill in for absent colleagues or to strengthen teams where they were needed most.

Sarah Jackson and Scott Wilson are both Health Advisors at our Bupa Health Assessment unit at Spire Manchester. They were among a whole team redeployed when the unit was temporarily closed in March, as the hospital ramped up to support the local NHS Trust.

"They were really good at finding roles where we could make a difference," says Sarah. "We were asked where we would prefer to work, and I said I would prefer Pathology, as I had worked in a laboratory when I was at University." Members of the team were upskilled where necessary, and given the support they needed to fit in to a temporary role. As a medical lab assistant in Pathology, Sarah was kept busy booking in samples, and helping the other assistants there.

Meanwhile, Scott spent a little time in Pathology too, as well as covering roles in Medical Records and Out-patients. "Then I moved to the Catering team, working mainly front of house," says Scott. "Because of the virus, food hygiene was even more critical, and the Catering team had to have regular COVID-19 checks." And, as a Spire colleague and a user of the service, Scott not only made changes that reduced wait times for food, but he was also able to review the range of food offered. "I had the opportunity to work with our suppliers to refresh the product range," he explains, "and, as a result, we offered a lot more variety to our colleagues at the hospital."

"Overall, it was a great experience," says Sarah, "It really helped me to understand how we can work together better. The welcome from the Pathology team was brilliant, and I had the chance to really understand how the department works. It inspired me to suggest a number of changes when the team returned to the Bupa Health Assessment unit in June."

Hospital highlight:

We have a large orthopaedic unit at Spire Norwich, with some outstanding physiotherapists. When we weren't doing orthopaedic surgery at the height of the pandemic, they kept busy doing anything and everything they could: helping in the community, carrying out screening in nursing homes, and supporting the team in screening patients prior to admission to the hospital.

> **It has been an absolute pleasure working alongside you throughout this challenging time. Your skillset has been a great addition to our COVID team. Thank you for being a positive influence on the theatre team. I look forward to working with you again. Keep up the excellent work.**

NHS Trust Team Leader
Thank you card sent to a colleague from Spire Clare Park who was part of the clinical team that transferred to the Trust

90%

More than 90% of Spire Clare Park's clinical team transferred over to work at Frimley Park Hospital

Supporting our people:

How Spire Clare Park people supported the NHS Frimley Park Hospital

Part of the Clinical Team at Spire Clare Park

Our colleagues pitched in to alleviate the stress on NHS colleagues at the peak of the pandemic

More than 90% of our clinical team at Spire Clare Park, including senior managers and team leads, transferred over to Frimley Park Hospital to support NHS staff in the fight against COVID-19 – taking with them much-needed equipment, including anaesthetic machines, recovery monitors, syringe pumps and ITU equipment.

"We have worked closely with our local Trust for many years, but never more so than during this pandemic," says Heather Everitt, Director of Clinical Services at Spire Clare Park. "When the lockdown was announced, discussions began immediately as to how we could support them, and it soon became clear that offering the skills and expertise of our people would be the most beneficial."

Heather was responsible for managing the transition of our teams across to Frimley Park. Having previously worked at the NHS hospital, Heather's relationship with senior staff there helped to make everything work, and even when the process stagnated, it was her interpersonal relationships that broke down all the barriers.

"No-one was made to go," insists Heather. "If anything, people were keen to help, as they knew what was going on in the NHS. So, when they were offered the opportunity to go, they jumped at the chance. In fact, all of our ward and theatre colleagues transferred across, 46 in all. Many hadn't worked outside Spire for many years, though some had an NHS background. The team at Frimley Park put together a really good two-day induction – covering basic safety and life support, and safeguarding. They made sure our people were aware of all the differences in an NHS hospital."

Meanwhile Matt Allen, Spire Clare Park's Theatre Manager, was staggered by the enormous amount of equipment they had to transport: "Whereas in the past, there would have been a natural reluctance to share things, pretty much everything was sent over, from thermometers, pumps and monitors, to scrubs and gowns. We actually filled a big operating theatre with all the equipment we sent across. I've never seen so much bubble wrap and Sellotape!"

Under the agreement made with the NHS Trust, Spire Clare Park supported Frimley Park until the end of June, helping to alleviate the pressure on the teams there, and allowing them to prepare for the gradual re-introduction of other NHS services. Some of our people were out of their comfort zone, but the relationships Heather and Matt had with people at all levels ensured that they merged effectively with the NHS teams, and we received wonderful feedback from the Trust.

"I am immensely proud of what we all did," says Heather. "As nurses, we are used to caring for people at the end of their lives, but at the height of the pandemic there were multiple deaths per shift. Somehow our people kept smiling and caring for those who needed us. What we did allowed the Trust to give their own people some time off, which was a huge relief for them. They were exhausted."

Matt adds: "I'm incredibly proud of all the work the team did to support the NHS, in spite of their anxieties and fears."

When everyone returned to Spire Clare Park, they brought back new skills, were more confident in responding to emergencies, and able to respond a lot quicker in a range of circumstances. Our Ward manager, in particular, came back with many great ideas that have improved the way we work.

"We were each sent a special Frimley NHS Trust lapel pin to commemorate the service we provided," smiles Heather. "It seems a small thing, but it showed that we were all regarded as part of the team. Many of our people who went across are young, and the pin is literally a 'badge of honour' for them – something to treasure always, and add to their CV."

Matt was impressed by how welcome our people were made throughout their time at Frimley Park, but he singled out one person in particular: "The Head Chef at their canteen was amazing. He made sure everyone was looked after, supplying free breakfast when he could. And there were a few occasions when one of our people was feeling the pressure and they were wobbling – I was able to take them to the canteen, even when it was closed. The Head Chef opened it up specially for me, let us take drinks and snacks, anything we wanted. Then I was able to sit with the person and settle them down. It's kindness like this that stays with you, and makes the experience so special."

> **I cannot praise our own colleagues enough for their flexibility in adapting and learning new disciplines and working together with Consultants with whom they have not partnered in the past. The welcome our colleagues have given these Consultants and the relationships formed are nothing short of inspirational.**

Cathy Cale
Group Medical Director,
Spire Healthcare

Supporting Consultants and surgeons in training

Enabling Consultants to practise

The disruption to elective surgery during the peak of the COVID-19 pandemic was distressing to both doctors and patients. For Consultants, it not only restricted their private activity, but it was also possible that they would not be able to practise at all, with the virus present on NHS wards.

Consultants with practising privileges at Spire Healthcare were significantly impacted, so we stepped up our regular communications with them, providing frequent opportunities for them to hear from members of the Executive Committee and ask questions, and keeping in constant touch with the Medical Advisory Committee chairs. To facilitate this effectively, we expanded our internal communications team to include a Head of Consultant Communications. We also reached out to Consultants who had recently retired, to assist with Spire Healthcare's response to this challenging situation.

As the nature of our work to support NHS colleagues became clearer, we worked with our regulators to implement new governance systems to allow us to grant Practising Privileges to other doctors and healthcare professionals on an emergency basis. This enabled those professionals to carry out the duties that they would normally perform in the NHS, in our hospitals, allowing us to support the rapid transfer of medical services from a number of NHS hospitals to our own.

This helped the NHS to continue to function, and Consultant surgeons who moved over to work in our hospitals complimented us on how easy it was to bed in. NHS leaders tweeted and sent notes of thanks, with one saying: "With Spire we have been very lucky in that they have been able to deliver surgery of high degrees of complexity with six theatres running... without that support, we would not have been able to provide really important clinical work through this challenging period."

Opportunity to train at Spire Healthcare

The disruption was also keenly felt by surgeons in training, many of whom experienced a reduction in caseload and, most importantly, a lack of learning opportunities. Any delays to new doctors qualifying could have had profound implications for workforce planning, especially as the NHS started to tackle the backlog resulting from the pandemic.

At Spire Portsmouth, we hosted a number of doctors in training from Portsmouth Hospitals University NHS Trust in a number of specialities – including orthopaedics, anaesthetics, urology, gynaecology and general surgery. Portsmouth was a trial site for the inclusion of NHS trainee doctors, and it proved to be an extremely positive experience for all concerned.

Consequently, we arranged for trainee surgeons to be posted for a limited period to some of our other hospitals to continue their training, providing planned surgery for NHS patients. Under the supervision of other Consultants, trainees were able to operate at our sites, gaining practical experience and broader healthcare knowledge.

Leeds, for example, has one of the biggest teaching hospitals in the country, with a very wide range of specialties. Here, we signed a Memorandum of Understanding with the NHS Trust that allowed the free movement of medical and nursing staff into our hospital. As a result, a significant number of NHS colleagues were able to progress their training at Spire Leeds during the year.

Hospital highlight:
When we moved Manchester's cystic fibrosis service to our hospital during the pandemic, the Consultants who came over were supported by our Resident Medical Officer (RMO), who looked after their patients at night and at the weekends. It was a great opportunity for our RMO to learn more about the disease, and to help care for the patients.

Supporting Consultants and surgeons in training:

Supporting Leeds Teaching Hospitals NHS Trust

Helen Atkinson
Hospital Director,
Spire Leeds

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A partnership that worked for Consultants, patients and the people of Leeds

We supported the staff and patients of Leeds Teaching Hospitals NHS Trust by providing treatment for a range of specialties, such as paediatric surgery, urology, pain management, orthopaedics, cardiology, ophthalmology and, in particular, diseases that affect the liver.

It has been an eventful year for our people at Spire Leeds. The hospital received a “Requires Improvement” rating from the CQC in July 2019, and following a remarkable turnaround programme, the CQC returned for an unannounced inspection in March 2020, noting the changes we had achieved in just ten months. They upgraded us to a “Good” rating overall and across all sections of their report, praising the hard work put in by colleagues to ensure that patients had a good experience while receiving care and treatment at Spire Leeds. This was a great result for the whole team, but proved to be just the beginning of the hard work 2020 had in store for us.

“The level of investment in the hospital and the rebalancing of our teams meant we had a lot more people in place – putting us in a good position to deal with the demands of the COVID-19 pandemic,” explains Helen Atkinson, Hospital Director at Spire Leeds. “While the main focus in the initial phase – what we called the ‘medical model’ – was naturally on the pandemic, we knew it was vital not to forget about those patients who need treatment for cancer and other urgent conditions.”

This first phase was essentially part of the coordinated, rapid response to the COVID-19 threat, with all of our hospital’s critical care and theatre equipment going over to the Trust. At the same time, at Spire Leeds, and uniquely across our Group, we treated patients who were awaiting liver transplants, as well as those who were recovering from transplants. We also provided some end-of-life care for patients who were terminally ill following liver failure, and our colleagues ran the daycase unit, with liver patients coming in safely on a daily basis for various treatments.

“So that was the first phase, made possible by the support and training provided to our people by the Trust,” says Helen. “The next challenge, around July, was a return to a ‘surgical model’ at our hospital, with surgically-trained colleagues having to deal with complex medical needs. That required real determination to make the partnership work, more training, and building on the great relationships we had with Consultants, specialist nurses and our NHS colleagues. It was important to know we could all work together to deliver the best for patients – including our private patients, whom we have started to welcome back into Spire Leeds in bigger numbers.”

With the surge in COVID-19 cases in Leeds later in the year, Helen believes it is important that we try to treat as many patients as possible and support colleagues in the NHS: “At Spire Leeds, we offer the greatest range of care of any of our hospitals across the Group. We also do some specialist diagnostic imaging for the Trust – both CT and MRI scans. On top of that, the Leeds Teaching Hospitals NHS Trust is one of the biggest in the country, with a very wide range of specialties and a worldwide reputation for R&D and training. There was a risk that doctors wouldn’t get adequate training during the pandemic, but some of this training has continued at Spire Leeds.”

While it has been a challenging year for Helen and her team, there have been many benefits, as the team has become more cohesive, they have learned a lot, and many individuals have adapted to hugely different tasks when required. For example, the physiotherapy team, who were underused during the first phase of activity, ended up carrying out a lot of the COVID-screening that remains so vital to the hospital’s operations. This flexibility and willingness to support each other has created an even better atmosphere in the hospital – and employee engagement scores have increased.

“Doing the right thing has become a mantra for us,” says Helen. “We have had the perfect opportunity to live our Purpose – to make a positive difference to all our patients’ lives through outstanding personalised care. This has been a great contributor to everything we’ve done – from creating the pathways we needed to keep colleagues and patients safe, to the regular mass testing we do to ensure we maintain a COVID-secure environment.”

Our market

“The pandemic, while a massive challenge to all healthcare providers this year, has brought our people closer together and demonstrated our Purpose in action. Our commercial focus remains firmly on the clinical quality we offer, speed of access for patients, the way we market and retail our services, and the detailed market intelligence that helps us identify people willing to consider private treatment.”

Peter Corfield
Chief Commercial Officer

Population of the UK

66.8m
in 2019

69.4m
by 2028 (forecast)
Source: ONS

Ageing population

+17%
people 55+ by 2028 (forecast)

+30%
people 75+ by 2028 (forecast)
Source: ONS
(comparative year: 2018)

Despite the huge public health challenge that has dominated 2020, the long-term trends that affect our market are broadly unchanged – the UK's population continues to grow, and people are still living longer, often with multiple co-morbidities.

There is no doubt that COVID-19 and the historic agreement to support the NHS in tackling the pandemic had the most significant impact on the immediate market for private health services this year, but we made a rapid return to private work in the second half of the year. With NHS waiting lists growing even longer during the pandemic, demand for private healthcare remains strong. And, while COVID-19 security and safety stand out as key issues, our core business drivers remain – speed and quality, and access to world-class care.

COVID-19 – the impact on private healthcare

With Spire Healthcare playing a leading role among private sector healthcare providers in supporting the response to COVID-19, our focus in the first half of this year was on making our hospitals, equipment, people and services available to the NHS. That dramatically affected our ability to treat private patients for several months, but that demand never went away.

In fact, as the initial peak passed, we saw a rapid rise in terms of engagement, enquiries, consultations and admissions and volumes to the point that, by the end of the year, our volumes of self-pay enquiries and consultations were consistently ahead of the same period, the previous year and our self-pay admissions were broadly in line with the same period in 2019. This wave of activity, following the pause between March and August, was largely due to pent up demand and a desire by people to avoid a lengthy wait for treatment in the NHS at a time of increasing NHS waiting lists and times; by January 2021, more than 192,000 people in England had been waiting for a year for routine treatment in the NHS, compared with 1,600 in February 2020, before the first peak of the pandemic.[1]

Patient confidence has been critical during this cycle, and addressing any concerns people may have about coming into hospital at this time has been an important factor for the private health sector. Typically, prior to the COVID-19 pandemic, up to 20% of patients experienced some level of anxiety about visiting a hospital, with around 5% feeling very anxious at the prospect.[2]

As the pandemic took hold in the UK, these concerns grew considerably among the general population. However, we were pleased to see that our target group of patients – namely, older, more affluent consumers – have expressed more confidence in attending hospital than the public at large. Among this group, those with high levels of anxiety stood at 8% in May, against 29% for the general population, and fell to just 4% by September, at a time when cases were relatively low, compared with 17% for the general population.[3] This low level of anxiety among our target consumers contributed to the recovery in our private business in the second half of the year.

Our research shows that the most important drivers of patient confidence during the pandemic have been comprehensive testing at hospitals, the provision of PPE for colleagues and patients, the security of private rooms, and the reassurance that a hospital had not treated COVID-19 patients. Providing safe patient pathways in our hospitals has been a big part of our response to these concerns, enabling us to monitor and manage any potential infections very carefully.

The pandemic has also accelerated the industry trend towards more appointments taking place digitally or over the phone; a trend which, prior to the pandemic, had been relatively slow, due to the desire by many patients to be seen in person. Demand for remote consultations has increased as many people have felt anxious about travelling to a hospital in person, and we introduced virtual consultations for our patients during the year (see also page 35).

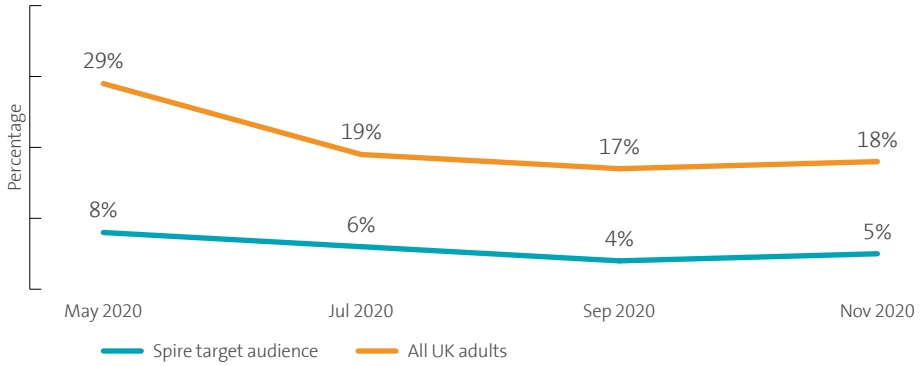
Market demographics and more complex health needs

The ageing population and greater prevalence of long-term conditions continue to put pressure on the UK's healthcare resources. More than ever in these times of COVID-19, the NHS is struggling to cope with growing demand and remains subject to long-term budget restraints.

Pre-pandemic, treatment and care for people with long-term conditions typically accounted for around 70% of total health and social care expenditure. People with long-term health conditions accounted for around half of all GP appointments, 64% of all out-patient appointments and more than 70% of in-patient bed days.[4] Private healthcare has an important role to play in meeting the UK's healthcare needs.

Our national presence and modern facilities allow us to provide services to NHS commissioners and providers, as well as self-paying and insured patients. Our work during the pandemic has materially shifted our brand awareness, enhancing our brand recognition as a hospital group that is famous for quality and making a positive difference to our patients' lives, including those with more complex care needs.

Percentage stating they would feel extremely anxious about visiting a hospital for treatment



Source: UK adults – Populus Omnibus; Spire target audience – Proprietary research
Base: UK adults – May (n=1,162), July (n=1.094), September (n=1,069), November (n=1,086); Spire target audience – May (n=2,034), July (n=1,020), September (n=1,113), November (n=5,251)

1 NHS England data, January 2021
2 Spire Healthcare patient experience surveys in 2018-19
3 Proprietary Spire Healthcare tracking throughout 2020
4 Department of Health (2012) Report. Long-term conditions compendium of information, 3rd edition

Transforming our relationship with the NHS

The NHS operates on a vast scale, offering care to all, free at the point of care, but the service has been tested to the absolute limit during the COVID-19 pandemic. We have helped everywhere we can – providing ventilators, carrying out urgent oncology work, and much more – making a material difference and helping to save lives. The deals we signed in England, Wales and Scotland were unprecedented, making our facilities available and working with NHS colleagues across the country, all while continuing to support our valued relationships with health insurers and others.

We have a long-standing relationship with the NHS that has always been complex. This year, we have built trust, shared resources and best practice, and transformed that relationship – building on our national partnership with the NHS, and demonstrating that we can be an invaluable local partner with NHS trusts and commissioners. We continue to create greater integration between our care systems and, following the work we have done during the pandemic, we are expanding the range of services we offer to the NHS into more complex medical areas.

We expect to provide a range of services to the NHS in the years to come, under the new Increasing Capacity Framework, which the NHS in England has put in place to help with the recovery, after the pandemic has subsided.

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

The majority of private patients are funded by private medical insurers, with most PMI itself being funded by the corporate market. This makes PMI sensitive to economic uncertainty, and insurers have to market the end-benefits to corporates. Insurers look closely at the CQC ratings of any hospital group they plan to do business with, and we have again made good progress on that this year.

We aim to differentiate Spire Healthcare on quality, with significant investments across the estate continuing during 2020, despite the pandemic. As a business, we did not just stop to respond to the public health challenge, we continued to develop our propositions and technology. This included becoming even easier to do business with through digital portals that have enabled efficient interactions with our patients and, where applicable, their insurers.

Maintaining close working relationships with the private medical insurers has been particularly important during the pandemic. We have invested considerable effort in communicating often and early with the insurers at every stage of the crisis, to keep them up to speed on the changing nature of our support for the NHS, and to help them adapt to the volatility of their own market.

As insurers seek to broaden their services to cover health and fitness, GP services and emergency care, we remain well positioned to meet their demands both on quality and capacity. We launched Bupa Breast Cancer centres in two locations this year, and we expect to expand on this in 2021. We also worked with our partners to get the Bupa health clinics up and running again during the year.

Self-pay – a significant opportunity

Self-pay volumes have grown for several years, with the market more than doubling in size over a decade.[5] Many people without access to PMI seek a fast track to diagnostic services and high-quality, paid-for healthcare. Among our target audience of around five million adults in the UK, at least one million have had some kind of NHS treatment cancelled during the pandemic.[6] Even a relatively small percentage of those people switching to private healthcare represents a significant opportunity for us, as well as a contribution towards relieving pressure on NHS waiting lists. With this in mind, we believe now is the right time to invest further in marketing our services.

The proportion of the workforce who are self-employed also continues to rise, with most of the growth coming in management and professional occupations in the service sector. More of these people are looking to self-fund healthcare as they cannot afford to take too much time away from work without the security of sick-pay and other corporate benefits.

Increasingly this year, our self-pay business has been driven through digital channels, mostly through mobile or tablet devices. In addition, the growth in enquiries about self-pay, resulting from the pent up demand and NHS waiting times, is translating into an increase in more complex procedures, as we attend to patients' more serious and urgent needs. More than ever before, our focus has been on clinically necessary work, particularly in our core specialties, while cosmetic procedures have been less of a priority for patients in this period.

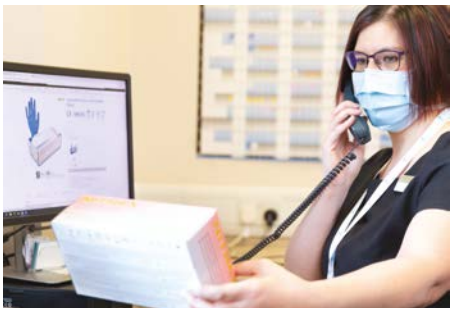
17%

growth in self-pay enquiries in H2 2020 vs H2 2019

51%

of Spire target consumers would be more likely to consider using a private hospital, given growing waiting lists

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



Responding to industry trends

Against the backdrop of the expected increase in demand for our services in the years to come, as the healthcare sector recovers from the pandemic, it has been important for us to invest in our facilities and services, so that we can meet that demand in ways that are both efficient, and attractive to patients.

We have had to adapt quickly in 2020, and accelerate our digital plans to change our processes during the pandemic. For example, we now have electronic pre-operative assessments (ePOA) up and running, ahead of a full rollout in 2021. Our app for Consultants and medical secretaries has been well used this year, as communications have been so critical in a difficult year for them. And bookings going through our various online portals are now at record levels.

We have made significant progress with the development of a new pricing system that will contain all of our pricing in one single place. This will allow patients to obtain clear quotes faster, enabling them to make well-informed decisions quickly. The pricing system will be rolled out from early 2021.

Providing quick and easy access to diagnosis continues to be a fundamental need for our target market – when people have a health problem or notice a symptom, they want to quickly find out "What's wrong with me?" In 2020, we have taken the opportunity to build a whole suite of new content across our website, and across our social media channels, to make it easier for patients to find out what we do and how they can access our services. Meanwhile, we have kept up our diagnostics investment in the estate and we will continue this in 2021.

Shortage of skilled health professionals

The UK healthcare sector as a whole continues to face a severe skills shortage, not helped by the pressure on staff during the pandemic and the number of healthcare professionals leaving the industry each year. Although many have joined or rejoined clinical professions during the pandemic, the current staff shortage in the NHS in England alone is estimated to be around 84,000.[7]

The UK's departure from the European Union has added to the challenge, with many EU nationals working in healthcare returning to their home country from the UK. The ending of freedom of movement at the end of 2020 is likely to reduce the number of potential future healthcare workers coming to the UK. At Spire Healthcare, we work hard to attract and retain the right people, including running a range of apprenticeship and overseas recruitment programmes – but we also need to be selective to ensure we address our core needs.

Looking ahead

The healthcare landscape will continue to be dominated by the COVID-19 pandemic in 2021, and until the vaccine creates a significant level of immunity among the population, we, and the independent sector more broadly, will be called upon to play a significant role in supporting the NHS to tackle the pandemic, and helping the healthcare system as a whole to recover.

Notwithstanding that, with longer than ever NHS waiting lists and the stresses in local NHS markets, exacerbated by the COVID-19 pandemic, providing easy access to private care in order to meet demand will remain a priority. Our focus is on making pre-assessment more efficient, and expanding capacity to meet this significant demand. Many of our hospitals are now regularly opening on Saturdays, some even on Sundays. The introduction of virtual consultations has already been a key factor in optimising access for many patients, and this will be increasingly important in 2021 and beyond.

The industry will need to increase the public's understanding of the services available, especially among people who are new to private hospital treatment. To this end, we will step up our investment in marketing during 2021.

Finally, the demand for the highest standards of quality will continue among our patients, insurers and regulators, and safety will remain at the heart of everything we do in 2021 and the coming years.

5 LaingBuisson. Self-pay revenue was £553m in 2009 and projected to be over £1.1bn in 2019
6 Based on proprietary Spire Healthcare research conducted with 5,231 target consumers during October and November 2020
7 Source: King's Fund, NHS Workforce, Our Position, October 2020, based on June 2020 NHS England workforce data

Applying our well-established strategy in new circumstances has been a key focus of our response to the COVID-19 pandemic. Going forward, our strategy remains unchanged and it will continue to underpin the long-term financial performance and strength of the Group.

Read more
About our plans for 2021 and beyond in our Chief Executive's review on pages 30 to 33.

1. First choice for private healthcare

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

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

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

Effective sales and marketing
We are optimising our multi-channel marketing strategy and increasing our marketing investment to build on our growing reputation as one of the UK's leading private healthcare brands.

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

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

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

96%

Source: Patient Discharge Survey

2019: 96% said they would be 'likely' or 'very likely' to recommend Spire Healthcare

Private revenue decline 2020 vs 2019

29.4%

2019 vs 2018: 5.8% increase

Private out-patient consultations Q4 2020 vs Q4 2019

1%

Self-pay out-patient consultations Q4 2020 vs Q4 2019

6%

Progress during 2020
- Introduced virtual consultations
- Opened new Bupa Breast Cancer centres at Spire Bushey and Spire Little Aston

Priorities for 2021
- Rollout of our pricing engine programme – providing clear quotes for patients faster
- Further expansion of digital technology
- Rollout of MySpire – secure online portal giving patients the ability to manage their appointments and complete electronic forms online ahead of their hospital visit
- Enhanced marketing to benefit from the expected increased demand for self-pay

Key performance indicators
Our KPIs for this strategic priority are private revenue and patient satisfaction. Read about our progress against these KPIs on page 56.

2. Key partner of the NHS

We are building ever stronger local and national relationships with NHS commissioners, trusts and GPs, and maintaining our compliance with NHS requirements.

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

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

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

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

Increase in NHS patients seen 2020 vs 2019

28.8%

2019 vs 2018: 3.9%

Number of NHS patients cared for since COVID-19 contract began

214,160

NHS oncology admissions since COVID-19 contract began

27,392

NHS revenue growth 2020 vs 2019

50.5%

2019 vs 2018: 5.0%

Progress during 2020
- Supported the NHS in responding to the pandemic throughout the year
- Strengthened relationships between our hospitals and trusts at a local level
- Built new partnerships with NHS centrally

Priorities for 2021
- Continued support for the NHS as the pandemic evolves
- Providing elective care to NHS patients to reduce waiting times
- Build on strengthened relationships established during the pandemic
- Deliver services under the new NHS Increasing Capacity Framework

Key performance indicators
Our KPIs for this strategic priority are NHS revenue and numbers of NHS patients cared for during the pandemic. Read about our progress against these KPIs on page 56.

3. Uncompromising on patient safety and clinical care

With a proven governance model, we are fully focused on patient safety.

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

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

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

Unplanned readmissions (per 100 discharges)

0.13

2019: 0.19

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

90%

2019: 85%

Regulatory inspections
(Hospital inspection reports published during the year)

8

2019: 12 inspection reports

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

98%

Source: Patient Discharge Survey, new question asked in 2020

Progress during 2020
- Worked with regulators to grant emergency practising privileges for new Consultants during the pandemic
- Responding to the recommendations of the Paterson Independent Inquiry, including contacting all living patients known to have been seen by Paterson
- Successfully commissioned a critical care unit at Spire Nottingham
- Successfully trialled our new electronic pre-assessment (ePOA) system

Priorities for 2021
- Embedding a Quality Improvement culture
- Full rollout of ePOA
- Substantial completion of implementation of Paterson Inquiry recommendations
- Commissioning a further three critical care units within our existing hospitals
- Increasing the number of endoscopy units with JAG accreditation
- Embedding our new Regional Medical Directors, strengthening medical governance across the country

Key performance indicators
Our KPIs for this strategic priority are: unplanned returns and readmissions, post-operative mortality, MRSA, C. difficile and percentage of sites rated 'Good' or 'Outstanding' by the Care Quality Commission, or the equivalent in Scotland and Wales. Read about our progress against these KPIs on page 57.

Performance against other KPIs on quality and safety are reported in the Group's twice-yearly quality governance reports, which can be accessed at www.spirehealthcare.com/patient-information/our-healthcare-standards/

4. Improving revenue, profit and cash

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

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

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

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

Revenue decline 2020 vs 2019

6.2%

2019 vs 2018: 5.3% increase

Net debt to EBITDA as determined by our banking covenant

3.90x

2019: 2.99x

EBITDA converted to cash

99%

2019: 109%

Progress during 2020
- Protected revenue through the contracts with the NHS in England, Wales and Scotland
- Delivered savings due to efficiencies
- Conserved cash through disciplined approach to capital expenditure
- Continued to reduce debt and the covenant leverage

Priorities for 2021
- Rebuild private business
- Return trading to full year 2019 levels
- Rollout of cashless hospitals – use of credit cards will reduce bad debts and improve cash flow within hospitals

Key performance indicators
Our KPIs for this strategic priority are: Group revenue, EBITDA margin, clinical staff costs as a percentage of revenue, net debt/EBITDA, total capex, conversion of EBITDA to cash and other direct costs as a percentage of revenue. Read about our progress against these KPIs on page 58.

Key performance indicators

We use a range of financial and non-financial metrics to measure Group performance. These metrics are aligned to our four strategic priorities, as set out on pages 51 to 54.

During 2021, we will be developing a new key performance indicator framework tied to our strategy on which we will report in 2022.

Strategic priority 1

First choice for private healthcare

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

Private revenue

£473.2m

Private revenue decreased 29.4% in the year, which we believe was largely due to the suspension or restriction of private activity during the NHS COVID-19 contract.

Patient satisfaction

96%

When asked 'Thinking about you visit to Spire, overall how was your experience of our service?' (Q2-4) and 'How likely would you be to recommend Spire Healthcare to friends or family?' (Q1), 96% of patients responded 'Good/Very Good' or 'Likely/Extremely likely', with 82% responding 'Very good/Extremely likely'.

Source: Patient Discharge Survey – a patient satisfaction survey offered to all discharged patients two to three days post discharge to allow them time to reflect on their experience. A new satisfaction question was introduced in Q2, though surveying was paused in Q2 due to the pandemic. The question asked in Q1 was the same as in 2018 and 2019.

92%

Agreed with the statement 'I received outstanding care'.

Source: Patient Discharge Survey. New question asked for the first time in 2020.

Strategic priority 2

Key partner of the NHS

To track our progress in building relationships with the NHS, we measure the revenue we receive from the NHS, and this year, we have monitored the number of NHS patients we have seen since the start of the contract.

NHS revenue

£430.0m

NHS revenue increased by 53.1% in the year as we partnered with the NHS to make our facilities, equipment and colleagues available under the COVID-19 contact.

NHS patients cared for during the pandemic

214,160

NHS patients cared for between 23 March and 31 December 2020.

Uncompromising on patient safety and clinical care

We track our progress towards becoming best in class through the percentage of our sites which are rated 'Good,' 'Outstanding' or the equivalent by our regulators. We also report on a range of other patient safety indicators, which align with those used in the NHS. Comprehensive, non-financial management information on clinical performance including safety and clinical effectiveness is produced and reviewed quarterly against pre-agreed standards by the corporate Clinical Services team, Business Unit Directors, Directors of Clinical Services, the Executive Committee and the Board Clinical Governance and Safety Sub-Committee.

Unplanned readmissions
per 100 discharges

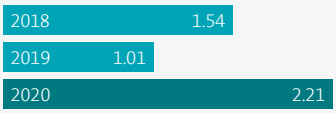
0.13

Unplanned readmissions remained low, reflecting our strong record of treatment effectiveness.

Post-operative mortality
per 10,000 theatre cases

2.21

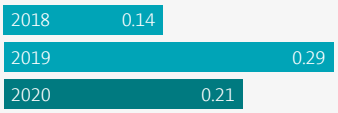
Post-operative mortality within 31 days of surgery rose to 36 individual deaths, compared with 28 in 2019. This was largely due to the Group undertaking a higher volume of more complex treatment for patients than in previous years, as a consequence of the NHS contract. A new Medical Examiner role has been established during the year to scrutinise causes of deaths of patients not under review by a coroner, to ensure that lessons are learnt.



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

0.21

Infection rates decreased, compared with 2019. Low rates reflect our prudent antibiotic prescribing and antimicrobial stewardship.



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

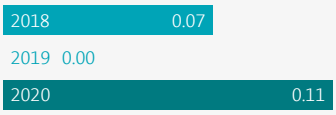
0.12

Unplanned returns remained low, reflecting our strong record of treatment effectiveness.

MRSA
Infection rate per 10,000 bed days

0.11

In 2020 there was just a single case of MRSA in our 39 hospitals, reflecting our robust screening processes and high infection control and cleanliness standards.



CQC ratings

90%

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

Strategic priority 4

Improving revenue, profit and cash

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

Group revenue

£919.9m

Revenue declined 6.2% in 2020 as the COVID-19 pandemic impacted the country and restrictions were placed on elective activity.

Net debt/EBITDA

3.90x

With improved capex allocation and working capital control, we have reduced net bank debt by £15.5m. However the nature of our contract with the NHS at cost recovery reduced EBITDA by £27.9m, driving an increase in net debt to EBITDA.

Conversion of EBITDA to cash

99%

Conversion of EBITDA to operating cash flow before exceptional items and taxation fell to 99% from 109%, due to lower EBITDA as a result of the NHS contract.

EBITDA margin

17.5%

EBITDA declined 14.8% on revenues that fell 6.2%, leading to a 176 basis point margin contraction, due to the NHS contract for the majority of the year covering costs only.

Total capex

£50.8m

We continued to invest in the future of our business, spending £50.8m on upgrades to hospital facilities and an acceleration of digital transformation programmes to benefit patients and colleagues.

Other direct costs* as a percentage of revenue

27.3%

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

* Comprises direct costs and medical fees. For more information, see page 104.

Clinical staff costs as a percentage of revenue

23.1%

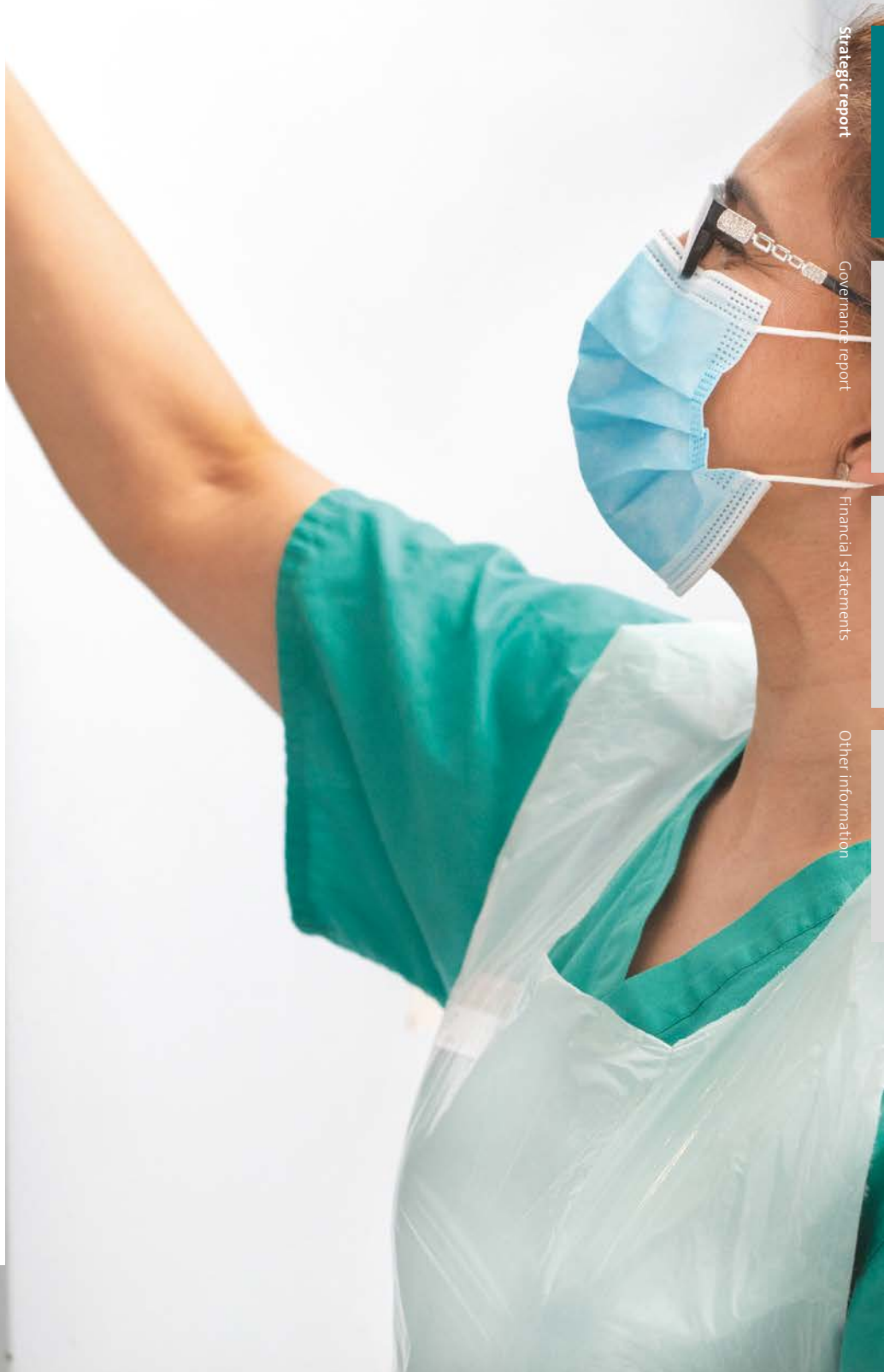
The COVID-19 pandemic and subsequent contract with the NHS, which recognises revenue on a cost recovery basis, together with the different mix of work undertaken during the year, distorts both the cost profile and its proportion of revenue. Comparisons with prior periods are therefore not meaningful.

Other key measures

Colleague engagement

80%

Percentage of colleagues saying they are proud to work for Spire Healthcare, up from 79% in 2019.



Read more
For progress on our strategic priorities, go to pages 51 to 54.

Our business model

What drives us

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

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

What we do

We own and run hospitals and clinics across the country, serving a diversified patient mix. Offering hundreds of tests and treatments, some of which can only be accessed privately, we provide diagnostics, in-patient, daycase and out-patient care in areas including orthopaedics, gynaecology, cardiology, neurology, oncology and general surgery. During the pandemic, we have supported the NHS, and in some hospitals we now offer even more complex surgery.

39
Hospitals

5
Critical care units

8
Clinics

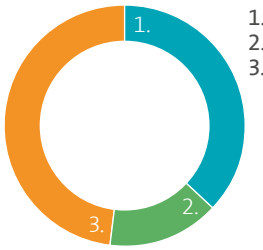
14,200
Colleagues

7,500
Consultants

750,000
Patients

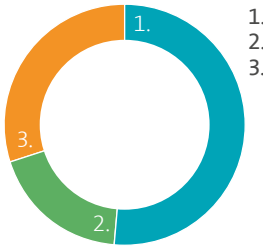
How we generate revenue

2020: year of the pandemic



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

2019: pre-pandemic



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

1. Private patients

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

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

Self-pay
We invest in services which enable patients to take control of their own health, such as online bookings for GP and Consultant appointments.

2. NHS

Spire Healthcare offers the NHS capacity, capability and flexibility. At the same tariff (price) as an NHS trust, we perform complex operations that help move thousands of patients off waiting lists across the country. The capital we invest in our sites is at no charge to the NHS but allows us to make clinical teams, theatre time and beds available quickly. This has been extremely important in 2020, as for most of the year, we put our people, facilities, equipment and services at the disposal of the NHS in England, Wales and Scotland to support their national effort to fight COVID-19. Services were provided on a cost coverage basis.

How we work

We have a highly motivated and skilled team
We employ a wide range of well-trained and dedicated clinical and non-clinical people, from frontline nurses to operating theatre cleaners, and hospital directors to maintenance engineers. Our culture is based on respect, inclusion and collaboration, and everyone has their part to play. We all share the values of the business and live our purpose to make a positive difference to our patients' lives. During the pandemic, many of our people demonstrated their flexibility by adapting to different roles or retraining in new skills to support the NHS.

We work closely with general practitioners (GPs)
Whether they have private medical insurance or plan to self pay, patients are usually referred to us by their own GP. We work with GPs to facilitate speedy, convenient and fully informed referrals and have business development teams in each of our hospitals, dedicated to building links with local GP communities. We also invest in our own hospital-based primary care to facilitate speedier referrals for patients.

Once they have been referred, our aim is to see patients quickly, and following our initial contact, they will usually have the opportunity to select a Consultant and hospital they are comfortable with.

We aim to make Spire Healthcare the first choice for Consultants
We don't employ Consultants – they are independent of the Group, and are granted privileges to practise in our hospitals, operating according to our policies and procedures. However, we do want them to make us their first choice to work with as they are integral to providing high levels of medical care to our patients. That's why we engage with local Consultants, both those with practising privileges and the wider Consultant community at a hospital level, seeking to form a close working partnership and offering them the facilities and support they need to establish a practice at our sites. During the pandemic, we welcomed many new Consultants to our hospitals, helping them with emergency practising privileges to work at Spire Healthcare.

We have an unwavering commitment to the highest standards of safety, quality and care
Patients, Consultants and general practitioners trust Spire Healthcare to deliver the high-quality care they expect from a leading private healthcare provider. We were the first private hospital provider to publish outcomes data on our website and 90% of our hospitals are rated 'Good' or 'Outstanding' by the CQC or the equivalent in Scotland and Wales. We have a strong Ward-to-Board governance framework to ensure that the highest standards are maintained.

We invest in the business
Even during 2020, with the nation in the grip of the COVID-19 pandemic, we have still invested around £50m in state-of-the-art medical facilities and equipment. Building our digital infrastructure is also a key business priority, as centralised processes not only make the lives of our patients and colleagues easier, but virtual options for pre-assessments and even diagnosis enable us to deliver our services more quickly and safely.

Spire Healthcare's brand and reputation
Doing the right thing, and doing it well is at the core of our identity as a business. It is demonstrated in our Purpose and has helped us build our reputation as one of the UK's most trusted healthcare providers over the last few years. In 2020, we led the sector in striking a deal with the NHS to put the sector's facilities and people at the disposal of the NHS, in support of the effort to tackle the pandemic. We believe we are also the first in the sector to commit to a net zero carbon target for 2030.

Our impact and the value we create

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

Patients seen in 2020, almost:

750,000

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

Colleagues
We provide our colleagues with high job satisfaction, a competitive reward and recognition framework, and the opportunity to make a difference in people's lives.

Colleagues:

14,200

80% say they are proud to work for Spire Healthcare

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

7,500

We worked with almost 7,500 Consultants in 2020

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

256,000+

NHS patients seen in 2020, including over 214,000 cared for during the pandemic

Shareholders
We aim to create value through total shareholder returns.

Although we have underperformed the FTSE All-Share Index over the three-year period 2018-20, we outperformed it by 23% during 2020 and by 97% between 23 March, when we announced our agreement with NHS England, and the end of 2020.

“I cannot praise all my colleagues highly enough for their dedication to patient care in the face of adversity this year. And I think I can speak for all at Spire when I say how humbling it has been to see the outpouring of affection from the public for the NHS and the wider healthcare sector.”

Alison Dickinson
Group Clinical Director

Building on our longstanding partnership with the NHS

Even before the COVID-19 pandemic, around 30% of our patients came from the NHS. So, when we were asked for help in 2020 – the 'Year of the Nurse' – it was a natural step for Spire Healthcare to put our people, facilities, equipment and services at the disposal of the NHS in England, Wales and Scotland to support their national effort to fighting the effects of the virus. Local and national relationships with the NHS trusts were key to the success of our efforts, and it was great to welcome senior NHS people to our sites for the first time. It was an opportunity to help out colleagues under pressure and keep patients safe, as well as a chance to showcase our own clinical abilities and skills.

I am proud of the way colleagues showed real willingness to be part of the nation's whole healthcare provision. The work we took on for the NHS was wide-ranging, and varied significantly across the country, according to local needs. While we have strong governance systems which ensured that patient safety would not be compromised, we were still reaching into the unknown, with no manual for the action we had to take. To get things right, our colleagues had to be agile; they worked at pace to ensure we were always one step ahead of everything required of us. I pay tribute to the way our teams rose to every challenge, often taking on roles that were different from their normal jobs, at all times acting with the utmost compassion, providing reassurance to anxious and often vulnerable patients in our hospitals as well as comforting those people in distress and pain who had to have their procedures with us postponed.

I would like to express my personal thanks to Matthew Dryden, who provided expert advisory services relating to infection control and joined every gold command call during the first wave. Matthew is a Consultant at the Hampshire Hospitals NHS Foundation Trust, Winchester, and at the Rare and Imported Pathogens Department at Porton Down.

You can read more about the support we provided in tackling the pandemic and the steps we took to keep patients, colleagues and Consultants safe on page 35.

Outstanding leadership

I would like to thank our directors of clinical services across the Group. Their outstanding leadership has been so important, as has their focus on doing the right thing. I am also incredibly grateful to Jane Proctor, who returned early from maternity leave to a new Deputy Group Clinical Director role, and made an outstanding contribution to supporting our hospitals. Previously, she was our Specialist Clinical Services Director, and prior to that Jane was Deputy Nurse Director at Sheffield Teaching Hospitals NHS Trust.

Our Medical Advisory Committees (MAC) provided invaluable support and guidance in upholding quality and safety during these challenging times, and helped us to develop new systems and pathways to keep our patients and colleagues safe. We met with our MAC Chairs every week during and after the peak to share plans and gain their insights in the face of rapidly changing regulations.

Recognised for our contribution

We were delighted that Ruth May, the Chief Nurse for England, came on a call to thank our teams for their support during the pandemic. The National Midwifery Council's Executive Director of Professional Practice, Geraldine Walters, who leads the programme of change for education, including the development of new standards of proficiency for future graduate registered nurses and midwives, also made a point of thanking us for our involvement in the response to COVID-19.

Continued focus on safety and care quality

We were determined to maintain our focus on safety and quality throughout our work to tackle the pandemic. We have been working on new medical key performance indicators that will enable us to track our performance even more closely at specialty level, starting with a range of new indicators for orthopaedics.

During the peak of the pandemic, I continued weekly calls with the Care Quality Commission (CQC), who were supportive through the challenges we faced and tested our infection control processes through emergency framework inspections at our sites. I am delighted that our focus on safety resulted in six 'Good' ratings from the CQC earlier this year, all based on reviews prior to the COVID-19 lockdown, when standard inspections were temporarily suspended. We also received two positive reports from Healthcare Inspectorate Wales, based on virtual inspections of our two Welsh hospitals during the pandemic.

I would like to pay tribute to the team at Spire Leeds, who rose to the challenge of turning around their hospital after receiving a 'Requires Improvement' rating in 2019. They overhauled their entire culture, re-energised our colleagues and closed the hospital for a 10-day period to achieve this.

In 2020, we also commissioned our first Well-Led review from the Advancing Quality Alliance (AQuA), an expert organisation that has worked with a number of providers. These reviews are completed annually by the CQC in NHS trusts, but are voluntary in the independent sector. As a learning organisation, we wanted to undertake our own review, to explore how we could continue to improve the way we run our business. I was pleased that the review was complimentary about our leadership and culture, and we will repeat the exercise in 2021.

> **"As a leading NHS quality improvement organisation, AQuA has been delighted to work with Spire on their journey to deliver high-quality person-centred care."**
>
> **Cath Hill**
> Director, Advancing Quality Alliance (AQuA)

We continued to work with the Patients Association and the National Dementia Action Alliance this year and have now launched "action against dementia" across the Group.

Clinical governance improvements

We have stepped up our clinical governance in spite of the additional pressures we faced through the pandemic, and ensured that frequent internal audits of our hospitals continued on a virtual basis.

I was pleased to see a reduction in 'never events' this year – down to eight, compared with 17 last year. Tracy Coates, a national specialist, has been driving this improvement, and this was an encouraging outcome, given the pressures we have been under and the fact that we've been working with many different, and some unfamiliar, Consultants with emergency practising privileges at our hospitals.

> **"The National Dementia Action Alliance have been proud to work with Spire during 2020, supporting them to embed dementia-friendly initiatives to benefit patients and their families."**
>
> **Sarah Tilsed**
> National Dementia Action Alliance

We are committed to implementing the recommendations of the report of the Independent Inquiry into Ian Paterson, which was published in early 2020. Towards the end of the year, we implemented one of the main recommendations, and wrote to all living patients of Paterson for whom we had records, to make sure that their care had been fully reviewed, that the outcome of the reviews had been fully communicated to them and that, if required, they are getting the support and care that they need. We are determined to minimise the chances of another practitioner like Paterson ever operating in our hospitals again, and our ongoing work to implement the actions and interventions set out in the report, together with the changes we have made in recent years, will help us to do this.

Medical Practitioners Assurance Framework

The Medical Practitioners Assurance Framework (MPAF) was launched in October 2019 as the first independent sector-wide medical governance framework. It recognises that good governance for the medical profession can only be delivered with the support of effective clinical governance systems. The Framework has four key principles:

- creating an effective clinical governance structure for medical practitioners;
- monitoring patient safety, clinical quality, and encouraging continuous improvement;
- supporting whole practice appraisal; and
- raising and responding to concerns.

During 2020, we completed an assessment at Group level, and we are confident we are in a good position to demonstrate compliance with these principles. Our hospitals are currently reviewing their local compliance as part of our patient safety and quality review framework.

Getting It Right First Time

We also continue to participate in Getting it Right First Time (GIRFT), a programme designed to improve clinical quality and efficiency within the NHS by addressing variations in service, which we and others are rolling out in the independent sector.

Following expert-led reviews of the orthopaedic work and spinal surgery in most of our hospitals in England in 2019 and 2020, we are implementing an action plan to respond to GIRFT's recommendations. Actions include monitoring new clinical indicators as part of an orthopaedic dashboard of key measures, further analysis of patient reported outcomes (PROMs) and expanding the range of cases submitted to the British Spine Registry.

Freedom to Speak up

Promoting an open and honest culture, where colleagues are encouraged to speak up if they see something wrong, is an important element of our governance programme. Our Freedom to Speak Up Guardians in all of our hospitals and non-clinical sites have been readily available for colleagues with any concerns in this difficult year. Our new Corporate Concerns Officer is supporting work to ensure that our Consultant partners are part of our processes to encourage everyone who works in our hospitals to speak up when they have concerns about a colleague.

Developing our workforce

Attracting and developing nurses and nurse leaders of the future has remained a high priority in 2020. Nursing Associates are members of the team who gain a Nursing Associate Foundation Degree after two years of study, and we are delighted that our first ever Nurse Associate, Amy Wilkinson, graduated from Salford University during the year. Having started with us in September 2018, she will now be working on the day ward at Spire Manchester. We will be looking to develop further colleagues as nurse associates in 2021.

Nursing degree apprenticeships enable colleagues to train to become graduate registered nurses through an apprentice route. In 2018, five healthcare assistants enrolled as our first nurse apprentices; they continued their studies during 2020 and will graduate in 2021. We expect to grow our nursing degree apprenticeship programme during 2021.

At the start of the year, in recognition of the 'Year of the Nurse', we planned to link in with the global Nightingale Challenge, which asks every health employer around the world to provide leadership training for a group of young nurses. Our plan was to run a development programme for a select group of colleagues, encouraging them to take a more active role in the business, giving them access to our Non-Executive Directors via regular mentoring circles, and helping them to become leaders of the future. Understandably, this was delayed and was finally launched, mostly on a virtual basis, in November 2020, and we were able to open up a limited number of additional spaces and specifically invited delegates from minority groups who were under-represented in the initial cohort. I look forward to progressing this initiative further in 2021, when hopefully we should be able to run it more along the lines originally planned.

Our programme to bring overseas nurses into Spire Healthcare's hospitals from the Philippines has continued despite the challenging conditions. By the end of the year, around 175 nurses had joined us in the UK, and we expect around 150 more to become part of the team in the first quarter of 2021. We recognise that this is a particularly challenging time for them to be away from their families, so we have supported them by ensuring they each receive the best pastoral care, from booking accommodation and providing a welcome box upon arrival, through to help setting up bank accounts and getting settled in the UK.

The nurses have already made a big impact and have played an important part in bringing our staffing up to the level we need.

Investing in our digital capabilities

We have embraced the use of virtual technology this year to hold consultations with patients and reduce the need for patients to visit the hospital in advance of their treatment – something which has been particularly beneficial for patients and colleagues during the pandemic. We have also used virtual patient safety and quality reviews, using video walk rounds and remote interviews, in response to reduced onsite visits of our governance team.

We have successfully trialled electronic pre-operative assessment (ePoA) at three hospitals, and we will roll this out to the rest of the Group in 2021. We have also introduced AMaT, an electronic audit process that digitises all our audits and clinical scorecards.

Looking ahead

Considering the challenging backdrop, we have made excellent progress this year, but there is always more we can do to improve our clinical governance and oversight and continually to improve patient safety, building on our patient safety culture and patient safety systems.

With COVID-19 still a potential factor for the foreseeable future, we will seek to further digitise our processes, potentially to include the remote monitoring of patients, electronic prescribing and a virtual management system, taking in appointments and telephone consultations.

Our cooperation with the NHS this year has opened new doors, and I am talking to the NHS Nursing Transformation team, with a view to Spire Healthcare getting involved. They are looking to model nursing and midwifery excellence, and it is encouraging that, through work we have done together this year, the NHS is interested in what we do and how we can contribute to the process.

Without doubt, as the healthcare system as a whole begins to recover from the effects of the pandemic, this will bring a range of new challenges. But we can reflect back on 2020 with great pride, and my sincere thanks go out to all my nursing and other colleagues for their hard work, commitment, and enormous contribution to making a positive difference to patients' lives throughout a difficult year.

Alison Dickinson
Group Clinical Director

Ensuring colleagues have the right to be heard

Our Freedom to Speak Up initiative was launched in 2018, with the primary aim of ensuring patient safety. It has since become a significant cultural aspect of working at Spire Healthcare. Speaking up, and colleagues feeling comfortable to do so, was something that resonated strongly for Sarah Reed, a musculoskeletal physiotherapist at Spire Cardiff Hospital. She was delighted to be chosen to take on the role of Freedom to Speak Up Guardian for the hospital.

"It has to be a very visible role," says Sarah. "It wouldn't work without that. I do the job alongside my other responsibilities, but I get one morning a week when I can go out and speak to people. I also have a team of Ambassadors who support me, including clinical and non-clinical colleagues, as well as a Consultant. It's about making ourselves available – in person, on the phone, by text or by email."

Sarah believes that speaking up is extremely important, even when it seems like the focus is on the small things. "We have a 'no concern is too small' policy, and it's a confidential service. That's how we stop things escalating out of control," she explains. The team has had to deal with a wide range of issues – from bullying and harassment, to staffing problems and clinical competence. It can be challenging, but Sarah has one golden rule.

"Mutual respect is incredibly important," she insists. "We always encourage people to go to their line managers first, to resolve any problems, but sometimes, people don't feel that they can do that and that's where Freedom to Speak Up comes in. We are not here to undermine anyone, we support the structure we have at the hospital. The one thing I can guarantee is that they will be heard. There's no detriment to speaking up, and I will make sure it's done as respectfully as possible."

In October, Sarah and the other Guardians worked closely with new Corporate Concerns Officer Erica Bowen to raise awareness of their role during the national Freedom to Speak Up month. Erica says: "It was vital that at a time of such pressure, our colleagues knew there were people they could turn to if they had a worry or concern. Freedom to Speak Up month gave us an opportunity to reinforce the message that we positively encourage people to seek out their Guardian and speak up." Looking ahead to 2021, Erica adds, "Our priority for the year ahead is to analyse and learn from all the feedback we are getting from colleagues and use this to drive quality improvements across all of our sites."

Group Medical Director
Q&A

Cathy Cale, Group Medical Director
Dr. Cathy Cale joined Spire Healthcare's Executive Committee in October 2020. Her principal focus is on the continued development of robust medical governance structures across Spire Healthcare and working closely with Alison Dickinson, Director of Clinical Services, to maintain the Group's focus on high-quality care. Cathy also leads our engagement with a network of almost 7,500 Consultants.

Cathy took on her role of Group Medical Director following a successful 30-year career in the NHS, which spanned clinical, research and leadership roles. She trained in paediatric immunology and immunopathology, and has extensive experience as a Medical Director at three NHS trusts, including Great Ormond Street Hospital for Children NHS Foundation Trust.

Having joined us close to the end of what has been an extraordinary year, not just for Spire Healthcare, but for health professionals in all sectors, Cathy reflects here on her first few weeks at Spire Healthcare and her initial impressions of our work.

Q. COVID-19 has dominated life in 2020, what do you think of Spire Healthcare's response to the pandemic?

A. I have been impressed by the way the organisation has responded to the pandemic. There's been a real focus on maintaining patient care safely. All of the systems and processes that have been put in place have been excellent, with safeguards to ensure we keep our sites 'green' and infection free. This has enabled us to support the NHS throughout the pandemic, while also restarting our private work. What's been very clear for me is the way Spire cares for its people. It has been difficult for people in many ways, and it's tangible how the organisation supports them.

Q. We have seen the pressure people in the NHS have been under this year. How has our involvement in supporting the NHS affected people at Spire?

A. Having just come from working in the NHS, I know that people are physically and emotionally exhausted. And the problem is that they just can't see an end to it. Our people have been really busy: trying to maintain services, working closely with our NHS partners, caring for different types of patients from those they are used to, and keeping patients safe. It's the change and uncertainty that has been so difficult for Spire people. Added to that are the difficulties and concerns that everyone has had in their home and family life. Making sure that we care for them has been crucial, and I think we have done this very well.

Q. What evidence have you seen of Spire's commitment to patient safety and quality?

A. From my initial visits to hospitals, what is tangible is the absolute focus on quality – and I wouldn't have joined the organisation if I didn't feel that. Yes, we are a business, but patient safety, quality and care are absolutely paramount.

The commitment I've seen to quality is outstanding, and I can see how much improvement has happened over the last few years. It is evident from the way people talk about it, the way they embrace it, and where I have been able to visit sites, I can see that people are immensely proud of what they've achieved.

Looking ahead, we need to embed new methodologies in the business, make sure we are training everybody on quality improvement (QI), making QI the way of the business. And that, for me, applies to the whole business – not just the clinical side. It's a brilliant mindset and has the ability to really empower colleagues. I have seen that when I've been involved in QI programmes before. So, this drive will start in 2021, developing a cohort of experts in QI and building on the really good work that has already been done.

Q. You are looking at medical governance across Spire – what are your priorities?

A. Medical governance is all about managing professional standards, and the organisation has done a massive amount on this. There are systems and processes in place, which are well used and well understood by our colleagues. The pandemic gives us an opportune moment to step back and review everything, with a real focus on making our standards even easier to use.

It is important to make sure we know exactly how we can best support Consultants and manage our own people more effectively. That's why we are also strengthening the support we give hospital directors. In early 2021, we'll have new regional medical directors in place – helping hospital directors manage professional standards, improve their organisations, and empower their people.

> **“The commitment I’ve seen to quality is outstanding, and I can see how much improvement has happened over the last few years. It is evident from the way people talk about it, the way they embrace it, and where I have been able to visit sites, I can see that people are immensely proud of what they’ve achieved.”**

Q. Consultant engagement is one of your key objectives – how is that going?

A. Well, COVID-19 has been difficult for Consultants because they haven’t been able to practise in the usual way. One positive that has come from the pandemic, though, is that we have really stepped up our communications with Consultants. The hospitals are our conduit to Consultants, and our Medical Advisory Committee Chairs play an especially important role. Their relationships are vital, as I can’t engage directly with 7,500 Consultants individually.

Another good thing to come out of this difficult year is that trainee doctors have supported in the delivery of many operations at our hospitals. This has been an especially important area of our support for the NHS, as trainees haven’t been able to operate in their own hospitals through much of the pandemic. Spire has been happy to do this – and we would like it to carry on in post-COVID times.

Q. How have you found working with Alison Dickinson and the hospital teams?

A. That’s been really good. Alison has done a tremendous job with the CQC on the ratings of our hospitals, and then during the pandemic, she’s coordinated a huge amount of mostly urgent work with our hospital teams. In my view, our relationship is critically important, as you can only run a healthcare business effectively if you work closely. Alison and I both have a responsibility for patient safety and quality, and it is so important that we can offer a really strong clinical voice that is heard across the organisation. The new regional medical director structure is about strengthening that clinical voice in the regions as well.

Q. What’s ahead for Spire, next year and beyond?

A. We’ll absolutely continue to make sure we work to deliver excellent quality of care to patients and an excellent experience to colleagues and Consultants. Next year will be challenging – for the whole of healthcare. We are resetting, still currently in the context of a pandemic, which won’t have gone away.

When COVID-19 began, we all had to do things and make changes very quickly. Reflecting on those changes, deciding what we keep and what we don’t, and moving to a new normal will take longer. My experience in the NHS tells me this, and I don’t think that’s different at Spire. The pandemic has provided opportunities for hospitals to work together with one another and the NHS, and we have built great relationships. Once again, we’ll have to adapt to new situations. To do that, we’ll continue to support innovation, do things differently, work closely with Consultants and hospitals, and build on the good work that has been done. Quality remains the key; I am certain that if we get that right, everything else will follow.

We believe that engagement with our stakeholders is critical to our success and delivering on our Purpose, strategy and objectives. Set out on the following pages are some of the ways we engage with our key stakeholders. The output of this engagement informs our strategic and everyday business-level decisions. The Board is provided with an overview of developments and relevant feedback.

Engagement with our stakeholders during 2020

Stakeholder group	Who they are and how we engage	Issues raised	Actions/outcomes	Read more
Patients	**Who they are** We treat a wide variety of patients who self pay, use private medical insurance or are referred to us by the NHS. Providing the highest quality, safe, personalised care is at the heart of our business. **How we engage** There is continuous engagement with patients before, during and after their treatment. We have a framework of customer and patient surveys with a number of questions mandated by regulation (e.g. Private Healthcare Information Network) or contracts (e.g. NHS). These cover major patient touchpoints such as admitted care and out-patients. We also hold regular patient forums at our hospitals. We also work with patient organisations, such as the Patients Association, with whom we are working to refine our processes on patient notification exercises and recalls. We review the feedback from this engagement through the Board Clinical Safety and Governance Committee and use it to help us develop and improve continuously the services we provide to patients and define our annual quality priorities, which we set out in our annual Quality Account. **Responsible Executive Owner** Group Clinical Director	– Increased demand for patient care resulting from the pandemic	– Care provided for over 214,000 NHS patients since the start of the pandemic	Our COVID response, page 31
		– Postponement of care for private patients during early stages of the pandemic	– Care for private patients restarted in summer 2020	CEO review, page 29
		– Need to keep hospitals COVID-secure	– Red, amber and green safe pathways, and other safety measures put in place	Our COVID response, page 35
		– Publication of Paterson Independent Inquiry report and recommendation that Spire Healthcare communicates again with all former patients of Ian Paterson	– All known living patients of Paterson mailed late 2020	CEO review, page 29
Colleagues	**Who they are** Nurses, theatre teams, allied health professionals, non-clinical support and head office teams and bank colleagues. Our colleagues interact with thousands of patients every day and play a crucial role in delivering the highest quality care and outcomes. **How we engage** We value what they do, engage closely with them, and support them in terms of their personal health and wellbeing, as well as in their professional life and career aspirations. We gain feedback from colleagues through regular surveys; a full annual survey and smaller other survey exercises took place during 2020. These are then analysed by the full Board, Remuneration Committee and Executive Committee with action plans put in place to respond to the findings. **Responsible Executive Owner** Group Human Resources Director	– Workload resulting from the pandemic and its impact on health and wellbeing	– Increased investment in wellbeing support for colleagues	Our COVID response, page 39
		– How to respond to Black Lives Matter	– 'Let's talk' Black Lives Matter network established	Our impact, page 76
		– Praise and recognition were one of the lower results in colleague survey	– Ongoing work to create culture of recognition and praise – £500 exceptional payment made to all colleagues not already on a bonus scheme	Our impact, page 76 Our COVID response, page 39

Stakeholder group	Who they are and how we engage	Issues raised	Actions/outcomes	Read more
Consultants	**Who they are** We work with almost 7,500 Consultants, who operate as self-employed practitioners in our business. These are experts in their fields, drawn from all medical disciplines, who are granted privileges to practise in our hospitals, in line with our stringent medical governance procedures. Our Consultants are integral to providing high levels of medical care to our patients and we seek to offer them the facilities and support they need to establish a practice at our sites. **How we engage** We meet with Consultants to plan individual procedures, understand their future needs and horizon scan for developing clinical innovation. They are invited to complete an annual satisfaction survey, although this was not undertaken in 2020, due to the pandemic. Feedback is reviewed by the Board Clinical Governance and Safety Committee and use this to enhance the offer we provide to Consultants. In addition, each hospital has its own Medical Advisory Committee (MAC), which brings together the Consultant community. Hospital management teams hold quarterly meetings with their MACs to discuss and receive feedback on issues of concern to local Consultants and, at a national level, the Group Medical Director and other members of the Executive Committee meet MAC Chairs nationally on a regular basis. **Responsible Executive Owner** Group Medical Director	– Restrictions on private practice as a result of the pandemic and the Group's support for the NHS	– Facilitated return to work for Consultants as soon as was possible safely and within the constraints of NHS contracts	Our COVID response, page 43
		– Need for clear communications on the Group's plans for tackling the pandemic and returning to private business	– Head of Consultant Communications appointed – Range of new communications channels put in place, including bi-weekly Two Minute Times email bulletin, regular Big Brief meetings with Executive Committee members and weekly meetings with MAC Chairs at critical times	Our COVID response, page 43
Suppliers	**Who they are** We work with a diverse range of organisations who supply the Group with everything from medicines, equipment, services and food, to people. Our supply chain has never been as important as in 2020 as we have depended on it to ensure we have had sufficient stocks of personal protective equipment and other supplies to be able us to deliver care in a safe environment during the pandemic. **How we engage** We hold performance evaluation sessions with our existing suppliers, with the frequency determined by the nature of purchase and the risk profile of the goods or services supplied. Spire Healthcare's procurement team undertake detailed supplier assessments as part of tender evaluation processes in order to ensure a supplier's capabilities are aligned to the Group's business requirements. **Responsible Executive Owner** Group Financial Officer	– Change in demand profile and desire for clarity on the part of suppliers on how the pandemic would impact on the Group's ordering pattern	– Liaison with suppliers on an individual basis to provide information and allay concerns	
		– Brexit readiness	– Close work with supply chain to prepare for, and avoid any detrimental impact from the arrangements, following the end of the Brexit transition period	RIsk, page 95
		– Global demand for personal protective equipment at the start of the pandemic	– Reached beyond the normal supply chain to source new domestic and international suppliers	Our COVID response, page 39

Stakeholder group	Who they are and how we engage	Issues raised	Actions/outcomes	Read more
Private Medical Insurers (PMI)	**Who they are** Private Medical Insurers provide medical insurance cover for both employees and individual members. We have forged long-term commercial relationships with all PMI networks, providing their members with access to world-class Consultants, facilities and clinical teams with a strong track record on safety, quality and patient satisfaction. They are a core part of our referral network, as in a normal year, approximately 50% of our revenue comes from PMIs. **How we engage** Regular commercial and clinical review meetings are held with insurers, covering contract performance, clinical and financial governance, member satisfaction and operational and clinical KPIs. We also work to agree and action strategic joint projects. This is a key part of the relationship management of our payors and therefore is conducted quarterly. **Responsible Executive Owner** Chief Commercial Officer	– Reduction in access to care for PMI customers as a result of the pandemic and the Group's support for the NHS – Request for clear communications on the Group's plans for tackling the pandemic and returning to private business	Regular, open communications with the insurers: a) Weekly reporting at an individual hospital level of available care for private patients b) Regular meetings with the PMI medical governance leads c) PMIs kept abreast of key variations to the NHS England contract	Our market, page 48
NHS	**Who they are** Our hospitals liaise closely with local NHS trusts and clinical commissioning groups (and the equivalent in Scotland and Wales), who refer patients to us. Our national leadership team holds relationships with NHS England's central team. Our relationships with the NHS, both locally and nationally, have never been as important as in 2020, when we have put our services and facilities at the disposal of the NHS. **How we engage** Local leadership teams already had established relationships with their counterparts, but Spire Healthcare's positive response to their requests for help during the pandemic led to a significant strengthening of these partnerships. As well as regular meetings, local NHS leaders visited our hospitals, often for the first time, to see the facilities we offer. Our Executive Committee was engaged in detailed negotiations with NHS England counterparts to conclude the various contracts which operated throughout 2020. In addition, our Chief Executive, Justin Ash, also chaired the Independent Healthcare Providers Network (our trade body) until late 2020, and so led much of the negotiations. **Responsible Executive Owner** Chief Executive Officer	– Requests for support throughout the pandemic, initially to accommodate the needs of the first peak, to avoid the NHS becoming overburdened, and later, to assist with the restoration of elective care and reduction of waiting lists	– Dialogue and negotiations continued throughout the year with contracts concluded in March, August and December to respond to changing circumstances	Our COVID response, pages 31 to 44

Stakeholder group	Who they are and how we engage	Issues raised	Actions/outcomes	Read more
GPs	**Who they are** We seek to liaise closely with NHS GPs. We also offer our own private GP service (Spire GP), using a network of over 80 GPs, who are granted privileges to operate in our hospitals, in the same way as Consultants. GPs are critical parts of our referral network, as most patients are referred to us by their GP. **How we engage** Our hospitals offer regular educational events which support their continuing professional development. Hospitals also provide educational events on site in GP practices. We use feedback that we receive from GPs to organise future events that are tailored to their ongoing needs. **Responsible Executive Owner** Group Medical Director Group Commercial Director	– Difficulty of holding events in person for GPs during the pandemic	– Events continued, in a virtual format	Our COVID response, page 35
		– Spire GPs: need for clear communications on the Group's plans for tackling the pandemic	– Regular Big Brief meeting introduced for Spire GPs to hear from Executive Committee members and ask questions	
		– Spire GPs: need for additional system improvements to support virtual appointments	– Spire GP software improvements rapidly developed and deployed along with virtual consultations	
Regulators	**Who they are** There are a range of financial, clinical, health and safety and competition and markets regulators, amongst others with whom we are required to engage. The principal healthcare regulators with which we engage are Care Quality Commission (CQC)/Healthcare Inspectorate Wales (HIW)/Healthcare Improvement Scotland (HIS). Each of our hospitals is required to be registered with the relevant national regulator in order to be authorised to offer services to patients. The regulators inspect our hospitals on a regular basis to ensure the services we provide to patients are safe. **How we engage** Spire Healthcare hospitals have focused contact with inspection teams pre, during and post formal inspections. More general relationships with the regulators and two-way sharing of information have improved in 2020, as technology during the pandemic has opened up communications, assisted by a pause in general inspection activity. Virtual inspections have been completed in some sites with great success. Centrally we also have regular calls with the CQC, HIW and HIS, to understand the changing face of regulation, and to provide assurance to the regulators of action being taken to improve safety and quality, and share good practice. The CQC have attended our executive Safety, Quality and Risk (SQR) Committee meeting to assure themselves of effective Ward-to-Board governance processes. Individual hospitals draw up and implement improvement plans on the basis of feedback from regulators. The SQR Committee reviews collated feedback from regulators to identify trends and drive responses. For other regulators, we have a dedicated legal team and Company Secretary that, with external counsel, monitor legal and regulatory developments and advise the group thereon. **Responsible Executive Owner** Group Clinical Director Group General Counsel	– Need to accommodate Consultants and anaesthetists new to the Group to treat NHS patients referred to Spire Healthcare during the pandemic	– We worked with regulators to devise a means for granting practising privileges to Consultants and anaesthetists on an emergency basis	Our COVID response, page 43
		– Change to regulatory regime/difficulty in undertaking normal inspections during the pandemic	– We worked with regulators to facilitate focused inspections and virtual visits to our hospitals	Clinical review, page 63

Stakeholder group	Who they are and how we engage	Issues raised	Actions/outcomes	Read more
Investors/ lenders	**Who they are** Shareholders, potential shareholders, analysts and lenders Our investors and lenders help to ensure we have access to the resources, support and finances we need to develop and grow the business. Our aim is to reduce covenant leverage over time through robust cash management and conservation. **How we engage** We have a Head of Investor Relations who is dedicated to engaging with shareholders and analysts, and our Chairman, Senior Independent Director and Executive Directors meet with institutional investors at individual meetings and analyst presentations as well as via roadshows. We also maintain regular contact with the banks and keep them informed on all major issues affecting the business. We regularly gather feedback after each results roadshow and use this to guide our future investor relations strategy. **Responsible Executive Owner** Chief Executive Officer Chief Financial Officer	– Impact of NHS contract during the pandemic – Recovery of private business – Environmental, social and governance (ESG) impacts	– Regular updates to the market – Presentations to investors and analysts – ESG strategy to be developed and communicated in 2021	Our impact, page 79
Community	**Who they are** Our business plays an important part in the communities in which we operate, and we have a duty to give back to these areas and contribute to their greater wellbeing. We also support people in other parts of the world who do not always have access to the vital healthcare they need. We recognise that we have a duty of care to the environment and are committed to doing everything we can to reduce the harmful impact on our planet of climate change. **How we engage** Local hospitals forge their own relationships with community organisations in their locality and liaise with local authorities and other local groups when investment projects are planned which may cause disruption to residents. Many hospitals also undertake fundraising initiatives for local charities. At a national level, the Group undertakes company-wide charity challenges from time to time. **Responsible Executive Owner** Chief Executive Officer		– Group-wide Trussell Trust charity challenge launched December 2020 – Target set to achieve net zero carbon emissions by 31 December 2030 – ESG strategy to be developed and communicated in 2021	Our impact, page 80 Our impact, page 82

“Throughout this difficult year, we have been overwhelmed by the goodwill and enthusiasm our colleagues have shown as we have mobilised Spire Healthcare to assist, during this national emergency. In return, we have made every effort to put in place the practical and emotional support our people need and deserve, to help them through the pandemic.”

Shelley Thomas
Group HR Director

Investing in our colleagues

We depend on our people – our nurses, theatre teams, allied health professionals, non-clinical support teams and bank colleagues – to deliver on our Purpose of making a positive difference to patients' lives through outstanding personalised care, and to build on Spire Healthcare's strong reputation in the market.

In everything we do, we seek to create a culture that is characterised by openness, inclusion, respect, collaborative working, a focus on clinical safety and continuous improvement. This seeks to translate our Purpose and values into action and provide the best possible working environment for our colleagues. We monitor our effectiveness in delivering this culture through our progress in diversity and inclusion, colleague feedback through engagement surveys, our 'Let's talk' initiative and our Enabling Excellence appraisal process, which is built on Spire Healthcare values and individual objectives.

The two key global issues which dominated the news agenda during 2020 – the COVID-19 pandemic and Black Lives Matter – shaped our people programme during the year.

Looking after our people during COVID-19

Our colleagues have performed above and beyond this year, taking on many new and varied responsibilities, both at our hospitals and outside, and caring for patients in highly challenging environments. We are hugely proud of the contribution our colleagues have made, but recognise the toll that the pressure has taken on people across the UK's healthcare sector, and we have made supporting our people's own health and wellbeing a top priority.

We have put a wide range of practical and emotional support in place for our colleagues and have continued to develop the support we provide, taking on feedback from colleagues, as the pandemic has evolved. You can read more about this on page 39.

We are acutely conscious of the physical and mental fatigue that our colleagues face, and will go on encountering, as the pandemic seems set to last well into 2021, and we will continue to look for new and innovative ways of sustaining the morale and motivation of colleagues.

Engaging with colleagues

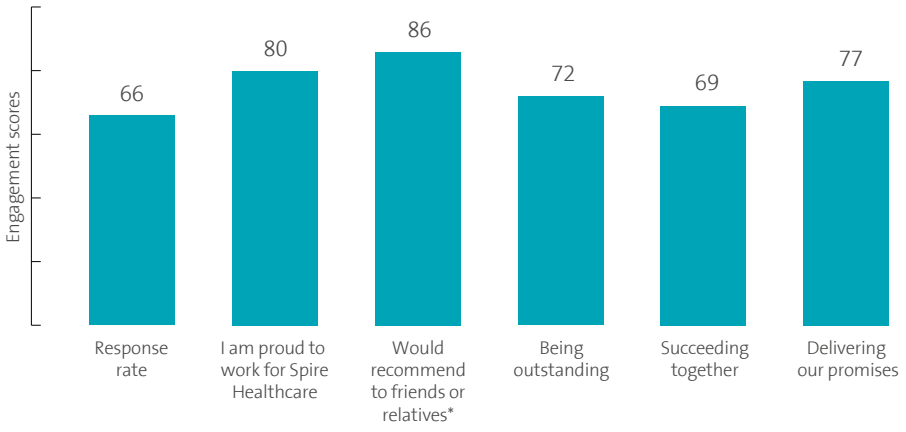
We use a range of two-way communications channels to communicate and engage with colleagues, and listen to their feedback. During the pandemic, with an urgent need for teams to be clear on exactly what's expected of them, it has been more important than ever for our people to feel fully informed and engaged. At the same time, restrictions on travel and a significant increase in home-working have meant that many face-to-face communications and events have inevitably had to be replaced by virtual ones. You can read more about how we have kept in touch with colleagues during the pandemic on page 39.

As important as providing information to help colleagues do their job, is gaining feedback from them and acting on it. During the year, we introduced a programme of listening sessions, facilitated by members of the Executive Committee and the non-executive directors, with different groups of colleagues invited to attend on an optional basis. The calls have provided invaluable first-hand insight and an opportunity for colleagues to speak freely and honestly about factors impacting them in their role. This has helped us to improve the information and guidance we provide new starters, strengthen our wellbeing activities, and increase our support for all colleagues working remotely.

We have continued to survey our colleagues to gain feedback. Our most recent full annual survey of all colleagues, in July 2020, was a bespoke survey with a combination of existing and new engagement questions, along with questions about the impact of COVID-19. 80% of colleagues said that they are proud to work for Spire Healthcare and 86% of colleagues said they were happy with the standard of care in Spire Healthcare if a relative or friend needed treatment. Our Board and Executive Committee are committed to addressing the key focus areas highlighted from the survey which include regular praise and recognition and development opportunities. We plan to survey colleagues twice in 2021 as well as asking regular pulse questions, using our colleague app, Ryalto.

Our virtual communications and engagement tools have worked better than we would ever have imagined possible, and in 2021, we will look to retain the best elements of our online engagement plan as well as restoring face-to-face channels, when it is safe and possible to do so. A key priority for the early months of 2021 is to support managers to have empathetic conversations with their teams around colleagues' wellbeing.

Engagement scores



* 86% of colleagues said: "If a friend or relative needed treatment, I would be happy with the standard of care provided by Spire Healthcare."

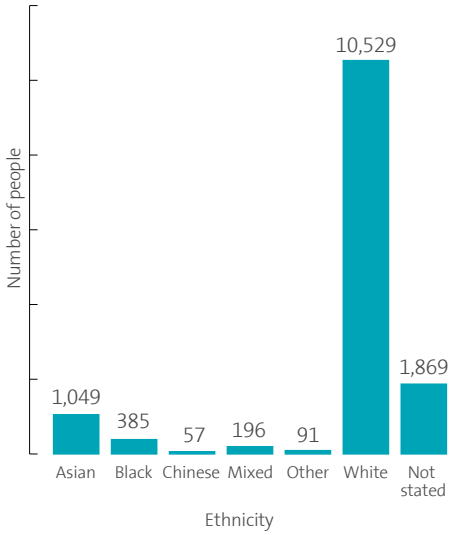
Our commitments and progress

Diversity and inclusion

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

We now hold ethnicity data on 86.8% of all colleagues, and 13.7% of those colleagues who disclose their ethnicity report being BAME. We can also report on ethnicity among our job applicants: 16.2% of all shortlisted candidates are from BAME backgrounds.

Headcount by ethnicity



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

Employees	Male	Female
Overall employees	2,822	11,354
Senior managers	42	50
Executive Committee members	4	4
Board members	8	3

Within our workforce, 26% are temporary workers (predominantly bank colleagues comprising nurses and other clinical colleagues). 0.3% of colleagues report as having a disability.

In 2020 we made solid progress with the development of our Diversity and Inclusion strategy, of which the central principle is that recognising, understanding, respecting and including our diverse workforce will make us a more successful and effective organisation. We now have 41% female and 6% BAME representation on our Board and Executive Committee combined.

Black Lives Matter and 'Let's talk' colleague networks

Following the global outcry in response to the death of George Floyd in the United States in May, Black Lives Matter challenged organisations and institutions across the world to respond. We decided that a statement of solidarity without real action behind it would be no more than an empty gesture. Instead, we felt that our priority was to listen to what our Black colleagues felt and wanted, so we developed our first ever 'Let's talk' network for our Black colleagues to raise and discuss issues that matter to them. This, in turn, will help us to do the right thing and to take those actions that matter most.

The network was chaired by a Black colleague rather than a member of the Executive Committee, and was publicised to all colleagues and Consultants, with the first session held virtually via Zoom in July. Subsequent regular sessions were held throughout the second half of the year, some attended and supported by the Chief Executive and other members of the Board and Executive Committee. Around 100 colleagues have taken part in the sessions.

Entity	Spire Healthcare Limited		Spire Healthcare Group plc (including Spire Healthcare, Spire Healthcare Limited and Montefiore House Limited)	
Number of employees (includes bank workers)[1]	11,706		11,943	
Women's hourly rate is:				
Mean	16.4% lower		18.9% lower	
Median	6.6% lower		6.6% lower	
Pay Quartiles:	**Men**	**Women**	**Men**	**Women**
Top quartile	24.9%	75.1%	24.9%	75.1%
Upper middle quartile	15.2%	84.8%	15.4%	84.6%
Lower middle quartile	19.1%	80.9%	19.0%	81.0%
Lower quartile	18.1%	81.9%	18.4%	81.6%
Women's bonus pay is:				
Mean	60.7% lower		60.1% lower	
Median	45.3% lower		45.2% lower	
Who received a bonus?				
Men	6.5%		6.5%	
Women	4.4%		4.4%	

1 In line with Government reporting requirements, the number of employees stated in the table above is the number of colleagues who received full pay in the pay period April 2020. This accounts for the difference between this figure and the number in the table above, which is a snapshot of employees as at 31 December 2020.

We have taken a number of actions which have been proposed by the network, these include: inclusion and unconscious bias training for senior managers and heads of department; the review of our recruitment materials and training for managers; fairer representation across our marketing materials, including our website; improving our data to help aid understanding of our workforce; celebrating Black History Month; and introducing a new value to demonstrate and reinforce our commitment to inclusion and equality.

The 'Let's talk' Black Lives Matter network has shaped the blueprint for further 'Let's talk' networks, with each group chaired by a colleague with a particular interest in the subject. Sessions are open to all colleagues to attend and managers are encouraged to make Zoom facilities available for colleagues who might find it more difficult to access the meetings. We asked colleagues what other groups they would like to launch – mental health was the most popular topic, followed by LGBTQ+. These networks were launched in October and December, respectively, and we plan to launch further groups throughout 2021, including disability and parents/carers.

We have seen high levels of participation rates in all of the 'Let's talk' networks launched so far and are making progress on a number of actions following feedback highlighted during the respective sessions. In early 2021, we also plan to launch our 'Let's talk' colleague forum, which will be a community for colleagues to share their thoughts, ideas and constructive criticism. The forums will create a stream of two-way communication between the Executive Committee and colleagues, with each area of the business represented to ensure everyone's voice can be heard.

Gender pay gap

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

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

Key findings

In 2020, the overall median gender pay gap in both Spire Healthcare Limited and the Spire Healthcare Group (6.6% for both) was down on last year (down from 9.0% for Spire Healthcare Limited and from 8.4% for Spire Healthcare Group) and is considerably lower than the Office for National Statistics (ONS) provisional national average of 15.5% (as per its publication in November 2020).

Our mean gender bonus gap is 60.7%, up from 48.2% in 2019, and our median gender bonus gap is 45.3%, up from 25% in 2019. In 2020, 6.5% of males received a bonus (up from 3.5% in 2019) compared to 4.4% of females (up from 3.2% in 2019).

The bonus gender pay gap figures for 2020 should be treated with caution. It was the first year that the management bonus schemes paid out at a reasonable level to all participants, but the data is still based on a small number of employees. The percentage of males receiving a bonus almost doubled, whilst the increase for the females was around a third, a position that reflects the proportion of females across the organisation.

How we are responding to the gender pay gap

Spire Healthcare is committed to diversity and inclusivity including supporting women to become leaders within the business. Following the appointments of our new General Counsel and Group Medical Directors in 2020, our Executive Committee demographic is now 50% female, compared to 100% male just two years ago. This is in addition to the three women on our Group Board and clearly reinforces and reflects our commitment to driving fair representation by gender across the wider business.

We are taking a number of positive steps to reduce the gender pay gap and ensure the fair treatment of females across our business. In 2020, as well as making progress with our Diversity and Inclusion strategy, we significantly invested in training for a wide range of colleagues and launched a number of initiatives that are focused on developing leaders including our internal LEAP (Learn, Engage, Apply and Perform) programme (see page 78) and we joined the international Nightingale Challenge which inspires the next generation of nurses as future leaders (see page 64). Our Reward Framework helps to address pay anomalies and we believe, in time, will help reduce our gender pay gap. Our Competency Framework guides development as well as being used for talent and succession planning moving forward. Our aim, through all of this, is to support and enable women to develop and progress within Spire Healthcare.

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

Developing the next generation of healthcare professionals

The work we are doing to develop the professional skills our colleagues need to further their career with us has been central to our investments in people during 2020.

We continue to develop our apprenticeship programmes and are proud to be one of the few independent sector providers with nurse apprentices undertaking degree programmes. Our strategy of internal development will enable us to create a more robust infrastructure and build a pipeline of nurses over the next four years. The apprenticeship scheme opens up a broad and likely more retainable group of clinical colleagues, as it will allow us to recruit individuals directly into training roles who have little or no previous healthcare experience.

We operate apprenticeship programmes for other clinical specialities, including biomedical science, physiotherapy, medical laboratory technicians and operating department practice. We were delighted that one of our medical laboratory apprentices, Sally Harvey, was highly commended in the Rising Star category at the prestigious National Apprenticeship Awards. We have also been developing an assistant practitioner foundation degree apprenticeship programme with the University of Derby, which will open to applicants in 2021. We know of only one other provider offering this programme, which will offer a route for colleagues seeking a career in radiology and in theatres.

Apprentices in training[1]

262

In clinical roles

147

1 As at February 2021

We also offer a number of other apprenticeships for our non-clinical colleagues in disciplines such as marketing, human resources, engineering and business administration.

We have also launched our unique leadership development apprenticeship programme, LEAP, to help our developing talent to grow into great leaders at Spire Healthcare. The programme attracted record numbers of internal candidates, and the unique way the programme is designed allows participants to gain all the benefit of an externally recognised qualification-based programme without the unnecessary pressure on them to complete long academic essay-based work. The start of LEAP was delayed due to the pandemic, but we were able to launch the programme at the end of the year with an additional 128 places. This followed a detailed redesign to allow for much of the course to be completed virtually, in line with Government standards.

You can read more about our programmes to develop the next generation of nurses in the clinical review on page 64.

A destination employer

Making Spire Healthcare a destination employer remains a priority and is aligned to our goal of recruiting and retaining quality colleagues who feel valued, rewarded and have clearly defined career paths. We are continuing to improve the competitiveness of our total reward package and continue our journey towards a diverse workforce for whom Spire Healthcare is an employer of choice and one which our colleagues are proud to work for.

During the year, we strengthened our People Team with the appointment of a Group Head of HR Transformation, along with a Group Head of Talent Acquisition who leads our strategy to attract the best leaders available in the healthcare sector. Our dedicated Resourcing Team are working closely with our recruitment partners (partners who help us address our resourcing needs) to attract talent to our teams and improve selection outcomes.

Flexible resourcing has been a huge challenge during the COVID-19 crisis and our agency suppliers continue to provide reliable, safe and cost-effective access to additional resources. We continue to prioritise the growth of our bank resource and are moving to a digitised bank and agency platform in 2021 which will streamline the process for both users and managers.

Valuing and rewarding colleagues

We have developed a clear and simple reward and recognition framework which can be used across all roles and functions to provide consistency and fairness.

We have a 'continuous recognition' scheme – Inspiring People Awards – which has made awards to more than 16,000 colleagues since 2018, including 7,500 in 2020. This forms part of our Spire for You platform which enables colleagues to recognise each other, benefit from discounted products from a range of outlets, and access the dedicated wellbeing portal which includes a wide range of resources across four pillars of wellbeing: physical, mental, financial and diet.

We have made every effort to ensure that none of our people suffer any financial detriment as a result of the pandemic, including providing full pay for all COVID-19 related absences, but in order to support those colleagues whose wider families were impacted, we took swift action to introduce payment holidays and temporary reductions in salary sacrifice pension contributions, our Save as You Earn scheme and other payments to make life a little easier. We also awarded an exceptional thank-you payment of £500 to every colleague not already on a bonus scheme in December, to thank them for their extraordinary efforts during the pandemic.

During the year, we rolled out a new people management platform which consolidates four existing HR systems. The rollout experienced mixed success, with disruption to accurate payments experienced by many colleagues (read more on page 101). We are working hard to resolve this issue and, despite the initial challenges, Spire Healthcare now has visibility of payroll, and consistent employee data, which was previously unavailable.

Absence and turnover

We use sickness absence and employee turnover data to develop future initiatives to support our colleagues and improve our business. This data enables us to flex our workforce to ensure we have sufficient capacity and resilience in our teams.

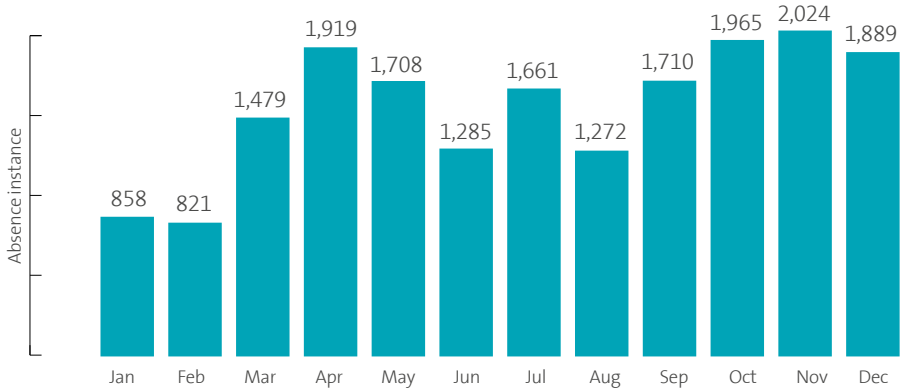
Our absence rates (see table below) reflected the peaks and troughs of the pandemic over the year.

During 2020, the turnover rate of permanent colleagues leaving Spire Healthcare reduced to 12% in December from 15% in January, and although the year saw a decrease in new hires during the first wave of the pandemic, recruitment activity increased again by the end of the year. This should put us in good stead as we prepare for resourcing challenges in the healthcare market in 2021.

Whistleblowing and Freedom to Speak Up

We want colleagues to feel confident and empowered to raise any issues or concerns they may have, and we have a robust whistleblowing policy in place.

Colleague absences during 2020



During 2020, we recruited a new Corporate Concerns Officer to coordinate all of our whistleblowing and Freedom to Speak Up activity and develop a culture where identifying concerns and speaking up is encouraged and embedded across all areas of the business.

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

The role of our Freedom to Speak Up Guardians across the Group was especially important during the pandemic, as we stepped up to support NHS colleagues and our people fulfilled different roles and functions according to local needs. As more people contact the Freedom to Speak Up Guardians, we are seeing fewer calls to the whistleblowing helpline.

Awareness of our whistleblowing policy and Freedom to Speak Up Guardians among colleagues remains high. In the survey carried out in 2020, 90% of colleagues said they knew how to raise concerns through the whistleblowing helpline and 90% of people knew about the Freedom to Speak Up Guardians.

Anti-bribery and corruption

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

Working with our investors and lenders

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

Shareholder engagement

We typically maintain regular communications with investors through face-to-face presentations and meetings with key and potential shareholders. Our investor relations team provides a direct link between investors and the Board. During the pandemic, calls have been made by Zoom and we have participated in virtual conferences. The Chairman conducted a roadshow, with the Senior Independent Director, to meet major shareholders and has also joined calls with new shareholders

Naturally, our investors care about our revenue growth and profits, EBITDA, Return On Capital Employed, cash and net debt. They are keen to understand how our relationship with the NHS benefits the business, and they want to see us building up our private business. But increasingly, environmental, social and governance factors have come to the fore, especially in 2020, and they have been impressed by our response to COVID-19. Feedback from investors has confirmed that they have a high degree of trust in our senior management team, and that they think Spire Healthcare has managed the business very well during the pandemic.

Because of the unusual nature of the year, we have issued more regulatory news service (RNS) announcements than normal – particularly to update the market on our contract discussions with the NHS. We have also kept in close contact with analysts, and organised presentations for them. Our interim results – presented as a Zoom webinar for the first time – was very well attended this year. Instead of having 10-15 people in a room, around 500 people joined the call.

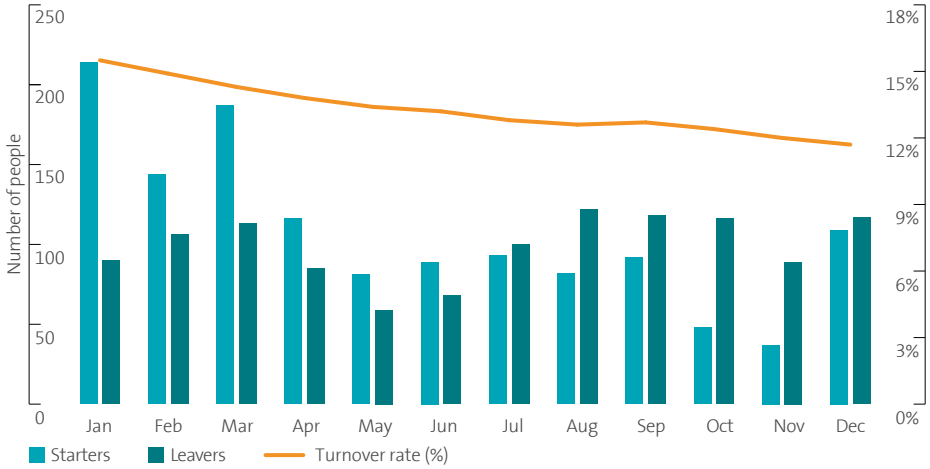
Relationships with our lenders

We have maintained close communications with lenders from the beginning of the pandemic, as we recognised the risk of breaching covenants during the period. We suspended our interim dividend and they have waived the usual covenant tests for June and December 2020 and then amended the June 2021 test. The lenders have also extended the maturity of our Senior Loan Facility by one year to July 2023. While we would usually organise face-to-face events with lenders, we have managed these relationships virtually this year, and all RNS announcements are copied to our lenders as a matter of course.

Looking ahead

What is important to both our investors and lenders is that we have conserved cash this year, so our net bank debt has decreased to £314.5m. They have appreciated the fact that we have done the right thing during the pandemic, and that we have made good progress in introducing greater digital technology. Some initiatives from this year are likely to continue, such as offering Zoom webinars where appropriate, as our investors and lenders have valued the quality of our communications in 2020.

Rolling 12 months turnover rate (excluding bank colleagues)



Contributing to our communities

At Spire Healthcare, we take a responsible approach to everything we do, stretching way beyond the high-quality care we provide for our patients. We realise our business plays an important part in the communities in which we operate, and we have a duty to give back to these areas and contribute to their greater wellbeing.

During 2020, our hospitals across the UK have made a significant contribution to health and wellbeing in their communities, supporting the NHS in tackling the pandemic. Alongside this, they have been involved in hundreds of other activities up and down the country, including fundraising and donating goody bags to provide additional support for local NHS trusts, organising Macmillan Cancer Support coffee mornings and supporting local foodbanks. Individual colleagues have put in their own heroic efforts to support local people and national good causes; for example, one colleague cooked meals in her own time for a local charity supporting homeless people, another sewed uniform bags which were offered to local hospitals and another organised fundraising activities to support Captain SIr Tom Moore's charity challenge.

In 2021, we will develop a Group Environment, Social and Governance strategy, in which we will set out our aspirations for future involvement with, and support for, local, national and international communities.

Community spotlight – supporting the Trussell Trust food bank network

In December, colleagues at our hospitals also responded to an urgent appeal from the Trussell Trust network, which supports more than 1,200 food bank centres in the UK to provide a minimum of three days' nutritionally-balanced emergency food to families in need. Our colleagues organised a wide range of fundraising events and initiatives across the Group to help families in the run-up to Christmas. Spire Healthcare then match-funded up to £250 for each site, meaning a total of over £20,000 was raised. This was converted into food donations by our supplier Bidfood, who then provided a generous supplementary donation of food.

John Forrest, Spire Healthcare's Chief Operating Officer, applauded our colleagues' efforts around the country: "2020 has been a challenging year for so many people, and I'm pleased that we've been able to play our part in meeting the increased demand for the support provided by so many foodbanks. Our teams have already given so much, because of the vital role they've played in supporting our NHS colleagues and caring for patients during the pandemic. I'm really proud that they ended the year with so many examples of great generosity for such a worthwhile cause."

> **"2020 has been a challenging year for so many people, and I'm pleased that we've been able to play our part in meeting the increased demand for the support provided by so many foodbanks."**

John Forrest
Chief Operating Officer

Supporting food banks in Leeds
Colleagues from Spire Leeds volunteered their time at the Leeds North & West Foodbank to make sure local children and families did not go hungry at Christmas. The food bank regularly gives out more than 100 parcels a week containing a three-day supply of everything from canned goods to toilet rolls, toothpaste and deodorant. "The logistics involved in getting the food parcels out to those who need them are quite complex and the food bank is extremely well organised," says volunteer Katie Alston, a governance administrator at our hospital. "It's comforting to know that this organisation is helping families in these times of crisis."

Tabs Chaudhary is a bookings coordinator at Spire Leeds, and also part of the team that lent a helping hand with everything from organising drop-offs to packing food parcels for those in need. She was delighted to be able to help, and can see how important the local food bank was at this difficult time: "We are living in unprecedented times with the devastating effect of coronavirus and I've never seen so many people suffering the impact and struggling for work in the Leeds area."

Looking after the environment

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

Our new 10-year carbon reduction target

We are committed to doing everything we can to reduce the harmful impact on our planet of climate change. In December 2020, the Board approved a robust decarbonisation strategy, designed to achieve net zero carbon emissions by 31 December 2030. We believe we are the first independent sector provider to make such a commitment. £16.0m of investment over the next 10 years has been ring-fenced to help achieve this aim.

As a strong first step towards meeting the target, we will, from October 2021, be procuring 100% of our electricity from renewable sources.

As well as the environmental benefits of our strategy, we believe our new approach will drive operational improvements and cost savings across the business, while enhancing our reputation within the private healthcare sector and attracting new environmentally conscious investors.

Energy targets vs performance in 2020

Our previous five-year energy reduction target, set in 2016, was to reduce CO_2e (carbon dioxide equivalent emissions from electricity and natural gas) by 15% per pound of revenue by 2020 from the baseline year of 2015.

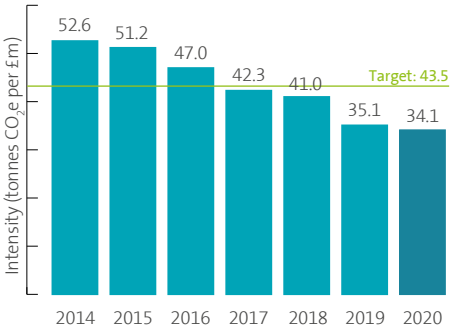
We use the intensity metric of carbon emissions per £ revenue, which increases in proportion to the growth in our business. Our values are based on providing excellence in clinical quality and innovation to our patients. As a consequence of continuing to meet these values, we will continue to grow, treat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

Investment to achieve net zero carbon emissions by 31 December 2030

£16.0m

We achieved our energy reduction target ahead of schedule, as demonstrated below. Further detail on greenhouse gas emissions is set out later in this section.

Carbon reduction



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

Energy monitoring

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

Capital investment in low carbon infrastructure findings

We continue to invest in our estate and engineering infrastructure to improve energy efficiencies. Key projects this year included investment in areas such as lighting, mechanical ventilation, building controls, heating and domestic hot water services.
- High efficiency lighting – on the back of the measured energy and aesthetic benefits of upgrading to LED lighting, we have invested in this area over recent years. This investment has helped to reduce our carbon footprint and we also benefit from the much-improved light quality that this technology brings. We have continued to install these systems during 2020, in line with the standard specification for our refurbishment and development projects, with the aim of reducing our electricity consumption and meeting our energy reduction targets.
- High efficiency heating, cooling and ventilation plant – new higher efficiency boilers were installed at Spire Clare Park and Spire Hull & East Riding this year. New MRI chillers were installed at Spire Leeds, as well as high efficiency air handling use fans at Spire Sussex. All of these will deliver a reduction in energy consumption at these sites in future years.

Legislation

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

Spire Healthcare was invited to participate in the CDP (formerly Carbon Disclosure Project) again in 2020. We made our sixth submission to the CDP this year and have received a 'C' grading, placing Spire Healthcare above the market sector average of 'D', and demonstrating our knowledge and understanding of our impact on climate change issues.

Greenhouse gas emissions in 2020

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

Total greenhouse gas (GHG) emissions for Spire Healthcare for January to December 2020 were 31,384 tCO_2e. The table below shows this, broken down by emissions source.

Engineering governance and compliance

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

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

Environment, social and governance (ESG) strategy

Our ESG strategy, to be developed in 2021, will set out our aspirations around our environmental impact for the coming years.

Emissions source	2014	2015	2016	2017	2018	2019	**2020**	Share (%)	YoY % change
Fuel combustion: stationary	10,360	11,150	10,488	10,842	12,917	12,098	**11,590**	37%	-4%
Fuel combustion: mobile	1,124	1,112	952	1,314	1,145	1,209	**1,447**	5%	20%
Fugitive emissions	6,543	7,152	8,288	6,128	6,936	5,895	**5,018**	16%	-15%
Purchased electricity	27,027	25,868	23,792	21,145	17,151	15,193	**13,330**	42%	-12%
Total emissions (tCO_2e)	**45,054**	**45,282**	**43,520**	**39,429**	**38,148**	**34,395**	**31,384**	**100%**	**-9%**
Revenue (£m)	856	884	926	932	931.1	980.8	**919.9**		
Intensity (tCO_2e per £m)	**52.6**	**51.2**	**47**	**42.3**	**41**	**35.1**	**34.1**		

Notes to the table:

a) Footprint boundary

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

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

b) Emission sources

All material Scope 1 and Scope 2 emissions are included, plus Scope 3 electricity transmission and distribution losses. These include emissions associated with:

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

c) Methodology and emissions factors

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions factors are taken from the Department for Business, Energy and Industrial Strategy emissions factor update published in 2019. There are no notable omissions from the mandatory scope 1 and 2 emissions. Approximately 11.7% of emissions are based on estimated data.

d) Fugitive emissions

These are attributable to the use of medical gases; carbon dioxide and nitrous oxide, (3,654 tCO_2e), and leakage of refrigerant gases (1,364 tCO_2e).

Risk management and internal control

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

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

Risk management

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

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

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

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

Risk Appetite

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

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

Material Change to the Group's risk profile from the COVID-19 Pandemic

The risk profile of the Group changed significantly with the onset of the COVID-19 Pandemic and has continued to change throughout the period March 2020 to date. As disclosed in the 2019 Annual Report and Accounts, the Group's hospitals could be subject to requisition by HM Government in a national crisis. In the circumstances, as announced by the Group on 21 March 2020, the Group, with other private healthcare providers, agreed to provide all of its services to be at the disposal of the NHS in England in return for the NHS covering the cash costs of the Group. This represented a completely new business model and method of operation for the Group. The Group agreed independent contracts to support the NHS in Scotland and Wales.

Principal Risks

The diagram shows the principal risks of the Group. Further detail on the individual risks is provided on pages 89 to 98.

The Principal Risks fall under the following categories:

Clinical & Patient Safety
- 1 Patient Safety & Clinical Quality

People
- 2 Workforce

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

Geopolitical
- 8 Government and NHS Policy
- 9 UK-EU Trade Relations

Technology
- 10 Information Governance & Security

Social
- 11 Covid-19 pandemic
- 12 Brand Reputation

Governance
- 13 Compliance and Regulation

In order to manage many new and immediate risks, e.g. securing supplies of protective personal equipment, from early March 2020, the Board and Executive Committee set up a crisis management command structure with Gold, Silver and Bronze Commands at national, regional and local level. The crisis command structure initially met seven days a week. Board members maintained oversight through monthly board meetings, additional meetings of the CGSC (as described on page 126) and through holding listening sessions with the senior leadership team without the Executive management team present. As the Pandemic progressed and the Group passed from immediate crisis response to embedding new ways of operating, the crisis command reduced its meetings steadily from daily to twice a week.

The Group returned to a "business as usual" command structure, but utilising some of the efficiencies it learnt from the crisis, on the 7 September 2020. Sadly, with the return of levels of NHS admissions exceeding the first wave in late December 2020 in January 2021, the Group returned to its crisis management command structures from 4 January 2021.

The CGSC, a committee of the Board, changed its meeting schedule from quarterly to monthly, and the Safety, Quality and Risk Committee, comprising Executive Committee members, did likewise.

The level of risk reporting increased in line with the increased governance oversight. The CGSC and the Safety, Quality and Risk Committee received updated risk reports at each meeting setting out the material corporate risks that the Group needed to manage, and how the Executive Committee was managing them. As the situation changed at pace, particularly in the spring of 2020, there were material changes to the risk profile of the Group at almost every meeting.

The Executive Committee and the Board, taking into consideration the rapidly changing risk profile, reviewed the Principal Risks of the Group. The profile has changed, although as the Group has now begun to undertake private healthcare work again, all of the Principal Risks reported in the 2019 Annual Report and Accounts remain relevant to the Group for 2020.

1) COVID-19 – a new Principal Risk
The Board considers that the COVID-19 virus represents an ongoing material risk to the Group. Further waves of infections, for example from new variants, in 2021 could affect the Group's ability to continue its private healthcare activities if elective procedures are largely unable to continue as occurred March 2020 – May 2020, or patient confidence falls. This could have a material impact on the Group's profitability and cash generation. Foreseeable scenarios from further waves of COVID-19 infections have been modelled as part of the going concern and viability testing, see page 99.

In 2020, the material mitigation against loss of income from suspended elective procedures was the NHSE contract. As set out in the Group's announcement on 13 August 2020, NHSE and independent hospital providers agreed terms for the variation of the NHSE Contract. The variation allowed Spire Healthcare to undertake a phased transition back to normal business, by providing NHS elective care to reduce waiting lists, whilst increasing private activity in its 35 English hospitals. The NHSE Contract, and subsequent variation, remained in place until 31 December 2020.

Spire Healthcare implemented safe patient pathways in each of its hospitals, compliant with Public Health England (PHE) and NHSE & NHS Improvement (NHSI) guidance, and these did not materially restrict capacity. All of Spire Healthcare's sites in England remained in the NHSE Contract with total admissions reaching c.95% of the Group's prior year activity on a monthly basis. The Group is committed to offering elective care to as many patients as possible, both NHS and private, and to supporting our Consultant partners to rebuild their practices as quickly as possible.

In response to the winter surge and the third Lockdown, the Group signed a further three-month contract, running from 1 January 2021 to 31 March 2021, to provide support to NHSE. This contract is remunerated based on activity levels rather than the procurement of capacity although it did allow regional NHS commands to requisition 100% of capacity if a NHS Trust went into "Surge".

2) Macroeconomic Risk – change in inherent risk level
Historically, approximately 70% of the Group's revenue is dependent on private patients having PMI, paid by their employer or paid by the individual, or being able to afford its services (Self-pay).

In an economic downturn, the numbers of insured individuals falls with the level of employment and individuals have reduced real income to fund insurance or Self-pay for procedures. This would have an adverse effect on the Group's business, the results of its operations and prospects.

With the UK economy moving into recession and the expected end of HM Government's furlough scheme in 2021, this risk increases in likelihood. However, it is not a certainty that there will be a material impact on the potential customer base of the Group, who tend to be older and in economic sectors not as reliant on HM Government's support. The Board is monitoring activity levels closely. Enquiries for Spire Healthcare services from private patients are exceeding levels seen historically, although there is inevitably a level of backlog from the cessation of elective procedures from March 2020 to May 2020.

3) Information Governance and Security – change in inherent risk level
As widely reported in the media, the Board is aware through regular communication with HM Government agencies that the threat level from malicious actors to healthcare organisations increased with the COVID-19 Pandemic. The Group will inherently face more risk as it continues to digitalise its operations and data. The Audit & Risk Committee had additional reports from the Chief Information Officer and Internal Audit during this period of the COVID-19 Pandemic on the resilience of the cyber security controls in the Group. The Board, through the Audit and Risk Committee, will continue to monitor the resilience of the Group's cyber security controls.

4) Compliance & Regulation – change in inherent risk level
The increasing range and complexity of the legislation and regulation which impact on the Group, plus the fact that, alongside many other complex and highly-regulated entities, the Group fully expects that the legal and regulatory landscape in which it operates will change and become more onerous, complex and demanding, means that this is considered an area of potential risk for the Group and its operations.

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

Inter-relationships of Principal Risks
The Board recognises that there are strong interrelationships between the Principal Risks. The changes described above to the Macroeconomic risk and Cyber Security risk have stemmed from the COVID-19 Pandemic. The COVID-19 Pandemic has affected most materially on patient safety and clinical quality procedures, and workforce risk. Impacts on patient safety and clinical quality procedures included the cessation of all elective care in the spring of 2020, to introducing rigorous patient and staff testing regimes, and new safe patient pathways that have introduced significant new cost for the Group. Impacts on the workforce were wide ranging from absence from COVID-19, shielding or self-isolation, to long periods for back office staff working alone at home, to hyperinflation in some critical clinical specialities provided by agencies. Aside from the current pandemic, the Board's analysis is that the three other risks that would have a material impact on other principal risks are:

- Patient Safety & Clinical Quality, hence the strategic and operational importance placed on its management as described on pages 62 to 64.
- Workforce Risk, hence the focus on attracting and retaining the best talent across clinical and non-clinical disciplines.
- Government & NHS policy that is leading the Group to balance its support for the NHS with an appropriate level of private activity.

Brexit impact on Spire Healthcare

The United Kingdom left the European Union on 31 January 2020 on the terms of the Withdrawal Agreement, which introduced a transition period until 31 December 2020. On the 30 December 2020, the HM Government signed the Trade and Cooperation Agreement with the EU. With the UK leaving the EU's custom union and single market, both our EU neighbours and HM Government have introduced new custom and border procedures. To date, the Group has seen minimal impact on its supply chains, employees or cost base from the new procedures or the new relationship with the EU. However, it is the Board's judgement that it is too early to remove the potential impact of Brexit as a Principal Risk (now referred to as UK-EU trading relations) to the Group because the potential impact may take several months to materialise. It remains the case, as reported in prior years, that the key areas of our business that we expect would be impacted are supply chain, employees and increased costs, as follows:

1) Supply Chain

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

Our supply chain traditionally operated on short ordering times and low inventories. For our critical consumable supply lines the Group now holds circa 10 weeks inventory, with an optimised holding of pharmaceutical supplies (some drugs have very short shelf lives). If the new border checks cause delays or shortages, then our supply chain may be disrupted leading to business disruption. The current inventory level gives the Group time to seek alternative supply sources. The Group is confident that this provides enough time to activate its contingency suppliers based on the experience of 2020 when the Group experienced initial supply chain challenges for Personal Protective Equipment (PPE) in the early part of the COVID-19 Pandemic.

2) Employees

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

3) Increased costs

Whilst the Trade and Cooperation Agreement removes quotas and tariffs, it is possible new custom duties and increased administration costs will affect our UK suppliers. This may result in increased costs for the Group over time. It is unlikely we will be able to mitigate fully such risk if it occurs.

The Group's Brexit Steering Committee will continue to provide governance over the management of the risks from Brexit until such time the Group is satisfied that the risks can be managed through normal line management routines. We will continue to work closely with our key suppliers during 2021 and keep our detailed contingency planning updated to mitigate the impact to our business.

Emerging Risks

During 2020 and early 2021, the Executive Committee and the Board, via the Audit and Risk Committee, have received reports on long-term global trends that could provide both opportunities and risks for the Group that fall outside of the normal planning horizon of five years. The Executive Committee reviewed a long list of potential risks that could affect the Group, and from that determined a short list of risks that it will actively monitor and documented in an emerging risk register. The Board has reviewed the emerging risk register.

Climate Change

The Group monitors the emerging risks from climate change in line with the six risks categories recommended by the Task Force on Climate-related Financial Disclosures, i.e. acute weather event; chronic weather event; new technologies; market risk; reputation; and, legal and regulatory changes.

The actions the Group is taking to mitigate the impact of climate change on the Group, and for the Group to minimise its impact on the environment, are described on pages 82 to 83.

Internal controls

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

1) Standard policies and procedures

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

2) Assurance over clinical delivery and clinical regulatory compliance risks

As described above, with the onset of the COVID-19 Pandemic the Clinical Governance and Safety Committee (CGSC) increased its vigilance of clinical risks and trends by moving to monthly meetings. However, despite the focus needed in 2020 on specific COVID-19 pandemic risks and issues, the CGSC continued to review all notifiable incidents and the outcome of both internal clinical reviews and external regulatory inspections.

As a provider of clinical services to patients, the Group faces a specific set of non-financial risks associated with such provision. Despite the COVID-19 pandemic, the strong control structures in place in 2019 have remained in place for 2020 as described below.

In relation to these risks:

- The Central Clinical Team, which is independent of our hospital operations and is led by the Group Clinical Director, oversees a national programme of clinical audits, in addition to conducting on-site clinical reviews of every hospital and non-hospital unit e.g. clinics, according to the approach taken at regulatory inspections. These form part of the overall framework for clinical governance and quality, to ensure that clinical risk and clinical regulatory compliance is managed effectively across all registered sites. The results of these activities are regularly reviewed by the corporate Clinical Services team, Business Unit Directors, Directors of Clinical Services, the Executive Committee and the CGSC;
- The Group Medical Director oversees the governance of the c.7,500 Consultants through the Medical Governance Committee, the management of patient reviews and recalls, the approval of Practicing Privileges and setting medical governance policy;
- Each hospital has a risk register through which risks are managed;
- Comprehensive, non-financial management information on clinical performance including safety, clinical effectiveness and customer experience, is produced and reviewed quarterly against pre-agreed standards by the corporate Clinical Services team, Business Unit Directors, Directors of Clinical Services, the Executive Committee and the CGSC. Specific KPI measures drawn from this management information are given on page 57;

- The Group is subject to substantial levels of external inspection and review, both by the range of national healthcare regulators (CQC/HIW/HIS) and through invited assurance inspections such as the rolling programme of health and safety inspections carried out by third-party specialists. The Executive Committee and the CGSC review the outcomes of these activities. Although most regulators suspended onsite inspections for staff safety reasons and to comply with HM Government lockdown restrictions, a level of remote inspection continued, and the Group expects the onsite inspection regimes to re-start in 2021; and
- The structures and processes for internal confirmation of clinical regulatory compliance and the level of evidence and assurance required to monitor this on an ongoing basis has been maintained.

3) Financial and operational controls
The Group's design of its finance function splits resources across onsite finance managers at each hospital, supported by a central finance function based in Reading. The central finance function had to adopt home working practices when the Group decided it had to close the Reading office to comply with HM Government lockdown requirements. The Group furloughed a small number of staff, associated with debt collection for private revenues, for a period in 2020. The move to close the Reading office necessitated some changes to financial control processes. The remote working internal control environment was subject to internal audit and Audit and Risk Committee oversight. The internal control processes at hospital level remained unchanged.

The Group received regular fraud updates from the NHS Counter Fraud Authority, and where relevant disseminated the fraud alerts to relevant staff. The Group suffered no known frauds from third party suppliers.

The fundamental financial controls as reported in 2019 remained in place during 2020, namely:
- the annual process of preparing business plans and budgets, followed up by close monitoring of operational performance by the Executive Committee and the Board;
- weekly forecasting to drive corrective action;
- monthly monitoring of actual results, compared to budgets, forecasts and the previous year;
- all material capital expenditure is subject to an investment evaluation and authorisation procedure;
- common accounting policies and procedures; and
- the Group's treasury position and forecast liquidity are kept under review to ensure that borrowings are aligned with the Group's growth and are in compliance with banking covenants.

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

4) Internal Audit
The Audit and Risk Committee decided in 2019 to invest further in the capability of the function as the function's role and activity matures to meet the needs of the business. In 2020, we appointed KPMG to provide co-source internal audit resource, especially for technology assurance, change management assurance and cultural assurance. The activities of internal audit are reported in Audit and Risk Committee report on pages 129 to 133.

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

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

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

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
1. Patient Safety and Clinical Quality			
Executive Owner(s) – Group Clinical Director – Group Medical Director **Risk movement in 2019** **Risk movement in 2020** **Link to Strategy** Uncompromising on patient safety and clinical care.	There is a risk to the provision of high-quality patient care due to: – Nosocomial Covid-19 infection – A shortage of skilled workforce (see Risk 1); – Clinical and non-clinical staff and Consultants failing to follow guidelines, standards and policies resulting in patient harm; and, – Failing to learn from incidents and Patient Notification Exercises	Reputational and financial loss could occur if the Group fails to address adequately issues identified by incidents, audits, complaints, PROMs, National Registries, Whistleblowing, Freedom to speak up, workforce feedback and the internal Patient Safety Quality Reviews and Care Quality Commission.	In response to the COVID-19 pandemic, the Group introduced a specific infection prevention control programme to minimise the risk of hospital acquired COVID-19 infections that included: – Red, Amber & Green patient pathways, – PPE, – Testing of patients, colleagues and Consultants. The Group maintains controls to mitigate against a failure of patient safety and clinical quality: – A reporting culture of openness and shared learning from Ward-to-Board, with a FSUG at each site – Incident reporting via a database with central oversight – Continual monitoring of clinical standards, reporting progress via the Clinical Governance and Safety Committee ('CGSC'). A schedule of robust and regular hospital audits including the Patient Safety and Quality Reviews, with an action plan for improvement. – Colleague induction, clinical competencies requirements and mandated training. – Reporting on clinical outcomes with workforce and Consultants including the Chairs of hospital Medical Advisory Committees.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
2. Workforce			
Executive Owner(s) – Human Resources Director **Risk movement in 2019** **Risk movement in 2020** **Link to Strategy** First choice for private healthcare Uncompromising on patient safety and clinical care	There is a global shortage of nursing and allied healthcare practitioners. In addition, the Group has an ageing workforce. The Covid-19 pandemic has caused up to 10%-15% of the workforce to be absent at its peak. The Group's ability to attract and retain clinical practitioners, in particular, is affected by: – Growth of waiting lists affecting more nurses required in NHS/IS reducing availability of colleagues. – Demand for nursing/healthcare workers increases resulting in more competitive pay rates. – Government respond by raising pay in the NHS. – Government immigration policy and the post Brexit labour market – The impact of the NHS 'Agenda for Change' causing inflationary wage pressure – Our business strategy of increasing complexity of medical procedures that requires a higher skilled workforce – The changing Pensions and Tax (IR35) landscape that might reduce the availability of Consultants, bank and agency staff. – The reduction in elective activity within Trusts reducing the training opportunities for new Consultants.	The Group is able to provide safe patient care only with delays to treatment because of scarce resources. Over the medium to long term, this could result in a decline in the Group's profits and affect expected revenue growth from more complex surgical procedures and treatment of higher-risk patients.	The Group seeks to retain staff through: – A common purpose and a positive workplace culture. – Maintaining competitive pay and benefits. – Responding to key metrics such as staff turnover, rookie staff levels (less than one-years' service), vacancy rates and levels of positive engagement from staff surveys. – Continuous investment in its equipment, facilities and services to retain high-quality clinicians. – The Group seeks to recruit staff through: – A centralised recruitment processes – An overseas recruitment capability to secure skilled healthcare workers from outside the EU where necessary. – Offering apprenticeship programmes to support the development of clinical and non-clinical teams across the business. – Working with the Royal Colleges to offer Consultant-training opportunities in the private sector. – Building of local bank staff pools – The Group manages immediate staff shortages with agency and bank workers.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
3. PMI Market Dynamics			
Executive Owner(s) – Chief Commercial Officer **Risk movement in 2019**  **Risk movement in 2020**  **Link to Strategy** First choice for private healthcare Improving revenue, profit and cash.	The PMI market is concentrated, with the top four companies (Bupa, AXA, Aviva and VitalityHealth) having a market share estimated at over 85%. In addition to this market concentration, the major PMI providers are collaborating on service line tenders to increase their purchasing power. There is a risk that the PMI providers will put cost before clinical quality. The Group has individual contractual relationships for the provision of its services with all the major PMI providers. These contracts come up for renewal on a recurring basis. There is a risk that renewal of contract terms cannot be secured on historical terms. Following the COVID-19 pandemic, the speed of recovery of the PMI market for the Group is uncertain. There is a risk that PMI patient volumes will not recover to pre-pandemic levels as quickly as the Group anticipates.	Loss of, or renewal at lower tariffs, of an existing contractual relationship with any of the key insurers could significantly reduce revenue and profit for the Group. A slower recovery of the PMI market could reduce revenues and profits in the short term.	The Group works hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the Directors, assists the healthcare sector as a whole in delivering high-quality patient care. The Group ensures it has long-term contracts in place with its PMI partners to avoid co-termination of contractual arrangements. The Group believes continuing to invest in its well-placed portfolio of hospitals provides a natural fit to the local requirements of all the PMI providers long term. The Group continues to invest in efficiency programmes to ensure that it can offer cost effective high quality patient care.
4. Macroeconomics			
Executive Owner(s) – Chief Commercial Officer **Risk movement in 2019**  **Risk movement in 2020**  **Link to Strategy** First choice for private healthcare. Improving revenue, profit and cash.	In 2019, before the COVID-19 pandemic, the Group derived c.70% of its revenue from private patients, either through insurance paid for by their employer or themselves, or patients paying for services directly. In 2020, as reported elsewhere, that model changed completely after March 2020 when the NHS contracted private healthcare providers to support the pandemic response. Since May 2020, and under the current NHS contractual arrangements in England, Scotland and Wales, the Group is able to use unutilised capacity for private patients. Given the uncertain economic outlook, there is a risk that post the COVID-19 pandemic, private patients may not be able to access private healthcare to the same pre-pandemic levels because of either: – capacity constraints from contracted NHS work to address the NHS waiting lists for Elective treatment; or – loss of insurance cover if withdrawn by an employer or patients lose employment; – or they suffer a loss of disposal income.	Reduction of Private patients and associated revenue and profit contributions. Reduction in the operational efficiency of our existing hospital network.	The evidence available to the Group indicates that the COVID-19 pandemic has left high levels of pent up demand for the Group's services. The ability for patients to access private care does not appear presently to be constrained financially. The Group understands that private medical insurance policy renewals and sales remain healthy, and the Group has itself seen higher enquiries from self-pay patients than in 2019 with a rapid recovery in self-pay patient care seen in Q4 2020. In the medium to long term, the Group seeks to have flexibility to respond to changing economic circumstances with a blend of private and NHS funded work that does not leave the Group over reliant on one income source, supported by an efficient cost base.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
5. Competitor Challenge			
Executive Owner(s) – Chief Commercial Officer **Risk movement in 2019** **Risk movement in 2020** **Link to Strategy** First choice for private healthcare. Key partner of the NHS.	The Group operates in a highly competitive market. New or existing competitors may enter the market of one or more of our existing hospitals, or offer new services. In the current economic environment, there is a risk that the pressures on competitors results in irrational market behaviour manifesting itself in low pricing on tenders or self pay.	The potential impact would be the loss of market share due to aggressive competitor activity a new competitor and reduced profitability and cash flow.	The Group maintains a watching brief on new and existing competitor activity and retains the ability to react quickly to changes in patient and market demand. The Group considers that a partial mitigation of the impact of competitor activity is ensured by providing patients with high-quality clinical care and by maintaining good working relationships with General Practitioners and Consultants. The Group continues to invest in the brand and deliver an effective acquisition capability both direct and via our partners in order to protect our market position. It has also strengthened its pricing and tendering capabilities. Despite the COVID-19 pandemic, the Group plans to maintain its investment into the estate and clinical equipment to differentiate our proposition. The Group monitors the market for opportunities, should they arise, to acquire or open facilities in specific geographies creating incremental volume.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
6. Insurance & Indemnity			
Executive Owner(s) – Group General Counsel **Risk movement in 2019**  **Risk movement in 2020**  **Link to Strategy** Uncompromising on patient safety and critical care	The Group procures insurance from global insurers and syndicates with a presence in the Lloyds of London insurance market. The Group could be subject to litigation for actions by third parties or may be found liable for damages which may not be covered by its insurance policies, if the claims are in excess of cover or claims are not covered by the Group's insurance due to other policy limitations or exclusions or where it has failed to comply with the terms of the policy.	The Group's insurance premiums may increase and, if there is a significant deterioration in its claims experience, insurance may not be available on acceptable terms. There may also be costs relating to damages and defence costs. As a substantive buyer of corporate insurance, the Group could be faced with increased premiums, reduced cover or withdrawal of cover because of hardening global insurance markets.	The Group reviews and maintains insurance to mitigate the possibility of a major loss. Adequacy of cover is reviewed annually with the Group's brokers with coverage being maintained or increased depending on that advice. Personal injury claims relating to patients, third parties and employees are covered by insurance once predetermined deductible levels have been reached. The Group engages in consultation information events relating to indemnity and has developed a bespoke affinity insurance product MedicaInsure to provide Consultants with a high-quality, regulated alternative to discretionary cover. The Group has made robust representations to Government and the Paterson Inquiry with regard to the need to end discretionary indemnity and to regulate the medical defence organisations.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
7. Liquidity and Covenants			
Executive Owner(s) – Chief Financial Officer **Risk movement in 2019** **Risk movement in 2020** **Link to Strategy** Improving revenue, profit and cash	The Group may not have sufficient liquidity to meet its financial liabilities as they fall due, or breach financial covenants linked to its borrowings. The Group may not be able to refinance on favourable terms.	Failure to meet its obligations or covenants would have a substantial adverse effect on the Group's reputation and may lead to borrowings becoming repayable earlier than contracted.	The Group actively monitors and manages its liquid asset position, its financial liabilities falling due and the cover against its loan covenants is actively focused on cash management and capital expenditure. At the onset of the COVID-19 pandemic, the Group was able to engage positively with its banking group with the result that the Group benefited from covenant waivers in 2020. For June 2021, the banking group has again agreed to waive the covenant tests under its current loan agreements, and provide additional headroom for the December 2021 covenant tests. Note 22 to the Financial Statements describes the extended facility to 2023. The Group retains access to an unutilised £100m (reducing to £87m from July 2022 until July 2023) revolving credit facility should its current cash position materially deteriorate. The Group has a solid asset base with the ability to leverage in a short timescale, if required. The Board has considered the risk in detail as part of its assessment of the viability of the Group.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
8. Government & NHS Policy			
Executive Owner(s) – Chief Commercial Officer **Risk movement in 2019**  **Risk movement in 2020**  **Link to Strategy** Key partner of the NHS.	The COVID-19 pandemic has seen significant changes in the way the NHS has interacted with the private healthcare sector. NHS England has contracted at a national level for the first time. The Group expects the NHS to continue to develop the pre-pandemic policy of regional Integrated Care Systems. There is a risk that the developments in the provision of healthcare in the UK could result in a short- to medium-term material change in NHS commissioning models and/or changes in the tariff structures. The economic policy of HM Government post the COVID-19 pandemic is unknown. There is a risk that future economic policy is unfavourable to the healthcare sector as a whole.	Changes to NHS commissioning models, if adverse, could lead to reduced access to patients, reduced tariffs, or reduced prices adversely influencing revenues and/or margins. A reduction in patient volumes could lead to a reduction in the operational efficiency of our existing hospital network. Changes in HM Government fiscal policy or spending policy towards corporate organisations, or the healthcare sector in particular, could materially affect the profitability of the Group.	Historically, the Group derived 70% of its revenues from PMI and Self-pay patients that provided a natural 'hedge' against exposure to Government and NHS policy. Post pandemic, the Group will seek to recover its private revenues as far as possible to restore that hedge. The Group has successfully secured accreditation on the NHS Framework to be considered for future contracts. Through the COVID-19 pandemic, the Group has increased its relationships with the Government via DoHSC, NHS England, NHS Improvement and maintained close communications with NHS leads in Scotland, Wales, the local Trusts and Commissioners. Contact is both direct and through the Independent Healthcare Providers Network where the Group contributed staff across working groups set up to manage the private sector's response to the COVID-19 pandemic.
9. UK-EU Trade Relations			
Executive Owner(s) – Chief Financial Officer – Chief Operating Officer **Risk movement in 2019**  **Risk movement in 2020**  **Link to Strategy** First choice for private healthcare. Key partner of the NHS. Uncompromising on patient safety and clinical care. Improving revenue, profit and cash.	On 30 December 2020, the UK and European Union signed the UK-EU Trade and Cooperation Agreement (TCA). The Agreement introduced new trading relationships between the EU and UK. Whilst the TCA clarified tariff regimes for many physical goods, new border procedures and custom duties came into force on 1 January 2021 with member states of the EU. 80% of the Group consumable supplies are sourced from, or via, the EU. There is a risk that the Group's operations may experience disruption from the new border procedures.	The Group may experience disruption to the Group's business including: – Supply Chain e.g. – Medicines – Consumables – Prostheses – Food – Transport disruption – Cross border data flows	In 2019, the Group undertook a risk assessment. It developed comprehensive plans across all key risk areas to minimise disruption, including: utilising its national supply chain and distribution centre to efficiently utilise stock; undertaking supplier assurance; liaising with NHS England and the Department of Health planning team and promoting the EU settlement scheme to relevant staff. In 2021, the Group's Brexit Steering Committee continues to monitor the Group's resilience to the identified key risk areas. The Group has maintained its pre-Brexit key supply levels as a precautionary measure. To date there has been minimal disruption to the Group's operations.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
10. Information Governance and Security			
Executive Owner(s) – Chief Financial Officer **Risk movement in 2019** **Risk movement in 2020** **Link to Strategy** First choice for private healthcare. Key partner of the NHS. Uncompromising on patient safety and clinical care. Improving revenue, profit and cash.	The Group has to maintain and manage a range of physical and digital data assets including patient records, commercial information and staff data. Personal data has to be managed in compliance with the principles set out in the Data Protection Act 2018 and the General Data Protection Regulations (GDPR). The level of risk to Spire Healthcare's IT architecture and systems continues to grow as the volume of cyber security threats are increasing and becoming more sophisticated. Healthcare and pharmaceutical organisations saw increased hostile cyber activity in 2020 because of the COVID-19 pandemic. The group anticipates that the Healthcare sector will remain a higher risk sector from cyber-attacks.	The Group's business could be disrupted if its information systems fail are breached, destroyed or damaged. Staff and patient data could be stolen or compromised. The Group could also be subject to litigation by third parties and law enforcement agencies. A successful cyber-attack and a breach of data security could result in: – material costs to recover operations, – material financial penalties for breaches of Data Protection law, – compensation for patients or staff if personal data is compromised; and, – Reputational damage.	The Group has a governance structure, with Board oversight, that monitors the risk and mitigations for information governance. To support the governance structure the Group has a range of policies and practices covering information governance. All staff have to complete annual mandatory training on information governance and data protection. The Group's IT team have a cyber-security strategy for continuous improvement based on industry standards. It covers the processes from identifying specific risks, to protecting physical and digital data assets through to recovery in the event of a successful cyber-attack. The Group works with a number of industry leading technical partners to provide: – multiple layers of business protection through the use of advanced detection and protection systems, – Regular third-party penetration testing on new and existing IT systems. – Assessment of maturity of control environment against international control frameworks.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
11. COVID-19 Pandemic (NEW)			
Executive Owner(s) – The whole Executive Committee, led by the Chief Executive Officer. **Risk movement in 2019** **N/A** **Risk movement in 2020** **Link to Strategy** Uncompromising on patient safety and clinical care. First choice for private healthcare. Key partner of the NHS. Improving revenue, profit and cash.	Repeated waves of infection occur that risk overwhelming the NHS and forcing HM Government to re-introduce severe lock-down measures either regionally or nationally.	Further lockdown measures could adversely impact Spire Healthcare's operations and its profitability by: – Reducing the amount of elective procedures the hospitals can carry out because of additional Infection Prevention Control measures or patients reluctance to attend hospital. – A substantive number of staff have to self-isolate because they or household members show symptoms, are tested positive or are instructed to self-isolate by the HM Government's contact tracing operations. – Spire Healthcare hospitals are required to support local NHS trusts that declare Surge, preventing them from treating private patients. There is a short-term risk of material financial losses under the current contract to 31 March 2021 before mitigations. – Consultants and anaesthetists are required to support their NHS trusts to treat Covid-19 patients reducing their availability to undertake work in Spire Healthcare facilities.	To maximise the utilisation of the hospitals the Group has: – Negotiated a short-term contract from 1 Jan 2021 – 31 March 2021 based on activity with a minimum activity underpin. – Negotiated national contracts with the NHS to support them to provide capacity for treating the backlog of elective procedures. – Maintained capacity within the contractual arrangements with the NHS for PMI and Self-pay patients (overridden in Surge scenarios). – Maintained close links with the Consultant community and support them build their private patient activities. – Maintained the Infection Prevention Control measures to reduce the risk of cross contamination amongst staff at Spire Healthcare facilities. These measures include regularly testing all staff and patients for COVID-19. – The Group is supporting the national vaccination programme. Frontline clinical staff will be prioritised with NHS frontline clinical staff.

Principal Risk	Risk Description	Risk Impact	Risk Mitigation
12. Brand Reputation			
Executive Owner(s) – Chief Commercial Officer **Risk movement in 2019** **Risk movement in 2020** **Link to Strategy** First choice for private healthcare. Key partner of the NHS.	The COVID-19 pandemic has resulted in a substantial amount of positive media coverage for the Group. The Group's actions to support the NHS has generated a substantial amount of goodwill at national and regional level within the NHS. Its brand presence within the consumer and NHS & HM Government is higher than at any point. The Group's future growth depends upon its ability to maintain, and continue to enhance, its reputation amongst patients, clinicians and other stakeholders. As the Group's brand presence grows, the risk increases that adverse events such as: – patient notifications and recalls; – mishandling of patient data; or, – a breach of law or regulation will have a more material impact on the Group.	If we fail to protect or grow the brand it may harm our ability: – to maintain or grow income – to attract and retain the best staff and clinicians – to win new contracts – to raise capital at competitive rates – to meet our regulatory obligations	The Group's primary mitigations against damage to its brand reputation is through the good management of its principal risks, in particular: – Patient safety and clinical quality; – Cyber security and data protection; and, – Compliance and regulation. Specifically in 2021 the Group will: – Continue to support the NHS through the COVID-19 pandemic; – Continue to focus on enhanced infection prevention control to minimise patient and staff risk from COVID-19 – Substantially complete its response to the recommendations of the Independent Inquiry into the issues raised by Ian Paterson – Launch its first national television advertising campaign focused on its core purpose. The Group has built greater capability to manage its social media, online presence and public relations during 2020.
13. Compliance & Regulation			
Executive Owner(s) – Group General Counsel – Chief Financial Officer – Chief Commercial Officer – Chief Operating Officer – Group Clinical Director – Group Medical Director **Risk movement in 2019** **Risk movement in 2020** **Link to Strategy** First choice for private healthcare. Key partner of the NHS. Uncompromising on patient safety and clinical care.	The increasing range and complexity of the legislation and regulation which impact on the Group, plus the fact that, alongside many other complex and highly-regulated entities, the Group fully expects that the legal and regulatory landscape in which it operates will change and become more onerous, complex and demanding, means that this is considered an area of potential risk for the Group and its operations. In addition, as the UK makes the transition from being part of the EU, there will be flux in legal and regulatory developments, potentially arising from the interpretation of retained EU law by the UK courts or from the direction taken by the UK following the end of the transition period; it is not possible to determine with any degree of certainty the speed, impact or direction of forthcoming legal or regulatory change. This will therefore require monitoring, compliance and assurance.	Failure to comply with laws, regulations or regulatory standards may expose the Group to claims, fines, penalties, and damage to reputation, suspension from the treatment of NHS patients, loss of hospital licence and loss of private patients. New laws and regulations may require new compliance programmes to provide assurance that the Group is in compliance increasing overhead costs.	The Group has a Ward-to-Board system of governance that ensures compliance with law and regulation and provides the pathways to add different elements of compliance, should regulation/laws change and thus the need arise. Key components that support the Ward-to-Board governance structure for compliance and regulation include: – A dedicated legal team and company secretary that, with external counsel, monitors legal and regulatory developments and advises the group thereon. – Regular, role specific, mandatory training for all staff (both clinical and non-clinical) across a range of the most important legal and regulatory compliance areas, e.g. data protection, health & safety laws and safeguarding. – Centralised clinical and non-clinical internal audit teams that carry out site audits and assists hospitals in establishing and maintaining a high level of internal control.

Compliance statements

Viability

Assessment of prospects

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

Assessment of viability

Further detail on both Macroeconomic related risk and COVID-19 is provided in the Risk management and internal control section on pages 84 to 98.

Other specific scenarios covered by our testing were as follows:

- a key hospital is subject to permanent or temporary suspension of trade, for example, due to a major fire or regulatory matter;
- the Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems;
- the downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer;
- significant change in Government or NHS policy; and
- the business is subject to significant uninsured losses arising from medical malpractice, negligence or similar claims.
- This review included the following key assumptions:
- no change in capital structure given the Group extended its existing senior finance facility and revolving credit facility to mature in July 2023; and
- the Government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS.

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

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

Going Concern

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on Viability above. Based on the current assessment of the likelihood of these risks arising by the 31 March 2022, together with their assessment of the planned mitigating actions being successful, the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis. See note 2. Basis of Preparation for more detail.

Non-financial information statement

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

- information on our employees (page 75);
- information on diversity (page 76);
- information on our Anti-bribery and Corruption Policy (page 79);
- information on our Whistleblowing Policy (page 78 and 79);
- information on our approach to human rights (page 118);
- information on social matters (page 80); and
- information on our Environment Policy (pages 82 and 83).

Section 172 (1) statement

Our section 172 (1) statement can be found on page 111.

Financial review

We managed the cash and financial impacts of COVID-19 well. It was the right thing to do to support the NHS with a cost coverage contract, and it was also right for Spire.

Jitesh Sodha
Chief Financial Officer

2020 started well with particularly strong growth in self-pay, however admissions and revenues declined as the COVID-19 pandemic impacted the country. With the vast majority of private elective surgery suspended from 1 April, and all capacity made available to the NHS, H1 20 revenues declined 18% to £401.9m (versus H1 19: £491.6m). However, in the second half of the year, Spire Healthcare was able to undertake elective work for both the NHS and private payors, and a subsequent variation to the NHSE contract, announced on 13 August, enabled Spire Healthcare to protect a minimum capacity for private activity, subject to NHS requirements. Consequently H2 20 revenues increased 5.9% to £518.0m (versus H2 19: £489.2m), although this was impacted by the structure of the NHS COVID contracts. Q4 saw exceptionally strong growth in self-pay revenue with priority given to more clinically-urgent complex cases, which carry a greater average revenue per case.

The Group moved quickly to ensure treatment pathways were COVID-secure, protecting patients and colleagues alike. Critically the 'green' pathways allowed a return to admissions at 95% of prior year levels by the end of the summer; a significant achievement given the inevitable restrictions of social distancing, infection control and use of PPE, and a welcome route to treatment for many patients.

The associated costs of COVID compliance amounted to £32m in 2020. We believe we will be able to lower these during 2021, through reducing the cost of COVID testing, pricing adjustments, and the easing of some restrictions later in the year. COVID security will nonetheless remain a key part of hospital care for months or years to come and costs may increase if testing guidance or protocols change.

Agency costs as a proportion of total clinical costs fell from 7.7% in 2019 to 4.7% in 2020 as we acted to reduce unnecessary costs in the early phase of the first contract when NHS surgical activity was low. We anticipate an increase in 2021 as activity builds but aim to reduce this over time, which will further improve the patient experience, whilst lowering our clinical staff costs.

The Group received relevant cash cost recovery for its services from the NHS from 30 March to 31 December 2020, including operating costs, overheads, use of assets, rent and interest, less a rebate for any private elective care provided. These contracts, with payments in advance, combined with a tightly controlled capex programme and the suspension of the final dividend (which was announced on 1 April), resulted in an increase in cash and equivalents on the balance sheet to £106.3m (versus £90.8m at FY19). Net bank debt improved to £314.5m (£330.0m at end December 2019).

We continued to invest in the future of our business, spending £50.8m on upgrades to hospital facilities and an acceleration of certain digital efficiency programmes to benefit patients and colleagues. These investments included the replacement of 700 beds during the year, representing c.50% of the total portfolio, four new scanners (two MRI and two CT), a theatre suite refurbishment at Spire Liverpool and a new multi-storey car park at Spire Bristol.

Spire Healthcare currently has a Senior Loan Facility of £425m and an undrawn Revolving Credit Facility (RCF) of £100m. The maturity date of the Senior Loan Facility has been extended by one year to July 2023. The RCF will remain at £100m until July 2022 and £87m thereafter until July 2023. The Group has also reached agreement with its lenders to provide the necessary financial flexibility to continue to support the NHS with a waiver of the net debt/EBITDA ratio and interest cover test for June 2021. A new liquidity measure replaced these tests and requires cash and cash equivalents, including headroom under undrawn committed facilities, to remain above £50m. For December 2021 the agreement allows for a maximum net debt/EBITDA ratio of 6x, if this measure has not already dipped below 4x at any month end from June to November 2021. At 31 December 2020 the net debt/EBITDA ratio was 3.9x. I would like to thank our lending banks for their support during this extraordinary period.

In-line with IFRS requirements, the Company performs a review of the carrying value of goodwill every reporting period. The current view of the market in the medium and long term remains substantially unchanged from the last review. In H1 20, when assessing the carrying value of the historical goodwill balance, the Group recognised the effect of prevailing financial market conditions on the cost of capital which is used to discount future cash flows to their current value; accordingly Spire Healthcare took a non-cash charge in the period to reduce historical goodwill from £517.8m to £317.8m. This historical goodwill relates primarily to the original acquisition of hospitals to create Spire Healthcare in 2007 and 2008 and the impairment charge of £200m has been treated as an Adjusting item.

The pandemic has provided a platform to accelerate the delivery of certain digital efficiency programmes, which either improve the patient experience by making it easier to access our services, or improve the interaction with our colleagues.

In early March 2020, Spire Healthcare secured licences to facilitate virtual patient consultations, with 59,300 consultations taking place in FY20 (20,000 in H1 20). The Group also hosted many successful virtual training and continuing professional development events for General Practitioners enabling Spire Healthcare to maintain engagement with the local medical community, and thereby protecting and developing an important source of patient referrals. The use of virtual consultations has been well received by patients and has freed-up valuable out-patient capacity in Spire Healthcare hospitals so will remain a vital part of service delivery in the future.

The Group's digital portals for both patients and our partners are seeing record levels of bookings (58,190 in FY20 versus 43,920 in FY19) further highlighting growing demand for online services. The Group also transferred its outsourced call handling service in June to improve its capacity to respond to fluctuations in patient enquiries and take direct bookings, handling over 8,500 overflow calls per week in January 2021. Not only does this provide the ability to meet the increased demand in enquires but also allows some bookings to be made centrally. Both of these initiatives are key steps to improving the patient pathway and making more efficient use of our resources.

The introduction of electronic pre-operative assessment (ePOA) was prioritised and piloted during 2020 in three Spire Healthcare sites (Spire Nottingham, Spire Hartswood and Spire Leicester). Full implementation of ePOA across all sites is now underway, which should significantly reduce the use of paper within Spire Healthcare whilst facilitating a better patient experience and shorter processing time, thereby freeing up nursing time and hospital consulting rooms.

Significant progress has been made on the development of a new pricing system which will allow central oversight and optimisation of self-pay pricing across the group. This platform will also make it easier for Consultants to securely post and amend their own, independently determined, charges. The project is now in pilot in Spire Fylde Coast, Spire Liverpool, Spire Norwich and Spire St Anthony's, with rollout to all hospitals expected over the course of the year.

The Company also launched two new platforms with an aim to improve the HR function during 2020. The first is a new Oracle-based people management platform which consolidates four existing HR systems (HR, payroll and two recruitment systems) into one. This development aims to significantly reduce the paper and administrative burden within HR whilst providing greater control and transparency in payroll. The rollout experienced mixed success, with disruption to accurate payments experienced by many colleagues primarily as a result of different approaches to remuneration for non-contracted hours across the portfolio of hospitals. We apologised to those affected, and are working hard to correct errors through changes to the system. The experience highlighted the importance of a more integrated 'one Spire' way of working.

The second, Ryalto, is an app for Spire Healthcare colleagues, which provides access to news and information about the business, enabling a greater sense of connection to the Company, particularly for hospital-based colleagues who are not able to access email whilst at work. The improved communication has been very well received and the live, interactive application is providing a transformation to our ability to connect with, and listen to, our colleagues. This Cloud-based system will be developed further to allow managers to book bank and/or temporary workers and will link to the Group's payroll systems.

On 1 January 2021, Spire Healthcare entered into a new contract with NHS England (NHSE). This contract is volume based, rather than the previous cost-based contract, and was designed to facilitate a smooth transition back to Spire Healthcare's usual mix of business as the pandemic eases; providing elective surgery to reduce the NHS waiting lists whilst increasing private activity. The emergence of a new, highly contagious variant of COVID in early 2021 has placed greater strain on the NHS than in the first wave and has required different independent sector support from that envisaged under the new contract.

In early January 2021, NHSE triggered the surge clause for a number of hospitals, a provision to make all of Spire Healthcare's resources available to the NHS in the event of a rise in local COVID infection rates. 13 of the Group's hospitals went into surge in early 2021, mainly in the South East, but the majority of these surge clauses have now been lifted. Spire Healthcare has worked closely with NHSE to provide appropriate care for NHS patients, and we are proud that nine Spire Healthcare hospitals are currently acting as NHS cancer hubs.

Elsewhere, activity, such as urgent cardiac care, has been transferred to be managed by the local Spire Healthcare hospital and the cystic fibrosis service managed by Spire Manchester has been extended to the end of March. Despite this, performance in Q1 has been broadly in-line with expectations with self-pay admissions in non-surge hospitals above prior year levels and higher average revenue per case for private procedures.

Unlike the first wave, when there was a national curtailment of elective surgery, certain time-critical private activity has continued during this period, even in surge sites, with out-patients and diagnostic services largely unaffected. This means that Spire Healthcare has established a waiting list of private work which is expected to be delivered over the remainder of the year.

Relevant enquiries remain above prior year levels, with double digit growth in self-pay revenues in Q4 20 and January 2021, providing reassurance that private activity will rebound strongly when the pandemic abates. Whilst PMI revenue improved in Q4 20 versus Q3 20, the recovery is stronger in self-pay. There is some evidence to suggest that private customers are choosing self-pay because they feel it is easier and quicker to access care, and partly, we believe, due to the need for insured patients to gain a referral from their GP to access treatment, at a time when GP appointments are restricted due to COVID measures.

Spire Healthcare was successful in its bid to be included on the NHSE Framework for purchasing additional activity from the independent sector, which is expected to commence in April 2021. Inclusion on the Framework is at an agreed price for activity, based on NHS tariff, but carries no guaranteed volumes. Activity will be determined by local Commissioners' (CCGs and trusts) requirements, therefore the relationships that have formed between Spire Healthcare's hospital directors and their local NHS counterparts during the pandemic will be critical to ensure Spire Healthcare receives an appropriate share of the work available. We anticipate that commissioning through the NHS Framework will build over the year. The NHS has a priority to treat those with greatest clinical need and who have been waiting the longest. We therefore anticipate a more acute mix of work in Q2 with a return to a more normal mix later in the year.

The impact of COVID-19 will remain for much of the first half of 2021, but the overall positive dynamics in our market have not changed with lengthening waiting lists and significant demand in both the NHS and private sector resulting from the postponement of elective procedures during the pandemic.

Spire Healthcare's Purpose and underlying strategy is unchanged, and the Company emerges from 2020 as a stronger organisation; the positive relationships formed with all key stakeholders will, we believe, provide a strong foundation for the business in the years ahead.

Timeline of key dates	
20 March	Spire Healthcare took the clinical decision to suspend certain procedures, including all non-urgent elective surgery for patients over 70 and vulnerable patients with co-morbidities
23 March	Terms agreed with NHS England to make our facilities and services available to the NHS in response to COVID-19
6 April	Heads of terms agreed with NHS in Wales to make facilities and services available to the NHS in Wales
8 April	Heads of terms agreed with NHS in Scotland to make facilities and services available to the NHS in Scotland
15 May	De-escalation triggered in England, some private activity permitted
13 August	Contract variation agreed with NHS England which protected a minimum capacity for private work, subject to NHS requirements
21 December	New contract signed in England with minimum value underpins
01 Jan 2021	New contract took effect

Selected financial information

(£m)	Year ended 31 December 2020 Total before Adjusting items	Adjusting items (note 10)	Total	Year ended 31 December 2019 Total before Adjusting items	Adjusting items (note 10)	Total
Revenue	**919.9**	**–**	**919.9**	980.8	–	980.8
Cost of sales	**(464.1)**	**–**	**(464.1)**	(529.4)	–	(529.4)
Gross profit	**455.8**	**–**	**455.8**	451.4	–	451.4
Other operating costs	**(389.1)**	**(213.3)**	**(602.4)**	(353.8)	(3.2)	(357.0)
Other income	**0.4**	**–**	**0.4**	–	–	–
Operating (loss)/profit (EBIT)	**67.1**	**(213.3)**	**(146.2)**	97.6	(3.2)	94.4
Net finance costs	**(85.6)**	**0.8**	**(84.8)**	(84.8)	–	(84.8)
(Loss)/profit before taxation	**(18.5)**	**(212.5)**	**(231.0)**	12.8	(3.2)	9.6
Taxation	**(2.2)**	**(0.7)**	**(2.9)**	(3.0)	0.6	(2.4)
(Loss)/profit for the period	**(20.7)**	**(213.2)**	**(233.9)**	9.8	(2.6)	7.2
EBITDA[1]	**161.1**	**–**	**161.1**	189.0	–	189.0
Basic (loss)/earnings per share, pence	**(5.2)**	**(53.2)**	**(58.4)**	2.4	(0.6)	1.8
FCF[2]	**34.7**	**–**	**34.7**	51.0	–	51.0
Capital investments	**50.8**	**–**	**50.8**	62.5	–	62.5
Net cash from operating activities	**159.7**	**–**	**159.7**	201.7	–	201.7
Net bank debt[3]	**314.5**	**–**	**314.5**	330.0	–	330.0

1 EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items, referred to hereafter as 'EBITDA'. See page 106 for further information.
2 FCF (Free Cash Flow) is calculated as EBITDA, less rent and capital expenditure cash flows. Rent cash flows are defined as Interest on, and Payment of, Lease Liabilities. Capital expenditure cash flows are defined as the Purchase, and Proceeds on Disposal, of Property, Plant and Equipment.
3 Net bank debt is defined as bank borrowings less cash and cash equivalents.

Revenue

Group revenues declined 6.2% to £919.9m (FY19: £980.8m) due to the suspension or restriction of private activity during the NHS COVID-19 contracts. NHS revenue of £430.0m includes £362.7m revenue from the COVID-19 contracts, net of rebates for private activity. The NHS COVID-19 contracts are reimbursed on a cost recovery basis and therefore the detail of revenue by location (inpatient, day case or Out-patient) is not available.

Revenue by location and payor

(£m)	Year ended 31 December 2020	2019	Variance %
Total revenue	**919.9**	980.8	(6.2%)
Of which:			
Inpatient	**188.3**	370.5	(49.2%)
Day case	**170.3**	298.9	(43.0%)
Out-patient	**181.9**	286.9	(36.6%)
NHS – COVID-19	**362.7**	–	NM[1]
Other	**16.7**	24.5	(31.8%)
Total revenue	**919.9**	980.8	(6.2%)
Of which:			
PMI	**337.6**	491.8	(31.4%)
Self-Pay	**135.6**	178.8	(24.1%)
Total Private	**473.2**	670.6	(29.4%)
Total NHS	**430.0**	285.7	50.5%)
Other	**16.7**	24.5	(31.8%)
Total revenue	**919.9**	980.8	(6.2%)

1 Not meaningful.

Cost of sales and gross profit

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

Gross profit increased by 1.0% (2019: 4.1%) to £455.8m (2019: £451.4m). Gross margin increased by 350bp (2019: a decline of 60bp) to 49.5% (2019: 46.0%). Cost of sales decreased in the period by £65.3m, or by 12.3%, to £464.1m (2019: £529.4m) on revenues that decreased by 6.2%.

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

	Year ended 31 December 2020		Year ended 31 December 2019	
(£m)	£m	% of revenue	£m	% of revenue
Clinical staff	**212.6**	**23.1%**	203.3	20.7%
Direct costs	**192.8**	**21.0%**	223.9	22.8%
Medical fees	**58.7**	**6.4%**	102.2	10.4%
Cost of sales	**464.1**	**50.5%**	529.4	54.0%
Gross profit	**455.8**	**49.5%**	451.4	46.0%

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

Other operating costs

Other operating costs for the year ended 31 December 2020 increased by £245.4m or 68.7% to £602.4m (2019: £357.0m). The main driver for this increase is a one-off non-cash charge for impairment relating to goodwill as reported in H1 2020 of £200m which has been reported as an Adjusting item. Excluding Adjusting Items, other operating costs have increased by £35.3m, or 10.0% to £389.1m (2019: £353.8m).

The increase in other operating costs is mainly driven by increased COVID-19 related costs including £11.0m for testing, as well as increased staff costs.

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

EBITDA

EBITDA for the Group has decreased by 14.8% in the period from £189.0m to £161.1m for 2020. The decrease is driven by a fall in revenue following restrictions over private activity during the COVID-19 pandemic, which is partially offset by decreased cost of sales, namely direct costs and medical fees.

Share-based payments

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

Adjusting items

	Year ended 31 December	
(£m)	2020	2019
Asset disposals, impairment and aborted project costs	**200.3**	(0.1)
Remediation of regulatory compliance or malpractice	**12.8**	1.9
Hospitals set up and closure costs	**0.2**	0.3
Business reorganisation and corporate restructuring	**–**	1.1
Total operating costs	**213.3**	3.2
Interest receivable on Adjusting item	**(0.8)**	–
Total pre-tax other costs	**212.5**	3.2
Income tax charge/(credit) on Adjusting Items	**0.7**	(0.6)
Total post-tax other costs	**213.2**	2.6

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

In the period, the Group booked an impairment charge in respect of goodwill of £200m (see note 14 for more detail) and posted a £0.3m impairment on an asset held for sale following a change to the property market brought about by the pandemic.

In the prior period, asset disposals, impairment and aborted project costs netted a credit of £0.1m comprising: a credit of £2m in connection with the reversal of an impairment charge on a property which had been classified as held for sale, offset by the £0.1m impairment on classification of another asset as held for sale; a further charge of £0.3m taken for aborted project costs relating to a potential hospital development at Milton Keynes; and a write down of £1.5m against non-sterile Single Use Devices as a consequence of the Medical Device Regulations (MDR) change.

The Group has recognised £12.8m (2019: £1.9m) of charges relating to Remediation of Regulatory Compliance or Malpractice Costs, this includes the following two matters:

- During the year, a judgment was received in favour of the Group in its case against one of its insurers relating to Ian Paterson and the Group was awarded £11.6m, including £0.8m of interest. The net difference of £10.8m is reported within Remediation of Regulatory Compliance or Malpractice Costs and £0.8m is shown in the above table as Interest Receivable on Adjusting Items. The insurer has sought to appeal the ruling at the Court of Appeal and the Group is awaiting the outcome of this request. The Group is committed to providing on-going support to Paterson's patients, and following the release of the Paterson Public Inquiry in February 2020, the Group has incurred, or provided for, costs of £22.2m during the year.
- During 2020 the Group reached a settlement with the Competition and Marketing Authority (CMA) as disclosed in the RNS announcement released on 1 July 2020. Professional costs in respect of the CMA investigation have also been recognised, bringing the total cost recognised in the period to £1.3m.

During the prior year the £1.9m remediation charge related to two separate regulatory compliance issues. One of the issues related to the temporary closure of a specific site to make improvements following a CQC inspection. The second issue related to expected, but uncertain costs for a regulatory compliance matter.

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

In the prior year, business reorganisation and corporate restructuring costs of £1.1m primarily related to internal group reorganisation costs associated with a strategic review in 2019 which specifically covered Clinical and Operational functions. Those costs were excluded from adjusted operating profit as they related to a fundamental change in how those areas were organised and functioned.

Net finance costs

Net finance costs remained static at £84.8m (2019: £84.8m). However net finance costs included Adjusting items of £0.8m, for interest income on the RSA judgement (see note 10 for further details). Excluding Adjusting items, net finance costs increased by 0.9% (2019: 10.6%) to £85.6m (2019: £84.8m).

Taxation

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

	Year ended 31 December	
(£m)	**2020**	2019
(Loss)/profit before taxation	**(231.0)**	9.6
Tax at the standard rate	**(43.9)**	1.8
Effects of:		
Expenses and income not deductible or taxable	**5.6**	2.8
Impairment charge in respect of goodwill (not tax deductible)	**38.0**	–
Adjustments to prior year	**(2.4)**	(1.5)
Difference in tax rates	**5.8**	(0.4)
Deferred tax not previously recognised	**(0.2)**	(0.3)
Total tax charge	**2.9**	2.4

The effective tax rate on profit before taxation for the year was negative (1.3%) (2019: positive 25.0%), which is mainly driven by the effects of revaluing deferred tax assets and liabilities to 19% following the abolishment of the rate reduction to 17% due in April 2020, and the permanent difference relating to the £200m impairment charge. Without these items, the effective tax rate is 9.4% (2019: 29.2%). Deferred tax is detailed in note 23 of the Annual Report and Accounts.

As announced in the budget on 3 March 2021, the Government are intending to increase the corporation tax rate from 19% to 25% from April 2023. As this rate was not substantively enacted at the balance sheet date, it has not been used to calculate the deferred tax balances. If the net deferred tax liability as at 31 December 2020 were to reverse at the tax rate of 25% the net deferred tax liability would increase by £17.0m.

Profit after taxation

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

Adjusted financial information

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

Non-GAAP financial measures

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

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

EBITDA and Adjusted EBIT

	Year ended 31 December	
(£m)	**2020**	2019
Operating (loss)/profit	**(146.2)**	94.4
Remove effects of:		
Adjusting items before interest and tax[1]	**213.3**	3.2
Adjusted EBIT	**67.1**	97.6
Depreciation (including profit/loss on sale of fixed assets)	**94.0**	91.4
EBITDA	**161.1**	189.0

1 Adjusting items before tax total £212.5m including the £0.8m interest receivable on the RSA judgement awarded to Spire Healthcare. Interest receivable is not included in EBIT or EBITDA.

Adjusted profit after tax and adjusted earnings per share

Adjustments have been made to remove the impact of a number of non-recurring items.

	Year ended 31 December	
(£m)	**2020**	2019
(Loss)/profit before tax	**(231.0)**	9.6
Adjustments for:		
Adjusting Items – operating costs	**213.3**	3.2
Adjusting items – interest receivable	**(0.8)**	–
Adjusted (loss)/profit before tax	**(18.5)**	12.8
Taxation[1]	**(2.2)**	(3.0)
Adjusted (loss)/profit after tax	**(20.7)**	9.8
Weighted average number of ordinary shares in issue (No.)	**400,835,795**	400,828,739
Adjusted (loss)/earnings per share (pence)	**(5.2)**	2.4

1 Reported tax charge for the period adjusted for the tax effect of Adjusting Items.

Cash flow analysis for the period

	Year ended 31 December	
(£m)	**2020**	2019
Opening Cash balance	**90.8**	47.7
Operating cash flows before Adjusting Items and income tax paid	**158.9**	205.5
Adjusting Items	**(2.8)**	(2.7)
Income tax received/(paid)	**3.6**	(1.1)
Operating cash flows after Adjusting Items and income tax	**159.7**	201.7
Net cash in investing activities	**(46.3)**	(48.6)
Net cash in financing activities	**(97.9)**	(110.0)
Closing cash balance	**106.3**	90.8

Operating cash flows before adjusting items
The cash inflow from operating activities before tax and adjusting items was £158.9m (2019: 205.5m inflow), which constitutes a cash conversion rate from £161.1m EBITDA of 99% (2019: 109% conversion of £189.0m EBITDA). The net cash outflow from movements in working capital in the period was £3.9m (2019: £17.9m inflow). This movement largely represents the accrued income at year end of £35.0m (2019: £13.0m) and the increase in provision of £19.9m (2019: decrease of £3.3m).

Investing and financing cash flows
Net cash used in investing activities for the period was £46.3m (2019: £48.6m). Cash outflow for the purchase of plant, property and equipment in the period totalled £46.6m (2019: £60.6m), which included theatre refurbishments in Liverpool, a new MRI in Southampton, a new CT at St Anthony's, a new boundary wall and car park at Spire Bristol and the implementation of Safe Pathways across all hospitals. The total capital investment in the year in respect of additions of plant, property and equipment amounted to £50.8m (2019: £62.5m) and the difference between additions and the cash outflow during the year will result in an additional cash outflow during 2021 upon receipt of invoice.

Net cash used in financing activities for the period was £97.9m (2019: £110.0m), including interest paid and other financing costs of £84.5m (2019: £75.5m), and £13.4m (2019: £19.3m) of lease liability payments. No dividend has been paid to shareholders (2019: £15.2m).

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

	Year ended 31 December	
(£m)	**2020**	2019
Cash	**106.3**	90.8
Bank borrowings	**420.8**	420.8
Bank borrowings less cash and cash equivalents ("net bank debt")	**314.5**	330.0

During the course of the year, the Group negotiated bank waivers and put in place a new liquidity covenant (see the going concern section in note 2 for more detail).

The Group has an undrawn revolving loan facility of £100.0m (2019: £100.0m) available until July 2022 and a reduced balance of £87m available to July 2023.

Net debt for the purposes of the covenant test in respect of the Senior Loan Facility was £318.7m (2019: 334.2m) and the net debt to EBITDA ratio was 3.9x (2019: 3.0x). The net debt for covenant purposes comprises the senior facility of £425.0m less cash and cash equivalents. EBITDA for covenant purposes comprises pre-IFRS 16 EBITDA of £90.7m (2019: £120.5m) less the annual rental of a finance lease pre-IFRS 16 of £8.8m (2019: £8.6m).

Interest cover is 4.0x (2019: 4.8x).

As at 31 December 2020 lease liabilities were £749.5m (2019: £745.3m). Refer to note 22 for more detail.

Dividend
No dividend is proposed for the year ended 31 December 2020.

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

Chairman's Governance letter

> **The events of 2020 have only amplified how vital the need is to maintain strong stakeholder relationships to ensure our long term success.**

Garry Watts
Chairman
3 March 2021

Dear Shareholder,

The Board's priorities during a difficult year have been colleague and patient safety and supporting the NHS, whilst ensuring that the business remained in a strong position to resume private work when it was practical to do so. Our colleagues remain at the heart of everything we do and it was pleasing that they were recognised as 'key workers' by the Government in recognition of the vital service that they provide to patients and our healthcare partners.

In this 2020 Annual Report we are reporting against the 2018 UK Corporate Governance Code (the 'Code'). As a Board we have taken the time during the year to review the requirements of the Code issued by the Financial Reporting Council.

Maintaining our standards of governance during a pandemic

The success of our business depends on us maintaining a strong governance framework in every aspect of what we do. This supports effective strategic and operational decision making and risk management. In order to ensure that these principals were continued during the outbreak of the COVID-19, the Board increased the number of times it met allowing it to make well-informed and timely decisions to provide strategic guidance to management.

Of particular focus for the Board at the start of the pandemic was the latest information from the Government on the spread of the virus, containment measures taken or likely to be taken, including lockdowns, the trading restrictions that would be placed on our Hospitals, changes in macro-economic activity, including consumer behaviour and trends over the short and long terms, that would impact our business. The Board was also provided with information on the Company's liquidity position, latest trading and financial data, and details of management's proposed actions in relation to colleagues and Consultants.

In keeping with the exigencies of the crisis, Directors scheduled weekly and then bi-weekly meetings with senior management so as to be aware of the day-to-day challenges and responses, and to be readily accessible to provide direction and support in the timescales demanded by the situation. All Directors took part in the command and control meetings run three times a week by Chief Operating Officer John Forrest, giving the Board a real time insight into Spire Healthcare's mobilisation and flexible responses. We have used the virtual environment to allow Non-Executive Directors to meet with more colleagues in our hospitals.

Stakeholder engagement

The events of 2020 have only amplified how vital the need is to maintain strong stakeholder relationships to ensure our long-term success. Whilst a large element of the Board's regular stakeholder engagement is with colleagues and Consultants, a key part of our role as a Board is the oversight of the wider team's relationships with other stakeholders including the NHS, CQC, suppliers and finance providers.

In addition the Remuneration Committee has further embedded its extended remit over workforce engagement and you can read more on the ways we engage with our colleagues on page 75.

On pages 68 to 73 we set out the ways in which we engage with key stakeholders, what they are telling us and how that has been taken into account in the Board's decision-making process.

Board changes

We were extremely pleased to welcome Professor Cliff Shearman as an Independent Non-Executive Director. Cliff brings considerable clinical knowledge and his experience as a consultant has already brought insight into this key stakeholder group for Spire Healthcare. This appointment also increases the number of Board members with clinical experience to four, strengthening Spire Healthcare's clinical governance and reflecting our commitment to patient safety and clinical quality.

The Board also reviewed the independence of Simon Rowlands during the year and, after careful consideration, concluded that he now met the criteria set out in the UK Corporate Governance Code to be an independent Non-Executive Director.

In September I informed the Board of my decision to retire from the Group after ten years as it's Chairman, I will be stepping down at the Company's annual general meeting in May. I am delighted that my successor, Sir Ian Cheshire, will join the Board and will work alongside me and our fellow Directors for the next two months ensuring an orderly handover. The search for my replacement was led by Simon Rowlands with support from other Non-Executive Directors. Heidrick & Struggles, an executive search agency, were engaged to assist in the process. Heidrick & Struggles are a signatory to the Voluntary Code of Conduct, and have no other connection with the Company or the individual directors.

2020 performance evaluation

The Board's evaluation in 2020 was externally facilitated by Oliver Ziehn of Lintstock Ltd with support from the Deputy Chairman. The process involved a formal interview with each of the Directors and resulted in a written report. The principal conclusions of the review were shared with the Board in December. It was determined that the Company's Board continued to operate effectively, in an open and transparent manner, providing support and challenge to senior management. A fuller review of the areas of focus and our agreed action plan can be found on page 114 as well as an update on the actions identified from last year's evaluation.

Martin Angle also separately led the review of my performance as Chairman of the Board.

Risk management

Our risk culture is centred on risk awareness, openness, continuous improvement and encouraging the right behaviours to ensure an appropriate outcome for both the Company and its customers. A review of our Principal Risks is set out on pages 84 to 98.

Annual general meeting

In line with Government guidance our annual general meeting in 2020 was held without shareholders present to maintain safety whilst the country was in lockdown. At the time of writing to you it is likely that our annual general meeting scheduled for 13 May 2021 will again be closed to shareholders. Shareholders are recommended to look out for further details which will be included in the Notice of Meeting and also posted on our website at www.spirehealthcare.com/AGM.

Finally, I would like to wish Sir Ian, Justin Ash and the whole Spire Healthcare team every success for the future.

Garry Watts
Chairman
3 March 2021

Corporate Governance report

Compliance with the UK Corporate Governance Code in 2019

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

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

Code provision	How has the Company not complied with the provisions of the UK Code?	The Board's response
9	Garry Watts was not independent on appointment to the Board having previously served as Executive Chairman of the Company prior to IPO. Garry Watts will step down from the Board no later than the Company's annual general meeting in May 2021.	The Non-Executive Directors have determined that Garry Watts continues to lead the Board effectively. Spire Healthcare's next Non-Executive Chairman will be independent on appointment.
38	The pension contribution rates for Executive Directors are not aligned with those available to the workforce.	The Remuneration Committee has agreed that for new Executive Directors, the nature and value of any retirement benefits provided will be set by reference to the rate received by the majority of the workforce. The retirement benefits for incumbent Executive Directors are currently 18% of base salary, consistent with the policy on appointment. Benefits for incumbent Executive Directors will be reduced to be consistent with the policy for new appointments with effect from 1 January 2023.

Director independence

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

The Chairman did not satisfy the independence criteria on his appointment to the Board. In addition, the Company does not consider Dr. Ronnie van der Merwe has been nominated to act as a Non-Executive Director by Mediclinic International PLC, the principal shareholder, whose subsidiary, Mediclinic Jersey Limited (formerly Remgro Jersey Limited), entered into a relationship agreement with the Company in June 2015 (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, when Mediclinic International PLC controls 15% or more of the votes, it will be entitled to appoint one Non-Executive Director to the Board. It controls 29.9% of votes as at 3 March 2021. The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of Mediclinic International PLC.

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

During the year, the Board also reviewed the independence of Simon Rowlands and, after careful consideration, concluded that he now met the criteria set out in the UK Corporate Governance Code to be an independent Non-Executive Director.

Conflicts of interest

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

Director
Dr. Ronnie van der Merwe

Conflict
Chief executive officer of Mediclinic International PLC, which controls 29.9% of the voting rights in the Company as at 3 March 2021.

Changes to your Board during 2020

Individual	Event	Date
Professor Cliff Shearman	Appointed an independent Non-Executive Director	1 October 2020

Section 172 (1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment; – desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

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

More details on stakeholder engagement can be found on pages 68 to 73.

Principal decisions of the Board

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

Decision of the Board	Stakeholders	Link to Spire Healthcare's strategy	Further details can be found
Responding to the outbreak of COVID-19 and supporting the NHS through the use of Spire Healthcare's facilities	Patients, Colleagues, Consultants and NHS	– Key partner of the NHS – Uncompromising on patient safety and clinical care	See pages 25, 27, 31 and 102
Cancellation of the final dividend and covenant negotiations	Shareholders and Lenders	– Improving revenue, profit and cash	See pages 25 and 79
Investing in our estate	Patients, Colleagues and Consultants	– First choice for private healthcare – Uncompromising on patient safety and clinical care	See pages 18 and 37
Target set to achieve net zero carbon emissions by 31 December 2030	Communities and Environment	– Improving revenue, profit and cash	See page 82

The Board has a formal schedule of matters reserved to it and delegates certain matters to committees. Specific matters reserved for the Board considered during the year to 31 December 2020 included reviewing the Group's performance (monthly and year to date), approving capital expenditure, setting and approving the Group's strategy and annual budget.

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

Chairman
Garry Watts

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

Deputy Chairman and Senior Independent Director
Martin Angle

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

Chief Executive Officer
Justin Ash

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

Company Secretary
Philip Davies

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

Board and Committee structure

Ultimate responsibility for the management of the Group rests with the Board of Directors. The Board focuses primarily upon strategic and policy issues and is responsible for:

- leadership of the Group;
- implementing and monitoring effective controls to assess and manage risk;
- supporting the senior leadership team to formulate and execute the Group's strategy;
- monitoring the performance of the Group; and
- setting the Group's values and standards.

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

The Non-Executive Directors

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

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

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

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

Your Board in 2020

The Board's main focus this year has been to support our senior management in the vital work with the NHS, whilst ensuring that the business remained in a strong position to resume private work when it was practical to do so. To achieve this the Board met more frequently than in the prior year to ensure that it was fully engaged in Spire Healthcare's response to the pandemic. From mid-March onwards these meetings were all held virtually. Director attendance at scheduled meetings is shown on page 115.

The agenda at scheduled meetings in 2020 covered standing agenda items, including: a review of the Group's performance from the Chief Executive Officer, the current month's and year to date financial statistics by the Chief Financial Officer and a review of clinical performance and medical governance by both the Group Clinical Director and Group Medical Director. In addition, the Board received a verbal report from committee chairs, where their committee met immediately in advance of the scheduled Board meeting, and the Board regularly received reports on legal and statutory matters.

The Board's plan for 2021

It is currently planned that the Board will return to a more normal schedule of meetings in 2021, as well as holding any necessary ad hoc Board and committee meetings to consider non-routine business. It is anticipated that the position will be reviewed by the new Non-Executive Chairman.

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

The Board will maintain its focus on the Group's pursuit of its 2021 targets during the year. Its activities will include:

- reviewing and approving the 2020 Annual Report;
- reviewing the revised five-year strategic plan and approving the 2021 Annual Operating Plan;
- considering specific major themes;
- embedding the risk management framework;
- reviewing the make up of the Board; and
- following a rolling agenda, ensuring proper time for strategic debate.

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

Board evaluation

2020 Action plan update

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

Area of focus	Actions	Progress
1) Board succession planning	– Nomination Committee to implement longer-term succession planning for Non-Executive Directors. – Board to review recommended candidate for Group Medical Director role.	– Professor Cliff Shearman was appointed an independent Non-Executive Director in October 2020. His appointment will strengthen the Company's medical governance for the longer term. Cliff's experience as a consultant brings insight for the Board into this key stakeholder group. – Dr Cathy Cale was appointed Group Medical Director in H2 2020 following a rigorous interview process where she was interviewed by a majority of Directors.
2) Risk	– Ensure risk reporting continues to meet Directors' needs. – Schedule Board discussion on risk appetite for Q1 2020.	– Risk reporting has evolved with the completion of Dynamic Risk Assessments and consideration of Emerging Risks. Risk appetite discussions to continue into 2021.

2021 Action plan

The 2020 Board evaluation identified two principal areas of focus and associated actions to address them during 2021.

Area of focus	Actions
1) Strategy	– Board to receive further regular briefings on the latest trends across healthcare sector, Spire Healthcare's competitors and latest technology. – Building better stakeholder relations. – Consider engagement with Consultants, patients, Government and the healthcare regulator.
2) Board and executive succession planning	– Further consideration to Spire Healthcare's talent mapping and succession planning. – Board composition to be a consideration for new Non-Executive Chairman on appointment.

Disclosure Committee
With the implementation of the EU's Market Abuse Regulations in 2016, the Board established a Disclosure Committee to ensure, under delegated authority from the Board, that the Company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation. The Disclosure Committee also manages the Company's share dealing code, ensuring colleague compliance and provides training where required. The members of the Disclosure Committee are shown on page 116.

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

Executive Committee
The Executive Committee meets twice a month, splitting its time between project work and strategic matters. The Executive Committee delegates certain matters to the Safety, Quality and Risk Committee who have specific focus on safety, quality and risk matters respectively (see the Governance framework on page 116).

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

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

A review of the National Medical Governance Committee was completed in early 2021 by the Group Medical Director and it is intended that a revised structure is put in place.

Board meetings
The attendance of the Directors who served during the year ended 31 December 2020, at meetings of the Board, is shown in the following table. The number of meetings a Director could attend in the year is shown in brackets. The increase in the number of meetings held reflected Spire Healthcare's response to the outbreak of COVID-19

Board meeting attendance

Non-Executive Chairman	
Garry Watts	16 (17)
Deputy Chairman and Senior Independent Director	
Martin Angle	17 (17)
Executive Directors	
Justin Ash	17 (17)
Jitesh Sodha	17 (17)
Non-Executive Directors	
Adèle Anderson	17 (17)
Tony Bourne	17 (17)
Dame Janet Husband	17 (17)
Jenny Kay	17 (17)
Simon Rowlands	17 (17)
Professor Cliff Shearman[1]	3 (3)
Dr. Ronnie van der Merwe	13 (17)

1 Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020

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

Effectiveness
Board composition
The Board seeks to ensure that both it and its committees have the appropriate range of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively; for example, the 2020 Board calendar included sessions on clinical and statutory regulations. The Board considers its size and composition to be appropriate for the current requirements of the business but will continue to keep this under review.

Committee composition is set out in the relevant committee reports and listed on page 116. No one other than committee chairs and members of the committees are entitled to participate in meetings of the Audit and Risk, CGSC, Disclosure, Nomination and Remuneration committees, unless by invitation of the respective committee chair.

Martin Angle is the Deputy Chairman and Senior Independent Director. Biographical details of the Directors are set out on pages 120 and 123.

Appointments to the Board
Recommendations for appointments to the Board are made by the Nomination Committee. As part of the recruitment process the Nomination Committee follows a formal, rigorous and transparent procedure. Further information is set out in the Nomination Committee Report on pages 124 and 125.

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

Governance framework in 2020

Chairman
Garry Watts

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

Senior Independent Director
Martin Angle

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

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

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

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

Clinical Governance and Safety Committee
Dame Janet Husband (chair), Adèle Anderson, Justin Ash, Tony Bourne, Jenny Kay, Garry Watts (Professor Cliff Shearman joined on 1 January 2021)

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

Disclosure Committee
Garry Watts (chair), Martin Angle, Justin Ash, Gillian Fairfield, Jitesh Sodha

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

Nomination Committee
Martin Angle (chair), Adèle Anderson, Dame Janet Husband, Dr. Ronnie van der Merwe, Garry Watts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Election of Directors
All the Directors appointed at the time offered themselves for election or re-election at the sixth annual general meeting in May 2020. Directors are elected or re-elected in accordance with the requirements of the Code.

All Directors, except for Garry Watts, will stand for election or re-election at the annual general meeting in May 2021. The biographical details of each Director standing for election or re-election is included in the 2021 Notice of Meeting. The Board believes that each of the Directors standing for election is effective and demonstrates commitment to their respective roles. Accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2021 annual general meeting relating to the election of the Directors.

The biographical details of all current Directors are set out on pages 120 and 123.

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

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

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

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

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

Accountability

The Audit and Risk Committee

The Audit and Risk Committee Report is set out on pages 129 to 133 and identifies its members, whose biographies are set out on pages 12 and 122.

The report describes the Audit and Risk Committee's work in discharging its responsibilities during the year ended 31 December 2020, and its terms of reference can be found on the Group's website at www.investors.spirehealthcare.com.

Risk management and internal control

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

The Audit and Risk Committee and the Clinical Governance and Safety Committee, whose reports are set out on pages 129 to 133 and pages 126 and 128 respectively, assist the Board in reviewing the effectiveness of the Group's risk management system and internal controls, including financial, clinical, operational and compliance controls.

Executive compensation and risk

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

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

Financial and non-financial risk

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

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

Relations with shareholders

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

The Group undertakes an ongoing programme of meetings with investors, which during 2020 was led by the Chief Executive Officer and the Head of Investor Relations. Due to the outbreak of COVID these were principally held virtually.

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

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

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

Modern slavery

In early 2020, we continued the roll-out of our training programme on modern slavery awareness to hospital senior leadership teams. In March, we published our latest modern slavery statement and embedded a modern slavery risk assessment tool, for all new material suppliers to the Group, to strengthen our due diligence process. Whilst some of our plans to tackle modern slavery risk in our business were disrupted by the demands of the pandemic, we continued to make progress and in October we raised awareness across the Group, on National Anti-Slavery Day, through our colleague engagement app – Ryalto.

Our approach to tackling the risk of this heinous crime touching our business continues to evolve under the oversight of the internal multi-department modern slavery working group. In formulating our plans for 2021 the working group has been focusing on three key areas: training and awareness; higher risk supplier due diligence; and the recruitment and use of labour across the business. The working group has also been reflecting on the pandemic and specific areas of concern it has highlighted globally including the supply chain involved in the production and distribution of PPE.

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

Annual general meeting

Shareholders are encouraged to participate at the Company's annual general meeting, ensuring that there is a high level of accountability and identification with the Group's strategy and goals. Due to the outbreak of COVID-19 it was not possible to hold the 2020 annual general meeting with shareholders present. A summary of the proxy voting for the 2020 annual general meeting was made available via the London Stock Exchange and on the Company's website as soon as reasonably practicable on the same day as the meeting.

	Summary of resolution	Total votes for %	Total votes against %	Number of votes withheld
1	2019 Annual Report and Accounts	100.00	0.00	803,870
2	2019 Directors' Remuneration Report	99.71	0.29	37,512,795
3 to 12	Election or re-election of Directors	Between 99.14 and 99.83	Between 0.17 and 0.86	Maximum 11,146
13	Reappointment of auditors	99.80	0.20	137
14	Auditors' remuneration	99.99	0.01	3,717
15	Political expenditure	99.73	0.27	4,789
16	Authority to allot shares	97.29	2.71	8,826
17	Disapplication of statutory pre-emption rights*	99.45	0.55	3,111
18	Disapplication of statutory pre-emption rights for an acquisition*	99.26	0.74	7,656
19	Authority to purchase own shares*	99.71	0.29	49,541
20	General meetings to be held on 14 clear days' notice*	98.16	1.84	17

* Special resolution.

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

Philip Davies
Company Secretary
3 March 2021

Board of Directors

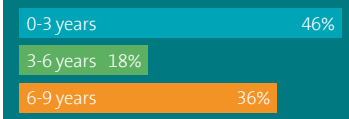
A diverse Board with strong leadership skills and relevant healthcare, operational and financial experience.

Key to committees

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

Board gender diversity

Board tenure



Board composition

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

For the most up to date information about Directors and Committee composition
Visit www.spirehealthcare.com/board

(C) (D) (N)

Garry Watts, Non-Executive Chairman

Garry Watts joined the Group as Executive Chairman in 2011 before becoming Non-Executive Chairman between Admission and March 2016. He again served as Executive Chairman between March 2016 and June 2017 before resuming his Non-Executive Chairman role in July 2017.

Garry has indicated his intention to stepdown from the Board at the Company's next annual general meeting on 13 May 2021. The Company does not consider Garry to be independent due to the executive role he previously held.

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

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

(C) (D) (E)

Justin Ash, Chief Executive Officer

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

Current external appointments
- non-executive chairman of The New World Trading Company Co.
- member of the strategic council of Independent Healthcare Providers Network
- member of the working advisory group of the National Guardian's Office

Skills and previous experience
Justin was previously chief executive of Oasis Dental Care between 2008 and 2017 before leading its sale to Bupa. Prior to this, he was managing director of Lloyds Pharmacy and has held several other senior retail positions including general manager of KFC in the UK/Ireland, and commercial director of Allied Domecq Spirits and Wines (Europe). Justin was previously a senior consultant with Bain and Company in London and Paris, and a non-executive board member and chair of the audit and risk committee of Al Nadhi Medical Company. He was chair of Independent Healthcare Providers Network until December 2020.

Jitesh Sodha, Chief Financial Officer

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

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

Martin Angle, Deputy Chairman and Senior Independent Director

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

Current external appointments
- deputy chairman and senior independent director of Gulf Keystone Petroleum plc
- Honorary Professor, College of Social Sciences and International Studies, University of Exeter

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

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

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

Dame Janet Husband, Independent Non-Executive Director

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

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

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

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

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

Adèle Anderson, Independent Non-Executive Director

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

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

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

Tony Bourne, Independent Non-Executive Director

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

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

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

Jenny Kay, Independent Non-Executive Director

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

Skills and previous experience
Jenny brings extensive experience as a front line registered nurse and subsequent experience in senior management and board roles across the NHS including as Director of Nursing in a successful acute Trust in Kent. She was a senior independent director at East London NHS Foundation Trust until the end of December 2020. Jenny also worked at the Department of Health in the Chief Nursing Officer's team, leading on communications. Additionally, Jenny has experience as Director of Quality in a Clinical Commissioning Group.

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

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

Simon Rowlands, Independent Non-Executive Director

Simon Rowlands was appointed a Non-Executive Director in June 2014.

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

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

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

Professor Cliff Shearman, Independent Non-Executive Director

Professor Cliff Shearman was appointed an independent Non-Executive Director in October 2020.

Current appointments
- Emeritus Professor of Vascular Surgery, University of Southampton
- non-executive director of University Hospitals Dorset NHS Foundation Trust
- vice president, a member of the council and trustee of the Royal College of Surgeons of England (until July 2021)

Skills and previous experience
Cliff Shearman was a Consultant Vascular Surgeon for 26 years, initially in Birmingham and then in Southampton, and Professor of Vascular Surgery at the University of Southampton. His research interests focus on factors that lead to diabetic vascular disease and how to improve the clinical outcomes for people with diabetes.

Cliff was a clinical service director and associate medical director in the University Hospital Southampton. At a national level he was president of the Vascular Society of Great Britain and Ireland and was one of the team that separated vascular surgery from general surgery leading to a new speciality, centralisation of services and a new training programme for vascular surgeons. These changes have been associated with dramatic improvements in outcomes for patients. Cliff continues to work to help improve outcomes for people who have diabetes and develop complications affecting their feet, a common cause of amputation in the UK. He is a member of the National Diabetes Foot Audit Steering Group.

Dr. Ronnie van der Merwe, Non-Executive Director

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

Current external appointments
- chief executive officer of Mediclinic International PLC

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

Nomination Committee report

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

Martin Angle
Chair, Nomination Committee

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

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

Committee meetings

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Committee membership and meeting attendance
The Nomination Committee members at the end of 2020 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended in 2020
Martin Angle (Committee Chair)	March 2019	Deputy Chairman and Senior Independent Director	3/3
Adèle Anderson	May 2020	Independent Non-Executive Director	2/2
Dame Janet Husband	July 2014	Independent Non-Executive Director	3/3
Dr Ronnie van der Merwe	May 2020	Non-Executive Director	2/2
Garry Watts	July 2016	Non-Executive Chairman	1/3*

* Garry Watts did not attend one of these meetings due to a conflict of interests.

Nomination Committee members' biographies are shown on pages 120 and 123.

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

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

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

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

Dear Shareholder,
As Chair of the Nomination Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2020.

COVID-19 has changed the way the Committee has had to function and interact, and in the manner its members conduct candidate interviews. With a significant reliance placed on virtual meetings, interview techniques have had to be adapted, in the absence of meetings in person, to enable the necessary assurances to be obtained that candidates will fit with Spire Healthcare's culture and collaborative working environment whilst bringing the necessary cognitive diversity, experience and challenge.

During the year, the activities of the Committee have focused on the identification and appointment of the right individuals to the Company's Board and senior leadership team. The Committee has recognised the requirement of the new UK Corporate Governance Code 2018 (the 'Code') in its decision-making.

A decision was made to enlarge the Committee to bring a wider range of views to discussion and we were pleased to welcome Adèle Anderson and Dr. Ronnie van der Merwe as members in May. Their knowledge of Spire Healthcare and their wide business experience is bringing a valuable contribution to the Committee's activities.

Succession planning and appointments to Board and senior leadership

At the start of 2020, the Committee thoroughly reviewed the performance of three Non-Executive Directors, Tony Bourne, Garry Watts and Dame Janet Husband, who were all concluding a three-year term in role during the year. In light of the requirements of the Code, this exercise was particularly rigorous given that each one had already served as a Director for six years. It was identified that all three continued to perform to a high level and collaboratively with colleagues. Both Tony Bourne and Dame Janet Husband were considered to remain independent.

In light of the length of tenure these Directors had served, the Committee looked to further review the future requirements of the Board and we were delighted to appointed Professor Cliff Shearman to our Board at the start of October. Buchanan Harvey & Co, an external search agency, was engaged to undertake the search which started in early 2020 with a list of potential candidates initially reviewed by Garry Watts and myself. Buchanan Harvey & Co, are a signatory to the Voluntary Code of Conduct, and have no other connection with the Company or the individual directors. A key element of our consideration as to an individual's suitability for the role was that candidates needed to have clinical experience, as we wished to further strengthen Spire Healthcare's clinical governance and support its commitment to patient safety and clinical quality. A shortlist was then interviewed by all of the Non-Executive Directors. After due consideration, the Committee recommended the appointment of Cliff to the Board, which was approved at its meeting in June.

In September, Garry Watts announced that he intended to step down from the Board at our annual general meeting in May 2021 or before if a suitable candidate had been identified. You can read further details on the process to identify a new independent Non-Executive Chairman on page 109.

In the first half of 2020, a number of the Non-Executive Directors met with candidates for the vacant role of Group Medical Director and the Committee was unanimously supportive of the decision to appoint Dr Cathy Cale. The role of Group Medical Director is vital in establishing Spire Healthcare's medical governance credentials and Cathy's proven experience in similar roles and extensive understanding of medical governance best practice. The Committee also met with Gillian Fairfield before her appointment as Group General Counsel. Gillian's extensive experience in corporate law, regulatory, finance, and governance set her apart from other candidates in the view of the Committee.

Performance evaluation

In early 2021, the Committee completed its annual performance evaluation. In discussing the matters identified in Lintstock's Report the Committee agreed minor actions to be implemented during the year.

Diversity and inclusion

Spire Healthcare recognises the importance of diversity, which includes but is not limited to gender, and a culture of inclusion, which is considered at every level of recruitment. This is reflected in the Committee's own approach to recruitment of Board members. All appointments are made on merit and based on objective criteria. We have a clear strategy to promote diversity across the business.

While Spire Healthcare employs a large majority of female colleagues and the Company's gender pay gap is lower than average, we recognise that there is further progress to be made towards better gender representation at Board and senior leadership levels. Our aim is to move to 33% female representation on the Board and Executive Committee as soon as practicable, commensurate with selection being on qualification and merit. I am particularly pleased that the gender split on our Executive Committee is now 50% male, 50% female.

Details of the Company's staff diversity and gender pay gap, in line with reporting requirements, can be found in the Our impact section on page 76. The chart on page 120 also illustrates the diversity of the Board in terms of gender.

Re-election of Directors

The Committee met in early 2021 to review the continuation in office and potential reappointment of all members of the Board. Following this review, the Committee recommended to the Board that all Directors standing be reappointed, and hence all Directors, except for Garry Watts who will be stepping down from the Board, will seek election or re-election at the annual general meeting in May.

Martin Angle
Chair, Nomination Committee
3 March 2021

Clinical Governance and Safety Committee report

The COVID-19 pandemic has challenged us in many ways, and Spire Healthcare's operational and clinical teams have come together this year like never before to deliver outstanding patient safety and care.

Professor Dame Janet Husband
Chair, Clinical Governance and Safety Committee

Clinical Governance and Safety Committee at a glance
The Clinical Governance and Safety Committee (CGSC) must have at least two members, one of whom must be an independent non-executive director. The Board appoints the Chair of the CGSC who must be an independent non-executive director. If members are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

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

Committee meetings

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Committee membership and attendance at meetings
The CGSC members at the end of 2020 and the number of meetings they each attended during the year were as follows (the maximum number of meetings they could have attended is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/held in 2020
Dame Janet Husband (Committee Chair)	July 2014	Independent Non-Executive Director	9 (9)
Adèle Anderson	February 2018	Independent Non-Executive Director	9 (9)
Justin Ash	October 2017	Chief Executive Officer	9 (9)
Tony Bourne	July 2014	Independent Non-Executive Director	9 (9)
Jenny Kay	June 2019	Independent Non-Executive Director	9 (9)
Garry Watts	July 2014	Chairman	9 (9)

Professor Cliff Shearman joined Spire Healthcare as an independent Non-Executive Director in October 2020, bringing his considerable clinical experience as a Consultant Vascular Surgeon to the Board. Cliff is currently Vice President of the Royal College of Surgeons. By invitation, he attended the CGSC meeting in December, and formally joined the Committee on 1 January 2021.

CGSC members' biographies are shown on pages 120 and 123.

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

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

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

Dear Shareholder,

I am pleased to report on the activities of the Clinical Governance and Safety Committee (the 'Committee' or the 'CGSC') in what has been an extraordinary year for everyone working in healthcare across the UK and worldwide. While 2020 was designated as the 'Year of the Nurse', few of us expected how apt that might turn out to be. The COVID-19 pandemic has challenged us in many ways, and Spire Healthcare's operational and clinical teams have come together this year like never before to deliver outstanding patient safety and care. Colleagues throughout the organisation have worked tirelessly, always putting patients first, often needing to adapt to different ways of working, and learning new skills. We are enormously proud of all they have achieved, and have witnessed how working together through the pandemic has forged closer relationships between our hospitals, bringing us all together as a stronger more interactive Group, ready to take the business forward and meet the challenges of 2021.

Evolving priorities and new ways of working

We entered 2020 with a strong view of how our Committee should be developed further to ensure appropriate oversight of our clinical strategy and performance. We agreed new Terms of Reference which we believe will help us to home in on our purpose to further promote a culture of safety, quality, outstanding personalised care, and the best possible patient experience.

As in previous years, we continue to review specific areas of practice, where we feel there is a need for more detailed information, or where a particular issue has been highlighted. We also monitor the 90-day plan, which has been established as part of Spire's ongoing strategy. And as ever, we oversee Health and Safety in relation to clinical areas, as well as the Group's clinical policies and procedures on behalf of the Board. The Committee also receives regular briefs from Spire's Legal team in respect of patient related issues.

Our new Terms of Reference also highlight the importance of Spire's relationship with other healthcare providers and external authorities, especially the NHS. Of course, this relationship has been a real focus this year. Once COVID-19 was recognised as a growing national emergency, Spire quickly changed its way of working to give the NHS full access to its services and facilities, as determined through a new National Contract. The changes in working practices in our hospitals, as well as the challenges of dealing with the threat of COVID-19 infection, placed enormous pressure on everyone. I am hugely proud of the way in which Spire's central team and our hospital teams met these challenges, with an unstinting commitment to patients and to 'doing the right thing'.

Our engagement with the NHS during the year is described in detail in other sections of this annual report, but on a personal note, I would like to add that this has been a very positive initiative and one on which I hope we will continue to build as we move forward towards a new post-COVID era. I would particularly like to acknowledge Alison Dickinson, our Group Clinical Director, whose total commitment and dedication to providing the best possible care for all Spire Healthcare's patients during the pandemic has been exemplary. Alison, together with all the senior executive team, has also worked tirelessly to ensure that hospital colleagues have always been supported both personally and professionally throughout this difficult year, and there is no doubt that this has been hugely appreciated across the Group.

I would also like to acknowledge Dr Fergus Macpherson, our interim Group Medical Director, for his vital contribution and leadership through the initial peak of the pandemic. Following Fergus's retirement from the role, we were delighted to welcome Dr Catherine Cale as our new Group Medical Director in October. Cathy has served on NHS boards as medical director, most recently with The Hillingdon Hospitals NHS Foundation Trust in London. She is also a former clinical ambassador for the Getting It Right First Time initiative and maintains strong links with the programme. I would also like to thank Mr Andrew Lavender, our Medical Advisory Committee (MAC) Chair at Spire Manchester Hospital, who stepped in to bridge the gap as interim Group Medical Director, helping with the transition between Fergus's retirement and Cathy joining the Group. I am delighted that Spire Healthcare's medical leadership has also been enlarged this year, with the appointment of regional medical directors, and I look forward to meeting the new team under Cathy's directorship during the coming months.

Committee activities in 2020

Along with all our usual responsibilities, the CGSC had an important role to play in the response to COVID-19.

In order to oversee the rollout of this rapidly changing clinical environment and to monitor its governance, the CGSC met on a monthly basis from April through to September, thus during 2020 we held eight virtual meetings and only one face-to-face meeting in February, before the virus took hold.

The virtual meetings have worked very well. At each meeting, we received an update on Spire's COVID-19 response, reflecting the rapidly changing environment. We saw exactly how our hospitals were liaising with their local NHS Trusts, and we saw that engagement gradually build up, with widely differing services being offered by our hospitals, according to local needs.

On a monthly basis, we scrutinised our clinical services and performance, monitored issues around our people, including the level of COVID-19 infections among colleagues, and took account of morale across the organisation. It was clear that the gold, silver and bronze command system put in place was working superbly, making a real difference to the effectiveness and efficiency of our hospitals, and helping us to maintain COVID-secure environments. During the year, we also did some detailed analysis, including a 'deep dive' on medicines management, and a review of our cosmetic services.

Clinical risk remains a standing item on our Committee agendas. We continue to learn from incidents, most of which cause 'no harm', and the CGSC reviews every 'never event' or death in detail, with a focus on learnings shared across our hospitals to help prevent any further similar occurrences. We were pleased to see the number of 'Never Events' reduced again this year with a total of eight, compared with 17 in 2019.

Hospital engagement

My programme of hospital visits normally allows me to see their progress first-hand, and it is also good to have the opportunity to talk with frontline staff and patients. Unfortunately, these personal visits have not been possible during the pandemic. However, Jenny Kay, as a fellow clinical Non-Executive Director with previous clinical experience, and I held Zoom calls with the hospital directors and directors of clinical services at each hospital covering all the hospitals between us over the course of the first half of the year. Then, in the second half of the year, we swapped over our lists so that both of us have had a listening session with all the key leaders of our clinical services across the Group during the year. These calls were very insightful and helped us to understand the enormous strains our hospital teams were under. Indeed, we were both humbled by the sheer dedication to duty and the willingness to 'go the extra mile' in the face of serious challenges, as well as their heart-felt concerns for the safety of their patients and colleagues.

A major concern throughout this year has also been for the welfare of all our Consultants. So many of them have been working under extraordinary pressure, both within their NHS hospitals and within our own Spire hospitals. Furthermore, they have all been facing their own personal challenges throughout this difficult period. To better understand our Consultants' concerns and to offer some support, I have also attended several virtual MAC Chair meetings, as well as individual MAC meetings at five of our hospitals.

Supporting the senior executive team through attending virtual Gold Command briefing sessions and also undertaking one-to-one sessions has also been a key focus of activity during the pandemic. An important initiative this year has been the introduction of Senior Leadership Team listening sessions. Our Deputy Chairman, Martin Angle, and I have undertaken two listening sessions and have both found them to be a valuable forum for open discussion, giving colleagues the opportunity to air their views, tell us their concerns and generally interact with members of the Board during this difficult year.

Other initiatives

An important new focus has been the appointment of a Medical Examiner, Dr Suzy Lishman, CBE, to provide an independent view of patient deaths. Suzy has a dual role, to provide our hospitals with assurance around how a death has been handled and whether there are any lessons to be learned, while also liaising with and providing support to the deceased patient's family as needed.

Our 'Freedom to Speak Up Guardians' initiative has also continued to be extremely valuable during a difficult year, allowing colleagues to raise any concerns in complete confidence. I was pleased to see that our freedom to speak up and whistleblowing roles have now come together, simplifying the process, and enhancing oversight over concerns raised, many of which can be resolved locally.

Looking ahead

The Committee has continued to function well this year, albeit in adverse circumstances, and we remain well positioned to focus on further strengthening our medical governance framework in 2021.

We are looking forward to welcoming the CQC back to our hospitals at the earliest opportunity, so that we can build on the excellent inspection results from the start of 2020, and work towards achieving 100% 'Good' and 'Outstanding' ratings across the Group.

I very much look forward to visiting hospitals again and hope that this may be possible later during 2021. Our plan is for our CGSC meetings to be supplemented by hospital visits that allow more time to meet colleagues and Consultants. Our four major Committee meetings will be held at the Company's central headquarters, or via Zoom, whichever is most appropriate at the time.

Our Committee has been strengthened with the appointment of Professor Cliff Shearman, who brings extensive clinical experience as a Consultant Vascular Surgeon and is currently Vice President of the Royal College of Surgeons. I am delighted to welcome Cliff, who joined the Board in October 2020, and our Committee at the start of 2021.

Finally, this year we had hoped to take part in the Nightingale Challenge, which aims to equip and empower the next generation of nurses and midwives as leaders, practitioners and advocates in health, but unfortunately this had to be delayed due to the pandemic. It is essentially a mentoring programme for young nurses within Spire Healthcare and, working with Non-Executive Director, Jenny Kay, I look forward taking part in the Nightingale Challenge as we move forward through 2021.

Professor Dame Janet Husband
DBE FMedSci, FRCP, FRCR
Chair, Clinical Governance and Safety Committee
3 March 2021

Audit and Risk Committee report

In 2020, the Committee focussed on the management of Principal Risks impacted by the COVID-19 pandemic, particularly People, Financial and Technology risks.

Adèle Anderson
Chair, Audit and Risk Committee

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

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

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

Committee meetings

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Committee membership and meeting attendance
The Audit and Risk Committee members at the end of 2020 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended in 2020
Adèle Anderson (Committee Chair)	July 2016	Independent Non-Executive Director	6 (6)
Martin Angle	September 2019	Senior Independent Director	6 (6)
Tony Bourne	July 2014	Independent Non-Executive Director	4 (6)
Dame Janet Husband	July 2014	Independent Non-Executive Director	6 (6)

Audit and Risk Committee members' biographies are shown on pages 120 and 123.

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

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

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

Dear Shareholder,
As Chair of the Audit and Risk Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2020.

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

Internal Audit function
We reported in the 2019 Audit and Risk Committee Report that the Committee had approved plans to appoint an external co-source provider to support the internal team, especially in the areas of technology and change management. In April 2020, we appointed KPMG as a co-source internal audit resource. With the onset of the COVID-19 pandemic, all on site internal audit activity had to stop to minimise the risk to staff members. The team moved to operating remotely. The pandemic also meant that the Committee approved some significant changes to the planned internal audit programme, to reflect the change in risk environment. The Group suspended hospital audits for much of the year because of the response to the pandemic, restarting in October 2020. The new KPMG resource initially focussed on our cyber security controls, given the increased hostile activity widely reported across the healthcare and pharmaceutical sectors, and the Group's core financial controls given that the Finance function also had moved to remote working. KPMG also conducted an audit towards the end of 2020 on a significant change management project.

The Committee receives an update report from the Director of Audit, Risk and Compliance on internal audit activity four times a year, with two of the Committee meetings reserved for deep dives into specific internal control matters. In each update to the Committee, the Committee receives the executive summary of recently published internal audit reports, and the Chair receives the full internal audit report. The Committee also receives a status update of any remedial actions agreed with management. If there are significant findings, the Committee asks the appropriate senior management to attend to discuss the findings.

The 2021 audit plan was, as usual, prepared on a risk-focused basis with input from the senior leadership team and Non-Executive Directors. The plan will continue internal audit reviews of hospital sites, supplemented by a number of corporate reviews at Head Office.

The Director of Audit, Risk & Compliance, under International Internal Audit Standards, has to declare to the Committee any potential compromises on his independence. This may include other "control" functions for which he has line management responsibility. The Committee has to approve any activity that falls outside of Internal Audit. The Director of Audit, Risk & Compliance has the following control functions reporting into him, all approved by the Committee: Risk Management; Data Protection Officer; and the Corporate Guardian (responsible for the Freedom to Speak Up & Whistleblowing processes).

Risk management function
The Principal Risks and Uncertainties Report details the changes to the risk environment the Group has faced in 2020.

The Risk Management team has continued to provide reports into various management and Board governance committees of the Group. Clinical Governance and Safety Committee received risk reports focussed on clinical and medical risks, as well as specific reports on the management of the numerous short-term operational risks that the pandemic presented. This Committee continued to review the Principal Risks as they evolved during 2020. The Committee has benefitted from understanding the assurance of each Principal Risk through more explicit linkage to the Committees that review the individual risks, and the sources of assurance against each risk.

As with the Internal Audit team, the Risk Management team had to suspend hospital site visits to review risk assessment libraries and risk registers, instead undertaking those reviews remotely. On site reviews are expected to resume in 2021.

The Committee reviews the risk appetite the executive report against the Principal Risks providing challenge where appropriate on the level of risk the executive wish to tolerate.

Emerging Risks
The Committee had planned in 2020 to review emerging risks in detail but because of the COVID-19 pandemic, it had to focus on more immediate risks. In particular, it made sure it reviewed early on at the onset of the COVID-19 pandemic the management of liquidity and banking covenant risk.

Whilst the Committee will refocus on potential emerging risks in 2021, the Committee has received a briefing from the external auditors on the broad range of matters that the UK Government is consulting on in relation to Corporate Governance following the publication of the Independent Review of the Financial Reporting Council in 2018 and the Brydon Report in 2020. The Committee has reviewed with management its plan for the most likely changes anticipated.

Viability
The Committee reviewed the process undertaken by management to support and allow the Directors to make the Group's viability statement. The Committee considered and provided input into the determination of which of the Group's principal risks and combinations thereof might have an impact on the Group's liquidity and solvency. The Committee reviewed the results of management's scenario modelling and the stress testing of these models including considering the potential impact of COVID-19. The viability statement can be found on page 99.

Other activities in 2020
Prior to the release of the Company's 2020 interim results, the Committee completed a thorough review of:
- Viability and Going Concern under on-going national restrictions from further waves of the COVID-19 pandemic, and a no-deal Brexit scenario on 31 December 2020; and
- the carrying value of Goodwill.

The Committee also reviewed the Company's banking covenant compliance.

In addition to providing oversight of the Group's financial reporting, internal controls and risk framework, the Committee has had the opportunity to complete a number of deep dive sessions during the year. This included sessions on the Group's risk management and financial control during the COVID-19 pandemic, Cyber Security and the implementation of the new Oracle HCM payroll and employee management system.

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

The Committee reviewed the accounting treatment of the NHS Contracts for England, Scotland and Wales, and satisfied itself on any material judgements management has taken against the analysis of KPMG who were appointed by the NHSE to independently review Spire's billing under the NHSE contract.

External audit

Annual auditor appointment

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

Ernst & Young LLP was re-appointed as the Company's external auditor in during 2020 following the external audit tender process I reported on last year. Whilst recognising that the 10-year period of its appointment technically began with the Company's admission in 2014, rather than an earlier point, the Committee agreed that a full audit tender should be linked to the end of the previous lead audit partners term. Ernst & Young LLP has served the business since 2008. Our current audit partner from Ernst & Young LLP is Stephney Dallmann who took on the role in 2020.

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

External auditor independence

The Committee reviewed the independence and effectiveness of the external auditor. We did this by:

- reviewing its proposed plan for the 2020 audit;
- discussing the results of its audit, including its views about material accounting issues and key judgements and estimates, and its audit report;
- reviewing the quality of the people and service provided by Ernst & Young LLP; and
- evaluating all of the relationships between the external auditor and the Group, to determine whether these impair, or appear to impair, the auditor's independence.

Significant issues and material judgements

The Audit and Risk Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The table below summarises the matters where the most material judgements have been made in relation to reporting in 2020:

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
Improper revenue recognition	Pressure to achieve results could lead management to manipulate the financial reporting of revenue. This could include the: – manipulation of prices charged, in particular in relation to PMI; – misreporting of qualifying costs which were rechargeable under the contract entered into with the NHS to support its response to the COVID-19 pandemic ('NHS COVID-19 contract'); – miscoding of procedures by hospitals impacting revenue recorded; – misreporting of other income in the year; and – overstatement of accrued revenue at the year end.	Central management carry out a detailed review of monthly hospital performance compared to forecast, in particular focusing on the cut-off of revenue reported at the balance sheet date. The Group maintains effective segregation of duties to safeguard the integrity of pricing masterfile data on which billing is dependent. Management routinely reconcile revenues and cash collections as part of monthly cash flow management procedures. This includes accrued revenue, which is substantiated with reference to subsequent billings and cash collection. The Group worked closely with KPMG, who were appointed by the NHS to independently review Spire's billings under the NHS COVID-19 contract. KPMG's detailed review included examination of underlying supporting data at each month end. The results to date of KPMG's analysis, which remains on-going, were reviewed by the Committee.
Goodwill carrying value	Goodwill is tested for impairment semi-annually. This is achieved by comparing the value-in-use of the goodwill with its carrying value in the accounts. The value-in-use calculations require the Group to estimate future cash flows expected to arise in the future, taking into account market conditions. The current value of goodwill is underpinned by these forecasts. The present value of these cash flows is determined using an appropriate discount rate.	The Committee has reviewed in detail the analysis produced by management to assess the carrying value of Goodwill. Its review included assessing for reasonableness the key underlying assumptions used by management in their analysis. These included the discount factor rate, future anticipated growth rates and forecasted levels of capital investment. In particular, the Committee undertook a detailed review of Management's approach for determining the discount factor rate, which is set with reference to the Group's Weighted Average Cost of Capital (WACC). This aligns with the fact that the movement in the WACC since 2019 year end, was a key driver behind the write-down in goodwill of £200m at H1 2020. The Committee has reviewed management's latest assessments in May and September 2020, and again in February 2021. This regular recurring review process has allowed for earlier visibility of the key assumptions and any potential issues.

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
Property carrying values	Freehold and Leasehold property is held at depreciated cost and its carrying value is required to be assessed for indicators of impairment by management on an annual basis. For those properties with an indicator, an impairment test is performed by calculating a value in use, by means of a discounted cash flow model. As this process involves some degree of estimation there is a risk that properties are held in the financial statements at inappropriate carrying values.	The Committee reviewed the analysis prepared by management to assess the carrying value of those properties with an indicator of potential impairment, including the appropriateness of the key underlying assumptions. These included future anticipated growth rates, the discount factor rate and levels of on-going capital investment. This work was conducted in two phases. An initial review was performed in December. This initial review was performed to provide early visibility of any potential Issues and to allow for a preliminary assessment of the reasonableness of the key judgements applied by management. These judgements included: – the terminal growth rate; – the discount factor rate; – forecasts in ongoing capital maintenance; and – growth rates applied at an individual hospital level over the next five years. Management's review was updated at the year-end using the latest available forecasts. A shortlist of hospitals was identified from this activity and reviewed in detail by the Committee to ensure that management's conclusions were appropriate. The Committee noted that the work carried out by the external auditors, Ernst & Young LLP, supported its own findings in this area.
Provision for Paterson Public Inquiry costs	Following the publication of the Public Inquiry report on Ian Paterson on 4 February 2020, the Group continues to assess the potential impact of the remedial actions recommended in the report. During the year the Group has recognised a charge of £22.2m to ensure the recommended actions are fully adhered to. It is possible that, as further information becomes available, an adjustment to this provision will be required.	The Committee has reviewed the information prepared by management, including the key assumptions and judgments underpinning their assessment. The Committee also notes that, whilst it is possible that new information may necessitate a revision to this charge in the future, the position taken by management at 2020 year end is also materially supported by independent external legal advice.
Adjustments to EBITDA ('Adjusting Items')	It is the Group's policy to disclose EBITDA after adjusting for certain items, due to their nature or amount, in order to provide a meaningful comparison of the Group's underlying performance. Pressure to achieve targets could lead management to manipulate the outcome by overstating the level of Adjusting Items.	The Committee: – reviewed in detail each item which was proposed by management to be classified as an Adjusting Item; and – assessed whether the proposed approach was consistent with prior periods.

UK Competition and Markets Authority (CMA) Order
During the year, the Company has complied with the CMA Order in relation to Statutory Audit Services for Large Companies.

Audit risk
The Committee received from Ernst & Young LLP a detailed plan identifying the scope of their audit for the year, planning materiality and their assessment of key risks. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process.

These risks were reviewed by the Committee ahead of the full year audit, to ensure the external auditor's areas of audit focus remain appropriate.

Working relationship with the external auditor
During the year, the Committee met with the external auditor without management present to provide additional opportunity for open dialogue and feedback between both parties. Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner ahead of each Committee meeting. Additionally, the Director of Audit, Risk and Compliance liaises with, and meets, the external auditors on a regular basis, and the external auditors also receive a copy of each internal audit report.

External financial reporting
The Committee is responsible for monitoring, reviewing and challenging the integrity of the financial statements, and ensuring compliance with legal, regulatory and statutory requirements, giving due consideration to the provisions of the UK Corporate Governance Code.

The external auditor provided reports for the half year and year end reporting, including all significant issues, with an assessment of their view of the appropriateness of management's judgements.

At the request of the Board, the Committee considered whether the Annual Report and Accounts for the year ended 31 December 2020 was fair, balanced and understandable, and whether it provided the necessary information for the shareholders to assess the Group's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and performance in the year, internal verification of the factual content, comprehensive review undertaken at different levels in the Group to ensure consistency and overall balance, and detailed review by senior management and the external auditor. The Committee was satisfied that, taken as a whole, the Annual Report and Accounts for the year ended 31 December 2020 is fair, balanced and understandable, and has affirmed that view to the Board.

Our priorities for 2021
The Committee's focus in 2021 will be:
- To review emerging risks in a post-pandemic, post-"Brexit" healthcare economy;
- to re-review the progress of fully embedding the risk management framework both at hospitals and in the corporate functions (interrupted to a certain extent by the COVID-19 pandemic);
- to consider the output of Internal Audit assignments including assurance over the digital transformation programme; and
- monitor the controls over non-healthcare legal and regulatory changes that apply to the Group (e.g. in financial reporting).

Non-audit services and independence
Ernst & Young LLP provided non-audit services to the Group during the year ended 31 December 2020. These services related only to the Interim Review. Total non-audit service fees amounted to £0.05mm (2019: £0.045m). All non-audit fees are approved by the Audit and Risk Committee.

Corporate Concerns
The Committee also continued its monitoring and oversight of the procedures for the receipt, retention and treatment of qualifying disclosures by staff. Further details can be found on pages 78 to 79 in the Our impact section.

Clinical Governance and Safety Committee (CGSC)
To ensure that the Committee and the CGSC complement each other's work, Dame Janet Husband and I have developed the follow protocols:
- we both sit on each other's Committees; and
- we split the focus of risk management with the CGSC focusing on the clinical risk management at corporate and hospital level and this Committee on the Principal Risks, and non-clinical operational risks, of the Group.

Annual evaluation of the Committee's performance
The latest evaluation of the Committee's performance was carried out in early 2021 and confirmed that it continued to perform effectively.

Adèle Anderson
Chair, Audit and Risk Committee
3 March 2021

Remuneration Committee report

Recognition has been spread more widely across Spire Healthcare to reflect the exceptional contribution by all colleagues during an exceptional year.

Tony Bourne
Chair, Remuneration Committee

Remuneration Committee at a glance
The Remuneration Committee must have at least three members, all of whom must be independent Non-Executive Directors, and the Board appoints the Remuneration Committee's Chair. If a member is unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Committee's Chair.

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

Committee meetings

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Committee membership and meeting attendance
The Remuneration Committee members at the end of 2020 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended in 2020
Tony Bourne (Committee Chair)	July 2014	Independent Non-Executive Director	9/9
Martin Angle	March 2019	Deputy Chairman and Senior Independent Director	8/9
Jenny Kay	June 2020	Independent Non-Executive Director	3/3
Simon Rowlands	October 2020	Independent Non-Executive Director	2/2

Adèle Anderson also served as a member of the Remuneration Committee until October 2020 (Adèle attended seven out of a possible seven meetings during 2020).

Remuneration Committee members' biographies are shown on pages 121 and 123.

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

Role and responsibilities
The Remuneration Committee has authority from the Board to determine the framework and total remuneration arrangements of the Executive Directors and, in consultation with the Chief Executive Officer, senior management. It also oversees the Group's share-based incentive arrangements. In practice, the Committee agrees the:

- policy for cash remuneration, executive share plans, service contracts and termination arrangements;
- reward packages of the Chairman, Executive Directors and the Executive Committee, including arrangements on appointment;
- termination arrangements for Executive Directors and the Executive Committee;
- recommendations to the Board concerning any new executive share plans or changes to existing schemes which require shareholders' approval;
- basis on which awards are granted and their amount to Executive Directors and senior management under the LTIP; and
- ensures a consistency of remuneration arrangements across all levels within Spire Healthcare.

The Remuneration Committee also has responsibility for matters identified by the UK Corporate Governance Code relating to workforce engagement.

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for 2020. This Report includes details of decisions taken by the Remuneration Committee in respect of 2020, as well as a summary of how we intend to structure Executive Director pay for the coming year. It also sets out our updated Remuneration Policy which is due for renewal at the 2021 AGM.

Renewal of our Remuneration Policy

Our current Remuneration Policy was approved by shareholders three years ago and therefore we will be submitting an updated Remuneration Policy for approval at the 2021 AGM.

Although the Remuneration Committee can see some potential merits of alternative incentive structures such as restricted stock for the healthcare sector, at this stage no change to the remuneration structure is proposed. Our current remuneration structure of fixed pay, annual bonus (part-deferred into shares) and performance-based LTIP continues to be aligned with Company strategy and with mainstream FTSE practices. Accordingly, we are only proposing minimal changes to the Policy to reflect the UK Corporate Governance Code and recent developments in best practice. The key points to note are as follows:

- Structure and quantum – We do not propose any changes to the structure of variable incentives or maximum award levels under the variable incentive plans.
- Retirement benefits – Retirement benefits for Executive Directors will be reduced in line with best practice. All future Executive Directors will receive the rate offered to the majority of our workforce. The rate for incumbent Executive Directors is currently aligned to the rate offered to the wider management team (18% of salary). This will be reduced to the rate offered to the majority of the workforce (currently 8%) by 1 January 2023, in line with investor expectations.
- Post-exit shareholding guidelines – in line with best practice guidance, Directors will be expected to maintain their shareholding guideline for two years after stepping down from the Board.

Remuneration in 2020

In early April 2020, in light of COVID-19 uncertainties and our relationship with the NHS, the Board announced that it was prudent and in shareholders' and stakeholders' interests to suspend dividend payments. Swift action was also taken and announced to adjust executive remuneration in response to the pandemic – 65% of the bonus opportunity for 2020 was immediately lapsed and the basis on which outcomes would be determined was repositioned to focus primarily on meeting key liquidity priorities and playing as full a role as possible in assisting the NHS in supporting the country through the COVID-19 pandemic. To the extent any bonus pool was generated, the intention was for awards to be distributed more widely across the organisation.

The Chairman, Chief Executive Officer and Chief Financial Officer also voluntarily agreed to take a 20% cut in base salary/fee for three months. These savings were donated by the Company to an NHS charity. Shareholders will also recall that in respect of 2019 bonus outcomes, discretion was exercised by the Committee to reduce outcomes from 37% of maximum to 30% of maximum to reflect the structural challenges that the sector was facing.

Spire Healthcare has played a leadership role in bringing the independent sector's support to the NHS in a time of national crisis and, despite the challenging circumstances, has maintained a resolute focus on financial management, high standards of clinical quality and safety, strengthening the underlying business and planning forward for the business strategy post-pandemic. We are proud to have treated over 214,000 NHS patients in total since March 2020. The Company initially made modest use of the Government's Job Retention (furlough) Scheme; however a commitment has been made that all amounts will be repaid. The Group has not made any significant redundancies linked to the crisis.

The Company has also continued to invest in the future, including £50m of capex during the year and there has been a clear improvement in the underlying business. In contrast to market concerns at the end of Q1 regarding profitability and liquidity for 2020, the Company delivered an adjusted operating profit of £67.1m, significantly ahead of previous guidance. The excellent year-end cash position has been underpinned both by the NHS block contract and by disciplined management action. Net bank debt was towards the lower end of the range indicated at the time of the interim results.

Senior management and staff across the organisation have performed outstandingly in a very challenging year. On the two key areas identified earlier last year – liquidity and supporting the NHS – as well as on broader strategic goals, there has been clear outperformance of expectations. Therefore, modest and uniform bonuses, of 35% of maximum opportunity, are being awarded across the Group to all eligible staff including the Executive Directors. A portion of bonuses awarded to Executive Directors are subject to three-year deferral into shares. The Board has also paid a 'thank you' bonus of £500 to more than 13,500 frontline staff in recognition of the exceptional commitment and hard work over the past year.

The targets for the 2018 LTIP awards, which were based on performance to 31 December 2020, were set in a very different economic environment. This award is expected to vest at 18.9% of maximum. This modest vesting level reflects the strong operational progress made notwithstanding the external challenges. Vested awards will be subject to a two-year holding period.

Remuneration decisions for 2021

A 1.5% salary increase was agreed for the Executive Directors with effect from 1 September 2020, in line with the average increase awarded to wider employees. This represented the first increase for both Directors since appointment.

For Jitesh Sodha a further adjustment was made to his base salary to £420,000 with effect from 1 January 2021. This represents an increase of 4.8% to reflect a significant expansion in the scope of his responsibilities since joining Spire Healthcare in 2018 including additional accountability for Property, Supply Chain, and Digital Strategy and Implementation, as well as his continued development as an exceptional leader within the business. In future year's, it is expected that salary increases for Executive Directors will normally be capped at the level awarded to colleagues.

For 2021, the maximum bonus opportunity for Executive Directors remains unchanged at 150% of salary. The performance measures will return to being heavily weighted towards financial measures – EBITDA 60% and free cash flow 20% – alongside individual strategic objectives.

For the LTIP award to Executive Directors, a grant of 175% of salary is proposed to ensure they are focused on long-term delivery as the Company navigates towards a post-pandemic environment. The LTIP enables management reward to be clearly aligned with the successful execution of the clear and credible strategy and with shareholders' experience.

To ensure focus on profitability and capital discipline, we are replacing the EPS measure with a Return on Capital Employed target, comprising 35% of the framework. This also accords with significant investor feedback. Relative TSR (35%) and Operational Excellence measures (30%) will continue to comprise the remainder of the LTIP framework.

Changes to the Committee

In October 2020, Adèle Anderson stepped down from the Remuneration Committee. I would like to take the opportunity to thank Adèle for her valuable contribution and strategic input over a number of years. I am pleased to welcome Jenny Kay and Simon Rowlands to the Committee. Simon and Jenny further diversify the range of experience on the Committee.

Looking ahead

Strong demand for both private and NHS procedures continues to place us in a robust and sustainable position for 2021. This, coupled with the continued investment in our future will support in our delivery of key strategic objectives described on pages 50 to 54, though the Board remains cautious of the unpredictable impact of COVID-19 on both patient volumes and costs.

We have engaged with our key stakeholders both early last year and early this year with regard to the key decisions set out in this year's Remuneration Report including proposed bonus outturns, the outcome of the salary review, 2021 LTIP grants and the policy review. This was to ensure that all views are considered. I would like to take the opportunity to thank all who took part in this consultation process. The Committee valued the opportunity to reflect on the feedback provided as we finalised our decisions.

I am committed to an open dialogue with all of our shareholders. If you have any questions about this year's Directors' Remuneration Report, please contact me via companysecretary@spirehealthcare.com.

We look forward to your continued support at our annual general meeting in May.

Tony Bourne
Chair, Remuneration Committee
3 March 2021

Remuneration Principles – how our approach to pay reflect the principles of the UK Corporate Governance Code	
Clarity	– Incentive arrangements are intended to be closely aligned to our strategy to effectively engage with participants. The Committee regularly engages with wider stakeholders including shareholders and seeks to provide clear disclosure and explanation of our pay arrangements.
Simplicity	– Our remuneration policies are straightforward and easy to understand.
Risk	– Our variable incentive schemes contain an appropriate balance of financial and non-financial measures so that risk is effectively managed and mitigated. Discretion, malus and clawback help to prevent payments for failure.
Predictability	– Potential values from remuneration arrangements are clearly communicated.
Proportionality	– Incentives incorporate performance measures that are linked to the strategic goals of the business. Variable pay is intended to reward for successful execution of the strategy over the short and longer term. The Committee is also mindful of the outcomes of variable incentives for the wider workforce.
Alignment to culture	– Targets for variable incentives are intended to be based on a balance of measures to provide a rounded assessment of performance. We are conscious of our impact on wider stakeholders and how that ultimately impacts the value we create for shareholders.

Remuneration Policy report

The following section sets out our Directors' Remuneration Policy that will be put to a binding shareholder vote at the annual general meeting in May 2021. If approved, it will be effective from that date.

The current policy was approved by shareholders in 2018, and therefore a new policy is being presented to shareholders under the standard three-year renewal cycle. The key features of the current policy have been retained and remain unchanged under the new policy and there are no proposed changes to incentive opportunities. The current policy received strong shareholder support and the Remuneration Committee is of the view that the overall structure continues to be aligned with prevailing market and best practice. As part of the renewal process the Remuneration Committee has taken the opportunity to make minor changes to certain detailed aspects of the policy to reflect the UK Corporate Governance Code and recent developments in market and best practice. Key changes include:

- **Reduction of retirement benefits** – newly hired Executive Directors will receive a maximum pension contribution consistent with rates received by the wider workforce (currently 8% of salary). The rate available for incumbent Executive Directors will be reduced to reflect this rate with effect from 1 January 2023;
- **Introduction of a post-cessation shareholding guideline** – whilst the new policy maintains the in-role shareholding guidelines for Executive Directors of 2x base salary, Executive Directors will now be expected to hold shares in the Company for two years following cessation of employment; and
- **Malus and clawback** – a number of additional malus and clawback triggers are included to fully align with the 2018 UK Corporate Governance Code.

In developing the updated Remuneration Policy, the focus has been on how our approach to pay can support the strategic priorities of the Group over the medium and long term. The Remuneration Committee followed a robust process when undertaking the review, which included discussion on key design features over a series of meetings, consideration of market and best practice developments, and pay arrangements in the wider organisation. The Remuneration Committee also consulted with major shareholders regarding the proposed approach. The Remuneration Committee also considered input from management and our independent advisers, while ensuring that conflicts of interest were suitably mitigated. In line with best practice, directors do not participate in discussions regarding their own remuneration.

Remuneration Policy table

Fixed remuneration

Salary	
Purpose and link to strategy	To provide fixed remuneration that is appropriate for the role and to secure and retain the talent required by the Group.
Operation	The Remuneration Committee takes into account a number of factors when setting salaries, including: – scope and responsibility of the role; – the skills and experience of the individual; – salary levels for similar roles within appropriate comparators; – overall structure of the remuneration package; and – pay and conditions elsewhere in the Group. Salaries are normally reviewed annually.
Maximum opportunity	While there is no defined maximum opportunity, salary increases normally take into account increases for full-time employees across the Group. The Remuneration Committee retains discretion to make higher increases in certain circumstances, for example, following an increase in the scope and/or responsibility of the role, or a significant change in market practice or the development of the individual in the role. Current salary levels: – Justin Ash: £624,225 (from 1 September 2020) – Jitesh Sodha: £420,000 (from 1 January 2021)
Performance measures	None

Benefits	
Purpose and link to strategy	Fixed element of remuneration providing market competitive benefits to both support retention and recruit people of the necessary calibre.
Operation	A range of role-appropriate benefits may be provided to Executive Directors, including such items as private medical cover (for the Executive Director and their family), participation in an income protection scheme, life assurance, an annual health assessment (for the Executive Director and their spouse) and a car allowance. Additional benefits may also be provided where the Remuneration Committee considers this appropriate (e.g. on relocation). Executive Directors are also eligible to participate in any all-employee share plans operated by the Company from time-to-time on the same basis as other eligible colleagues. The Remuneration Committee keeps the benefits package offered to existing and new Executive Directors under review.
Maximum opportunity	Whilst no maximum limit exists, individual benefit arrangements take into account a number of factors, including market practice for comparable roles within appropriate pay comparators. Participation in any HMRC-approved all-employee share plan is subject to the maximum permitted by the relevant tax legislation.
Performance measures	None
Retirement benefits	
Purpose and link to strategy	Fixed element of remuneration to assist with retirement planning. Retirement benefits are provided to both support retention and recruit people of the necessary calibre.
Operation	Executive Directors can opt to join the Company's defined contribution scheme, receive a contribution into a personal pension scheme, take a cash supplement or any combination of the three. The employer defined contribution level, the contribution into a personal pension scheme and/or cash supplement are kept under review by the Remuneration Committee. The retirement benefits are not included in calculating bonus and long-term incentive quantum.
Maximum opportunity	For new Executive Directors, the nature and value of any retirement benefits provided will be set by reference to the rate offered to wider employees. The maximum benefit receivable by the majority of employees is currently 8% of base salary. The retirement benefits for incumbent Executive Directors are currently 18% of base salary, consistent with the policy on appointment and arrangements in place for other senior executive roles. Benefits for incumbent Executive Directors will be reduced to be consistent with the policy for new appointments with effect from 1 January 2023.
Performance measures	None

Variable remuneration

Annual bonus	
Purpose and link to strategy	To incentivise and reward the achievement of annual financial, operational and individual objectives that are key to the delivery of the Group's strategy.
Operation	Objectives are set annually to ensure that they remain targeted and focused on the delivery of strategic goals. The Remuneration Committee sets targets that require appropriate levels of performance, taking into account internal and external expectations of performance. As soon as practicable after the year end, the Committee meets to review performance against objectives and determines payout levels. The Committee may adjust payments to ensure they are reflective of overall performance. A portion of any bonus (as determined by the Committee) is normally deferred into an award of shares under the Deferred Share Bonus Plan ('DSBP'). Currently at least one-third of any bonus is deferred for a period of three years with the Chief Executive Officer deferring one-half of any bonus. DSBP awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the Plan rules. This deferred bonus element is not normally subject to any further performance conditions, although it is subject to continued employment. Further details of the malus and clawback provisions applicable are set out on page 141.
Maximum opportunity	Maximum award opportunity for Executive Directors is 150% of base salary for each financial year, a portion of which is normally deferred into an award of shares under the DSBP.
Performance measures	Awards are based on a combination of financial, operational and individual goals measured over one financial year. At least 50% of the award will be assessed against the Group's financial metrics. The remainder of the award will be based on performance against strategic objectives and/or individual objectives. A sliding scale between 0% and 100% of the maximum award pays out for achievement between the minimum and maximum performance thresholds. Further details on the targets for 2021 bonuses are set out in the Annual Report on Remuneration. The details of measures, targets and weightings may be varied by the Remuneration Committee year-on-year based on the Group's strategic priorities.

Long Term Incentive Plan (LTIP)	
Purpose and link to strategy	To incentivise and reward the delivery of long-term strategic objectives. To align the interests of the Executive Directors with those of shareholders and other stakeholders. To assist recruitment and retention of Executive Directors.
Operation	Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years, unless the Remuneration Committee determines otherwise. The Remuneration Committee will review performance against the targets set to determine the level of vesting. The Remuneration Committee may adjust vesting outcomes to ensure that they are reflective of overall performance. Awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the LTIP rules. Further details of the malus and clawback provisions applicable are set out on page 141. Awards will normally be subject to a two-year holding period.
Maximum opportunity	The maximum award opportunity (at grant) for Executive Directors in respect of a financial year is 200% of base salary.
Performance measures	Vesting of awards will be dependent on a range of financial, operational or share price measures, as set by the Remuneration Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. Normally, at least 30% of an award will be based on measures linked to the share price. The remainder will be based on either financial and/or operational measures. At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance. For awards to be granted in 2021, vesting will be based on ROCE (35%), relative TSR (35%) and Operational Excellence (30%) targets. The details of measures, targets and weightings may be varied by the Remuneration Committee prior to grant based on the Group's strategic objectives.

Notes to the policy table performance measures and targets

Annual bonus

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

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

Long Term Incentive Plan (LTIP)

The Remuneration Committee believes it is important that the performance conditions applying to LTIP awards support the long-term ambitions of the Group and the creation of shareholder value. As part of its review of the Remuneration Policy, the Remuneration Committee reviewed the metrics for 2021 awards reflecting on the Group's strategic priorities and feedback from major shareholders. For 2021 awards, it was determined that ROCE should replace EPS to ensure suitable focus on profitability and capital discipline. Relative TSR provides alignment with Spire Healthcare's shareholders. Awards also include Operational Excellence metrics to provide qualitative measures which are strategically important given the highly regulated and quality sensitive nature of the healthcare sector.

The Remuneration Committee will keep the measures and weightings under review to ensure they continue to support the long-term success of the Group.

Shareholding guidelines
Executive Directors are expected to build up and maintain, a shareholding equivalent to twice their respective base salary.

In addition, Executive Directors will also be expected to maintain a shareholding for two years after stepping down from the Board. Further details on the guideline are set out in the Annual Report on Remuneration.

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

In addition, for cash bonus and LTIP awards the Remuneration Committee may also apply malus and/or clawback in certain extreme circumstances (including those listed above) for up to two years following the determination of the relevant performance outcome.

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

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

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

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

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

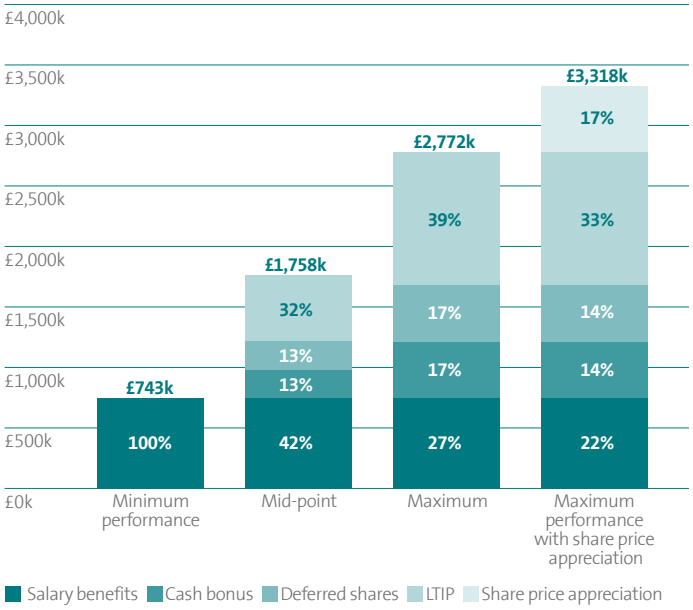
The service contracts for new appointments will be consistent with the policy described below. Where an Executive Director is appointed from within the organisation, the policy of the Group is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if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

Illustration of the remuneration policy

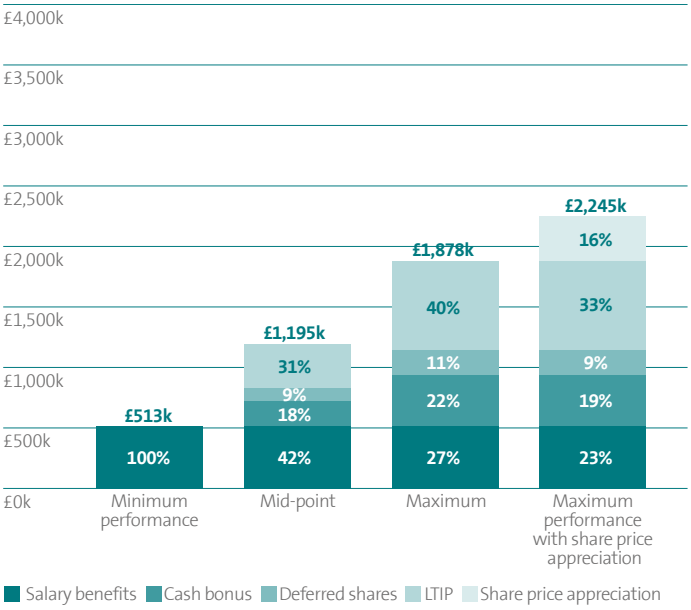
The remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets aligned with the Group's objectives, and on delivering shareholder value. The Remuneration Committee considers the level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

The chart below provides illustrative values of the annual remuneration package for the Chief Executive Officer and Chief Financial Officer in 2021 under three assumed performance scenarios. This chart is for illustrative purposes only and actual outcomes may differ from those shown. In accordance with the disclosure regulations, share awards have been shown at face value, with no dividend accrual or discount rate assumptions and share price growth modelled in the final scenarios only.

Chief Executive Officer – Justin Ash



Chief Financial Officer – Jitesh Sodha



	Assumed performance	Assumptions
Fixed pay	All Performance Scenarios	– Consists of total fixed pay, including base salary, benefits and retirement benefits. – Base salary – salary effective as at 1 January 2021. – Benefits – based on 2020 values. – Retirement benefits – 18% of 2021 salary.
Variable pay	Minimum Performance	– No pay-out under the annual bonus. – No vesting under the LTIP.
	Mid-point	– 50% of the maximum payout under the annual bonus. This represents 75% of base salary. A portion of the bonus is deferred into shares under the DSBP. – 50% vesting under the LTIP. This represents 87.5% of base salary.
	Maximum Performance	– 100% of the maximum payout under the annual bonus. This represents 150% of base salary for both Executive Directors. A portion of the bonus is deferred into shares under the DSBP. – 100% vesting under the LTIP. This represents 175% of base salary.
	Maximum performance with share price appreciation	– Performance outcomes as detailed under the 'Maximum Performance' description above, assuming share price growth of 50% in respect of the LTIP award.

Executive Director service contracts and payments for loss of office

The key employment terms and other conditions of the current Executive Directors are set out below:

Notice period	12 months' notice by either the Group or the Executive Director. This is also the policy for new recruits.
Benefits	The Group may agree that certain benefits will be specified within the Executive Directors' service contracts. The current Executive Directors are contractually entitled to private medical cover (for the Executive Director and his family), income protection, life assurance, an annual health assessment (for the Executive Director and their spouse) and a car allowance.
Termination payment	The Group may terminate employment by making a payment in lieu of notice ('PILON') equivalent to (i) up to 12 months' base salary, and (ii) the cost of specific benefits (including retirement benefits). Upon termination by the Group, the Group can determine whether a PILON is made as a single lump sum or paid in instalments, subject to mitigation. Where the sum is paid in instalments, the Executive Director has a duty to use reasonable endeavours to secure alternative employment as soon as reasonably practicable. In the event the Executive Director commences alternative employment with a salary above a de minimis level, there will be a pro rata reduction in the PILON payments.
Immediate termination	The service contract of an Executive Director may also be terminated immediately and with no liability to make payment in certain circumstances, such as the Executive Director bringing the Group into disrepute or committing a fundamental breach of their employment obligations.
External appointments	Executive Directors may accept one position as a non-executive director of another publicly listed company that is not a competitor of the Group, subject to prior approval of the Board. External appointments to any other company (and treatment of any fees) are also subject to the prior approval of the Board.

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Group and the employee, as well as the rules of any incentive plans in which they participate. Where appropriate, the Company may also make a payment in respect of outplacement costs, legal fees and the cost of settling any potential claims.

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

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

Plan	Leaver reasons where awards may continue to vest	Vesting arrangements
Deferred Share Bonus Plan (DSBP) and LTIP	Death Injury, ill health or disability Retirement	LTIP awards will vest to the extent determined by the Remuneration Committee, which, unless the Remuneration Committee determines otherwise, will be calculated on the basis of the achievement of any performance conditions at the relevant vesting date and, unless the Remuneration Committee determines otherwise, the period of time that has elapsed between grant and cessation of employment/directorship.
	The transfer of the individual's employing company or business out of the Group Any other scenario in which the Committee determines good leaver treatment is justified	The vesting date for such awards will normally be the original vesting date, although the Remuneration Committee has the flexibility to determine that awards can vest upon cessation of employment. Unless the Remuneration Committee determines otherwise, LTIP awards will normally continue to be subject to any holding period which applies to an award. DSBP awards will normally vest in full on the original vesting date, although the Remuneration Committee has the flexibility to determine that awards can vest earlier. DSBP and LTIP awards will continue to be subject to malus and clawback provisions.
	Any other reason	Awards lapse in full

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

Non-Executive Chairman and Non-Executive Directors

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

In the event of the appointment of a new Non-Executive Chairman and/or Non-Executive Director, remuneration arrangements will normally be in line with those detailed in the relevant table below.

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

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

Approach to setting remuneration for Non-Executive Directors	Opportunity
Fees are set at appropriate levels to ensure Non-Executive Directors are paid to reflect the individual responsibility taken, as well as the skills and experience of the individual. Fees are reviewed periodically. When setting fee levels, consideration is given to a number of factors, including responsibilities and market positioning. Where appropriate, benefits to the role may be provided. Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties and any associated taxes) incurred in the course of performing their duties may be paid by the Group or reimbursed to Non-Executive Directors.	The total fees paid to Non-Executive Directors will remain within the limit stated in the Articles of Association of the Company. Individual fees reflect responsibility and time commitment, as well as the skills and experience of the individual. Additional fees may be paid for further responsibilities, such as chairmanship of committees. Any benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided to comparable roles. Expenses reasonably incurred in the performance of the role may be reimbursed or paid for directly by the Group, as appropriate, including any tax due on the benefits. Non-Executive Directors will also be covered by the Group's indemnity insurance. The current fee arrangements are set out in the Annual Report on Remuneration.

Non-Executive Chairman and Non-Executive Directors' letters of appointment

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

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

Provision	Policy
Period	In line with the UK Corporate Governance Code, the Chairman and all independent Non-Executive Directors are subject to annual re-election by shareholders at each annual general meeting. After the initial three-year term, the Chairman and the Non-Executive Directors are typically expected to serve a further three-year term.
Termination	The appointment of the Chairman is terminable by either the Group or the Director by giving up to 12 months' notice. The appointment of the Deputy Chairman is terminable by either the Group or the Director by giving three months' notice. The appointment of any independent Non-Executive Director is terminable by either the Group or the Director by giving two months' notice. The Non-Executive Director nominated by Mediclinic International PLC or any other shareholder representative is pursuant to the terms of any relationship agreement and is currently terminable without notice.

Further detailed provisions

The DSBP and LTIP will be operated in accordance with the relevant plan rules. The Remuneration Committee may adjust or amend awards only in accordance with the provisions of the relevant plan rules. This includes making adjustments to awards to reflect one-off corporate events, such as a change in the Group's capital structure. In accordance with the plan rules, awards may be settled in cash rather than shares, where the Remuneration Committee considers this appropriate.

The performance conditions applicable to incentive awards may be amended on an appropriate basis determined by the Remuneration Committee, if an event occurs or circumstances arise that cause the Remuneration Committee to consider the performance condition is no longer a fair measure of performance.

In addition, the Remuneration Committee has the discretion to adjust the formulaic outturns of incentive awards where it considers that the outcome of the award is not a fair reflection of the underlying performance of the Company or participant over the relevant performance period. When making such judgement the Remuneration Committee may take into account any such factors that are deemed relevant.

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

In the event of a change of control of the Company, LTIP awards may vest to the extent that the Remuneration Committee determines, taking into account the extent to which any performance conditions have been satisfied, and such other factors as the Remuneration Committee considers relevant in the circumstances, provided that, unless the Remuneration Committee determines otherwise, awards will be adjusted to reflect the period of time that has elapsed between grant and cessation of employment/directorship; DSBP awards will normally vest in full. Alternatively, awards may be exchanged for equivalent awards in the acquiring company.

The Remuneration Committee may make any remuneration payments (including vesting of incentives) and payments for loss of office, notwithstanding that they are not in line with the Policy set out above, where the terms of that payment were either agreed: (i) prior to the implementation of the policy approved in 2014; (ii) during the term of, and were consistent with, any previous policy approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company.

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

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

Remuneration arrangements throughout the Company

The Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration across the Group. When making decisions in respect of the Executive Directors' remuneration arrangements, the Committee takes into consideration the pay and conditions for employees throughout the Group. As stated in the policy table, salary increases are, in practice, normally aligned to the general employee population. Consideration is also given to how incentive design and outcomes cascade through the organisation.

Details of how the Company engages with its colleagues are described on page 75.

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

Consideration of shareholder views

Since Admission, the Remuneration Committee has regularly engaged with shareholders regarding its approach to remuneration and remains mindful of shareholders' views and emerging market and best practice when evaluating and setting future remuneration strategy. Prior to finalisation of the Policy, the Remuneration Committee consulted with major shareholders regarding the key terms of the new policy. Key changes such as the changes made to pension and shareholding guidelines reflect the UK Corporate Governance Code and guidance published by institutional investors and representative bodies. Changes to 2021 LTIP targets have been made in direct response to shareholder feedback.

This Remuneration Policy will be presented to shareholders for approval at the 2021 AGM.

Annual report on remuneration

Implementation of Remuneration Policy for 2021

The following table summarises how remuneration arrangements will be operated for 2021.

Remuneration element	Implementation for 2021
Salary	– Salaries as at 1 January 2021: – Justin Ash – £624,224 – Jitesh Sodha – £420,000 (increase of 4.8% effective 1 January 2021) – One-off increase for Mr Sodha reflects a significant expansion in the scope of his responsibilities since joining including additional accountability for Property, Supply Chain, and Digital Strategy and Implementation, as well as his continued development as an exceptional leader within the business. – Increases for future years would be expected to be in line with wider employees.
Benefits	– No changes to core benefits for 2021 – benefits include private medical cover, permanent health assurance, income protection, life assurance, an annual health assessment and car allowance. – Retirement benefits for incumbent Executive Directors will be 18% of salary, aligned to the rate offered to the wider management team. However, as set out in the Policy, benefits for incumbent Executive Directors will be aligned with the wider workforce by 1 January 2023.
Annual bonus	– The maximum opportunity will remain at 150% of salary. – The performance targets in respect of the 2021 bonus will be based as to 60% on EBITDA, 20% on Free Cash Flow and 20% on individual strategic objectives. – The detail of targets for the coming year is commercially sensitive. However, the Remuneration Committee will provide disclosure regarding targets and bonus outcomes in next year's report. – For Justin Ash, one half of any bonus earned will be deferred into shares for three years; for Jitesh Sodha, one third of any bonus earned will be deferred into shares for three years.
LTIP	– LTIP awards over shares will be made in 2021 equivalent to 175% of base salary. – Performance will be measured over the period from 1 January 2021 to 31 December 2023. Any vested awards will be subject to a two-year holding period – The Remuneration Committee have reviewed the targets for the performance period to ensure that they suitably reflect both internal and external expectations over the performance period. The Remuneration Committee is satisfied that the target ranges for the 2021 awards are suitably stretching in the context of current expectations and that the hurdles at the top-end of the range would justify full vesting.

	25% vests	50% vests	100% vests
Relative TSR (35%)	Median	–	Upper quartile
Return on Capital Employed (35%)	6%	7.2%	9.6%
Regulatory Rating (15%)	82% achieve 'Good' or above	86% achieve 'Good' or above	90% achieve 'Good' or above
Employee Engagement (15%)	76%	79%	82%

1 Straight-line vesting between points shown.
2 Return on Capital Employed is calculated as 'Adjusted EBIT/ Capital Employed'. Capital Employed is calculated as 'Total Assets less Cash less Current Liabilities less Capex in the previous 12 months'.
3 The Remuneration Committee may adjust targets in certain circumstances (e.g. major acquisition or disposal; change to accounting standards).
4 Vesting for the Regulatory Rating element can be scaled back (including to nil) if any site is rated as 'inadequate'. The Remuneration Committee is satisfied that outcomes at the upper-end of the scale would represent exceptional and market leading results for the portfolio.

Shareholding guideline	– Executive Directors are expected to build up and maintain a shareholding equivalent to twice their respective base salaries. – Executives will be expected to hold 200% of base salary (or actual relevant holding on departure, if lower) on departure, for two years after stepping down from the Board. This new requirement will apply to all incentive shares vesting after the new policy comes into effect.
Non-Executive Directors	– The current fees payable to the Non-Executive Directors are shown in the following table.

Role	Fee per annum
Non-Executive Chairman[1]	£230,000
Deputy Chairman and Senior Independent Director	£150,000
Basic fee for an independent Non-Executive Directors	£55,000
Basic fee for a non-independent Non-Executive Director	£50,000
Chairs of the Audit and Risk Committee and Remuneration Committee	£10,000
Chair of the Clinical Governance and Safety Committee	£15,000

1 Sir Ian Cheshire has been appointed as Chairman-designate. His fee for the Chairman role will be £230,000 per annum effective from 14 May 2021. He will receive the standard independent Non-Executive Director fee between 4 March 2021 and 13 May 2021. Garry Watts received an annual fee of £295,000 whilst in role as Non-Executive Chairman.

Single total figure of remuneration – Executive Directors (audited)

The following table sets out the total remuneration for the Executive Directors for the year ended 31 December 2020. This comprises the total remuneration received over the full year from 1 January 2020 to 31 December 2020.

	Justin Ash		Jitesh Sodha	
(£000)	**2020**	2019	**2020**	2019
Gross salary[1]	**618.1**	615.0	**396.9**	395.0
Less: salary waived[2]	**(30.7)**	–	**(19.7)**	–
Net salary	**587.4**	615.0	**377.2**	615.0
Benefits	**6.9**	7.6	**16.9**	17.2
Retirement Benefits	**111.3**	110.7	**71.5**	71.1
Total Fixed Pay	**736.3**	733.3	**485.3**	483.3
Annual Bonus	**322.9**	276.8	**207.4**	177.8
Long-term incentives[3]	**148.7**	–	**106.9**	–
Total Variable Pay	**471.6**	276.8	**314.3**	177.8
Total	**1,207.2**	1,010.1	**799.6**	661.1

1 On 1 September 2020, both Executive Directors received an increase to their salary of 1.5%, which was commensurate with that received by all colleagues across Spire Healthcare.
2 Both Executive Directors voluntarily agreed to take a 20% cut in base salary for three months. These savings were donated to an NHS charity.
3 Both Executive Directors were participants of the 2018 LTIP awards. These awards are due to vest during 2021. For the purposes of this table, the value of awards is based on the average share price during the final quarter of 2020 (129.0p). These awards were granted at a share price of 213.52p for Justin Ash and 143.04p for Jitesh Sodha (these being the five-day average share prices prior to the date of grant).

Additional notes to the table

Salary

The Remuneration Committee agreed that a 1.5% salary increase would apply to both Executive Directors salaries from 1 September 2020, which was consistent with the average increase for wider employees. Following this review, the salaries for the Executive Directors were:
– Justin Ash's salary is £624,225 (£615,000 per annum on appointment in 2017); and
– Jitesh Sodha's salary is 400,925 (£395,000 per annum on appointment in 2018).

Benefits

The benefits consist of private medical cover (for the Executive Directors and their families), life assurance and income protection cover. Jitesh Sodha also receives a car allowance.

Retirement benefits

The amount set out in the table represents the Group contribution to the Executive Directors' retirement planning at a rate of 18% of base salary.

Amounts above the HMRC annual allowance are paid as taxable cash supplements. The level of retirement benefit is below the maximum allowable under the previous Remuneration Policy and is consistent with benefit levels offered to other senior executives in the business. As noted in the Policy, the intention is for benefits to be reduced to be consistent with the wider workforce with effect from 1 January 2023.

Annual bonus

Prior to finalisation of the bonus targets for the year, it had become apparent that the operation of the Group would be significantly impacted by COVID-19. The Remuneration Committee has concluded that it would be inappropriate to operate the annual bonus for 2020 in a conventional format.

For 2020, it was therefore agreed that a Group-wide bonus pool would be generated, primarily subject to the Company continuing to meet key liquidity priorities and playing as full a role as possible in assisting the NHS in getting the country through the COVID-19 pandemic. The Committee would thereafter determine allocations from the pool based on overall assessment of performance in-the-round. Given the level of uncertainty at the time, the Committee recognised the importance of judgement in the assessment. In the exceptional circumstances, it was vital for the business to motivate all colleagues to end the year in the best financial position, return high standards of clinical quality and safety, and to serve the national interest at a time of crisis.

Under this structure, the Committee determined that: (i) if a bonus pool was generated, bonuses would be distributed more widely across the organisation, rather than simply being focused on senior executives; and (ii) any outcomes for executive directors would not be expected to exceed 35% of the maximum opportunity (i.e. 65% of the opportunity for the year would lapse).

The structure set out above was disclosed on our website in early April 2020.

The performance for the year, is summarised in the table below:

Meet key liquidity priorities	– Year-end cash position of £106.3m. – Performance underpinned both by the NHS block contract and by disciplined management action. – Net bank debt towards the lower end of the range indicated at the time of the interim results. – In contrast to market concerns at the end of Q1 of 2020 regarding profitability for 2020, the Company delivered an adjusted operating profit of £67.1m which was significantly ahead of previous guidance.
Playing as full a role as possible in assisting the NHS	– Spire Healthcare is proud to have supported the NHS across England, Wales and Scotland in responding to the pandemic throughout 2020 and has treated over 214,000 NHS patients in total since March. – The senior management team and wider employees have delivered outstanding performance to maximise support to the NHS across the country at a time of national emergency. They continue to do so in the current unprecedented challenges that the pandemic is bringing. – Spire has played a leadership role in bringing the independent sector's support to the NHS in a time of national crisis
Additional performance factors considered	– The business has also continued to invest in the future, including £50m of capex during the year and there has been a clear improvement in the underlying business. – Strong demand for both private and NHS procedures has continued to date, which supports the Board's cautious optimism for 2021, although uncertainty remains due to the unpredictable impact of COVID-19 on both patient volumes and costs. – Whilst focusing its resources behind the national interest, management has retained focus on regulatory and compliance demands to maintain the highest standards of clinical quality and safety, and has not lost sight of the importance of planning forward for the business strategy post-pandemic.

The Remuneration Committee concluded that an outstanding performance was delivered by both senior management and employees across the organisation during a very challenging year. On the two key areas of focus identified early in the year – liquidity and supporting the NHS – there has been clear outperformance of expectations. Spire has played a leadership role in bringing the independent sector's support to the NHS in a time of national crisis and, despite the challenging circumstances, the business has maintained a resolute focus on financial management.

In light of these factors and the outstanding delivery on broader performance trends noted above, a modest and uniform bonus was paid across the Group to all eligible staff, including the Executive Directors at 35% of the maximum opportunity. Any bonuses to our Executive Directors will be subject to three-year deferral into shares in line with our normal policy (currently Chief Executive Officer: half of any bonus; and Chief Financial Officer: one-third of any bonus). Notwithstanding the exceptional performance in the year, the lapsing of 65% of the bonus opportunity provides direct alignment with our shareholders. The Remuneration Committee consulted with major shareholders, prior to finalising the bonus outcome.

Consistent with the commitment made at the start of the year, our bonus spend was weighted towards the wider employee base rather than the senior management group. Investors will note that the Board has agreed a 'thank you' bonus of £500 to more than 13,500 front-line staff not eligible for the senior management bonus schemes. The cost of this is up to c.£8m, significantly more than the accrual for the proposed senior management bonuses. This is in recognition of the exceptional commitment and hard work demonstrated over the past year. The cost of these bonus payments, consistent with the senior management bonus payments, will not be charged to the NHS. In addition, we are pleased to note that the Group has not made any significant redundancies across the wider workforce linked to the crisis.

Long Term Incentive Plan (LTIP)

The performance period for awards granted in 2018 ended on 31 December 2020. This award was based on targets linked to EPS, relative TSR performance and operational excellence measures. Justin Ash and Jitesh Sodha both participated in this award

The performance targets for this award were disclosed on a prospective basis in the 2017 Directors' Remuneration Report and the result at the conclusion of the three-year performance period was that:

	0% vests	25% vests	50% vests	100% vests	**Outcome**
TSR v FTSE 250 (excluding investment trusts) (35%)	n/a	Median[1]		Upper quartile	Below median
Adjusted EPS – outcome for 2020 (35%)	n/a	16.5p[1]	17.2p	18.3p	2.4p
Regulatory Rating (15%)[2]	n/a	80% achieve 'Good' or above[1]	85% achieve 'Good' or above	90% achieve 'Good' or above	90% achieved 'Good' or above
Employee engagement (15%)	n/a	82%[1]	85%	87%	82.1

1 There is no vesting for performance below these levels.
2 There is straight line vesting between the points shown.

The targets for 2018 awards were set in a very different economic environment. Although the elements linked to relative TSR and EPS lapsed in full, the business has made significant operational progress including against measures which are strategically vital to ensuring the long-term sustainability and success of the Group. Therefore, the Committee is satisfied that the vesting outcomes are fully warranted as both Operational measures are integral to the future commitment success of the Group. Vested shares are subject to a two-year holding period.

Awards under the LTIP were granted to Justin Ash and Jitesh Sodha on 6 April 2020. These awards were granted in the form of nil-cost options over Spire Healthcare Group plc shares, with the number of shares that may vest conditional on performance over the three-year period to 31 December 2022. The maximum award granted to Executive Directors was equivalent to 150% of base salary (2019: 150%).

Following the publication of last year's annual report, the targets for the 2020 awards were published on the Company's website. The Remuneration Committee determined that in addition to the value created for shareholders over the period, measured by EPS and relative TSR performance targets, 2020 awards should continue to include an element based on Operational Excellence. Also, in light of the increased uncertainty around long-term financial projections, challenges for 2020 and possible medium- to long-term effects of the COVID-19 pandemic, the weighting on EPS was reduced (35% to 20%) and the weighting on TSR was increased (35% to 40%). EPS targets for 2020 awards have been set on a post-IFRS 16 basis, and are therefore not directly comparable to targets set in prior years. The range set equated to annualised EPS growth of 28% to 66% per annum.

The Remuneration Committee agreed that, Regulatory Ratings were of paramount importance to long-term sustainability and therefore the weighting on the metric was increased from 15% to 20%. The target range has been made more challenging as Spire Healthcare strives to build further on the substantial improvements already made in recent years. Vesting for this element can be scaled back (including to nil) if any site is rated as 'inadequate'.

The patient satisfaction target was replaced with an employee engagement target. In early 2020, NHS England announced significant changes to how patient satisfaction is assessed, and the Remuneration Committee agreed that it would be inappropriate to continue to include this metric in the LTIP framework, until the measure was fully understood by both internal and external stakeholders. Employee engagement is an area of focus for our regulators and other external stakeholders and within the sector there is a strong correlation between high employee engagement and excellence in clinical quality and safety, and patient satisfaction. In combination, we believe it is strongly in shareholders' interests to operate a business with high clinical regulatory ratings and employee engagement as these are both central to delivering our commercial goals in a sustainable manner.

The full details of the performance conditions applying to the 2020 awards are set out below.

	0% vests	25% vests	50% vests	100% vests
TSR v FTSE 250 (excluding investment trusts) (40%)	n/a	Median[1]		Upper quartile
Adjusted EPS – outcome for 2021 (20%)	5p[1]	6.25p	7.5p	11p
Regulatory Rating (20%)[2]	n/a	80% achieve 'Good' or above[1]	85% achieve 'Good' or above	90% achieve 'Good' or above
Employee engagement (20%)	n/a	76%[1]	79%	82%

1 There is no vesting for performance below these levels.
2 Vesting for this element would be scaled back (including to nil) if any site is rated as 'inadequate'. The target range was adapted to reflect expected changes in the stringency of the external regulatory review process and the benchmarks required to achieve a 'Good' rating. The threshold hurdle would continue to require improvement from current levels.
3 There is straight-line vesting between the points shown.
4 The Remuneration Committee may adjust targets or outcomes in certain circumstances (e.g. for changes to accounting standard or material acquisitions). In line with good practice, the Remuneration Committee also retains the ability to exercise discretion so that overall vesting level remains appropriate (e.g. to reflect underlying performance).

Outstanding share awards

The following table provides details of all outstanding awards, as at 31 December 2020, made to Executive Directors under the LTIP:

	Type of award	Date of grant	Number of shares	Share price	Face value at grant[1]	End of performance period
Justin Ash	Conditional Share Award (in the form of nil-cost options)	28 March 2018	576,058	£2.1352	£1,230,000	31 December 2020
		25 March 2019	694,444	£1.3284	£922,500	31 December 2021
		6 April 2020	1,028,046	£0.897	£922,500	31 December 2022
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	8 October 2018	414,219	£1.4304	£592,500	31 December 2020
		25 March 2019	446,025	£1.3284	£592,500	31 December 2021
		6 April 2020	660,289	£0.897	£592,500	31 December 2022

1 The face value of awards made in 2020 was equivalent to 150% of base salary. The share price used to determine the number of shares under the 2020 award was based on the average of the mid-market quotation at close of business over the 30 trading days ending on 3 April 2020 (89.7p) rather than the normal five-day average prior to grant (77.6p). The face value of awards made in 2019 was equivalent to 150% of base salary (reduced from 200% in 2018). These awards are subject to EPS, relative TSR performance and Operational Excellence conditions.

The following table provides details of awards granted to the Executive Directors during 2020 under the Deferred Share Bonus Plan, which relate to bonuses payable in respect of 2019 and disclosed in last year's Remuneration Report. Awards will normally vest three years after the grant date.

	Type of award	Date of grant	Number of shares	Share price	Face value at grant
Justin Ash	Conditional Share Award (in the form of nil-cost options)	6 April 2020	170,833	£0.81	£138,400
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	6 April 2020	73,140	£0.81	£59,244

When granting these awards the Remuneration Committee retained the ability to scale back deferred awards where the Group did not achieve a satisfactory leverage ratio at the end of 2020 taking into account evolving market conditions. COVID-19 had a significant and unforeseen impact on the financial results for the year; however the Remuneration Committee was satisfied that the broader trend in the Group's leverage ratio continues to be positive. Therefore, the Committee has concluded that a scale-back should not be applied to these deferred bonus awards. These awards will be released in 2023, and remain subject to malus terms during this period.

Sharesave

The Company encourages share ownership and operates a HMRC-approved Savings-Related Share Option Plan (Sharesave). Participation in Sharesave is conditional on three months' service and Executive Directors may participate in the same way as all other colleagues. Sharesave is an all-employee share plan and there are no performance conditions.

	Date of grant	Number of shares	Option price	Awards are exercisable between
Justin Ash	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022
Jitesh Sodha	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022

Single total figure of remuneration – Non-Executive Directors (audited)

The following table sets out the total remuneration for the Non-Executive Directors for the year ended 31 December 2020.

			Total remuneration	
(£000)	Fees	Benefits[1]	**2020**	2019
Garry Watts[2]	280.3	8.7	**289.0**	317.7
Adèle Anderson	65.0	–	**65.0**	67.4
Martin Angle	150.0	5.9	**155.9**	117.8
Tony Bourne	65.0	0.1	**65.1**	66.4
Dame Janet Husband	70.0	7.3	**77.3**	92.5
Jenny Kay	55.0	–	**55.0**	33.9
Simon Rowlands	50.0	–	**50.0**	50.0
Professor Cliff Shearman[3]	13.8	–	**13.8**	–
Dr. Ronnie van der Merwe[4]	50.0	–	**50.0**	50.0
Peter Bamford (former Director)	–	–	**–**	57.6
Total	799.1	22.0	**821.1**	853.3

1 Reasonable expenses incurred by any Non-Executive Director will be reimbursed by the Company but they have no other contractual entitlement to benefits. For Non-Executive Directors certain expenses relating to the performance of a Non-Executive Director's duties in carrying out activities, such as travel to and from Company meetings, are classified as taxable benefits by HMRC. In line with current regulations these taxable benefits have been disclosed and are shown in the taxable benefits column in the Directors' remuneration table above. The figures shown include the cost of the expenses grossed up for tax and national insurance.

2 Garry Watts agreed to take a 20% cut in his fee levels for three months during the year. These savings were donated to an NHS charity. Garry Watts has a contractual entitlement to benefits, which include: private medical cover for himself, his spouse and any dependent children up to the age of 18; life cover for himself only; annual health assessment for himself and his spouse; and office facilities to enable him to perform his duties as Chairman. Reasonable expenses incurred will be reimbursed by the Company. Garry Watts has indicated his intention to step down as a Director at Spire's annual general meeting in 2021 or before if a suitable candidate is identified.

3 Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020.

4 Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director and Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. As a Non-Executive Director nominated by the principal shareholder, the fees for Dr. Ronnie van der Merwe are paid to a subsidiary company within the Mediclinic International PLC group.

Non-Executive Directors

There was no increase to fees during 2020. A review will be completed during the year.

The current fees payable to the Non-Executive Directors are shown on page 146.

Statement of Directors' shareholding and share interests (audited)

The table below sets out the Directors' shareholdings in the Company. As noted above, Executive Directors are expected to build up and maintain a holding equivalent to twice their base salary. There is no requirement for Non-Executive Directors to hold shares in the Company.

	Shareholding		Guidelines
	As at 31 December 2020	As at 31 December 2019	Proportion of shareholding guideline achieved[1]
Non-Executive Chairman			
Garry Watts	**653,577**	653,577	
Executive Directors			
Justin Ash	**394,694**	394,694	60.4%
Jitesh Sodha	**50,500**	50,500	17.3%
Non-Executive Directors			
Adèle Anderson	**9,582**	9,582	
Martin Angle	**–**	–	
Tony Bourne	**11,904**	11,904	
Dame Janet Husband	**10,231**	10,231	
Jenny Kay	**–**	–	
Simon Rowlands	**786,516**	528,516	
Professor Cliff Shearman[2]	**–**	n/a	
Dr. Ronnie van der Merwe	**–**	–	

1 Calculated based upon the closing share price on 31 December 2020 of 155.4 pence. Unvested DSBP shares are taken into account on a net of tax basis for the purpose of the guidelines. As noted above during 2021, shares relating to the 2018 LTIP will vest for both Executive Directors.
2 Professor Cliff Shearman was appointed to the Board as an independent Non-Executive Director on 1 October 2020. He did not hold any shares in the Company on appointment.

There have been no changes to Directors' shareholdings between 31 December 2020 and the date of this report.

The table below sets out the Directors' interests in shares of the Company which remain unvested or have vested but are unexercised as at 31 December 2020. Unvested awards are structured as nil-cost options.

	Options	Shares		
	Unvested and not subject to performance conditions[1]	Unvested and subject to performance conditions[2]	Unvested and not subject to performance conditions[3]	Vested and not subject to performance conditions
Non-Executive Chairman				
Garry Watts	–	–	–	–
Executive Directors				
Justin Ash	3,302	2,298,548	170,833	–
Jitesh Sodha	3,302	1,520,533	73,140	–
Non-Executive Directors				
Adèle Anderson	–	–	–	–
Martin Angle	–	–	–	–
Tony Bourne	–	–	–	–
Dame Janet Husband	–	–	–	–
Jenny Kay	–	–	–	–
Simon Rowlands	–	–	–	–
Professor Cliff Shearman[4]	–	–	–	–
Dr. Ronnie van der Merwe	–	–	–	–

1 Consists of awards granted under Sharesave.
2 Consists of grants under the LTIP that have been awarded but remain subject to performance conditions.
3 Consists of grants under the DSBP that have been awarded but remain subject to performance conditions.
4 Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020.

Letters of appointment

Non-Executive Director	Date of appointment	Notice period	Date of expiry
Adèle Anderson	28 July 2016	2 months	No later than 30 June 2022
Martin Angle	14 March 2019	3 months	No later than 30 June 2022
Tony Bourne	24 June 2014	2 months	No later than 30 June 2024
Dame Janet Husband	24 June 2014	2 months	No later than 30 June 2024
Jenny Kay	1 June 2019	2 months	No later than 30 June 2022
Simon Rowlands[1]	24 June 2014	2 months	23 July 2020
Professor Cliff Shearman[2]	1 October 2020	2 months	No later than 30 June 2024
Dr. Ronnie van der Merwe[3]	24 May 2018	n/a	24 May 2021
Garry Watts[4]	24 June 2014	12 months	No later than 30 June 2024

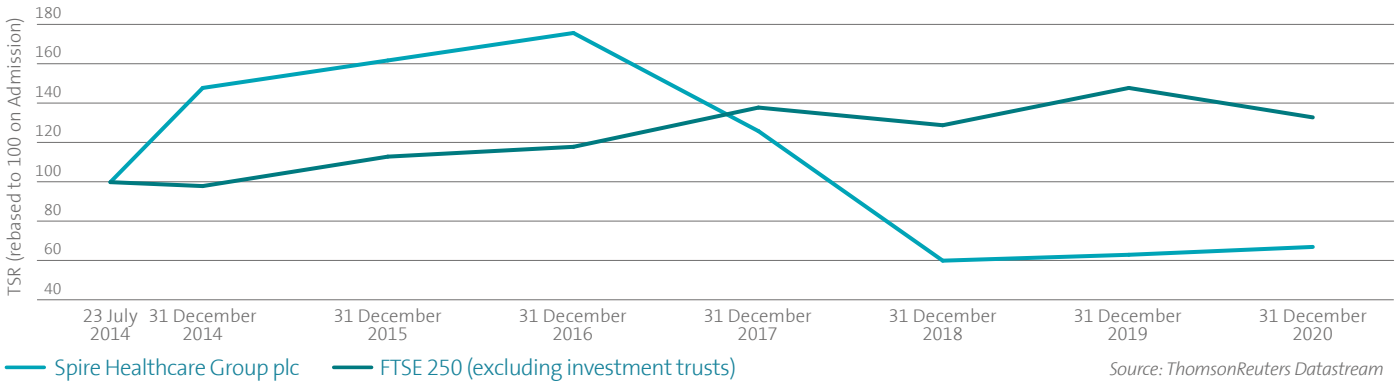
1 Simon Rowlands appointment was renewed for a further one-year period and a letter of appointment dated 23 July 2020 was issued to him.
2 Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020.
3 Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director, Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. Dr. Ronnie van der Merwe is considered to be a non-independent Non-Executive Director.
4 On Admission, Garry Watts was appointed Non-Executive Chairman before serving in an executive capacity from 14 March 2016 whilst the Company undertook a search for a new Chief Executive Officer. He resumed the role of Non-Executive Chairman on 1 July 2017. Garry Watts has indicated his intention to step down as a Director at Spire's annual general meeting in 2021.

Service contracts

Justin Ash and Jitesh Sodha will put themselves up for election at the annual general meeting to be held on 13 May 2021. Executive Directors are employed under ongoing service contracts with the Group. These contracts do not have a fixed term of appointment. Copies of their service contracts are available to shareholders at the registered office for inspection.

Performance graph

The graph below illustrates Spire Healthcare Group plc's TSR performance against the FTSE 250 (excluding investment trusts) since Admission on 23 July 2014.



Source: ThomsonReuters Datastream

The table below shows the total remuneration paid in respect of the Chief Executive Officer role.

	2014	2015	2016	2017	2018	2019	**2020**
Chief Executive's single figure remuneration (£000s)[1,2]	6,223.1	1,095.8	320.5	128.2	732.4	1,010.1	**1,177.2**
Annual bonus payout (% of maximum)	34%	0%	0%	0%	0%	30%	**35%**
LTIP vesting (% of maximum)[3]	n/a	n/a	n/a	n/a	n/a	n/a	**18.9%**

1 2017: Justin Ash was appointed Chief Executive Officer on 30 October 2017. The value shown for 2017 therefore represents a part-year figure for his time in role. During 2017: (i) Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017 for which he was paid £714,600; and (ii) Simon Gordon undertook the role of Interim Chief Executive Officer between 13 June 2017 and 29 October 2017 for which he was paid c.£243,000.
2 2016: Rob Roger stepped down from the Board on 30 June 2016. The value shown for 2016 therefore represents a part-year figure for his time in role. During 2016, Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017.
3 Rob Roger and Garry Watts did not have any LTIP awards vesting in respect of 2016; for other participants the LTIP based on performance to 31 December 2016 vested at 50% of maximum. Similarly, Justin Ash and Garry Watts did not have any LTIP awards vesting in respect of 2017, 2018 or 2019; for other participants (including Simon Gordon) the LTIP based on performance to 31 December 2017 and 31 December 2018 lapsed in full while the LTIP based on performance to 31 December 2019 vested at 3.75% of maximum. Justin Ash's LTIP awards in respect of 2018 vested at 18.9% of maximum and further details of performance conditions achieved can be found on page 148.

Annual change in remuneration

The table below shows the percentage change in remuneration (based on salary, fees, benefits and annual bonus) between 2019 and 2020.

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRD), the table below shows the percentage change in Directors' remuneration and average remuneration of employees from the year ended 31 December 2020. Given the small number of people employed by the Spire Healthcare Group plc entity, data for all employees of the Group has been included.

	% change in salary/fee FY20 vs FY19	% change in taxable benefits FY20 vs FY19	% change in Annual Bonus FY20 vs FY19
Executive Directors			
Garry Watts	-4.5%	-61.7%	–
Executive Directors			
Justin Ash	-4.5%	-0.1%	16.7%
Jitesh Sodha	-4.5%	0%	16.7%
Non-Executive Directors			
Adèle Anderson	0%	-100%	–
Martin Angle[1]	0%	-59.0%	–
Tony Bourne	0%	-86.5%	–
Dame Janet Husband	0%	-67.6%	–
Jenny Kay[1]	0%	-100%	
Professor Cliff Shearman	–	–	–
Simon Rowlands	0%	–	–
Dr. Ronnie van der Merwe	0%	–	–
Average employee	5.3%	2.7%	75.7%

1 Martin Angle and Jenny Kay were appointed Non-Executive Directors on 14 March 2019 and 1 June 2019 respectively. To provide a meaningful comparison of percentage increase their fees for 2019 have been considered on a full-time equivalent basis.

CEO pay ratio for 2020

The table below shows the ratio of the total remuneration of the Chief Executive Officer to that of the lower quartile, median and upper quartile employees and bank workers in 2020, consistent with the Regulations.

Spire Healthcare has compared the Single Total Figure of Remuneration of the Chief Executive Officer to UK employees for the 12 months ending 31 December 2020 on a full-time equivalent basis. The Company has determined the P25, P50 and P75 individuals with reference to a ranking of total remuneration as at 31 December 2020.

		Pay Ratio		
Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2020	Option A	57:1	42:1	29:1

	CEO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Base salary	£587,325	£18,013	£24,256	£33,165
Total remuneration	£1,177,166	£20,519	£27,893	£39,978

The Company's principles for pay setting and progression in our wider workforce are the same as for our executives. The total reward package is competitive to ensure that its attracts and retains the highest quality of talent in a difficult market, whilst providing opportunities for development and career progression. The pay ratios reflect how remuneration arrangements differ between the bank workers who are hourly paid, with no set hours, to qualified clinical colleagues, to more senior executives whose roles require them to create long term value and alignment with shareholder interests.

The median pay ratio reported is consistent with the wider policies in place at Spire Healthcare. All employees are eligible for pay increases, recognition awards, participation in Sharesave, and career and development opportunities.

Notes to the calculation

- Under option A, the ratios are based on the full-time equivalent total remuneration, which includes base salary, incentive payments, taxable benefits and pension benefits for the financial year 1 January 2020 to 31 December 2020.
- The reference colleagues at the 25th, 50th and 75th percentile have been determined by reference to the last day of the financial year, 31 December 2020.
- In accordance with the Regulations, employees and bank workers have been included, whilst Non-Executive Directors, contractors and consultants have not been included.
- A total of 12,545 employees and bank workers were included in the calculation of the CEO pay ratio. Colleagues on reduced pay due to long term sickness absence, maternity leave or with zero pay in 2020 were excluded from the calculation.
- Pay for each colleague is calculated in accordance with the single figure of remuneration. All components of remuneration are presented on a full-time equivalent basis by dividing sums by the number of hours for the portion of the year worked and subsequently multiplying by the relevant annual full-time hours.
- Bank workers do not participate in the annual bonus plan, long term incentive plan and do not have any taxable benefits.
- A significant portion of the Chief Executive Officer's pay is variable; the pay ratio is, therefore, significantly impacted by the outcomes of variable pay plans.
- The full amount of the annual bonus for the Chief Executive Officer for 2020 is included in the total remuneration figure including the bonus deferred into shares for three and LTIP subject to an additional two-year holding period.

Two-year Table (2019 and 2020)

Year	Method		CEO	P25(LQ)	P50 (Median}	P75 (UQ)
2019	A	Base salary	£615,000	£18,085	£25,573	£36,055
		Total remuneration	£1,010,112	£20,065	£28,487	£40,461
		Pay Ratio		50:1	35:1	25:1
2020	A	Base salary	**£587,325***	**£18,013**	**£24,256**	**£33,165**
		Total remuneration	**£1,177,166**	**£20,519**	**£27,893**	**£39,978**
		Pay Ratio		**57:1**	**42:1**	**29:1**

* Decrease in salary rate year on year due to CEO's voluntary waiver of three months of salary from May to July 2020

Relative importance of spend on pay

The table below illustrates the year-on-year change in the total remuneration costs for all employees and shareholder distributions.

£(m)	2020	2019	% change
Total remuneration	**351.6**	313.3	12.2
Distributions to shareholders	**0**	15.2	-100

Advice provided to the Remuneration Committee

During the course of the year, Deloitte LLP provided external advice to the Remuneration Committee and its total fees were £43,500 (2019: £49,790). During 2020, Deloitte LLP also provided other consulting services to the Group. Deloitte LLP has voluntarily signed up to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consulting during the year. The Remuneration Committee is comfortable that the Deloitte LLP engagement partner and team that provides remuneration advice to the Remuneration Committee do not have connections with the Company or any of its Directors that may impair their independence.

The Chairman, Chief Executive Officer, Chief Financial Officer and Group Human Resources Director attended Committee meetings by invitation in order to provide the Remuneration Committee with additional context. No individual participates in decisions regarding their own remuneration.

Statement of voting at 2020 annual general meeting

The following table sets out the voting in respect of the resolution to approve the Company's 2019 Directors' Remuneration Report put to shareholders at the Company's annual general meeting held on 14 May 2020:

Resolution at 2020 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the 2019 Directors' Remuneration Report	277,089,976	99.71%	796,110	0.29%	37,512,795

Resolution at 2018 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Directors' Remuneration Policy	299,589,232	99.41%	1,763,647	0.59%	1,779

This report on Directors' remuneration will be put to an advisory vote at the annual general meeting on 13 May 2021. The Directors confirm that this report has been prepared in accordance with the Companies Act 2006 and reflects the provisions of the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013. It also includes updates to legislation from The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860) and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. The report was approved at a meeting of the Directors held on 3 March 2021.

Details of all resolutions passed at the annual general meeting held on 14 May 2020 can be found on page 119.

Share prices

The market price of a Spire Healthcare Group plc ordinary share at 31 December 2020 was 155.4 pence and the range during the year was 52.6 pence to 159.8 pence.

Tony Bourne
Chair, Remuneration Committee
3 March 2021

Directors' report

The Directors submit their Annual Report together with the audited financial statements of Spire Healthcare Group plc (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 December 2020.

Certain disclosure requirements for inclusion in this Directors' Report have been incorporated by way of cross reference to the Strategic Report on pages 1 to 107 and the Directors' Remuneration Report on pages 134 to 155, and should be read in conjunction with this report. The following, included in the Strategic Report, also form part of this report:

- greenhouse gas emissions, which can be found under Our impact on page 83;
- employees, which can be found in Our impact on pages 77 to 78;
- the Corporate Governance report, set out on pages 109 to 199; and
- Our strategy set out on pages 50 to 55.

A description of the Group's exposure and management of risks is provided in the Strategic Report on pages 84 to 98.

Information regarding the Company's Gender Pay Gap Reporting and charitable donations can be found in Our impact on pages 76 to 80.

Registered office

The Company's registered office and principal place of business is 3 Dorset Rise, London EC4Y 8EN.

Annual general meeting

The annual general meeting of Spire Healthcare Group plc will be held at 3 Dorset Rise, London EC4Y 8EN on 13 May 2021. Further details will be provided in the Notice of meeting and on our website.

At the meeting, resolutions will be proposed to receive the Annual Report and Financial Statements, approve the Directors' Remuneration Report and revised Directors' Remuneration Policy, elect or re-elect all of the Directors and to reappoint Ernst & Young LLP as auditor. Shareholders will also be asked to authorise the Directors to hold general meetings at 14 clear days' notice (where this flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole). Further items of business to be proposed at the annual general meeting are described throughout this Directors' Report.

Dividends

As a result of the COVID-19 uncertainty and agreement with Lenders for a covenant waiver, the Board did not propose an interim dividend in respect of 2020.

For a similar reason the Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2020.

Board of Directors

The following changes were made to the Board of Directors during the year:

- Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020.

Garry Watts announced his intention to step down from the Board and will not seek re-election as a Director at the annual general meeting in May 2021.

The UK Corporate Governance Code provides for all directors of FTSE companies to stand for election or re-election by shareholders every year. Accordingly, all members of the Board will retire and seek election or re-election at this year's annual general meeting. Full biographical details of all of the Directors can be found on pages 120 and 123.

Further information on the contractual arrangements of the Executive Directors is given on pages 136 and 146. The Non-Executive Directors do not have service agreements.

Powers of the Directors

The business of the Company is managed by the Directors who may exercise all the powers of the Company, subject to any relevant legislation, any directions given by the Company by passing a special resolution and to the Company's Articles of Association. The Articles, for example, contain specific provisions concerning the Company's power to borrow money and issue shares.

Appointment and removal of Directors

Rules relating to the appointment and removal of the Directors are contained within the Company's Articles of Association.

Director's indemnities

See page 117 in the Corporate Governance section.

Amendment of articles of association

The Company may only make amendments to the Articles of Association of the Company by way of special resolution of the shareholders, in accordance with the Companies Act 2006.

Employees

The Group is an equal opportunities employer and is committed to creating an environment which will attract, retain and motivate its people, by creating a working environment in which individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. Spire Healthcare employs people who consider themselves to have a disability (a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities). Employees who consider themselves to have a disability are under no obligation to inform their employer of this, however, we are fully aware of, and comply with, our obligations in accordance with the relevant provisions of the Equality Act 2010.

We remain committed to colleague involvement throughout the business. Colleagues are kept well informed of the clinical and financial performance of the hospital that they work in as well as the Group more widely. Examples of colleague involvement and engagement are highlighted throughout this Annual Report. When appropriate, consultations with employee and union representatives take place.

The Group gives full and fair consideration to applications for employment from disabled persons. Should an employee become disabled during their employment with Spire Healthcare, every effort is made to enable them to continue their service with the Group.

Further information on our colleagues can be found under Our impact on pages 77 to 78.

Political donations and expenditure

The Group made no political donations during the year. Although the Company does not make, and does not intend to make, donations to political parties, within the normal meaning of that expression, the definition of political donations under the Companies Act 2006 is very broad and includes expenses legitimately incurred as part of the process of talking to members of Parliament and opinion formers to ensure that the issues and concerns of the Group are considered and addressed. These activities are not intended to support any political party and the Group's policy is not to make any donations for political purposes in the normally accepted sense.

A resolution will therefore be proposed at the annual general meeting seeking shareholder approval for the Directors to be given authority to make donations and incur expenditure which might otherwise be caught by the terms of the Companies Act 2006. The authority sought will be limited to a maximum amount of £100,000.

Share capital

As at the date of this report, Spire Healthcare Group plc had an issued share capital of 401,082,216 ordinary shares of 1 pence each, being the total number of shares with voting rights.

Equiniti Trust (Jersey) Limited, as trustee of the Company's Employee Benefit Trust, holds 239,283 ordinary shares of 1 pence each (2019: 252,652). Further details can be found in note 21 on page 196.

The rights attaching to the shares are set out in the Articles of Association. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time-to-time. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. In accordance with the Disclosure and Transparency Rules, certain employees are required to seek approval prior to dealing in the Company's shares. The Company's entire issued ordinary share capital is listed on the premium segment of the Official List of the Financial Conduct Authority and to unconditional trading on the London Stock Exchange plc's main market for listed securities.

Further information relating to the Company's issued share capital can be found in note 21 to the Company's financial statements on page 196.

The Company has made no purchases of its own shares during the year and no shares were acquired by forfeiture or surrender or made subject to a lien or charge. Details of the shares purchased by the Company's Employee Benefit Trust are shown in note 21 on page 196.

Allot shares and pre-emption rights

Shareholders will be asked to renew both the general authority of the Directors to issue shares and to authorise the Directors to issue shares without applying the statutory pre-emption rights. In this regard, the Company will continue to adhere to the provisions in the Pre-emption Group's Statement of Principles.

Further details on these matters can be found in the 2021 Notice of annual general meeting.

Voting rights

In a general meeting of the Company, on a show of hands, every member who is present in person or by proxy and entitled to vote shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

Restrictions on voting

Unless the Directors otherwise determine, a shareholder shall not be entitled to vote either personally or by proxy:

- if any call or other sum presently payable to the Company in respect of that share remains unpaid; or
- having been duly served with a notice to provide the Company with information under Section 793 of the Companies Act 2006, and has failed to do so within 14 days, for so long as the default continues.

Directors' interests in shares

The beneficial interests of the Directors' and their families in the shares of the Company are detailed on page 151.

During the year, no Director had any material interest in any contract of significance to the Group's business.

Employee share scheme participation

The Company's operates an all-employee Sharesave scheme which has been well received by colleagues with nearly 20% taking out a contract. This is an important part of our total reward package and encourages and supports employee share ownership.

Material interests in shares

As of 3 March 2021, the Company has been notified by the following investors of their interests in 3% or more of the Company's issued share capital. These interests were notified to the Company pursuant to Disclosure and Transparency Rule 5:

Shareholder	Current %
Mediclinic International PLC	29.90
M&G plc	8.72
FIL Limited	5.49
Melquart Opportunities Master Fund Ltd.	5.01

Significant agreements

The following agreements are considered to be significant in terms of their potential impact on the business of the Group as a whole and could alter or terminate on a change of control of the Group:

- the Group's bank facility agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control;
- there are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group; and
- the Company's share incentive plans contain provisions relating to a change of control and full details of these plans are provided in the Directors' Remuneration Report on pages 137 to 155. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

The relationship agreement entered into with Mediclinic Jersey Limited (formerly called Remgro Jersey Limited), a subsidiary of Mediclinic International PLC, in June 2015 is deemed a material agreement between the Company and its principal shareholder. The agreement does not include a change of control provision but does terminate upon the earlier of the Company's ordinary shares ceasing to be listed and traded on the London Stock Exchange's main market for listed securities and the principal shareholder ceasing to be entitled, in aggregate, to exercise or to control the exercise of 15% or more of the votes to be cast on all or substantially all matters of a general meeting of the Company.

Compensation for loss of office

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs as a result of a change of control.

Disclosures required under listing rule 9.8.4R

The table below is included to meet the requirements of Listing Rule section 9.8.4R. The information required to be disclosed by that section, where applicable to the Company, can be located in the Annual Report 2020 at the references set out above.

Information required	Location in Annual Report 2020
Long-term incentive schemes	Directors' Remuneration Report pages 134 to 155
Equity securities allotted for cash	Note 21 on page 196
Parent and subsidiary undertakings	Note 16 on page 193
Subsisting significant agreements	Page 157
Controlling shareholder relationships	Page 189

Events after the reporting period

There have been no material events affecting the Group or Company since 31 December 2020.

Going concern

The Group's going concern statement is disclosed on page 99.

Disclosure of information to auditor

Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors confirms that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

Resolutions for the reappointment of Ernst & Young LLP as the auditor of the Company and to authorise the Directors to determine its remuneration will be proposed at the annual general meeting. Ernst & Young LLP has expressed its willingness to be reappointed.

The Directors' Report has been approved by the Board and is signed on its behalf by:

Philip Davies
Company Secretary
3 March 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union). Under company law the directors must not approve the group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these financial statements the directors are required to:
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- in respect of the group financial statements, state whether IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether IFRSs in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006 and, with respect to the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Each of the Directors confirms that, to the best of their knowledge:
- that the consolidated financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

By order of the Board.

Justin Ash
Chief Executive Officer
3 March 2021

Jitesh Sodha
Chief Financial Officer
3 March 2021

Independent Auditor's report
To the members of Spire Healthcare Group plc

Opinion
In our opinion:
- Spire Healthcare Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Spire Healthcare Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2020	Balance sheet as at 31 December 2020
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 11 to 13 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner and senior team members increased their time directing and supervising the audit procedures on going concern, in particularly assessing the going concern models, assumptions therein and the result of stress testing scenarios.
- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment;
- We have obtained an understanding of management's rationale for the use of the going concern basis of accounting. To challenge the completeness of this assessment, we have independently identified factors that may indicate events or conditions that may cast doubt on the entity's ability to continue as a going concern;
- We have performed the following procedures:

Managements' assessment and assumptions
- We obtained management's board approved forecast cash flows and covenant calculations covering the period of assessment from the date of signing to the end of March 2022. We checked the models for arithmetical accuracy, whether they were approved by the Board and considered the Group's historical forecasting accuracy;
- We evaluated management's COVID-19 impact assessment on the forecasts by comparing to the actual impact experienced by the Group in 2020;
- We evaluated the relevance and reliability of the underlying data used to make the assessment through obtaining corroborating evidence from external sources. We reviewed analyst reports and consulted with internal experts in order to identify potentially contradictory evidence on future demand to challenge the going concern assessment.

Debt covenants
- We performed a detailed examination of all the borrowing facilities to assess their continued availability to the Group throughout the going concern period. We reviewed all borrowing facility agreements to ensure completeness of covenants identified by management. We engaged our debt advisory specialists to support this examination. We checked the accuracy of management's covenant forecast model, verifying inputs to board approved forecasts and facility agreement terms;
- We evaluated the compliance of the Group with debt covenants in the forecast period by reperforming calculations of the covenant tests. We further assessed impact of the downside risk scenario on covenant compliance.

Stress testing and evaluation of management's plans for future actions
- We performed reverse stress testing and we evaluated management's reverse stress testing on the forecasts to understand how severe the downside scenarios would have to be to result in the elimination of liquidity headroom or a covenant breach;
- We considered management's plausible downside risk scenario of the Group's cash flow forecast models and their impact on forecast liquidity and banking covenants, specifically whether the downside risks were reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively;
- We evaluated management's plans for future actions within the control of the Group to reduce cash expenditure in the going concern period in order to determine whether such actions are feasible in the circumstances and corroborating where relevant to third party evidence;
- We obtained written representations from management and those charged with governance regarding plans for future actions and the feasibility of those plans.

Disclosures
- We considered whether management's disclosures within the Annual Report and Accounts, sufficiently and appropriately capture the impacts of COVID-19 on the going concern assessment and through consideration of relevant disclosure standards.

We have observed that the impact of COVID-19 has resulted in a change in operations for the Group as a result of the agreement entered into with the NHS (England, Scotland and Wales) to support the NHS in its response to the pandemic. This has impacted the Group's ability to operate across major payor groups and resulted in a change in the overall payor profile. We note that the Group's assessment over going concern has adequately assessed this change and the Group forecasts returning to previous payor profiles in the medium term.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period up to 31 March 2022 from when the financial statements are authorised for issue. Going concern has also been determined to be a key audit matter.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 2 components and audit procedures on specific balances for a further 27 components. – The components where we performed full or specific audit procedures accounted for 96% of Profit before tax, 98% of Revenue and 99% of Total assets.
Key audit matters	– Risk of impairment to intangible and tangible assets – Revenue recognition: NHS COVID-19 contract – Revenue recognition: Manipulation of NHS revenue by changes to the pricing master file – Revenue recognition: Misstatement due to management posting fraudulent manual journal entries to revenue
Materiality	– Overall group materiality of £3.2m which represents 2% of adjusted EBITDA.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 40 (2019: 40) reporting components of the Group, we selected 29 (2019: 29) components, which represent the principal business units within the Group. The Group continues to operate solely within the UK.

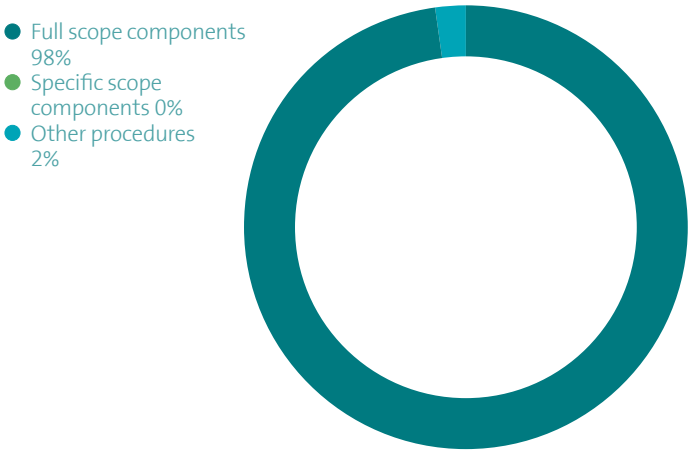
Of the 29 (2019: 29) components selected, we performed an audit of the complete financial information of two components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 27 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The components for which we performed audit procedures accounted for 98% (2019: 100%) of the Group's Revenue and 99% (2019: 100%) of the Group's Total Assets. For the current year, the full scope components contributed 98% (2019: 98%) of the Group's Revenue and 75% (2019: 70%) of the Group's Total Assets. The specific scope components contributed, 0% (2019: 2%) of the Group's Revenue and 24% (2019: 30%) of the Group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. It is not possible to present the split between full and specific scope component on a profit before tax basis in a meaningful way. This is due to intra-group profits earned in certain specific scope components which result in the aggregate profit before tax amounting to more than 100%.

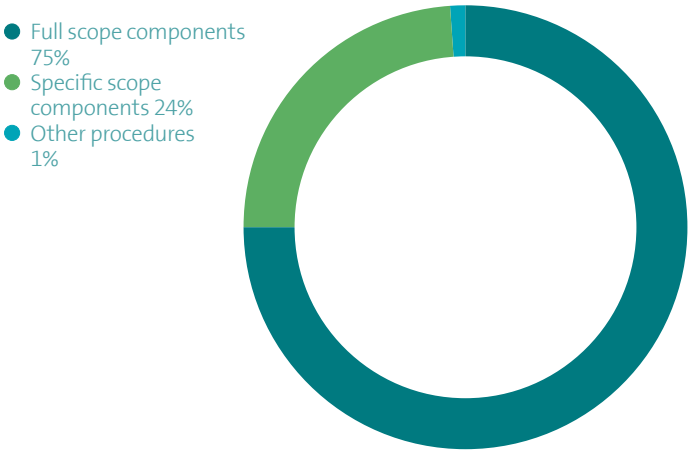
Of the remaining 11 components (2019: 11) that together represent 4% of the Group's EBITDA, none are individually greater than 1% of the Group's EBITDA. For these components, we performed other procedures, including analytical review, testing of consolidation journals and testing of intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

Revenue



Total assets



All audit work performed for the audit was undertaken by the Group audit team. As a result of the most recent UK lockdown and the government's recommendation to work from home, the year end audit procedures were completed remotely. We held regular meetings with management via video call to assist in obtaining appropriate evidence to express an opinion on the Group financial statements. Additionally, we obtained all our audit evidence electronically and we performed procedures to verify the source of the evidence.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Risk of impairment to intangible and tangible assets At 31 December 2020 the carrying value of tangible and intangible assets was £1,853.1m (2019: £2,018.2m) of which £317.8m (2019: 517.8m) relates to goodwill (post impairment of £200m recognised during the year) and £1,535.3m (2019: £1,563.4m) relates to property, plant and equipment of which £566.7m relates to the right-of-use asset (2019: £579.6). *Refer to the Audit and Risk Committee Report (page 131); Accounting policies (pages 182 & 184); and Notes 13 & 14 of the Consolidated Financial Statements (pages 190 to 192)* Management identified impairment indicators in relation to the carrying value of tangible and intangible assets. The effect of COVID-19 and the agreement entered with the NHS impacted the performance of the group for the year. This also resulted in a reduction in high margin work and revenue from private insurance and self-pay payor groups. This change in revenue structure and payor profile impacted on the long-term forecasts of the group. Additionally, the effects of COVID-19 on the UK economy also triggered the need to reassess the discount rate as used by the Group. As a result of the above, an impairment assessment was performed over both tangible and intangible assets. This resulted in a £200m impairment being recognised in relation to goodwill. No impairment was recognised on tangible assets	We performed the following procedures: – We gained an understanding of the process management has in place over the impairment process through a walkthrough. – We validated that the methodology of the impairment exercise is consistent with the requirements of IAS 36 Impairment of Assets, including appropriate identification of cash generating units for value in use calculations. – We also confirmed the mathematical accuracy of the models. Below we summarise the procedures performed in relation to the key judgements for the tangible and intangible assets impairment review. – We obtained management's long-term forecasts underlying the impairment review incorporating the COVID-19 impact on the UK economy and corroborated them to forecast approved by the Board. – We compared the long-term forecast to other external sources such as analyst reports and consulted with our internal health care specialist to assess the impact of contrary evidence identified as well as the reasonableness of the assumptions applied. – Critically challenged management's historical accuracy of forecasting through comparing the budgets to actual results in the current year to determine whether forecasted cash flows are reliable based on past experiences. Furthermore, we compared the longer-term forecasts to prior years to understand if and how these forecasts have changed and whether this is indicative of inaccurate forecasting – We performed sensitivity analyses by testing key assumptions in the model to recalculate a range of potential outcomes in relation to the size of the headroom between the carrying value and the net present value. The sensitivities performed were based on reasonable possible changes to key assumptions determined by management being discount rate, EBITDA growth rates, EBITDA long-term growth rate and capex long-term growth rate. We have corroborated that the reasonable possible change assumptions applied by management are reasonable, complete and have been correctly calculated. In addition, we worked with our EY internal valuation specialists to: – Validate and corroborate the discount rate to supporting evidence and corroborated these to industry averages and trends. – Independently calculate the discount rate and compare these to the discount rates applied in the models by management. – Assess the multiples applied by management for reasonableness and against other market indicators – Engage with management's specialist in discussing the approach and assumptions made by them in determining the discount rate. Disclosures – We evaluated the disclosures in the financial statements against the requirements of IAS 36 Impairment of Assets, in particular respect of the requirement to disclose further sensitivities for the CGU where a reasonably possible change in key assumptions could cause an impairment.	Based on our audit procedures we have concluded that the impairment charge of £200m is appropriately determined. We highlighted that a reasonably possible change in certain key assumptions, including change in discount rate, long term growth rate, EBITDA growth rates and capex forecasts underpinning the forecasts, could lead to additional impairment charges. We have concluded appropriate disclosures have been included by management for the above assumptions.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Revenue recognition: NHS COVID-19 Contract Revenue 2020: £362.7m (2019: £nil) *Refer to the Audit and Risk Committee Report (page 131); Accounting policies (pages 177 & 183); and Note 5 of the Consolidated Financial Statements (page 185)* As part of the COVID-19 response, the group entered into a contract with the NHS, to provide capacity to the NHS in its response to the COVID-19 pandemic. The agreement was under a cost recovery model with the group claiming certain costs incurred to service the contract, from the NHS. The NHS COVID-19 contract defined which costs meet the definition of "qualifying operating costs" and as such reimbursable, resulting in revenue recognised by the group. The revenue measurement and recognition process followed a manual monthly preparation of an Actual Qualifying Costs Spreadsheet (AQCS), which was submitted for approval by the NHS (through their advisors) before revenue was recognised. Due to the judgemental nature of the process, revenue recognition is susceptible to both error and manipulation, particularly around the assumptions in determining the 'Qualifying Operating costs' which can be claimed from the NHS under the terms specified in the contract. There is a risk of misstatement arising from potential management bias and misclassification of qualifying operating costs under the terms of the contract.	We performed the following procedures: – We adopted a fully substantive approach supported by our analytics tools to address the risk over qualifying operating costs recharged to NHS. – We obtained the Actual Qualifying Costs Spreadsheet ("AQCS") for April to December 2020 and reconciled these to the underlying audited accounting and payroll records for completeness and accuracy. – We selected a sample of transactions to assess whether they are appropriately classified in the general ledger based on their nature and are appropriate to be included in the AQCS submissions. – We reviewed evidence of challenges from the NHS's advisors and obtained an external confirmation from the advisors confirming the completeness of these challenges in addition to having audited subsequent adjustments posted by management as a result. – We challenged management over the inclusion of certain overheads that are susceptible to be non-qualifying due to their operational nature. – We inspected all invoices raised to the NHS and the related proof of collections to gain assurance over the billings and manual journal posted to recognise and defer revenue. – We recalculated the rebates payable to the NHS for any private revenue earned during the contract period. We recalculated the ratchet income from the overpayment of rebates amounting to £30m and agreed this to external email confirmation from the NHS. – We audited top side journal postings in relation to rebate accounting, deferred or accrued revenue account and any true up adjustments that would result from evidence of our procedures and posted by management. – We assessed management judgements relating to revenue recognition ensuring that the IFRS 15 criteria was met so that revenue was only recognised when it was highly probable there would not be a significant risk of reversal.	Based on our audit procedures performed and challenges raised we have not noted any material misstatements in the revenue recognised for the NHS COVID-19 contract.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Revenue recognition: Manipulation of NHS revenue through changes to the pricing master file NHS revenue 2020: £67.3m (2019: £285.7m) *Refer to the Audit and Risk Committee Report (page 131); Accounting policies (page 177); and Note 5 of the Consolidated Financial Statements (page 185)* The high volume of patient transactions, for which pricing is derived from the NHS national tariff, leads to a higher likelihood of material misstatement through intentional changes to individual procedural pricing on the pricing master file. We consider the pressure to achieve forecast results or targets increase the risk of financial reporting manipulation by management.	We have performed the following procedures to gain assurance over NHS pricing: – We used data analytics to assess the accuracy of all the FY20 NHS billing data to publicly available NHS national tariff base prices, adjusted by Market Force factors. – For any material portion of the revenue population for which we were unable to agree the price billed to NHS national tariff base prices, e.g. where the price was locally agreed for a specific procedure, we have agreed a sample of this billing data to appropriate audit support. Specifically, we have agreed a sample of this billing data to the underlying signed agreement or, in instances where no current contract or correspondence was available, we traced the settlement of the invoice directly to cash. – We used data analytics, covering all NHS revenue transactions in the year, to test the correlation between revenue, accrued revenue, accounts receivable and cash. – We investigated whether there were any pricing disputes with the NHS during the year through discussions with legal counsel, review of minutes and verifying any matter noted to correspondence, where available. – We obtained a summary of aged NHS receivables and verified that the ageing is appropriate by testing a sample across the different ageing categories. We have performed a search for any large or unusually long outstanding receivables that are outside expected credit terms that may indicate that pricing disagreements exist.	We did not identify any material errors in the pricing master file, nor evidence of management manipulation of revenue through changes to the pricing master file. We did not identify any indicators of pricing disputes with the NHS. Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Revenue recognition: Misstatement due to management posting fraudulent manual journal entries to revenue Revenue 2020: £919.9m (2019: £980.8m) *Refer to the Audit and Risk Committee Report (page 131); Accounting policies (pages 176, 177 & 183); and Note 5 of the Consolidated Financial Statements (page 185)* We consider that pressure to achieve forecast results and analysts' expectations, as well as management's bonus structure, increases the risk of financial reporting manipulation by management. Based on the key performance indicators used by both external and internal parties, we consider revenue to be susceptible to management override of control as this forms the foundation for the key performance indicators. We understand that the high volume of system generated, low value revenue transactions, results in limited opportunity for management to fraudulently misstate revenue, (other than through manipulation of changes to the pricing master file for NHS billing data as considered above). For management to fraudulently misstate, we consider there to be a greater incentive to override controls by posting manual journal entries to revenue.	– We performed a walkthrough of the financial statement close process and obtained an understanding over the journal entry process, consolidation process and adjusting journals posted directly to the financial statements. – Utilising our analytics-based revenue programme, we have understood revenue trends through the use of analytics as follows: – Performed an analysis of double-entry postings to the related accounts and how these postings are aligned with our understanding of the revenue process, activity and source; and – identifying revenue trends which do not correlate with our expectation and investigating and corroborating these uncorrelated trends. We performed journal testing by focusing on specific criteria designed to identify journals through which we believe management may post fraudulent manual entries to revenue.	We have not identified any instances of management posting fraudulent manual journal entries to revenue. We have not found any instances of management override. Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.

In the prior year, our auditor's report included a key audit matter in relation to the inappropriate capitalisation of costs to property, plant and equipment. In the current year the audit team does not consider this to be an area of higher risk or focus. We note that there are currently no major development projects or new hospital developments are ongoing. Capex spend for the current year was focused on asset replacement or enhancements which is not considered to be an area that requires significant judgement in terms of capitalisation. As such we consider the risk for inappropriate capitalisation of costs has decreased.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.2 million (2019: £2.4 million), which is 2% (2019: 2%) of adjusted EBITDA (2019: pre-IFRS 16 adjusted EBITDA). We note adjusted EBITDA remains of importance as a KPI for internal metrics and external analyst evaluations. In addition, we move toward a post-IFRS 16 measure given that IFRS 16 is embedded in the financial reporting standards applied by the Group.

We determined materiality for the Parent Company to be £1.6 million (2019: £1.8 million), which is 100% (2019: 100%) of adjusted EBITDA (2019: pre-IFRS 16 adjusted EBITDA).

Starting basis	– EBITDA before adjusting items – £51.4m (loss)
Adjustments	Adjusting items: – Goodwill impairment of £200m (2019: nil) – Fair value loss on adjustment of assets held for sale of £0.3m (2019: £0.1m) – Remediation and regulatory compliance or non-routine malpractice of £12.8m (2019: £1.9m)
Materiality	– Totals £161.7m adjusted EBITDA – Materiality of £3.2m (2% of adjusted EBITDA)

During the course of our audit, we reassessed initial materiality and increased this in line with actual adjusted EBITDA to reflect the actual reported performance of the Group for the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2019: 75%) of our planning materiality, namely £1.6m (2019: £1.8m). We have reduced our performance materiality percentage from the prior year to reflect increased risk based on the volume of adjusted and unadjusted misstatements identified in the audit for year ended 31 December 2019.

Audit work at component level for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £1.6m (2019: £0.4m to £1.8m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.16m (2019: £0.12m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 218, including the Strategic report set out on pages 1 to 107, the Governance report set out on pages 108 to 159 and the Directors' Report set out on pages 156 to 158, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 159;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 99;
- Directors' statement on fair, balanced and understandable set out on page 159;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 84 to 98;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 84 to 98; and;
- The section describing the work of the Audit and Risk Committee set out on pages 129 to 133.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 159, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those relating to the reporting framework (IFRS, Companies Act 2006, 2018 UK Corporate Governance Code and those administered by the Care Quality Commission in England and equivalent in Scotland and Wales.) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the of the London Stock Exchange and the UK Bribery Act 2010.
- We understood how Spire Healthcare Group plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Risk Committees and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address the risk identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved; review of board minutes to identify non-compliance with such laws and regulations; review of reporting to the Audit and Risk Committee on compliance with regulations; enquiries with Legal Counsel, group management and Internal audit; testing of manual journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following a competitive tender process, we were reappointed by the company at its annual general meeting on 14 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including the period prior to the Company's admission to the London Stock Exchange in 2014 is 13 years, covering the years ending 31 December 2008 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephney Dallmann (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
03 March 2021

Consolidated income statement

For the year ended 31 December 2020

(£m)	Note	2020 Total before Adjusting items	2020 Adjusting items (note 10)	2020 Total	2019 Total before Adjusting items	2019 Adjusting items (note 10)	2019 Total
Revenue	5	**919.9**	**–**	**919.9**	980.8	–	980.8
Cost of sales		**(464.1)**	**–**	**(464.1)**	(529.4)	–	(529.4)
Gross profit		**455.8**	**–**	**455.8**	451.4	–	451.4
Other operating costs		**(389.1)**	**(213.3)**	**(602.4)**	(353.8)	(3.2)	(357.0)
Other income	6	**0.4**	**–**	**0.4**	–	–	–
Operating (loss)/profit (EBIT)	7	**67.1**	**(213.3)**	**(146.2)**	97.6	(3.2)	94.4
Finance income	8	**0.1**	**0.8**	**0.9**	0.2	–	0.2
Finance cost	8	**(85.7)**	**–**	**(85.7)**	(85.0)	–	(85.0)
(Loss)/profit before taxation		**(18.5)**	**(212.5)**	**(231.0)**	12.8	(3.2)	9.6
Taxation	11	**(2.2)**	**(0.7)**	**(2.9)**	(3.0)	0.6	(2.4)
(Loss)/profit for the year		**(20.7)**	**(213.2)**	**(233.9)**	9.8	(2.6)	7.2
(Loss)/profit for the year attributable to owners of the Parent		**(20.7)**	**(213.2)**	**(233.9)**	9.8	(2.6)	7.2
(Loss)/earnings per share (in pence per share)							
– basic	12	**(5.2)**	**(53.2)**	**(58.4)**	2.4	(0.6)	1.8
– diluted	12	**(5.2)**	**(53.2)**	**(58.4)**	2.4	(0.6)	1.8

The notes on pages 175 to 206 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

(£m)	2020	2019
(Loss)/profit for the year	**(233.9)**	7.2
Items that may be reclassified to profit or loss in subsequent periods		
Net loss on cash flow hedges (net of taxation)	**(1.1)**	(1.6)
Other comprehensive loss for the year	**(1.1)**	(1.6)
Total comprehensive (loss)/income for the year attributable to owners of the Parent	**(235.0)**	5.6

The notes on pages 175 to 206 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

(£m)	Note	Share capital	Share premium	Capital reserves (note 21)	EBT share reserves (note 21)	Hedging reserve	Retained earnings	Total Equity
As at 1 January 2019		4.0	826.9	376.1	(0.8)	(0.5)	(257.2)	948.5
Profit for the year		–	–	–	–	–	7.2	7.2
Other comprehensive loss for the year		–	–	–	–	(1.6)	–	(1.6)
Total comprehensive income		–	–	–	–	(1.6)	7.2	5.6
Dividend paid	26	–	–	–	–	–	(15.2)	(15.2)
Share-based payments	27	–	–	–	–	–	1.0	1.0
As at 1 January 2020		**4.0**	**826.9**	**376.1**	**(0.8)**	**(2.1)**	**(264.2)**	**939.9**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(233.9)**	**(233.9)**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Total comprehensive loss		**–**	**–**	**–**	**–**	**(1.1)**	**(233.9)**	**(235.0)**
Share-based payments	27	**–**	**–**	**–**	**–**	**–**	**1.7**	**1.7**
Balance at 31 December 2020		**4.0**	**826.9**	**376.1**	**(0.8)**	**(3.2)**	**(496.4)**	**706.6**

The notes on pages 175 to 206 form an integral part of these financial statements.

Consolidated balance sheet
As at 31 December 2020

(£m)	Note	2020	2019 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,535.3**	1,563.4
Intangible assets	14	**317.8**	517.8
Financial assets	15	**1.6**	1.5
		1,854.7	2,082.7
Current assets			
Inventories	17	**37.6**	32.0
Trade and other receivables	18	**101.4**	73.0
Income tax receivable		**–**	3.6
Cash and cash equivalents	19	**106.3**	90.8
		245.3	199.4
Non-current assets held for sale	20	**4.8**	5.1
		250.1	204.5
Total assets		**2,104.8**	2,287.2
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**4.0**	4.0
Share premium		**826.9**	826.9
Capital reserves	21	**376.1**	376.1
EBT share reserves		**(0.8)**	(0.8)
Hedging reserve	21	**(3.2)**	(2.1)
Retained earnings		**(496.4)**	(264.2)
Equity attributable to owners of the Parent		**706.6**	939.9
Total equity		**706.6**	939.9
Non-current liabilities			
Bank Borrowings	22	**418.6**	419.1
Lease liabilities	22	**670.3**	667.8*
Derivatives	22	**1.5**	1.5
Deferred tax liabilities	23	**53.9**	51.4
		1,144.3	1,139.8
Current liabilities			
Bank Borrowings	22	**2.2**	1.7
Lease liabilities	22	**79.2**	77.5*
Derivatives	22	**2.5**	1.0
Provisions	24	**33.0**	13.1
Trade and other payables	25	**136.9**	114.2
Income tax payable		**0.1**	–
		253.9	207.5
Total liabilities		**1,398.2**	1,347.3
Total equity and liabilities		**2,104.8**	2,287.2

* For details of prior period restatement, see note 2 Accounting Policies

These consolidated financial statements and the accompanying notes were approved for issue by the Board on 3 March 2021 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

The notes on pages 175 to 206 form an integral part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020

(£m)	Note	2020	2019
Cash flows from operating activities			
(Loss)/profit before taxation		**(231.0)**	9.6
Adjustments for:			
Impairment of goodwill (Adjusting items)	14	**200.0**	–
Impairment of assets held for sale (Adjusting items)	20	**0.3**	0.1
Adjusting items – other		**9.4**	–
Depreciation	13	**94.0**	91.6
Reversal of impairment on assets held for sale	20	**–**	(2.0)
(Profit)/loss on disposal of property plant and equipment	7	**–**	(0.2)
Finance income	8	**(0.1)**	(0.2)
Finance costs	8	**85.7**	85.0
Share-based payments	27	**1.7**	1.0
		160.0	184.9
Movements in working capital:			
(Increase)/Decrease in trade and other receivables		**(15.5)**	8.1
Increase in inventories		**(5.6)**	(2.6)
Increase in trade and other payables		**18.5**	15.7
Decrease in provisions		**(1.3)**	(3.3)
Cash generated from operations		**156.1**	202.8
Tax received/(paid)		**3.6**	(1.1)
Net cash from operating activities		**159.7**	201.7
Cash flows from investing activities			
Interest received		**0.1**	0.2
Income from financial asset		**0.2**	–
Purchase of property plant and equipment		**(46.6)**	(60.6)
Proceeds on disposal of property plant and equipment		**–**	0.2
Proceeds on disposal of assets held for sale		**–**	11.6
Net cash used in investing activities		**(46.3)**	(48.6)
Cash flows from financing activities			
Interest paid and other financing costs		**(18.1)**	(17.4)
Interest on lease liabilities		**(66.4)**	(58.1)
Payment of lease liabilities		**(13.4)**	(19.3)
Dividends paid to equity holders of the Parent	26	**–**	(15.2)
Net cash used in financing activities		**(97.9)**	(110.0)
Net increase in cash and cash equivalents		**15.5**	43.1
Cash and cash equivalents at 1 January		**90.8**	47.7
Cash and cash equivalents at 31 December	19	**106.3**	90.8
Adjusting items (note 10)			
Adjusting items paid included in the cash flow		**(2.8)**	(2.7)
Total pre-tax Adjusting items	10	**(212.5)**	(3.2)

The notes on pages 175 to 206 form an integral part of these financial statements.

1. General information

Spire Healthcare Group plc (the 'Company') and its subsidiaries (collectively, the 'Group') owns and operates private hospitals and clinics in the UK and provides a range of private healthcare services.

The financial statements for the year ended 31 December 2020 were authorised for issue by the Board of Directors of the Company on 3 March 2021.

The Company is a public limited company, which is listed on the London Stock Exchange, incorporated, registered and domiciled in England and Wales (registered number: 09084066). The address of its registered office is 3 Dorset Rise, London, EC4Y 8EN.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards ('IAS') in conformity with the Companies Act 2006 and International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, and on a historical cost basis except for derivative financial instruments and financial assets measured at fair value. The Group financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Further details on the Group's critical judgements and estimates are included in note 3.

Going concern

As detailed in the Financial Review section, at 31 December 2020 the Group had unrestricted cash of £106.3m and access to a further £100m through a committed and undrawn credit facility.

Given the economic uncertainty arising from the COVID-19 pandemic, during April 2020 the Group announced that it had cancelled its final dividend for the financial year ended 31 December 2019. In addition to this, the Group also took the decision to defer certain capital investment which was planned for 2020, in order to strengthen its liquidity position. The Group has not had to undertake any further action in regard of maintaining its liquidity.

Under the terms of the existing Senior Loan Facility, which was due to mature in July 2022, the Group must adhere to certain banking covenants which are linked to its liquidity and trading performance. As was announced in March and April 2020:

- The Group agreed to support the NHS during the COVID-19 pandemic, which resulted in certain cash costs being covered; and
- Its lenders agreed to waive the covenant testing required under the Company's Senior Facility Agreement for the two forthcoming scheduled test periods on 30 June and 31 December 2020.

The Group confirmed in a further update in August 2020 that it had agreed terms, with effect from the 1 July 2020, for the variation of the NHS England ("NHSE") contract. The variation was intended to allow Spire Healthcare to undertake a phased transition back to normal business, by providing NHS elective care to reduce waiting lists, whilst increasing private activity in its 35 English hospitals. The NHSE Contract, and subsequent variation, expired in line with expectation at the end of December 2020.

In December 2020, the Group announced that it had signed a new contract with NHSE, expected to end on 31 March 2021, to provide a volume-based commitment aimed at reducing NHS waiting lists when the existing contract ended on 31 December 2020. This new contract aimed to provide a smooth transition for NHS services from the previous cost-based contract to the new NHS framework for purchasing additional activity from the independent sector. The new contract has a definitive end date of 31 March 2021 and could be terminated before this by NHSE with six weeks' notice, which has not occurred. The contract also allows NHSE to access further capacity, under certain conditions, in locations where there are a high concentration of COVID-19 cases.

The new contract provides Spire Healthcare with liquidity and a greater degree of certainty as the Group receives monthly payments on account, which is then subject to finalisation with reference to actual volumes in the period.

As was announced in September 2020, the Group obtained agreement from its lenders that net debt to EBITDA and interest cover ratio covenant testing would be waived for June 2021. For December 2021 the agreement allows for a maximum net debt to EBITDA ratio of 6x to apply if this measure has not already dipped below 4x at any month end from June to November 2021. If the ratio does fall below this, then the maximum leverage ratio reverts to 4x at 31 December 2021.

From September 2020 the Group undertook that available liquidity, the aggregate of cash and committed but unutilised facilities (any undrawn element of the Revolving Credit Facility), would not be less than £50m at the end of each month.

In addition to this, the maturity date of the Senior Loan Facility was extended by one year to July 2023.

Notwithstanding the above, given the economic uncertainty of the COVID-19 pandemic, the Group has modelled for a number of scenarios in its assessment of going concern and viability (see the viability section below and on page 99 for more details), including the risk of extensive lockdowns continuing well into the first half of 2021.

2. Accounting policies continued

Going concern continued

Further detail on COVID-19 is provided in the Risk management and internal control section.

For the covenant testing periods ending June and December 2021, the Directors are confident that the Group has sufficient headroom to stay within the new covenants, with the mitigations available, even in its severe but plausible downside scenarios.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the Risk management and internal control section, and on page 99. Based on the current assessment of the likelihood of these risks arising by 31 March 2022, together with their assessment of the planned mitigating actions being successful, the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis.

In arriving at their conclusion, the Directors have also noted that were these risks to arise in combination, this could result in liquidity constraints, however, the risk of this is considered remote.

Viability

Further detail on both Macroeconomic related risk and COVID-19 is provided in the Risk management and internal control section on pages 84 to 98. Other specific scenarios covered by our testing were as follows:

- a key hospital is subject to permanent or temporary suspension of trade, for example, due to a major fire or regulatory matter;
- the Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems;
- the downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer;
- significant change in Government or NHS policy; and
- the business is subject to significant uninsured losses arising from medical malpractice, negligence or similar claims.

This review included the following key assumptions:

- no change in capital structure given the Group extended its existing senior finance facility and revolving credit facility to mature in July 2023; and
- the Government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS.

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

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

Revenue recognition

The Group derives its revenue primarily from providing private healthcare services to both the public sector and private patients in the UK. Revenue from charges to patients is recognised when the treatment is provided.

Revenue from contracts with customers

The criteria for revenue recognition are as follows; identify the contract with the customer, identify the performance obligation, determine the transaction price, allocate the transaction price to the performance obligations, and satisfying the performance obligation. It applies to all contracts with customers, except those in the scope of other standards.

Revenue is recorded as services are transferred to the patient, with the consideration based on the total amount the group expects to receive, taking account of discounts where they are quantifiable and probable, and constraining variable consideration on the NHS COVID-19 contract to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty is resolved (generally when the matter is concluded).

Approximately 39% of the Group's revenue is derived from in-patient and day case admissions (pre-COVID: 70%). Revenue is recognised day by day, as services are provided to patients. These services are typically provided over a short time frame, that is, one to three days. Out-patient cases and other revenue represent approximately 20% of the Group's revenue (pre-COVID: 30%). Out-patient cases generally do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied. Similarly, other revenue, which includes Consultant revenue and other third-party revenue streams, is recognised when performance obligations are satisfied and the control of goods or services is transferred.

The Group reports disaggregated revenue by material revenue stream (i.e. type of payor: PMI, NHS & Self-pay) and other revenue which includes Consultant revenue, third party revenue streams (e.g. pathology services) and 'commissioning for quality and innovation payments' (CQUIN). Material revenue streams are consistent in nature, being the consideration received in return for the provision of healthcare services to patients. The timing and uncertainty of cash flows is similar for PMI and NHS business while Self-pay revenue is received in advance or collected by credit card shortly after treatment. In addition, Spire Healthcare reports revenue split between In-patient/Daycase, Out-patient and Other. As noted above, in all cases, revenue is recognised as performance obligations are completed in the form of services being provided to patients. Unbilled revenue is accrued at period ends. Invoices for the combination of services provided to patients are generally produced within three days of discharge.

2. Accounting policies continued

Revenue recognition – the NHS contracts

Approximately 39% of the Group's revenue is derived from the NHS COVID-19 contracts (pre-COVID: N/A). Revenue from the NHS COVID-19 contracts is recognised as the services are transferred to the customer over the life of the contract. As the contracts' transaction price is based on variable consideration, recognition of revenue is constrained to the extent that it is probable that a significant reversal will not occur when the uncertainty is resolved. In respect of the NHS England ('NHSE') contract variation, the amount was subject to a "true up" exercise at the end of the contract, subject to private volumes during the contract period. This final amount is not billed at the year end, and therefore reflects a contract asset included within unbilled receivables in the Trade and other receivables note.

During the peak surge period of the NHSE contract, which lasted for one month, Spire Healthcare needed to be ready to provide any capacity that was required by the NHS and therefore the NHS received substantially all the economic benefit of the Spire Healthcare sites, and as such, an embedded operating lease is assessed to have existed during this period. An amount of consideration for this period is therefore attributable to this lease based on an estimate of the lease's relative stand-alone selling price.

Interest income

Interest is recognised on an effective interest rate basis.

Cost of sales

Cost of sales principally comprises salaries of clinical staff, Consultant and clinical fees, medical services and inventories, including drugs, consumables and prostheses.

Other operating costs

Other operating costs mainly comprise non-clinical staff costs, rent associated with short or low value leases, the depreciation of property, plant and equipment and right of use assets and the maintenance and running costs of properties and equipment. It also includes administrative expenses, including the provision of central support services, IT and other administrative costs.

Other income

Other income comprises fair value movements on the financial asset, a profit share arrangement with Genesis Care.

Operating profit

Operating profit is the profit arising from the normal, recurring operations of the business and after charging Adjusting items, as defined below. Operating profit is adjusted to exclude Adjusting items to calculate the Key Performance Indicator (KPI) 'Operating profit before Adjusting items (Adjusted EBIT)'.

Adjusting items

Adjusting items are those items which, by virtue of their nature, size or incidence, either individually or in aggregate, should be disclosed separately to allow a full understanding of the underlying performance of the Group. Items which may be considered this way in nature include significant write-downs of goodwill and other assets, restructuring costs relating to strategy review, impairments, hospital closures and set-up costs, business acquisition costs, medical malpractice provision, aborted project costs and compliance set up costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. There are no bank overdrafts in either year presented.

Taxation including deferred taxation

Total income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity and other comprehensive income, in which case it is recognised directly in equity and other comprehensive income.

Current tax is the expected tax payable on the taxable result for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Where there is an uncertain tax position, a provision shall be booked based on either the most likely amount where the range of results is binary, or as a weighted average of possible outcomes where a range of outcomes is possible.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- goodwill not deductible for tax purposes;
- the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- investments in subsidiary companies where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Accounting policies continued

Taxation including deferred taxation continued

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted, or substantively enacted, at the balance sheet date. The Group offsets deferred tax assets and deferred tax liabilities, if and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset, subject to the offsetting above, is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Major projects are treated as assets in the course of construction until completed when they are transferred to the appropriate asset class. No depreciation is charged on freehold land or assets in the course of construction. Other assets are depreciated so as to write off the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Freehold buildings and improvements	5 to 50 years
Leasehold improvements	lower of unexpired lease term or expected life, with a maximum of 35 years
Plant and machinery	5 to 10 years
Fixtures, fittings and equipment	3 to 10 years

The expected useful lives and residual values of property, plant and equipment are reviewed annually and revised as appropriate. The review of the asset lives and residual values of properties takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals. In the case of major facilities opening in new locations, depreciation may be applied to only those assets available for use at the official opening date to reflect that the site is not always fully operational at this opening date.

Consolidation

The results of all subsidiary undertakings are included in the consolidated financial statements. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Employee Benefit Trust (EBT) is treated as an extension of the Group and the Company.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating costs.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill

Goodwill represents the excess of the cost of acquisition (being the fair value of consideration transferred) over the fair value of the assets, liabilities and contingent liabilities of acquired businesses at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses.

Goodwill is allocated to one cash-generating unit and is not amortised but is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired (see Impairment policy).

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2. Accounting policies continued
Financial Instruments continued
i) Financial assets other than derivatives
Initial recognition and measurement
Financial assets are classified as financial assets at fair value through profit or loss, amortised cost or fair value through other comprehensive income ("OCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include cash and short-term deposits, trade and other receivables, unbilled receivables and receivables from profit share arrangements. Unbilled receivables may include contract assets where the performance obligation has been met, but the invoice not raised due to agreement with the customer being required in respect of the variable consideration. Unbilled receivables can also include amounts where the performance obligation has been met, but the invoice not yet raised due to the timing of the reporting period.

Subsequent measurement
Trade receivables and unbilled receivables are accounted for at amortised cost. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. At each reporting period, the Group makes an assessment of the asset's recoverable amount based on forward looking information. Losses arising from impairment are recognised in the consolidated income statement in other operating costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest rate ('EIR') method, less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the consolidated income statement.

Receivables relating to profit share arrangements are recognised as fair value through profit and loss. At each reporting period, the assets are revalued, with any movement in fair value being recognised in the consolidated income statement. Any cash received from profit share arrangements is presented within cash flows from investing activities within the Cash Flow statement.

Derecognition
A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset including transferring substantially all the risks and rewards of the asset.

Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets (including unbilled receivables), the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and the days past due. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for each ageing bucket based on historical debt trends of our portfolio of customers for the last two reporting periods, with the exception of patient debt. Patient debt is more susceptible to the economic environment. As a result, the Group have reviewed the expected loss rates for this payor group, as well as considering forward looking information (specifically the lockdown outlook and COVID-19) and increased the loss rates accordingly.

ii) Financial liabilities other than derivatives
Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or at amortised cost. The Group determines the classification of financial liabilities at initial recognition.

Initial recognition and measurement
All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

2. Accounting policies continued
Financial Instruments continued
ii) Financial liabilities other than derivatives continued
Initial recognition and measurement continued
The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and interest payable in the consolidated income statement. Amortised cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

iii) Derivative financial instruments
The Group may enter into derivative financial instrument arrangements to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered in to and subsequently remeasured at fair value at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group applies cash flow hedge accounting to such derivatives if the criteria for doing so are met. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised, in the same line of the income statement as the recognised hedged item. If cash flow hedge accounting is discontinued, the amount that has been accumulated in the consolidated statement of other comprehensive income is maintained if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to profit or loss as a reclassification adjustment.

iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost means purchase price, less trade discounts, calculated on an average basis. Net realisable value means estimated selling price less incremental costs including trade discounts and all costs to be incurred in marketing, selling and distribution.

The Group holds consignment stock on sale or return. The Group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost on an effective interest basis.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions
A provision is recognised in the Consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk-adjusted, future cash flows at a pre-tax risk-free rate. Provisions are measured gross of any expected insurance recovery. Any such insurance recoveries are recognised in other receivables when the receipt of them is judged virtually certain.

2. Accounting policies continued

Leases

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset when considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. After initial recognition, the lease liability is measured at amortised cost using the effective interest method. A reassessment of the lease liability occurs when there is a change in lease payments. The incremental borrowing rate is only revised where the change in payments is a result of a change in floating interest rates, lease term change or a change in assessment relating to the exercise of purchase option charges.

The Group has elected not to separate lease and non-lease components for leases of vehicles or buildings.

The Group recognises a Right Of Use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, less any incentives received. Initial direct costs and costs to dismantle or restore an asset are included. The ROU is depreciated over the shorter of the lease term or the useful economic life of the underlying asset. The incremental borrowing rate is used to discount the assets over the relevant term. The ROU is subject to testing for impairment if there is an indicator for impairment.

Lease payments generally include fixed payments and variable payments that depend on an index (such as inflation index). When the lease contains an extension or purchase option that the Group considered reasonably certain to be exercised, the cost of the option is included in the lease payments. The incremental borrowing rate is used to discount the lease payments over the term of the lease.

ROU assets are categorised to reflect the nature of the underlying asset and to be consistent with the Plant, Property & Equipment (PPE) note. The assets are depreciated over the term of the lease, accounting for break clauses or options to extend in line with the lease liability decision.

ROU assets are disclosed as PPE on the balance sheet (non-current) with a separate disclosure within the associated note, and the lease liability is included in the headings lease liability (current and non-current) on the Consolidated balance sheet.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than 12 months, or for leases of low value equipment. The payments for such leases are recognised in the Consolidated income statement on a straight line basis over the lease term.

Sale and leaseback of properties

In circumstances where the Group sells a property to a third party and then enters into an agreement with the buyer to lease the asset back under a lease arrangement (a 'sale and leaseback transaction') which meets the criteria of a sale under IFRS 15, the Group derecognises the underlying asset from Plant, property and equipment, and instead recognises a Right of use asset measured at the retained portion of the previous carrying amount, recognising a gain or loss on the rights transferred to the lessor. Values recognised will be adjusted where the sale is not completed at fair value, or where lease payments do not reflect market value.

Where the sale of a property is not deemed a sale under IFRS 15, the Group will continue to recognise the underlying asset within PPE, and will also recognise a financial liability for any amount received from the buyer/lessor.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium. Where the employee benefit trust purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders in both the Company and the consolidated balance sheet until the shares are cancelled or reissued.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders. Interim dividends are recognised when paid.

Pensions

The Group operates the Spire Healthcare Pension Plan, a defined contribution scheme. The assets of the scheme are held separately from those of the Group in independently administered funds.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Other employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonuses if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payments

The Group operates a number of equity-settled share-based payment schemes under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The Group has estimated the relevant fair value of the share options and awards, which are subject to total shareholder return ('TSR') market-related performance criteria, using a Monte Carlo simulation model (see note 27). This applies to LTIP Awards and Deferred Share Bonus Schemes.

2. Accounting policies continued

Share based payments continued

The Group also operates a Save-As-You-Earn ('SAYE') scheme, which is open to all employees. Employees are required to save a fixed amount, up to a cap, every month for three years. At the end of the three year period employees are entitled to use their savings to purchase shares in the Company at a stated exercise price. Employees are free to stop contributing to the scheme and obtain a refund of contributions at any time, but forfeit their entitlement to exercise the options if they do so. Payment of contributions into a SAYE scheme is not a vesting condition; it does not meet the definition of a performance condition because it has no link to service. Failure to meet a non-vesting condition (e.g. by ceasing to contribute to an SAYE scheme) is accounted for as a cancellation of the options so that the expense is accelerated and recognised in the income statement, with a corresponding adjustment to equity as required. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non-market conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Government Grants

Where the Group receives a government grant, the income is recognised against the expense for which the grant is received in the income statement. Government grants include the Government Job Retention Scheme (for furloughed staff), the income is recognised against the staff expense.

Where a commitment exists at the reporting date to repay a government grant received, the amount to be repaid is expensed to the income statement and presented as a liability.

Impairment

The Group applies its impairment policy to non-financial assets, being intangible assets (goodwill), plant, property and equipment and right of use assets. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal or its value-in-use. The recoverable amounts is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired, and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared for each CGU. The forecasts generally cover a five year period. A long term growth rate is calculated and applies to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in other operating costs. Impairment is likely to be considered an Adjusting item.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Changes in accounting policy

New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the Group from 1 January 2020. Other than some additional disclosures, these amendments have not had a material impact.

2. Accounting policies continued

Changes in accounting policy continued

New standards, interpretations and amendments applied continued

	Effective date*
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations that are consistent with the endorsement process for use in the EU.

New standards, interpretations and amendments in issue, but not yet effective

As at the date of approval of the Group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the Group but not yet effective and thus, have not been applied by the Group:

	Effective date*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2	1 January 2021
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities	1 January 2022
Amendments to IAS 1 – Classification of liabilities as Current or Non-Current	1 January 2023

* the effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as issued by the IASB as endorsed by the UK, the application of new standards and interpretations will result in an effective date subject to that agreed by the UK Endorsement process.

The Directors do not expect the adoption of these standards, interpretations and amendments to have a material impact on the Consolidated or Company financial statements in the period of initial application.

Prior period adjustment

A historical lease was categorised as non-current lease liability in error in the balance sheet for the year ended 31 December 2019, and therefore £9.5m has been reclassified to current lease liability in the prior period. The prior period balance sheet has therefore been restated.

No third balance sheet is presented given the prior year adjustment is a reclassification between balance sheet categories.

3. Critical accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year:

Judgements

Revenue recognition – NHS contract

During the year, the NHS contracts were based on a reimbursement of certain cash costs. The transaction price was therefore deemed to be variable consideration and recognised over time as healthcare services were provided.

In addition, as the NHS England ('NHSE') contract resulted in the use of the Spire Healthcare hospital portfolio, the Group reviewed if an embedded operating lease also applied as a result of the right to substantial economic benefits, and the ability to apply restrictions on Spire Healthcare's ability to carry out private work at any point during the contract.

The NHSE contract included three phases (surge, peak and de-escalation). During the peak phase of the NHSE contract, which lasted for one month, Spire Healthcare needed to be ready to provide any capacity that the NHS required. On the basis that the hospital activity was restricted by the NHS, in terms of what private work could take place, only during the peak phase, to ensure that capacity was retained for the NHS should it be required, the economic benefit of the Spire Healthcare hospitals was primarily to the NHS and therefore the revenue was treated as arising from an embedded operating lease as well as arising from non-lease components relating to the provision of healthcare services. The recognition profile of revenue does not change, purely the technical categorisation of revenue from contracts with a customer (IFRS 15) and lease income (IFRS 16) for the peak period of one month. Refer to note 5 for more information.

A variation was agreed with NHSE, effective 1 July 2020, which was intended to allow Spire Healthcare to undertake a phased transition back to normal business, by providing NHS elective care to reduce waiting lists, whilst increasing private activity in its 35 English hospitals. The NHSE Contract, and subsequent variation, expired in line with expectation at the end of December 2020.

3. Critical accounting judgements and estimates continued

Judgements continued

Leases

The application of IFRS 16 requires the Group to make certain judgements which affect the value of the ROU asset and lease liability, and these include: determining contracts in the scope of IFRS 16 and the contract term.

The lease term is determined by the Group comprising non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and period covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The Group reviews the business plan, investment in leasehold improvements and market conditions when considering the certainty of options to extend or terminate. For lease contracts with an indefinite term, the Group determines the length of the contract to be equal to the average or typical market contract term of the particular type of lease. The same life is then applied to determine the depreciation rate of ROU assets.

Adjusting items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as Adjusting items. Deciding which items meet the respective definitions requires the Group to exercise its judgement. Details of these items categorised as Adjusting items are outlined in note 10.

Estimates

Goodwill

Goodwill is tested for impairment at least annually or more frequently if there is an indication that goodwill may be impaired. This is achieved by comparing the carrying value in the accounts with the recoverable amount (being the value-in-use), as set out in the impairment policy. The value-in-use calculations require the Group to estimate future cash flows expected to arise in the future, taking into account market conditions. The current value of goodwill is underpinned by these forecasts. The present value of these cash flows is determined using an appropriate discount rate.

The assumptions considered to be most critical in reviewing goodwill for impairment are contained in note 14.

The Group made a loss in the period which triggered an impairment review. The Group undertook a review of impairment, with detailed forecasting and scenario planning given the current economic uncertainty. Key sensitivities included the time taken to return to pre-COVID trading levels and the risk of local or national lockdowns. More detail is included in note 14.

Property impairment

Property, including property ROU assets, is considered for indicators of impairment at each reporting date, or earlier if a trigger indicates, as set out in the impairment policy. The recoverable amount, being the value-in-use, require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. In some cases, the cash flow forecasts reflect significant improvement in hospital performance as management respond to local market conditions and short-term operational challenges. The present value of these cash flows is determined using an appropriate discount rate. The assumptions considered to be most critical in reviewing properties for impairment are contained in note 13.

The Group made a loss in the period which triggered an impairment review. The Group undertook an impairment review, comparing the value-in-use of the property with its carrying value in the accounts. The value-in-use calculation utilised the detailed forecasting at Group level to reflect the current economic uncertainty. The key sensitivities included the time taken to return to pre-COVID trading levels and the risk of local or national lockdowns. More detail is included in note 13.

Leases

The present value of the lease payment is determined using the discount factor (incremental borrowing rate) which is determined by a reference rate (being UK Government bonds or Sterling LIBOR) adjusted by an applicable credit spread or margin to reflect the credit standing of the Group observed in the period when the lease contract commences or is modified. The incremental borrowing rate applied reflects a rate for a similar term and security to that of the lease and is determined at inception.

Details of incremental borrowing rates can be found in note 22.

Expected Credit Losses

The Group has not changed the methodology in respect of the Expected Credit Loss (ECL) calculations. The Group's customer profile includes large organisations that have stable credit ratings, and the payment profiles have remained stable for historical debts. The exception to this is Patient Debt where economic circumstances can have a significant impact and, given the current economic uncertainty, remains the highest risk for the Group. Therefore, management have reviewed the expected loss rates for this payor group in light of the economic environment, expected COVID-19 lockdown restrictions, and increased the provision rates applied to this payor group, resulting in an additional provision being recognised. The ECL as at December 2020 is £5.3m (December 2019: £3.7m). See note 18.

4. Auditor's remuneration

During the year, the Group (including its subsidiary undertakings) obtained the following services from the Group's external auditor as detailed below:

(£m)	2020	2019
Audit of these financial statements	**0.6**	0.6
Audit of the financial statements of subsidiaries of the company pursuant to legislation	**0.1**	0.1
Audit-related assurance services	**0.1**	–
Total	**0.8**	0.7

5. Segmental reporting

In determining the Group's operating segment, management has primarily considered the financial information in internal reports that are reviewed and used by the executive management team and Board of Directors (who together are the chief operating decision maker of Spire Healthcare) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that the Group has a single operating segment, being the provision of healthcare services.

All revenue is attributable to, and all non-current assets are located in, the United Kingdom.

The NHS COVID-19 contracts are reimbursed on a cost recovery basis and therefore the detail of revenue by location (inpatient, day case or Out-patient) is not available.

Revenue by location (inpatient, day case or Out-patient) and wider customer (payor) group is shown below:

(£m)	2020	2019
Inpatient	**188.3**	370.5
Day case	**170.3**	298.9
Out-patient	**181.9**	286.9
NHS – COVID-19	**362.7**	–
Other	**16.7**	24.5
Total revenue	**919.9**	980.8
NHS	**430.0**	285.7
Insured	**337.6**	491.8
Self-pay	**135.6**	178.8
Other[1]	**16.7**	24.5
Total revenue	**919.9**	980.8

1 Other revenue includes fees paid to the Group by Consultants (e.g. for the use of Group facilities and services) and third-party revenue (e.g. pathology services to third-parties).

Group revenues declined 6.2% to £919.9m (2019: £980.8m) due to the suspension or restriction of private activity during the NHS COVID-19 contracts. NHS revenue of £430.0m includes £362.7m revenue from the COVID-19 contracts, net of rebates for private activity, of which £10.8m relates to income relating to an embedded operating lease (for the duration of one month during the surge period of the NHS England contract) for the use of Spire Healthcare hospitals as a result of a technical aspect of IFRS 15 and IFRS 16 as set out in note 3.

6. Other income

(£m)	2020	2019
Unrealised fair value movement on financial asset	**0.4**	–
Fair value movement on financial asset	**0.4**	–

Other income reflects the fair value movement in respect of the financial asset. The financial asset relates to the profit share arrangement with Genesis Care for the Bristol Cancer Centre sold in 2019.

7. Operating profit

Arrived at after charging/(crediting):

(£m)	2020	2019
Depreciation of property, plant and equipment (see note 13)	**66.0**	65.1
Depreciation of right of use assets (see note 13)	**28.0**	26.5
Lease payments made in respect of low value and short leases	**11.1**	11.3
Income awarded from a judgment related to Ian Paterson offset by related costs in the period[1] (see note 10)	**11.4**	0.3
Impairment/(reversal of impairment) on assets held for sale (see note 20)	**0.3**	(2.0)
Impairment of property, plant and equipment (see note 13)	**–**	0.1
Impairment charge in respect of goodwill (see note 14)	**200.0**	–
Profit on disposal of property, plant and equipment (see note 13)	**–**	(0.2)
Staff restructuring costs (see notes 9 and 24)	**2.3**	1.1
Staff costs (net of Government Job Retention Scheme grant and staff restructuring costs) (see note 9)	**349.1**	312.2
Repayment of Government Job Retention Scheme grant (see note 9)	**0.2**	–

1 the income awarded from a judgment totalled £11.6m, including £0.8m of interest receivable not included in operating profit. This is offset by £22.2m of Ian Paterson related costs.

Impairment losses and reversals of impairment are included in other operating costs.

Inventory recognised as an expense in the current year is disclosed in note 17.

8. Finance income and costs

(£m)	2020	2019
Finance income		
Interest on the RSA judgement (included in Adjusting items)	**(0.8)**	–
Interest income on bank deposits	**(0.1)**	(0.2)
Total finance income	**(0.9)**	(0.2)
Finance cost		
Interest on bank facilities	**17.5**	17.0
Amortisation of fee arising on facilities extensions[1]	**0.9**	0.9
IFRS 9 gain arising on facilities extension[1]	**(0.3)**	–
Interest on obligations under leases	**67.6**	67.1
Total finance costs	**85.7**	85.0
Total net finance costs	**84.8**	84.8

1 gain of £3.3m that was recorded at the date of the 2018 extension and gain of £0.3m recorded at the date of the 2020 extension. These gains are being amortised. See note 22 for more detail.

9. Staff costs

(No.)	2020	2019
The average number of persons employed by the Group (including directors) during the year	**10,735**	11,439

(No.)	2020	2019
The average number of full-time equivalent persons employed by the Group during the year	**8,995**	8,607

The aggregate payroll costs of these persons were as follows:

(£m)	2020	2019
Wages and salaries	**297.6**	265.0
Social security costs	**27.5**	24.3
Pension costs, defined contribution scheme	**26.5**	24.0
	351.6	313.3

There are no wages and salaries and social security costs for year ended 31 December 2020 in Adjusting items (2019: £0.4m).

9. Staff costs continued

During the year, Spire Healthcare received £0.2m in respect of the Government Job Retention Scheme. Spire Healthcare committed to repay this amount to HMRC, recognising an expense within the income statement (see note 7). The amount repaid in early 2021 was included in accruals at the year end (see note 25). Business restructuring costs are also included in staff costs, and are set out in note 7.

Other pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2020 were £1.4m (2019: £2.2m).

10. Adjusting items

(£m)	2020	2019
Asset disposals, impairment and aborted project costs	**200.3**	(0.1)
Remediation of regulatory compliance or malpractice costs	**12.8**	1.9
Hospital set up and closure costs	**0.2**	0.3
Business reorganisation and corporate restructuring costs	**–**	1.1
Total Adjusting items in operating costs	**213.3**	3.2
Interest receivable on Adjusting items	**(0.8)**	–
Total pre-tax Adjusting items	**212.5**	3.2
Income tax charge/(credit) on Adjusting items	**0.7**	(0.6)
Total post-tax Adjusting items	**213.2**	2.6

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

In the period, the Group booked an impairment charge in respect of goodwill of £200m (see note 14 for more detail) and a £0.3m impairment on an asset held for sale following a change to the property market brought about by the pandemic.

In the prior period, asset disposals, impairment and aborted project costs netted a credit of £0.1m comprising: a credit of £2m in connection with the reversal of an impairment charge on a property which had been classified as held for sale, offset by the £0.1m impairment on classification of another asset as held for sale; a further charge of £0.3m taken for aborted project costs relating to a potential hospital development at Milton Keynes; and a write down of £1.5m against non-sterile Single Use Devices as a consequence of a future Medical Device Regulation (MDR) change.

The Group has recognised £12.8m (2019: £1.9m) of charges relating to Remediation of Regulatory Compliance or Malpractice Costs, this includes the following two matters:

- During the year, a judgment was received in favour of the Group in its case against one of its insurers relating to Ian Paterson and the Group was awarded £11.6m, including £0.8m of interest. The net difference of £10.8m is reported within Remediation of Regulatory Compliance or Malpractice Costs and £0.8m is shown in the above table as Interest Receivable on Adjusting Items. The insurer has sought to appeal the ruling at the Court of Appeal and the Group is awaiting the outcome of this request. The Group is committed to providing on-going support to Paterson's patients, and following the release of the Paterson Public Inquiry in February 2020, the Group has incurred, or provided for, costs of £22.2m during the year.
- During 2020 the Group reached a settlement with the Competition and Marketing Authority (CMA) as disclosed in the RNS announcement released on 1 July 2020. Professional costs in respect of the CMA investigation have also been recognised, bringing the total cost recognised in the period to £1.3m.

During the prior year the £1.9m remediation charge related to two separate regulatory compliance issues. One of the issues related to the temporary closure of a specific site to make improvements following a CQC inspection. The second issue related to expected, but uncertain costs for a regulatory compliance matter.

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

In the prior year, business reorganisation and corporate restructuring costs of £1.1m primarily related to internal group reorganisation costs associated with a strategic review in 2019 which specifically covered Clinical and Operational functions. Those costs were excluded from adjusted operating profit as they related to a fundamental change in how those areas were organised and functioned.

11. Taxation

(£m)	2020	2019
Current tax		
UK corporation tax expense	**0.1**	–
UK corporation tax adjustment to prior years	**–**	(0.4)
Total current tax charge/(credit)	**0.1**	(0.4)
Deferred tax		
Origination and reversal of temporary differences	**(0.6)**	4.3
Effect of change in tax rate	**5.8**	(0.4)
Adjustments in respect of prior years	**(2.4)**	(1.1)
Total deferred tax charge	**2.8**	2.8
Total tax charge	**2.9**	2.4

In addition to the above, £0.3m credit has been recognised through Other Comprehensive Income.

Corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was negative (1.3)% (2019: positive 25.0%), which is mainly driven by the effects of revaluing deferred tax assets and liabilities to 19% following the abolishment of the rate reduction to 17% due in April 2020, and the permanent difference relating to the £200m impairment charge. Without these items, the effective tax rate is 9.4% (2019: 29.2%). Deferred tax is detailed in note 23.

The effective tax assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK.

The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

(£m)	2020	2019
Profit/(loss) before taxation	**(231.0)**	9.6
Tax at the standard rate	**(43.9)**	1.8
Effects of:		
Expenses and income not deductible or taxable	**5.6**	2.8
Impairment charge in respect of goodwill (not tax deductible)	**38.0**	
Adjustments to prior year	**(2.4)**	(1.5)
Difference in tax rates	**5.8**	(0.4)
Deferred tax not previously recognised	**(0.2)**	(0.3)
Total tax charge	**2.9**	2.4

Expenses and income not deductible or taxable relate mostly to depreciation on non-qualifying fixed assets, disallowable entertaining, legal claims, professional fees and equity income (e.g. dividends).

The charge above is driven mainly by the revaluation of deferred tax assets and liabilities to 19% from 17% as a result of the substantive enactment in March 2020 of the Government's decision to cancel the reduction to 17% from 1 April 2020.

The Group does not hold any uncertain tax positions under IFRIC 23 at the year-end (2019: none).

As announced in the budget on 3 March 2021, the Government are intending to increase the corporation tax rate from 19% to 25% from April 2023. As this rate was not substantively enacted at the balance sheet date, it has not been used to calculate the deferred tax balances. If the net deferred tax liability as at 31 December 2020 were to reverse at the tax rate of 25% the net deferred tax liability would increase by £17.0m.

12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
Profit for the year attributable to owners of the Parent (£m)	**(233.9)**	7.2
Weighted average number of ordinary shares	**401,081,391**	401,081,391
Adjustment for weighted average number of shares held in EBT	**(245,596)**	(252,652)
Weighted average number of ordinary shares in issue (No.)	**400,835,795**	400,828,739
Basic earnings per share (in pence per share)	**(58.4)**	1.8

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options. Refer to the Remuneration Committee Report for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS.

	2020	2019
Profit for the year attributable to owners of the Parent (£m)	**(233.9)**	7.2
Weighted average number of ordinary shares in issue	**400,835,795**	400,828,739
Adjustment for weighted average number of contingently issuable shares	**–**	6,485,214
Diluted weighted average number of ordinary shares in issue (No.)	**400,835,795**	407,313,953
Diluted earnings per share (in pence per share)	**(58.4)**	1.8

As the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However, 9,372,916 shares are potentially dilutive in the future.

The Directors believe that EPS excluding Adjusting items ("Adjusted EPS") better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

Reconciliation of profit after taxation to profit after taxation excluding Adjusting items ("Adjusted profit"):

	2020	2019
Profit for the year attributable to owners of the Parent (£m)	**(233.9)**	7.2
Adjusting items (see note 9)	**213.2**	2.6
Adjusted profit (£m)	**(20.7)**	9.8
Weighted average number of Ordinary Shares in issue	**400,835,795**	400,828,739
Weighted average number of dilutive Ordinary Shares	**400,835,795**	407,313,953
Adjusted basic earnings per share (in pence per share)	**(5.2)**	2.4
Adjusted diluted earnings per share (in pence per share)	**(5.2)**	2.4

As the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However, 9,372,916 shares are potentially dilutive in the future.

13. Property, plant and equipment

(£m)	Freehold property	Leasehold improvements	Equipment	Assets in the course of construction	Right of use (ROU)	Total
Cost:						
At 1 January 2019	876.2	129.8	426.5	10.6	733.9	2,177.0
Additions	9.2	4.4	32.0	16.9	–	62.5
Additions to ROU assets	–	–	–	–	8.9	8.9
Adjustments to existing assets (e.g. indexation)	–	–	–	–	21.4	21.4
Disposals	(19.3)	(0.4)	(15.3)	–	–	(35.0)
Transfers	0.5	6.6	1.9	(9.0)	–	–
Assets held for sale	–	–	–	(1.1)	–	(1.1)
Adjustment[1]	–	–	–	–	(15.4)	(15.4)
At 1 January 2020	**866.6**	**140.4**	**445.1**	**17.4**	**748.8**	**2,218.3**
Reallocation between categories[2]	**3.6**	**1.9**	**(5.5)**	**–**	**–**	**–**
Additions	**7.7**	**7.8**	**26.7**	**8.6**	**–**	**50.8**
Additions to ROU assets	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Adjustments to existing assets (e.g. indexation)	**–**	**–**	**–**	**–**	**14.7**	**14.7**
Disposals	**(7.4)**	**(0.9)**	**(20.9)**	**–**	**–**	**(29.2)**
Transfers	**–**	**14.8**	**2.0**	**(16.8)**	**–**	**–**
At 31 December 2020	**870.5**	**164.0**	**447.4**	**9.2**	**763.9**	**2,255.0**
Accumulated depreciation and impairment:						
At 1 January 2019	160.7	33.0	249.1	–	158.1	600.9
Charge for year	14.4	6.0	44.7	–	26.5	91.6
Disposals	(8.8)	(0.3)	(13.1)	(0.1)	–	(22.3)
Impairment (note 10)	–	–	–	0.1	–	0.1
Adjustment[1]	–	–	–	–	(15.4)	(15.4)
At 1 January 2020	**166.3**	**38.7**	**280.7**	**–**	**169.2**	**654.9**
Reallocation between categories[2]	**1.2**	**0.8**	**(2.0)**	**–**	**–**	**–**
Charge for the year	**17.6**	**8.0**	**40.4**	**–**	**28.0**	**94.0**
Disposals	**(7.4)**	**(0.9)**	**(20.9)**	**–**	**–**	**(29.2)**
Transfers	**2.6**	**0.3**	**(2.9)**	**–**	**–**	**–**
At 31 December 2020	**180.3**	**46.9**	**295.3**	**–**	**197.2**	**719.7**
Net book value:						
At 31 December 2020	**690.2**	**117.1**	**152.1**	**9.2**	**566.7**	**1,535.3**
At 31 December 2019	700.3	101.7	164.4	17.4	579.6	1,563.4

1 Adjustment to correct overstatement of the Cost and Accumulated depreciation, impact on the net book value is £nil
2 Management identified a number of assets which should be reclassified from Equipment to Leasehold improvements and Freehold property to better reflect the life of the assets. These have been reflected in the reclassification line in the note above. There is no overall impact to the carrying value of plant, property and equipment

No assets are subject to restrictions on title or pledged as security for liabilities. There were no borrowing costs capitalised during the year ended 31 December 2020 (2019: Nil).

Impairment testing
The Directors consider property and property right of use assets for indicators of impairment at least annually, or when there is an indicator of impairment. As equipment and leasehold improvements do not generate independent cash flows, they are considered alongside the property. Due to the current COVID-19 position, and economic uncertainty, management reviewed all properties for impairment. This is achieved by comparing the value-in-use of the property with its carrying value in the accounts. The value-in-use was calculated in line with the Group's forecast and sensitivities reflected in the Intangible impairment review (most likely approach). Where headroom was significant, no further work was undertaken. Where headroom was minimal, the property was reviewed in more detail, comparing the latest hospital specific forecast as well as considering previous growth trends to assess if an impairment was required. No impairment charge was taken.

13. Property, plant and equipment continued

The value-in-use calculations require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. In some cases, the cash flow forecasts reflect significant improvement in hospital performance as management respond to local market challenges or short-term operational challenges. The present value of these cash flows is determined using an appropriate discount rate and market conditions covering the five-year period to December 2025.

Management identified a number of key assumptions relevant to the property impairment calculations, being EBITDA growth, which is impacted by an interaction of a number of elements and assumptions regarding revenue, cost inflation, capex maintenance spend, discount rates and terminal growth rates. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market conditions. Management undertook sensitivity analysis and determined that should the discount rate increase by 75 basis points (bp) with all other assumptions remaining equal, sufficient headroom would remain. In addition, given the uncertainty regarding COVID-19, Management undertook sensitivity analysis and determined that should the terminal growth rate decrease by 100 bp with all other assumptions remaining equal, sufficient headroom would remain.

Right of use assets

(£m)	Leasehold property	Equipment & motor vehicles	Total
Cost:			
At 1 January 2019	731.2	2.7	733.9
New leases entered	8.5	0.4	8.9
Adjustments to existing assets (e.g. indexation)	21.4	–	21.4
Adjustment[1]	(15.4)	–	(15.4)
At 1 January 2020	**745.7**	**3.1**	**748.8**
New leases entered	**–**	**0.4**	**0.4**
Adjustments to existing assets (e.g. indexation)	**14.7**	**–**	**14.7**
At 31 December 2020	**760.4**	**3.5**	**763.9**
Accumulated depreciation and impairment:			
At 1 January 2019	156.7	1.4	158.1
Charge for year	26.0	0.5	26.5
Adjustment[1]	(15.4)	–	(15.4)
At 1 January 2020	**167.3**	**1.9**	**169.2**
Charge for the year	**27.5**	**0.5**	**28.0**
At 31 December 2020	**194.8**	**2.4**	**197.2**
Net book value:			
At 31 December 2020	**565.6**	**1.1**	**566.7**
At 31 December 2019	578.4	1.2	579.6

1 Adjustment to correct overstatement of the Cost and Accumulated depreciation, impact on the net book value is £nil

14. Intangible assets

(£m)	Goodwill
Cost or valuation:	
At 1 January 2019, 31 December 2019 and 31 December 2020	**518.8**
Impairment:	
At 1 January 2019 and 31 December 2019	**1.0**
Impairment charged in year	**200.0**
At 31 December 2020	**201.0**
Carrying amount:	
At 31 December 2020	**317.8**
At 1 January 2019 and 31 December 2019	517.8

14. Intangible assets continued

Impairment testing

The Directors treat the business as a single cash-generating unit for the purposes of testing goodwill for impairment. The recoverable amount of goodwill is calculated by reference to its estimated value-in-use (using the most likely approach). In order to estimate the value-in-use, management has used trading projections covering the period to December 2025.

Management identified a number of key assumptions relevant to the value-in-use calculations, being revenue growth, which is impacted by an interaction of a number of elements of the operating model, including pricing trends, volume growth and the mix and complexity of discharges, assumptions regarding cost inflation and discount rate. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market trends. The COVID-19 pandemic has caused additional estimation and judgement into the forecasts.

Management have reviewed their expectation based on the current environment and the impact of the new NHSE contract in Q1 2021.

The Group has used a discount rate reflecting the Group's cost of capital of 9.4% (2019: 8.6%), adjusted for the effects of IFRS 16. A long-term growth rate of 2.0% has been applied to cash flows beyond 2025.

In assessing the carrying value of the historical goodwill balance, the Group has recognised the effect current financial market conditions have had on the cost of capital which it uses to discount future cash flows to current value; accordingly it has taken an impairment charge in the period to reduce historical goodwill from £517.8m to £317.8m. This impairment charge of £200m has been treated as an Adjusting item.

A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. For example, an increase of 100 basis points (bp) in the discount rate to 10.4%, with all other assumptions held constant, would result in a further impairment of approximately c. £120m. Similarly, given the COVID-19 uncertainty, reducing the terminal growth rate by 100 bp in the period beyond 2025, with all other assumptions held constant, would also result in an additional impairment of approximately c.£190m, or taking a 2.5% reduction on the terminal value, with all other assumptions held constant, would result in an additional impairment of £19m.

15. Financial assets

On 31 October 2019, the Group entered into a profit share arrangement with Genesis Care. The agreement provides the Group with an entitlement to a gross profit share relating to the Chemotherapy business transferred to Genesis Care as part for the sale of the Bristol Cancer Centre in perpetuity.

The Group has recognised a financial asset in respect of this gross profit share and the asset is classed as a fair value through profit and loss asset. The asset has been valued based on the discounted present value of the expected future cash flows. This valuation is reviewed at each reporting date, with movements in fair value being recognised through the consolidated income statement. Cash received is adjusted against the financial asset, and is included within cash flows from investing activities on the consolidated statement of cash flows.

(£m)	**2020**	2019
Valuation at 1 January	**1.5**	–
Additions	**–**	1.5
Utilised	**(0.3)**	–
Unrealised fair value adjustments	**0.4**	–
Carrying amount at 31 December	**1.6**	1.5

16. Subsidiary undertakings

As at 31 December 2020, these consolidated financial statements of the Group comprise the Company and the following companies, most of which are incorporated in, and whose operations are conducted in, the United Kingdom. All subsidiaries are 100% owned unless otherwise indicated.

Incorporated in England and Wales and registered at 3 Dorset Rise, London, EC4Y 8EN, unless otherwise stated	Principal activity	Class of share
Classic Hospitals Group Limited	Holding company	Ordinary
Classic Hospitals Limited	Non-trading company	Ordinary
Classic Hospitals Property Limited	Property company	Ordinary
Didsbury MSK Limited°	Health provision	Ordinary
Fox Healthcare Acquisitions Limited	Leasing company	Ordinary
Fox Healthcare Holdco 2 Limited	Holding company	Ordinary
Lifescan Limited	Non-trading company	Ordinary
Links Bidco S.à r.l. Propco 8#	Property company	Ordinary
Medicainsure Limited	Non-trading company	Ordinary
Montefiore House Limited+	Health provision	Ordinary
SHC Holdings Limited	Holding company	Ordinary
Spire Cambridge (Disposal) Limited	Non-trading company	Ordinary
Spire Fertility (Disposal) Limited	Non-trading company	Ordinary
Spire Healthcare (Holdings) Limited	Holding company	Ordinary
Spire Healthcare Finance Limited*	Holding company	Ordinary
Spire Healthcare Group UK Limited	Holding company	Ordinary
Spire Healthcare Holdings 1&	Holding company	Ordinary
Spire Healthcare Holdings 2 Limited	Holding company	Ordinary
Spire Healthcare Holdings 3 Limited	Holding company	Ordinary
Spire Healthcare Limited	Health provision	Ordinary
Spire Healthcare Properties Limited	Property company	Ordinary
Spire Healthcare Property Developments Limited	Development company	Ordinary
Spire Property 1 Limited	Property company	Ordinary
Spire Property 4 Limited	Property company	Ordinary
Spire Property 5 Limited	Property company	Ordinary
Spire Property 6 Limited	Property company	Ordinary
Spire Property 13 Limited	Property company	Ordinary
Spire Property 16 Limited	Property company	Ordinary
Spire Property 17 Limited	Property company	Ordinary
Spire Property 18 Limited	Property company	Ordinary
Spire Property 19 Limited	Property company	Ordinary
Spire Property 23 Limited	Property company	Ordinary
Spire Thames Valley Hospital (BVI Property Holdings) Limited^	Holding company	Ordinary
Spire Thames Valley Hospital Limited	Non-trading company	Ordinary
Spire Thames Valley Hospital Propco Limited	Property company	Ordinary
Spire UK Holdco 2A Limited	Holding company	Ordinary
Spire UK Holdco 4 Limited	Holding company	Ordinary

° Ownership interest is 51.0%
Incorporated in Luxembourg and registered at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.
+ Ownership interest is 50.1%.
* Direct shareholding of the Company
& Spire Healthcare Holdings 1 is an undertaking with unlimited liability. The registered address of the undertaking is 3 Dorset Rise, London, EC4Y 8EN
^ Incorporated in the British Virgin Islands (BVI) and registered at Harneys Corporate and Trust Services Limited, Craigmuir Chambers, Road Town, Tortola, VG1110, BVI

17. Inventories

(£m)	2020	2019
Prostheses, drugs, medical and other consumables	**37.6**	32.0

Cost of sales for the year ended 31 December 2020 includes inventories recognised as an expense amounting to £155.8m (2019: £195.5m).

18. Trade and other receivables

(£m)	2020	2019
Amounts falling due within one year:		
Trade receivables	**35.4**	42.7
Unbilled receivables	**35.0**	13.0
Prepayments	**18.3**	15.2
Other receivables	**18.0**	5.8
	106.7	76.7
Allowance for expected credit losses	**(5.3)**	(3.7)
Total current trade and other receivables	**101.4**	73.0

Unbilled receivables includes one-off accrued income of £30m due from NHS England following the contract variation which took effect from 1 July 2020. This is expected to be settled in H1 2021, subject to customer agreement in respect of volume based variable consideration. The balance of unbilled receivables reflects work in progress where a patient had treatment, or was receiving treatment, at the end of the period and the invoice had not yet been raised.

Other receivables includes the £11.6m receivable following the RSA judgment, cash received in January 2021 (see note 10 for more detail), and the £5.0m insurance reimbursement right (2019: £5.6m).

Trade receivables comprise amounts due from private medical insurers, the NHS, patients, Consultants and other third parties who use the Group's facilities. Invoices to customers fall due within 60 days of the date of issue. Under normal trading conditions, which applied during 2020 until the end of March, some of the agreements with NHS customers operate on the basis of monthly payments on account with quarterly reconciliations, which can lead to invoices being paid after their due date. From March, under the COVID-19 NHS contracts, invoices were raised and settled on a weekly basis. The NHSE contract included volume based adjustments which were subject to calculation and agreement at the end of the contract, and therefore included in unbilled receivables at the year end. The unbilled receivables have been assessed for expected credit losses, but the losses are considered immaterial.

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date (excluding payments on account). A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's trade receivables and the perceived credit quality of its customers reflecting net debt due. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value.

The loss allowance as at 31 December 2020 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	**1.9%**	**14.7%**	**33.3%**	**45.5%**	**21.9%**	**12.2%**
Gross debt (£m)	26.5	3.4	2.7	4.4	6.4	43.4
Less payments on account (£m)						(8.0)
Carrying amount of trade receivables (£m)						35.4
Loss allowance (£m)	0.5	0.5	0.9	2.0	1.4	5.3

The loss allowance as at 31 December 2019 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	**0.6%**	**5.7%**	**10.6%**	**35.0%**	**35.7%**	**5.1%**
Gross debt (£m)	52.6	8.7	4.7	4.0	2.8	72.8
Less payments on account (£m)						(30.1)
Carrying amount of trade receivables (£m)						42.7
Loss allowance (£m)	0.3	0.5	0.5	1.4	1.0	3.7

Trade receivables are written off when there is no longer a reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and failure to make contractual payments for a period of greater than 2 years past due.

The Group assesses on a forward looking basis expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

18. Trade and other receivables continued

Trade receivables after expected credit losses comprise the following wider customer/payor groups:

(£m)	2020	2019
Private medical insurers	**21.5**	23.2
NHS	**1.0**	7.2
Patient debt	**3.4**	3.2
Other	**4.2**	5.4
	30.1	39.0

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

(£m)	2020	2019
At 1 January	**3.7**	4.7
Provided in the year	**1.9**	0.8
Utilised during the year	**(0.3)**	(0.4)
Released during the year	**–**	(1.4)
At 31 December	**5.3**	3.7

The Group applies the IFRS 9 simplified approach to measuring Expected Credit Losses (ECLs) for trade receivables. Under this standard, lifetime ECL provisions are recognised for trade receivables using a matrix of rates dependant on age thresholds and customer types. The ECL rates are determined with reference to historical performance of each payor age group during the last two years.

To develop the ECL matrix, trade receivables were grouped according to shared characteristics (payor/payor type) and the days past due. As the majority of the Group's debt is receivable from large, well-funded insurance companies, the National Health Service or from a large number of individuals, the Group has concluded that historical debt performance of the portfolio during the last two reporting periods provides a reasonable approximation of the future expected loss rates for each payor age category with the exception this year for the impact of COVID-19 on patient debt. The ECL matrix is refreshed at each reporting date. Trade receivables are not modified after initial recognition. Payments on account are excluded from the calculation. No collateral is held in respect of trade receivables. Expected credit losses are calculated on a collective basis and are not allocated to individual financial assets.

The Group has not changed the methodology in respect of the Expected Credit Loss (ECL) calculations due to the COVID-19 pandemic. The Group's customer profile includes large organisations that have stable credit ratings, and the payment profiles have remained stable for historical debts. The exception to this reflects Patient Debt where economic circumstances can have a significant impact and given the current economic uncertainty from COVID-19, remains the highest risk for the Group. Therefore management have reviewed this Group in isolation and provided for additional coverage based on the impact of the economic uncertainty by increasing the expected loss rate.

19. Cash and cash equivalents

(£m)	2020	2019
Cash at bank	**69.2**	23.7
Short-term deposits	**37.1**	67.1
	106.3	90.8

Cash and cash equivalents comprise cash balances, short-term deposits and other short-term highly liquid investments (including money market funds) with maturities not exceeding three months placed with investment grade counterparties which are subject to an insignificant risk of change in value.

20. Non-current assets held for sale

As at December 2020, the Group's management remain committed to sell one property, Spire St Saviours Hospital, which closed in 2015. The property is still expected to be sold within twelve months, remains classified as held for sale and is presented separately in the consolidated balance sheet. Impairment of £0.3m has been charged during the year (2019: £2.0m reversed) to reduce the carrying value to the proceeds now expected from the sale.

In addition, the Group's management have committed to sell a parcel of land at Bostocks Lane. Negotiations are complete and the buyer has submitted a planning application to the authorities. The COVID-19 pandemic has slowed this process, as with Spire St Saviours, however management remain committed to the sale and expect to complete within twelve months. This land therefore remains as classified as held for sale.

(£m)	2020	2019
Spire St Saviours Hospital property (note 10)	**3.7**	4.0
Bostocks Lane (East Midlands Cancer Centre)	**1.1**	1.1
	4.8	5.1

21. Share capital and reserves

	2020	2019
Authorised shares		
Ordinary share of £0.01 each	**401,081,391**	401,081,391
	401,081,391	401,081,391

	£0.01 ordinary shares	
	Shares	£'000
Issued and fully paid		
At 31 December 2020	**401,081,391**	**4,010**
At 31 December 2019	401,081,391	4,010

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

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

During 2019, the EBT purchased no shares (2019: nil shares acquired).

Where the EBT purchases the Company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 31 December 2020, 239,283 shares (2019: 252,652) were held by the EBT in relation to the Directors' Share Bonus award and Long-Term Incentive Plan.

(number of shares)	2020	2019
At 1 January	**252,652**	252,652
Exercised – 2017 LTIP	**(13,369)**	–
	239,283	252,652

At 1 January 2020, the EBT held 252,652 shares. During the year 2020, 13,369 shares were exercised. There were no new purchases of shares and at 31 December 2020 the EBT held 239,283 shares.

At 1 January 2019 and 31 December 2019, the EBT held 252,652 shares.

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

Hedging reserve
The balance of £3.2m at 31 December 2020 (2019: £2.1m) reflects the £1.4m (2019: £0.8m) recycled in the period, the fair value charge of £2.9m (2019: £2.8m) and the £0.4m tax credit on the loss (2019: £0.4m) to give a net movement of £1.1m during the year (2019: £1.6m) on a hedged transaction. See note 22 for further information.

22. Borrowings

Bank borrowings
The bank loans are secured by a share pledge over the shareholdings of material subsidiaries of the Group. On 23 July 2014, the Group was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising a five-year, £425.0m term loan and a five-year £100.0m Revolving Credit Facility (RCF). The loan is non-amortising and carries interest at a margin of 2.25% over LIBOR (2019: 2.50% over LIBOR).

In July 2018, the Group extended the maturity of its bank loan facility for a further 3 years from July 2019 to July 2022 and recorded this as a non-substantial loan modification not resulting in de-recognition. A modification gain of £3.3m was recorded at the date of extension, which in turn decreased the carrying value of the loan held.

In September 2020 the Group further extended the maturity of its senior loan facility of £425.0m for a further year from July 2022 to July 2023. The RCF will remain at £100.0m until July 2022 when it will then reduce to £87.0m until July 2023. This was also recorded as a non-substantial loan modification not resulting in de-recognition and a modification gain of £0.3m was recorded at the date of extension, which in turn decreased the carrying value of the loan held.

(£m)	2020	2019
Amount due for settlement within 12 months	**2.2**	1.7
Amount due for settlement after 12 months	**418.6**	419.1
Total bank borrowings	**420.8**	420.8

22. Borrowings continued

Terms and debt repayment schedule

The maturity date is the date on which the relevant bank loans are due to be fully repaid.

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

(£m)	Maturity	Margin over LIBOR	2020	2019
Senior finance facility[1]	July 2023	2.25%	**422.6**	423.2

1 the difference between the carrying amount of the facility and the value of the debt repayment schedule relates to the fees on the loan extensions, which are amortised in accordance with IFRS 9

The Group also has access to a further £100m through a committed and undrawn revolving credit facility to July 2022, when it will reduce as detailed above.

Changes in bank borrowings arising from financing activities

(£m)	1 January	Cash flows	Non cash changes[1]	Loan modification[2]	31 December
2020					
Bank loans	**420.8**	**(18.1)**	**17.5**	**0.6**	**420.8**
Total	**420.8**	**(18.1)**	**17.5**	**0.6**	**420.8**

1 Non-cash changes relect interest charged on the loan
2 the loan modification relates to the fees incurred on the loan extensions, which are amortised in accordance with IFRS 9

(£m)	1 January	Cash flows	Non cash changes	Loan modification	31 December
2019					
Bank loans	420.4	(17.4)	16.9	0.9	420.8
Total	420.4	(17.4)	16.9	0.9	420.8

Lease liabilities

Obligations under finance leases

The Group has finance in respect of hospital properties, vehicles, office and medical equipment. The leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries in the Group. Leases, with a present value liability of £749.5m (2019: £745.3m), expire in various years to 2042 and carry incremental borrowing rates in the range 4.5-12.9% (2019: 4.5-12.9%). Rent in respect of hospital property leases are reviewed annually with reference to RPI, subject to assorted floors and caps. The discount rate used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates.

Changes in lease liabilities arising from financing activities

(£m)	1 January	Cash flows	Non cash changes	Additions[1]	31 December
2020					
Lease liabilities	**745.3**	**(79.8)**	**68.9**	**15.1**	**749.5**
Total	**745.3**	**(79.8)**	**68.9**	**15.1**	**749.5**

1 Additions include both new leases entered into and indexation of existing leases. See note 13 for more detail.

(£m)	1 January	Cash flows	Non cash changes	Additions	31 December
2019					
Lease liabilities	726.1	(77.4)	66.3	30.3	745.3
Total	726.1	(77.4)	66.3	30.3	745.3

In the year, the Group recognised charges of £11.1m (2019: £11.3m) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken. Cash outflows in respect of these are materially in line with the expense recognised, resulting in a total cash outflow of £90.9m (2019: £88.7m). The Group has not made any variable lease payments in the year. The Group is not a lessor for any leases to external parties. There have been no (2019: no) sale and leaseback transactions in this period.

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current year.

See note 13 for more detail on the depreciation of the Right of Use (ROU) assets and note 8 for more detail on the interest expense relating to leases.

22. Borrowings continued

Derivatives

The following derivatives were in place at 31 December:

	Interest rate	Maturity date	Notional amount	Carrying value Liability
31 December 2020 (£m)				
Interest rate swaps	**1.2168%**	**July 2022**	**213.0**	**(4.0)**
31 December 2019 (£m)				
Interest rate swaps	1.2168%	July 2022	213.0	(2.5)

(£m)	2020	2019
Amount due for settlement within 12 months	**2.5**	1.0
Amount due for settlement after 12 months	**1.5**	1.5
Total derivatives	**4.0**	2.5

The movement in respect of the derivative reflects £1.4m (2019: £0.8m) recycled in the period and a £2.9m (2019: £2.8m) change in fair value. All movements are reflected within other comprehensive income.

23. Deferred tax

(£m)	Property, plant and equipment	IFRS 16 leases – spreading	IFRS 16	Share based payments	Losses	Provisions and other temporary differences	Total
At 1 January 2019	69.5	(37.2)	19.3	(0.1)	(1.4)	(1.1)	49.0
Charge/(credit) to the profit or loss	(0.3)	2.4	1.6	(0.2)	–	(0.3)	3.2
Charge/(credit) to other comprehensive income	–	–	–	–	–	(0.4)	(0.4)
Change in tax rates	0.1	(0.3)	(0.2)	–	–	–	(0.4)
At 1 January 2020	**69.3**	**(35.1)**	**20.7**	**(0.3)**	**(1.4)**	**(1.8)**	**51.4**
Charge/(credit) to the profit or loss	**(2.8)**	**1.4**	**1.7**	**(0.8)**	**–**	**(0.1)**	**(0.6)**
Charge/(credit) to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Prior year adjustment	**(0.9)**	**(0.5)**	**–**	**–**	**(0.6)**	**(0.4)**	**(2.4)**
Change in tax rates	**7.7**	**(4.1)**	**2.6**	**–**	**(0.2)**	**(0.2)**	**5.8**
At 31 December 2020	**73.3**	**(38.3)**	**25.0**	**(1.1)**	**(2.2)**	**(2.8)**	**53.9**
Disclosed within liabilities	**73.3**	**(38.3)**	**25.0**	**(1.1)**	**(2.2)**	**(2.8)**	**53.9**

Deferred tax on property, plant and equipment has arisen on differences between the carrying value of the relevant assets and the tax base.

The losses recognised relate entirely to non-trade losses.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. The Group has separately calculated the tax rates applicable in respect of Adjusting items for the period as well as the tax rate change as a result of the substantive enactment in March 2020 of the Government's decision to cancel the reduction to 17% from 1 April 2020. The UK corporation tax rate therefore continues to be the existing 19% rate and the rate change therefore reflects the reassessment of deferred tax assets and liabilities to 19% from 17%.

The Group has unrecognised deferred tax assets (which do not expire) as follows:

	2020		2019	
(£m)	**Gross**	**Tax effected**	Gross	Tax effected
Trading losses	**4.1**	**1.1**	4.1	0.7
Capital losses	**1.2**	**0.2**	1.2	0.1
Tax basis for future capital disposals	**34.4**	**6.5**	34.4	5.8
Total	**39.7**	**7.8**	39.7	6.6

These amounts are the expected tax value of the gross temporary difference at the enacted long-term tax rate of 19% (2019: 17%) following the abolishment of the reduction in the UK corporation tax rate from 1 April 2020. A deferred tax asset has not been recognised in respect of these amounts due to uncertainties as to the timing of future profits that the trading losses could be offset against and whether capital gains will arise against which the capital losses and tax basis for capital disposals could be utilised.

24. Provisions

(£m)	Medical malpractice	Business restructuring and other	Total
At 1 January 2020	**10.2**	**2.9**	**13.1**
Increase in existing provisions	**23.1**	**3.6**	**26.7**
Provisions utilised	**(2.8)**	**(2.8)**	**(5.6)**
Provisions released	**(0.6)**	**(0.6)**	**(1.2)**
At 31 December 2020	**29.9**	**3.1**	**33.0**

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. Amounts are shown gross of insured liabilities. Only when the reimbursement right from insurance recoveries is virtually certain is a separate asset recognised, as such insurance recoveries of £5.0m (2019: £5.6m) are recognised in other receivables.

Following the completion of the criminal proceedings against Ian Paterson, a Consultant who previously had practising privileges at Spire Healthcare, in 2017, management agreed settlement with all known civil claimants (and the other co-defendants). Spire Healthcare continues to provide on-going support to Paterson's patients, and following the publication of the Public Inquiry report issued on 4 February 2020, continues to hold a provision for its current estimate of the future anticipated costs. It is possible that, as further information becomes available, an adjustment to this provision will be required, but at this time, it reflects management's best estimate of the obligation.

The provision in relation to the Ian Paterson costs has been determined before account is taken of any potential further recoveries from insurers.

Business restructuring and other primarily includes staff restructuring costs, of which £2.3m has been provided, £1.5m settled and £0.6m released during the period. The Group has settled with the Competition and Marketing Authority (CMA) as disclosed in the RNS announcement released on 1 July 2020, and £1.2m was paid in August 2020.

Provisions as at 31 December 2020 are materially considered to be current and expected to be utilised at any time within the next twelve months.

25. Trade and other payables

(£m)	2020	2019
Trade payables	**58.0**	58.5
Accrued expenses	**48.3**	33.9
Social security and other taxes	**9.8**	8.0
Other payables	**20.8**	13.8
Trade and other payables	**136.9**	114.2

Accrued expenses includes the repayment made during 2021 of the government grant previously received, for furloughed staff, amounting to £0.2m. In addition, accrued expenses includes general operating expenses incurred, but where an invoice was yet to be received at the year end, as well as holiday pay accrued during the year due to staff deferring leave to maintain operations throughout the COVID-19 pandemic, and bonuses accrued during the year and paid during 2021.

Other payables include an accrual for pensions and payments on account. Revenue is not recognised in respect of payments on account until the performance obligation has been met. At year end the balance of payments on account was £7.5m (2019: £5.3m).

26. Dividends

(£m)	2020	2019
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2019 not approved (2019: 2.5 pence)	**–**	10.0
– interim dividend for the year ended 31 December 2020 not declared (2019: 1.3 pence)	**–**	5.2
Total	**–**	15.2

A final dividend of 2.5 pence per share for the year ended 31 December 2019 amounting to a total final dividend of approximately £10.0m, which was expected to be proposed at the Company's Annual General Meeting in May 2020 was removed following the uncertainty caused by the COVID-19 pandemic. No interim dividend was proposed, nor is a final dividend for the year ended 31 December 2020 in light of the COVID-19 environment.

27. Share-based payments

The Group operates a number of share-based payment schemes for Executive Directors and other employees, all of which are equity settled.

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost in respect of LTIPs and SAYE recognised in the income statement was £1.7m in the year ended 31 December 2020 (2019: £1.0m). Employer's National Insurance is being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the year was £0.3m (2019: £0.2m).

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

	2020		2019	
	Charge £m	**Number of options (thousands)**	Charge £m	Number of options (thousands)
Long Term Incentive Plan	**1.6**	**10,193**	0.8	5,120
Deferred Share Bonus Plan	**–**	**244**	–	–
Save As You Earn (SAYE)	**0.1**	**3,222**	0.2	3,764
	1.7	**13,659**	1.0	8,884

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

Long Term Incentive Plan
The Long Term Incentive Plan ('LTIP') is open to Executive Directors and designated senior managers, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria.

Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years, unless the Committee determines otherwise. Awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the Plan rules.

Vesting of awards will be dependent on a range of financial, operational or share price measures, as set by the Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. Not less than 30% of an award will be based on share price measures. The remainder will be based on either financial and/or operational measures. At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance.

On 6 April 2020, the Company granted a total of 5,638,223 options to the Executive directors and other senior management. The options will vest based on earnings per share ('EPS') (20%) targets for the financial year ending 31 December 2022, relative total shareholder return ('TSR') (40%) targets on performance over the three year period to 31 December 2022 and operational excellence ('OE') (40%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until 1 April 2030.

Deferred Share Bonus Plan
The Deferred Share Bonus Plan is a discretionary executive share bonus plan under which the Remuneration Committee determines that a proportion of a participant's annual bonus will be deferred. The market value of the shares granted to any employee will be equal to one-third of the total annual bonus that would otherwise have been payable to the individual. The awards will be granted on the day after the announcement of the Group's annual results. The awards will normally vest over a three-year period.

On 6 April 2020, the Company granted a total of 243,973 options to Executive directors, with a vesting date of 6 April 2023. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2020, and subject to continued employment.

Save As You Earn
The Save As You Earn ("SAYE") is open to all Spire Healthcare employees. Vesting will be dependent on continued employment for a period of 3 years from grant. The requirement to save is a non-vesting condition.

On 3 May 2019, the Company launched SAYE scheme. The Company has not launched any new SAYE schemes in the period. There are no performance conditions in respect of the scheme and the vesting date is 1 June 2022. Upon vesting, the options will remain exercisable for 6 months. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

27. Share-based payments continued

The aggregate number of share awards outstanding for the Group and their weighted average exercise price is shown below:

	2020				
	LTIP (TSR condition) (thousands)	**LTIP (EPS condition) (thousands)**	**LTIP (OE condition) (thousands)**	**Deferred Share Bonus Plan (thousands)**	**SAYE (thousands)**
At 1 January	**1,797**	**1,797**	**1,526**	**–**	**3,764**
Granted	**2,255**	**1,128**	**2,255**	**244**	**–**
Surrendered	**(95)**	**(95)**	**(82)**	**–**	**–**
Cancelled	**(103)**	**(103)**	**(87)**	**–**	**(542)**
At 31 December	**3,854**	**2,727**	**3,612**	**244**	**3,222**
Exercisable at 31 December	**32**	**–**	**–**	**–**	**–**
Weighted average contractual life	**2.2 years**	**2.2 years**	**2.2 years**	**3.0 years**	**2.4 years**

	2019				
	LTIP (TSR condition) (thousands)	LTIP (EPS condition) (thousands)	LTIP (OE condition) (thousands)	Deferred Share Bonus Plan (thousands)	SAYE (thousands)
At 1 January	986	986	832	–	–
Granted	1,138	1,138	976	–	3,930
Exercised	–	–	–	–	–
Surrendered	(17)	(17)	(15)	–	–
Cancelled	(310)	(310)	(267)	–	(166)
At 31 December	1,797	1,797	1,526	–	3,764
Exercisable at 31 December	32	–	–	–	
Weighted average contractual life	2.0 years	2.0 years	2.0 years	n/a	3.0 years

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was 2.2 years (2019: 2.0 years) in respect of LTIPs, and 2.4 years for SAYE (2019: 3.0 years).

Share options outstanding at the end of the year have the following expiry date:

			Share options thousands	
Grant – vest	Expiry date	Exercise price (£)	2020	2019
LTIP grants				
30/09/2014 – December 2016	30/09/2024	–	**32**	32
30/03/2018 – March 2021	30/03/2028	–	**1,209**	1385
30/03/2018 – March 2021	30/03/2028	–	**587**	587
30/03/2019 – March 2022	30/03/2029	–	**2,727**	3,116
30/03/2020 – March 2023	30/03/2030		**5,638**	–
Deferred Share Bonus Plan				
06/04/2020 – April 2023	05/04/2030	–	**244**	–
Save As You Earn				
3 May 2019 – June 2022	01/12/2022	–	**3,222**	3,764

In addition, 13,369 shares, relating to 2017, were exercised from the Company's Employee Benefit Trust ('EBT'), during the year (see note 21 for more information).

27. Share-based payments continued

The following information is relevant to the determination of the fair value of the awards granted for the years ended 31 December 2020 and 2019, respectively, under the schemes:

2020	LTIP (TSR condition)	LTIP (EPS condition)	LTIP (OE condition)	Deferred Share Bonus Plan	SAYE
Option pricing model	Monte Carlo	Fair value at grant date	Fair value at grant date	n/a	Fair value at grant date
Fair value at grant date (£)	0.57/0.49	0.87/0.75	0.87/0.75	n/a	0.35
Weighted average share price at grant date (£)	0.87	0.87	0.87	n/a	1.35
Exercise price (£)	Nil	Nil	Nil	Nil	1.09
Weighted average contractual life	2.2 years	2.2 years	2.2 years	3.0 years	2.4 years
Expected dividend yield	n/a	n/a	n/a	n/a	2.8%
Risk-free interest rate	0.1%	n/a	n/a	n/a	0.8%
Volatility[1]	49%	49%	49%	n/a	39%

2019	LTIP (TSR condition)	LTIP (EPS condition)	LTIP (OE condition)	Deferred Share Bonus Plan	SAYE
Option pricing model	Monte Carlo	Fair value at grant date	Fair value at grant date	n/a	Fair value at grant date
Fair value at grant date (£)	0.72	1.11	1.11	n/a	0.35
Weighted average share price at grant date (£)	1.26	1.26	1.26	n/a	1.35
Exercise price (£)	Nil	Nil	Nil	n/a	1.09
Weighted average contractual life	2.2 years	2.2 years	2.2 years	n/a	2.4 years
Expected dividend yield	n/a	n/a	n/a	n/a	2.8%
Risk-free interest rate	0.7%	n/a	n/a	n/a	0.8%
Volatility[1]	39%	39%	39%	n/a	39%

1 The expected volatility is based on the historical volatility of the Company and a comparator group of other international healthcare companies.

28. Commitments

Consignment stock

At 31 December 2020, the Group held consignment stock on sale or return of £22.8m (2019: £23.2m). The Group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

Capital commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the consolidated balance sheet date. They include the full cost of goods and services to be provided under the contracts through to completion. The Group has rights within its contracts to terminate at short notice and, therefore, cancellation payments are minimal.

Capital commitments at the end of the year were as follows:

(£m)	2020	2019
Contracted but not provided for	**20.9**	16.7

29. Contingent liabilities

The Group had the following guarantees at 31 December 2020:

- the bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5m (2019: £1.5m) in relation to contractual pension obligations and statutory insurance cover in respect of the Group's potential liability to claims made by employees under the Employers' Liability (Compulsory Insurance) Act 1969;
- under certain lease agreements entered into on 26 January 2010, the Group has given undertakings relating to obligations in the lease documentation and the assets of the Group are subject to a fixed and floating charge; and
- See note C11 for details of contingent liability in respect of lease arrangements and agreements.

30. Financial risk management and impairment of financial assets

The Group has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring.

Most revenues arise from insured patients' business and the NHS. Insured revenues give rise to trade receivables which are mainly due from large insurance institutions, which have high credit worthiness. The remainder of revenues arise from individual self-pay patients and Consultants.

The Group establishes an allowance for impairment that represents its expected credit loss in respect of trade and other receivables.

This allowance is composed of specific losses that relate to individual exposures and also an Expected Credit Loss (ECL) component established using rates reflecting historical information for payor groups, and forward looking information.

During the period, trade receivables have decreased due to restrictions over private activity during the NHS COVID-19 contract. In addition, revenue from the NHS contracts is received weekly in advance. Individual self-pay patients, given the current economic uncertainty, remains the highest risk for the Group. Given the COVID-19 induced economic uncertainty, the Group has considered the provision required, specifically for self-pay patients and enhanced the provision accordingly by increasing the expected loss rate percentages. The ECL as at year end is £5.3m (December 2019: £3.7m).

Note 18 shows the ageing and customer profiles of trade receivables outstanding at the year end.

Unbilled receivables are considered for expected credit losses, but these are not considered material and therefore not recognised.

Investments

The Group limits its exposure to credit risk by only investing in short-term money market deposits with large financial institutions, which must be rated at least Investment Grade by key rating agencies.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group is exposed to interest rate risk arising from fluctuations in market rates. This affects future cash flows from money market investments and the cost of floating rate borrowings.

From time-to-time, the Group considers the cost benefit of entering into derivative financial instruments to hedge its exposure to interest rate volatility based on existing variable rates, current and predicted interest yield curves and the cost of associated medium-term derivative financial instruments.

Interest rates on variable rate loans are determined by LIBOR fixings on a quarterly basis. Interest is settled on all loans in line with agreements and is settled at least annually.

	Variable	Total	Undrawn facility[1]
31 December 2020 (£m)	**425.0**	**425.0**	**100.0**
Effective interest rate (%)	**2.88%**	**2.88%**	
31 December 2019 (£m)	425.0	425.0	100.0
Effective interest rate (%)	3.51%	3.51%	

1 If this facility was drawn the interest rate would be in line with the variable rate loans.

30. Financial risk management and impairment of financial assets continued

The Group has an interest rate swap derivative of £4.0m (2019: £2.5m) in place (refer to note 22).

The fair value of this instrument is considered the same as its carrying value and level 2 of the fair value hierarchy is used to measure the fair value of the instrument. The variable rate consideration received by the Group is Sterling three month LIBOR, being lower than the hedged rate, resulting in some exposure on the hedged amount.

Sensitivity analysis

A change of 25 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) equity and reported results by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
(£m)	25bp increase	25bp decrease	25bp increase	25bp decrease
At 31 December 2020				
Variable rate instruments	**(0.5)**	**0.5**	**(0.5)**	**0.5**
At 31 December 2019				
Variable rate instruments	(0.5)	0.5	(0.5)	0.5

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity is managed across the Group and consideration is taken of the segregation of accounts for regulatory purposes. Short-term operational working capital requirements are met by cash in hand and overdraft facilities.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days, including the servicing of financial obligations. In addition to cash on demand, the Group has available the following lines of credit:
– £100.0m of revolving credit facility, which was fully undrawn as at 31 December 2020 (2019: £100.0m undrawn).

The following are contractual maturities, at as the balance sheet date, of financial liabilities, including interest payments and excluding the impact of netting agreements:

At 31 December 2020 (£m)		**Maturity analysis**			
	Carrying amount	**Contractual cash flows**	**Within 1 year**	**Between 1 and 2 years**	**More than 2 years**
Trade and other payables	**127.1**	**127.1**	**127.1**	**–**	**–**
Bank borrowings	**420.8**	**453.4**	**10.4**	**10.1**	**432.9**
Lease liabilities	**749.5**	**1,729.1**	**79.2**	**79.0**	**1,570.9**
	1,297.4	**2,309.6**	**216.7**	**89.1**	**2,003.8**
Derivative financial liabilities					
Interest rate swaps	**4.0**	**4.5**	**2.6**	**1.9**	**–**
	4.0	**4.5**	**2.6**	**1.9**	**–**

At 31 December 2019 (£m)		Maturity analysis			
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	More than 2 years
Trade and other payables	106.2	106.2	106.2		
Bank borrowings	420.8	464.1	14.6	14.0	435.5
Lease liabilities	745.3	1,775.8	77.5	77.5	1,620.8
	1,272.3	2,346.1	198.3	91.5	2,056.3
Derivative financial liabilities					
interest rate swap	2.5	3.3	1.1	1.3	0.9
	2.5	3.3	1.1	1.3	0.9

30. Financial risk management and impairment of financial assets continued

Capital management

The Group's objective is to maintain an appropriate balance of debt and equity financing to enable the Group to continue as a going concern, to continue the future development of the business and to optimise returns to shareholders and benefits to other stakeholders.

The Board closely manages trading capital, defined as net assets plus net debt. The Group's net assets at 31 December 2020 were £706.6m (2019: £939.9m) and net debt, calculated as borrowings, less cash and cash equivalents and the amortised fees of £1.8m (2019: £2.4m) that was recorded at the date of the loan extensions, amounted to £316.3m (2019: £332.4m).

The principal focus of capital management revolves around working capital management and compliance with externally imposed financial covenants. During 2020, due to the COVID-19 pandemic, the Group obtained agreement from its lenders that covenant testing (the net debt to EBITDA and the interest cover ratio covenant tests) would be waived and a new liquidity measure was put in place, whereby the Group must maintain a minimum positive cash balance of £50m including any undrawn element of the Revolving Credit Facility (see note 2 for further information).

Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires approval by the Board.

At the balance sheet date, the Group's committed undrawn facilities, and cash and cash equivalents were as follows:

(£m)	2020	2019
Committed undrawn revolving credit facility	**100.0**	100.0
Cash and cash equivalents	**106.3**	90.8

Bases of valuation

As of 31 December 2020, except for an interest rate swap and financial asset relating to a gross profit share, the Group did not hold financial instruments that are included in level 1, 2 or 3 of the hierarchy.

Management assessed that cash and short-term deposits, trade and other receivables, unbilled receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The carrying value of debt is approximately equal to its fair value.

A derivative is a financial instrument whose value is based on one or more underlying variable. The Group uses derivative financial instruments to hedge its exposure to interest rate risk. Derivatives are not held for speculative reasons. Fair values are obtained from market observable pricing information including interest rate yield curves and have been calculated as follows; fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

The financial asset reflects a profit share arrangement with a partner. There are no market observable prices for the valuation. Management therefore assesses forward looking information and appropriate discount rates and risk factors to determine the fair value. Sensitivities are also taken into account when reviewing the fair value.

During the year ended 31 December 2020, there were no transfers between the levels in the fair value hierarchy.

As at 31 December 2020, the Group held the following financial instrument measured at fair value (2019: £1.5m).

Assets measured at fair value

		Maturity analysis		
(£m)	Value as at 31 December 2020	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss				
Profit share arrangement	**1.6**	–	–	1.6
	1.6	–	–	1.6

The financial asset is valued using forward looking information to establish cash flows, the Group's weighted average cost of capital and an appropriate risk factor. Management completes relevant sensitivities on these inputs when assessing the fair value.

During the year, Spire Healthcare received a profit share in respect of the financial asset of £0.3m. In addition a further unrealised fair value movement of £0.4m was recognised in income upon review of the financial asset to increase the value of the financial asset on the balance sheet.

30. Financial risk management and impairment of financial assets continued

As at 31 December 2020, the Group held the following financial instrument measured at fair value (2019: £2.5m).

Liabilities measured at fair value

		Maturity analysis		
(£m)	Value as at 31 December 2020	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit and loss and using hedge accounting				
Interest rate swaps	**4.0**	–	4.0	–
	4.0	–	4.0	–

Cash flow hedge

The Group designate, as cash flow hedges, interest rate swaps entered into with three counterparties maturing in July 2022. These interest rate swaps convert floating interest rate liabilities into fixed interest rate liabilities. The swaps run concurrently with the hedged item, being the Group's floating rate liabilities under the senior finance facility.

For the years ended December 2020 and 2019, there were no significant amounts recognised in the profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. The movement in the interest rate swap relates to fair value movement and is recognised through other comprehensive income.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2020, the Group held financial instruments measured at fair value, being an asset of £1.6m (2019: £1.5m) and a liability of £4.0m (2019: £2.5m).

31. Related party transactions

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. They include the Board and Executive Committee, as identified on pages 120 to 123.

Compensation for key management personnel is set out in the table below:

Key management compensation

(£m)	2020	2019
Salaries and other short term employee benefits	**4.4**	3.6
Post-employment benefits	**0.5**	0.5
Termination benefits	**0.4**	–
Share-based payments	**0.8**	0.8
	6.1	4.9

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 146 to 155.

There were no transactions with related parties external to the Group in the year to 31 December 2020 (2019: nil).

32. Events after the reporting period

There have been no events to disclose after the reporting date.

Company balance sheet

As at 31 December 2020
(Registered number: 09084066)

(£m)	Note	2020	2019
ASSETS			
Non-current assets			
Investments	C9	**835.4**	833.7
		835.4	833.7
Current assets			
Other receivables	C7	**323.6**	271.9
Cash and cash equivalents	C6	**0.6**	0.1
		324.2	272.0
Total assets		**1,159.6**	1,105.7
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**4.0**	4.0
Share premium		**826.9**	826.9
EBT share reserves	21	**(0.8)**	(0.8)
Retained earnings		**238.7**	187.9
Total equity		**1,068.8**	1,018.0
Current liabilities			
Income tax payable		**1.1**	0.4
Trade and other payables	C8	**89.7**	87.3
Total liabilities		**90.8**	87.7
Total equity and liabilities		**1,159.6**	1,105.7

The profit attributable to the owners of the Company for the year ended 31 December 2020 was £49.1m (2019: £49.7m).

The financial statements on pages 207 to 213 were approved by the Board of Directors on 3 March 2021 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

Company statements of changes in equity
For the year ended 31 December 2020

(£m)	Share capital	Share premium	EBT share reserves	Retained earnings	Total Equity
At 1 January 2019	4.0	826.9	(0.8)	152.4	982.5
Profit for the year	–	–	–	49.7	49.7
Other comprehensive income for the year	–	–	–	–	–
Share-based payment	–	–	–	1.0	1.0
Dividend paid	–	–	–	(15.2)	(15.2)
As at 1 January 2020	**4.0**	**826.9**	**(0.8)**	**187.9**	**1,018.0**
Profit for the year	**–**	**–**	**–**	**49.1**	**49.1**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**
Share-based payment	**–**	**–**	**–**	**1.7**	**1.7**
Dividend paid	**–**	**–**	**–**	**–**	**–**
As at 31 December 2020	**4.0**	**826.9**	**(0.8)**	**238.7**	**1,068.8**

Company statement of cash flows
For the year ended 31 December 2020

(£m)	2020	2019
Cash flows from operating activities		
Profit before taxation	**49.8**	49.6
Dividend received	**(46.5)**	(45.7)
Profit before taxation (excluding dividend received)	**3.3**	3.9
Adjustments for:		
Interest income	**(7.2)**	(7.7)
Finance costs	**2.2**	2.7
	(1.7)	(1.1)
Movements in working capital:		
Increase in trade and other receivables	**(44.5)**	(30.7)
Increase in trade and other payables	**0.2**	1.3
Net cash used in operating activities	**(46.0)**	(30.5)
Cash flows from investing activities		
Dividend received	**46.5**	45.7
Net cash generated from investing activities	**46.5**	45.7
Cash flows from financing activities		
Dividend paid to equity holders of the Parent	**–**	(15.2)
Net cash used in financing activities	**–**	(15.2)
Net decrease in cash and cash equivalents	**0.5**	–
Cash and cash equivalents at beginning of year	**0.1**	0.1
Cash and cash equivalents at end of year	**0.6**	0.1

Notes to the Parent Company financial statements
For the year ended 31 December 2020

This section contains the notes to the Company financial statements. The issued share capital and EBT share reserves are consistent with the Spire Healthcare Group plc Group financial statements. Refer to note 21 of the Group financial statements.

C1. Basis of preparation
The financial statements have been prepared in accordance with International Accounting Standards ('IAS') in conformity with the Companies Act 2006 and on an historical cost basis. The financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

See note 1 for general information about the Company.

The financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the Company can continue as a going concern for at least 12 months from the date of approval of these financial statements (see the Going Concern section in note 2 for more detail).

The Company applies consistent accounting policies, as applied by the Group. To the extent that an accounting policy is relevant to both Group and Company financial statements, refer to the Group financial statements for disclosure of the accounting policy. Material policies that apply to the Company only are included as appropriate.

The Company has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the income statement of the Parent Company.

The Company did not have items to be reported as other comprehensive income; therefore, no statement of comprehensive income was prepared.

C2. Significant accounting policies in this section
Investment in subsidiaries
The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use.

Share-based payments
The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings. The subsidiary, in turn, will recognise the IFRS 2 cost in its income statement with a credit to equity to reflect the deemed capital contribution from the Company.

C3. Key estimates and assumptions in this section
Impairment testing of investments in subsidiaries
The Company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on value-in-use calculated using the same assumptions as noted for the testing of goodwill impairment in note 14 of the Group financial statements. See note C9 for more detail.

C4. Staff costs and Directors' remuneration
The Company had no employees during the year, except for the Directors. The information on compensation for the Directors, being considered as the key management personnel of the Company, is disclosed in note C12.

C5. Auditor's remuneration
During the year, the Company obtained the following services from the Company's external auditor, as detailed below:

(£'000)	2020	2019
Amounts receivable by auditor and its associates in respect of:		
Audit of the Company's annual financial statements	**15.0**	10.0
	15.0	10.0

C6. Cash and cash equivalents

(£m)	2020	2019
Cash at bank	**0.6**	0.1
	0.6	0.1

C7. Other receivables

(£m)	2020	2019
Amounts owed by subsidiary undertakings	**323.6**	271.9
	323.6	271.9

The amounts owed by subsidiary undertakings bear interest at LIBOR plus 2.25% (2019: LIBOR plus 2.50%). The amounts are unsecured and repayable on demand. No allowance for expected credit losses has been included for amounts receivable from subsidiary undertakings as the provision rates calculated based on two years are nil. As described in the Directors' report, the Group has sufficient resources to satisfy Going Concern and Viability considerations. All subsidiaries are under common control and resources could be made available for settlement of debts as and when required.

C8. Trade and other payables

(£m)	2020	2019
Amounts owed to subsidiary undertakings	**89.4**	87.2
Accruals	**0.3**	0.1
	89.7	87.3

The amounts owed to subsidiary undertakings bear interest at LIBOR plus 2.25% (2019: LIBOR plus 2.50%). The amounts are unsecured and repayable on demand.

C9. Investment in subsidiaries

(£m)	Subsidiary undertakings	Total
Net book value		
At 1 January 2019	**832.7**	832.7
Additions – IFRS 2 costs	**1.0**	1.0
At 1 January 2020	**833.7**	833.7
Additions – IFRS 2 costs	**1.7**	1.8
At 31 December 2020	**835.4**	835.5

Details of the Company's subsidiaries at the balance sheet date are in note 16 to the Group financial statements.

At the year end, investments in subsidiaries were reviewed for indicators of impairment.

Management acknowledged two indicators of impairment at the year end, being, the net assets of the Company are higher than that of the Group's consolidated net assets, and the investment value is higher than the market capitalisation at the year end. In addition, the Group recognised an impairment charge of £200m in the period.

The Group undertakes a 5 year forecast (using the cash flow method) when assessing the recoverable amount of the investment consistent with the forecast in note 14 to the Group financial statements.

C10. Capital management and financial instruments

The capital structure of the Company comprises issued capital, reserves and retained earnings as disclosed in the Company statement of changes in equity totalling £1,068.8m (2019: £1,018.0m) as at 31 December 2020, and cash amounted to £0.6m (2019: £0.1m).

Credit risk

As at 31 December 2020, the Company had amounts owed by subsidiary undertakings of £323.6m (2019: £271.9m). The Company's maximum exposure to credit risk from these amounts is £323.6m (2019: £271.9m).

Liquidity risk

The Company finances its activities through its investments in subsidiary undertakings.

The Company anticipates that its funding sources will be sufficient to meet its anticipated future administrative expenses and dividend obligations as they become due over the next 12 months. No dividend is proposed for the year ended 31 December 2020.

C10. Capital management and financial instruments continued

(£m)	2020	2019
Financial assets: Carrying amount and fair value:		
Loans and receivables		
Cash and cash equivalents	**0.6**	0.1
Amounts owed by subsidiary undertakings	**323.6**	271.9
	324.2	272.0

All of the above financial assets are current and not impaired.

(£m)	2020	2019
Financial liabilities: Carrying amount and fair value:		
Amortised cost		
Amounts owed to subsidiary undertakings	**89.4**	87.2
	89.4	87.2

All of the above financial liabilities have a maturity of less than one year.

The fair value of financial assets and liabilities approximates their carrying value.

Market risk

Interest rate risk and sensitivity analysis

As at 31 December 2020 the Company had short-term borrowings of £89.4m (2019: £87.2m) owed to subsidiary undertakings, which are repayable on demand and bear interest at LIBOR plus 2.25% (2019: LIBOR plus 2.50%). Interest on these borrowings in the year amounted to £2.2m (2019: £2.7m) and the Directors do not perceive that servicing this debt poses any significant risk to the Company given its size in relation to the Company's net assets.

IFRS 7 *Financial Instruments:* Disclosures required a market risk sensitivity analysis illustrating the fair values of the Company's financial instruments and the impact on the Company's income statement and shareholders' equity of reasonably possible changes in selected market risks. Excluding cash and cash equivalents, the Company has no financial assets or liabilities that expose it to market risk, other than the amounts owed by/to subsidiary undertakings of £323.6m (2019 £271.9m) and £89.4m (2019: £87.2m) respectively. The Directors do not believe that a change of 25 basis points in the LIBOR interest rates will have a material impact on the Company's income statement or shareholders' equity.

C11. Contingent liabilities

Lease arrangements with a consortium of investors

The Company has given a guarantee to a consortium of investors, comprising Malaysia's Employees Provident Fund (EPF), affiliated funds of Och-Ziff Capital Management Group and Moor Park Capital, in relation to the sale of 12 of the Spire Healthcare Group's property-owning companies on 17 January 2013. With effect from 17 January 2013, the total third party annual commitments of the Group under these leases increased by £51.3m per annum.

As a result of the sale, the Group has long-term institutional lease arrangements (up to December 2042, subject to renewal or extension), with the landlord for each of the 12 properties. The leases include key terms such as annual rental covenants and minimum levels of capital expenditure invested by the Group. The capital expenditure covenants measured on an average basis over each five-year period during the term of the leases, require the Group to incur, in total, £5.0m of maintenance capital expenditure and £3.0m of additional capital expenditure on the portfolio of 12 hospitals each year, such being subject to indexation in line with RPI. If the minimum rent cover ratio is not met, the Group is required to enter into an asset performance recovery plan in order to comply with the covenants, but no default would be deemed to have occurred. The Company is a party to this guarantee. As at 31 December 2020, the Group complied with the required covenants and the lease liability held on the Consolidated balance sheet is £595.7m.

Lease agreements entered into by Classic Hospitals Limited

Under lease agreements entered into on 26 January 2010 by Classic Hospitals Limited, a subsidiary undertaking of the Company, the Company has undertaken to guarantee the payment of rentals over the lease term to August 2040, and to ensure that the other covenants in the lease are observed. The initial rentals payable under the leases in 2010 were £6.3m per annum, which will be subject to an increase in future years. As part of these arrangements, the assets of the Company are subject to a fixed and floating charge in the event of a default. As at 31 December 2020, there was no breach in the required covenants and the lease liability held on the Consolidated balance sheet is £79.5m.

C12. Related party transactions

The Company's subsidiaries are listed in note 16 to the Group financial statements. The following table provides the Company's balances that are outstanding with subsidiary companies at the balance sheet date:

(£m)	2020	2019
Amounts owed from subsidiary undertakings – Spire Healthcare Finance Limited & Spire Healthcare Limited	**323.6**	271.9
Amounts owed to subsidiary undertakings – Spire UK Holdco 2A Limited & Spire Healthcare Limited	**(89.4)**	(87.2)
	234.2	184.7

The amounts outstanding are unsecured and repayable on demand.

The following table provides the Company's transactions with subsidiary companies recorded in the profit for the year:

(£m)	2020	2019
Amounts invoiced to subsidiaries	**51.4**	35.1
Amounts invoiced by subsidiaries	**(0.1)**	(0.1)
Dividend received from subsidiaries	**46.5**	45.7

Amounts invoiced to/by subsidiaries relate to general corporate purposes.

Directors' remuneration

The remuneration of the Non-Executive Directors of the Company is set out below. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 146 to 155.

(£m)	2020	2019
Short term employee benefits*	**1.0**	0.8
Pension contributions	**–**	–
Share-based payments*	**–**	–
Total	**1.0**	0.8

* Emoluments and share-based payment charges for the Executive Directors are borne by a subsidiary company, Spire Healthcare Limited. Share-based payment related charges for the Executive Chairman prior to Admission (i.e. Directors' Share Bonus Plan) are also borne by a subsidiary company, Spire Healthcare Limited. Please refer to note 27 of the Group consolidation statements.

Directors' interests in share-based payment schemes

Refer to note 27 to the Group financial statements for further details of the main features of the schemes relating to share options held by the Chairman, Executive Directors and Senior Management Team.

Other transactions

During the year, the Company did not make any purchases in the ordinary course of business from an entity under common control.

C13. Events after the reporting period

There have been no events to disclose after the reporting date.

Shareholder information

Spire Healthcare website
Shareholders are encouraged to visit our website at www.spirehealthcare.com which has a wealth of information about the Company and the services it offers. There is a section designed specifically for investors at www.investors.spirehealthcare.com where shareholder and media information can be accessed. This year's Annual Report and Notice of annual general meeting can also be viewed there.

Registered office and Group head office
Spire Healthcare Group plc
3 Dorset Rise
London EC4Y 8EN
Tel +44 (0)20 7427 9000
Fax +44 (0)20 7427 9001
Registered in England and Wales No. 09084066

Shareholder enquiries
All shareholder enquiries regarding your shares should be addressed to the Company's share registrar at the address on page 215, or as follows:

Equiniti Limited
Tel (UK only) 0371 384 2030*
Tel (non-UK) +44 (0)121 415 7047

For the hard of hearing, Equiniti Limited offers a special Textel service that can be accessed by dialling 0371 384 2255*
(or +44 (0)121 415 7028 from outside the UK).

* Lines are open from 8.30am to 5.30pm, Monday to Friday, UK time.

Managing your shares
Please contact our registrar, Equiniti Limited, to manage your shareholding if you wish to:
- register for electronic communications;
- transfer your shares;
- change your registered name or address;
- register a lost share certificate and obtain a replacement;
- consolidate your shareholdings;
- manage your dividend payments; and
- notify the death of a shareholder.

When contacting Equiniti Limited or registering online, you should have your shareholder reference number at hand. This can be found on your share certificate or latest dividend confirmation. You can manage your shareholding online by registering for Shareview at www.shareview.co.uk. This website has a 'frequently asked questions' section which addresses the most common shareholder problems.

All other shareholder enquiries not related to the share register should be addressed to the Company Secretary at the registered office or emailed to companysecretary@spirehealthcare.com.

Electronic shareholder communications
Registering for online communications gives shareholders more control of their shareholding. The registration process is via our registrar's secure website at www.shareview.co.uk. Once registered you will be able to:
- elect how we communicate with you;
- amend your details;
- amend the way you receive dividends; and
- buy or sell shares online.

This does not mean shareholders can no longer receive paper copies of documents if they so wish. We are able to offer a range of services and tailor communication to meet your needs.

Share dealing services
UK resident shareholders can sell shares on the internet or by phone using Equiniti Limited's Shareview Dealing facility by either logging onto www.shareview.co.uk/dealing or by calling 0345 603 7037 between 8.00am and 4.30pm on any business day (excluding bank holidays).

In order to gain access to this service, the shareholder reference number is required, which can be found at the top of the Company's share certificates.

Sharegift
It may be that you have a small number of shares which would cost you more to sell than they are worth. It is possible to donate these to ShareGift, a registered charity, who provide a free service to enable you to dispose charitably of such shares. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. More information on this service can be obtained from www.sharegift.org or by calling +44 (0)207 930 3737.

Dividend mandate
If you are a shareholder who has a UK bank or building society account, you are recommended to arrange payment electronically through a bank or building society mandate. There is no fee for this service and notification confirming details of any dividend payment will be sent to your registered address. Please contact Equiniti on 0371 384 2030 or download an application form from www.shareview.co.uk.

Overseas dividend payment service
Equiniti Limited provides a dividend payment service to over 30 countries that automatically converts payments into the local currency by an arrangement with Citibank Europe PLC. Further details, including an application form and terms and conditions of the service, are available on www.shareview.co.uk or from Equiniti Limited by calling +44 (0)121 415 7047 or writing to them at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (please quote Overseas Payment Service with the Company name and your shareholder reference number).

Shareholder security
From time-to-time, in common with other listed companies, shareholders may receive unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, using persuasive and high-pressure tactics to lure investors into scams in what often turn out to be worthless, non-existent or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Further information on how to avoid share fraud or to report a scam can be found on our website at www.spirehealthcare.com.

2021 Financial calendar

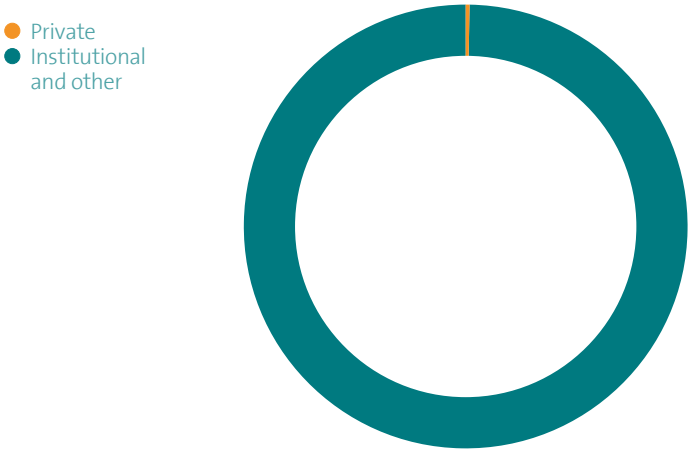
2021 annual general meeting	13 May 2021
Announcement of 2021 half year results	September 2021

Analysis of ordinary shareholders
Holding of ordinary shares as at 31 December 2020

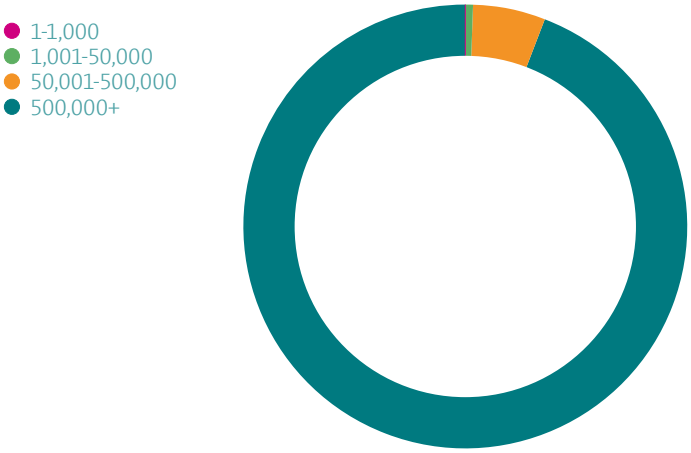
	Private		Institutional and other		Total	
Investor type	**2020**	2019	**2020**	2019	**2020**	2019
Number of holders	**120**	119	**430**	436	**520**	555
Percentage of holders	**23.08%**	21.44%	**76.92%**	78.56%	**100%**	100%
Percentage of shares held	**0.30%**	0.29%	**99.70%**	99.70%	**100%**	100%

	1–1,000		1,001–50,000		50,001–500,000		500,001+	
Investor type	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Number of holders	**92**	94	**233**	264	**113**	114	**82**	83
Percentage of holders	**17.69%**	16.94%	**44.81%**	47.57%	**21.73%**	20.54%	**15.77%**	14.95%
Percentage of shares held	**0.01%**	0.01%	**0.64%**	0.80%	**5.47%**	5.29%	**93.88%**	93.89%

Shareholders percentage by shareholder



Shareholders percentage by shareholding



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London SE1 2AF

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25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

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London EC4Y 1HS

Remuneration consultants
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Alternative performance measures definitions

Performance measure	Definition	Purpose
Adjusted operating profit; or, Adjusted EBIT	Operating profit, less Adjusting items before interest and tax.	Provides a comparable measure of operating profit performance over time.
Conversion of EBITDA to cash	EBITDA divided by operating cash flows before Adjusting items and taxation.	Intends to show the Group's efficiency at converting EBITDA into cash.
EBITDA	EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items.	EBITDA shows the Group's earning power independent of capital structure and tax situation with the purpose of simplifying comparisons with other companies in the same industry as it excludes non-cash accounting entries, such as depreciation.
EBITDA margin	EBITDA as a percentage of revenue.	Provides a comparable performance metric, expressed as a percentage of revenues.
Net debt	Interest-bearing liabilities, less cash and cash equivalents.	Measurement of net Group indebtedness for covenant purposes.
Net bank debt	Interest-bearing liabilities, excluding borrowing costs, less cash and cash equivalents.	Measurement of net Group indebtedness.
Pre IFRS 16	Reported numbers before applying the effects of IFRS 16 Leases.	To provide an understanding of the impact of IFRS 16 to the reported numbers and allow comparison to previously reported numbers.
Net debt/EBITDA	Net debt at the end of the period divided by EBITDA.	Indicates the Group's ability to service its debt from cash earnings.
Clinical staff costs as a percentage of revenue	Clinical staff costs and medical fees as a percentage of revenue.	Provides a comparable measure of cost performance over time in relation to revenue activity.
Other direct costs as a percentage of revenue	Other direct costs include, direct costs and medical fees as a percentage of revenue.	Provides a comparable measure of cost performance over time in relation to revenue activity.

Glossary

The following definitions apply throughout the Annual Report 2020, unless the context requires otherwise:	
Act	The Companies Act 2006, as amended
Acute care	active but short-term treatment for a severe injury or episode of illness
Adjusted EBITDA	represents the Group's operating profit, adjusted to add back depreciation and exceptional operating items
Admission	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
Articles	the Articles of Association of the Company
Board	the Board of Directors of the Company
c.difficile	Clostridium difficile
CAGR	compound annual growth rate
Cardiology	specialty which encompasses the treatment of patients with cardiovascular disease
CCG	Clinical Commissioning Group
CGSC	Clinical Governance and Safety Committee
Cinven	Cinven Partners LLP
CMA	the UK Competition and Markets Authority
Company	Spire Healthcare Group plc
CQC	Care Quality Commission
CO_2e	carbon dioxide equivalent
CQUIN	commissioning for quality and innovation payment which is earned for meeting quality targets on NHS work
CRC Energy Efficiency Scheme	The CRC (Carbon Reduction Commitment) Scheme aims to incentivise energy efficiency and cut emissions in large energy users in the UK's public and private sectors.
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
CRM	customer relationship management system/software
CT	computerised tomography
DSBP	Deferred Share Bonus Plan
Directors	the Executive Directors and Non-Executive Directors
DPA	Data Protection Act
EBITDA	EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items.
EfW	Energy from Waste
EPS	earnings per share
ESOS	Energy Saving Opportunity Scheme
EU	the European Union
Executive Directors	the executive directors of the Company
FCA	the Financial Conduct Authority
FRC	the Financial Reporting Council
GDP	gross domestic product
GDPR	General Data Protection Regulation
GHG	greenhouse gas
GMC	General Medical Council
GP	General Practitioner
Group	Spire Healthcare Group plc and its subsidiaries
HCA Holdings, Inc.	Hospital Corporation of America
HD	Hospital Director
Health & Safety Act	The Health & Safety at Work etc Act 1974
HIS	Health Improvement Scotland
HIW	Health Inspectorate Wales
HMRC	HM Revenue & Customs
HSE	Health and Safety Executive
IFRS	International Financial Reporting Standards, as adopted by the EU
IPO	initial public offering of Shares to certain institutional and other investors
ISO 14001	environmental management system
ISO 18001	health and safety management system
ITU	Intensive Therapy Unit
JAG accreditation	The Joint Advisory Group on Gastrointestinal Endoscopy (JAG) accreditation is the formal recognition that an endoscopy service has demonstrated that it has the competence to deliver against the measures in the Endoscopy Global Rating Scale standards.
KPI	key performance indicator

Lifescan	a former Spire Healthcare service, offering advanced healthcare CT scans, health checks and blood tests
Listing Rules	the listing rules of the FCA made under section 74(4) of the Financial Services and Markets Act 2000
LTIP	Long Term Incentive Plan
MAC	Medical Advisory Committee
MRI	magnetic resonance imaging
MRSA	Methicillin-resistant Staphylococcus aureus
MSSA	Methicillin-sensitive Staphylococcus aureus
NDC	Spire Healthcare's national distribution centre in Droitwich
NHS	the National Health Services in England, Scotland, Wales and Northern Ireland, collectively
NI	National Insurance
NIC	National Insurance Contributions
Non-Executive Directors	the non-executive directors of the Company
Official List	the record of whether a company's shares are officially listed, maintained by the FCA (the UKLA Official List)
Oncology	specialty which encompasses the treatment of people with cancer
Perform	formerly part of Spire Healthcare, specialised in sports medicine, rehabilitation and human performance
PHIN	Private Healthcare Information Network
PILON	payment in lieu of notice
PIP Claims	the claims relating to the supply of alleged faulty PIP breast implants
PMI	private medical insurance/insurer
PPE	property, plant and equipment
PPU	Private Patient Unit
PROMs	Patient Reported Outcome Measures
Public Health England	the executive agency, whose purpose is to protect and improve the nation's health and wellbeing, and reduce wealth inequalities
Registrar	Equiniti Limited
Registration Regulations	the Care Quality Commission (Registration) Regulations 2009
Regulated Activities Regulations	the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
ROCE	return on capital employed
SAP	global software developer/software
Self-pay	when a procedure or treatment provided is funded by the patient directly
Shareholders	the holders of Shares in the capital of the Company
Shares	the ordinary shares of 1 pence each in the Company, having the rights set out in the Articles
tCO_2e	tonnes of equivalent carbon dioxide
TSR	total shareholder return
UK	the United Kingdom of Great Britain and Northern Ireland
UKAS	UK Accounting Standards
UK Code	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time-to-time

Forward looking statements

Important information: forward-looking statements

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

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

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