



Spire Healthcare

# Helping to build a healthier Britain



## Helping to build a healthier Britain

### High-quality experiences

66

From the moment I entered the hospital, I was looked after by every person I came in contact with. I was treated with the utmost respect and made extremely comfortable. I felt completely safe”

**Patient**

Spire Healthcare hospital

66

Spire gave me a lot of flexible working. I feel like anything I'm going through; I can speak to them. We have time to have person-centred care, there is lots of training”

**Colleague**

Spire Healthcare

66

Fantastic service, same-day appointment, very helpful doctors and swift treatment. What more could you ask for?”

**Patient**

London Doctors Clinic

66

The critical incident support is very helpful, colleagues have found them to be supportive, compassionate and easy to access at work. The managers have found the responsiveness to be very timely”

**Critical incident support client**

Vita Health Group, part of Spire Healthcare

66

I wasn't coping with work for months but now I'm back at work and thriving. I know I can reach out if I need to and I have tools and techniques to help myself”

**Patient**

Vita Health Group, part of Spire Healthcare

66

They provide a responsive and personal service to us and service levels are excellent...they can be relied upon to provide a service above and beyond their remit and I would have no hesitation in recommending them”

**Corporate client**

Spire Occupational Health

66

We give people the resources and tools they need. Everyone is different and we look at what's going to be most beneficial for the patient”

**Senior talking therapies practitioner**

Vita Health Group, part of Spire Healthcare

66

Management and staff's unwavering dedication to patient care and commitment to facilitating practitioners in providing the best possible care makes it my first choice for my private practice”

**Consultant**

Spire Healthcare hospital



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## Our strategy

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## Sustainability

- Respect the environment
- Engage our people and communities
- Operate responsibly



## Engaging with our stakeholders

- Patients
- Colleagues
- Consultants
- Suppliers
- Private Medical Insurers (PMI)
- NHS
- GPs
- Employers and corporates
- Regulators
- Investors/lenders
- Community



## Our purpose

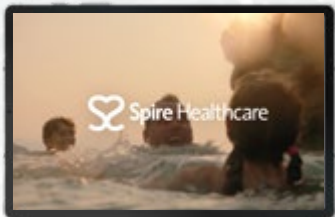
# Making a positive difference to people's lives through outstanding personalised care

### Brand campaign

We launched a targeted, multi-channel brand campaign in September with the theme, 'The sooner you're better, the better', which has seen strong results.



Scan here to watch our TV advert



# About us

## Our purpose

Making a positive difference to people's lives through outstanding personalised care

## Our strategy

Helping to meet Britain's healthcare needs by running great hospitals and developing new services

## Who we are

Britain's largest independent healthcare company by turnover, operating across England, Wales and Scotland

## What we provide

Spire Healthcare group offers a range of diagnostics and medical treatments from hospital and clinic to home. We have a nationwide network of independent GPs through Spire GP and London Doctors Clinic, offer a range of mental health, musculoskeletal and dermatological services via Vita Health Group and provide occupational health services to over 800 corporate clients through Spire Occupational Health and Vita Health Group.

### For private patients

We offer treatments for patients who have private health insurance or wish to pay for their treatment. They are able to choose when and where they are treated, and benefit from excellent clinical outcomes.

### For the NHS

We offer capacity, capability and flexibility, supporting the NHS by taking thousands of patients off waiting lists nationally at the same tariff prices as local NHS Trusts, and by delivering NHS services.

### For businesses

We provide corporates with tailored, flexible support for their employees through occupational health and employee assistance programmes, helping employees to recover and stay healthy.

## Our values



Driving clinical excellence



Doing the right thing



Caring is our passion



Keeping it simple



Delivering on our promises



Succeeding and celebrating together

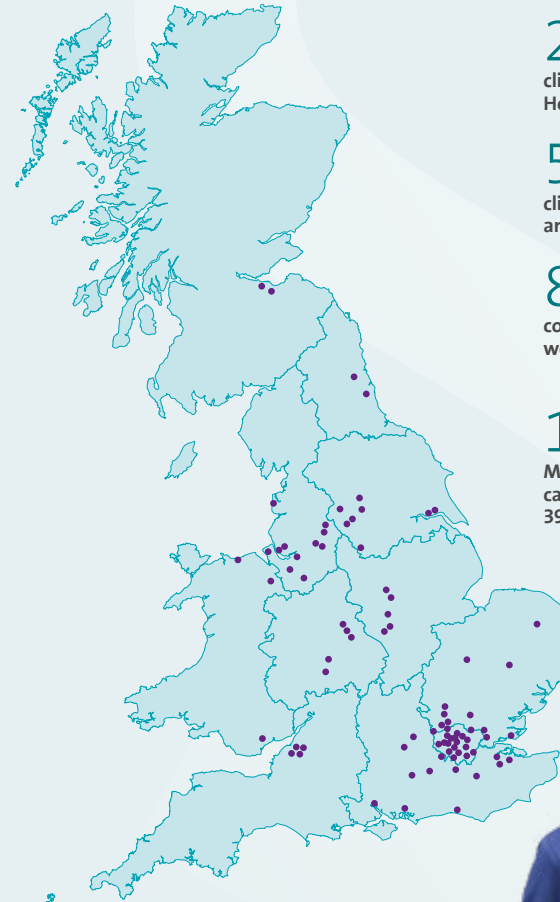


For more information see our business model on page 14

## Where we operate

We provide people with more choice, and the opportunity to access the healthcare they need quickly and safely. Our dedicated and highly trained colleagues work hard to help them back to good health from a wide range of locations across the country.

• Clinical locations



## Spire Healthcare in numbers

1.05m+

patients across the group

989,300

self-pay, insured and NHS patients cared for in 39 hospitals

16,800

colleagues across the group

99,000

GP appointments

24

clinic sites in Vita Health Group

800+

corporate occupational health clients

50+

clinics, consulting rooms and medical centres

137

GPs

8,650

consultants with whom we work in partnership

46,000+

people cared for by Vita Health Group since acquisition

15

Macmillan accredited cancer centres in 39 hospitals

1,120

musculoskeletal clinicians in Vita Health Group

12.6m

population able to access NHS services delivered by Vita Health Group

5

critical care units



## The value we create

# 2023 financial highlights

## £1,359.0m

revenue up 13.4% from 2022 including £31.4m from acquired new services

## 6.8p

basic earnings per share 2.1p in 2022

## 17.6%\*

adjusted EBITDA margin up 0.6 percentage points from 2022 for the hospital business, and 0.2 percentage points for the total group after acquired new services

## 7.5%\*

ROCE up from 6.2% in 2022

## £15m

in efficiency savings delivered in 2023

## £126.2m

operating profit up 32.3% from £95.4m in 2022

## 2.1p

dividends per share up from 0.5p in 2022

## £234.0m\*

adjusted EBITDA up 15% from 2022

## £84.4m

invested in upgrading and maintaining our estate, down from £90.1m in 2022

Largest UK private healthcare provider by turnover

\* Refer to page 85 for a reconciliation of non-GAAP financial measures

## The value we create

# 2023 highlights: building a healthier Britain



1.05m+

patients cared for across the group  
(2022: 926,500)

989,300

self-pay, insured and NHS patients cared for  
in 39 hospitals (2022: 926,500)

99,000

private GP consultations at Spire GP  
and London Doctors Clinic  
(2022: 32,900 Spire GP only)

3%

ahead of 2023 target emissions (27,017  
tCO<sub>2</sub>e achieved, target 27,750 tCO<sub>2</sub>e)  
(2022: 9% ahead, 25,854 tCO<sub>2</sub>e achieved,  
target 28,163 tCO<sub>2</sub>e)

£40,000

donated in corporate charity fundraising  
week (2022: £20,000)

430+

apprentices in Spire Healthcare  
and Vita Health Group (2022: 550 in  
Spire Healthcare only)

46,000+

people cared for by Vita Health Group  
since acquisition (2023 full year: 225,380,  
2022: 168,906)

98%

of locations rated Good or Outstanding or  
the equivalent by regulators in England,  
Scotland and Wales (2022: 98%)

23.5%

dry mixed waste recycled at sites only  
(2022: 18%)

## The value we create



### We're helping to create a healthier and more productive Britain

**Everything we do is geared up to help people return to good health, so they can get back to work and to what they love doing.**

That's why we have evolved from being purely a hospital-based business to become a more integrated healthcare provider, able to care for people's physical and mental health needs, offering GP appointments and occupational health, as well as community and hospital care.

We also support the NHS to reduce waiting lists, particularly helping those waiting the longest, and contributed to the government's Elective Recovery Taskforce, which was set up to make better use of the country's healthcare capacity

 [Read more in Our market on page 16](#)

### We're providing the highest quality care to patients and people

**Quality and patient safety is at the heart of everything we do, and we receive excellent feedback from our patients and regulators.**

Our governance, culture and systems for overseeing the practice of consultants has been transformed in recent years, while 98% of our inspected locations are rated 'Good' or 'Outstanding', or the equivalent by health inspectors in England, Scotland and Wales.

We have Freedom to Speak Up Guardians at clinical and non-clinical sites and available for remote colleagues, and have led the sector in this important safeguarding measure. 94% of patients in 2023 said they felt 'cared for' or 'looked after' in our hospitals.

 [Read more in Our strategy on page 20](#)





## The value we create

### We're boosting the UK economy



**We support the UK economy by investing in skills, technology and infrastructure, boosting productivity and contributing to net zero.**

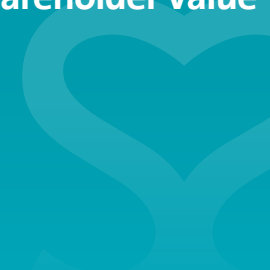
We run one of the largest nurse apprenticeship programmes, and almost 4% of our permanent workforce – over 430 people – are apprentices. By growing and developing talented people, we are helping to address the shortage of skilled professionals in our sector.

We have committed over £360 million capital investment over the last five years, working closely with suppliers to develop partnerships that will deliver value for the wider community as well as our people, patients and their families

 **Read more in our Sustainability report on page 36**



### We're delivering sustainable shareholder value



**We have delivered another strong financial performance in 2023, in line with our plans, with sustained growth in revenue, earnings and EBIT margin.**

With our track-record as a fast-growing company, Spire Healthcare represents a real opportunity for pension funds and other long-term capital to invest in much needed UK healthcare services and a sector that is resilient.

Looking ahead, our strategy is designed to achieve continued momentum in top-line growth, margin improvement and ROCE improvement.

 **Read more in our Financial review on page 82**

## Chief executive officer's strategic review

# Delivering on our strategy to create wider value



### Highlights

# 96%

of patients rated their experience as 'Good' or 'Very Good', unchanged from 2022

# 13.4%

overall revenue increase compared to 2022

# 66

Our strategy is working, helping us deliver a strong set of results and strong profit growth, while enabling us to contribute in even greater measure to the nation's health, caring for over one million patients for the first time in 2023 and creating value through our hospitals and new services.

Our number one priority will always be quality of care and patient safety. I thank all our colleagues and consultant partners for their tremendous contribution."

**Justin Ash**  
Chief Executive Officer

### Helping to create healthier workplaces and a healthier Britain

I am delighted to report on another year of strong progress across the group. Our strategy is helping us to meet the changing demands for healthcare, as we expand our reach beyond our hospitals and clinics to support Britain's healthcare system. For the first time, we cared for over one million patients in 2023. It is well known that there are long NHS waiting lists, and this is clearly a backdrop to the demand that we can help with, both through partnering with the NHS and offering high-quality private care. But the picture more broadly in the UK is of general ill health, which is leading to economic inactivity. Around 35 million working days are lost each year due to self-reported work-related ill health or injuries, and more than 60% of people say they have attended work despite their mental health being poor<sup>1</sup>.

In that context, while hospital treatment will remain at the core of our activity for the foreseeable future, we are determined to be effective and relevant across all of the UK population's healthcare needs. That means helping to prevent ill health, through occupational health and primary care, supporting people if they need healthcare in the community and or a stay in hospital, right through to assisting people to recuperate, and returning to work and a normal healthy life.

### Strong performance backed by greater efficiency

Our business is performing well, which is reflected in our strong financial performance. Our overall revenue in the year was £1,359.0 million, up 13.4% on 2022, while adjusted EBITDA was £234.0 million, up 15.0% compared to 2022. The growth in demand for self-pay healthcare has softened in 2023, and some of those customers are moving to PMI. We have altered our service mix to focus on more complex, usually insurance-based, services like complex cardiac care. The stand-out growth area in 2023 was insurance-based care with revenue up 14.3%, driven by partnerships with PMI providers and a growing market. You can read a full breakdown of these results in our financial review on page 82.

Our efficiency programmes are well on track, with a further £15 million in savings delivered in 2023. Inflation has raised costs, and wage pressure issues face all businesses, including in administrative and healthcare roles in some parts of the country. But we are committed to achieving 21% EBITDA margin by 2025, are well resourced and we have made sound investments that will enable us to grow. We have a structured digitalisation plan which will improve our interactions with patients, make life easier for our colleagues and practising consultants and remove costs. As we move into 2024, we will make further investments that deliver efficiencies both financially and in our working practices. Following the successful introduction of a hub model for administration in the south east, we will roll this out across the country in 2024, improving call handling, bookings and management of resources.

1. Sources: Nuffield Trust and Health and Safety Executive

**Chief executive officer's strategic review** continued

2023 saw another £84.4 million invested in the business. We opened a new outpatients and diagnostic centre at Spire Yale in Wales, following investment of £5.0 million. Spire Manchester and Spire Nottingham started to offer cardiac surgery, following investment of £3.4 million. We introduced our latest ophthalmic service at Spire Cambridge, following investment of £1.6 million. We also began or continued major hospital refurbishment programmes at sites including Portsmouth for £6.0 million, Claremont in Sheffield for £2.4 million, Cambridge for £1.5 million and Clare Park in Surrey for £1.5 million.

**Safety and quality care**

Something that will never change at Spire Healthcare is our ongoing investment in quality and patient safety. This is the bedrock to our operations and embedded in our purpose and culture.

In our latest survey, 96% of patients rated their experience as 'Very good' or 'Good', and I am pleased to confirm that 98% of our inspected locations are currently rated 'Good' or 'Outstanding', or the equivalent, by regulators in England, Scotland and Wales. We are awaiting reinspection of Spire Alexandra in Kent, our one remaining site which has a 'Requires Improvement' rating but has not been inspected since 2016/17.

We are making excellent progress in implementing the new NHS England Patient Safety Incident Response Framework (PSIRF). PSIRF promotes a new, more proportionate approach to responding to patient safety incidents within a wider system of improvement, with compassionate engagement and involvement of those affected by patient safety incidents. PSIRF is the biggest change for over a decade in how all NHS and independent medical settings review, investigate and share learnings from patient safety incidents. We are only obliged to implement this framework for NHS patients but are going much further to introduce it for everyone we care for and have worked with our teams throughout 2023 to trial new tools and techniques to deliver this well. We regularly consider all risks; you can read more in our Risks section on page 64.

**Maximising our capacity to enable patient choice**

Demand remains strong in the UK market. That's why it's so important that we invest in our people, our facilities and new services. Many people are looking for faster diagnosis and treatment, and healthcare is no longer an 'either or' choice between the NHS and private, as many people are making the most appropriate choices to suit their needs at different times of their lives. Our self-pay services provide patients with urgent access to specialists when they need them, while private medical insurance is becoming ever more desirable as a workforce benefit, both for responsible employers and individuals who are more conscious of their health.

We've also been pleased to launch a major new multichannel brand building campaign this year, with the key message 'The sooner you're better, the better'. We want to put our brand at the front-of-mind for people aged 35+ in particular, who are open to the idea of private healthcare or making a choice with their GP, positioning Spire Healthcare as the 'fast-track health service', getting people back to their lives, loved ones and the things they love, sooner.

**Adding new services and expanding our proposition**

Our journey towards becoming an integrated healthcare provider has moved on apace in 2023, with more than 4% of the group's revenue now from new services, through growth in our private GP, occupational health, musculoskeletal and NHS talking therapies services. We are supporting individuals, as well as employers looking to improve their employees' health and wellbeing, which ultimately reduces the strain and cost in the NHS. Prevention is becoming increasingly important to the overall healthcare agenda and we're moving into that space, which I believe lays the groundwork for exciting times ahead for Spire Healthcare.

We started this journey with the acquisition of The Doctors Clinic Group late last year, which increased our presence in private GP services and gave us access to the occupational health market. Good occupational health can enhance the health and wellbeing of people at work. The support we provide in workplaces helps to support many health issues, allowing early treatment of heart disease, diabetes



and hearing loss for example, which might otherwise have gone undetected and potentially worsen. Equally important is the support we provide to people returning to work after a period of ill health, such as advising employers on adjustments they can make to enable employees to settle back into work safely and comfortably, and stay in work. Our plan is to invest in occupational health through organic and inorganic growth, building pathways to the hospital business.

We have now restructured our two occupational health businesses, Soma Health and Maitland Medical, into Spire Occupational Health, while the GP business has been concentrated in London and is branded: London Doctors Clinic – part of Spire Healthcare.

In the last quarter of 2023, I was delighted with the acquisition of Vita Health Group (VHG) for a net cash consideration of £73.2 million, which takes us into critical new areas, covering both physical and mental health, expands further our occupational health capabilities, and makes Spire Healthcare the UK's largest independent sector healthcare provider by turnover. Revenue for VHG, since acquisition, was £18.3 million. I welcome Derrick Farrell, chief executive officer of VHG, who will continue to run the business.

VHG is the largest independent provider of NHS talking therapies, a fast-growing area, which makes a real difference to people's lives. Previously called Improving Access to Psychological Therapy (IAPT), but changed following NHS consultation in early 2023, NHS talking therapies provide counselling and effective psychological therapies to people experiencing the most common mental health problems: anxiety and depression. The business also provides mental health and employee assistance services for over 200 corporate employers and offers musculoskeletal support to relieve back, neck and limb problems. There are huge synergies with our existing businesses, for example referrals from musculoskeletal care to orthopaedics or, in cancer care, where we will now be able to provide much-needed mental health support to our patients. Much of VHG's business is through insurance, which increases our capabilities to our PMI customers; its occupational health business is also synergistic to Spire Occupational Health.

In December, we convened a roundtable event with the Institute for Public Policy Research and a variety of opinion formers to debate and explore the complex issues facing population health and the increasing role that occupational health services can play.

Chief executive officer's strategic review continued



We are also opening new daycase clinics to meet the growing healthcare needs in our communities. The first of these, our Spire Healthcare Abergele Clinic in north Wales, opened in early 2024, offering diagnostic services, as well as orthopaedic, ophthalmic, dermatological, and gynaecological treatments. A second clinic in Harrogate will open later in 2024.

**Helping relieve the burden on the NHS**

We continue to support the NHS in reducing waiting lists, providing care for some of those patients who have been waiting the longest. Our NHS talking therapies, delivered through our VHG brand, cover 12 million people in England and we also now offer NHS musculoskeletal services.

I am pleased that Spire Healthcare contributed to the government's Elective Recovery Taskforce for England, the outcome of which was a set of measures designed to help the independent sector play its part in reducing the backlog in healthcare. A key outcome which we welcome, was a commitment, by the government, to promoting patient choice, where all patients have the right to select a hospital – NHS or independent – where they can receive their care the quickest.

**Supporting and developing our people**

It is well reported that there is a chronic shortage of healthcare professionals in the UK and competition for talent in the workplace. Reducing colleague leaver rates and filling vacancies is a key challenge for all healthcare companies and much of our organisational focus and strategy is devoted to

continuous improvement in this area. In that context, no company can outsource the job of being a good employer – and that's very much our philosophy. We continue to need to manage vacancies, especially as the business grows, rising hourly rates for agency workers and a need to invest in colleague pay and reward to attract and retain the best talent. Read more on pages 18 and 27.

We seek to provide an inclusive environment, encouraging colleagues to thrive and celebrate their differences. Working hard to recruit and retain the best people, we offer colleagues the best working experience we can, with genuine opportunities to grow and develop their careers.

I am proud that the first graduation from our sector-leading nurse degree apprenticeship programme took place in November. We run the programme in partnership with the University of Sunderland, aiming to build a talent pipeline for our business and the broader healthcare sector. A new cohort of 12 nurses joined in December 2023 for 2024. The group has over 430 apprentices in all, 160 of which are nurse apprentices, representing around 4% of our total permanent workforce.

I was also delighted that we launched our new Driving Clinical Excellence in Practice Programme for existing nursing colleagues towards the end of the year. The programme is a bespoke educational initiative that includes a comprehensive framework of competencies and skills aligned to our values, quality objectives and priorities. It will also support nurse revalidation, promote better patient outcomes, patient experience and better use of resources.

Since 2021, we have recruited over 670 colleagues from overseas, including 115 overseas nurses recruited in 2023. Our overseas colleagues make a fantastic contribution to our business. We only actively recruit in 'green' countries under the World Health Organization definition, providing training and development to support their career.

We recognise and value the hard work and dedication of all our colleagues, and I believe it is vitally important that everyone is properly rewarded. That's why we supported eligible colleagues with a 5.5%

salary increase from September 2023, on top of a 5% rise in 2022 for most eligible colleagues. At that point, our lowest paid colleagues moved in-line with the Real Living Wage. I am also delighted that our colleague engagement score rose by 1 percentage point to 81% this year, with a fantastic response rate of 86%. VHG colleagues received an average salary rise of 5% in April. Read more on page 28.

**Sustainability – adding value for our environment and communities**

Having integrated sustainability into our business strategy, we continue to develop and advance our sustainability strategy, setting out specific goals for us to work towards. We are making good progress, and our aim is to lead the health sector in championing environment, social and governance issues.

We furthered our ambition to achieve net zero carbon status by 2030, with investment during the year in the removal of piped nitrous oxide systems, the installation of new solar panels (in all hospitals by 2024), increasing recycling and generating carbon reduction through the effective management of our waste, and the optimisation of our building management systems. Waste is managed more efficiently with 23.5% of dry mixed waste now recycled at our sites, carbon emissions are 3% ahead of target, despite green energy being harder to source, and we have saved 27,000 litres of water in a trial at two hospitals. VHG is progressing towards their targets in line with the 2015 Paris Agreement. You can read more about these efforts in our sustainability report on page 36.

When it comes to our communities, Spire Healthcare and its people always seek to make a difference that includes, but also goes beyond, the healthcare services we provide. That's why colleagues from our clinics, hospitals and central functions forge relationships with local communities and fundraise for local charities. Every year, we take on company-wide charity challenges and other community initiatives, raising thousands for good causes. Our charity week in June this year raised over £40,000 for a range of local and national charities.

**Looking ahead**

I'd like to thank the management team, all our leaders across the business, our hospital teams and support services, as well as all our consultant partners for their tremendous contributions to another impressive performance this year. I would also like to take this opportunity to welcome Professor Lisa Grant, our new group clinical director and chief nurse, who joined us following a successful 25-year career in the NHS holding a number of leadership and management roles; and Rachel King, who joined us as group people director, having most recently led the transformation of former national lottery operator Camelot's people strategy and culture.

2024 will be a key year as we continue to transform the business. Through our programme of investments in digital platforms, we will be driving further change and improvement, benefiting patients and colleagues, and generating significant efficiencies. Our new services will become material contributors to our operations and financial results, as we strive to provide a more integrated healthcare offering. I am excited about our prospects for 2024 and look forward to contributing in even greater measure to the nation's health in the year ahead. It should be an exciting year and I look forward to leading these programmes and updating shareholders on our progress.

Jitesh Sodha will be stepping down from the board at the AGM on 9 May 2024. Following the AGM, Jitesh will initially support the transition to his successor, before focusing on a number of strategic initiatives for the remainder of his notice period. I would like to take this opportunity to thank Jitesh for leading the transformation of our financial performance and his immense contribution to the group during his tenure. Jitesh will be succeeded by Harbant Samra. Harbant has been with the group since 2018, having most recently served as the deputy chief financial officer. Having worked closely with Harbant for many years, I am delighted to see him join the board.

**Justin Ash**  
Chief Executive Officer

## Delivering new care to new markets

# Strengthening our integrated healthcare offer

We are more than just our hospitals – we are becoming an integrated healthcare provider, looking after people’s whole health and wellbeing with a range of private GP, occupational health, musculoskeletal and talking therapies services. We are seeking new ways to tackle the causes of ill health and low productivity, supporting choice, supporting the NHS while offering synergies to our hospital business.

We acquired The Doctors Clinic Group in December 2022, a provider of occupational health and private GP services that included London Doctors Clinic, Soma Health and Maitland Medical. Then in October 2023, we acquired Vita Health Group for £73.2 million, a market-leading provider of NHS talking therapies, musculoskeletal and dermatology services, as well as corporate and occupational health services.

During the year, we have worked to reorganise and rebrand many of these offerings, creating distinct and focused businesses with separate websites and new branding:  
Spire Occupational Health  
London Doctors Clinic, part of Spire Healthcare  
Vita Health Group, part of Spire Healthcare.



### Spire Occupational Health

Spire Occupational Health is a dedicated partner to hundreds of businesses, helping them to build a healthier, more productive, and resilient workforce.

We offer robust clinical advice and high-quality corporate healthcare services including targeted interventions, health maintenance and preventative measures to provide fully-integrated, comprehensive occupational health and wellbeing solutions for businesses.

[spireoccupationalhealth.com](http://spireoccupationalhealth.com)

**600+**  
corporate clients (2022: 600)

**7,600**  
occupational health management referrals completed (2022: 6200)

### London Doctors Clinic, Part of Spire Healthcare (LDC)

Offering same-day London private GP appointments, our consulting rooms provide health screens, blood tests, STI tests, prescriptions, certificates, sick notes, referrals and much more. With experienced doctors, convenient locations and a range of extended opening times, LDC is ideal for busy commuters, residents and visitors to London. It’s a one-stop-shop for private GP appointments, testing, medicals, advice and support. Five new locations opened in 2023 – Bank, Chiswick, Fulham, Hampstead and Islington.

[londondoctorsclinic.co.uk](http://londondoctorsclinic.co.uk)

**7**  
days a week service

**18**  
consulting rooms in Greater London

### Vita Health Group, Part of Spire Healthcare (VHG)

With over 30 years’ experience delivering quality services, Vita Health Group is dedicated to improving lives both physically and mentally – it:

- Provides NHS, corporate and private mental and physical health services, offering insights and treatments in holistic, person-centred care
- Works with a variety of companies to help their teams stay fit, healthy, and happy
- Provides a range of musculoskeletal services to NHS, private and corporate patients

Physical health services range from physiotherapy to group exercise classes and more specialist treatments such as acupuncture and injection therapy, while mental health services include cognitive behavioural therapy (CBT), guided self-help and group therapy sessions.

Note: Private includes self-pay and PMI customers, corporate includes PMI, employee assistance and occupational health provision.

[vitahealthgroup.co.uk](http://vitahealthgroup.co.uk)

**46,000+**  
people cared for by Vita Health Group since acquisition (2023 full year: 225,380, 2022: 168,906)

**97%**  
of patients in corporate musculoskeletal services returned to work after treatment in 2023 (2022: 86%)

## Our business model

# How we create value for the business and our stakeholders

Spire Healthcare helps people return to good health, providing more health choices, quickly and safely, through our dedicated and highly trained colleagues, at a time of unprecedented healthcare demand.

### Our drivers and resources

**Our purpose**  
Making a positive difference to people's lives through outstanding personalised care.

#### Our resources

- A highly motivated and skilled team of clinical and non-clinical colleagues
- GPs, consultants and other health professionals who are experts in their field
- Hospitals, critical care units, Macmillan-accredited cancer centres, clinics and consulting rooms
- Our digital infrastructure and the latest medical facilities and equipment

See more detail on how we generate revenue on [page 15](#)



### What we do and key trends

#### Our offer: from prevention to complex care

- A nationwide network of private GPs with rapid access clinics in London
- Occupational health and employee assistance programmes
- Diagnostics
- Treatment and surgery: from orthopaedics to cancer and complex care
- Physiotherapy, recovery and rehabilitation
- NHS talking therapies and corporate and private mental health

#### Market trends

- Population profile
- NHS waiting lists
- Private market
- Healthcare workforce
- Economic environment
- Role for employers in healthcare

Read more on this in [Our market page 16](#)

### Our objectives

#### Our strategy

We're helping to meet Britain's healthcare needs by running great hospitals and developing new services through the five pillars of our strategy:

- Driving hospital performance
- Building on quality
- Investing in our workforce
- Championing sustainability
- Expanding our proposition

Which together deliver strong financial performance.

We discuss our strategy in detail on [page 20](#)

#### Risk management

We ensure we achieve our strategic objectives by identifying, quantifying, and monitoring risks to Spire Healthcare in terms of consequence and likelihood.

See our Risks and internal control report on [page 64](#)

#### Sustainability

We want to become recognised as a leader in sustainability in our industry. Through our sustainability strategy, we seek to drive positive change in the workplace, local communities, and the environment.

See our Sustainability report on [page 36](#)

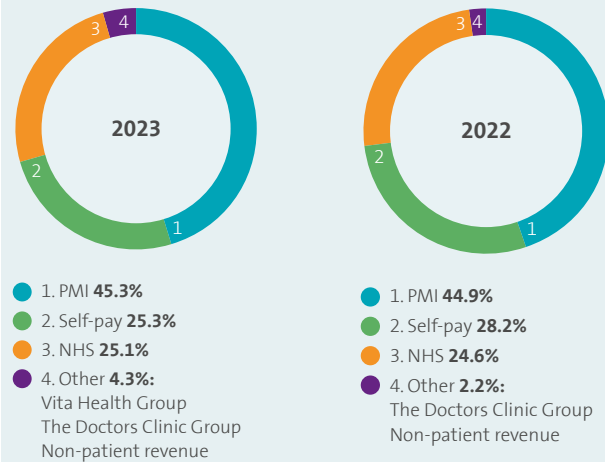
### The value we create

<b>For patients</b>	We provide fast access to high-quality, personalised clinical care with world-class experts	<b>989,300</b> patients seen in hospitals in 2023 (2022: 926,500) 96% say their care was 'Very Good' or 'Good'
<b>For shareholders</b>	We aim to create value by delivering strong total shareholder returns	During the three-year period 2021-23, Spire Healthcare's share price rose by 45.8% and outperformed the FTSE All-Share Index by 30.6 percentage points. Our Total Shareholder Return for the same period was 46.1%
<b>For colleagues</b>	We provide our colleagues with high job satisfaction, a competitive reward and recognition framework, and the chance to learn, develop and grow	<b>16,800</b> colleagues 2022: 14,500
<b>For the consultants</b>	We invest in the best people, facilities, patient safety and equipment to make Spire Healthcare the partner of choice for our consultants	<b>8,650</b> expert consultants we worked with in 2023 2022: 8,760
<b>For NHS and government</b>	We help the NHS reduce waiting lists, work closely with the NHS centrally and in local communities, with commissioners and trusts, and provide NHS talking therapies, physiotherapy and dermatology services	<b>195,950</b> NHS patients seen in our hospitals in 2023 2022: 182,000
<b>For society and the economy</b>	We support the UK economy and employers by investing in skills, technology and infrastructure, while boosting productivity by helping people get back to work	<b>12</b> new nurse apprentices joined in December 2023 (2022: 24)
<b>For the environment</b>	We aim to reduce our impact on the environment and work with our suppliers to align our goals and develop healthcare services sustainably	<b>3%</b> ahead of 2023 target emissions (27,017 tCO2e achieved, target 27,750 tCO2e) (2022: 9% ahead)

Our business model continued

# How we generate revenue

## Spire Healthcare group revenue



### 1. Private patients

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

#### PMI

We have long-term relationships with all the major private medical insurance providers, with Aviva, AXA Health, Bupa and Vitality having combined market share estimated at over 90%. We market a Spire-branded insurance product, inSpire, underwritten by AXA Health which gives easy access to affordable private care at Spire Healthcare hospitals.

#### Self-pay

We enable patients to take control of their own health by directly booking appointments with consultants without the need for a GP referral or an appointment with one of our private GPs through Spire GP or London Doctors Clinic, or talking therapies and musculoskeletal services through the Vita Health Group (VHG) brand.

### 2. NHS

Spire Healthcare offers the NHS capacity, capability and choice. We perform high volumes of routine elective surgery, including a proportion of complex surgery. Most work comes directly from GPs, allowing waiting NHS patients to access care. The activity is at the same tariff prices as local NHS Trusts and the capital we invest in our sites, at no charge to the NHS, allows us to increase capacity through expanded clinical teams, theatre time and bed availability. This means we can increase capacity aligned to NHS commissioning requirements. Most NHS work comes from NHS GPs via the Electronic Referral System (eRS) which allows patients to book appointments with providers of their choice with the shortest waits.

VHG is the biggest independent provider of NHS talking therapies and offers NHS musculoskeletal services. Services are free to patients, and they can self-refer to many of our services with no need to see their NHS GP. VHG also provides some NHS dermatology services and works in partnership with the NHS across the UK to provide physiotherapy and musculoskeletal services.

### 3. Corporates

VHG and Spire Occupational Health deliver services to employers through occupational health contracts and employee assistance programmes which support corporates to keep employees healthy, protect and promote good health and provide services such as health surveillance, training and mental health support. VHG has more than 200 corporate clients and Spire Occupational Health has over 630.

\* Source: LaingBuisson Health Cover 18th Edition June 2023

## Our market

### Key trends

The demand for healthcare remains strong – from GP and diagnostic services to hospital treatment, occupational health and NHS talking therapies.



More people are making different choices about their health, seeking the services we can provide sooner than may be available through the NHS or through their employer. However, many haven't had experience of private healthcare before, so we want to help patients make informed choices, understand their options, and get them back to their normal lives.

Demand for private healthcare remained strong in 2023, with patients seeking prompt, safe and effective diagnosis and treatment. There is softening demand from self-paying patients, while the growth in our private medical insurance (PMI) business is being driven by more awareness of the benefits to employers and employees, even among younger demographics, and the deepening of cover.

Our new integrated marketing campaign, launched in 2023, has seen good results. Recent acquisitions have expanded our offer into new markets.



Our market continued

## Key trends that affect our market today

01

### Population profile

The growing and ageing population and greater prevalence of long-term conditions continue to be underlying factors putting pressure on the UK's healthcare resources. Treatment and care for people with long-term conditions accounts for a large proportion of the nation's total health and social care expenditure, while the number of people who are economically inactive has grown to 2.6 million, with those experiencing long-term ill-health rising by almost 500,000<sup>1</sup> since the start of the pandemic in early 2020. In addition, 3.7 million working-age people are in work with a health condition that is 'work-limiting'<sup>2</sup>.



Mental health issues are growing and yet have been traditionally underserved and less recognised than physical health issues. Around one in six adults and 26% of late teens have a common mental health condition<sup>3</sup>. Demand is set to rise faster than other health services<sup>3</sup>. Talking therapies are effective and confidential treatments, delivered by trained and accredited practitioners for conditions like depression, worry and anxiety<sup>4</sup>.

To help improve the country's health, relieve pressure on the healthcare system, and support those with long-term ill-health, we are committed to delivering a range of vital services. That's why alongside investments in our hospitals, we are also developing care services such as occupational health, wellbeing, musculoskeletal therapy, mental health services and NHS talking therapies – creating an integrated healthcare offer.

1. Office for National Statistics (ONS) indicated an increase of 27,208 people on the previous month to hit 491,433 as of July 2023.  
2. The Health Foundation analysis of the ONS' Labour Force Survey, 2023.  
3. Committee of Public Accounts, 'Progress in improving NHS mental health services, July 2023.'  
4. NHS England, NHS talking therapies for anxiety and depression, January 2022.

02

### NHS waiting lists

NHS waiting lists have been long since before the pandemic, but they have grown to record levels, rising to 7.6 million pathways. The problem is not only the length of the lists, but also the length of time people are waiting for diagnoses and treatments and people waiting on more than one pathway. In 2019, there were around 1,600 people waiting longer than a year for a procedure. Today, this number is in excess of 337,000.

# 337,000+

patients waiting over a year, down from over 400,000 in November 2022

Source: NHS waiting times data for December 2023, published February 2023.

# 7.6m

patient pathways on waiting lists, up from 7.2 million in 2022

Source: NHS waiting times data for December 2023, published February 2023.

# 58%

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

Source: Proprietary Spire Healthcare research conducted with 2,416 target consumers during November 2023, up from 57% in 2022.



Our market continued

Key trends that affect our market today continued

03

### Private market

Demand for private care continues; it grew overall, driven primarily by private medical insurance (PMI), and penetration has grown significantly. The most recent LaingBuisson data<sup>5</sup> states that around 7.4 million lives are now covered by private medical cover, and 3.5 million each by health cash plans and dental benefit plans. Corporates are also looking to extend cover deeper into their workforces beyond senior employees, as a defence against NHS waiting times and a cost-effective additional offer to employees. Revenue from PMI is much higher due to more people using their insurance and our management of case and price mix.

The growth in demand for self-pay is down slightly, but remains significantly above pre-pandemic levels. PHIN data shows self-pay admissions down by 4% at quarter two in 2023.

Our target customer base – the number of people willing and able to use private healthcare in the areas in which we operate – is around 5.2 million people. The profile of our customers has remained similar in terms of age and wealth profile. Some people who previously might have defaulted to the NHS before the pandemic are turning to us to receive care, however some people on the edges of our audience are seeing a decline in affordability owing to the cost-of-living, which acts against them turning to us. Our new integrated and targeted marketing campaign, launched in 2023, focuses on the desire of patients to get back to their lives by having their health conditions diagnosed and treated swiftly and safely, with the message: ‘The sooner you’re better, the better’.

Read more about how we are ‘Driving hospital performance’ on page 21 and ‘Expanding our proposition’ on page 34



# 74%

of 25-34 year olds would consider using private healthcare if they needed treatment in the future

Source: IHPN polling ‘Going Private’, 2023.

People are also experiencing longer waits to see their NHS GPs and struggling to access community services for long-term conditions or other health issues. Spire Healthcare has increased the size of its GP services including Spire GP and the London Doctors Clinic, and new services including Spire Occupational Health. Most recently, through the acquisition of Vita Health Group, we now offer mental and physical therapies for private, corporate and NHS customers. Many of these services are increasingly part of the value chain into hospitals, as they refer to our clinicians and therapists who can help patients back to health.

04

### Healthcare workforce

The UK healthcare sector continues to face a severe skills shortage, with a large number of healthcare professionals leaving the industry each year. This is why the board considers workforce to be outside of our risk appetite – read more in our risks section on page 64.

Attracting and retaining the best people remains a challenge for all healthcare providers, both public and private, and this is the case for Spire Healthcare too. Rates for agency staff and specialist clinical roles are rising owing to both shortages and inflation, presenting a further challenge, but we are managing this well and agency spend is down.

We welcomed the government’s announcement this year of the first comprehensive workforce plan for the NHS, putting staffing on a more sustainable footing and aimed at improving patient care. The plan focuses on retaining existing talent in the NHS and making the best use of new technology alongside a major recruitment drive.

The combination of recent high inflation and labour shortages means businesses like ours have to be competitive in the reward we offer colleagues, to attract and retain the best people, and we have addressed that again in our salary awards in 2023.

To counteract shortages, we run one of the largest nurse apprenticeship programmes run by a single organisation and offer a range of clinical and non-clinical apprenticeships, along with many training opportunities and student placements. We seek to be a positive contributor to the healthcare workforce. We continue to make progress in improving colleague retention, increasing hire rates and, as a result, are starting to reduce agency spend.



At Spire Healthcare, we offer a range of apprenticeship programmes and training opportunities. Read more on page 29 and on page 44

5. LaingBuisson Health Cover UK Market Report, 18th Edition, June 2023.

Our market continued

Key trends that affect our market today continued

05

### Economic environment

Following sharp rises in inflation in the UK last year, the rate has fallen in 2023, but remains much higher than the Bank of England's target of 2%. Cost-of-living pressures are still having a major impact on many people's disposable income, and higher interest rates have become a factor for individuals and businesses everywhere. This has the potential to temper growth in our market, but we have some resilience to these pressures in the private healthcare sector. Our core customer is generally more affluent and more insulated against rising costs, while our older self-funding customers, are mostly far less affected by mortgage increases.

The economic climate and financial concerns have resulted in a slight slowing of our enquiries, though this is, to some extent, being offset by our brand-building and advertising campaigns and the underlying demand due to NHS waiting lists. The inflationary environment we are in is quite complex, affecting our supply chain, our operational costs, and salary expectations, but we continue to remain competitive on price. We continue to hedge our energy prices, currently until autumn 2024, as energy costs have been a huge driver in increasing pressure for most businesses and families. We have planned for mitigating the impact of energy costs from 2024 onwards. The largest rise in our costs is colleague salaries, with increases to address the cost-of-living in 2022 and 2023, and remain a competitive employer on reward. Read more on pages 12, 28, 68 and 113.



UK inflation rate

4.0%

in December 2023

10.5%

in December 2022

Source: UK Consumer Price Index (CPI), ONS.

06

### Role for employers in healthcare

It is increasingly understood that employers have a role to play in preventing, maintaining and improving the health of their employees, through occupational health and wellbeing interventions. The Chartered Institute of Personnel and Development<sup>6</sup> notes that 'Employee health is a core driver of a business's performance and employers should support employees not already covered by disability legislation' and the role that employers can play in health and wellbeing has risen up the public policy agenda during 2023.

As noted above, employers are increasing the provision of PMI for their employees<sup>7</sup>. Meanwhile, our occupational health services are seeing continued demand for employee health support.

Mental health and musculoskeletal services provided to employers through Vita Health Group are allowing employees to remain healthy at work or aid those off work to recover and return to their duties, helping to improve productivity for employers. Prioritising occupational health yields benefits like reduced absenteeism, improved morale, and helps employers comply with the law. It attracts and retains top talent, enhancing overall business success.



6. Chartered Institute of Personnel and Development, 'Health is everyone's business: Proposals to reduce ill-health-related job loss', 2019.  
7. Healthcare and Protection, 'Corporate wellbeing demand here to stay as services continue expanding – analysis' 2023.

## Our strategy

# Helping to meet Britain’s healthcare needs

At Spire Healthcare, quality and patient safety always come first. This has been the cornerstone of a strategy that has proved successful in recent years

But in this time of unprecedented demand for healthcare, both in our hospitals and elsewhere, we evolved our strategy in 2022 to help us meet this demand, not simply by caring for patients in our high-quality hospitals, but also by developing and offering a range of vital healthcare services to improve the health of the nation in clinics, communities and workplaces. In 2023 we continue to deliver this strategy.


### Our purpose drives our strategy


Our purpose is 'Making a positive difference to people’s lives through outstanding personalised care'. That’s why we have a strategy that helps us to meet more of Britain’s healthcare needs. A strategy that works by focusing on quality and safety, champions sustainability throughout the organisation, recognises the vital role our colleagues play, helps us to expand into new areas of healthcare to meet more people’s needs, and delivers a strong financial performance for our shareholders while generating value for all our stakeholders.




	<b>Driving hospital performance</b>	Continue to grow across our existing hospital estate with increasing margins	 See page 21-23
	<b>Building on quality</b>	Maintain strong quality and safety credentials for patients and as a competitive advantage	 See page 24-26
	<b>Investing in our workforce</b>	Aspire to attract, retain and develop the most talented people to our business	 See page 27-30
	<b>Championing sustainability</b>	Become recognised as a leader in environmental, social and governance (ESG) in our industry	 See page 31-33
	<b>Expanding our proposition</b>	Selectively invest to attract patients and meet more of their healthcare needs	 See page 34-35

Which together delivers a strong financial performance for our shareholders and the fiscal strength we need to invest in future growth

 Our key performance indicators (KPIs) are explained in detail on page 61

 Read about our engagement with stakeholders on page 54

 Read about our alignment to the United Nations Sustainable Goals (UN SDGs) on page 36

Our strategy continued



# 1. Drive hospital performance

## Continue to grow across our existing hospital estate with increasing margins.

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



### Our goals

- Provide people with rapid access to diagnosis and treatment
- Provide market-leading offer to private patients, with targeted growth in NHS treatments
- Outperform the UK's overall hospital market growth
- Improve our hospital margins and maximise opportunities

### Highlights and priorities

#### Highlights of 2023

- Increased private revenue by 9.5% to £959.7 million from £876.7 million in 2022
- £84.4 million investment across our estate, including major projects at Spire Yale and Spire Cambridge
- Launched our new marketing campaign, 'The sooner you're better, the better'
- Enhanced our cyber security to strengthen information governance and our data security position

#### Priorities for 2024

- Drive further digitalisation, automation and efficiency in our business processes to deliver improved margins
- Continue to increase our private revenue and build the Spire Healthcare brand in new areas
- Maintain investments in the business at approximately 6-7% of revenue
- Work with our NHS partners to help address waiting lists

### Maximising our capacity

In our first full 'normal' post-COVID year since 2019, we delivered a strong performance, demonstrating that our strategy is working, despite having to navigate other issues, such as high levels of seasonal absence and consultant strike action in the NHS. While we have faced many challenges over the last three years, we have come through them well, and Spire Healthcare is a more resilient business than ever today.

Demand remains strong. Our hospital directors, directors of clinical services and other hospital leaders have continued to focus on maximising our capacity and increasing utilisation at our sites – back-filling cancelled appointments with patients ready to bring an appointment forward, making Saturdays more of a normal working day, taking work out of theatre where possible, creating new clinical space within our estate, being more disciplined on patient mix, and holding capacity meetings to make the most of our resources. We cannot control when colleagues, consultants or patients get sick or when cancellations occur, but we manage capacity closely and well and ensure patients are pre-assessed early so others can be offered any cancelled slot.

### Efficiency and digitalisation

We continue to improve the efficiency of our business, delivering a further £15 million savings this year. Acting for the whole organisation, rather than individual hospitals or sites, our professional procurement team is leveraging the power of the group to mitigate cost increases.

However, our big focus in 2023 has been developing a plan to modernise our whole IT system, update our data strategy, and digitalise what we do today to make improvements for our patients. The first step has been to benchmark our systems, put foundations in place for our plan, and scope out the size of the savings opportunity. We have a clear plan to deliver material savings, efficiencies and customer service improvements over the next three years.

Our strategy continued

An important part of laying the foundations of our plan is upgrading Wi-Fi in hospitals and at our head office locations; this is currently in progress, and will mean patients, colleagues and consultants can easily access services on mobile devices. Next, we will be improving the performance of core digital platforms like our hospital management system, optimising our processes for everyone, and refreshing our website to provide a more streamlined, convenient and consistent experience. Digitalisation will support better appointment management, clear communications, and improved electronic prescribing systems and observations that help to improve patient safety and clinical outcomes.

Ultimately, it's all about making every patient's journey a seamless one, from booking an appointment to accessing treatment, and helping them build an ongoing relationship with Spire Healthcare. By embracing data and fostering innovation right across our organisation, our colleagues will be even better placed to provide personalised patient care, with reliable access to all the tools they need, while we are proactively exploring the opportunities presented by emerging artificial intelligence technologies to improve those tools. All these changes will remove cost from the hospital business to deliver a stronger financial performance.

Investing in our estate

Our focus on digitalisation doesn't detract from the continued investments we are making in quality across our core estate, as we committed a further £84.4 million in capital expenditure this year, a level of investment that stands out in the private healthcare sector. This included investments in diagnostic imaging of £14.1 million for a further five MRI and CT scanner replacements, and around £7.5 million on three 'cath labs' (equipped rooms used for non-surgical heart procedures), two x-ray/fluoroscopy rooms, five mammography units, and three 'C-Arm' medical imaging devices used during procedures. These investments in state-of-the-art technology benefit both our patients and our hospitals, helping to provide the best environment for the consultants who work with us.

Major projects in 2023 that have supported expanded services to patients and revenue growth, have included:

- The opening of a £9.5 million outpatients centre and diagnostic unit with MRI facilities at Spire Yale Hospital in Wrexham. We have committed a further £1.25 million to a new sterile services facility that will serve Spire Yale, due to open in early 2024
- A new £1.6 million ophthalmology theatre facility at Spire Cambridge
- A new £2.4 million daycase theatre suite at Spire Clarendon in Sheffield
- And a combined investment of £3.4 million to enable us to provide robotic assisted cardiac surgery at Spire Nottingham and Spire Manchester

In line with our five-year refurbishment programme, we have spent almost £10.0 million improving many of our sites this year, including highly-visible patient-facing reception areas. We have also invested more than £8.0 million on important engineering and fire safety projects at our sites.

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

96%

2022: 96%  
Source: Patient Discharge Survey 2023.

Private inpatient revenue up 6%

£355.5m

2022: £335.3m



Strategy in action

## New outpatient and diagnostic centre at Spire Yale Hospital

An ambitious £9.5 million development at Spire Yale Hospital in Wrexham has seen us convert former administrative buildings into an outpatient centre.

This has created a more comfortable environment where people can receive much-needed diagnoses. The new Chesney Court Imaging, Orthopaedic and Outpatient Centre will increase the number of patients the hospital can treat per year by up to 20%, expand the patient services we offer, and provide faster care for daycase patients.

Chesney Court was part of an ongoing investment project at Spire Yale, which expanded the hospital's existing ward space from 18 beds to 24 to allow more patients to receive the overnight care they need.

Chesney Court's outpatient and diagnostic centre offers state-of-the-art MRI, X-ray and ultrasound facilities, as well as orthopaedic and physiotherapy rooms. The centre also includes nine consulting and treatment rooms, and provides people with rapid access to orthopaedic, urology, ophthalmology, gynaecology, general surgery and ear, nose and throat surgery, as well as diagnostic services for cardiac disease and chronic and acute pain conditions.

Through a mix of inpatient and outpatient services, this increases patient choice and in turn will help to address waiting lists in and around north Wales.

Our strategy continued

**Building on our self-pay and PMI business**

Our self-pay revenue grew by 1.8%, while the private medical insurance (PMI) market has continued to expand, as employers seek to secure cover on a wider group of their employees. PMI revenue grew by 14.3% in 2023. We are building on our partnerships with insurers, demonstrating the value we provide through our effective operational performance and collaborative initiatives. We have value-based contracts with all four of the main PMI providers – Bupa, AXA Health, Aviva and Vitality – that are founded on clinical quality, patient experience and price. We continue to expand our marketing of the Spire-branded InSpire insurance product which gives easy access to private care at Spire hospitals and is underwritten by AXA Health. In 2024 we will grow capacity further to ensure prompt access for private patients, supported by online and digital improvements to enhance referrals.

To drive growth and build on our brand awareness, we launched a new multi-channel targeted marketing campaign in September 2023, developed in partnership with M&C Saatchi London and entitled ‘The sooner you’re better, the better’. The campaign focuses on the themes of accessing expert care quickly to make a swift recovery, getting back to being yourself, and returning to what you love doing. A 30-second TV spot spearheaded the campaign, with more media buy booked for early 2024. The campaign is designed to attract and retain customers, while appealing to consultants, employees, and NHS patients who may have an option to choose us. Since launch in September, we have recorded our highest-ever brand awareness and consideration scores. Since our first major campaign in 2021, we have seen a strong marketing return on investment.

**Supporting the NHS and its elective recovery plan**

We believe private healthcare has an important role to play in tackling waiting lists by working in partnership with the NHS. We were pleased to support the government’s Elective Recovery Taskforce, which aimed to increase the volume of elective consultations and procedures for NHS patients carried out by the independent sector, to help tackle the backlog. We welcomed the Taskforce’s recommendation, accepted by the government, of an increased role for the independent sector, more choice for NHS patients when first referred, and choice for anyone waiting longer than 52 weeks for treatment – static at around 337,000 patients according to NHS England – of hospitals with shorter waiting times.

We look forward to many NHS patients taking advantage of this newly promoted choice, to opt for a Spire Healthcare hospital or service, to receive their care.

Our volume of NHS work increased again during 2023, and we continued to help the NHS to treat patients waiting the longest. We have now cared for more than 623,800 NHS patients in our hospitals since the start of the pandemic in March 2020 with 195,950 in 2023. We also continued to engage closely and develop our relationships with the Integrated Care Systems (ICS) that bring together providers and commissioners of health and care services across geographical areas.

**Services for children and young people**

Children and young people are an important part of our patient mix. We offer a broad range of paediatric services in a hub and spoke model, from initial consultation and diagnosis through to treatment and surgery, including dermatology, orthopaedics, gastroenterology and ear, nose and throat services with the latter the busiest service. In 2023 we saw more than 48,000 children in our outpatient departments and cared for over 5,000 on our inpatient wards.

66 Digitalisation will remove cost from the hospital business to deliver a stronger financial performance, and make every patient’s journey a seamless one, from booking an appointment to accessing treatment, and helping them to build an ongoing relationship with Spire Healthcare.”



Private new outpatient consultations 2023

**+7.8%**

626,173 in 2023 vs 580,981 in 2022

Private revenue growth 2023

**+9.5%**

£959,700 in 2023 vs £876,600 in 2022

Our strategy continued



## 2. Building on quality

We remain fully focused on quality and patient safety across the organisation, underpinned by an open, learning and quality improvement culture.



### Our goals

- 100% of our inspected locations achieve 'Good' or 'Outstanding' ratings from regulators in England, Scotland and Wales
- Sector-leading patient satisfaction
- Above average patient reported outcomes

### Highlights and priorities

#### Highlights of 2023

- Started implementing the NHS England Patient Safety Incident Response Framework (PSIRF)
- Quality Improvement strategy fully embedded across our sites
- Continued to strengthen our governance standards including increased compliance with the National Joint Registry
- Launched our new Driving Clinical Excellence in Practice programme

#### Priorities for 2024

- Complete the implementation of PSIRF
- Continue to use our Quality Improvement strategy to maximum effect
- Use our new patient experience and engagement framework to further enhance patient experience
- Work with our new services to ensure we have excellence in governance and learning across the group

### Outstanding clinical quality

Quality underpins everything we do, with the delivery of patient safety and high-quality patient care central to Spire Healthcare's operations and embedded in our purpose and culture. 96% of our patients rated their experience as 'very good' or 'good', while 98% of our inspected hospitals and clinics are currently rated 'Good' or 'Outstanding' or the equivalent by regulators in England, Scotland and Wales. We are still awaiting reinspection of Spire Alexandra, our one remaining site which has a 'Requires Improvement' rating, which has not been inspected since 2016/17. Inspected VHG locations are currently rated 100% 'Good' by CQC.

Achieving 100% 'Good' or 'Outstanding' ratings across the group is a key target for us, and we aim to deliver care to the highest possible standards at all sites, all the time. This means being uncompromising on patient safety, and we aspire to the highest levels of incident reporting and the lowest level of patient harm incidents. We work hard to support our colleagues and consultants to ensure they have the skills and the facilities they need to ensure patient safety.

### Driving clinical excellence

During the year, we developed a new Driving Clinical Excellence in Practice programme, to support our registered nurses and allied health professionals' continuing professional development and the requirements of their professional revalidation. Read more on page 28. Aligned to this programme, in early 2024 we are rolling out the national Diseases Attacking the Immune System (DAISY) award to recognise extraordinary registered nurses and nursing associates who go above and beyond, and the Inclusive Recognition of Inspirational Staff (IRIS) award, recognising registered allied health professionals' excellent care to our patients.



Our strategy continued

Our framework for continuous improvement

We speak with patients every day to better understand their experience in our care. We want to find out more about their experience with us, their outcomes, and their broader patient experience before and after they came into our care. We use online feedback and patient forums with a direct loop to our hospitals and clinics so we can learn across all parts of the patient pathway. We have introduced a new Patient Experience Framework which provides a toolkit for listening to patients, standardised guidance on running effective patient forums and support with responding to issues raised. We relaunched and strengthened our hospital’s patient forums in 2023.

Hospital leaders attend a daily safety briefing with a standard agenda, to share key developments, and determine any improvements we can make. This is complemented by a weekly 10@10 meeting – 10 minutes at 10 am – for all our central function colleagues. Another fortnightly meeting for senior leaders is hospital focused and supported by a detailed weekly briefing for cascade. We think it is important to create safe spaces for our leaders to reflect on these matters and hold professional conversations and coaching discussions when required. All this means that vital information is shared swiftly to improve safety and encourage continuous improvement, and that conversations are happening across the organisation to make sure all lessons are learned.

Governance and oversight

We continue to strengthen our governance standards, assurance and board oversight, using data to support hospitals through comprehensive reporting processes on quality and rigorous ward-to-board assurance. We are extending our governance approach to all parts of the business, including the services we provide outside of hospitals, seeking to share learning as we integrate newly acquired services and develop new ones.

Our integrated quality assurance framework includes a suite of key performance indicators (KPIs) that is reported monthly to the board. Our framework is based on the NHS National Quality Board framework, with KPIs grouped under safe, effective, experience, well led, and money and people. An expanded report with a full suite of KPIs is used to provide information,

context and actions to board members to support robust conversations around assurance. The committee reviews all KPIs and forensically probes for themes, trends or opportunities for patient safety improvement. It scrutinises consultant performance; identifies quality outliers by consultant, hospital, or procedure; ensures full compliance with our policies around multidisciplinary meetings, especially in cancer; and reviews specialist services such as cardiac and young people’s services. It reviews any learnings arising from mortality reviews and always receives a presentation from hospitals on patient safety improvement. To read more, see page 101.

Quality and safety

We continue to ensure that we benchmark our quality standards against best practice, including using appropriate accreditation programmes. We have earned JAG accreditation for our endoscopy services at 14 sites – two hospitals achieved first-time accreditation in 2023, three were reaccruited. This accreditation is awarded by the Royal College of Physicians’ Joint Advisory Group on Gastrointestinal Endoscopy. In addition, 15 of our 16 chemotherapy sites have Macmillan Quality Environment Mark (MQEM) accreditation, which champions cancer environments that go above and beyond to create welcoming and friendly spaces for patients.

We continue to build our capacity to provide more complex care for patients in our hospitals. This opens up new areas of care we can provide, and makes Spire Healthcare more self-supporting, by ensuring that we need to do fewer transfers out where critical care needs arise.

Regulatory inspections (with 6 reports published in 2023)

7

2022: 10 inspection reports

Net promoter score among corporate customers towards VHG’s employee assistance plans

97

Source: NPS scores, Vita Health Group.



Patient Safety Incident Response Framework

We are implementing the new NHS England Patient Safety Incident Response Framework (PSIRF). PSIRF promotes a new, more proportionate approach to responding to patient safety incidents within a wider system of improvement, with compassionate engagement and involvement of those affected by patient safety incidents. It recommends a system approach to learning from incidents, with considered and proportionate responses, with supportive oversight focused on strengthening response systems and improvement.

PSIRF builds on our open and learning culture, and we have trained all the people who need to be trained in our hospitals, ready for the full implementation in 2024. Ahead of full rollout, we have trialled the new PSIRF processes at three sites: Spire Bristol, Spire Wellesley in Southend-on-Sea, and Spire St Anthony’s in Sutton.

Quality improvement

Our Quality Improvement (QI) Strategy reflects our continuous improvement approach to safety and quality, with a standard QI methodology we use across the business to enhance our quality improvement culture.

The strategy is underpinned by Spire Healthcare’s QI principles:

- Pursue value and quality as defined by our customers and our stakeholders
- Understand through observation – go, look, see and measure
- Remove waste – work or systems and processes that add no value and increase workload
- Create flow – optimise efficiency in all that we do
- Make it visible so you can see what is happening
- Standardise, document and continuously improve operations

We put in place a QI framework in 2023 confirming our QI priorities, and all our hospitals have agreed their own QI priorities based on these. To date, we have run more than 200 QI projects, which have improved patient outcomes and experience, driven efficiency and reduced waste.

Projects have included a nurse-led approach to reduce incidences of hyponatraemia which was a finalist in the Nursing Times Awards 2023, a project to reduce the average length of stay for hip and knee surgery patients, efforts to use fewer opiates for pain relief at discharge for orthopaedics, a nationwide project to improve resuscitation skills which was a finalist at the LaingBuisson Awards 2023, and a multi-year project to improve patient discharge scores across the group.

Our strategy continued



Strategy in action

## Resuscitation quality improvement

Our resuscitation quality improvement (RQI) programme was delivered as part of a collaborative partnership with Netherlands-based Laerdal Medical.

They are a world leader in resuscitation initiatives, such as simulation skills, and worked with us to develop our clinical colleagues' skills.

We adapted what we learned from Laerdal to create a new centralised training overview, which has led to a standardised approach to resuscitation throughout our hospitals nationally. This has

brought a level of consistency and clinical skill across the group that would normally be seen as a challenge for one large hospital site alone to achieve, never mind a series of sites across the country.

The RQI initiative has been recognised as an example of 'Excellence in Training', having been selected as a finalist in the 2023 LaingBuisson Awards.

Colleagues receive training in our QI methodology through our QI Academy. To date, more than 13,000 colleagues have accessed the QI training, either virtually or in face-to-face sessions, and we now have more than 280 QI trained practitioners. We also deliver bespoke QI training to our medical advisory committee chairs, business unit directors, directors of clinical services, finance managers, and Freedom to Speak Up Guardians.

### Freedom to speak up

Like everyone working in healthcare, we have reflected on the terrible crimes of Lucy Letby, committed at an NHS Trust. It has reinforced the importance of our Freedom to Speak Up (FTSU) culture, and we are proud of our network of 58 FTSU Guardians across Spire Healthcare locations, with 90% of colleagues knowing who their FTSU guardian is, plus a network of ambassadors who can receive concerns. But having that culture in place does not mean we are ever complacent. We regularly re-emphasise to our colleagues and consultant partners that we encourage them to speak up, and inform them that they will always be listened to and supported. We believe that having the right culture where people feel psychologically safe is a prerequisite for improving quality and providing safe care.

Colleagues can submit a Freedom to Speak Up concern via a dedicated module on Datix, our risk management software. The concern is managed by one of our trained FTSU guardians. We also have 31 consultant ambassadors to receive concerns.

We surveyed our Spire Healthcare Limited FTSU guardians in 2023 and used their responses and feedback alongside listening sessions to shape our speak up strategy. We have issued clear communications from our Chief Executive Officer, Justin Ash, and Group Medical Director, Dr Cathy Cale: 'Whatever method you use, our message to you is this – if you have a concern about patient safety, please raise it immediately. We will protect anyone who raises a concern they reasonably believe to be true (proven or not) from suffering any form of reprisal or other detriment as a result.' To support this message we have launched the National Guardian's Office Speak Up training modules, 'Speak Up, Listen

Up and Follow Up', aimed at building awareness of the importance of speaking up. 'Speak Up' is mandatory for all colleagues, we will be adding it to our mandatory training for consultants who practise at Spire Healthcare and VHG will be introducing in 2024. 'Listen Up' and 'Follow Up' are for managers.

Colleagues also have access to a confidential whistleblowing helpline, managed by an independent third-party provider, enabling them to raise any concerns anonymously.

In 2023 Vita Health Group (VHG) updated their Speak Up policy and enriched their established Freedom to Speak Up Guardian roles to embed a culture where individuals confidently raise concerns in confidence and identify opportunities to improve standards of care, working environments, and colleague wellbeing. The Doctors Clinic Group has two guardians who have started their National Guardian's Office training programme. Spire Healthcare and VHG both hold a dedicated FTSU month each October – aligned to the National Guardian's Office national campaign – to raise the profile of speaking up and of the guardians, and to offer further support and training to ensure colleagues know who they are and how to contact them. In 2023 the theme was overcoming barriers.

Inspected locations rated 'Good' or 'Outstanding' or equivalent by regulators England, Scotland and Wales

98%

2022: 98%

Patients say they felt 'cared for' or 'looked after' when receiving care at Spire Healthcare hospitals

94%

2022: New question for 2023  
Source: Patient Discharge Survey

Our strategy continued



# 3. Investing in our workforce

## Recruit, retain and develop great people.

With the shortage of clinical staff across the healthcare sector, we aspire to attract, retain, train and develop the most talented people to our business.



### Our goals

- Sector-leading colleague satisfaction
- Sector-leading consultant satisfaction
- Sector-leading private hospital apprenticeship programmes

### Highlights and priorities

#### Highlights of 2023

- Brought our recruitment service in-house to improve attraction and efficiency, saving £0.5 million
- Launched a new Speak Up training module from the National Guardian's Office
- Welcomed a new cohort into our nurse apprenticeship programme
- Held our first colleague survey champions' day

#### Priorities for 2024

- Develop our new reward framework
- Refocus our equality, diversity and inclusion strategy
- Focus on the employee experience as part of our external employer brand
- Continue to develop networks to support colleagues

### Creating a positive working environment

As a healthcare service provider, we recognise and value the hard work and dedication of all our colleagues. That's why investing in our workforce is at the heart of the group's strategy, and why when we say we're here to make a positive difference to people's lives, we include our own people in that.

Given the well-documented shortage of skilled healthcare staff in the UK and internationally, the need for wellbeing, inclusion, and a positive, rewarding working environment has never been greater. More than that, we recognise that we have a vital role to play in addressing the shortage of clinical staff, not just in our own organisation, but also across the nation's healthcare system. We aim to develop, support and protect our colleagues within a welcoming culture that is characterised by openness, respect, collaborative working, a focus on clinical safety, and a spirit of continuous improvement. That's how we create value for our colleagues, our business and the whole health sector.

### Bringing recruitment in-house

Our workforce is a critical enabler to deliver our strategy, but resourcing remains the most significant barrier to building capacity across our services. Vacancies are a continuing challenge across the healthcare sector, notably for specialist clinical roles. That's why we brought hospital recruitment in-house early in the year, and this has led to a tangible improvement to the filling of vacancies and a reduced cost per hire – as of September 2023, the average cost per offer is 41% lower – and the project saved £0.5m in 2023. We are attracting talented people to join our teams, while we continue to actively promote people to new roles from within Spire Healthcare.

Agency costs remain an issue for us and all healthcare providers, and rates for specialist skills are higher, but we are controlling them well and costs are down. We now have a single agency booking system, with a master agreement in place. This helps us to manage our agencies and see all costs up front. We are still in the process of digitising our bank and agency staff recruitment, but a single platform will bring future efficiencies.

## Our strategy continued

We also continue to develop the way we portray our employee experience to potential recruits. Building on work in 2023, we will develop use of social media, events and advertising to reach new colleagues in 2024.

### Valuing and rewarding colleagues

With the ongoing cost-of-living pressures, high interest rates, and impact of high inflation, our colleagues want clarity and certainty about their pay. That's why for all eligible colleagues we prioritised a 5.5% salary increase from September 2023. This built on our 5% increase last year and means that most colleagues will have seen a rise of over 10% in salary since September 2022. We have also been developing a new reward framework with our hospital directors and senior leaders to provide our colleagues with a simple structure and clarity on role progression to support their careers.

### Engaging with colleagues

We want our colleagues to have a great work experience at Spire Healthcare, and if they feel engaged they can perform at their best. We use a range of two-way communications channels to communicate and engage with colleagues. These channels include our Ryalto colleague communications tool, which is used to build employee communities, publish key information and videos to colleagues from our chief executive officer, Justin Ash, and members of the executive committee every month.

In April we held our first-ever colleague survey champions' day at our head office, getting people together from all our hospitals and central functions to discuss what matters most for our teams. Key themes from the meeting included the importance of getting the basics right, particularly around personal development and growth. The group also reviewed our activity since last year's colleague survey: since the survey, we have launched Justin Ash's monthly colleague and consultant update, encouraged and supported managers to carry out half-year performance reviews with their teams throughout July, highlighted the importance of regular 1:1 meetings between managers and colleagues, and held our first topic-specific colleague call to get colleagues behind our new multimedia brand campaign.

We also established a new workforce committee in July that reports to our executive committee and is dedicated to strategic workforce matters. We held further colleague listening sessions with the executive committee and our non-executive directors – including a session with Justin Ash on Freedom to Speak Up.

### Colleague survey results

While we encourage regular feedback from our people formally and informally, our annual colleague survey is open to all colleagues and provides in-depth feedback from all parts of the business. We held our 2023 survey in November and achieved an overall response rate of 86% (77% in 2022), with 81% of colleagues saying they are proud to work for Spire Healthcare (+1 percentage point from 2022) and 84% of colleagues saying that they get personal satisfaction from the work they do, level with 2022. 86% of colleagues would be happy with the standard of care if their friends or family needed treatment at Spire Healthcare (up 3 percentage points from 2022) and 71% would recommend Spire Healthcare as a place to work (down from 72% in 2022). Following these results, teams are developing action plans to drive improvements such as learning opportunities, line management and variances between sites.

As part of our analysis of the feedback, we view the results of the survey by demographic to help us understand the needs and experiences of different colleague groups. 75% of respondents in the survey believe that we treat all people as equals, regardless of individual differences, up from 70% in 2022.

### Equity, diversity and inclusion

We believe that diversity and inclusion are core to sustaining a successful business, and we aspire to create an environment where everyone is respected and cared for, and where difference is celebrated. We want to ensure that our colleagues feel confident to bring their whole selves to work, which in turn makes us stronger as a team and as an organisation. We were pleased to be listed in the Financial Times Statista Diversity Leaders index for another year; this is an index of companies considered to be Europe's Diversity Leaders, based on a survey of 100,000 employees across Europe.



### Strategy in action

## Driving Clinical Excellence in Practice programme

We were pleased to launch our new Driving Clinical Excellence in Practice Programme this year. It is a bespoke educational initiative that covers a comprehensive framework of necessary competencies and skills for our registered nurses and allied health professionals. The programme encourages participants to engage with their peers to foster a deeper sense of community and reinforce pride in the profession. It will also support nurse revalidation, promote better patient outcomes, patient experience and promote better use of resources. The programme was launched at the beginning of November for our first cohort of registered nurses. The first education day was held

at Spire Manchester, with 27 registered nurses from 16 hospitals who work across wards, outpatients, recovery, theatres, eye centres and pre-operative assessment. The second education day took place at our head office and was attended by 44 registered nurses. The first cohort of registered nurses who complete the programme will be awarded their Driving Clinical Excellence in Practice badge and certificate at a graduation event to be held at our head office, where we will celebrate and acknowledge all of their hard work and commitment. This event is scheduled to coincide with International Nurses Day in May 2024. The second cohort of the programme is scheduled to begin in April 2024.

Our strategy continued

Our equity, diversity and inclusion (EDI) strategy is based on four commitments: (i) we recognise the value of diversity, (ii) we understand how it will help us deliver our purpose, (iii) we respect and appreciate each other for who we are, and (iv) we include diverse colleagues in our problem-solving to make better, faster decisions.

Our colleague networks are an important part of delivering our EDI strategy – we run regular meetings, lunch-and-learn sessions with external speakers and other activities to support colleagues and patients. Networks provide safe spaces for colleagues to discuss issues of relevance, raise awareness and competency of those issues, and influence change. For example, our Let’s Talk LGBTQ+ network extended the network of trained champions to every hospital in 2023 and has held sessions on transgender awareness and HIV-positive living, in partnership with Manchester-based charity, George House Trust. The network produced three Spire LGBTQ+ podcasts, made available via our internal channels. These featured interviews with colleagues on adoption, career development and living and working as a transgender person. Vita Health Group runs an LGBTQIA+ network.

Our menopause colleague network is now in its second year and has trialled a menopause checklist to support and enable conversations between line managers and colleagues when reviewing adaptations in line with our menopause policy, and explored a new menopause-friendly uniform in 2023. Results from a second survey are expected in early 2024. The first survey showed colleague difficulties with insomnia, anxiety, low confidence and self-esteem.

Read about our race equality network, and more on diversity, in the sustainability report on page 45.

Development and apprenticeships

Supporting the development of our colleagues is crucial if we are to maintain the high standards of quality and care that we expect for our patients and pride ourselves on. Professional development is also an important part of our offer for attracting and retaining the very best people for our hospitals. We currently have over 430 apprentices across the

business in a wide range of clinical areas such as biomedical science, physiotherapy, medical laboratory technicians, as well as non-clinical disciplines, representing almost 4% of our permanent workforce. We welcomed another 12 nurse apprentices at 10 hospitals onto our nurse apprenticeship programme in late 2023. All 12 passed a rigorous assessment to join the programme, which is run with The University of Sunderland. They will each enjoy remote studying as well as placements in a range of nursing settings. Some of Spire Healthcare’s 160 nursing apprentices graduated in November with high honours, delivering critically-needed nursing skills directly into the UK healthcare sector. Spire Healthcare was named Employer of the Year at the University of Sunderland and MTC Training Awards.

International colleagues

We continue to recruit overseas nurses, recruiting 115 in 2023. This recruitment not only adds valuable colleagues and capacity to the group, but also broadens the opportunities available to the nurses who join us from other countries, however long they stay with us and wherever they choose to pursue their future careers. Each new nurse undertakes Objective Standard Clinical Examination (OSCE) training and is individually welcomed, and we provide them with access to support teams 24/7.

As ethical recruiters, we only recruit actively in ‘green’ countries under the World Health Organization definition. We help overseas colleagues, including resident doctors, to connect with others making the same journey. Since 2021, we have recruited over 670 members of staff from overseas.



Mental health and wellbeing

We have a network of trained volunteer Mental Health First Aiders who support colleagues at our sites. Resilience training is available, and attendance is encouraged to ensure our first aiders have the support they need and the opportunity to acquire additional skillsets to prioritise self-care before helping their colleagues. Group People Director, Rachel King, attends regular listening calls with our network of mental health volunteers to enable colleagues to raise concerns in a safe, supportive and confidential environment.

We also offer a comprehensive Employee Assistance Programme providing confidential advice and support online and via a free helpline, available 24 hours a day, 365 days a year. In late 2023, Spire Occupational Health started to provide support to non-clinical Spire Healthcare employees through new starter assessments, bringing services in-house.

Working with consultants

A crucial part of the care we provide is our consultant partners, who operate as self-employed practitioners in our hospitals, drawn from all medical disciplines. Each hospital’s medical advisory committee meets quarterly with consultants, and the committee chairs meet hospital directors and directors of clinical services regularly to ensure proper, safe, efficient and ethical medical use of the hospital. In 2023, hospital leadership teams developed action plans to build on our existing relationships with consultants. These aimed to ensure we have the best clinical facilities available to them, and effective digital systems which make it easy for them to do business with us. Our annual consultant survey in 2023 ran using our new experience measurement platform, Qualtrics, and saw a seven percentage point rise in the response rate. Results showed that 83% of consultants now state that the care provided in hospitals is ‘very good’ or ‘excellent’, up from 78% in 2022, and driven exclusively by uplifts in consultants rating care as ‘excellent’. Five hospitals saw rises of 12 percentage points or higher. Consultants rating the quality of service provided to them by our hospitals as ‘very good’ or ‘excellent’ is 69%, up from 64% in 2022 and the highest level since 2016.

66 Diversity and inclusion are core to sustaining a successful business, and we aspire to create an environment where everyone is respected and cared for, and where difference is celebrated. We want colleagues to feel confidence to bring their whole selves to work, which makes us stronger as a team.”

Colleagues proud to work for Spire Healthcare

81%

2022: 80%  
Spire Healthcare annual survey 2023 (Spire Healthcare Limited and The Doctors Clinic Group)

Consultants describe the care provided in hospitals as ‘excellent’ or ‘very good’

83%

2022: 78%  
Spire Healthcare consultant survey 2023

Our strategy continued

**NHS sexual safety in healthcare charter**

Following reports of sexual assault, harassment and abuse in the NHS, NHS England launched a new sexual safety charter this year – urging all NHS trusts, Integrated Care Boards and others across the healthcare sector to sign up. We stand in full support of anyone who has been the victim of this kind of behaviour and were pleased to sign up to the organisational charter which commits us to a zero-tolerance approach to any unwanted, inappropriate and/or harmful sexual behaviours towards our workforce. We also commit to actively working to eradicate sexual harassment and abuse in the workplace, and to promote a culture that fosters openness and transparency. These commitments apply to everyone in our organisation equally.

**Creating value for each other**

With the pressures of the past few years compounded by the cost of living, high inflation, and recession in the economy, supporting our colleagues' health and wellbeing remains a top priority. Our Helping Hand initiative uses bespoke notice boards at all hospitals where our people can ask for or offer help such as donating or loaning useful items or offering their skills and time. Our virtual monthly nightcap club remains in place, giving colleagues a safe space to share how they are doing. One of the chief executive's key messages for 2023 was 'Be Kind', supported by messaging on financial, mental health and exercise, and a 'Be Kind' Christmas campaign.

We introduced new questions in our 2023 colleague survey about wellbeing to enable us to better understand how colleagues feel they are being supported. We offer discount savings via our online colleague portal, Spire for You, and have promoted Blue Light cards to colleagues; these provide more than 15,000 discounts for healthcare workers.

**Absence and turnover**

Managing absence and turnover helps us understand our colleagues and ensure they are valued and rewarded. We use data to flex our workforce and ensure we have sufficient capacity and resilience.

Our absence rates show a further reduction in 2023, particularly short-term absence. The overall rate of absence was 4.7% (5.9% in 2022, 6.3% in 2021). Cost of sickness absence reduced by over £2 million across the group in hours lost compared to 2022. Our monthly turnover rate continued to reduce significantly, with 23% fewer leavers in 2023, compared with 2022, suggesting that recent pay awards and increased development opportunities have had a positive impact on retention. The highest recorded reasons for leaving are personal circumstances and career progression; our focus will continue to be on career development and flexible working solutions. The market for talented people remains competitive, with the demand for nurses particularly high. We are pleased to see a 40% increase in the number of offers made to new colleagues, compared to 2022, following the successful insourcing of our recruitment team.

Absence rose at Vita Health Group during 2023 with an overall rate of absence of 3.6% (3.2% in 2022). Turnover fell slightly from 24% in 2022 to 23.5% in 2023. Absence at The Doctors Clinic Group during 2023 was 1.2% overall, and turnover was 46%.

**Overseas nurses recruited**

115

2022: 112  
Spire Healthcare Limited recruitment data

**Colleagues who get satisfaction from their work**

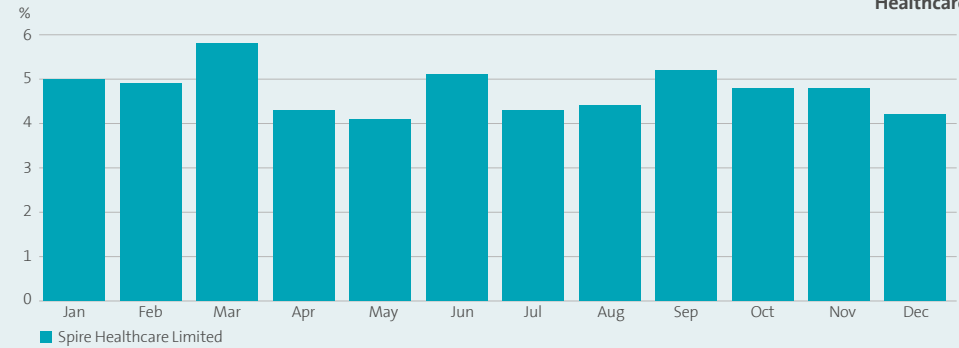
84%

2022: 84%  
Spire Healthcare annual survey 2023 (Spire Healthcare Limited and Doctors Clinic Group)

**Employee absence, 2023, Spire Healthcare**

Total sickness absence in hours as a % of total employed hours

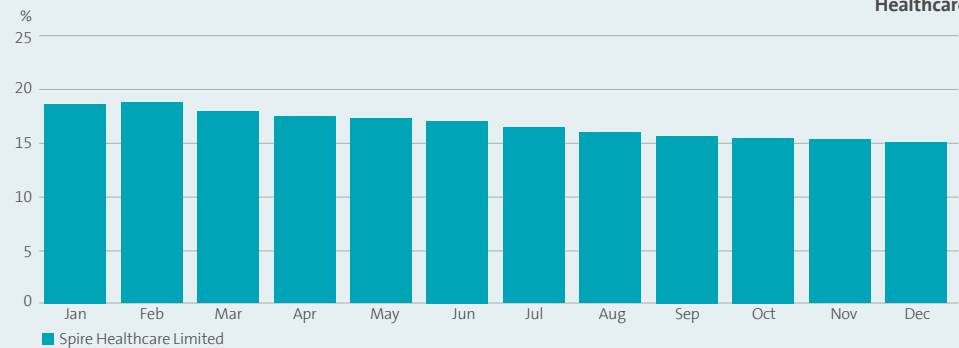
4.7%  
overall Spire Healthcare



**Employee turnover, 2023, Spire Healthcare**

12-month rolling turnover rate as a % of total headcount

15.1%  
overall Spire Healthcare



Read more about diversity networks, allyship and data in our sustainability report on page 36

Read more about apprentices and learning and development in our sustainability report on page 36

Our strategy continued



# 4. Championing sustainability

## Become recognised as a leader in environmental, social and governance (ESG) in our industry.

Spire Healthcare’s purpose, strategy and sustainability ambition are integrally linked to each other. By managing sustainability successfully, we aim to create lasting economic and social value.

### Our goals

- Leading the independent sector in being carbon neutral by 2030
- Contributor to Britain’s healthcare workforce and a diverse employer
- Protect and manage all sensitive data
- Reduction in waste and improved recycling

### Highlights and priorities

#### Highlights of 2023

- 3% ahead of 2023 emissions target (27,017 tCO<sub>2</sub>e achieved vs target 27,750 tCO<sub>2</sub>e)
- 35% of overall waste is recycled, up from 30% in 2022
- 47% female representation at board and executive committee level combined at end 2023
- 18.9% of colleagues classify themselves as non-white by ethnicity, up from 17.3% in 2022

#### Priorities for 2024

- Continue to seek opportunities for carbon reduction at all Spire Healthcare sites
- Continue to encourage, and train for, effective recycling and waste management
- Further increase female representation at executive committee level in pursuit of 40% board and executive committee combined target by 2025
- Strengthen security measures governing the storage of and accessibility of sensitive data



### Sustainability is core to Spire Healthcare\*

Championing sustainability is core to the group’s strategy and fundamental to our success and future. By managing sustainability successfully, we aim to create lasting social economic value.

Our sustainability strategy, which we launched in 2022, charts a progressive journey in which the group is evolving from risk management to providing social value and driving opportunities for sustainable growth. We actively collaborate with our stakeholders, including patients, colleagues, consultants, local communities and partners, to enrich lives and be a net contributor to society, not just through the services we provide, but in everything we do. This includes challenging our colleagues and the people we work with to factor sustainability into all aspects of what they do.

Our ambition, through our strategy, is to become recognised as a leader in sustainability in our industry:



\* The sustainability strategy covers Spire Healthcare Limited only at this stage; we anticipate working to bring the rest of the group under the same plan.

Our strategy continued

Respect the environment

We continually seek ways to reduce the impact our business has on the environment. We are continually looking at ways to reduce our carbon emissions, focusing our efforts on waste and recycling, including reducing the use of single-use plastics, finding ways to reuse our single use metal instruments and reducing the number of disposable gloves we use. We are doing all of this while working with suppliers to align goals, to ensure we work together to develop healthcare in sympathy with a sustainable planet. As an example, since 2019, we reduced CO<sub>2</sub> for Scopes 1 and 2 and improved waste segregation and reduction, to the equivalent of 28,850 trees planted or the equivalent of 16 football pitches.

Our journey towards achieving net zero carbon status by 2030 is going well, with investment in 2023 to remove piped nitrous oxide systems, further installations of LED lighting, and carbon reduction through effective management of our waste and the optimisation of our building management systems. We increased the amount of all dry mixed waste we recycled by 5% since 2022, with 99.7% of our domestic waste diverted from landfill and used for renewable energy, reused or recycled in the year. We also set up all our sites to manage food and glass recycling. Read more in our sustainability report on page 36.

Engage our people and communities

As set out in the previous section, to deliver our purpose we need a dedicated and engaged workforce. We celebrate the large number of long-standing colleagues who bring many years of experience and dedication. However, we continue to invest in our workforce through strong recruitment, retention and development programmes. We aim to provide a stimulating, diverse, inclusive and healthy working environment in which colleagues can thrive and achieve their career goals and aspirations.

3%

ahead of 2023 target emissions: 27,017 tCO<sub>2</sub>e achieved, target 27,750 tCO<sub>2</sub>e (2022: 9% ahead, 25,854 tCO<sub>2</sub>e achieved, target 28,163 tCO<sub>2</sub>e)

Report on CO<sub>2</sub> emissions by Inenco Group Ltd for Spire Healthcare

Our overall median gender pay gap in Spire Healthcare Limited is 9.2% in 2023 (2022: 6.2%) and the mean is 17.7% (2022: 17.1%). We are taking a number of positive steps to invest in and provide development opportunities for our female colleagues to progress into senior roles and work towards a balanced representation to reduce the gender pay gap. We welcomed two new female board, and two new female executive committee, members in 2023.

A key way we ensure the sustainability of our business is through our award-winning learning and development programmes. We are also embedding equity, diversity and inclusion across the organisation with active colleague-led networks for sexuality, race and mental health. Vita Health Group (VHG) has additional networks for faith, women and carers.

Closely linked to this is the way we engage with our local communities. Alongside expanding the healthcare services we provide, we also fundraise to support national and local causes in the areas around our hospitals. In June, we held a company-wide charity focus week, raising more than £40,000. An 'around the world' theme challenged participants to cover more than 40,000km through local skating, swimming, dancing and walking challenges, including a two-day 110km Thames Path walk between our offices in Reading and London, and cycling across 50km, 100km and 200km distances visiting Spire Bushey in north London and Spire Harpenden Hospital. Locally, hospitals contribute informally to food banks and other charities throughout the year; we would like to build wider engagement in the future as our charity committee becomes more established. Read more on page 49.

To promote services to 'hard to reach' patient groups, our VHG colleagues work closely with voluntary sector partners to stimulate referrals and bring services to supermarkets, libraries and community centres through a network of partnership liaison officers. In 2023, VHG commissioned a 'mental health bus' which stimulated community awareness of NHS talking therapies in the east Midlands.

Read more about our diversity and people initiatives in our sustainability report on page 36 and in the strategy on workforce on page 27



Strategy in action

Ramping up our recycling culture

As our business grows, we have launched a number of initiatives to improve further our recycling culture across Spire Healthcare. All sites are now set up with facilities to recycle food and glass, and we are planning an initiative to turn our hard plastics into benches and planters that we can donate to schools, parks and other places where they will add value to our communities.

Previously, items such as disposable curtains and tray wraps would find their way into general waste, but we are now set up at most sites to segregate these and dispose of them properly.

We are also exploring alternative solutions to using disposable paper tissue roll in many of our outpatient areas.

Another area planned for 2024 is a 'gloves off' campaign, to reduce, within strict safety parameters, the use of disposable gloves. A reduction in glove use would reduce carbon emissions and cost both in procurement and the cost of waste management.



Our strategy continued



66 In 2023, we improved waste segregation and reduction, removing 358.15 tonnes of CO<sub>2</sub>. This is the equivalent of planting 1,194 trees, removing 134 cars from the roads or powering 218 houses for a year.”

**Operate responsibly**

We believe ethical and responsible behaviour is borne out of a culture that is based on core values. Spire Healthcare’s values are:

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

We have a relentless focus on delivering healthcare to the highest standards and prioritise patient safety at all times. We aim to maintain robust standards of clinical and corporate governance in line with best practice while promoting an open and learning culture for all colleagues. Operating responsibly also requires strict compliance with the law. We continue to monitor all aspects of the group’s operations to ensure we comply with all applicable laws, including competition law, anti-bribery law, anti-tax evasion facilitation law, healthcare regulations and data protection law.

**Strengthening information and data security**

Security can never be risk free, but at Spire Healthcare, we have demonstrated our commitment and support to continual improvement through investment in our people, processes and technology to mitigate against cyber risk. This is a particular focus as we update and invest further in our digital systems, ensuring that we continue to reduce risk and strengthen the group’s information governance and data security position. Read more on page 53.

 **Read more about sustainability and our goals, progress and KPIs in our Sustainability report on page 36**

**Dry mixed recycling rate for hospital sites only**

23.5%

2022: 18%  
Source: Spire Healthcare waste report 2023.

**Female representation at executive committee and board level combined**

47%

2022: 37%  
Source: Spire Healthcare data.

Our strategy continued



# 5. Expanding our proposition

## Selectively invest to attract patients and meet more of their healthcare needs.

Expanding our proposition enables us to meet changing demands for healthcare, reach a wider target market, and provide a broader service to patients and the public.



### Our goals

- Develop Spire Healthcare as an innovative integrated healthcare business
- Build new revenue and profit streams by building and acquiring new services, as well as partnering to expand our proposition
- Meet more of Britain's healthcare needs with a broader service

### Highlights and priorities

#### Highlights of 2023

- Acquisition of Vita Health Group for £73.2 million
- Developed our first diagnostic and outpatient clinic in Abergele in north Wales, opened early 2024
- Integrated The Doctors Clinic Group, rebranding as two business units – Spire Occupational Health and London Doctors Clinic (LDC)
- 8,000 GP appointments each month across our Spire GP and LDC businesses

#### Priorities for 2024

- Begin the integration of Vita Health Group into Spire Healthcare
- Expand our national footprint of diagnostic and outpatient clinics
- Grow our occupational health services, working closely with employers
- Expand our network of NHS talking therapy services

### Becoming an integrated healthcare provider

While running great hospitals remains central to Spire Healthcare, we are responding to the rapid and fundamental changes taking place in the UK healthcare landscape by making selective investments in new services that are designed to attract new patients and meet more of their healthcare needs. We want to take a more proactive role in our patients' care before and after a stay in hospital. More than that, we want to be with people throughout their whole healthcare journey. That means offering the services they need, when they need them – like private GP consultations, occupational health, musculoskeletal treatment, and even NHS talking therapies services, bridging the gap between physical and mental health services.

Becoming an integrated healthcare provider and meeting more of people's needs also helps us to boost Britain's economy, as we can lift some of the burden on the NHS by helping to tackle the causes of ill health and low productivity. More than ever, employers are looking to improve their employees' health and wellbeing, and this can often be done better outside of hospitals before a health issue becomes a major concern. Prevention is an increasingly important aspect of healthcare, and we believe this is an area to which Spire Healthcare can make a significant contribution.

### Occupational health

800+

corporate clients through Spire Occupational Health and Vita Health Group

### Integrated healthcare provider

4%

of our revenue is now from new services

Our strategy continued

Acquisition of Vita Health Group

We made a significant addition to our business with the acquisition of Vita Health Group (VHG) late in 2023. VHG provides NHS outpatient mental health talking therapies, musculoskeletal and dermatology services, with operational hubs in London and four regional centres in Bristol, Orpington, Oldham and Leicestershire. Talking therapies are effective and confidential treatments delivered by trained and accredited practitioners for conditions like depression, and anxiety. With a customer base of 16 NHS integrated care boards and more than 200 corporate clients, the company also offers outsourced physiotherapy and counselling services to the corporate and occupational health markets.

The acquisition enables us to expand our capabilities into low-acuity mental health while providing synergies with the relationships we have already built with corporate and PMI customers, and occupational health businesses. VHG is a leading provider of community-based healthcare solutions, and comes to the group with outstanding patient feedback, a proven management team, and a strong track record in winning new contracts – several of which are likely to come online in early 2024. And 100% of inspected VHG locations are rated ‘Good’ by the CQC.

The Doctors Clinic Group – integration and rebranding

The integration of The Doctors Clinic Group (DCG), which was acquired in December 2022, is progressing well. We have spent a lot of time with the DCG team in 2023, integrating our systems and sharing best practice, governance and ways of working. We have also restructured the business into two units – Spire Occupational Health and London Doctors Clinic, Part of Spire Healthcare (LDC). Both units have new branding, with Spire Occupational Health focused on developing customised health services for employers, building on more than 600 existing corporate clients, while LDC offers a range of private GP services including blood tests, sexual health, men’s and women’s health, mental health and ECGs, as well as referrals for diagnostic investigations.

Having reviewed the LDC estate during the year, we took the difficult decision to close down four clinics in Manchester and Birmingham to focus the business on London and the south east. We have since opened five new clinics in our core target areas of Bank, Chiswick, Fulham, Hampstead and Islington. We did not meet our goal of being break even in 2023, owing to investment in new clinics and a delay to our ability to offer in-house laboratory services. This is now rolling out and profitability is expected in 2024.

With the acquisition of VHG, integration will again be a key workstream as we benefit from synergies between areas of the business.

Nationwide private GP network

Our Spire GP primary care services continue to grow in recent years, with patients attracted by a high-quality service offering efficient access to a GP near to where they live. Patients also value the longer appointment times that enable a fuller examination and discussion of their medical needs with the GP. Spire GP is now available through almost all of our hospitals, providing people with a fast and convenient way to access the diagnoses and treatments we can offer in our hospitals.

With our Spire GP and LDC businesses, we now have a large, nationwide private GP network with 18 rapid-access clinics in the capital, delivering around 8,000 GP appointments each month.

Getting people back to work

Following a year of integration, we will now look to develop and expand our newly rebranded Spire Occupational Health business. Together with VHG’s occupational health business, it is poised to make a positive difference to Britain’s working population in the year ahead. During 2023, the government launched two consultations aimed at improving access to occupational health services, which we welcomed. At the time of writing, we are awaiting a final decision from the government on whether to introduce incentives into the tax system to encourage employers to provide high-quality occupational health services to employees. We believe that this would be a positive step forward, which would result in greater take up of occupational health, with positive benefits for employers and employees.

Treatment clinics

Opening new clinics that offer daycase care is a big part of expanding our footprint, allowing us carry out minor treatments in many areas. The first of our new clinics in Abergele, north Wales, opened in early 2024 (see more, right), with work on another in Harrogate underway.

The clinics offer ambulatory care, enabling us to build in efficiencies from the start, which is not possible when running a full hospital. Some of the clinics will follow an ‘outreach’ model, opening close to existing hospitals and enabling us to move some of our outpatient functions and minor treatments away from our hospitals. Others will be in completely new parts of the country where we don’t currently have a presence, enabling us to meet the healthcare needs of more people, and to build relationships with new consultants.

Read more on our 17 sustainability goals on page 36

Private GP consultations in 2023

99,000

2023: 35,798 Spire GP, 63,270 LDC  
2022: 32,900 Spire GP  
Spire Healthcare data

Patients cared for by Vita Health Group in 2023 since acquisition

46,000+

2023 full year: 225,380, 2022: 168,906  
Vita Health Group data



Strategy in action

Broadening our community healthcare services

Following several months of building work during 2023 to upgrade the old Spire Abergele Consulting Rooms at North Wales Business Park, we were pleased to open the new Spire Healthcare Abergele Clinic in early 2024.

The clinic provides patients with access to Spire GPs and will deliver up to 4,000 operations every year to patients who don’t require an overnight stay. Spire Healthcare Abergele Clinic represents an important step in broadening our community healthcare services, giving local people fast access to our diagnostic services, as well as treatments for orthopaedic, ophthalmic, dermatological, and gynaecological conditions – showing our determination to deliver outstanding personalised care in the community. Those people needing more complex care or treatment that requires an overnight stay can be referred to our Yale Hospital in Wrexham.

## Sustainability report

# We are a progressive, sustainable business

We want to become recognised as a leader in sustainability in our industry. Through our sustainability strategy we seek to create value in the workplace, our local communities and the environment.



### What sustainability means to Spire Healthcare

Sustainability is a core component of Spire Healthcare's strategy and operations. Our ability to succeed today and plan for tomorrow depends on us being able to positively contribute towards enhancing the world for current and future generations. As an independent healthcare company, we have an important societal role to play as our delivery of people's care contributes to the health of the nation and benefits society.

As we execute our strategy, we seek to take a long-term view, whether that is through the investments we make in our colleagues, hospitals, clinics and services, or our interactions with the communities that we serve. We aim to develop a business that is fit for purpose now and capable of providing lasting impact in the future.

Over 35 years ago, the United Nations Brundtland Commission introduced the concept of sustainable development and described how it could be achieved. It defined sustainability as 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'. This definition has stood the test of time and underpins Spire Healthcare's approach to sustainability.

We believe that acting conscientiously as a business and investing responsibly to achieve positive social and environmental outcomes, are critical to the long-term success of Spire Healthcare.

\* The sustainability strategy covers Spire Healthcare Limited only at this stage; we anticipate working to bring the rest of the group under the same plan.

### How we make an impact and add value

We will deliver on our ambition to be a sustainability leader by focusing on our purpose, 'making a positive difference to people's lives through outstanding personalised care', which is implemented through our strategy and engagement with our stakeholders. The implementation of our purpose and strategy is supported by our values. All of this is enabled by our sustainability strategy. There are three elements to the strategy:



#### Respect the environment

We are committed to minimising the environmental impact of our operations and maintaining the group's resilience to environmental risks and impacts.



#### Engage our people and communities

We're a people business. By hiring talented people and providing an environment in which to grow and develop their careers, our patients and the communities with whom we interact, and society at large, will benefit.



#### Operate responsibly

We aim to operate to the highest standards in everything we do, ensuring honesty, integrity, proper governance and compliance at all times. We promote an ethical culture across the group.

Sustainability report continued

# How we support the United Nations Sustainable Development Goals

The United Nations Agenda 2030 is underpinned by 17 Sustainable Development Goals (SDGs) that were ratified by UN Member Countries in September 2015.

The SDGs together form a roadmap for global prosperity that can only be achieved with a concerted global effort led by national governments and supported by non-governmental organisations, civil society and business enterprises.

As a leading corporation in UK healthcare, Spire Healthcare is committed to the UN's SDGs and, where possible, we map our sustainability activities to them. Our long-term success depends on

responding to the needs of all our stakeholders and the world around us. The SDGs have helped us understand how our objectives and targets align to broader global issues and have shown us where we can make a positive impact on society.

We apply our expertise, skills and ambition to drive the group's contribution towards the achievement of the eight SDGs where we can provide the greatest impact to society:

### How we manage sustainability

Responsibility for approving Spire Healthcare's sustainability strategy and overseeing its delivery rests with the board of directors. Regular progress updates are provided at board meetings. Our chief financial officer (CFO) oversees delivery of the sustainability strategy at a business level, while our executive committee tracks progress towards the group's sustainability targets on an ongoing basis throughout the year.

## Our sustainability goals, timelines and KPIs

This table is a summary of Spire Healthcare's current and high priority sustainability-related goals, mapped to the SDGs. The following pages provide further detail on these goals, the actions we are taking to achieve them, together with relevant timelines and KPIs where appropriate.



### Respect the environment

**7 AFFORDABLE AND CLEAN ENERGY**  
Providing affordable, reliable, and sustainable energy for all. Promoting international cooperation to provide access to advanced clean energy technology.

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
Ensuring sustainable consumption and production patterns. Controlling our resource use and managing waste through policies and cooperation.

**13 CLIMATE ACTION**  
Acting immediately to fight the climate crisis and adapt to the impact. Promoting awareness, policy change and support for vulnerable countries and states.



### Engage our people and communities

**3 GOOD HEALTH AND WELL-BEING**  
Ensuring everyone leads healthy lives, physically, mentally and emotionally. Lower mortality rates. Promoting health and wellbeing.

**4 QUALITY EDUCATION**  
Providing quality, equal and free education to all girls and boys. Making sure adults get access to further education and training. Increasing number of quality teachers.

**5 GENDER EQUALITY**  
Achieving gender equality for all girls and women in the world. Ending discrimination and violence against women. Promoting women's wellness and access to health care.

**8 DECENT WORK AND ECONOMIC GROWTH**  
Achieving sustainable economic growth and protection for fair, safe and decent employment. Preventing slavery and child labour.



### Operate responsibly

**3 GOOD HEALTH AND WELL-BEING**  
Ensuring everyone leads healthy lives, physically, mentally and emotionally. Lower mortality rates. Promoting health and wellbeing.

**5 GENDER EQUALITY**  
Achieving gender equality for all girls and women in the world. Ending discrimination and violence against women. Promoting women's wellness and access to health care.

**8 DECENT WORK AND ECONOMIC GROWTH**  
Achieving sustainable economic growth and protection for fair, safe and decent employment. Preventing slavery and child labour.

**16 PEACE, JUSTICE AND STRONG INSTITUTIONS**  
Building peaceful, inclusive societies with law and accountability at all levels. Ending violence, trafficking and corruption.

Having launched our sustainability strategy in mid-2022, we established a cross-functional internal sustainability committee in 2023, chaired by our CFO, and bringing together 15 members from across the business. Our previous workforce and sustainability committee joint structure has been split in two to give proper attention to each area. The sustainability committee reports to the executive committee, and acts with delegated authority. It meets every two months to share progress on delivering actions and meeting targets and explore initiatives that will accelerate our progress and identify associated risks and opportunities.

### The main roles and responsibilities of the sustainability committee are to:

1. Oversee, review and advise the executive committee on the company's strategies, objectives and commitments related to sustainability and environmental, social and governance (ESG) factors
2. Oversee, review and recommend changes to Spire Healthcare's sustainability-related goals, objectives, commitments and key performance indicators and monitor the company's progress against the same

15

members of the sustainability committee from across the business







Sustainability report continued

# Our sustainability goals, timelines and KPIs

This table is a summary of Spire Healthcare’s current and high priority sustainability-related goals. The following pages provide further detail and the actions we are taking, together with relevant timelines and KPIs where appropriate.










## Respect the environment

Goal	SDG	Page
1 Attain net zero carbon status by the end of 2030 – includes carbon emissions, energy use and capital investment	 	39
2 Manage our waste more efficiently while minimising detrimental effects to our planet		42
3 Undertake a comprehensive review of climate risk across our operations		43
4 Identify opportunities to reduce use of single-use plastics		43
5 Identify and act on water-saving opportunities		44



## Engage our people and communities

Goal	SDG	Page
6 Be a contributor to the UK’s healthcare workforce through innovative programmes		44
7 Take action to ensure that the ethnic diversity of Spire Healthcare’s leadership reflects, or is ahead of, the overall ethnic diversity of the business as a whole	 	45
8 Achieve a gender balance of at least 40% female representation at board and executive committee level by 2025		46
9 Further reduce gender pay gap among Spire Healthcare colleagues		47
10 Maintain an overall colleague engagement score of at least 80%		48
11 Build strong connections between Spire Healthcare hospitals and local communities		49



## Operate responsibly

Goal	SDG	Page
12 Target ‘Good’ / ‘Outstanding’ or equivalent scores in England, Scotland and Wales across all inspected sites	 	50
13 Target all Spire Healthcare hospitals to achieve a rating of at least 80% across: – Colleague experience – Patient experience – Consultant experience		50
14 Maintain robust standards of clinical and corporate governance in line with best practice	 	51
15 Promote an open and learning culture	 	51
16 Further develop our approach to controls around modern slavery		52
17 Maintain and strengthen information governance and data security		53

Sustainability report continued



Respect the environment

## Attain net zero carbon status by the end of 2030

### Timeline

End 2030

### KPI

tCO<sub>2</sub>e emissions in line with our decarbonisation plan – 3% ahead of target in 2023 (2022: 9% ahead)

Net zero target includes full Scope 1 and 2 emissions and Scope 3 emissions from air and rail travel

### Initiatives

- Continuing LED replacements
- Optimisation of Building Management Systems (BMS)
- Replacement of remaining gas-powered primary steam boilers at Spire Claremont
- Removal of the remaining piped nitrous oxide across the estate
- Further PV installations and thermal upgrades as part of roofing replacements
- Completion of the EV charging point roll-out across the hospital estate
- Use of electric vehicles in the group's fleet



## Progress in 2023

### Our 10-year carbon reduction target

Our work continues to reduce the harmful impact of climate change on our planet through a robust decarbonisation strategy and delivery programme that is designed to achieve net zero carbon emissions (Scope 1 and 2), and elements of Scope 3, by 31 December 2030<sup>1</sup>. We were the first independent healthcare provider to make such a commitment. Our dedicated investment to help achieve this aim by 2030 continues with a £12.2 million commitment in 2024 to install solar PV panels at every hospital and upgrade all hospital Building Management Systems (BMS).

Our underlying strategy continues to prioritise a targeted approach to reduction from the greatest carbon emission sources, for example by installing LED lighting throughout all our buildings, removing the remaining inefficient gas-powered primary steam boilers and piped nitrous oxide across the estate, and optimising the use of our buildings' fixed plant and equipment to ensure we maximise both energy and operational efficiencies.

We continue to engage, empower and support the Carbon Champions we have at each of our hospitals. They play a key role in helping us meet our net zero objective by promoting, coordinating and delivering carbon management improvement at a local level. Through the implementation of their audits and action plans, we realise greater efficiencies across the group to further support our carbon reduction targets and strategy, as well as our operational savings objectives.

### Measuring our performance

We use the intensity metric of carbon emissions per £ revenue, which increases in proportion to the growth of our business.

If revenue grows and intensity figures reduce, this will demonstrate that we are becoming less reliant on carbon.

### Our carbon reduction roadmap

We have mapped out our carbon reduction plans to net zero in 2030, using 2019 as our reference base year. The projected waterfall diagram has been updated from 2023 to reflect Spire Healthcare's current energy procurement strategy and continued use of brown electricity until at least 2025. The overall reduction target remains unchanged and we continue to reduce our carbon emissions in line with target.

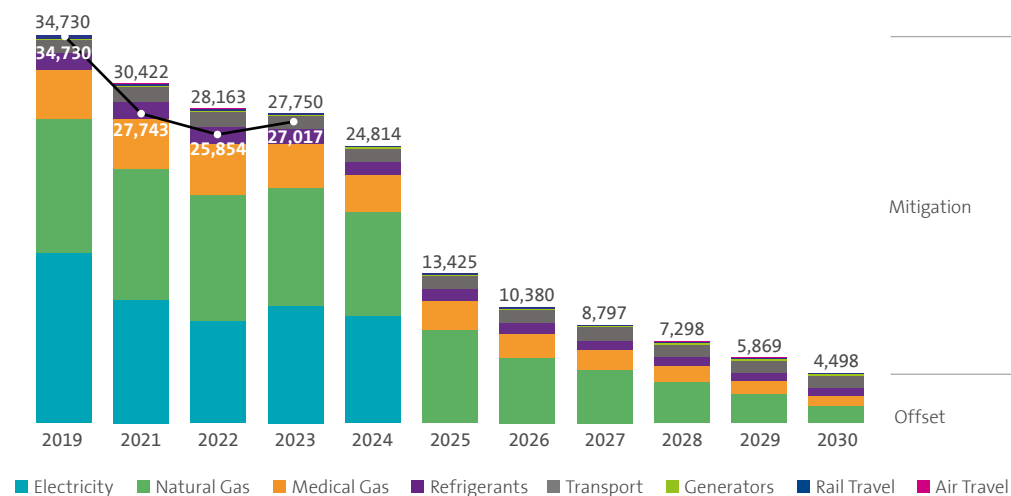
The reduction to date has been achieved through:

- Monitoring and targeting utility benchmarking reports which are issued monthly to our sites
- Reviewing half-hourly energy consumption data and heat maps for each of our hospitals to identify energy efficiency and cost saving opportunities
- Targeted and informed investment in low carbon infrastructure and heat recovery, including LED lighting technology across the estate and end-of-life replacement of fixed engineering and building services plant and equipment with the most efficient technology available

Our emissions in 2023 were 27,017 tCO<sub>2</sub>e, against a target of 27,750 tCO<sub>2</sub>e (3% ahead of target).

This excludes Scope 3 emissions included in our 2023 greenhouse gas emissions data shown on page 40 from electricity transmission (1,051 tCO<sub>2</sub>e), waste 117 tCO<sub>2</sub>e, and hotels (41 tCO<sub>2</sub>e).

Spire Healthcare net zero carbon emissions (tCO<sub>2</sub>e) plan



1. The trajectory to net zero by 2030 and figures presented here exclude VHG; we will look to integrate our plans going forward.

Sustainability report continued

**Energy monitoring**

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

**Capital investment in low carbon infrastructure**

We continue to invest in our estate and engineering infrastructure to improve our energy efficiencies. Key projects in 2023 included:

- Continuing replacement of gas-powered primary steam boilers within the estate with more efficient electrically powered heating plant and equipment at Spire Claremont in Sheffield
- Replacement of a central chiller plant incorporating and utilising heat recovery into our hot water systems at Spire Gatwick and Spire Leeds
- Continuing to replace the remaining 10% of older lighting across the hospital estate with LED fittings that are 50% to 60% more energy efficient
- Installation of roof and ground mounted photo-voltaic (PV) solar panels at Spire Murrayfield, Wirral that will generate up to 12% of the hospital's electricity when completed in Q1 2024
- Pipework and ducting insulation upgrades and replacement of old inefficient single-glazed windows as requested by Carbon Champions at Spire Alexandra in Kent, Spire Hull and Spire Little Aston in the West Midlands

Alongside these investments, our Carbon Champions continue to receive training and guidance to help them produce local action plans and identify opportunities for operational improvements and efficiencies. Their action plans are reviewed twice-yearly to monitor and track progress.

**Legislation**

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

Spire Healthcare was invited to participate in the CDP (formerly the Carbon Disclosure Project) again in 2023. We made our ninth annual submission to the CDP and received a 'B' grading for 2023, maintaining our previous 'B' rating, placing Spire Healthcare well above the market sector average of 'D', and demonstrating our knowledge and understanding of our impact on climate change issues.

**Greenhouse gas emissions in 2023**

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 2023 were 28,226 tCO<sub>2</sub>e. The table below shows this, broken down by emissions source.

We achieved emissions reduction of 3% ahead of our planned net zero target, but for our wider SECR/GHG obligations, we experienced a 4% increase year-on-year. The primary reason for this is the unexpected market increase in electricity emissions factor, influenced by global energy supplies and the war in Ukraine.

**50-60%**

new LED light fittings are  
50% to 60% more energy efficient



Emissions source	2019	2020	2021	2022	2023	Share %	YoY % change
Fuel combustion: stationary	12,098	11,590	12,539	10,943	10,943	39%	<1%
Fuel combustion: mobile	1,209	1,447	1,325	1,346	1,176	4%	-13%
Fugitive emissions	5,895	5,018	5,139	4,703	2,646	9%	-44%
Purchased electricity	15,193	13,330	9,802	9,837	13,202	47%	34%
Air travel				40	41	<1%	2%
Rail travel				40	59	<1%	48%
Hotel				75	41	<1%	-46%
Waste				106	117	<1%	10%
<b>Total emissions (tCO<sub>2</sub>e)</b>	<b>34,395</b>	<b>31,384</b>	<b>28,805</b>	<b>27,091</b>	<b>28,226</b>	100%	<b>4%</b>
Revenue £m	980.8	919.9	1,106.2	1,199	1,359		13%
<b>Intensity: (tCO<sub>2</sub>e per £m)</b>	<b>35.1</b>	<b>34.1</b>	<b>26.0</b>	<b>22.6</b>	<b>20.76</b>		<b>-8%</b>

Energy consumption by year (MWh)	2019	2020	2021	2022	2023	Share %	YoY % change
Natural gas	65,285	63,032	67,766	59,648	59,337	48%	-1%
Electricity	54,788	52,647	54,704	59,717	58,679	48%	-2%
Transport fuel	4,883	5,386	5,363	5,407	4,743	4%	-12%
Gas oil	374	369	384	212	340	<1%	60%
<b>Total</b>	<b>125,330</b>	<b>121,434</b>	<b>128,217</b>	<b>124,984</b>	<b>123,099</b>	100%	<b>-2%</b>



## Sustainability report continued

**Notes to the table:**

Please note the figures reported for SECR include Scope 3 emissions from electricity transmission and distribution, hotel stays and waste. These emissions are not currently included in our annual targeted emissions and net zero roadmap. We aim to progress our Scope 3 reporting in 2024.

**a. Scope 2 / purchased electricity emissions reporting**

The figure for emissions from purchased electricity from October 2021 to March 2022 reflects our investment in a zero-carbon electricity tariff across all our sites and as such a market-based methodology was applied for this period. The remainder of these calendar years followed a location-based methodology. In 2023 we returned to adopting a location-based methodology across the whole year.

**b. Footprint boundary**

An operational control approach has been used to define the GHG emissions boundary, as defined in the Department for Environment, Food and Rural Affairs' latest environmental reporting guidelines: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation." For Spire Healthcare, this boundary 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. Additionally, from 2022 this now also includes air and rail travel, hotel stays and waste.

**c. Emission sources**

All material Scope 1 and Scope 2 emissions are included, plus Scope 3 as required by SECR legislation. Additional data sets included that are over and above mandatory compliance include:

- Electricity transmission and distribution losses
- Emissions from air and rail travel
- Emissions from hotel stays and waste

**d. Methodology and emissions factors**

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

Emissions factors are taken from the Department for Business, Energy and Industrial Strategy emissions factor update published in 2023. There are no notable omissions from the mandatory Scope 1 and 2 emissions. 0% of emissions are based on estimated activity data.

**e. Fugitive emissions**

These are attributable to the use of refrigerants and medical gases (eg, carbon dioxide, nitrous oxide and Entonox).

**Scope 3 emissions**

The Scope 3 emissions stated in this section are in relation to electricity transmission and distribution, air and rail travel, hotel stays and waste. We recognise that this is not the full extent of our Scope 3 emissions, and have carried out a spend-based method for estimation. Using 2022 spend data it has been determined that 95% of our emissions are Scope 3 (for more information, including quantification of these emissions, please see page 80). In 2024 we plan to take steps to progress our Scope 3 reporting.

**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 through 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 reassessment of risk. This, in turn, future-proofs the business.

**Vita Health Group**

Vita Health Group (VHG) started its sustainability journey two years ago and formed a working group to raise awareness of environmental matters, identify value impact measures and consider net zero. VHG does not own its estates which makes getting control over, and information about, emissions reductions, energy consumption data and preferred waste management arrangements more difficult.

However, in 2023, VHG reduced emissions, improved renewable energy consumption and developed a sustainable development plan covering key commitments including reaching net zero emissions in line with the government target of 2050, modelled to comply with the 1.5 degree pathway outlined in the 2015 Paris Agreement. This commitment will be submitted for Science Based Target Initiatives (SBTi) verification in 2024. The near-term target is to achieve a 42% absolute reduction in Scopes 1, 2 and 3 emissions by 2030.

Training and awareness raising for colleagues and internal champions began in 2024, along with a webinar from the Centre for Sustainable Healthcare, and VHG plans to apply for ISO 14001, an internationally agreed standard that sets out the requirements for an environmental management system.

The net zero strategy covers Spire Healthcare Limited only at this stage; we anticipate working to bring the rest of the group under the same plan.



Sustainability report continued



Respect the environment

## Manage our clinical and non-clinical waste more efficiently while minimising detrimental effects to our planet

KPI

- Overall recycling 30% by end 2023 – 35%
- Hospital sites only dry mixed recycling 30% by end 2023 – 23.5%
- Offensive waste 40% by end 2023 – 36.5%

Initiatives

- Increased recycling rates through further segregation of waste and hazardous materials
- Worked to increase the percentage of offensive waste segregated into this waste stream
- Reduced infectious waste to 3% of total which lowered carbon emissions and cost, and helped remove offensive waste from incineration
- Working with current waste carrier to mitigate, where possible, waste going to landfill sites
- Trained 1,300 colleagues in waste segregation and training is now mandatory for all colleagues
- Recycling at 47 sites, up from 44 in 2022
- Expansion of reusable sharps containers

### Progress in 2023

As a business, we generate a considerable amount of general waste – largely a combination of ‘domestic waste’, most of which generates renewable energy, and dry mixed recycling, which can be reused or repurposed. The group also disposes of clinical, infectious and offensive healthcare waste that requires specialist treatment, incineration or disposal through the renewable energy system. The challenge of managing and sorting such complex waste streams is unique to the healthcare sector.

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

It is important for our teams to understand the various types of waste and we have been rolling out in-house waste segregation training. By November 2023, just under 1,300 colleagues had been trained. The training is becoming mandatory for all colleagues in 2024 and we hope this will result in improved waste segregation and recycling outcomes. Although we incinerate less, prices have increased, so costs have not reduced in this area.

In 2023, Spire Healthcare’s waste management initiatives saved over 358 tonnes of CO<sub>2</sub>. This is equivalent to:

- 1,194 trees planted each year or
- 134 cars off the road or
- 218 houses powered each year

If we combined our carbon savings for waste with our Scope 1 and 2 carbon savings, from 2019, this would equate to 28,852 trees planted, or 16 football pitches. We are now recycling at 47 sites, up from 44 in 2022.

Dry Mixed Recycling (DMR), (food waste and glass recycling) has been rolled out across the business (which includes plastic bottles, Vegiware cups and food trays, cans, etc) resulting in an improved DMR recycling figure of 23.5% at hospital sites only.

Most sites are now segregating disposable curtains and tray wraps, and we are investigating the feasibility of a ‘gloves off’ campaign to see if this waste can be removed from our clinical waste. We are also looking at removing or reducing disposable paper tissue roll use in many of our outpatient areas. Spire Healthcare continues to increase its overall recycling:

We have ‘offensive waste’ segregation at all our sites. Disposal of offensive waste, as bad as it sounds, costs more than 60% less, and uses a more environmentally friendly waste disposal process than clinical or infectious waste. It is not incinerated; instead, it goes to a special materials recovery facility, where it generates renewable energy, without releasing any harmful substances into the atmosphere. By encouraging segregation into offensive waste, we reduce our carbon emissions from having to incinerate clinical waste which should only include infectious and chemically contaminated types.

To help reduce our carbon footprint, the Sharps Bio System, designed by Stericycle, our waste partner, has been rolled out further across the estate. Stericycle’s containers are reusable UN-approved puncture-resistant containers that can be used up to 600 times after washing and disinfection, as opposed to the single-use sharps containers that are disposed of after just one use. The roll-out has taken a little longer than planned due to a lack of containers and materials in the UK but is due to be complete early in 2024.

# 35%

overall waste recycled in 2023, up from 30% in 2022

This includes recycled waste returned to our National Distribution Centre.

# 23.5%

dry mixed waste recycled, up from 18% in 2022

This excludes National Distribution Centre waste and is at hospital sites only.



Sustainability report continued



Respect the environment

## Undertake a comprehensive review of climate risk across our operations

**Timeline**  
End 2026

**Initiatives**

- Undertake scenario analysis of future climate warming scenarios in three years' time
- Consider further mitigation requirements for our facilities with higher risk from climate change

### Progress in 2023

We engaged an expert advisory firm to conduct a scenario analysis to assess our climate risk. We set out the scenario, the analysis they conducted, and the outcomes that the models predict against our physical assets in our TCFD reporting on pages 75 to 80. The firm also advised us on the potential risks we face from an aggressive transition to a low carbon economy.

We considered the outcomes of their modelling and analysis at our audit and risk committee in November 2023. We recognise that:

- The scenario analysis undertaken is dependent on the quality and quantum of data we could provide to our expert for them to model (for example, we could give them high-quality data on our physical assets, but because we have experienced only minor impacts from adverse weather on our facilities, the financial impacts we could provide due to past heatwaves, floods and storm damage to predict future financial impacts is very limited)
- The scenario analysis is based on the current predictions of how the climate may evolve. As the actual impacts of climate change become more apparent and the models become more accurate, the predictions from these models will improve in reliability. We will repeat the scenario analysis in 2026 unless disclosure requirements or other factors mean we need to do it sooner

As an output from the analysis, we are following up on risks where the predicted impact at risk was higher, notably the potential impact of heat stress on our facilities.

For more information, see our TCFD section [page 75](#)



3



Respect the environment

## Identify opportunities to reduce use of single-use plastics

**KPI**

- Overall recycling 30% by end 2023 – 35%
- Hospital sites only dry mixed recycling 30% by end 2023 – 23.5%

**Initiatives**

- Plastic packaging, large cardboard and polystyrene is returned to Spire Healthcare's National Distribution Centre for baling and recycling
- Dry mixed recycling (DMR) continues to be rolled out across the business
- Plastic cutlery replaced with reusable or disposable items in all sites
- Working with waste treatment supplier to develop recycle initiative for single-use items

### Progress in 2023

The use of plastics is a major environmental issue across the healthcare industry in the UK and globally. Plastic is a very versatile product for keeping medical equipment sterile, storage of clinically related products (eg drugs), and as an infection control barrier. It will take concerted effort across the global healthcare industry to develop new products that can replace the versatility of plastic over the medium to long term.

We are examining what steps we can take as a business to reduce our use of single-use plastics. To improve recycling, a baler was put in place at our National Distribution Centre to bundle large-scale plastic packaging such as linen wrapping or surgical packaging for recycling at a specialist provider.

In 2023, we replaced plastic cutlery with metal reusable or wooden disposable items and replaced plastic cups with paper ones. This year, we have been working with Veolia, a specialist waste treatment supplier, to enable us to start recycling single-use oxygen face masks, tubing and hard plastics in 2024.

In 2024 we will explore an initiative to turn our hard plastic waste into benches and planters that we can donate to local schools and parks.

Vita Health Group are committed to improving and aligning their waste management procedures with plans in the rest of the group.

Read more in goal number two on [managing waste on page 42](#)



4



Sustainability report continued



Respect the environment

## Identify and act on water-saving opportunities

**KPI**  
Target of consumption m<sup>3</sup> to be determined

**Initiatives**

- Making most efficient use of equipment
- Reducing low use outlets
- Leak detection
- Automatic meter reading

## Progress in 2023

### Water conservation

We continue to develop Spire Healthcare’s strategic water management plan and in 2023 we achieved a reduction in both water and energy consumption without compromise to compliance and safety. Initiatives include:

- Analysing consumption per site to identify outliers and equipment efficiencies. After a trial at Spire Cheshire and Spire Fylde Coast in Blackpool, we have reduced the self-disinfection cycles of our endoscopy reverse osmosis systems from seven to four times a week, offering savings of 27,000 litres of water per annum
- Identification and safe removal of low-use outlets within our hospitals – eg a shower or tap that isn’t regularly flushed through. This will be supplemented by external audits in 2024
- Automatic meter reading, which together with BMS optimisation and replacements, will improve our consumption monitoring capabilities and help to identify potential leaks or high usage. Our existing water contract has been rolled forward to May 2024; on renewal, the roll out of automatic meter reading can start

Development of the plan will continue in 2024, as we scope out opportunities in our central functions and areas of the business that have yet to be explored, such as catering and housekeeping.



Engage our people and communities

## Be a contributor to the UK’s healthcare workforce through innovative programmes

**Initiatives**

- Learning and development strategy
- Apprenticeship programmes including one of the largest nurse apprenticeship programmes in England
- Driving Clinical Excellence in Practice programme
- Range of leadership training programmes

## Progress in 2023

Investing in our talented people is a major focus for us, as we seek to train and upskill colleagues, preparing them for a fulfilling and rewarding career at Spire Healthcare or elsewhere in the wider health and care sector.

### Our apprenticeships and people development

We offer a range of training opportunities, supplemented by innovative programmes to help new and existing colleagues develop professional and leadership skills to further their careers. This year we launched our new Driving Clinical Excellence in Practice programme, which supports the continuing professional development of our registered nurses and allied health professionals.

Making almost full use of the UK Government’s apprenticeship levy, we have over 430 apprentices in a range of clinical areas such as biomedical science, physiotherapy, medical laboratory technicians, and non-clinical disciplines such as marketing, human resources, engineering and business administration. The most significant is our nurse degree apprenticeship programme in England, run in partnership with the University of Sunderland, which combines study and assessments with on-site placements to gain practical knowledge. Read more in our strategy section on people on page 27.

We have delivered training to equip current and future leaders of our business. The learning and development team introduced a suite of Mastering Management modules with almost 1,400 delegates attending. Our GROW learning framework includes LEAP, for new managers or those coming into a leadership role; our Step Up Leadership Programme for our talented future leaders; our Stretch Leadership Programme for senior leaders; and our Operations Directors’ Leadership Programme. The framework is moving us towards blended learning where colleagues are supported to take accountability for their own development and can choose from digital, class-based or webinar sessions. This approach ensures a strong succession pipeline.



For more information, see our TCFD section page 75, and ‘Invest in our workforce’ strategy section page 27

Sustainability report continued



Engage our people and communities

## Take action to ensure that the ethnic diversity of Spire Healthcare’s leadership reflects, or is ahead of, the overall ethnic diversity of the business as a whole

### Initiatives

- Consider ethnic diversity balance when constructing Spire Healthcare’s leadership programmes
- Broad range of networks including mental health and wellbeing support, and for sexuality, racial equality, menopause, women, faith, carers
- Review external benchmarks eg Parker Review
- Working towards better data to improve reporting and planned action

### Progress in 2023

During 2023, we have been reviewing this goal in line with the requirements of the Parker Review: ‘Improving the Ethnic Diversity of Business’, published in March 2023, to assess how best to support diversity in the business. Diversity remains vital to our success, and we were pleased to be listed in the Financial Times Diversity Leaders index for another year; this is an index of companies considered to be Europe’s Diversity Leaders, based on a survey of 100,000 employees across Europe.

The group’s executive committee demographic was 25% ethnically diverse in 2023 (2022: 25%) and the board is 8% ethnically diverse, unchanged from 2022.

We support the diversity of the business in various ways; we aspire to create an environment where everyone is respected and cared for, and where difference is celebrated.

### Race Equality Network

To support our equity, diversity and inclusion strategy, we have networks supported by a member of the executive committee to give focus and impetus. Our Race Equality Network is a highly supportive and confidential colleague network that provides individuals from diverse backgrounds with a safe and open platform to share their personal experiences. The network has been active with regular meetings attended by colleagues and senior leaders, and communications updating colleagues on any actions taken and celebrating successes. We have introduced ‘Diversity Toolkits’ to encourage hospitals to promote key events and activities such as Race Equality Week, South Asian Heritage Month, and Black History Month, and support them to promote diversity and inclusivity at work. Regular catering events have also taken place to encourage colleagues to embrace each other’s cultures and backgrounds.

The Race Equality Network has taken positive steps to engage with senior leaders and executive committee members during the year. It was also involved in the production of Spire Healthcare’s annual Workforce Race Equality Standard (WRES) Action plan.

### Understanding our workforce better

Colleagues are encouraged to share their ethnicity during the annual colleague survey to help Spire Healthcare better understand the different experiences of colleagues. The survey results are reported and shared nationally and locally, including the responses to questions on reporting instances of harassment, bullying, or abuse at work from patients, managers, and colleagues. The survey also asks whether colleagues believe that Spire Healthcare provides equal career progression and promotion opportunities, regardless of factors such as ethnic background, gender, religion, sexual orientation, disability, or age.

Of those colleagues who disclose their ethnicity in Spire Healthcare Limited, 18.9% report having a non-white background, up from 17.3% in 2022.

Vita Health Group has a positive action scheme in place to reduce barriers for people from ethnic minorities accessing employment; an interview is guaranteed if an applicant meets the criteria. Colleagues have been offered training in understanding micro-aggressions along with a pilot scheme for anti-racism training.



# 18.9%

report having a non-white background, of those colleagues who disclose their ethnicity, up from 17.3% in 2022

### Headcount by ethnicity Spire Healthcare Limited

Asian	1,578
Black	549
Chinese	69
Mixed	226
White	10,492
Other	23
Not stated	2,070



Sustainability report continued



Engage our people and communities

## Achieve a balance of at least 40% female representation at board and executive committee level by 2025

### Timeline

End 2025

### KPI

- Proportion of female representation – 40% at board and executive committee combined
- Board diversity policy – agreed targets of a minimum 33% female directors on the board by the 2023 AGM and 40% by 2025

### Initiatives

- FTSE Women Leaders Review – first in Health Care and 7th overall
- FT Diversity Index top 850 company

## Progress in 2023

Spire Healthcare is committed to diversity and inclusion, which includes supporting women to become leaders within the business.

The combined board and executive committee demographic in 2023 is 47% female up from 37% in 2022.

We have five women on our group board, representing 45% female board members in 2023 (2022: 33%), and reflecting our commitment to fair representation across the business. The board considers its members' diversity regularly through data reviews, recruitment decisions and discussions in board meetings. Diversity is also regularly reviewed as part of the workforce demographics discussions at meetings of the remuneration committee and executive committee.

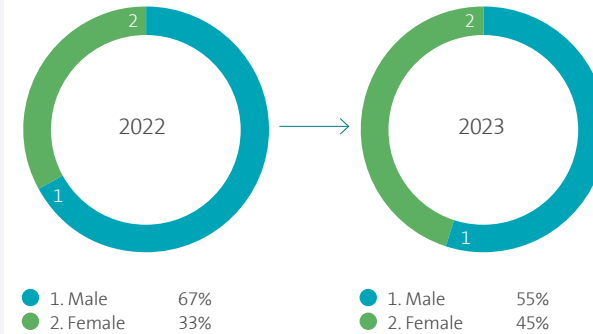
Our executive committee demographic was 38% female in 2023 (2022: 38%).

Spire Healthcare is 7th overall for women in senior leadership positions in the FTSE 250, as recognised by the FTSE 'Women Leaders Review' report for 2023, and first in the health care sector which covers the FTSE 350 and the 50 largest private companies. Our executive committee combined with our senior managers – their direct reports – was 51% female at 31 October 2023, as reported to the review.

We are one of 68 FTSE 350 companies that have already met, or exceeded the target for Women in Leadership, and have done so two years ahead of the target date of 2025.

 For more information, see 'Invest in our workforce' strategy section [page 27](#), gender pay gap [page 47](#) and KPIs section [page 61](#)

### Gender balance of board



Sustainability report continued



Engage our people and communities

## Further reduce gender pay gap among Spire Healthcare colleagues

**Timeline**  
End 2025

**KPI**  
Gender pay gap: year-on-year reduction – positive initiatives underway

- Initiatives**
- Establish workforce committee
  - Inclusive approach to training and development
  - Monitor and report on gender pay gap
  - Support colleague development

### Progress in 2023

We are required to report gender pay gap figures for our main employing entity – Spire Healthcare Limited – covering 96.6% of all reportable employees of Spire Healthcare Group. Gender pay reflects the structure of our workforce and is a reflection of the differences in the balance of male and female workers within the wider healthcare sector.

In the interests of 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.

In 2023, the overall median gender pay gap in Spire Healthcare Limited was 9.2% (2022: 6.2%) and the mean was 17.7% (2022: 17.1%).

The median in Spire Healthcare Group was 9.1% (2022: 6.1%) which is below the Office for National Statistics median of 14.3% in November 2023 and the mean in Spire Healthcare Group was 17.2% (2022: 16.6%).

Our mean gender bonus gap is 82.0%, while the median gender bonus gap is 50.0% for Spire Healthcare Limited. In 2023, 30.5% of males received a bonus across both Spire Healthcare Limited and Spire Healthcare Group, (down from 82.2% in 2022) compared to 28.5% of females in Spire Healthcare Limited and 28.6% of females in Spire Healthcare Group, (down from 83.7% in 2022). Bonus recipients have reduced as all colleagues received a thank you award, classified as a bonus under reporting rules, in 2022 and 2021 gender bonus gap reporting periods.

Gender pay figures are a snapshot from April 2023 and therefore only apply to Spire Healthcare Limited and Spire Healthcare Group, and exclude Vita Health Group, which was not acquired until October 2023. Vita Health Group will report in 2024.



### Responding to the gender pay gap

We are taking a number of positive steps to invest in and provide development opportunities for our female colleagues to progress into senior leadership roles and work towards a balanced representation across the organisation to reduce the gender pay gap. The workforce committee has been established to provide oversight of the company’s people strategies.

We are undertaking substantial work with hospital directors and senior leaders to develop a job framework to provide clarity on roles and progression to support careers within Spire Healthcare. We have launched an induction framework for hospital directors, and completed a comprehensive leadership development programme for operations directors, a key role within hospitals which will support newly appointed colleagues.

The resourcing team was brought in-house in 2023 to allow better focus on and control of our approach to candidate pools and recruitment. We continue to undertake talent and succession planning where we look to create opportunities and support the development of female leaders.

We will continue to invest in colleague development and training, focusing particularly on management and leadership capabilities, as well as extending the induction programme for all senior leaders, and we have launched the Driving Clinical Excellence in Practice programme, to enable delivery of high-quality care. It will include a development pathway for allied health professionals and nurses, which will enhance current recruitment and retention.

### Gender breakdown

Employees	Male	Female
Overall employees	2,303	8,955

### Employee table

Entity	Spire Healthcare Limited		Spire Healthcare Group plc <sup>1</sup>	
Number of employees (includes bank workers) <sup>2</sup>	12,787		13,236	
<b>Women’s hourly rate is:</b>				
Mean	17.7% lower		17.2% lower	
Median	9.2% lower		9.1% lower	
<b>Pay quartiles:</b>	<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
Top quartile	24.7%	75.3%	24.7%	75.3%
Upper middle quartile	18.7%	81.3%	18.8%	81.2%
Lower middle quartile	20.2%	79.8%	20.3%	79.7%
Lower quartile	16.9%	83.1%	17.2%	82.8%
<b>Women’s bonus pay is:</b>				
Mean	82.0%		81.7%	
Median	50%		50%	
<b>Who received a bonus?</b>				
Men	30.5%		30.5%	
Women	28.5%		28.6%	

1. Including Spire Healthcare Limited, Montefiore House Limited and Claremont.
2. 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 2023.



Sustainability report continued



Engage our people and communities

## Maintain an overall colleague engagement score of at least 80%

### KPI

Target 80% – 81% proud to work for Spire Healthcare – up 1 percentage point from 2022 based on 86% response rate

### Initiatives

- Bespoke guides, support materials and briefing sessions for leaders and teams to support communication of 2022 colleague survey results and action planning
- Role and involvement of colleague survey ‘champions’ developed
- Engagement sessions with survey ‘champions’, throughout the 2023 colleague survey to drive participation, resulting in a response rate increase of nine percentage points
- National and local communications campaign to share progress and positive actions taken since 2022 survey in the lead up to 2023 survey
- Monthly colleague and consultant updates from Chief Executive Officer, Justin Ash, launched in January 2023, and colleague engagement sessions with executive committee and senior leaders in September


## Progress in 2023

To help improve engagement, we held an engagement day in April with more than 80 representatives from every part of the business where our colleagues discussed priority areas for driving improvements and shared ideas for embedding changes locally and at a company level.

Ahead of the 2023 survey, each executive committee member hosted engagement sessions in our hospitals, office locations and virtually to give colleagues a business update and an opportunity to ask questions, supported by detailed materials.

We held our annual colleague engagement survey in November 2023. The overall response rate for the full survey was 86% (up nine percentage points from 2022), with our key engagement measure of colleagues being proud to work for Spire Healthcare improving one point to 81%. 84% of colleagues said they get personal satisfaction from the work they do, 86% say they would be happy with the standard of care provided by Spire Healthcare if their friends or family needed treatment (up three percentage points from 2022) and 71% would recommend Spire Healthcare as a place to work. After publication, teams across the business are developing action plans to drive improvements.

Vita Health Group carried out a colleague survey in 2023; with an 80% response rate, 74% of colleagues recommended it as a place to work (2022: 69%).

 For more information, see ‘Invest in our workforce’ strategy section on page 27 and KPIs section on page 61



# 10



The survey was of Spire Healthcare Limited, LDC and Spire Occupational Health colleagues.



Sustainability report continued



Engage our people and communities

## Build strong connections between Spire hospitals and local communities

### Initiatives

- Corporate fundraising week
- Long-standing community relationships with local charities
- Working with voluntary sector partners
- Informal community efforts, including supporting local foodbanks
- Outreach to bring NHS services to local communities

## Progress in 2023

### Contributing to our communities

We firmly believe in the power of giving back to our local communities and making a positive impact on society. In 2023, Spire Healthcare established a group-wide charity committee for the first time. Though various parts of the group contribute to their local communities through different charitable initiatives, the executive committee decided to establish a central committee with the purpose of coordinating, considering and agreeing the group's overall charitable initiatives. The committee is chaired by a member of the executive committee and members have been identified to represent a cross-section of the organisation, with participants from various central functions and each division of our hospitals. The charity committee met three times in 2023 and will seek to meet six times in 2024, with the intention of supporting and facilitating a broader contribution to our communities.

During our annual corporate charity week in June, we fundraised for more than 30 different local and national causes through a huge variety of activities as we aimed to cover more than 40,000km – which is once around the world – between us. For example, Spire Thames Valley held a danceathon and dog show, Montefiore colleagues went wild swimming and for local walks, and central function and hospital colleagues walked between our Reading and London offices. A number of colleagues and consultants cycled between 50 and 200km each and visited Spire Harpenden and Spire Bushey as part of their route. Colleagues sought to live out the objectives of being kind, making a positive difference to worthy causes and having some fun along the way. Colleagues at Spire Nottingham worked with their local school, Tollerton Primary, to raise £750 for its sensory room and to buy a new aquarium for the library. The week raised over £40,000 for a range of local and national good causes.

As well as supporting national charities such as Macmillan Cancer Support during that week, many of our hospitals have strengthened their relationships with local charities and organisations in their communities throughout the year. These charities are chosen by our colleagues, closely reflect the communities they serve, and the support goes beyond fundraising. The relationships with our charity partners are often long-standing and symbiotic, and we offer them valuable resource, locations for meetings and events, workplace experience, and publicity where possible.

For example, we have a close link with LOROS, a Leicestershire charity that provides hospice care. LOROS is funded by voluntary income and delivers high-quality, compassionate care and support for patients, their family and carers. As a provider of chemotherapy, Spire Leicester has access to the excellent palliative care physicians at LOROS who provide expertise and support. This is a service we are pleased to pay for through a service level agreement and we support LOROS in their fundraising efforts, such as marathon walks and the Rocket Round Leicester campaign. We also link with Leicester Riders, who are the country's oldest and most successful professional basketball team – having won 19 titles in the top tier of UK basketball. We provide care and treatment for their players, and many of our colleagues attend their games at the Morningside Arena. We were delighted when Mo Walker, Leicester Riders' 6'10" tall, high-scoring forward, kindly joined us to open the recent upgrade to the hospital's outpatient facilities.

To promote services to 'hard to reach' patient groups, Vita Health Group colleagues work closely with voluntary sector partners to stimulate referrals and bring services to supermarkets, libraries and community centres through a network of partnership liaison officers. In 2023, VHG commissioned a 'mental health bus' which stimulated community awareness of NHS talking therapies in the east Midlands.



Sustainability report continued



Operate responsibly

# Target 'Good' / 'Outstanding' CQC scores across all our hospitals (or equivalent)

KPI

Our target is for 100% of our inspected locations to achieve 'Good' or 'Outstanding' ratings or the equivalent from regulators in England, Scotland and Wales – 98% in 2023 (98%: 2022)

## Progress in 2023

Quality underpins everything we do. We have robust ward-to-board governance and internal audit procedures, and members of the board and executive committee regularly visit and meet with hospital leaders, colleagues, consultants and medical advisory committees.

We expect the highest possible standards across all Spire Healthcare sites, delivering care and safety to the highest standards every day. Currently 98% of our inspected sites are rated 'Good' or 'Outstanding' or the equivalent by health inspectors in England, Scotland and Wales.

100% of Vita Health Group locations are rated 'Good' or have not yet been inspected by the Care Quality Commission but are registered with no conditions or concerns.

For more information, see 'Building on quality' strategy section on page 24



# 12



Operate responsibly

# All Spire Healthcare hospitals to achieve a rating of at least 80% across colleague experience, patient experience and consultant experience

KPI

80% of employees stating they are proud to work for Spire Healthcare – 81%

80% of private patients rating their overall experience as 'very good' – 80%

80% of consultants who rate the care given to their patients by Spire as either 'excellent' or 'very good' – 83%

In 2023, seven hospitals met all three of these criteria (2022: 7), 31 hospitals met at least one (2022: 31) and 16 met at least two (2022: 16).

## Progress in 2023

We seek to offer our patients rapid access to high-quality, compassionate, personalised healthcare, with expert clinicians, at a price they can afford. We aim to make Spire Healthcare the first choice for consultants, and to invest in the best people, facilities and equipment to achieve this.

For more information, see strategy sections 'Drive hospital performance', 'Build on quality' and 'Invest in our workforce' on pages 21 to 30



# 13



Sustainability report continued



Operate responsibly

## Maintain robust standards of clinical and corporate governance in line with best practice

### Initiatives

- Implementing PSIRF across the organisation


## Progress in 2023

We constantly seek to improve our standards of clinical and corporate governance, while quality sits at the heart of Spire Healthcare’s culture. Our Quality Improvement (QI) strategy is now fully embedded across the organisation, while our non-executive directors conduct regular hospital visits, meet with hospital leaders, and attend local medical advisory boards and national conferences.

We are also implementing the new NHS England Patient Safety Incident Response Framework (PSIRF), which promotes a new, more proportionate approach to responding to patient safety incidents. It recommends a system-based approach to learning, with supportive oversight of consultants focused on strengthening our response systems and continuous improvement. The PSIRF strategy advocates the use of QI methodology to seek lasting solutions for issues, created by the people involved. This promotes colleague and patient engagement, ensuring we respond to the voice of those involved in incidents.

We continue to actively contribute data to relevant registries including the National Joint Registry (NJR) in 2023. 31 Spire hospitals achieved the Quality Data Provider certificate, based on 2022/23 NJR Data Quality Audit with 19 receiving the ‘gold’ award.

The Independent Healthcare Providers Network (IHPN) published a refreshed Medical Practitioners Assurance Framework (MPAF) in September 2022; we conducted a review and provided assurance to the board. In 2023, we remain fully compliant with the framework.

 For more information, see ‘Build on quality’ strategy section on [page 24](#) and Clinical governance and safety committee report on [page 101](#)

14



Operate responsibly

## Promote an open and learning culture

### Initiatives

- Freedom To Speak Up Guardians at all our sites
- Launched a Speak Up training module from the National Guardian’s Office, mandatory for all colleagues and consultant partners
- Piloted PSIRF in three hospitals

## Progress in 2023

We welcome PSIRF, as the framework not only helps us manage professional standards, but also builds on our open and learning culture.

We work hard to create a culture that is characterised by openness, respect, collaborative working, a focus on clinical safety, and a spirit of continuous improvement. Attracting, retaining and developing great people is a high priority for us, and we can only do this if colleagues feel valued, rewarded, motivated, and supported by clearly defined career paths.

We continue to encourage our colleagues and consultant partners to speak up if they see something that’s wrong, and we will always listen to them and support them. We have Freedom to Speak Up Guardians at all our hospital and non-hospital sites, and available for colleagues who work remotely, to whom colleagues can turn.

 For more information, see ‘Build on quality’ strategy section on [page 24](#) and ‘Investing in our workforce’ [page 27](#)

15



Sustainability report continued



Operate responsibly

## Further develop our approach to controls around modern slavery

### Initiatives

- Review the level of performance and risk of our key suppliers across a range of areas including the environment, labour and human rights, fair business practices, ethics and sustainable procurement

### Progress in 2023

Spire Healthcare Group is committed to acting ethically and with integrity in all our relationships, in line with our value of ‘Doing the right thing’. Our approach to tackling the risk of modern slavery continues to evolve under the oversight of our sustainability committee, which reports to our executive committee to ensure that our directors have full oversight on all relevant matters.

Our two main areas of focus are, a) to safeguard patients, colleagues and others who come through our facilities, and b) in our supply chain. In our business operations, we believe practitioners and colleagues are well-placed to identify and deal with modern slavery concerns through the safeguarding training and protections we have in place. The safeguarding system trains those practitioners and other colleagues (clinical and non-clinical) to recognise and report signs of abuse. We believe the rigour of this system mitigates the risk of modern slavery from either going undetected or being dealt with inadequately. This risk is further controlled by the support, training and infrastructure in place for all colleagues to be able to raise concerns through our network of Freedom to Speak Up Guardians, or other available channels. In 2023, we:

- Maintained our modern slavery due diligence process for new suppliers with an annual spend of in excess of £1 million. There were no issues identified through this process
- Updated our procurement policy, which ensures that our hospitals and clinics are equipped with guidance and a risk assessment tool for evaluating modern slavery risks in local contracts



- Completed an initial assessment exercise of third-party management systems which can risk-assess and monitor the level of performance and risk of key suppliers across a range of areas including labour and human rights. It is intended that our sustainability committee will review this during 2024
- Continued supplier and product rationalisation initiatives, focusing our attention on increasing the proportion of spend with long-standing reputable suppliers, with whom satisfactory due diligence has been carried out, where appropriate

In 2024, we plan to continue the activities outlined above, and further review our approach to enhance third-party supplier risk monitoring and performance.

**Spire Healthcare’s latest Modern Slavery Act statement**  
[investors.spirehealthcare.com/investors/modern-slavery-act-statement](https://investors.spirehealthcare.com/investors/modern-slavery-act-statement)

**Vita Health Group’s Modern Slavery Act statement**  
[vitahealthgroup.co.uk/slavery-and-human-trafficking-statement](https://vitahealthgroup.co.uk/slavery-and-human-trafficking-statement)

**The Doctors Clinic Group’s Modern Slavery Act statement**  
[spireoccupationalhealth.com/about-us/accreditations-policies](https://spireoccupationalhealth.com/about-us/accreditations-policies)

Sustainability report continued



Operate responsibly

## Maintain and strengthen information governance and data security

### KPI

Establish security performance dashboard to facilitate investment decisions by measuring investment versus protection – 2024

Establish security programme of work to implement the NIST recommendations of 2022/3 – ongoing

Onboard new security operations centre – 2024

Define enterprise-wide data strategy and implement a modern data platform architecture – 2024

### Initiatives

- New data strategy, governance and security committee
- Investments to strengthen and enhance our security posture, or overall cyber security strength

## Progress in 2023

Spire Healthcare’s cyber security sustainability strategy covers three key pillars: people, process and technology. We are investing time, attention and capital to reduce risk and strengthen the group’s information governance and data security position.

With ever changing security landscapes, risks and threats, we take this very seriously, and engage with security partners to conduct independent reviews and audits of our systems. We maintain industry-recognised security certifications such as ISO27001:2013, Cyber Essentials, Cyber Essentials Plus and regulatory compliance for contracts such as the NHS Data Security and Protection toolkit. We also use the National Institute of Standards and Technology (NIST) score for continual security assessment for benchmarking purposes against our peers in the healthcare industry and more broadly.

In 2023, we established a new data strategy, governance and security committee, which reports to the executive committee and has a dotted line to the audit and risk committee of the board. The committee draws its members from across the organisation, including from the clinical, IT, commercial, operational and legal functions. This ensures wide visibility and consideration of data and security matters from around the business, enabling more effective management of information and data risk.

We continued to make considerable investments in 2023 to strengthen and enhance our security position by adopting enterprise level platforms (software designed for the complex needs of large organisations) and working with industry-leading security partners. At the same time, we received regular intelligence on potential threats from a number of sources and agencies.

The strategy covers Spire Healthcare Limited only at this stage; we are working to bring the rest of the group under the same security governance.



## Engagement with stakeholders

# Creating value with our stakeholders

Engagement with our stakeholders is critical to our success and delivering on our purpose, strategy and objectives. Their input informs our strategic and everyday business-level decisions, and the board is provided with an overview of any relevant stakeholder feedback.

### Our stakeholders

Patients	p55
Colleagues	p55
Consultants	p56
Suppliers	p56
Private Medical Insurers (PMI)	p57
NHS	p57
GPs	p58
Employers and corporates	p58
Regulators	p59
Investors/lenders	p59
Community	p60

### Our campaign

We launched a targeted, multi-channel campaign in September with the theme, 'The sooner you're better, the better', which has seen strong results.



Scan to watch our TV advert



Engagement with stakeholders continued

## Patients

**Responsible executive owner**  
Group clinical director

### Who they are and how we engage

#### 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.

#### Why they are important to us

Providing the highest quality, safe, personalised care is at the core of everything we do.

#### What is important to them

Rapid access to high-quality healthcare, both diagnosis and treatment, at a price they can afford.

#### How we engage

We engage continuously with patients before, during and after their treatment and seek to involve them in all key decisions about their care.

We use a framework of customer and patient surveys, including questions mandated by regulation (eg Private Healthcare Information Network) or contracts (eg NHS). These cover our major touchpoints with patients, whether they receive admitted care or come to us as outpatients.

We work closely with patients, with the support of the Patients Association, on a range of projects, to understand their experience of care with us, and we use their feedback to further shape and refine our processes. We run hospital patient forums and conduct regular director and board level site visits.

#### Board engagement

While we review the feedback from our patient engagement locally in our hospitals and as part of our operational reviews, we also do this through the board's clinical governance and safety committee. This helps us develop and continuously improve the services we provide to patients, as well as define our annual quality priorities, which we set out in our annual Quality Account.

### Sentiment

- 96% of patients say their experience of our service was 'Very Good' or 'Good'
- Target audience financially more optimistic<sup>1</sup>

### Issues raised

- Increased demand for patient care, in and out of hospital, due to longer NHS waiting times

### Action/outcomes

- Care provided for over 1,070,000 patients (NHS and private) in the year
- Expansion of care for private patients seeking to avoid NHS waiting lists
- Government elective recovery initiatives, in which Spire Healthcare is participating
- Relationships with NHS GPs to enable patient choice
- Expansion of Spire GP and other new propositions to meet demand
- Increased need for care provided by employers owing to ill health of employees
- New provision of services through Spire Occupational Health, London Doctors Clinic and Vita Health Group
- Need to provide safe and efficient patient pathways
- Increasing use of digital technology, offering in-person and virtual consultations and assessments, online brochures and appointment booking

 **Strategy: build on quality, page 24**

 **Chief executive officer's review, page 10**



1. Spire Omnibus Survey, November 2023

## Colleagues

**Responsible executive owner**  
Group people director

### Who they are and how we engage

#### Who they are

We have 16,800<sup>2</sup> colleagues; nurses, theatre teams, allied health professionals, non-clinical support (such as reception staff, porters, finance and human resources), central function teams, musculoskeletal, counselling and occupational health specialists and GPs.

#### Why they are important to us

Our colleagues interact with thousands of patients every day and play a crucial role in delivering the highest quality care and outcomes. Non-patient facing colleagues are vital in making the business run smoothly and efficiently.

#### What is important to them

A fulfilling career with an organisation that offers opportunities for development, the chance to make a difference, and appropriate rewards and recognition for their efforts. Colleagues are supported to learn and develop.

#### How we engage

We value what our colleagues do, engage closely, and support them with their personal health and wellbeing, as well as in their professional lives and career aspirations. We gain regular feedback from colleagues and new starters, and those leaving the business. In April, an engagement day took place with representatives from across the business to shape actions from the 2023 survey and drive engagement across hospitals and central function teams, discuss priority areas and embed change. Our annual survey took place in November, this time including LDC and Spire Occupational Health colleagues. Each executive committee member hosted engagement sessions in multiple locations, and virtually, ahead of the survey to update and encourage questions. After the survey, teams developed action plans to drive further improvements. Vita Health Group carried out a colleague survey in 2023; with an 80% response rate, 74% of colleagues recommended it as a place to work (2022: 69%).

#### Board engagement

The survey feedback we receive is analysed by the full board, remuneration committee and executive committee, with action plans put in place to respond to the findings.

2. Number includes bank colleagues.

### Sentiment

- 81% of colleagues proud to work for Spire Healthcare
- 84% of colleagues get personal satisfaction from their work
- 86% of colleagues happy with standard of care if friends or family treated
- 71% recommend Spire Healthcare as a place to work to friends or family

### Issues raised

- Continued focus on colleagues' health and wellbeing

### Action/outcomes

- Increased investment in wellbeing support, including mental health support
- Ran sessions with expert speakers
- Occupational health provided to all colleagues
- Support available to colleagues promoted internally and externally
- Nursing and other apprenticeship programmes, addressing future as well as current requirements
- Recruiting, integrating and training overseas nurses
- Reward packages in 2023 to retain colleagues
- Insourcing of recruitment to improve outcomes and reduce costs. Savings in 2023 were £0.5 million.
- Continued focus on issues from feedback such as vacancies, volume of work
- Strong recruitment, retention, and development programmes
- Surveys during the year, eg online pulse surveys, new joiner surveys, exit interviews, full annual survey
- Forums with chief executive officer and executive committee members when they visit sites
- Regular all-hands calls and online sessions, 'askJustin' email address
- Consultation with selected colleagues on key initiatives
- Listening sessions with board members and hospital teams
- Fortnightly listening calls with chief operating officer for hospital directors
- Listening sessions with new group people director in 2023 to develop new programmes

 **Strategy: Invest in our workforce, page 27**

Engagement with stakeholders continued

## Consultants

**Responsible executive owner**  
Group medical director

### Who they are and how we engage

#### Who they are

We work with 8,650 consultants, who operate as self-employed practitioners in our business. They are experts in their fields, drawn from all medical disciplines, who are granted privileges to practise in our hospitals, in line with our stringent medical governance procedures.

#### Why they are important to us

Our consultants are integral to providing high levels of medical care to our patients.

#### What is important to them

High-quality facilities, continuity of trained, committed employees providing support to help them establish and develop an efficient practice at our sites, and the quality of care that we provide to patients.

#### 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 feedback survey; in 2023 this had our highest ever response rate, up 7 percentage points on 2022. In addition, each hospital has its own medical advisory committee (MAC) to advise the hospital director, the director of clinical services on any matter relating to the proper, safe, efficient and ethical medical and dental use of the hospital; they meet quarterly. Each medical specialty is represented. Topics including clinical quality, learning from concerns, incidents and complaints are discussed, plus feedback from members about matters concerning consultants. MACs are governed by standard terms of reference, and all discuss the same key items using a standard agenda. The medical director and associate medical directors attend MACs at hospitals, with the aim of attending all MACs at least annually. In addition, hospitals hold an AGM for their whole medical society, to which all consultants are invited. MAC chairs run performance appraisals for each consultant.

#### Board engagement

Feedback from our annual survey is reviewed by the board's clinical governance and safety committee and we use this to enhance the offer we provide to consultants. Board and executive committee members visit regularly to listen, learn and guide and there are biannual reviews with hospital directors.

### Sentiment

- 83% of consultants say care provided in hospitals is 'very good' or 'excellent', up from 78% in 2022
- Improved relationship and closer involvement between MAC chairs, consultants and Spire Healthcare leadership
- Consultants experience improved accountability for clinical and medical governance

Issues raised	Action/outcomes
– Desire for improved digital solutions including one patient record	– Structured digitalisation plan which will enhance working practices for consultants
– Desire for improved administrative processes	– Investment in equipment and marketing support, which create an improved patient experience and make it easier for consultants to do business with Spire Healthcare
	– Such investment results in improved feedback from consultants on the high-quality service we provide
– Ongoing need for open and regular dialogue with our consultants	– Fortnightly 'Two Minute Times' connects consultants with each other and with Spire Healthcare with a mix of national and local news
	– MAC chairs meet regularly with board members and executive committee
	– Continued close working with our MAC Chairs, led by group medical director
	– Continued rigorous oversight of all aspects of consultant clinical practice



## Suppliers

**Responsible executive owner**  
Chief operating officer

### Who they are and how we engage

#### Who they are

We work with a diverse range of organisations who supply the group with everything from medicines, equipment, services and food to people.

#### Why they are important to us

A reliable and effective supply chain is vital to us being able to carry out medical treatment and run the business. In an increasingly volatile environment, resulting from rising inflation and international conflicts, the existence of a reliable and effective supply chain has been particularly important during 2023.

#### What is important to them

Clear policies, contracts and a strong relationship to ensure long-term and mutually beneficial commercial arrangements.

#### How we engage

We hold performance evaluation sessions with our existing suppliers, with the frequency determined by the nature of purchase and the risk profile of the goods or services supplied. Spire Healthcare's procurement team undertake detailed supplier assessments as part of tender evaluation processes to ensure a supplier's capabilities are aligned to the group's business requirements. We require suppliers to be contractually compliant on key issues, including modern slavery.

#### Board engagement

The audit and risk committee reviews all relevant risks in our supply chain as part of its annual risk assessments.

### Sentiment

- Our strategic suppliers value our collaborative engagement
- Suppliers recognise our integrity and professionalism
- Key suppliers have recognised how their values are aligned to ours

Issues raised	Action/outcomes
– Continuity in our supply chain	– Work with supply chain to mitigate detrimental impacts from global product recalls, supply issues and supply chain friction
a) Inflation	a) Work with suppliers and internal stakeholders to minimise impact of inflation through effective use of demand and supply levers
b) Temporary cessation of supply of renewably-sourced electricity	b) Rephasing of trajectory to reflect impact until end of 2024 and commitment to acceleration of other measures, eg solar and Building Management Systems (BMS) controls to reduce emissions impact





Engagement with stakeholders continued

## Private medical insurers (PMI)

**Responsible executive owner**  
Chief commercial officer

### Who they are and how we engage

#### Who they are

Private Medical Insurers (PMI) provide medical insurance cover for both employees and individual members.

#### Why they are important to us

PMIs are a core part of our referral network, as in a normal year, approximately 40-50% of our revenue comes from PMIs.

#### What is important to them

The need to provide their members with prompt access to leading consultants, facilities and clinical teams with a strong track record on safety, quality and patient satisfaction.

#### How we engage

Regular commercial and clinical review meetings are held with insurers, covering strategic initiatives, 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.

We have opened a number of cancer specialist centres (breast and prostate) accredited by, and in partnership with, Bupa. We have a rolling plan to launch in more locations and to work on further cancer pathways together such as skin and bowel cancer care.

All our hospitals are, for example, providing fast access to imaging and pathology services to AXA Health, one of our key partners to support their primary care virtual GP service and onward hospital referrals.

#### Board engagement

The board supports management as needed in their relationships with leading PMIs.

### Sentiment

- Spire Healthcare is viewed as a valued partner with a clear patient focus, always accessible, responsive and supportive
- Viewed as getting good outcomes for members and aligned in views on value based healthcare

Issues raised	Action/outcomes
---------------	-----------------

- |                                 |  |
|---------------------------------|--|
| – Insurers want good engagement | – Regular proactive and real-time, open communications with the insurers: <ul style="list-style-type: none"> <li>– Daily reporting at an individual hospital and service level of available care for private patients</li> <li>– Regular meetings with the PMI medical governance and operational leads</li> <li>– PMIs kept abreast of key strategic initiatives and plans to ensure rapid access to the best quality clinical care, and develop our propositions in partnership</li> </ul> |
|---------------------------------|--|

- |  |  |
|--|--|
| – Insurers looking for clear commitments on carbon and ESG | – Shared detailed action plan with clear commitments to net zero |
|--|--|

 [Our market, page 16](#)

## NHS and government

**Responsible executive owner**  
Chief executive officer

### Who they are and how we engage

#### Who they are

Within central government, we work closely with the Department of Health and Social Care (DHSC). We liaise closely with the NHS; we work with NHS England, Integrated Care Boards, local NHS trusts (and the equivalent in Scotland and Wales), and central NHS teams.

#### Why they are important to us

The government sets the political and regulatory environment in which we operate and overall NHS policy towards the independent sector. The NHS is a large customer, as we provide care for NHS patients, either through referrals, commissioning or contracts.

#### What is important to them

Our ability to provide high-quality, planned care for NHS patients, helping them to address waiting times and relieving pressure on NHS services.

#### How we engage

Our local leadership teams maintain their well-established relationships with NHS counterparts. As well as holding regular meetings, local NHS leaders visit our hospitals, to ensure they understand the capability we have and the services we offer. Our national leadership team holds relationships with NHS central teams in England, Scotland and Wales. We have relationships with various DHSC and NHS England officials covering a range of portfolios and feed views into the government's Elective Recovery Taskforce.

Through our Vita Health Group brand, we bid for NHS talking therapy and MSK contracts in England through central tendering processes. VHG has regular engagement with commissioners and the local health system where contracts are held.

#### Board engagement

Our executive committee liaise with their NHS counterparts to agree the contractual support we provide to them in meeting Britain's demand for healthcare.

### Sentiment

- The NHS values our sustained commitment to providing high-quality care across England, Scotland and Wales
- Government expressed a desire to make more use of the independent sector through the Elective Taskforce

Issues raised	Action/outcomes
---------------	-----------------

- |   |  |
|---|--|
| – Elective Recovery Taskforce recommended an expansion in patient choice for NHS patients | – Patients are able to opt to receive care in a hospital of their choice, including one run by an independent provider. Spire Healthcare is listed as a provider to NHS patients when making a choice with their GP and NHS GPs are increasingly open to speaking to patients about using independent healthcare |
| – Local requests for assistance to address elective care backlog                          | – Recontracted with local commissioners for all Spire Healthcare sites and increased volumes in eReferrals   |

 [Chief executive's review, page 10](#)



Engagement with stakeholders continued

## GPs

**Responsible executive owner**  
Group medical director  
Chief commercial officer

### Who they are and how we engage

#### Who they are

GPs treat all common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment.

#### Why they are important to us

GPs are a critical part of our referral network, as most patients are referred to us by their NHS GP. For that reason, we seek to liaise closely with them. We are also seeing more patients self-refer. We have invested in a network of primary healthcare relationship managers available to all hospitals; these provide the key link with GPs and deliver training, education and information.

We also offer our own private GP services, Spire GP and London Doctors Clinic (LDC). They are a network of over 137 GPs, who are granted privileges to operate in our hospitals, in the same way as consultants or are directly employed by or contract with LDC.

#### What is important to them

An understanding of our business and services, to make it easier for them to refer patients to us. They value a high-quality environment, suitable for consulting with patients.

#### How we engage

Our hospitals offer regular educational events which support the continuing professional development of NHS GPs which have been extended to include the LDC GPs. Hospital colleagues also provide educational events on site at NHS GP practices. We use the feedback that we receive to organise future events that are tailored to their ongoing needs.

For the first time in 2023, LDC GPs participated in the Spire Healthcare annual colleague engagement survey.

#### Board engagement

Some of our board members are experienced medical practitioners and liaise with NHS GPs through medical forums and conferences.

#### Sentiment


- For our private GP network, they value the ability to achieve a portfolio career across the independent and NHS sectors
- 89% of respondents to the colleague engagement survey (LDC GPs colleagues) get personal satisfaction from their work
- NHS GPs value the relationship between their practice staff and our consultants
- NHS GPs are increasingly open to asking patients if they are insured

#### Issues raised

- Minor local issues with increasing referral levels affecting capacity at Spire Hospital locations

#### Action/outcomes

- Close relationships with NHS GPs and electronic referral system (eRS) as a major form of referrals
- Capacity at all sites is constantly reviewed and new consultants engaged to increase capacity to meet demand

 [Business model, page 14](#)



## Employers and corporates

**Responsible executive owner**  
Chief commercial officer

### Who they are and how we engage

#### Who they are

Employers are the customers for our occupational health and employee assistance programmes, along with musculoskeletal and mental health services. Meanwhile, more employers are providing PMI for their employees, who subsequently come to us to receive care.

#### Why they are important to us

We deliver care to employees, but the care is purchased by the employer as a package to support occupational health and wellbeing, to prevent ill-health, stress reduction, health intervention, education and self-help.

#### What is important to them

The need to provide their employees with access to leading clinicians, facilities, locations and virtual services with a strong track record on safety, quality, patient satisfaction and good quality clinical advice and outcomes, to enable people to be healthy and productive and to stay or get back to work.

#### How we engage

Account managers regularly engage with employers who hold occupational health or employee assistance programme contracts, or both, to discuss current and future requirements and where bespoke services may be developed. Employers hold contracts with us for mental and physical health on an annual or ad-hoc basis. We work with business leaders and their human resources, health and safety colleagues, wellbeing champions, preventative service teams and training departments to engage on the best mix of support for varied workforces and types of employer.

#### Board engagement

The board supports management as needed in their relationships with business customers.

#### Sentiment

- Clients appreciate transparent, responsive and consistent communication, being made aware of market trends and business updates
- Contract holders feel prepared for upcoming changes and pleased with the support provided, both bespoke and included in contracts
- Growing need for mental and physical support owing to rising population ill-health makes employers amenable to purchase our services

#### Issues raised

- Poor employer understanding of what occupational health can achieve and how to access services
- Line managers not aware how to use occupational health and employee assistance programmes contracts in place
- Need for specialist services to address trauma, stress, substance abuse, neurodiversity and mental health first aid

#### Action/outcomes

- Marketing approaches to address customer understanding
- Service promotion and training to help managers identify when employees would benefit from support
- Development of bespoke services, webinars, training and information to meet employers' needs
- Mental health first aid training (MHFA) delivered to line managers

- Request for support on new legislation on sexual harassment in the workplace
- Support for high levels of sickness absence in employers
- Employers requesting support on the menopause for employees

Engagement with stakeholders continued

## Regulators

**Responsible executive owner**  
Group clinical director

### Who they are and how we engage

#### Who they are

We are required to engage with a range of financial, clinical, health and safety, and competition and market regulators.

The principal healthcare regulators we engage with are the Care Quality Commission (CQC), the Healthcare Inspectorate Wales (HIW) and Healthcare Improvement Scotland (HIS). Safe Effective Quality Occupational Health Service (SEQOHS) accredits occupational health services.

#### Why they are important to us

Each of our hospitals is required to be registered with the relevant national healthcare regulator in order to be authorised to offer services to patients.

#### What is important to them

Compliance with the law and all relevant regulations.

#### How we engage

We have regular dialogue with the healthcare regulators, with local relationships at hospital level and a national relationship with the group clinical director. Our hospitals have focused contact with inspection teams pre, during and post formal inspections. Individual hospitals draw up and implement improvement plans on the basis of feedback from regulators.

Centrally, we also have regular calls with CQC, HIW and HIS, to understand the changing face of regulation, and to provide assurance to the regulators of action being taken to maintain and improve safety and quality and share good practice.

For other regulators, such as the Competition and Markets Authority, we have a dedicated legal team who, with external counsel, monitor and advise the group on legal and regulatory developments.

#### Board engagement

The board supports management with assurance of effective ward-to-board governance processes and reviews collated feedback from regulators to identify trends and drive responses.

### Sentiment

- 98% of our inspected locations are currently rated ‘Good’ or ‘Outstanding’ or the equivalent by regulators in England, Scotland and Wales
- Inspected Vita locations are currently rated 100% ‘Good’ by CQC.

Issues raised	Action/outcomes
– CQC began to change its assessment model during 2023, rollout will continue in 2024	– We have worked with CQC to understand the proposed changes and their impact on our business – Extensive training for colleagues on the changes
– Spire Occupational Health rebranding	– Safe Effective Quality Occupational Health Service (SEQOHS) awarded Spire Occupational Health full accreditation, the industry standard for occupational health, in late 2023



 **Strategy: ‘Build on quality’, page 24**

## Investors/lenders

**Responsible executive owner**  
Chief executive officer  
Chief financial officer

### Who they are and how we engage

#### Who they are

Shareholders, potential shareholders, analysts and lenders. Our largest investor is Mediclinic, which holds a 29% stake in Spire Healthcare and has a seat on the board.

#### Why they are important to us

Our investors and lenders help to ensure we have access to the resources, support and finances we need to develop and grow the business.

Our aim is to reduce covenant leverage over time through robust cash management and conservation.

#### What is important to them

Investors and lenders are looking for sustainable returns from any capital outlaid and are keen to understand our work with the NHS, how we are building our private business, expansion into new areas of healthcare and how we work sustainably and support the community.

#### How we engage

Our director of investor relations engages with shareholders and analysts. We also maintain regular contact with lenders and keep them informed on all major issues affecting the business. Our full year and half year results were presented as hybrid events; both were well attended. We regularly gather feedback after each results roadshow and use this to guide our future investor relations strategy.

The chief executive officer and chief financial officer regularly meet with investors.

#### Board engagement

Our chairman, senior independent director and executive directors meet with institutional investors at individual meetings and analyst presentations, as well as at results roadshows.

### Sentiment

- Investor feedback received is generally good, with support for the group’s strategy and management team
- Lack of share liquidity is sometimes a barrier for investment for institutional investors

Issues raised	Action/outcomes
– Recovery of our private self-pay business has a critical impact on Return on Capital Employed and other measures	– Presentations to investors and analysts
– Environmental, social and governance (ESG) impacts	– Net carbon zero target by 2030 – Sustainability committee with nominated owners for each section of the sustainability strategy and a scorecard developed for each area
– Effect on the business of operating in a high inflationary environment	– Through our efficiency programmes, we have delivered more than £30 million of cost savings in 2022 and 2023.
– Capital allocation – use of surplus cash generated, capex, margins and return on investment	– Further self-help actions taken include implementing price rises where appropriate, managing our mix of services and being more selective in the choice of products we use – We balance use of surplus cash between a number of areas including reduction of leverage, payment of dividends to our shareholders and M&A opportunities – We continue to invest strongly in the business to improve margins and return on investment



 **Risk management, page 64**

 **Financial review, page 82**

 **Our strategy, page 20**

Engagement with stakeholders continued

## Community

Responsible executive owner  
Chief executive officer

### Who they are and how we engage

#### Who they are

Our business plays an important part in the communities in which we operate.

#### Why they are important to us

We want to be involved in the local communities of our patients, existing and future colleagues. As a responsible business, we have a duty to give back to these areas and contribute to their greater wellbeing. We also have a duty of care to the environment and have plans aimed at becoming net zero carbon by 2030.

#### What is important to them

A strategy that focuses on the ethical, social, environmental, cultural, and economic dimensions of doing business.

#### How we engage

Local hospitals forge relationships with community organisations in their locality and liaise with local authorities and other local groups when investment projects are planned which may cause disruption to residents. Many hospitals also undertake fundraising initiatives for local charities. Nationally Spire Healthcare undertakes company-wide charity activities and other community initiatives. We are engaged in environmental projects to reduce our greenhouse gas emissions and manage our waste effectively. Engagement with Integrated Care Systems, including local authorities and community services, can provide closer links with local health and social care communities around our hospitals and clinics.

#### Board engagement

The board reviews our sustainability and environmental ambitions on a regular basis.

### Sentiment

- Charities receiving donations express gratitude and explain what can be provided for recipients through monies raised
- Longer-term relationships with local sites are valued and bring communities closer

### Issues raised

- The cost-of-living crisis has affected people in the communities we serve

### Action/outcomes

- Our 2023 company-wide charity focus week raised £40,000 for more than 30 causes around Britain selected by local hospitals through cycling, baking and walking challenges to name a few
- As a business we support several major fundraising and awareness events such as Macmillan's coffee morning and Breast Cancer Now's wear it pink'
- Vita Health Group (VHG) introduced one day's paid leave for colleagues to volunteer each year in 2023
- Growth in need for talking therapies and musculoskeletal support in local NHS communities
- VHG works with voluntary sector partners to stimulate referrals and bring services to local communities
- VHG commissioned a 'mental health bus' to build local awareness

 [Chief executive's review, page 10](#)  
[and Sustainability report, page 36](#)



## Our key performance indicators

We use a range of financial and non-financial metrics to measure group performance in line with our strategy and to deliver strong financial performance.

### Non-financial KPIs

#### Colleague engagement index >80%

81%

2022: 80%

##### Why is this a KPI?

We are a people business. Having engaged colleagues is not only important for their own wellbeing, but also helps them in their daily efforts to provide high-quality care to our patients.

##### Performance

We are achieving high levels of colleague engagement – 81% of colleagues said they felt proud to work for Spire Healthcare, one percentage point up on 2022, based on an 86% response rate.

The 2023 colleague survey applies to Spire Healthcare Limited and The Doctors Clinic Group.

#### 100% CQC/HIS/HIW Good or Outstanding

98%

2022: 98%

##### Why is this a KPI?

Providing personalised quality care is our daily responsibility and a key business driver. We seek to reach 100% Good or Outstanding ratings from regulators in England, Scotland and Wales.

##### Performance

98% of inspected locations are rated 'Good' or 'Outstanding' or the equivalent. 100% of inspected Vita Health Group and London Doctors Clinic locations are rated 'Good'.

#### >75 net promoter score among admitted patients

80

2022: 81

##### Why is this a KPI?

Our net promoter score (NPS) metric measures admitted patients' likelihood to recommend Spire Healthcare to friends or family in need of similar treatment. This is a key indicator of customer satisfaction and the quality we are delivering to our patients.

##### Performance

We continue to achieve high levels of private patient recommendation. NPS among admitted patients was 80.2%, down slightly from 80.6% in 2022.

At Vita Health Group, the NPS is 84 overall for corporate clients (with employee assistance plan corporate customers scoring 97). NPS for NHS customers is 95.

We continue to monitor all patient feedback to drive continuous improvement.

#### Apprentices constitute 5% of our workforce

4%

2022: 5%

##### Why is this a KPI?

There is a shortage of clinicians in the UK and worldwide. We are committed to building up the talent pipeline for our business and for the UK healthcare sector more widely.

##### Performance

We now have over 430 clinical and non-clinical apprentices in Spire Healthcare and Vita Health Group, which is almost 4% of our total permanent workforce. We will continue to make apprenticeships an attractive option for new and existing colleagues and ensure both learning and supervising colleagues are fully supported.

Our key performance indicators continued

Non-financial KPIs continued

### Net zero carbon emissions (tCO<sub>2</sub>e) by 2030

3%

ahead of 2023 target emissions (27,017 tCO<sub>2</sub>e achieved, target 27,750 tCO<sub>2</sub>e) (2022: 9% ahead, 25,854 tCO<sub>2</sub>e achieved, target 28,163 tCO<sub>2</sub>e)

#### Why is this a KPI?

We continually seek ways to reduce our impact on the environment. We are reducing our carbon emissions, focusing our efforts on waste and recycling, while working with our suppliers to align goals to develop healthcare in sympathy with a sustainable planet. This is the responsible approach of any healthcare business.

#### Performance

Spire Healthcare Limited is in line to hit our planned 2030 target, delivering 3% ahead of emissions target. Our emissions in 2023 were 27,017 tCO<sub>2</sub>e, against a target of 27,750 tCO<sub>2</sub>e.

We achieved an emissions reduction of 3% ahead of our planned net zero target, but for our wider SECR/GHG obligations, we experienced a 4% increase YoY, owing to increased brown electricity, influenced by global energy supplies and the war in Ukraine. The net zero strategy covers Spire Healthcare Limited only at this stage; we anticipate working to bring the rest of the group under the same plan.

### Year-on-year reductions in gender pay gap

9.2%

2022: 6.2%

#### Why is this a KPI?

Our purpose is to make a positive difference to people's lives and that includes all our colleagues. Gender pay reflects the structure of our workforce and is a reflection of the differences in the balance of male and female workers within the wider healthcare sector.

#### Performance

In 2023, the overall median gender pay gap in Spire Healthcare Limited was 9.2% (2022: 6.2%). We are taking a number of positive steps to invest in and provide development opportunities for our female colleagues to progress into senior leadership roles and work towards a balanced representation across the organisation to reduce the gender pay gap. Read more developments and detail in our Sustainability report on p47.

### 40% female membership of board and executive committee by 2025

47%

2022: 37%

#### Why is this a KPI?

Spire Healthcare wants to support women to become leaders within the business. More diverse boards are more effective; diversity drives innovation and better decision-making and is reflective of the group and its employees.

#### Performance

The combined executive committee and board demographic in 2023 is 47% female. Our executive committee demographic is 38% female. Spire Healthcare is supporting women to become leaders within the business, and we now have five women on our board, moving the board's gender balance to 45% women. We are recognised as the first company in healthcare in the 'FTSE 250 Women Leaders Review', in which our executive committee and their direct reports combined is listed as 51% female at 31 October 2023.



Please see the Sustainability report for more information on page 36

## Our key performance indicators continued

All three financial KPIs described below align with Spire Healthcare's strategy and the long-term financial objectives outlined at the group's Capital Markets Day event in June 2022.

## Financial KPIs

## Revenue CAGR c5% by 2025

2023	1,359.0m
2022	1,198.5m
2021	1,106.2m
2020	919.9m
2019	980.8m

## Why is this a KPI?

Monitoring revenue provides a measure of Spire Healthcare's growth.

## Performance

Overall revenue was £1,359.0 million, up 13.4% compared to 2022 including £31.4 million from acquisitions in 2023.

## Adjusted EBITDA\* margin &gt;21% by 2025

2023	17.6%
2022	17.0%
2021	16.1%
2020	17.5%
2019	19.3%

## Why is this a KPI?

The margin we achieve reflects the group's efficiency in generating shareholder returns from the hospital business, which excludes new services. An increasing margin makes the profit more resilient to adverse effects and demonstrates the group's strategy for managing cost and targeting private payors is the right one.

## Performance

Adjusted EBITDA for the group was £234.0 million in 2023, up 15.0% on 2022.

Hospital adjusted EBITDA was £233.8 million, up 14.9% on 2022. Hospital revenue was £1,327.6 million, up 10.8% on 2022. Hospital adjusted EBITDA margin was 17.6%, up from 17.0% in 2022.

## ROCE\* &gt;10% by 2025

2023	7.5%
2022	6.2%
2021	4.9%
2020	4.0%
2019	5.1%


## Why is this a KPI?

ROCE is an important metric and measures how well the group's capital is being deployed to generate returns. Adopting ROCE as a KPI influences future investment strategy by the business to ensure that available capital is directed towards generating improving shareholder return.

## Performance

Spire Healthcare seeks financial discipline with a clear capital allocation policy and targeted investment. We have improved operational effectiveness with our efficiency programmes which delivered more than £15 million savings in the year. We have also implemented price rises where appropriate, managed our mix of services and been more selective in the choice of products we use. The strong operational performance in the period resulted in Adjusted EBIT climbing by 23.5% to £130.4 million, leading to a material improvement in ROCE, up by 1.3 percentage points to 7.5%.

 Risks – for more information see page 64

 Read more in our Financial review page 82

\* Refer to page 85 for a reconciliation of non-GAAP financial measures.

## Risk management and internal control

# Responsibility for risk management and internal control systems lies with the board of directors”

The board has a consolidated view of key risks from across Spire Healthcare. Our risk management and internal control processes are managed through the audit and risk committee (ARC) in association with the clinical governance and safety committee (CGSC).

### Risk management

The risk management framework (shown diagrammatically on page 67) is designed to identify, evaluate and mitigate the risks that we face at all levels. All significant risks are recorded on our risk management system.

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

- The University of Cambridge Judge Business School Centre for Risk Studies’ taxonomy of business risk
- The UK government’s national risk register
- The World Economic Forum’s annual risk assessment

We use the risk register to manage all significant risks facing Spire Healthcare by assessing risk in terms of consequence and likelihood. Our risk management methodology captures the assessment of risk on a ‘current’ or ‘net’ basis, after existing controls are considered. The detailed registers also include management actions to further reduce risk exposures when considered necessary. In the case of the principal risks, sources of assurance over mitigation of the risks are also reported to the ARC. Reporting of risk within our management information (eg, to the executive committee and ARC), is on a current basis, and the importance of each risk as presented in this report is on the current basis. The relative exposures from the principal risks to Spire Healthcare are shown on page 65.

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

### Current risk environment

As with 2022, 2023 remained a volatile year in terms of international geopolitics, domestic inflation, rapid interest rate rises in early 2023 and industrial unrest impacting wage settlements. We expect 2024 to be no less volatile, with a higher probability of greater volatility than 2023 given key elections in many democracies including the USA and the UK, increasing international conflict and continuing impacts from climate change.

As in 2022, we had to respond to several changing risks and threats to our operations on our supply side, although that position improved during 2023, and we believe the risk of major supply chain disruption declined over the course of the year. The acquisition of Vita Health Group has opened new commercial opportunities for us, but importantly, also improved our mitigation of the risk from diversification and disintermediation. Through high levels of demand for our services, we have been able to offset much of the inflationary risk we faced. We continue to review our risk profile and challenge ourselves on whether we are taking all reasonable steps to mitigate our principal risks.

### Risk appetite

Whilst we make every effort to ensure that all risks are as low as reasonably achievable, it is not possible to reduce all risks to zero. Decisions must therefore be made as to whether the benefits and best use of resources outweigh the risks.

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

We apply the following definitions to our risk appetite for the strategic principal risks:

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

The risk appetite for each principal risk is shown on pages 68 to 74 in the detailed risk descriptions.

### Principal risks outside of risk appetite

One principal risk falls outside of our risk appetite.

Workforce – (reported as outside of appetite in 2022) because there is a long-term structural shortage of clinical and medical staff in the UK, which has been the case since before the COVID-19 pandemic. We are working to recruit and retain colleagues in a highly competitive domestic and global market for healthcare workers. Given the scale and range of external factors that cause the risk, and especially the dominant role that the NHS plays in attracting, recruiting, and training clinical and medical staff in the UK, the mitigations available to us are unlikely to mitigate the risk fully in the near to medium term.



Risk management and internal control continued

### Principal risks

The diagram shows the principal risks of the group. Further detail on the individual risks is provided on pages 68 to 74.

The principal risks fall under the following categories:

**Ranked by likelihood**

Ranked by likelihood	Category
1 Workforce	People
2 Inflation and wage inflation	Financial
3 Climate change	Environment
4 Information governance and security	Technology
5 Digitalisation, automation and efficiency	Technology
6 Brand reputation	Social
7 Government and NHS policy	Geopolitical
8 Self-pay market dynamics	Financial
9 Major infrastructure failure	Technology
10 Patient safety and clinical quality	Clinical and patient safety
11 Expanding our proposition	Governance
12 PMI market dynamics	Financial
13 Supply chain disruption	Geopolitical
14 Antimicrobial resistance	Social



### Material change to our risk profile from 2022

In reviewing our principal risks, we decided to reclassify the following risks:

- A further outbreak of COVID-19 is no longer considered a principal risk as we have incorporated managing COVID-19 into our operations
- Risk of a pandemic from a new pathogen to an emerging risk, ie, a risk we will continue to monitor, but we will not undertake any further specific mitigations for at this stage. We have developed our pandemic response plans incorporating the learning from the COVID-19 pandemic and therefore believe this is now the appropriate categorisation for this risk
- Reduced the risk from competitor challenge as no longer a principal risk. Competitor activity is a potential causal factor for PMI market dynamics, and a new risk, on self-pay market dynamics (see below)

We have elevated two risks onto the principal risk register:

- The risk from our ability to adopt digital technologies into patient experience and back-office processes at the required speed to achieve our objectives (see risk 5 digitalisation, automation and efficiency)
- The risk from the self-pay market dynamics given the materiality to our revenue and profitability this market segment represents (see risk 8 self-pay market dynamics)

We have renamed our principal risk ‘diversification and disintermediation’ to ‘expanding our proposition’.

### Inter-relationships of principal risks

We recognise the strong inter-relationships between the principal risks. The risks that would have the most material impact on other principal risks are:

- Antimicrobial resistance
- Information governance and security
- Government and NHS policy

### Emerging risks

The board considers emerging risks to be those with the following characteristics:

- Any manifestation of the risk is most likely outside of the normal strategic planning horizon of five years
- Are risks for which we have little or no prior experience because of their novelty or highly uncertain nature
- There are no practical control measures that can be taken now but a longer-term strategic response may be appropriate

The emerging risk process is as follows:

- The executive committee prepares an annual analysis of long-term global trends that may lead to emerging risks and opportunities
- It then recommends specific long-term risks to be added to an emerging risk register for monitoring and consideration in our strategic planning process
- The board, via the audit and risk committee, reviews and approves the potential emerging risks and opportunities that the executive committee is monitoring

Through the emerging risk process in 2023, we have added several new emerging risks to our register, largely focused on emerging threats from geopolitical tensions. Our assessment of climate change risk in the short term is described below; further details of our assessment of climate change risk are provided in our TCFD disclosures on pages 75 to 80.

**Risk management and internal control** continued**Internal controls****1) Standard policies and procedures**

We have documented policies and standard procedures in place covering all significant activities and areas of risk, which are subject to regular review and update by the policy approval committee (PAC) comprising a cross functional membership of subject matter experts. The PAC reports into the safety, quality and risk committee. The PAC meets eleven times a year and publishes updates to policies on our intranet. All policies are required to follow a standard process for creation and review. There is a standard structure for procedures and guidelines to provide our colleagues and consultants with further operational detail for policies where required. The default review period once a policy is approved is three years but can be shorter if required. There are certain policies that the board reserves the right to approve, for example treasury management, raising concerns and risk management policies.

**2) Assurance over clinical delivery and clinical regulatory compliance risks**

As a provider of clinical services to patients, we face a specific set of non-financial risks associated with such provision. We have strong control structures as described below.

- The group medical director oversees the governance of the medical professional standards of 8,760 consultants through the medical professional standards committee, the management of patient reviews and recalls, the processes for the management of practising privileges and setting medical governance policy
- The Integrated quality governance team support a suite of clinical audits which assess compliance with key areas of patient safety
- The central clinical team oversaw a national programme of clinical reviews including testing according to the approach taken at regulatory inspections
- The central clinical team also oversees the drafting, communication and training of a comprehensive set of clinical policies and procedures for Spire Healthcare. These form part of the overall framework for clinical safety governance and quality, to ensure that clinical risk and clinical regulatory compliance is managed effectively across all registered sites. The governance activities are monitored by the integrated quality governance team and are reported regularly to the safety, quality and risk committee, the executive committee and the CGSC
- Each hospital has a risk register through which clinical and medical risks are managed, mitigated and escalated
- Comprehensive, non-financial management information on quality including safety, clinical effectiveness and patient experience is produced and reviewed monthly against pre-agreed standards by the corporate integrated quality governance and clinical teams and reported to the SQ&R sub-committee and reported to the CGSC quarterly. Specific KPI measures drawn from this management information are given on page 61
- We are subject to substantial levels of external inspection and review, both by the range of national healthcare regulators (CQC/HIW/HIS) and through invited assurance inspections such as the rolling programme of health and safety inspections carried out by third-party specialists. The executive committee and the CGSC review the outcomes of these activities. In 2023, we had a total of 7 CQC and HIW/HIS inspections, all producing 'Good', 'Outstanding', or equivalent performance assessments
- We have maintained throughout 2023 the structures and processes to provide the level of evidence and assurance required to monitor clinical regulatory compliance

**3) Financial and operational controls**

Our design of our finance function splits resources across on-site finance directors at each hospital, supported by a central finance function based in Reading.

We received regular fraud updates from the NHS Counter Fraud Authority during the year and, where relevant, disseminated the fraud alerts to relevant colleagues. We are subject to daily direct and indirect cyber-attacks during the year. We have prepared response plans to cyber-attacks utilising both in-house and third-party experts. After any incident, we undertake a full incident review and reflected learnings into our cyber-security environment.

The fundamental financial controls as reported in 2022 remained in place during 2023, namely:

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

In October 2023, HM Government withdrew the proposed Regulation requiring certain companies to publish a resilience statement and disclosures relating to distributable profits and distributions, a material fraud statement and an audit and assurance policy part way through the legal ratification process. The Financial Reporting Council have published an updated Corporate Governance Code in early 2024 requiring new disclosures over our risk management and internal control environment for our fiscal year starting 1 January 2026. We continue to prepare for these new requirements by documenting and strengthening our internal financial controls where appropriate.

**4) Internal Audit**

An in-house director of internal audit is supported by a dedicated team from KPMG who provide co-source internal audit resource. The activities of internal audit are reported in the audit and risk committee report on pages 104 to 109.

Risk management and internal control continued

**Continuous learning**

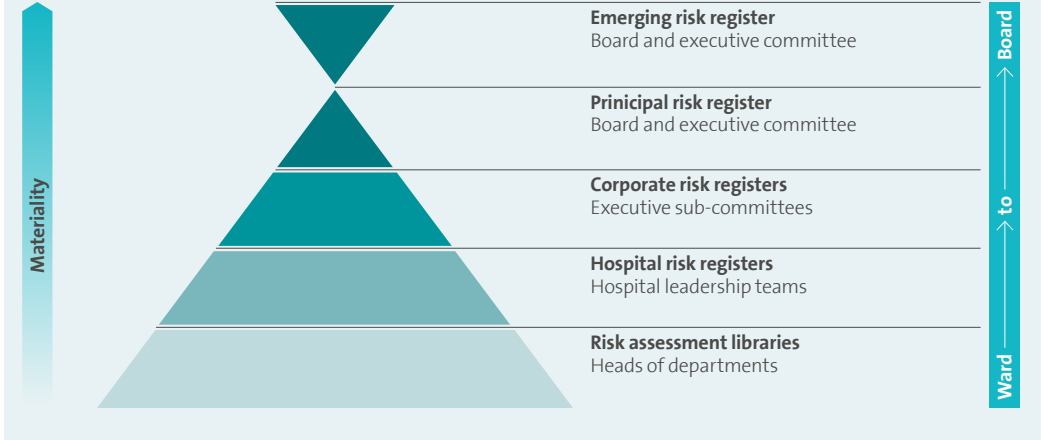
Our process of continuous improvement through events, knowledge and awareness will help us to make progress. We recognise this unequivocally and its importance in driving outstanding quality. No matter how robust and reliable, internal control systems and risk management cannot guarantee to remove all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

We actively promote an open culture to positively encourage the reporting of all risk events and other issues arising. Hospital management, the executive committee, the ARC, and the CGSC closely monitor the number and nature of events arising, and the operation of incident management processes.

We offer various channels through which colleagues can report any issues or concerns. The main channel for raising concerns is the Freedom to Speak Up Guardians (FTSUGs) that were introduced into every Spire Healthcare hospital and corporate team in 2018. Other channels include a central raising concerns team, members of the executive team and board, and an independent whistleblowing helpline to facilitate anonymous reporting of issues or concerns that they are unwilling to raise via any other channel. We have an independent national corporate guardian who oversees and supports the FTSUGs (see Engagement with stakeholders section for further details on page 54).

**Our risk management framework**

Governed by our board-approved enterprise risk management policy



Risk management and internal control continued

# 1. Workforce

[Link to strategy](#)



**Executive owner(s):** Group people director

## Risk description

There is both a UK and global shortage of nursing and healthcare practitioners. We compete for talent in the UK and from international demand, and increasingly for non-clinical roles in a candidate driven marketplace.

Our ability to attract and retain clinical and non-clinical colleagues has been affected by the following:

- The cost-of-living increase impacting all our employees. Those on the lower salary levels are more sensitive to inflationary pressures and may move to marginally higher payers, both within or outside of healthcare
- Increasingly, permanent colleagues are looking for more flexibility in their work environment and work life balance
- The candidate driven market which impacts salary expectations for key roles, and attraction of agency rates
- Growth of demand for healthcare services since the pandemic

## Risk impact

In the short term, the impact is on operating costs, either through increased pay awards or the use of bank and agency colleagues to fill resourcing gaps.

Over the long-term wage inflation and resource scarcity could result in a decline in our expected revenue growth.

## Risk mitigation

We seek to retain colleagues through:

- A common purpose and a positive workplace culture (our employee engagement score as reported on page 29 provides evidence that this mitigation is effective)
- Competitive pay and reward benefits. In 2023, we announced a competitive pay award that provided a 5.5% increase for most eligible colleagues. We will continue to review pay competitiveness in all the sectors in which we operate
- Offering greater flexibility in employee's roles
- Employee development programmes, eg a nurse training programme and other apprentice schemes
- Continuous investment in our equipment, facilities and services to retain high-quality clinicians

In 2023, our risk mitigations have helped to produce a downward trend in colleague churn rates as shown on page 30.

We seek to recruit colleagues through:

- A centralised recruitment process which we brought in-house 2023
- Offering apprenticeship programmes to support the development of clinical and non-clinical teams across the business
- Building of local bank colleague pools and using digital solutions to improve access to available shifts
- An overseas recruitment capability to secure skilled healthcare workers from outside the EU (in line with World Health Organization protocols to actively recruit in only 'green' countries, see page 29).

The group manages immediate colleague shortages using agency and bank workers.

**Risk appetite** B | **Risk movement:** 2022 ➔ 2023 ➔

# 2. Inflation and wage inflation

[Link to strategy](#)



**Executive owner(s):** Chief commercial officer

## Risk description

Inflation continues to fall in the UK (now at 4% vs a peak of +11%), but still higher than the Bank of England target of 2%. Base lending rate is 5.25%. It had been forecast to increase further but with the fall in inflation in Q4 2024, our expectations are that base rates remain c5% for much of 2024 with falls possibly in Q3-Q4 2024 to c4.25% (source: National Westminster Bank). There is still risk of further energy price shocks and food price shocks from increased geopolitical tensions in Ukraine and the Middle East. Wage inflation (excluding bonuses) is 6.6% (September-November 2023).

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

## Risk impact

- Higher staff churn because of more competitive pay in other sectors/other healthcare providers or higher staff costs to maintain competitive pay and benefits
- Reduction of self-pay patients as inflationary pressures reduce affordability reducing volumes
- On contract renewals, PMI providers take more aggressive stance on pricing to mitigate from recent inflationary increases reducing margin
- NHS tariff increases are below the level of inflation thus reducing margin

## Risk mitigation

In response to macro inflationary pressure, we will continue to benefit from a range of inflation mechanisms built into the PMI contracts and will benefit from our ability to change self-pay pricing quickly via our pricing engine subject to prevailing market conditions. Our conversion rate from Out-patient appointment to In-patient procedure remains stable. Our procurement team maintains a constant review of pricing and seeks opportunities to mitigate inflationary increases.

We continue to respond to changing economic circumstances by optimising our private and NHS-funded work, ensuring we are not over-reliant on one income source, and supported by an efficient cost base.

We responded to wage inflation by announcing to our staff early in 2023 that the 2023 general pay increase will be 5.5% for most eligible colleagues, and more for those near minimum wage.

**Risk appetite** B | **Risk movement:** 2022 ➔ 2023 ➔

### Strategy key

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

Risk management and internal control continued

### 3. Climate change

[Link to strategy](#)



**Executive owner(s):** Chief financial officer

**Risk description**

Climate-related risks have been identified through the enterprise risk management process. In 2023, we have undertaken scenario analysis to identify our short-, medium- and long-term risks from climate change.

Following the structure of the Taskforce on Climate-related Financial Disclosures (TCFD), we face risks and opportunities from the transition to a low carbon economy and physical risks from a warming climate. This principal risk is an overarching description of those individual risks that are described in greater detail in our TCFD reporting on pages 75 to 80.

We may, in the medium to long term, be indirectly at risk from societal risks related to climate change, eg, food security.

**Risk impact**

Severe storm weather has the potential to cause major damage and disruption to our sites. Storm events raise the risk of floods at our buildings due to rising external water levels, such as from rivers run off and the sea. Our hospitals would be badly affected by flooding should it occur, as water ingress would affect medical equipment and risk the hygiene of our premises and safety of our patients.

Extreme weather events will also disrupt our patients, staff, and consultants' ability to attend our facilities.

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

Providing healthcare services is a relatively energy intensive business. We are vulnerable to fluctuations in energy prices driven by rising carbon costs imposed on power generators as well as through increasing taxation at the point of consumption.

**Risk mitigation**

Flood risk mitigation includes a continued periodic review of our estate in relation to existing and predicted flood risk zones and investment in improved roofing and drainage where vulnerabilities have been identified. None of our current sites are situated in predicted high risk flood zones or in coastal areas predicted to be at risk from rising sea levels.

Extreme ambient temperature risk mitigation includes an informed investment plan for upgrade of failing and vulnerable plant. Design of the replacement and upgrade would account for the predicted increase in ambient temperature profiles expected within the lifespan of the plant eg, 15 years. Further mitigation measures include extreme weather warning protocol and Business Continuity Plans to provide emergency loan HVAC plant.

Energy price risk mitigation includes energy efficiency measures to reduce consumption and our energy hedging strategy which has seen all our current energy requirements secured until December 2024.

**Risk appetite** B | **Risk movement:** 2022 ↑ 2023 ↓

### 4. Information governance and security

[Link to strategy](#)



**Executive owner(s):** Chief operating officer

**Risk description**

As a healthcare organisation, we must manage and maintain a range of physical and digital data assets including patient records, commercial information and staff data. Our intelligence indicates that healthcare data remains highly valuable to criminal and hostile state operators. There is a risk that:

- We will not manage personal data in compliance with the principles set out in the Data Protection Act 2018 and the General Data Protection Regulations (GDPR)
- We will be subject to hostile and sophisticated cyber activity against our IT systems and applications

**Risk impact**

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

Colleague and patient data could be stolen or compromised.

We could also be subject to litigation by third parties and enforcement action from regulators.

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
- Reputational damage

**Risk mitigation**

The data strategy, governance and security committee monitors the risk and mitigations for data governance and cyber security. The committee reports into the executive committee with a separate reporting line to the audit and risk committee (see page 109). To support this governance structure, we have a range of policies and practices, and mandatory staff training covering data governance (eg, central monitoring of compliance with data subject access requests, data processing impact assessments and notifications to or from the Information Commissioners Office) and cyber security.

Our 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.

We work with several industry-leading technical partners to provide:

- Multiple layers of business protection using advanced detection and protection systems
- Regular third-party penetration testing on new and existing IT systems
- Red-Teaming Exercises to attempt to access our systems using a variety of real-world techniques
- Managed Security Operations Centre (SOC) to monitor, analyse and respond to security threats 24x7

**Risk appetite** B | **Risk movement:** 2022 ↑ 2023 ↓

**Strategy key**

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

Risk management and internal control continued

## 5. Digitalisation, automation and efficiency

Link to strategy



**Executive owner(s):** Chief operating officer

### Risk description

We have authorised substantial investment to digitalise our patient experience as well as back-office processes. However, despite our digitalisation programme there is a risk that:

- The digital environment evolves requiring us to readjust or increase our investment to further retain or improve our position in the market
- We do not deploy new technologies with the support and training of our colleagues, thus undermining the potential for efficiency gains
- Loss of IT and other team members because of the competitive market for scarce talent which would hinder our progress and/or increase costs of implementation

### Risk impact

We lose market share and fail to achieve operational excellence which will ultimately impact our profit margin.

### Risk mitigation

The digital strategy focuses on an 18-24 month planning horizon to improve the predictability of investment and outcomes. This will enable us to adjust the priorities and speed of implementation in response to changes in the macro climate and competitive landscape.

We will utilise best practice programme governance, supported by third party experts, to deliver change programmes into the business.

We will use technology to enable early benefits realisation, for example utilising process automation to release immediate efficiencies and improvements to boost productivity and further fund future investments for digitalisation.

The digital strategy has built-in focus on innovation and external horizon scanning to ensure we are not behind the curve compared to competitors (current or future).

**Risk appetite** B | **Risk movement:** 2022 N/A 2023 ⬇️

## 6. Brand reputation

Link to strategy



**Executive owner(s):** Chief commercial officer

### Risk description

Following the COVID-19 pandemic and rising NHS waiting lists there has been a substantial amount of positive media coverage for independent healthcare and Spire Healthcare specifically, boosted by our television advertising campaign.

Our brand reputation is interconnected with several other principal risks, eg, clinical quality and patient safety, information governance and security.

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

As our brand presence grows, the risk increases that adverse events such as:

- Patient notifications, recalls, inquests and associated press coverage
  - Mishandling of patient data
  - A breach of law or regulation
- will have a more material impact on us.

### Risk impact

If we fail to protect or grow the brand it may harm our ability to:

- Maintain or grow income
- Attract and retain the best colleagues and consultant partners
- Win new contracts
- Raise capital at competitive rates

**Risk appetite** B | **Risk movement:** 2022 ⬆️ 2023 ⬇️

### Strategy key

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

Risk management and internal control continued

## 7. Government and NHS policy Link to strategy

**Executive owner(s):** Chief commercial officer

### Risk description

Historically, the levels of NHS referrals have been subject to sudden and unpredictable changes dependent on national political priorities, or local NHS financial constraints.

There is a general risk that the government's economic, public spending and employment policies could have an impact on our sector.

In the near-term, should the government's elective recovery strategies and promotion of patient choice be successful in reducing waiting lists significantly, this could reduce demand for self-pay or private medical insurance.

With a general election set to take place before January 2025, we continually assess possible outcomes, monitor the policy announcements of the major political parties and their potential impact on the business and seek to engage with key spokespeople.

### Risk impact

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

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

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

At present, both the Conservatives and Labour are committed to using the independent sector to help address waiting lists, but until the manifestos are launched in the immediate run-up to the general election, it is difficult to quantify the magnitude of the risk posed by any future government.

**Risk appetite** B | **Risk movement:** 2022 ● 2023 ●

### Risk mitigation

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

During the COVID-19 pandemic, we strengthened our relationships with the Department of Health and Social Care and NHS England. Meanwhile hospitals have also strengthened their relationships with the local NHS commissioners. The Integrated Care Systems (ICs) are all established and starting to commission referrals effectively. The impact on NHS referrals has been minimal.

From a contract perspective we have now signed effective contracts with all ICs.

Vita Health Group's acquisition gives us a new opportunity to participate in the NHS tender market.

We also inputted into the government's Elective Recovery Taskforce, whose work concluded in summer 2023.

## 8. Self-pay market dynamics Link to strategy

**Executive owner(s):** Chief commercial officer

### Risk description

There is a risk that the self-pay market softens because of:

- A material lowering of NHS waiting lists for key self-pay procedures within the Spire Healthcare footprint, reducing demand
- Affordability amongst our core target market decreases as inflation or higher tax take reduces disposable income
- Growth in the self-pay market is constrained by low growth in the UK economy
- New competitors price to secure market share

### Risk impact

In 2023, self-pay patients contributed 26% of group turnover. A material reduction in the self-pay market could have a material impact on our profitability and margin.

### Risk mitigation

We invest in high-quality patient care which we believe promotes an attractive service to self-pay patients and promotes our brand through word-of-mouth recommendations.

Since 2022, we have deployed national multi-channel marketing campaigns highlighting the key benefits of private healthcare to increase our brand awareness.

We are expanding the range of services we offer to capture a greater share of services that have healthy demand growth (as illustrated by our acquisition of Vita Health Group).

We are strengthening our operational capability with further enhancements to the website (content and functionality) and call centre resilience and training.

We have adopted sophisticated pricing capability.

We are promoting patient financing as a payment option.

**Risk appetite** B | **Risk movement:** 2022 ● 2023 ●

### Strategy key

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

Risk management and internal control continued

## 9. Major infrastructure failure

[Link to strategy](#)



**Executive owner(s):** Chief operating officer

### Risk description

There is a risk that there is a failure of national infrastructure, eg:

- The national electricity grid
- Import channels for our UK-based suppliers
- Fuel distribution
- Access to NHS

The above risks are from a variety of causes including lack of resilience in national infrastructure, strike action, terrorist activity, international geopolitical tensions, and action by state governments wishing to harm the UK.

As international events in 2022 and 2023 have demonstrated, this risk can materialise unexpectedly and rapidly.

### Risk impact

Our hospitals are reliant on the provision of electricity from the national grid. Main power outages result in the immediate cancellation of procedures under general anaesthetic.

Failure of logistic channels is covered in supply chain failure risk.

In very rare cases, patients need to be transferred to the NHS for further treatment and service level agreements (SLAs) are in place with NHS bodies to facilitate this. If local NHS trust hospitals are overburdened, or suffering strike action, there could be delays in transferring patients.

### Risk mitigation

All our hospitals have a backup power source provided from diesel powered generators that operates major circuits of a hospital, but some key equipment is not covered, eg, MRI scanners. Battery powered uninterrupted power is provided into specific equipment in theatres to ensure patients remain safe in the event of a generator failure. These backup power sources are designed to keep patients in the hospital safe but are not a complete substitute for mains power.

Our national distribution fleet refuel daily at the end of their shifts to ensure resilient operational capability.

NHS hospitals are obliged to provide emergency care to everyone but their pressures on ambulance services can and do lead to delays to emergency transfers on rare occasions. Mitigation plans are in place and rehearsed at hospitals.

The chief operating officer chairs a regular multi-disciplinary winter planning meeting to co-ordinate response activities to any infrastructure failures.

Risk appetite **B**

Risk movement: 2022 2023

## 10. Patient safety and clinical quality

[Link to strategy](#)



**Executive owner(s):** Group clinical director | Group medical director

### Risk description

There is a risk to the provision of high-quality patient care because of:

- Clinical and non-clinical colleagues and consultants failing to follow guidelines, standards and policies resulting in avoidable patient harm
- Failing to learn from incidents, complaints, mortality reviews, patient feedback and Patient Notification Exercises in a timely manner which may result in further patient harm
- Failure to act on findings from audits, clinical outcome measures (including registry data), peer reviews and external inspections

### Risk impact

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

### Risk mitigation

We maintain the following controls to mitigate against a failure of patient safety and clinical quality:

- A reporting culture of openness and shared learning from ward to board, with a FTSUG at each site
- Timely incident reporting via a database with central oversight and development of actions to ensure learning. We are migrating to the new Patient Safety Incidence Response Framework (PSIRF) in 2024 in line with the NHS
- Continually monitoring clinical standards, reporting progress via the board's clinical governance and safety committee (CGSC)
- Quality and safety reporting based on a Quality Assurance Framework with a standard set of KPIs
- A schedule of robust and regular hospital audits including the Patient Safety and Quality Reviews, with an action plan for improvement that is monitored
- Standard Operating Procedure for patient notification exercises that includes learning and continuous improvement methodologies
- Colleague induction, clinical competencies requirements and mandated training
- Consistent reporting of clinical outcome and effectiveness measures within the hospital and central meeting governance structures (including medical advisory committee meetings) to ensure that insights and learning are actioned and shared
- Continuous monitoring of patient experience via regular surveys and policies and procedures in place to ensure learning from patient experience feedback (including detractors and complaints)

Risk appetite **VL**

Risk movement: 2022 2023

Strategy key

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance



Risk management and internal control continued

## 11. Expanding our proposition

[Link to strategy](#)



**Executive owner(s):** Chief commercial officer

### Risk description

There is a risk that:

- We will not be able to launch and scale new propositions or services at sufficient pace to diversify and mitigate the risk of disintermediation
- New digital healthcare services deliver lower margins and therefore contribution to existing services
- In making new acquisitions, we may fail to derive the expected value from our acquisitions that will improve our return on capital employed as well as diversify our service offering

### Risk impact

We fail to grow the revenues, generate cash and provide a return on investment to investors of the group in line with our five-year strategic plan. We become disintermediated by new/specialist service providers.

### Risk mitigation

We have:

- An innovation board bringing together the CEO and executive committee members of the medical, clinical, commercial and finance functions to identify healthcare trends and opportunities to develop new services
- A dedicated director of innovation and proposition development sourcing specific opportunities to support the group strategy, leading on development, supported with dedicated IT and project resource
- A dedicated director sourcing suitable target acquisitions supported by an expert external financial and tax adviser
- A property lead to handle the assessment and acquisition of new physical assets with the support of retained property advisers
- Acquisition due-diligence processes using appropriate third-party expertise
- Board review and approval of acquisitions
- Post-acquisition project management and integration processes incorporating learnings from previous acquisitions

The acquisition of Vita Health Group has opened new commercial opportunities for us, but importantly also improved our mitigation of this risk.

**Risk appetite** H

**Risk movement:** 2022 - 2023 ↓

## 12. PMI market dynamics

[Link to strategy](#)



**Executive owner(s):** Chief commercial officer

### Risk description

The PMI market remains concentrated, with the top four companies (Bupa, AXA, Aviva and VitalityHealth) having a market share estimated at over 90%.

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

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

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.

### Risk impact

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

### Risk mitigation

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

We invest in high quality patient care as we believe this provides confidence to our PMI partners to refer their insured customers to us.

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

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

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

**Risk appetite** L

**Risk movement:** 2022 ↑ 2023 -

**Strategy key**

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

Risk management and internal control continued

## 13. Supply chain disruption

[Link to strategy](#)



**Executive owner(s):** Chief financial officer

### Risk description

Disruption in the global and UK supply chains because of a variety of factors, could lead to shortages of critical components or products within:

- Medicines
- Consumables
- Prostheses
- Food
- Green energy supply
- Medical gases
- Oil and gas
- Electronic components for medical equipment

### Risk impact

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

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

### Risk mitigation

We run a centralised supply chain with a national distribution centre (NDC) and its own vehicle and driver fleet. Medical consumables are held at the NDC with an average of six weeks' supply, medicines and prostheses are being held at hospital sites.

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

Fresh food is supplied through a national food distributor who has its own delivery fleet and directly employs its HGV drivers. Order fulfilment has remained in the high ninety percentile. We have contingency menu plans in case of fresh food shortages.

Any national shortages in critical medicines and medical gases are managed by NHS Supply Chain. We receive allocations based on our activity.

We will continue to monitor supply chain risks considering the continuing geopolitical volatility.

**Risk appetite** | **Risk movement:** 2022 2023

## 14. Antimicrobial resistance

[Link to strategy](#)



**Executive owner(s):** Group medical director

### Risk description

Antimicrobial resistance (AMR) is a global health and development threat.

The World Health Organization has declared that AMR is one of the top 10 global public health threats facing humanity.

Misuse and overuse of antimicrobials are the main drivers in the development of drug-resistant pathogens.

The cost of AMR to the economy is significant. In addition to death and disability, prolonged illness results in longer hospital stays, the need for more expensive medicines and financial challenges for those impacted.

Without effective antimicrobials, the success of modern medicine in treating infections, including during major surgery and cancer chemotherapy, would be at increased risk.

Source: World Health Organization

### Risk impact

If AMR becomes prevalent in the UK, the ability for consultants to carry out routine elective surgery could become too dangerous. This would mean the current business model of Spire Healthcare will become unviable.

New antibiotic costs may increase substantially.

**Risk appetite** | **Risk movement:** 2022 2023

Strategy key

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

## Task force on climate-related financial disclosures (TCFD) report

The board makes its statement of compliance with TCFD disclosures as required by Listing Rule (LR 9.8.6 R(8)) below. By this we mean the four TCFD recommendations and eleven recommended disclosures set out in the table below and in Figure 4 of Section C of the report entitled “Recommendations of the Task Force on Climate-related Financial Disclosures” published in June 2017 by the TCFD and updated in the 2021 TCFD Implementing Guidance (annex). The approach to building scenarios described on pages 76 to 77 for our scenario analysis follows the updated guidelines produced by the TCFD within their Guidance on Scenario Analysis for Non-Financial Companies. Our TCFD report does not include the Vita Health Group as the acquisition occurred in October 2023.

Governance	Strategy	Risk management	Metrics and targets
<p>Disclose the organisation’s governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organisation identifies, assesses and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p><b>Recommended disclosures</b>      <b>Status</b></p>	<p><b>Recommended disclosures</b>      <b>Status</b></p>	<p><b>Recommended disclosures</b>      <b>Status</b></p>	<p><b>Recommended disclosures</b>      <b>Status</b></p>
<p>a) Describe the board’s oversight of climate-related risks and opportunities. ● – see page 76</p>	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. ● – see page 76</p>	<p>a) Describe the organisation’s processes for identifying and assessing climate-related risks. ● – see page 79</p>	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. ● – see page 80</p>
<p>b) Describe management’s role in assessing and managing climate-related risks and opportunities. ● – see page 76</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning. ● – see page 78</p>	<p>b) Describe the organisation’s processes for managing climate-related risks. ● – see page 79</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. ● – see page 80</p>
<p>c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. ● – see page 79</p>	<p>c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. ● – see page 79</p>	<p>c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management. ● – see page 80</p>	<p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. ● – see page 80</p>

- Compliant
- Partial compliance
- Non-compliant

**Task force on climate-related financial disclosures (TCFD) report** continued**Governance****a) The board's oversight of climate-related risks and opportunities**

Our board has ultimate oversight of climate-related risks and opportunities facing us. It exercises that oversight through:

- An annual review of our corporate strategy, that includes championing sustainability as one of its five pillars as described on pages 31 to 33
- Review of major strategic climate and environmental-related initiatives as put to the board by the executive committee in line with the corporate strategy eg, the environmental, social and governance strategy explained on pages 36 to 53 and the net zero strategy as explained on pages 39 to 41
- Quarterly key performance indicator report on the corporate strategic objectives, including progress against the sustainability development goals and the net zero strategy. The major strategic initiatives have milestones and targets. The management information presented to the board shows progress against those targets
- Receiving reports from board sub-committees following their meetings, eg, the audit and risk committee (ARC) that reviews the principal risks on behalf of the board and oversees our risk management processes, that includes climate-related risks, as explained on pages 64 to 65
- Annual review of emerging risks with the executive management team through the ARC

As the board also retains the authority to approve all capital projects over £5 million under its delegated levels of authority, in doing so, it reviews all major capital expenditure projects that affect sustainability.

**b) Management's role in assessing and managing climate-related risks and opportunities**

The executive committee retains overall responsibility for assessing climate-related risks and opportunities. The committee is chaired by Justin Ash, our chief executive officer, and comprises his direct reports.

The committee receives a quarterly report from the director of audit, risk and compliance on the principal risks and the overall risk profile of the group prior to reporting to the ARC. The principal risk report analyses the principal risks in several ways, from individual assessment of their probability and impact, their inter-relationships, and detail on the individual current and planned risk mitigations and sources of assurance. It is through that assessment, in conjunction with other management information, that the executive committee understands and acts on its assessment of climate-related risks. The committee also reviews global trends for emerging risks on an annual basis and submits a report to the ARC on emerging risks it sees from those global trends.

The executive committee receives data and information from various functional management teams to help it collate its overall view of the climate-related risks and opportunities facing the group.

In 2023, we undertook a detailed scenario analysis exercise based on future global warming scenarios. The outcomes provided us with a detailed view of our potential physical and transitional risks from climate change. The outcomes are described in more detail on page 77 to 78.

The executive committee communicates with the board through two main reports from the chief executive officer and chief financial officer, and additional reports from the chief operating officer. The executive committee also presents reports to the board through specific topics that are on the agenda for the board, eg, the executive committee's proposed sustainability strategy that the board approved in 2022.

In 2023, we decided that we needed to have focused committees on workforce and sustainability, so we split the previous workforce and sustainability committee into two sub-committees of the executive committee. The sustainability committee, chaired by the chief financial officer, was formed to focus on our sustainability risks and strategy.

The sustainability committee's remit is to:

- Oversee our sustainability strategy
- Provide management support and oversight to other committees
- Approve and oversee the implementation of relevant policies and procedures
- Review and approve reporting, public disclosures, and external communications in relation to sustainability
- Monitor sustainability and ESG related developments
- Oversee stakeholder engagement on sustainability
- Oversee the design and delivery of sustainability related training

The committee is composed of a diverse membership from members of the executive committee, senior managers, and members of our community of carbon champions.

**Strategy****a) Climate-related risks and opportunities the organisation has identified over the short, medium and long term****Time frames**

The board recognises that climate-related risks and opportunities would emerge over very long time frames, and well outside the normal five-year strategic planning horizon. Its review of going concern and viability are conducted over 12 months, and three years respectively, from the date of the balance sheet. The board conducts these reviews before publication of the interim and annual financial statements, and while they model the impact of a near-term climate event in line with the principal risks, do not capture longer-term impacts from climate change.

In 2023, we engaged WTW (formerly Willis Towers Watson) to consider:

- a) transitional risks we may face in the scenario that by 2050, humanity has transitioned to a low carbon economy such that the increase in global average temperatures is restricted to 1.5°C above pre-industrial times and;
- b) the physical impacts of climate change up to 2100 because the effects of climate change will be more material over the longer time horizon.

WTW modelled the impacts to physical risks from climate change over the following time horizons:

- Short term – to 2030
- Medium term 2030-2050
- Long term 2050-2100

To quantify the impacts of the risks modelled in the physical and transitional risk scenarios, WTW used our risk impact assessment criteria contained within our enterprise risk management policy to maintain consistency with other risk categories as described in our principal risk section on pages 64 to 65. The outcomes of the scenario analysis are described below. The scenario analysis covered all physical assets of our operations in our ownership as at 1 January 2023, and therefore does not include the physical or transition risks of Vita Health Group that we acquired in October 2023. We will rerun the scenario analysis within three years on our asset base at the time.

Task force on climate-related financial disclosures (TCFD) report continued

Relative importance of physical risks and transitional risks to the business

Physical risks

From a climate change perspective, we consider our operations as one business unit because all of our operations are within the UK, and similar in nature. The scenario analysis to assess the physical risks covered the following chronic and acute climate risks:

Chronic climate risks assessed

- Chronic heat-stress
- Chronic drought-stress
- Sea level rise
- Chronic precipitation-stress
- Fire weather

Acute climate risks assessed

- Windstorm
- Tornado
- River flood
- Flash flood
- Coastal flood
- Hailstorm
- Lightning
- Wildfire

We provide commentary on the four most material physical risks associated with climate change below. The modelled outcomes of all the other risks above, but not described below, were immaterial. WTW’s methodology input:

- the specific geographical locations of all our sites
- data concerning the building (eg number of storeys, building materials)
- insurance valuation
- revenue derived from each specific physical location, where that information was available
- historical business interruptions

This data was modelled against WTW’s climate diagnostic model (see page 79), to forecast climatic changes in the specific locations out to 2100. We report the outcomes of the scenario analysis by the forecast impact for:

- Low emissions (RCP2.6 + 1.5°C) over the short term (to 2030) because there are no material differences in that time frame between the scenarios, and
- High emissions (RCP8.5 +4°C) over the medium term (to 2050) to illustrate the worst-case outcomes

We acknowledge that these risk modelled continued to have an increasing impact over the long term (2050-2100) in the high emissions scenario (RCP8.5), but have not reported them here given the increased uncertainty as to what will be the most likely scenario and risk impacts for these very long-term time frames.

Current climate/low emissions scenario RCP2.6 (1.5°C) by 2030

Risk title	Potential impact(s)
<b>Heat stress</b> Impact: Negligible	Some of our hospitals are vulnerable to overheating and air conditioning (AC) failure, especially in the south. This happened during the 2022 heatwaves in the UK with some of our facilities having short (one day) temporary closures of their operating theatres.  Currently all of our facilities are exposed to very low heat stress, seeing less than five heatwave days each year with temperatures more than 30°C.  If cooling systems remain the same, by 2030 we could see a slight increase in incidents across our hospitals. As we have a rolling programme to upgrade end-of-life AC systems within our capital expenditure plans, there is no material impact on our business model.
<b>Drought</b> Impact: Negligible	Our facilities depend on a stable supply of water from the mains water network to maintain safe patient care.  Overall, there is very low or low exposure across our facilities, with less than three months of drought duration per year, even in the south. No drought or water stress related issues have been reported to date. Consequently, drought is not considered a material risk under climate conditions modelled to 2030.
<b>Flooding (all types)</b> Impact: Negligible	Flooding of our facility would necessitate partial or complete closure of the site until any cleanup and repairs are completed to enable safe patient care to resume. Most of our assets (96%) between 2023 and 2030, are at very low risk for river flooding, however there are three facilities with moderate risk (2% likelihood of river flooding in a decade), and one London Doctors Clinic location with high risk (10% likelihood in each decade).  Our property portfolio has low exposure to heavy rainfall and potential flash floods in this time period.  The average annual modelled losses from river flood are negligible. In severe years it could be more significant but even then, still negligible. Most of the financial impact is associated with property damage rather than loss of revenue.
<b>Windstorm</b> Impact: Negligible	All our facilities in the UK are in stormy regions, with 1% annual chance of having severe wind gusts of over 121km/h between 2023 and 2030, with seven locations at risk of higher winds of 161-200km/h due to extratropical cyclone. Property damage from windstorm could result in partial or full closure of a site until repairs are completed to allow for safe operation of the site.  Most of the financial impact is associated with property damage rather than loss of revenue.

Task force on climate-related financial disclosures (TCFD) report continued

High emissions scenario RCP8.5 (+4°C) by 2050

Risk title	Potential impact(s)
<p><b>Heat stress</b> Impact: negligible to minor</p>	<p>By 2050, heat stress develops to low risk for 55 facilities, with 5-20 heatwave days in a year, and 39 assets are likely to have a very low risk exposure.</p> <p>This trend could mean an increase in the cost of cooling of hospitals and clinics, and more disruptions to operations.</p> <p>The number of material incidents could increase up to five times compared with the 2022 heatwave including AC failure, overheating including operating theatres, drug storage issues, patient and colleague illness and more potential closures. This could impact our long-term business model (beyond 2030) with a need to invest in additional methods for cooling patient and colleague areas within our facilities, especially in the south, not currently covered by existing AC systems.</p>
<p><b>Drought</b> Impact: minor to moderate</p>	<p>There will likely be an increase in our exposure under this scenario by 2050.</p> <p>46 facilities could become exposed to moderate stress (3-4 months of drought per year), whilst 34 facilities could be exposed to low risk and 14 facilities exposed to very low risk of drought stress. The potential adverse consequences to our business include reduced water availability and other utilities and operations relying on water. This may require additional investment between 2030-2050 in back-up water supplies for some specific sites in the south if the national water network does not become more resilient to drought.</p>
<p><b>Flooding (all types)</b> Impact: negligible</p>	<p>The number of exposed locations will not change substantially by 2050 but changes in the frequency of flood events is likely. Three facilities could be very highly exposed and one facility moderately exposed.</p> <p>By 2050 what is considered today to be a severe 200-year event could happen more frequently (ie, one in 100 years). In a severe one in 100 future event, losses could be five times that of our current risk, but the risk still remains within the negligible impact range. To maintain current operations, additional flood protections may be required for those specific locations most at risk between 2030-2050 under this emissions scenario.</p>
<p><b>Windstorm</b> Impact: negligible</p>	<p>The frequency and/or severity of windstorms (extratropical cyclones) are likely to be similar to current climate conditions for our locations of assets under this scenario and time frame.</p> <p>Therefore, the average annual modelled damages for both property damage and business interruption stay in the same impact range. The modelled outcome from windstorm suggests there is no impact on our current business model.</p>

Transitional risks

In the transition to a low carbon economy by 2050, the assessment of transition risks assume nation states adopt highly ambitious goals to dramatically reduce the impact of climate change. In line with our enterprise risk management methodology, we identified and quantified 12 transition risks in the categories recommended by the TCFD (being policies and legal risks, technology risks, market risks and opportunities, and reputational risks and opportunities). In our quantification of those risks only one risk concerning price fluctuations for the purchase of green energy is an immediate risk. We have taken the decision to purchase 'brown' energy and delay the reduction in our carbon emissions until the 'green' energy market stabilises. We believe the other transitional risks and opportunities identified are currently immaterial. We will continue to monitor the remaining transitional risks at least annually as they may, between now and 2050, increase in materiality, especially if new laws and regulations come into effect (eg, regarding carbon taxation policy or building code regulations) or potential risks over finite resources begin to emerge in our supply chain (which would be covered by our principal risks on supply chain disruption or major infrastructure failure, depending on the impact).

Impact on climate-related risk and opportunities on the financial statements

We have not identified any climate-related risks or opportunities that would have a material impact on the carrying values of the assets or liabilities of the group, and therefore we have not adjusted financial balances for climate-related risks or opportunities in our balance sheet as of 31 December 2023.

Opportunities

We have an opportunity to turn some of the risks to opportunities, especially by communicating our environmental credentials more prominently, including our carbon reduction strategy, as a differentiator in the independent healthcare sector.

There are predictions that climate change disruptions will result in increased respiratory and cardiovascular disease, injuries and illness related to extreme weather events, changes in the prevalence and geographical distribution of food and water-borne illnesses and other infectious diseases, and threats to mental health. As a business, we recognise this and are committed to reducing our impact on climate change, but we are also able to support the UK to prepare for the health impacts of climate change. We continue to adapt and deliver quality healthcare services that meet changing needs in the market.

b) Impact of climate-related risks and opportunities on our businesses, strategy, and financial planning  
Financial impact of climate change risks and opportunities

We have focused on the near-term financial impacts for the purposes of the going concern and viability modelling. The outcomes of that modelling are reported in the statement on viability on page 81. We have previously announced that the net zero strategy represents a cash investment of £16 million up to 2030. We approved a further £12.2m of additional capital spend for 2024 to fund installations of solar panels and building management systems across our estate. Capital expenditure for routine upgrades of hospital infrastructure, where we build in the latest design tolerances for future climate change, has been within our normal capital expenditure programme, the total quantum of which was £84.4 million in 2023 (£90.1 million in 2022).

Following the outcome of our scenario analysis as discussed above, in our five-year strategic plan, other than the allocation of capital to the net zero strategy, and except for energy costs or potential losses from major disruption from an adverse weather event as modelled in our viability testing, we do not consider that other climate-related risks and opportunities will have a material impact on our revenues, operating costs, acquisitions, divestments and access to capital over that time horizon. In relation to energy costs, we have energy price hedging in place until December 2024. Thereafter, we are exposed to future energy prices. We are already reviewing future hedging strategies to reduce our level of exposure from price volatility post December 2024.

We have highlighted in the risk analysis above where over the medium term (2030-2050) and in the high emissions scenario, our business model may need to respond to changing climatic conditions.

Other impacts on our business, strategy and financial planning

Our net zero strategy does not rely on unproven technology. Details of the net zero strategy are in the sustainability section on pages 39 to 41. We are aware that technological developments are occurring at pace, for example looking at the electrification of HGVs. They may have an impact on our strategy before 2030 if they become commercially viable.

**Task force on climate-related financial disclosures (TCFD) report** continued

There has been no significant change in 2023 to our approach of identifying climate-related risks and opportunities, or our mitigation strategies against the risks we have identified. The process of risk management described on pages 64 to 67 utilises well established methodologies to prioritise risks by assessing their impact and probability. We used the same risk assessment criteria described in our enterprise risk management policy for assessing the outcomes from the scenario analysis. We will continue to review our mitigations through:

- Our normal risk management process
- Taking advantage of opportunities as we identify them and they arise

**c) Resilience of our strategy, including a 2°C or lower scenario**

We conducted a scenario analysis in 2023, covering the scope of the physical and transitional risks and the timescales as described above. The primary objective was to assess the physical climate risks for our portfolio of hospitals based on current climate conditions as well as projections of climate change impact in the long term and to identify our potential transitional risks in the scenario of a transition to a low carbon economy by 2050. The assessment considered a range of different climate scenarios in line with the recommendations of the TCFD.

The physical risk assessment relied on the use of WTW’s climate diagnostic model, which uses underlying climate data provided by Munich Re’s climate change hazard layers. The layers utilise data from the European Centre for Medium-Range Weather Forecasts (ECMWF), UKCP18, JBA Global Flood Model and the Met Office. The flood model provides a view of the risk based on an underlying digital terrain model, which provides a robust view of buildings and physical assets being exposed.

We modelled climate scenarios and corresponding average global warming based on the Inter-Governmental Panel for Climate Change’s scenarios:

- RCP2.6 (1.5°C)
- RCP4.5 (2-3°C)
- RCP8.5 (4°C+)

As described above, against the specific modelled risks, the outcomes indicate that our physical asset base, being largely low-rise buildings and away from flood plains around England, Scotland, and Wales, is relatively well protected from projected adverse climate scenarios. We consider heat stress to be the most significant near-term risk with drought becoming an increased risk in the RCP8.5 (4°C+) scenario.

We assessed our exposure to transitional risks which, except for energy prices, we assess as negligible now. However, changes in the regulatory or legal environment, may materially change that assessment at short notice. Our business strategy to mitigate energy price fluctuations is to a) continue to invest in energy reduction measures, b) buy forward and fix prices for at least the full financial year ahead of the current financial year. Our overall business strategy, we believe, is resilient to the identified transitional risks because of their limited impact as we assess them now.

**Risk management**

**a) Our processes for identifying and assessing climate-related risks**

On pages 64 to 67 we describe our risk management process and its governance. We use the same process to identify and assess climate-related risks augmented by specific deeper dive risk assessments where appropriate. The relative importance of climate-related risks is established through the same method of estimating the range of potential impacts and the likelihood. As risk management is looking to the future, there is always a degree of uncertainty over probability and impact measures, especially with climate change, given the climate is dynamic and the changes are complex to model. Page 65 shows the relative importance we judge climate change risk to have compared to other principal risks. We have set out on page 77 and 78 what we believe are the climate-related risks that are specific to our circumstances.

**b) Our processes for managing climate-related risks**

On page 76, we describe the governance of climate-related risks and opportunities including the role the sustainability committee will have going forward. Our governance structure results in four levels of management of our climate-related risks and opportunities depending on the materiality of the activity as shown in the figure below.



The structure shown above reflects the type of actions we have taken to manage our climate-related risks, for example:

- Major strategic initiatives sponsored by the board, eg, the net zero strategy
- The pragmatic management of risk assessed and prioritised activities such as the replacement of ageing heating, ventilation, air conditioning (HVAC) systems, the installation of energy saving technologies from new building management software, solar panels and energy efficient lighting led by functional leadership reporting into the executive committee
- As described on page 40, local carbon champions working with their local leadership teams have developed site specific action plans that have been fundamental in making site level changes that are saving energy, reducing CO<sub>2</sub> emissions and improving waste disposal on a daily basis

**Task force on climate-related financial disclosures (TCFD) report** continued**c) How processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management**

As the responsibility for identifying and managing risks, including climate-related risks, as set out on pages 64 to 67 is with the board, the executive committee (via the sustainability committee) and then through functional and local leadership, management of climate-related risks is entirely integrated into our normal management processes. We have not built a separate management process to manage climate change related risks and opportunities.

While various committees look at specific aspects of climate-related risks as described on page 76, reporting on the sustainability pillar of the corporate strategy is embedded in KPI reporting with all other strategic KPIs. From there, the identification, assessment and management of more detailed climate-related risk management activity is embedded within our established management systems, whether that be the recording of specific risk assessments within our risk management system, or the review and decision-making by established committees and local management teams.

**Metrics and targets****a) Our metrics used to assess climate-related risks and opportunities**

In our risk management process, we assess all risks against a range of impacts including financial, reputational, and patient safety amongst others.

In relation to climate change, the main strategic risk and opportunity for which we have developed is the decarbonisation of our operations in line with our net zero strategy. We use the following metrics to track progress towards achieving our net zero targets:

- Gas and electricity consumption against targets plus associated scope 1 and 2 carbon emissions quarterly, twice yearly
- Carbon intensity against revenue annually
- Electricity generated by solar PV annually
- Waste to landfill/energy-from-waste/recycling
- Water consumption
- Financial losses due to climate-related incidents

We report Scope 1 and 2 emissions in full, and some of the Scope 3 emissions being grey fleet, air and rail travel, hotel and waste. The method of quantification requires we anticipate carbon pricing to impact our net zero strategy until 2030 when the residual unmitigated emissions will be offset.

We have separate metrics to measure our performance of waste management. Our metrics are described on page 42.

Against the risks that have been identified through our physical and transitional scenario analysis, we will develop further metrics in 2024 to monitor the likelihood and impact of the most material emerging risks (ie heat stress, drought, flooding and windstorm damage) and energy pricing.

We do not consider the use of internal carbon pricing is of any practical use as all our operations are in the UK, of a uniform nature and individual sites are charged for their actual energy consumption as the energy usage is metered.

**b) Our Scope 1, Scope 2 and, Scope 3 greenhouse gas (GHG) emissions, and their related risks**

We disclose our GHG emissions, methodology and footprint boundary on page 39 to 41 in accordance with the methodology set out in the UK government's Environmental Reporting Guidelines 2019. There has been no change to the methodology applied to calculate our emissions in 2023. As we use an independent third party to calculate our emissions and only 0% of our emissions data is based on estimated activity data, we believe the risk of material error in our data is low.

We express our energy intensity ratio as a tCO<sub>2</sub>e per £m revenue. This ratio provides a consistent year-on-year basis to measure the energy required to deliver our operational activities. We track and disclose the change in intensity ratio over the last five years as disclosed on page 40. Our intensity ratio has fallen by 41% between 2019 and 2023.

We assess Scope 3 emissions to be material to our operations. Those we have been able to measure to date (grey fleet, air and rail travel, hotel and waste), we include in our emissions data on page 40. We have quantified our Scope 3 emissions from our supply chain for the first time in 2023. We used the 'spend methodology' on our 2022 supply chain expenditure as the best methodology currently available and therefore it is 100% based on estimated data. That estimation indicates our supply chain makes up c95% of our total carbon emissions with total scope 3 emissions of 462,710 tCO<sub>2</sub>e, made up of:

- Purchased goods and services 451,770 tCO<sub>2</sub>e
- Capital goods 10,678 tCO<sub>2</sub>e
- Waste generation 106 tCO<sub>2</sub>e
- Business travel 156 tCO<sub>2</sub>e

In 2024, we will develop our plans to refine our reporting of scope 3 emissions.

**c) Our targets to manage climate-related risks and opportunities and performance against targets**

The net zero target is measured as net zero CO<sub>2</sub>e (carbon dioxide equivalent) emissions, ie, that CO<sub>2</sub>e emissions, taking 2019 as our baseline, will be fully mitigated or offset. Our plan anticipates that we will mitigate over 85% of our 2019 CO<sub>2</sub>e levels by the end of calendar year 2030, with the remainder offset.

We have a target as set out in our net zero strategy and waste management strategy to reduce our GHG emissions until 2030. Our net zero target includes elements of scope 3 emissions (energy transmission, hotels, and waste) but it does not include scope 3 emissions from our supply chain. We report our progress and the initiatives to deliver against those targets on page 39. Our targets for net zero and waste management are actively pursued and included in our business plans. In 2024, we plan to develop our targets to reduce our scope 3 emissions over the medium to long-term, and to consider if we adopt the science-based target initiative.

The Remuneration Committee have debated the inclusion of 'Environmental' related metrics in incentive plans and whilst this is not included explicitly, these are inherent in our strategy and also help drive the quality metrics which are part of the incentive plans.



# 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 is provided in the risk management and internal control section on pages 64 and 74.

Other specific scenarios covered by our testing were as follows:

- The group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems
- The downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer
- Significant change in government policy resulting in consultants going on payroll
- Short-term disruption to trade at a sub-set of hospitals owing to an extreme weather event

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

This review included the following key assumptions:

- No change in capital structure given the group has refinanced its existing senior finance facility and revolving credit facility in February 2022, and exercised the option to extend the senior finance facility for a further year, and
- The government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS

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

## Going concern

The group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on viability above. Based on the current assessment of the likelihood of these risks arising by 31 March 2024, together with their assessment of the planned mitigating actions being successful, the directors have concluded that it is appropriate to prepare the accounts on a going concern basis. See note 2 – Basis of Preparation in the Financial Statements for more detail.

## Non-financial and sustainability information statement

The Companies Act 2006 requires the company to disclose certain non-financial and sustainability reporting information within the annual report and accounts. Accordingly, the disclosures required in the company's non-financial information and sustainability 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 27-30)
- Information on diversity (pages 28-29 and 45)
- Information on our anti-bribery and corruption policy (page 33)
- Information on our approach to raising concerns (whistleblowing) and Freedom to Speak Up (pages 8, 26, 51, 52, 67, 72, 96, 102, 103)
- Information on our approach to human rights (page 52 and 96)
- Information on social matters (pages 44 to 53)
- Information on our environment policy (pages 39 to 44)
- Information on our climate-related financial disclosures in line with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (pages 75 to 80)

## Section 172 (1) statement

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

Details of how the directors have had regard to their Section 172 duty can be found throughout the strategic and governance reports. We set out on pages 36 to 41 details of who we consider to be our main stakeholders, how we have engaged with them during the year and the outcomes of the process. Further details on how the directors' duties are discharged and the oversight of these duties are included in the governance section on pages 85 to 94. The principal decisions of the board during the year are shown on page 85.

## Chief financial officer's review

# Flexible business model and strong balance sheet



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In 2023 the business delivered a strong financial performance, in line with our expectations, in a tough inflationary and an uncertain macroeconomic environment, demonstrating that our strategy is working.”

**Jitesh Sodha**  
Chief Financial Officer

### Dear shareholder,

In 2023 we delivered an excellent financial performance in an inflationary and challenging economic environment. All headline metrics rose with increases in volume and revenue. Adjusted EBITDA was the highest since we listed in 2014 and I was particularly pleased with the flow through to EBIT, PBT and PAT. The business continues to be cash generative with cash conversion from EBITDA at 98% and an increase in free cash flow. Vita Health Group (VHG) is an excellent addition to the business. Going forwards, the group will present numbers separately for its hospitals business and new services. The new services have lower EBITDA margins but because they have lower capex requirements, they will have good flowthrough to PBT.

Revenue was £1,359.0 million, up 13.4% on 2022, driven by steady demand for private healthcare. Private revenue rose by 9.5% to £959.7 million during 2023 and ARPC rose by 6.3% to £3,381.0, driven by our progress to a more complex treatment mix and active control over pricing.

Further good progress was made in 2023 to expand the group's business. In October 2023, we acquired VHG, a provider of mental health, musculoskeletal and dermatology services, and corporate and occupational health services, for a net cash consideration of £73.2 million. Integration of The Doctors Clinic Group (DCG), acquired in late 2022, continued during 2023, together with work on the group's new clinics.

Adjusted EBITDA rose YOY by 15% to £234.0 million while adjusted EBIT increased 23.5% to £130.4 million. Adjusted EBITDA margin for the group's hospitals business was 17.6%, up 0.6% compared to 2022. Adjusted EBIT margin for the hospitals business was 9.9% for the period, up from 8.8% in 2022. We have now laid the platform for further margin development to achieve our medium-term adjusted EBITDA target of at least 21% and adjusted EBIT target of more than 13% for our hospitals business.

There was steady progress in the delivery of our efficiency programme, resulting in cost savings of £15 million in 2023. Key initiatives included improving best-practice models for hospital operations, such as standard operating procedures and minimum staffing levels, the ongoing reorganisation of hospitals into hubs and procurement savings.

We continue to manage the ongoing shortage of skilled healthcare workers. It is pleasing to note that our turnover fell and colleague engagement scores increased YOY.

The group's leverage remained flat at 2.2x for 2023 and 2022 even though net bank debt has increased to £315.7 million in 2023 with the acquisition of VHG which was funded through cash and debt. £10.0 million of this debt was subsequently repaid by the year end. We also extended our senior finance facility by another year to February 2027.

We invested in our estate and improved capabilities with capital investment in 2023 of £84.4 million. Our strong operational performance and increase in adjusted EBIT led to an improvement in ROCE, up by 1.3 percentage points to 7.5%. The directors have recommended the payment of a final dividend of 2.1 pence per share for the year ending 31 December 2023.

Demand for independent healthcare will likely remain strong in 2024 and beyond. Our flexible business model enables us to manage market impacts. Our balance sheet remains strong and enables investment and expansion of our offering, managing these opportunities in a disciplined way. We expect to make further good progress and continued delivery of the group's strategy in 2024.

Having spent five years at Spire Healthcare as the chief financial officer, I will be stepping down from the board at the annual general meeting on 9 May 2024 and I am pleased to be able to support Harbant Samra in transitioning to his new role as my successor.

**Jitesh Sodha**  
Chief Financial Officer

## Chief financial officer's review continued

## Selected financial information

(£m)	Year ended 31 December 2023			Year ended 31 December 2022		
	Total before Adjusting items	Adjusting items (note 9)	Total	Total before Adjusting items	Adjusting items (note 9)	Total
<b>Revenue</b>	<b>1,359.0</b>	<b>–</b>	<b>1,359.0</b>	1,198.5	–	1,198.5
Cost of sales	(734.8)	–	(734.8)	(660.1)	–	(660.1)
<b>Gross profit</b>	<b>624.2</b>	<b>–</b>	<b>624.2</b>	538.4	–	538.4
Other operating costs	(497.4)	(6.7)	(504.1)	(435.8)	(10.2)	(446.0)
Other income	3.6	2.5	6.1	3.0	–	3.0
<b>Operating profit (EBIT)</b>	<b>130.4</b>	<b>(4.2)</b>	<b>126.2</b>	105.6	(10.2)	95.4
Finance income	1.4	–	1.4	–	–	–
Net finance costs	(93.0)	–	(93.0)	(91.5)	–	(91.5)
<b>Profit before taxation</b>	<b>38.8</b>	<b>(4.2)</b>	<b>34.6</b>	14.1	(10.2)	3.9
Taxation	(6.4)	(0.3)	(6.7)	2.5	1.8	4.3
<b>Profit for the period</b>	<b>32.4</b>	<b>(4.5)</b>	<b>27.9</b>	16.6	(8.4)	8.2
<b>Profit/(loss) for the year attributable to owners of the Parent</b>	<b>31.8</b>	<b>(4.5)</b>	<b>27.3</b>	17.0	(8.4)	8.6
<b>Profit for the year attributable to non-controlling interest</b>	<b>0.6</b>	<b>–</b>	<b>0.6</b>	(0.4)	–	(0.4)
Adjusted EBITDA <sup>(1)</sup>			234.0			203.5
Basic earnings per share, pence			6.8			2.1
Adjusted FCF <sup>(2)</sup>			48.0			28.0
Net cash from operating activities			215.5			180.1
Net bank debt <sup>(3)</sup>			315.7			250.1

1. Adjusted EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and adjusting items, referred to hereafter as 'Adjusted EBITDA'. For EBITDA for covenant purposes, refer to note 22.

2. Adjusted FCF (Free Cash Flow) is calculated as Adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the purchase of plant, property and equipment.

3. Net bank debt is defined as bank borrowings less cash and cash equivalents.

## Revenue

Group revenues increased 13.4% to £1,359.0 million (2022: £1,198.5 million). The increase is driven by demand for private healthcare which remained strong throughout the year. The group's self-pay business remained robust with revenue up year-on-year delivered through a strong focus on mix, where it targeted more complex, higher margin treatments in orthopaedics, while scaling back in high volume but low value areas such as ophthalmology and cosmetics.

Included in other revenue is £31.4 million related to new services of which £18.3 million of revenue relates to our recent acquisition of VHG and £13.1 million (2022: £0.1 million) relates to The Doctors Clinic Group acquired in the prior year. Revenue from new services were not material in FY23. From FY24, new services will be presented separately.

## Revenue by location and payor

(£m)	2023	2022	Variance % (2023-2022)
Total revenue	<b>1,359.0</b>	1,198.5	13.4%
Of which:			
Inpatient	<b>535.5</b>	487.5	9.8%
Daycase	<b>399.9</b>	348.0	14.9%
Outpatient	<b>365.4</b>	333.1	9.7%
Other	<b>58.2</b>	29.9	94.5%
<b>Total revenue</b>	<b>1,359.0</b>	1,198.5	13.4%
Of which:			
PMI	<b>615.7</b>	538.7	14.3%
Self-pay	<b>344.0</b>	338.0	1.8%
<b>Total private</b>	<b>959.7</b>	876.7	9.5%
Total NHS	<b>341.1</b>	295.4	15.5%
Other	<b>58.2</b>	26.4	120.5%
<b>Total revenue</b>	<b>1,359.0</b>	1,198.5	13.4%

## Cost of sales and gross profit

Gross margin for the year is 45.9% compared to 2022 of 44.9%. Cost of sales increased in the period by £74.7 million or 11.3% to £734.8 million (2022: £660.1 million) on revenues that increased by 13.4% (2022: 8.3%). Increased costs are due to inflationary pressures, increased agency costs and continued wage rate expansion. The margin was higher in 2023 due to increased private volumes, and careful management of pricing, mix and cost savings.

## Chief financial officer's review continued

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	£m	% of revenue	£m	% of revenue
Clinical staff	304.1	22.4%	275.3	23.0%
Direct costs	312.4	23.0%	280.3	23.4%
Medical fees	118.3	8.7%	104.5	8.7%
Cost of sales	734.8	54.1%	660.1	55.1%
Gross profit	624.2	45.9%	538.4	44.9%

## Other operating costs

Other operating costs, excluding adjusting items have increased by £61.6 million, or 14.1% to £497.4 million (2022: £435.8 million). The main driver is increased staff costs due to continued wage rate expansion and other inflationary pressures. Depreciation for the year was £103.6 million (2022: £97.9 million). The increase is in line with expectations and is largely due to additional leases relating to medical equipment and RPI increases on properties. As disclosed in 2022, the prior year benefits from a reduction in charge of £6.6 million (2022: £2.9 million) as a consequence of a revision of the useful life and residual value policy in respect of freehold properties so that it more closely aligned with external benchmark information. The useful life was extended from a maximum of 50 years to a maximum of 60 years, and the group has set the residual value equal to 20% of cost (previously nil).

Adjusting items included in operating costs are explained below. Other operating costs including Adjusting items for the year ended 31 December 2023 increased by £58.1 million or 13.0% to £504.1 million (2022: £446.0 million).

Operating margin for the year ended 31 December 2023 is 9.3% (2022: 8.0%). Operating margin, excluding adjusting items is 9.6%, up from 8.8% at 2022.

## Adjusted EBITDA

Adjusted EBITDA for the group has increased by 15.0% in the period from £203.5 million to £234.0 million for 2023. The increase is due to continued growth in private revenue and good cost management.

## 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 2023, the charge to the income statement is £3.7 million (2022: £2.3 million), or £4.1 million inclusive of National Insurance (2022: £2.6 million). Further details are contained in note 27 of the annual report and accounts.

## Adjusting items

(£m)	Year ended 31 December	
	2023	2022
Business reorganisation and corporate restructuring costs	2.0	4.5
Asset acquisitions, disposals, impairment and aborted project costs	3.1	4.3
Remediation of regulatory compliance or malpractice costs	(0.9)	1.1
Hospitals set up and closure costs	–	0.3
<b>Total pre-tax adjusting items</b>	<b>4.2</b>	<b>10.2</b>
Income tax charge/(credit) on adjusting items	0.3	(1.8)
<b>Total post-tax adjusting items</b>	<b>4.5</b>	<b>8.4</b>

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

Asset acquisitions, disposals, impairment and aborted project costs of £3.1 million mainly relate to asset acquisitions. In October 2023, the group acquired 100% of the share capital in Vita Health Group Limited for £83.0 million as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £2.5 million have been incurred in the period. Costs for integration are expected to continue into FY24. £0.4 million of integration related costs have been incurred following the acquisition of The Doctors Clinic Group Ltd in December 2022.

In the prior year, the costs mainly related to Claremont Hospital and the purchase of the remaining non-controlling interest, and an impairment of £0.5 million was recognised on the St Saviours property which was sold in H2 2022.

During H2 21, the group announced a strategic, group-wide initiative that impacts the operating model of the group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £2.0 million (2022: £4.5 million) has been incurred. The initial phase of the initiative was completed in 2022, with the majority of the project completed in 2023. It is expected that some costs will be incurred in 2024 as the project enters into the next strategic phase.

The group has recognised a credit of £0.9 million during the year in respect of Remediation of Regulatory Compliance or Malpractice Costs relating to Paterson. This comprises £2.5 million funds received from its insurer and £0.9 million reduction in provision which had been held to resolve the matter. This is offset by an increased separate provision in respect of Paterson by £2.5 million (2022: £0.9 million), which relates to a detailed patient review initiative which commenced in 2021, supporting patients of Paterson. During 2023 the group has re-evaluated the expected cost of completing this complex project, and its associated settlement of patient claims.

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

## Chief financial officer's review continued

## Net finance costs

Net finance costs remain flat at £91.6 million (2022: £91.5 million). This is due to the effectiveness of the interest rate swaps, interest income on fixed deposits offset by increased interest on the draw down of the revolving credit facility and a one-off charge of £3.1 million in the prior year in respect of unamortised fees which were recognised in full following the refinancing of the senior loan facility.

## 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:

(£m)	Year ended 31 December	
	2023	2022
Profit before taxation	34.6	3.9
Tax at the standard rate	8.1	0.7
Effects of:		
Expenses and income not deductible or taxable	3.2	8.2
Tax adjustment for the super-deduction allowance	(0.8)	(2.6)
Impairment charge in respect of held for sale assets (not tax deductible)	–	0.1
One-off impact of revision to useful economic life and residual value of freehold property portfolio	–	(9.0)
Adjustments to prior year	(4.2)	(1.8)
Difference in tax rates	(0.2)	0.1
Deferred tax not previously recognised	(1.2)	–
Total tax charge/(credit)	6.7	(4.3)

Corporation tax is calculated at 23.5% (2022: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year is 19.4%, although not truly reflective of the current year position as a result of adjustments to the prior years (2022: not meaningful as a result of adjustments in respect of prior years and movements on deferred tax which are not directly linked to profit). Excluding the adjustments to prior years in 2023, the effective tax rate is 31.5%. The adjustments to prior years includes the recognition of a deferred tax asset in respect of Corporate Interest restrictions which has recognised a credit of £3.3m through adjustments to prior years for deferred tax purposes, as well as the recognition of deferred tax on acquired losses of £1.9m in respect of an acquisition. In the prior year, the group reassessed the useful life and residual value of its freehold property portfolio. This resulted in a one-off deferred tax credit of £9.0m. Deferred tax is detailed in note 23.

## Profit after taxation

The profit after taxation for the year ended 31 December 2023 was £27.9 million (2022: £8.2 million).

## Adjusted financial information

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

## Alternative performance (non-GAAP) financial measures

We have provided alternative financial information that has not been prepared in accordance with IFRS. We use these alternative 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 alternative 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 alternative financial measures to investors.

Alternative 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 alternative financial measures to their most directly comparable IFRS financial measures provided in the financial statements table.

## Adjusted EBITDA, Adjusted EBIT and Hospital Business Adjusted EBITDA margin

(£m)	Year ended 31 December	
	2023	2022
Operating profit	126.2	95.4
Remove effects of:		
Adjusting items before interest and tax	4.2	10.2
<b>Adjusted EBIT</b>	<b>130.4</b>	105.6
Depreciation	103.0	97.9
Amortisation	0.6	–
<b>Adjusted EBITDA</b>	<b>234.0</b>	203.5
<b>For the Hospital Business</b>		
Revenue	1,327.6	1,198.5
Adjusted EBITDA	233.8	203.5
<b>Adjusted EBITDA margin</b>	<b>17.6%</b>	17.0%

## Chief financial officer's review continued

**Adjusted profit after tax and adjusted earnings per share**

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

(£m)	Year ended 31 December	
	2023	2022
Profit before tax	34.6	3.9
Adjustments for:		
Adjusting Items – operating costs	4.2	10.2
Adjusted profit before tax	38.8	14.1
Taxation <sup>(1)</sup>	(6.4)	2.5
Adjusted profit after tax	32.4	16.6
Profit for the year attributable to owners of the parent	31.8	17.0
Profit/(loss) for the year attributable to non-controlling interests	0.6	(0.4)
Weighted average number of ordinary shares in issue (No.)	403,648,886	402,679,296
Adjusted earnings per share (pence) attributable to the parent	7.9	4.2

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

**Return on capital employed**

Return on capital employed (ROCE) is the ratio of the group's Adjusted EBIT to total assets less cash, capital investments made in the last 12 months and current liabilities. In the current year the calculation annualises the EBIT of the VHG acquisition as it was not part of the group for the full year. The calculation of return on capital employed is shown below:

(£m)	Year ended 31 December	
	2023	2022
<b>Adjusted EBIT</b>	<b>130.4</b>	105.6
Adjusted: for full year pro-forma effect of VHG acquisition	6.8	–
<b>Adjusted EBIT pre VHG</b>	<b>137.2</b>	105.6
Total assets	2,281.6	2,159.8
Less: Cash and cash equivalents	(49.6)	(74.2)
Less: Capital investments	(84.4)	(90.1)
Less: Current Liabilities	(316.1)	(283.4)
<b>Capital employed</b>	<b>1,831.5</b>	1,712.1
<b>Return on capital employed %</b>	<b>7.5%</b>	6.2%

**Adjusted free cash flow**

Adjusted FCF (Free Cash Flow) is calculated as adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the purchase of plant, property and equipment. The calculation of readjusted free cash flow is shown below:

(£m)	Year ended 31 December	
	2023	2022
<b>Adjusted EBITDA</b>	<b>234.0</b>	203.5
Less: Rental payments	(100.2)	(93.7)
Less: Cash flow for the purchase of property, plant and equipment	(84.4)	(87.7)
Less: Working capital movement	(15.5)	(15.0)
Less: Adjustments for non-recurring items	14.1	20.9
<b>Adjusted free cash flow</b>	<b>48.0</b>	28.0

## Chief financial officer's review continued

## Cash flow analysis for the period

(£m)	Year ended 31 December	
	2023	2022
Opening cash balance	74.2	202.6
Operating cash flows before adjusting Items and income tax paid	218.3	186.5
Net cash flow from adjusting Items (included in operating cash flows)	(2.7)	(6.4)
Income tax paid	(0.1)	(0.1)
Operating cash flows after operating adjusting Items and income tax	215.5	180.0
Net cash flow from adjusting Items (included in investing cash flows)	–	3.2
Net cash in investing activities	(84.0)	(87.2)
Cash outflow for acquisition of subsidiary	(73.2)	(11.4)
Investing cash flows after investing adjusting Items	(157.2)	(95.4)
Net cash flow from adjusting Items (included in financing cash flows)	–	(2.7)
Net cash in financing activities	(82.9)	(210.3)
Financing cash flows after financing adjusting Items	(82.9)	(213.0)
Closing cash balance	49.6	74.2

## Closing cash balance

The group's year end cash balance stood at £49.6 million, which reflects a reduction of £24.6 million against the prior year balance of £74.2 million. This movement contains two significant one-off items being the acquisition of VHG for a net cash consideration of £73.2 million and a cash inflow of £40 million from the draw down of the revolving credit facility. Further detailed information on the cash flow during the period is set out in the following sections.

## Operating cash flows before adjusting items

The cash inflow from operating activities before tax, Adjusting items and VHG was £228.2 million (2022: £186.5 million), which constitutes a cash conversion rate from £232.2 million Adjusted EBITDA pre VHG of 98% (2022: 92% conversion of £203.5 million Adjusted EBITDA). The net cash outflow from movements in working capital in the period was £15.5 million (2022: £15.0 million outflow).

## Investing and financing cash flows

Net cash outflow in investing activities for the period was £157.2 million (2022: £95.4 million). The cash outflow relates to the net cash consideration paid for the acquisition of VHG of £73.2 million and the purchase of plant, property and equipment in the period totalled £84.4 million (2022: £87.7 million). Capital investment in the year includes the new outpatients and diagnostic centre at Yale, investment into cardiac theatres at Manchester and Nottingham, ophthalmic services at Cambridge and continued major hospital refurbishment programmes.

Net cash used in financing activities for the period was £82.9 million (2022: £213.0 million) Cash outflows include interest paid and other financing costs of £90.0 million (2022: £94.6 million), and £27.2 million (2022: £18.5 million) of lease liability payments and £3.1 million for the buyback of shares to settle share awards. This is offset by an inflow of £40 million from the draw down of the revolving credit facility.

## Borrowings

At 31 December 2023, the group has bank borrowings (inclusive of IFRS 9 adjustments) of £365.3 million (2022: £324.3 million), drawn under facilities which mature in February 2027.

(£m)	Year ended 31 December	
	2023	2022
Cash	49.6	74.2
Bank borrowings	365.3	324.3
Bank borrowings less cash and cash equivalents	315.7	250.1

During the year, the Group exercised its option to extend the senior loan facility by a further year. The financial covenants and agreement terms relating to this agreement are unchanged, with leverage to be below 4.0x and interest cover to be in excess of 4.0x. As at 31 December 2023 the leverage measure stood at 2.2x (2022: 2.2x) and interest cover of 8.2x (2022: 8.5x).

As at 31 December 2023 lease liabilities were £891.7 million (2022: £866.5 million).

## Dividend

The directors of Spire Healthcare have recommended the payment of a final dividend of 2.1 pence per share for the year ending 31 December 2023. Subject to shareholder approval at the forthcoming Annual General Meeting on 9 May 2024.

## Related party transactions

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

## Chairman's governance letter

# Our strategy is delivering value for all our stakeholders



66  
The group delivered a strong financial performance, with sustained growth in revenue, earnings and margin, creating value for a range of stakeholders. We continued to invest in colleagues, facilities and new services in 2023, and we were particularly pleased to acquire Vita Health Group, delivering new physical and mental health services, in line with our strategy.”

**Sir Ian Cheshire**  
Chairman

### Dear shareholder,

I am pleased to introduce this governance report in a year that the group has delivered a strong financial performance, with sustained growth in revenue, earnings and EBIT margin. At the same time, I am delighted that we have created significant value for a range of stakeholders. We are helping to create a healthier and more productive Britain, which is why we have been building on our hospital business to become a more integrated healthcare provider.

We are investing in our business to grow organically, enhancing our infrastructure and opening new clinics, while also adding new services through strategic acquisitions. Following the acquisition of The Doctors Clinic Group last year, the board was pleased to see how the business was integrated into the group and successfully restructured into Spire Occupational Health and London Doctors Clinic. We also welcomed the acquisition of Vita Health Group in 2023, bringing new physical and mental health services to Spire Healthcare, while further adding to our occupational health capabilities and portfolio in line with our strategy to expand our proposition. All this enables us to assist more self-funded and insurance-backed patients with their healthcare needs, and to build relationships with more companies looking to support their employees' wellbeing. At the same time, we continue to work closely with the NHS in their efforts to reduce waiting lists.

Of course, quality and patient safety remain our number one priority. The board was delighted to see that we maintained our quality scores this year, with 98% of our inspected locations rated as 'Good' or 'Outstanding', or the equivalent, by regulators in England, Scotland and Wales. We are particularly proud of the culture we have embedded in which colleagues at all levels are encouraged to speak up if they see something that concerns them.

We are adding value to the UK economy by investing in skills through initiatives such as our nurse apprenticeship programme, one of the largest in our sector, and boosting the nation's productivity by helping people get back to work. We are also making progress towards achieving net zero carbon status by

2030 through a range of investments designed to reduce our energy use, manage our waste better and optimise our building management systems.

Put together, this is how we are delivering sustainable shareholder value. In recognition of our business performance in 2023, the board is proposing a final dividend this year of 2.1p.

I was delighted to welcome new directors Debbie White and Natalie Ceeny to the board during 2023. Their expertise and experience have already proved valuable to the group, as we support our management team to build on the solid platform we have created to drive revenue growth, while maintaining our grip on cost control to ensure a strong level of liquidity in the business. In late 2023, the board completed its annual performance evaluation, led by Debbie White and supported by the company secretary and an external specialist, BoardClic, who together created a comprehensive set of questionnaires based on best practice and regulatory guidelines for the board and each board committee. An action plan for 2024 is being worked up to responses received.

Looking ahead, the board is confident we can continue to deliver on the group's strategy, and that we are well positioned to meet demand. Our brand campaign, 'The sooner you're better, the better' is apt, not just for the part we can play in the health of individuals, but also for the nation's health. It is to the credit of our excellent management team and colleagues across the organisation that we can aspire to do both.

Jitesh Sodha will be stepping down from the board at the annual general meeting on 9 May 2024. I would like to take this opportunity to thank Jitesh for his immense contribution to the group during his tenure. Jitesh will be succeeded as chief financial officer by Harbant Samra. Harbant has been with the group since 2018 and I am delighted to see him now join the board.

**Sir Ian Cheshire**  
Chairman

28 February 2024



# Corporate governance report

## Compliance with the UK Corporate Governance Code in 2023

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
10	Dame Janet Husband has served for more than nine years from the date of their first appointment	A thorough review was undertaken in February 2023 and again in February 2024, with regard to Dame Janet Husband remaining on the board for longer than nine years. The assessment concluded that Dame Janet continues to make a valuable contribution to the board, and leads the clinical governance and safety committee effectively. There was considered no impairment to her independence resulting from her tenure. It was further considered to be in the best interests of the company that Dame Janet Husband continue in her role and the nomination committee recommended to the board that she remain a director.

## Director independence

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

The company does not consider Dr. Ronnie van der Merwe, who has been nominated to act as a non-executive director by Mediclinic Group Limited, the company's principal shareholder, to be independent. Mediclinic Group Limited's subsidiary, Mediclinic Jersey Limited (formerly Remgro Jersey Limited), entered into a relationship agreement with the company in June 2015 (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, when Mediclinic International PLC controls 15% or more of the votes, it will be entitled to appoint one non-executive director to the board. It controls 29.9% of votes as at 28 February 2024. The directors believe that the terms of the Relationship Agreement will enable the group to carry on its business independently of Mediclinic Group Limited.

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.

## Workforce engagement

The board has appointed the remuneration committee to monitor workforce engagement and report to the board on the progress of Spire Healthcare's workforce initiatives, together with the challenges, concerns and priorities of colleagues. This provides directors with an understanding into how culture is embedded across hospitals and central functions, and any issues to be addressed.

## 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 Group Limited, which controls 29.9% of the voting rights in the company as at 28 February 2023.

## Changes to your board during 2023

Individual	Event	Date
Debbie White	Appointed an independent non-executive director (became the company's Senior Independent Director on 12 May 2023)	1 February 2023
Natalie Ceeney	Appointed an independent non-executive director	1 May 2023
Adele Anderson, Tony Bourne and Simon Rowlands	Independent non-executive directors	All stepped down from the board on the conclusion of the company's annual general meeting on 11 May 2023

## Principal decisions of the board during 2023

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 attributes 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
Acquisition of Vita Health Group	– Patients – NHS	Expand our proposition Deliver strong financial performance	See page 35
Return to paying a dividend	– Investors	Deliver strong financial performance	
Digitalisation plan	– Patients – Colleagues – Consultants	Drive hospital performance Build on quality	See pages 21 to 23

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 2023 included reviewing the group's performance (monthly and year to date), approving capital expenditure, setting and approving the group's strategy and annual budget.

## Key roles and responsibilities

The company has set out in writing a division of responsibilities between the chairman, senior independent director and the chief executive officer.

## Non-executive chairman Sir Ian Cheshire

- The non-executive 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
  - Ensuring that the board receives accurate, relevant and timely information about the group's affairs

## Corporate governance report continued

**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
- Being accountable to, and reporting to, the board on the performance of the business

**Senior Independent Director****Debbie White**

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
- Undertaking the annual chairman's performance evaluation

**Company Secretary****Philip Davies**

The company secretary supports the chairman on board corporate governance matters and is responsible for:

- Making appropriate information available to the board in a timely manner
- Ensuring an appropriate level of communication between the board and its committees
- Ensuring an appropriate level of communication between senior management and the non-executive directors
- Keeping the board apprised of developments in relevant legislative, regulatory and governance matters
- 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
- 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), 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 2023**

The principal decisions of the board during the year can be found on page 89.

Board meetings were held in person during the year and director attendance at scheduled meetings is shown on page 95.

The agenda at scheduled meetings in 2023 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 from 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 2024**

It is currently planned that the board will convene for seven scheduled meetings in 2024, as well as holding any necessary ad hoc board and committee meetings to consider non-routine business.

The chairman and the other non-executive directors will meet on their own without the executive directors present. In addition, the senior independent director and other non-executive directors will meet without the chairman present to discuss matters such as the chairman's performance.

The board will maintain its focus on the group's pursuit of its 2024 targets during the year. Its activities will include:

- Reviewing and approving the 2023 annual report
- Reviewing the revised five-year strategic plan and approving the 2024 annual operating plan
- Completing deep dives into key areas of the business
- Embedding the risk management framework
- Reviewing the makeup of the board
- 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 use of Quality Improvement methodology. It will maintain overall responsibility for the group's system of internal control and risk management processes via the relevant board committees.

**Disclosure committee**

The board has established a disclosure committee to ensure, under delegated authority, that the company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation. The disclosure committee also manages the company's share dealing code, ensuring colleague compliance and provides training where required. The members of the disclosure committee are shown on page 93.

## Corporate governance report continued

**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 93).

**National medical professional standards committee**

The national medical professional standards committee meets monthly and is chaired by the group medical director, with membership including the group clinical director, chief operating officer (deputy chair), associate medical directors, deputy general counsel (regulatory) and director of integrated quality governance.

The purpose of the national medical professional standards committee is to:

- Have oversight of performance and monitoring of safety standards of consultants and GPs with practising privileges or employed by Spire Healthcare
- Have oversight over the investigations relating to the practice of doctors with practising privileges at Spire Healthcare's facilities in order to provide assurance to the executive committee and board in relation to compliance with medical policies relating to professional standards
- Provide oversight of consultant related Patient Notification Exercises in order to promote and maintain good medical practice, and inform the continuous quality improvement programme across Spire Healthcare
- Ensure that local and organisational learning is determined and actioned in relation to medical professional standards and performance

**Board meetings**

The attendance of the directors who served during the year ended 31 December 2023, at meetings of the board during 2023, is shown on page 95. 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 2023 board calendar included sessions on clinical data analysis and statutory regulations. The board considers its size and composition to be appropriate for the current requirements of the business but will continue to keep this under review.

Committee composition is set out in the relevant committee reports and listed on page 93. No one other than committee chairs and members of the committees is entitled to participate in meetings of the audit and risk, CGSC, disclosure, nomination and remuneration committees, unless by invitation of the respective committee chair.

Debbie White is the Senior Independent Director. Biographical details of the directors are set out on pages 96 to 97.

**Appointments to the board**

Recommendations for appointments to the board are made by the nomination committee. As part of the recruitment process the nomination committee follows a formal, rigorous and transparent procedure. Further information is set out in the nomination committee report on page 99.

**Time commitment of the non-executive directors**

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

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

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

**Induction and training**

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

On joining the board, it is the responsibility of the chairman and company secretary to ensure that all newly appointed directors receive a full and formal induction which is tailored to their individual needs. The induction programme includes a comprehensive overview of the group, dedicated time with other directors and senior management, as well as guidance on the duties, responsibilities and liabilities as a director of a listed and regulated company. These activities formed part of the induction programmes for Natalie Ceeney and Debbie White.

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 group general counsel, 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.

## Corporate governance report continued

**Election of directors**

All the directors appointed at the time offered themselves for election at the ninth annual general meeting in May 2023. Directors are elected or re-elected in accordance with the requirements of the Code.

All of the company's directors, with the exception of Jitesh Sodha who will step down from the board, will stand for re-election at the annual general meeting in May 2024. A thorough review was undertaken in February 2024, with regard to Dame Janet Husband remaining on the board for longer than nine years, which is a circumstance the Code deems could impair the independence of a non-executive director. The assessment concluded that Dame Janet continues to make a valuable contribution to the board, and leads the clinical governance and safety committee effectively. There was considered no impairment to her independence resulting from her tenure. It was further considered to be in the best interests of the company that Dame Janet Husband continue in her role and the nomination committee recommended to the board that she remain on as a director.

The biographical details of each director standing for re-election is included in the 2024 notice of annual general meeting. The board believes that each of the directors standing for re-election is effective and demonstrates commitment to their respective roles. Accordingly, the board recommends that shareholders approve the resolutions to be proposed at the 2024 annual general meeting relating to the re-election of the directors.

The biographical details of all directors are set out on pages 96 to 97.

**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.

**Non-executive director engagement with hospitals**

Non-executive directors, particularly the members of the clinical governance and safety committee are regular attendees at a wide range of hospital briefings, meetings and specialist conferences. These events have included local and national meetings, and the national medical professional standards committee. Directors have also attended the national theatre managers conference and the national pharmacy managers conference, as well as conferences for directors of clinical services and critical care, and cardiology specialists.

**Accountability****The audit and risk committee**

The audit and risk committee report is set out on pages 104 to 109 and identifies its members, whose biographies are set out on pages 96 and 97.

The report describes the audit and risk committee's work in discharging its responsibilities during the year ended 31 December 2023, and its terms of reference can be found on the group's website at [www.investors.spirehealthcare.com](http://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 104 to 109 and pages 101 to 103 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 2023 was led by the chief executive officer, chief financial officer and the director of investor relations. The non-executive chairman, senior independent director and committee chairs remain available for discussion with shareholders on matters under their areas of responsibility, either through contacting the company secretary or directly at the annual general meeting.

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

Corporate governance report continued

**Governance framework in 2023**

**Non-Executive Chairman**

Sir Ian Cheshire

**Key objectives:**

- Ensure effectiveness of the board
- Promote high standards of corporate governance
- Ensure clear structure for the operation of the board and its committees
- Encourage open communication between all directors

**Senior Independent Director**

Debbie White

**The board of Spire Healthcare Group plc**

The board comprises eleven directors – the non-executive chairman, two executive directors and eight non-executive directors, seven 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
- Sets the group's values and standards

**Audit and risk committee**

Martin Angle (chair), Natalie Ceeney, Dame Janet Husband, Debbie White

**Key objectives:**

- Monitors the integrity of financial reporting
- 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), Justin Ash, Martin Angle, Jenny Kay, Professor Cliff Shearman

**Key objectives:**

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

**Disclosure committee**

Sir Ian Cheshire (chair), Martin Angle, Justin Ash, Jitesh Sodha, Debbie White

**Key objectives:**

- Ensures that the company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation
- Oversees the company's Share Dealing Code including colleague training

**Nomination committee**

Sir Ian Cheshire (chair), Martin Angle, Natalie Ceeney, Dame Janet Husband, Dr. Ronnie van der Merwe, Debbie White

**Key objectives:**

- Advises the board on appointments, retirements and resignations from the board and its committees
- Reviews succession planning for the board

**Remuneration committee**

Natalie Ceeney (chair), Martin Angle, Jenny Kay

(Paula Bobbett was appointed a member of the remuneration committee on 26 February 2024)

**Key objectives:**

- Determines the appropriate framework and level for remuneration of the chairman, executive directors, company secretary and other members of the executive committee
- Reviews workforce remuneration and related policies

**Executive committee**

The group also operates an executive committee (convened and chaired by the chief executive officer). The executive committee meets fortnightly.

**Key objectives:**

- Assists the chief executive officer in discharging his responsibilities
- Ensures a direct line of authority from any member of staff to the chief executive officer
- Assists in making executive decisions affecting the company

**Safety, quality and risk committee**

A committee of the executive committee (jointly chaired by the group clinical director and group medical director) that focuses on safety, quality and risk matters across the group's operations. The safety, quality and risk committee met monthly during 2023.

**Key objectives:**

- Reviews the group's clinical performance
- Reviews evidence of compliance with statutory notification requirements
- Scrutinises all unexpected deaths occurring at hospitals

## Corporate governance report continued

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](http://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

Spire Healthcare Group is committed to acting ethically and with integrity in all our relationships, in line with our value of 'Doing the right thing'. Our approach to tackling the risk of modern slavery continues to evolve under the oversight of our sustainability committee, which reports to our executive committee to ensure that our directors have full oversight on all relevant matters.

Our two main areas of focus are, a) to safeguard patients, colleagues and others who come through our facilities, and b) in our supply chain. In our business operations, we believe practitioners and colleagues are well-placed to identify and deal with modern slavery concerns through the safeguarding training and protections we have in place. The safeguarding system trains those practitioners and other colleagues (clinical and non-clinical) to recognise and report signs of abuse. We believe the rigour of this system mitigates the risk of modern slavery from either going undetected or being dealt with inadequately. This risk is further controlled by the support, training and infrastructure in place for all colleagues to be able to raise concerns through our network of Freedom to Speak Up Guardians, or other available channels. In 2023, we:

- Maintained our modern slavery due diligence process for new suppliers with an annual spend of in excess of £1 million. There were no issues identified through this process
- Updated our procurement policy, which ensures that our hospitals and clinics are equipped with guidance and a risk assessment tool for evaluating modern slavery risks in local contracts
- Completed an initial assessment exercise of third-party management systems which can risk-assess and monitor the level of performance and risk of key suppliers across a range of areas including labour and human rights. It is intended that our sustainability committee will review this during 2024
- Continued supplier and product rationalisation initiatives, focusing our attention on increasing the proportion of spend with long-standing reputable suppliers, with whom satisfactory due diligence has been carried out, where appropriate

In 2024, we plan to continue the activities outlined above, and further review our approach to enhance third-party supplier risk monitoring and performance.

Spire Healthcare's latest Modern Slavery Act statement  
[investors.spirehealthcare.com/investors/modern-slaveryact-statement](http://investors.spirehealthcare.com/investors/modern-slaveryact-statement)

Vita Health Group's Modern Slavery Act statement  
[vitahealthgroup.co.uk/slavery-and-human-traffickingstatement](http://vitahealthgroup.co.uk/slavery-and-human-traffickingstatement)

The Doctors Clinic Group's Modern Slavery Act statement  
[spireoccupationalhealth.com/about-us/accreditationspolicies](http://spireoccupationalhealth.com/about-us/accreditationspolicies)

### Annual general meeting

Shareholders are encouraged to participate at the company's annual general meeting, ensuring that there is a high level of accountability and identification with the group's strategy and goals. A summary of the proxy voting at the 2023 annual general meeting was made available via the London Stock Exchange and on the company's website as soon as reasonably practicable on the same day as the meeting and is shown below:

	Summary of resolution	Total votes for %	Total votes against %	Number of votes withheld
<b>1</b>	2022 Annual report and accounts	99.83%	0.17%	174,433
<b>2</b>	2022 Directors' remuneration report	96.15%	3.85%	32,281
<b>3</b>	Final dividend	99.99%	0.01%	24,193
<b>4 to 14</b>	Election or re-election of directors	Between 99.98% and 96.27%	Between 0.02% and 3.73%	Maximum 35,088
<b>15</b>	Reappointment of auditors	99.76%	0.24%	24,483
<b>16</b>	Auditors' remuneration	99.94%	0.06%	25,773
<b>17</b>	Political expenditure	99.91%	0.09%	26,781
<b>18</b>	Authority to allot shares	98.06%	1.94%	24,073
<b>19</b>	Disapplication of statutory pre-emption rights*	98.66%	1.34%	30,135
<b>20</b>	Disapplication of statutory pre-emption rights for an acquisition*	96.56%	3.44%	30,135
<b>21</b>	Authority to purchase own shares*	99.74%	0.26%	40,367
<b>22</b>	General meetings to be held on 14 clear days' notice*	99.20%	0.80%	24,481

\* Special resolution.

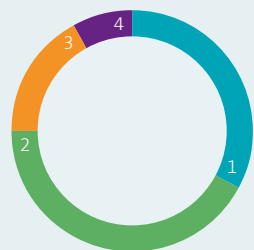
The corporate governance report has been approved by the board and signed on its behalf by:

**Philip Davies**  
Company Secretary

28 February 2024

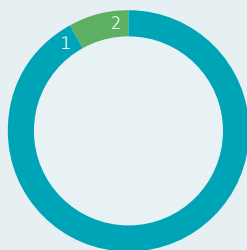
## Board of directors

### Tenure



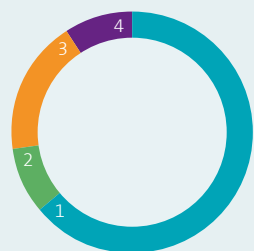
- 1. 0-3 years **33%**
- 2. 4-6 years **42%**
- 3. 6-9 years **17%**
- 4. 9+ years **8%**

### Ethnicity



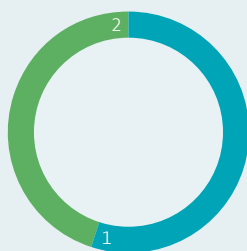
- 1. White **92%**
- 2. Asian Indian **8%**

### Position



- 1. Independent NED **64%**
- 2. Non-independent NED **9%**
- 3. Executive **18%**
- 4. Chairman **9%**

### Gender



- 1. Male **55%**
- 2. Female **45%**

### Board meeting attendance during 2023

Chairman and executive directors	Board meetings
<b>Non-Executive Chairman</b> Sir Ian Cheshire	7/7
<b>Senior Independent Director</b> Debbie White <sup>1</sup>	7/7
<b>Executive directors</b> Justin Ash	7/7
Jitesh Sodha	7/7

Non-executive directors	Board meetings
Martin Angle	7/7
Paula Bobbett	7/7
Natalie Ceeney <sup>2</sup>	5/5
Dame Janet Husband	7/7
Jenny Kay	7/7
Professor Cliff Shearman	7/7
Dr Ronnie van der Merwe	6/7

- Initially appointed as an independent non-executive director on 1 February 2023 before becoming senior independent director on 12 May 2023.
- Appointed an independent non-executive director on 1 May 2023.

### Board skills, experience and background

Healthcare
Accounting and finance
Sustainability and ESG
UK plc experience
Multi-site operating
M&A
Remuneration
Digital and technology

The Financial Conduct Authority (FCA) has introduced a requirement for listed companies to report on new board diversity targets and provide data on the gender and ethnic diversity of the board and in its executive management. Following the FCA's definition, executive management for these purposes, means the members of our executive committee. However, we have included board members who are also in executive management only in the board members column, and not in the executive management column, in the below tables. We are committed to improving diversity across all protected characteristics and will continue to make progress in line with the new requirements from the FCA.

	Number of board members*	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
<b>FCA gender diversity reporting as at 31 December 2023</b>					
Men	6	55%	3	3	50%
Women	5	45%	1	3	50%
Not specified/ prefer not to say	–	–	–	–	–

### FCA ethnic diversity reporting as at 31 December 2023

White British or other White (including minority-white groups)	10	91%	3	6	100%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	9%	1	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

\* The number of board members includes those who are members of both the board and the executive management.

Further details on levels of gender and ethnic diversity across all of Spire Healthcare can be found on [pages 45 to 47](#).

Board of directors continued

Key to board and executive committees

- A** Audit and risk committee
- C** Clinical governance and safety committee
- D** Disclosure committee
- N** Nomination committee
- R** Remuneration committee
- E** Executive committee
- S** Safety, quality and risk committee

 Committee chair



**Sir Ian Cheshire**  
**Non-Executive Chairman**

Sir Ian Cheshire joined Spire Healthcare as chairman-designate in early March 2021 and became non-executive chairman at the conclusion of its annual general meeting in May 2021.

**Current external appointments**

- Chairman of Land Securities Group plc
- Chairman of Channel 4
- Non-executive director of Menhaden Resource Efficiency plc
- Trustee of the Institute for Government
- Chair of We Mean Business Coalition

**Skills and previous experience**

Sir Ian brings to Spire Healthcare considerable FTSE experience, deep understanding of the government-business interface and broad ESG credentials, which are important to the company's strategy and long-term sustainable success.

Sir Ian was chairman of Barclays Bank UK PLC until December 2020 and a non-executive director of both Barclays PLC and BT Group plc until May 2021 and July 2023 respectively. He was also previously senior independent director and remuneration committee chair of Whitbread plc until September 2017. Sir Ian held a variety of posts whilst at Kingfisher plc including chief executive of B&Q from 2005 to 2008 and group chief executive from 2008 to 2014. He is involved with many charitable organisations, such as The Prince of Wales's Charitable Fund which he also chairs, and has also worked with various government departments.



**Justin Ash**  
**Chief Executive Officer**

Justin Ash was appointed chief executive officer and an executive director in October 2017.

**Current external appointments**

- Member of the strategic council of Independent Healthcare Providers Network
- Chair of the trustees of Tropical Health and Education Trust (THET)

**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 Nadi Medical Company. He was chair of Independent Healthcare Providers Network until December 2020 and is a trustee of Fraxinus Trust and chair of the Freemasons Fund for Surgical Research.



**Jitesh Sodha**  
**Chief Financial Officer**

Jitesh Sodha was appointed chief financial officer and an executive director in October 2018.

**Current external appointments**

- Non-executive director of PZ Cussons Plc

**Skills and previous experience**

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

Jitesh chairs the company's sustainability committee and leads on ESG matters for the board.



**Debbie White**  
**Senior Independent Director**

Debbie White was appointed an independent non-executive director in February 2023 and became senior independent director in May 2023.

**Current external appointments**

- Non-executive director and chair designate of The Co-operative Group
- Director of PAVmed Inc (listed on the NASDAQ)
- Director of Lucid Diagnostics Inc (listed on the NASDAQ)
- Trustee and honorary treasurer for the charity Wellbeing of Women

**Skills and previous experience**

Debbie is an experienced CEO and independent director. Her last full time executive role was as chief executive officer of Interserve Group which was preceded by a number of senior executive roles at Sodexo SA including global chief executive officer of Sodexo Healthcare and Sodexo Government, chief financial officer of the North American and UK&I businesses and chief executive officer of Sodexo UK&I. She was interim group HR director for BT Group plc during 2022, supporting the executive on the transformation of the group. Debbie was a non-executive director of Howden Joinery Group plc until December 2023.

Debbie started her career with Arthur Andersen and is a chartered accountant and chartered tax practitioner. She joined AstraZeneca where she held a variety of financial roles, before joining Sodexo. Debbie was a director of PWC consulting where she advised principally in the pharmaceutical sector.



**Martin Angle**  
**Deputy Chairman and Independent Non-Executive 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**

- Chairman of Gulf Keystone Petroleum plc
- Non-executive director of Ocean Biomedical, Inc. (listed on the NASDAQ)

Martin kindly agreed to step aside as senior independent director during May 2023 to allow the company to meet the Listing Rule's requirement that at least one senior board position is held by a woman. Martin Angle remains as deputy chairman following this change.

**Skills and previous experience**

Martin has held a number of non-executive positions including with Pennon Group plc and its subsidiary South West Water, Navalis Plc (senior independent director), National Exhibition Group (chairman), Dubai International Capital, and Shuaa Capital, then the only listed Gulf investment bank. In his earlier 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 company with worldwide engineering activities.

Martin 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 a leading UK waste management business. He is a chartered accountant and a graduate in physics from the University of Warwick.



Board of directors continued



**Professor Dame Janet Husband**  
Vice Chair

Dame Janet Husband was appointed an independent non-executive director in June 2014. Dame Janet was appointed vice chair on 1 March 2023.

**Current external appointments**

– Emeritus Professor of Radiology at the Institute of Cancer Research

**Skills and previous experience**

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

Dame 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 NHS Foundation Trust where she worked closely with senior management to develop a programme of robust clinical governance and continuous improvement in the quality of patient services.



**Paula Bobbett**  
Independent Non-Executive Director

Paula Bobbett was appointed an independent non-executive director in November 2022.

**Current external appointments**

– Chief digital officer of Boots UK

**Skills and previous experience**

Paula specialises in business strategy and critical analysis, particularly in digital. She is highly experienced in online trading, commercial strategy and analytics as well as in delivering digital transformation across commercial operations. Paula joined Boots in December 2020 and has driven the end-to-end development of boots.com leading to growth in online performance and positioning boots.com as the UK's number one health and beauty website.

Prior to joining Boots UK, Paula was head of online performance at Dixons Carphone. She has held senior analytics and customer insight roles at a variety of companies, including strategy and analytics manager at Avon, commercial insight manager at Debenhams, as well as roles at British Airways and Vanguard Strategy.



**Natalie Ceeney CBE**  
Independent Non-Executive Director

Natalie Ceeney was appointed an independent non-executive director in May 2023.

**Current external appointments**

– Non-executive director of Anglian Water Services Limited  
– Chair of Cash Access UK Limited  
– Non-executive director Openreach Limited  
– Non-executive director of Liverpool Financial Services Ltd (LV=)

**Skills and previous experience**

Natalie spent more than 20 years leading organisational and digital transformation, firstly as a McKinsey & Company consultant and then as an executive. She has worked across a range of sectors, both public and private, and has experience as a regulator as well as a CEO. Natalie has a focus on and deep interest in meeting the needs of customers, inclusion, and the transformational nature of technology.

Natalie's executive career included chief executive roles at HM Courts & Tribunals Service, the Financial Ombudsman Service, the National Archives and as a member of HSBC's UK executive team. She was a non-executive director of Ford Credit Europe until October 2023. Natalie is a graduate of the University of Cambridge.



**Jenny Kay**  
Independent Non-Executive Director

Jenny Kay was appointed an independent non-executive director in June 2019. She has been designated Spire Healthcare's non-executive director lead for safeguarding and the board's Freedom to Speak Up Guardian.

**Skills and previous experience**

Jenny has extensive experience as a front-line registered nurse and subsequent experience in senior management and board roles across the NHS including as director of nursing at Dartford and Gravesham NHS 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 an MBA from the Bristol Business School.



**Professor Cliff Shearman**  
Independent Non-Executive Director

Professor Cliff Shearman was appointed an independent non-executive director in October 2020.

**Current external appointments**

– Emeritus professor of vascular surgery, University of Southampton  
– Deputy chair of University Hospitals Dorset NHS Foundation Trust

**Skills and previous experience**

Cliff was a consultant vascular surgeon for 26 years, initially in Birmingham and then in Southampton, and professor of vascular surgery at the University of Southampton. His research interests focus on factors that lead to diabetic vascular disease and how to improve the clinical outcomes for people with diabetes.

Cliff was a clinical service director and associate medical director in the University Hospital Southampton. At a national level he was president of the Vascular Society of Great Britain and Ireland and was one of the team that separated vascular surgery from general surgery leading to a new speciality, centralisation of services and a new training programme for vascular surgeons. These changes have been associated with dramatic improvements in outcomes for patients. Cliff was a member of the council and a trustee of the Royal College of Surgeons of England, serving as vice president from 2018 until July 2021. He was awarded an OBE in 2021 for services to vascular surgery.



**Dr Ronnie van der Merwe**  
Non-Executive Director

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 Group Limited, under the terms of the relationship agreement with them.

**Current external appointments**

– Group chief executive officer of Mediclinic Group Limited

**Skills and previous experience**

Ronnie has a strong track record of leadership and management within the healthcare industry, including strategy, organisational development, clinical performance, adoption of technology, and quality and data management.

As a specialist anaesthesiologist in private practice, Ronnie gained extensive experience in trauma and elective anaesthesia, intensive care management, and the management of acute and chronic pain. He subsequently expanded his expertise at medical insurance company Sanlam Health before joining Mediclinic in 1999. As chief clinical officer, he took responsibility for various aspects of the business, contributed greatly to the growth and strategic positioning of the group, and served as chair of the board of trustees of the in-house medical aid scheme, Remedi. He also served on the board of the premier private emergency medical care provider in South Africa, ER24, and as executive director of Mediclinic International Limited from 2010 up to the combination of the businesses of Mediclinic (then Al Noor Hospitals Group plc) and Mediclinic International Limited. He was appointed as group chief executive officer in 2018.

## Executive committee



**John Forrest**  
Chief Operating Officer

John Forrest joined Spire Healthcare in October 2018, after spending most of his career as a leading operator in the retail and hospitality industries.

John started his career at Marks & Spencer, before moving to the Body Shop and then the Co-operative Group. In 2007, John joined Whitbread as the head of new openings and led the roll out of Premier Inn, before being promoted to chief operating officer at Premier Inn in 2011. In 2015, John moved to Greene King as chief operating officer for their retail division to lead the operational integration of the recently acquired Spirit Pub Company. He became managing director for Greene King Pub Partners Business before leaving to join Spire Healthcare.



**Dr Cathy Cale**  
Group Medical Director

Dr Cathy Cale joined Spire Healthcare in October 2020, following a successful 30-year career in the NHS, which spanned clinical, research and leadership roles.

Cathy trained in paediatric immunology and immunopathology. She has extensive experience as a medical director, with roles at three NHS trusts, including Great Ormond Street Hospital for Children NHS Foundation Trust.

In 2017, she became a clinical ambassador for Getting it Right First Time (GIRFT), a national programme designed to improve medical care by tackling variations in the way services are delivered across the NHS, and by sharing best practice between trusts. At this time, she was also deputy medical director for NHS Improvement London region, combining this with ongoing clinical work. Cathy most recently worked as medical director at The Hillingdon Hospitals NHS Foundation Trust.

Cathy jointly chairs the Safety, Quality and Risk Committee with Professor Lisa Grant.



**Peter Corfield**  
Chief Commercial Officer

Peter Corfield joined Spire Healthcare in October 2015 as group commercial Director and has responsibility for delivering revenue growth through our payor groups and identifying new business opportunities. He was appointed chief commercial officer in January 2018 with additional responsibility for business development across the hospital portfolio.

Prior to joining Spire Healthcare, he held a number of senior executive and board roles within the financial services industry in the UK, most recently as managing director of Ageas Retail Direct.

Prior to this, Peter worked for both Zurich Financial Services Group and Royal Bank of Scotland in various roles that covered Europe, the Middle East and Japan.



**Rachel King**  
Group People Director

Rachel King joined Spire Healthcare in January 2023 as group people director, with responsibility for leading our people strategy across the group.

Prior to joining Spire Healthcare, Rachel was the group people director at Camelot, the regulated former operator of The National Lottery where she sat on the executive committee, leading the transformation of the people strategy and culture. Prior to her six years at Camelot, she held a number of senior executive roles in a wide range of organisations spanning media, broadcasting, technology and retail sectors. In addition, Rachel was a member of the board of Network Homes, a London-based housing association, until October 2023.



**Professor Lisa Grant**  
Group Clinical Director and Chief Nurse

Professor Lisa Grant joined Spire Healthcare in March 2023, following a successful 25-year career in the NHS holding a number of leadership and management roles. Lisa is an experienced nurse and has held three executive chief nurse posts over the last 13 years and also held the role of chief operating officer in large acute NHS trusts. Lisa established the Royal Liverpool Nursing Programme and developed the Excellence in Practice Programme at Leeds Teaching Hospitals NHS Trust that focuses on the development and recognition of the workforce teams. Lisa held a variety of management and leadership roles in the north of England and was awarded a visiting chair in health professions leadership from the University of Leeds in 2022.

Lisa jointly chairs the Safety, Quality and Risk Committee with Dr Cathy Cale.



**Mantraraj Budhdev**  
Group General Counsel and Corporate Concerns Director

Mantraraj Budhdev joined Spire Healthcare in September 2022 as group general counsel, with 15 years' global experience from a range of industries in both private practice and in-house roles. A large proportion of his experience was gained at two global law firms – Linklaters and Hogan Lovells – where he worked on compliance, regulatory and risk matters, while advising leading blue-chip and listed corporate clients, and completed secondments at investment banks including Goldman Sachs. Most recently, Mantraraj was responsible for leading a wide range of transactional, governance and regulatory matters as the group head of compliance and head of legal for Europe and the Americas region with a global port and logistics provider.

Mantraraj is responsible for leading a legal team of corporate, commercial, healthcare and litigation lawyers, Spire Healthcare's data protection and company secretarial teams, and he is also the group corporate concerns director.

## Nomination committee report

The introduction of three new board members at our annual general meeting this year has strengthened the team, ensuring we have the appropriate mix of knowledge, skills and experience the business needs to support the execution of our strategy in the years ahead.”

Sir Ian Cheshire  
Chair, 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

2

### Committee membership and attendance at meetings

The nomination committee members at the end of 2023 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/ held in 2023
<b>Sir Ian Cheshire</b> (Committee Chair)	May 2021	Non-executive chairman	2 (2)
<b>Martin Angle</b>	May 2020	Deputy chairman	2 (2)
<b>Natalie Ceeney</b>	May 2024	Independent non-executive director	1 (1)
<b>Dame Janet Husband</b>	July 2014	Vice chair	2 (2)
<b>Dr Ronnie van der Merwe</b>	May 2020	Non-executive director	
<b>Debbie White</b>	May 2024	Senior independent director	1 (1)

Nomination committee members' biographies are shown on pages x to x.

Adèle Anderson stepped down from the board at the company's annual general meeting in May 2023 and left the nomination committee. Debbie White and Natalie Ceeney were appointed to the nomination committee on 1 May 2023.

The Nomination Committee's terms of reference can be found at [www.investors.spirehealthcare.com](http://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

While making new appointments to the board on merit, the board will actively seek to secure candidates with a diverse background. Appointments will take account of the specific skills and experience, resilience, independence and knowledge needed to ensure a rounded board and the diverse benefits each candidate can bring to its overall composition. Care is taken to ensure that proposed appointees have sufficient time to devote to the role and have no conflicts of interest.

The nomination committee uses 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 makes a formal recommendation to the board on the appointment.

## Nomination committee report continued

## Dear shareholder,

I am pleased to present the nomination committee's report for the year ended 31 December 2023.

While there have been no new appointments to the board this year, we were pleased to welcome Natalie Ceeney and Debbie White as independent non-executive directors. These appointments were in addition to the appointment of Paula Bobbett who joined us shortly before the start of the year. Our three new directors joined us after a thorough and wide ranging search, facilitated by executive search firm Odgers Berndtson. Each has completed a successful onboarding process during the year which has included a number of hospital visits.

I was very pleased to see Debbie take on the role of senior independent director, and Natalie became chair of the remuneration committee during the year. On the recommendation of the committee, both Debbie and Natalie became members of the nomination committee. The company's deputy chairman, Martin Angle, brought his considerable experience to the role of audit and risk committee chair, as well as becoming a member of the clinical governance and safety committee.

I am pleased to confirm that the company complies with the Listing Rule changes brought about by the FCA's policy statement on diversity and inclusion on boards that at least 40% of the board should be women; at least one of the senior board positions (chair, chief executive officer, chief financial officer or senior independent director) should be a woman; and at least one member of the board should be from an ethnic minority background, excluding white ethnic groups.

### Succession planning and appointments to the board

All changes to the board and its committees are overseen by the nomination committee. Strong succession planning remains a key focus to help ensure that we continue to have an appropriate mix of skills, experience and backgrounds on the company's board and in its senior leadership team.

We recognise the requirements of the UK Corporate Governance Code 2018 (the 'Code') in our decision-making, while assessing the cultural and strategic capabilities that will help the group deliver its strategic aims. We remain committed to making appointments on merit, based on objective criteria, but we set that against a clear strategy to promote diversity across the business.

We also consider the tenure of board members and potential future board retirements, and the impact of these on membership of the board and its committees.

The committee's remit includes an ongoing review of the structure, size and composition of the board and its committees to ensure we maintain the appropriate mix of knowledge, skills, experience, and diversity.

### Independence and time commitments

Based on our assessment during 2023, the committee is satisfied that, throughout the year, all non-executive directors remained independent in character and judgement.

A thorough review was undertaken by the committee in February 2024, with regard to Dame Janet Husband remaining on the board for longer than nine years, which is a circumstance the Code deems could impair the independence of a non-executive director. The assessment concluded that Dame Janet continues to make a valuable contribution to the board, and leads the clinical governance and safety committee effectively. There was considered no impairment to her independence resulting from her tenure. It was further considered to be in the best interests of the company that Dame Janet continue in her role and the nomination committee recommended to the board that she remain on as a director.

In recommending directors for election and re-election at the annual general meeting, the committee reviews the performance of each non-executive director and their ability to continue meeting the time commitments required, taking into consideration individual capabilities, skills and experiences and any potential conflicts of interest that have been disclosed. While some of our directors have other significant commitments outside of Spire Healthcare, these are considered to be appropriate and not to conflict with their responsibilities to the group.

### Diversity and inclusion

Our board diversity policy and our wider equity, diversity and inclusion (EDI) strategy puts four commitments at the heart of our approach to EDI:

1. We recognise the value of diversity.
2. We understand how it will help us deliver our purpose.
3. We respect and appreciate each other for who we are.
4. We include diverse colleagues in our problem-solving to make better, faster decisions.

Diversity and inclusion is a major focus of activity across Spire Healthcare, and will continue to be in the years ahead. The board promotes diversity and inclusivity within the organisation, including supporting women to become leaders within the business and improving the diversity of the company's workforce. We believe that a diverse board includes and makes good use of differences in skills, experience, background, ethnicity, gender and other characteristics.

Our aim was to achieve a minimum 33% female representation on the board by our annual general meeting in May 2023 and 40% by 2025. We were delighted to have already achieved our 2025 target in 2023, with a gender split on our board of 55% male and 45% female.

Spire Healthcare continues to employ a large majority of female colleagues and the company's gender pay gap compares favourably to other organisations. However, we recognise we can do more to achieve better gender representation at senior leadership levels. Details of the company's staff diversity and gender pay gap, in line with reporting requirements, can be found on pages 45-47. The chart on page 97 also illustrates the diversity of the board in terms of gender.

### Performance evaluation

In late 2023, the committee completed its annual performance evaluation, which was led by Debbie White (as the senior independent director) supported by the company secretary and an external specialist, BoardClic, who together created a comprehensive set of questionnaires based on best practice and regulatory guidelines for the board and each board committee. In reviewing the matters identified in BoardClic's report on the outcome of the review, the committee chair discussed and agreed to prepare an action plan for 2024 that took into consideration elements of the report on future board composition.

### Re-election of directors

The committee met in early 2024 to review succession arrangements for directors, and the continuation in office and potential reappointment of other members of the board as described earlier. Following this review, the committee recommended to the board that all directors standing be reappointed or have their appointments confirmed, and hence these directors will seek election or re-election at the annual general meeting in May.

### Sir Ian Cheshire Chair, Nomination Committee

28 February 2024

## Clinical governance and safety committee report

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Our work to improve the patient experience before, during and after people come into our care has been an important part of the committee’s focus this year. This has been reflected across the business, as we constantly seek to enhance our patient care and the range of services we offer.”

**Professor Dame Janet Husband**  
Chair, 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 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 2023 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 2023
<b>Dame Janet Husband</b> (Committee Chair)	July 2014	Vice chair	4 (4)
<b>Justin Ash</b>	October 2017	Chief executive officer	4 (4)
<b>Martin Angle</b>	May 2023	Deputy chairman	3 (3)
<b>Jenny Kay</b>	June 2019	Independent non-executive director	4 (4)
<b>Professor Cliff Shearman</b>	January 2021	Independent non-executive director	4 (4)

CGSC members’ biographies are shown on pages 96-97.

Adele Anderson stepped down from the board at the conclusion of the company’s annual general meeting held on 11 May 2023 and ceased to be a member of the CGSC. Martin Angle was appointed a member of the CGSC on 1 May 2023.

The CGSC’s terms of reference can be found at [www.investors.spirehealthcare.com](http://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
- Holding the executive committee accountable for following up actions

## Clinical governance and safety committee report continued

## Dear shareholder,

In our first year without COVID-19 restrictions, I am delighted that members of the clinical governance and safety committee (the 'committee' or the 'CGSC') have been able to get out in the business and visit many of our hospitals. This has been a wonderful way to engage with our senior leadership teams and colleagues in many different roles and also to talk to patients in hospitals directly. We have seen for ourselves the results of the significant investments which have been made in the group's equipment and facilities and learned about other exciting new developments in the provision of the highest quality care to our patients. We have also gained a better understanding of the major challenges which each hospital faces and of the practical problems they deal with on a daily basis.

The committee believes that these hospital visits are hugely beneficial, bringing the work of the committee to life and enabling us to better support our hospital leaders as they strive to continually improve patient care.

Our integrated governance reports have matured over the last two years, and the CGSC now has access to detailed information which allows us to identify key themes, examine trends, and to seek clarification and assurance when issues arise. This strategic overview of governance ensures we can fulfil the committee's role and gives the board strong assurance and a high level of confidence that our patient services are well led, effective, responsive and safe.

The wellbeing of patients has been a strong focus through the year, and I am pleased to see that patient forums are now standard across the group. We are committed to learning from every experience, whether good or wanting in some way. That's why we look at patient complaints very closely, and where needs are not met for whatever reason, we seek to put things right swiftly. We are determined that every interaction with Spire Healthcare should be a good one, and that people know that whatever their needs, whether personal or medical, we are here to help.

### Committee meetings in 2023

Our four regular CGSC meetings enabled the committee to meet its broad remit again this year, covering the oversight of Spire Healthcare's clinical governance, as well as medical professional standards, clinical risk and the clinical aspects of health and safety. Alongside these meetings, once again we held two informal seminars, allowing us to review specific topics in more detail with the help of expert guest speakers. We use these seminars not only to look at our internal processes, but also to help us look externally and learn from other healthcare organisations, including the NHS.

At our formal meeting in February, we received a presentation on clinical staffing models, and learned how the new safe staffing tool had been embedded in our hospitals and ensures there are safe staffing levels on a daily basis. The tool will also support a more reliable temporary workforce model and inform future workforce planning. Dr Cathy Cale, group medical director, presented the key highlights from the medical professional standards report December 2022, as well as the annual review (2022) of consultant concerns report. We also received the patient experience report for quarter four 2022, noting that interactive sessions were being conducted to ensure that key patient needs were at the forefront of actions and improvements.

At our first seminar in April we welcomed Professor Tim Briggs, National Director for Clinical Improvement and Elective Recovery for NHS England, and Chair of GIRFT (Getting It Right First Time), the national programme dedicated to improving the quality of care within the NHS. He talked to us about surgical hubs and the national effort to deliver the most ambitious elective catch-up plan in NHS history. It was good to have this opportunity to engage with the NHS and to discuss Spire Healthcare's own programme of support for the NHS with Professor Briggs.

At our June meeting, we heard a patient story from Spire Cheshire Hospital, where a solution had been implemented to secure a patient's personal belongings while the patient was in the operating theatre. This simple but highly effective solution has now been implemented across the group. Dr Cale also presented the key points from the annual learning from deaths report (2022). Areas for improvement were noted, particularly the need for greater clarity on anticoagulant management, which has been addressed through our Quality Improvement programme.

At the CGSC meeting in September, the committee acknowledged the horrific crimes of Lucy Letby, a neonatal nurse who had worked at an NHS hospital, and the outcome of her trial. There was recognition of the impact of this case on Spire Healthcare colleagues, particularly those in clinical roles and those in a position of leadership, who were deeply shocked and upset. We discussed our support of colleagues and our culture, which is now well embedded across our hospitals and other parts of the business. The aim is to ensure that colleagues speak up at the very first opportunity should patient safety be of concern. The committee noted that our Freedom to Speak Up Framework is now well-embedded across our hospitals and that the National Guardian's Office's Speak Up training is mandatory for all colleagues.

For our second seminar in September, we were joined by Dr Henrietta Hughes OBE, the National Patient Safety Commissioner, whose role is to promote patient safety in relation to medicines and medical devices and to promote the patient's voice. With her visit coming soon after the verdict in the Lucy Letby case, we had a very useful and informative discussion that focused on the needs of patients, while considering wider governance issues and best practice in patient safety with respect to boards and board committees.

At our December meeting, we received a presentation on integrated governance with respect to our new services, delivered through the newly rebranded London Doctors Clinic (LDC) and Spire Occupational Health, as well as Vita Health Group (VHG). While this governance framework is still in development, the committee is very much looking forward to working with VHG and learning more about their work in the area of mental health support. We also reviewed half-yearly reports with deep dives into critical care and cancer care. Our work in cancer this year has shown a continued increase in activity levels.

## Clinical governance and safety committee report continued

**Maintaining our high-quality standards**

Quality is a key pillar of our business strategy, and our Quality Improvement (QI) strategy continues to deliver quality improvements. Each hospital has its own QI programme, and our standard QI methodology is an important part of Spire Healthcare's quality improvement culture.

Healthcare regulators in England, Scotland and Wales continued their inspections at our hospitals this year, and we have maintained our score of 98% of inspected locations rated 'Good' or 'Outstanding' or the equivalent. I was also pleased to see that all inspected VHG and LDC locations are rated 'Good'. Our one remaining site with a 'Requires improvement' rating, Spire Alexandra, has not been inspected since 2016, so we look forward to demonstrating improvements.

The Care Quality Commission in England has changed its assessment model and we are looking forward to working with them on their new approach. More than ever, our focus is on always being inspection ready – something that our new Group Clinical Director and Chief Nurse, Professor Lisa Grant, is working hard to achieve.

Lisa joined us following a successful 25-year career in the NHS. She has been developing a new nursing strategy that we aim to implement across Spire Healthcare next year, with the full support of the committee. This year, under Lisa's leadership, we were also excited to see the launch of the Driving Clinical Excellence in Practice programme for our nursing colleagues – supporting nurse revalidation, better patient outcomes, and an improved patient experience.

I would like to thank Lisa for her unwavering support of the committee during her first year in office and for sharing with us her vision and her strategy for the future to ensure that we provide the best nursing care at all times and to every single patient.

**Quality governance**

We are presented with a detailed set of key performance indicators (KPIs) which report trends and flag any statistical alerts to ensure we remain focused on the most pertinent areas of clinical governance for the business. These are scrutinised in-depth by experienced clinical members of the board, and we examine themes and trends.

The subjects include, but are not limited to, incidents of VTE, infection control, patient safety initiatives and mortality. Thankfully, deaths at Spire Healthcare are rare, but each is examined, and the findings are reviewed by the committee with an independent perspective provided by our independent mortality adviser.

We conduct thematic reviews to take a deep dive into specific topics of concern. Topics in 2023 included prevention of never events, improvements to care for patients after discharge, critical care, pathology and cancer services.

We also keep oversight on patient notification exercises and particularly the review of those patients who were the victims of Paterson.

**Preparing for PSIRF**

The committee is delighted with the progress we are making at our hospitals in implementing the new NHS England Patient Safety Incident Response Framework (PSIRF). PSIRF promotes a new, more proportionate approach to responding to patient safety incidents within a wider system of improvement, with compassionate engagement and involvement of those affected by patient safety incidents. Building on Spire Healthcare's open and learning culture, we have already trained all the people in our hospitals who need to be ready for the full PSIRF implementation in 2024.

**Hospital engagement**

As I mentioned in my introduction, members of the committee have finally been able to make regular visits to our hospital sites again this year – between the clinical non-executive directors (Jenny Kay, Professor Cliff Shearman, and myself) we have made 21 hospital visits. I've also led visits with other non-executive directors, including our senior independent director, Debbie White, and our deputy chairman, Martin Angle. These visits together add value and have proved very helpful in further aligning Spire Healthcare's business and commercial views with its clinical interests.

We are pleased to support local hospital management teams and always take time to listen to them and our people, all of whom give us valuable insights. The national shortages in healthcare professionals are still a concern across the group, but there has been a lot of work done this year to help us fill gaps, from bringing key recruitment resources in-house to our nursing apprenticeship scheme, which remains one of the largest in our sector, developing talent in the healthcare sector.

**Other activities**

Members of the committee continue to attend and observe briefings, committee meetings and specialist conferences. These events include medical advisory committee chair conferences held twice yearly and other national meetings including the directors of clinical services meeting, the Freedom to Speak Up Guardians conference and Patient Safety Incident Response Framework training sessions.

We have also attended other committees as observers within the business – such as the medical professional standards committee, and the safety, quality and risk committee.

**Looking ahead**

The committee continues to function well and, in the coming year, we look forward to learning more about our new business areas and understanding their key governance and patient safety metrics better. In so doing we will get closer to what they do on a daily basis – for example, the NHS talking therapies offered by VHG. So we will aim to meet with some of the people delivering these services, to hear from them first-hand about their roles and experiences. We also have a new daycase clinic which opened in early 2024, with another scheduled to open later in 2024, so we also plan to hear about the progress they are making in the delivery of rapid access diagnostics and daycase treatments.

With some newer non-executive directors on the board, we will continue to introduce them to the clinical aspects of Spire Healthcare, and to the workings of the committee. Indeed, all board members have standing invites to join us at our CGSC seminars and committee meetings.

We are keen to see the new nursing strategy put into practice and will maintain oversight as it is developed next year. We also look forward to celebrating excellence and enhancing professional pride through the Delivering Clinical Excellence in Practice programme. I am confident this will help us build on our standards of outstanding care, add value to our developing workforce, and help us all make a positive difference to people's lives through outstanding personalised care.

We will continue to work closely with our Group Medical Director, Dr Cathy Cale, as she leads clinical governance across Spire Healthcare's growing clinical business. On a personal note I would like to thank Cathy for her unstinting support of the committee and for ensuring that the information presented to the committee is robust, allows appropriate scrutiny and, importantly, provides strong and consistent board assurance.

**Professor Dame Janet Husband DBE FMedSci, FRCP, FRCR  
Chair, Clinical Governance and Safety Committee**

28 February 2024

## Audit and risk committee report

In 2023, the committee focused on the risks from continued geopolitical tensions, including cyber, as well as areas of fundamental financial control.”

**Martin Angle**  
Chair, 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, general counsel and the director of audit, risk, and compliance to attend each meeting, with other members of the management team attending as and when invited. The group’s external auditors have regular private sessions with the audit and risk committee 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 attendance at meetings

The Audit and Risk Committee members at the end of 2023 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/ held in 2023
<b>Martin Angle</b> (Committee chair)	September 2019	Deputy chairman	6 (6)
<b>Debbie White</b>	May 2023	Senior independent director	3 (4)
<b>Natalie Ceeney</b>	May 2023	Independent non-executive director	4 (4)
<b>Dame Janet Husband</b>	July 2014	Vice chair	6 (6)

Audit and risk committee members’ biographies are shown on pages 96 and 97.

The audit and risk committee’s terms of reference can be found at [www.investors.spirehealthcare.com](http://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
- 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
- Overseeing the group’s procedures for detecting fraud and whistleblowing

Martin Angle took over from Adèle Anderson as chair of the company’s audit and risk committee from 1 May 2023. Debbie White and Natalie Ceeney CBE joined the audit and risk committee from 1 May 2023.





## Audit and risk committee report continued

## 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 2023.

### 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. We paid particular regard to the risk impact of the increasing global geopolitical tensions, particularly on cyber, procurement and energy.

### Internal audit function

From 1 April 2023, we extended KPMG's contract to provide co-sourced internal audit resource to support the internal audit function for another two years.

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 risk or internal control matters. In each update, 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 director of audit, risk, and compliance, under International internal audit standards, has to declare to the committee any potential compromises on his independence. This may include other 'control' functions for which he has line management responsibility. The committee has to approve any activity that falls outside of internal audit. As in prior years, in 2023, the director of audit, risk and compliance had the risk management function reporting into him, with the approval by the committee. On an annual basis the Committee reviews the internal audit charter that is based on the Institute of Internal Audit's template charter. The Committee also reviewed the compliance by the director of internal audit, risk, and compliance with the internal audit code of conduct.

The committee requires KPMG, as the co-source provider of internal audit services, to maintain independence. In 2023, in the best interests of the company, and after full consideration by the committee of any impact on the independence of internal audit services, the committee approved that KPMG provided some additional services to the group, relating to support with the design of its digital strategy.

The 2024 internal audit plan was approved at the November 2023 committee meeting. The plan is prepared on a risk-focused basis with input from the senior leadership team and non-executive directors. For 2024, the plan will focus on some of our larger hospitals, digital technology implementation and core areas of financial control.

### Risk management function

The risk management and internal control report details the changes to the risk environment the group has faced in 2023 (see pages 64 to 74).

To provide visibility of risks from 'ward to board', the risk management team provides quarterly reports to:

- the executive committee and the audit and risk committee on principal risks;
- the safety, quality and risk committee and clinical governance and safety committee on clinical quality risks.

On a monthly basis, the operations committee reviews hospital level risks.

The committee reviews the risk appetite the executive report against the principal risks providing challenge where appropriate on the level of risk the executive wish to tolerate.

### Emerging risks

As in 2022, along with the executive management team, the committee has focused more time on the risks, and potential mitigations, that have emerged from the rapidly changing geopolitical and economic environment. The principal risks and emerging risks are discussed in more detail in the risk management and internal control report on pages 64 to 74.

### New financial and internal control reporting requirements

In 2020, the committee received a briefing from the external auditors on the broad range of matters the UK government is consulting in relation to corporate governance following the publication of the independent review of the Financial Reporting Council in 2018 and the Brydon Report in 2020. In 2021, management set up a project team to prepare for the most likely aspects of new legislation from the UK government in this area. In October 2023, the government withdrew the proposed Companies' regulations part way through legal ratification and no mention was made of regulatory changes to corporate reporting and governance in the King's speech in November 2023.

The FRC published the revised Corporate Governance Code (2024 Code) in January 2024. The committee will continue to monitor developments in the regulatory environment and receive reports from management on their readiness to comply with new requirements.

The committee has received briefings on the two sustainability financial reporting standards issued by the International Sustainability Standards Board (ISSB) in 2023. It is the committee's planning assumption that these standards will become mandatory in the United Kingdom in due course with substantially the same requirements. Our sustainability committee has commenced initial work to prepare our capabilities so we can comply with those standards when they come into force in the UK. From the beginning of 2024, the committee will receive a regular report from the chair of the sustainability committee.

### Task Force on Climate-related Financial Disclosures (TCFD)

In February 2024, the committee reviewed the TCFD disclosures on pages 75 to 80 and reviewed the process for the preparation of the disclosures in compliance with Listing Rule (LR 9.8.6 R(8)).

**Audit and risk committee report** continued**Viability**

The committee reviewed the process undertaken by management to support and allow the directors to make the group's viability statement. The committee considered and provided input into the determination of which of the group's principal risks and combinations thereof might have an impact on the group's liquidity and solvency. The committee reviewed the results of management's scenario modelling and the stress testing of these models. The group's viability statement can be found on page 81.

**External audit****Annual auditor appointment**

The committee has primary responsibility for the relationship with, and performance of, our external auditor. This includes making the recommendation on the appointment, reappointment, and removal of the external auditor, assessing their independence on an ongoing basis and for negotiating the audit fee in conjunction with the chief financial officer.

The shareholders re-appointed Ernst & Young LLP as the company's external auditor during 2023. Ernst & Young LLP has served the business since 2008. Whilst recognising that the 10-year period of its appointment technically began with the company's admission in 2014, the committee agreed that a full audit tender should be linked to the end of the previous lead audit partner's term of office and took place in 2020. Our current audit partner from Ernst & Young LLP is Stephney Dallmann who took on the role in 2020.

The committee ensures that the external auditor adheres to The Auditing Practices Board's Ethical Standard 3, which requires the rotation of the audit partner for listed companies every five years. As a result the committee noted that this is the fourth fiscal year for Stephney Dallmann to serve as the audit partner.

**External auditor independence and effectiveness**

The committee reviewed the independence and effectiveness of the external auditor. We did this by:

- Reviewing its proposed plan for the 2023 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
- Evaluating all of the relationships between the external auditor and the group, to determine whether these impair, or appear to impair, the auditor's independence

**Significant issues and material judgements**

The audit and risk committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements.

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

**Other activities in 2023**

Prior to the release of the company's 2023 interim results, the committee completed a thorough review of:

- Viability and going concern
- Assessment of goodwill for impairment
- Assessment of property carrying values for impairment
- Assessment of provisions for future liabilities

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 reports on information governance from management and external advisors, preparations and planning undertaken in response to the UK Corporate Governance Code update on risk management and internal controls, and counter fraud initiatives.

## Audit and risk committee report continued

The table below summarises the matters where the most material judgements have been made in relation to reporting in 2023:

Matters	Judgement and estimation required	How the committee gained comfort on the matter
<b>Improper revenue</b>	<p>Pressure to achieve results could lead management to manipulate the financial reporting of revenue. This could include the:</p> <ul style="list-style-type: none"> <li>– Manipulation of prices charged, in particular in relation to PMI</li> <li>– Miscoding of procedures by hospitals impacting revenue recorded</li> <li>– Misreporting of other income in the year</li> <li>– Overstatement of accrued revenue at the year end</li> </ul>	<p>Central management carry out a detailed review of monthly hospital performance compared to forecast, 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 Master file data on which billing is dependent. Management routinely reconciles revenues and cash collections as part of monthly cash flow management procedures. This includes accrued revenue, which is substantiated with reference to subsequent billings and cash collection.</p>
<b>Goodwill carrying value</b>	<p>Goodwill is tested for impairment annually or when there is an indicator of impairment. This is achieved by comparing the value-in-use of the cash generating unit with its carrying value in the accounts. The value-in-use calculations require the group to estimate future cash flows, considering market conditions, and the present value of these cash flows is determined using an appropriate discount rate. The current value of goodwill is underpinned by these forecasts.</p>	<p>The committee has reviewed in detail the analysis produced by management to assess the carrying value of goodwill. Its review included assessing for reasonableness the key underlying assumptions used by management in their analysis. These included the discount factor rate, future anticipated growth rates and forecasted levels of capital maintenance investment (excluding expenditure on new or enhancement of assets). The committee noted that the discount factor was within EY's comparative range.</p> <p>The committee has reviewed management's latest assessments in August and November 2023 and in February 2024. This regular recurring review process has allowed for earlier visibility of the key assumptions and any potential issues.</p>
<b>Property carrying values</b>	<p>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.</p> <p>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.</p>	<p>The committee reviewed the analysis prepared by management to assess the carrying value of those properties with an indicator of potential impairment, including the appropriateness of the key underlying assumptions. These included future anticipated growth rates, the discount factor rate, and levels of ongoing capital maintenance investment (excluding expenditure on new or enhancement of assets).</p> <p>This work was conducted in two phases. An initial review was performed in November 2023. 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:</p> <ul style="list-style-type: none"> <li>– The terminal growth rate</li> <li>– The discount factor rate</li> <li>– Appropriateness of the determination of a Cash Generating Unit</li> <li>– Forecasts in ongoing capital maintenance</li> <li>– Growth rates applied at an individual hospital level over the next five years</li> </ul> <p>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. This included, where appropriate, establishing the level of confidence management has in its ability to deliver the plan underlying the forecast. The committee noted that the work carried out by the external auditors, Ernst &amp; Young LLP, supported its own findings in this area.</p>

**Audit and risk committee report** continued

Matters	Judgement and estimation required	How the committee gained comfort on the matter
<p><b>Provision for Paterson Public Inquiry costs</b></p>	<p>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. Since 2020, the group recognised a charge of £24.1 million to ensure the recommended actions are fully adhered to. It is possible that, as further information becomes available, an adjustment to the provision held for claims may be required.</p>	<p>Through the year, the committee has reviewed the information prepared by management, including the key assumptions and judgements underpinning their assessment. The committee continues to challenge management on the appropriateness of the Paterson provision and to gain an understanding of any adjustments proposed. 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 31 December 2023 is appropriate at this time.</p>
<p><b>Adjustments to EBITDA (Adjusting Items)</b></p>	<p>It is the group's policy to disclose EBITDA after adjusting for certain items, due to their nature, amount or incidence, in order to provide a meaningful comparison of the group's underlying performance. Group underlying performance is considered the comparable year-on-year business, and therefore excludes items of a one-off or irregular nature. Pressure to achieve targets could lead management to manipulate the outcome by overstating the level of adjusting items.</p>	<p>The committee:</p> <ul style="list-style-type: none"> <li>– Reviewed in detail each item which was proposed by management to be classified as an adjusting item</li> <li>– Assessed whether the proposed approach was consistent with prior periods</li> </ul>
<p><b>Accounting for acquisitions</b></p>	<p>The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any noncontrolling interest. Costs related to acquisitions are expensed as incurred and reported in adjusting items.</p> <p>The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.</p> <p>Judgement is required in determining the fair value of assets and liabilities acquired and additionally the value of acquired intangible assets. In determining the value fair value of intangible assets, being customer contracts, management have obtained an external valuation and made the following judgements:</p> <ul style="list-style-type: none"> <li>– Nature of the contracts</li> <li>– Future expected cash flows related current contracts</li> <li>– Rate of customer contract renewal</li> <li>– Estimated useful life of the contract</li> <li>– Discount rate</li> </ul>	<p>The committee has reviewed the reports produced by management to assess the fair value of intangible assets. Its review included assessing for reasonableness the key underlying assumptions used by management in their analysis.</p>

## Audit and risk committee report continued

**UK Competition and Markets Authority (CMA) Order**

During the year, the company has complied with the CMA Order in relation to Statutory Audit Services for Large Companies.

**Audit risk**

The committee received from Ernst & Young LLP a detailed plan identifying the scope of their audit for the year, planning materiality and their assessment of key risks. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process. Ahead of the full-year audit, the committee reviewed the key risks that Ernst & Young LLP identified to ensure their areas of audit focus remain appropriate.

**Working relationship with the external auditor**

During the year, the committee met with the external auditor without management present to provide additional opportunity for open dialogue and feedback between both parties. Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner ahead of each committee meeting. Additionally, the director of audit, risk and compliance liaises with, and meets, the external auditors on a regular basis, and the external auditors receive a copy of each internal audit report.

**Non-audit services and independence**

Ernst & Young LLP provided non-audit services to the group during the year ended 31 December 2023. These services related only to the interim review. Total non-audit service fees amounted to £0.1 million (2022: £0.1 million), less than 50% of the audit fees. All non-audit fees are approved by the committee.

Ernst & Young LLP confirmed to the committee their independence, taking into account any threats to independence including their fees from non-audit services.

**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 followed protocols developed under Adele Anderson's tenure as committee chair:

- We both sit on each other's committees
- At each meeting this committee receives a report from Dame Janet Husband focused on risk and control matters discussed at the CGSC
- 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

**Data strategy, governance and security committee (DSGS)**

In 2023, the executive committee set up the new DSGS committee to improve the governance and oversight of data management in a rapidly evolving environment of new technologies and cyber-security risks. The chair of the committee, the general counsel, has a reporting line into this committee and provides a report at each meeting.

**Our priorities for 2024**

The committee's focus in 2024 will remain largely consistent with 2023 i.e.:

- Geopolitical risks including cyber security
- Implementation of digital change programmes
- Monitoring the organisation's preparations for expected new corporate reporting requirements (including certification of internal controls related to financial reporting and the development of an audit and assurance policy over non-financial information)
- Adequacy of mitigations to areas of emerging and the principal risks

In addition, the committee will increase its focus on the developments in managing sustainability risks and sustainability reporting.

**Annual evaluation of the committee's performance**

The latest evaluation of the committee's performance was carried out in late 2023 and confirmed that it continued to perform effectively.

In taking over the role as committee chair in May 2023, I wish to express my gratitude to my predecessor, Adele Anderson, who stepped down from the board in May 2023.

**Martin Angle**  
Chair, Audit and Risk Committee

28 February 2024

## Remuneration committee report

It is evident that Spire Healthcare’s ambitious, empowering patient and people focused culture is what attracts and retains our colleagues. Spire Healthcare has continued to recognise the contribution of its colleagues with an exceptional salary review of 5.5% for the majority of permanent colleagues in 2023.”

**Natalie Ceeney**  
Chair, 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 chair of the committee.

The company secretary, or their appointed nominee, acts as secretary to the remuneration committee.

### Committee meetings

7

### Committee membership and attendance at meetings

The remuneration committee members at the end of 2023 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/ held in 2023
<b>Natalie Ceeney</b> (Committee chair)	May 2023	Independent non-executive director	5 (5)
<b>Martin Angle</b>	March 2019	Deputy chairman	6 (7)
<b>Jenny Kay</b>	June 2020	Independent non-executive director	7 (7)

Remuneration committee members’ biographies are shown on pages 97 and 98.

Tony Bourne and Simon Rowlands stepped down from the board at the company’s annual general meeting in May 2023 and ceased to be members of the remuneration committee at that time.

Natalie Ceeney became a member of the remuneration committee on her appointment as an independent non-executive director on 1 May 2023 and chair of the committee from 12 May 2023. Paula Bobbett was appointed a member of the committee on 26 February 2024.

The remuneration committee’s terms of reference can be found at [www.investors.spirehealthcare.com](http://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:

- Policy for cash remuneration, executive share plans, service contracts and termination arrangements
- Reward packages of the chairman, executive directors and the executive committee, including arrangements on appointment
- Termination arrangements for executive directors and the executive committee members
- Recommendations to the board concerning any new executive share plans or changes to existing schemes which require shareholders’ approval
- Basis on which awards are granted and their amount to executive directors and senior management under the LTIP

The committee also ensures consistency of remuneration arrangements across all levels within Spire Healthcare. It also has responsibility for matters identified by the UK Corporate Governance Code relating to workforce engagement.

## Remuneration committee report continued

**Dear shareholder,**

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 December 2023. This is my first report since assuming the role of chair of the remuneration committee (the committee) and I would like to thank my predecessor, Tony Bourne, for his leadership of the committee since IPO in 2014.

As part of my onboarding I have met many of our colleagues and senior leaders over the past year. I was impressed by the drive and energy with which our colleagues live the Spire Healthcare purpose. Each and every one of the colleagues I spoke to was proud to work at Spire Healthcare and it is evident that Spire Healthcare's ambitious, empowering patient and people focused culture is what attracts and retains our colleagues.

**Key areas of focus for the year**

This year the committee has been focused on three key areas to support the business to deliver our strategy and support our colleagues.

1. Supporting our colleagues – The committee is acutely aware of the impact of economic challenges on our colleagues and during the year the committee has spent time considering how best we support our colleagues and support the interventions that management has been able to make.
2. Ensuring that our remuneration strategy is working optimally to recruit and retain talent in critical roles – While the external focus on remuneration is usually on our executive directors, it is just as important to us that we can attract and retain the right talent at all levels. During the year the committee has undertaken a review of our remuneration approach for its senior management.
3. Directors' Remuneration Policy review – We are required to review our Directors' Remuneration Policy every three years. As noted below, the committee concluded that the broad framework remained appropriate and fit-for-purpose and therefore, only minor changes are proposed.

This letter provides further detail of the work of the committee and decisions taken in respect of 2023, and our updated remuneration policy which is due for renewal at the 2024 AGM.

**Directors' remuneration policy review**

The overall remuneration structure has been in place since 2014 and remains aligned with mainstream FTSE market and best practice. The policy was last approved by shareholders in 2021 and received over 99% support. The implementation of the remuneration policy has also been well supported by shareholders, with over 96% of shareholders

supporting the remuneration resolution at the 2023 AGM.

Under the normal three-year renewal cycle, we will be submitting an updated policy for approval at the 2024 AGM. The committee has reviewed the remuneration policy taking into account the group's strategy and purpose, shareholder views and market practice.

Following this review, the committee has concluded to maintain the overall structure of our current remuneration model, with only minor refinements proposed to how the policy is operated in future years. In summary:

- Structure – no change proposed – maintain current fixed pay plus bonus and LTIP pay model
- Incentive levels – no change proposed – maintain maximum award levels under the variable incentive plans
- Bonus deferral – for the chief executive officer, the proportion of the bonus deferred will reduce to one-third (from 50%) once the shareholding guidelines have been met. There will be significant shareholder alignment through the shareholding guidelines being met, one-third of the bonus being deferred, and through the LTIP which is delivered in shares. This will also align the deferral percentage with other executive directors who will remain at one-third deferral
- Other best practice features maintained – including aligning executive director retirement benefits to broader employees, LTIP holding period, and shareholding guidelines (including post-cessation)

While the current performance measures referenced in the incentive plans continue to align to the strategy and purpose of the group, in direct response to investor feedback, we have included a new target relating to EBITDA margin for 2024 LTIP awards. Further detail is set out later in this letter.

We engaged with our major investors regarding the proposals set out above, and the feedback received was generally supportive. As well as the remuneration policy, the company will also be seeking shareholder approval to renew the Deferred Share Bonus Plan and Long-term Incentive Plan at the 2024 AGM. While both plans will reach the end of their ten-year life in 2024, they remain broadly fit-for-purpose. Therefore, both plans are being renewed with only minor amendments to reflect evolving market and best practice.

**Performance in 2023**

Spire Healthcare delivered a strong financial performance during 2023 with revenue growth of 13.4%. There was continued high demand for private healthcare from people seeking fast access to high-quality care, against the backdrop of pressures on the NHS.

Revenue growth, efficiency programmes and a focus on the treatments most appropriate for the Spire Healthcare hospital environment have enhanced margin and resulted in adjusted EBITDA growth of 15%.

Maintaining strong quality and safety credentials remain core to our activities and our focus on continuous improvement has resulted in 98% of our inspected locations rated 'Good', 'Outstanding' or the equivalent by health inspectors in England, Scotland and Wales.

We also continued to increase utilisation including deploying innovation and technology to improve flow, and reconfiguring space within our hospitals.

Our new services continue to perform well. Demand for our Spire GP service is very strong and the integration of The Doctors Clinic Group, which we acquired at the end of 2022, is progressing well. Work continues on opening new clinics and we opened the first of the company's clinics at Abergele, north Wales, earlier this month.

With the acquisition of Vita Health Group (provider of mental and physical health services in England) in October 2023, Spire Healthcare has expanded its offerings into complementary, adjacent markets that will help attract patients and meet more of their healthcare needs.

**Wider workforce pay**

The committee has continued to monitor the impact of economic pressures on colleagues and fully supported the management proposal to make a substantial investment in salary increases for all eligible permanent colleagues this year following extensive feedback from many of our colleagues. The majority of our permanent colleagues received a 5.5% salary increase with investment made to provide competitive minimum rates of pay. The 5.5% salary increase builds on our increase of 5% last year and means that most of our colleagues have seen a rise of over 10% since September 2022.

No salary increases were provided to the executive directors in 2023.

Significant engagement has been undertaken this year with executive committee members and senior leaders hosting colleague engagement sessions at each hospital and site. The sessions have been well received and provided a business update and plans for future improvement of our digital capability and our patient offerings.

We remain committed to developing a new reward framework with our hospital directors and senior leaders to provide our colleagues with a simple structure and clarity on role progression to support their careers.

## Remuneration committee report continued

**Senior management remuneration**

Although the external focus of remuneration tends to be on our executive directors, it is just as critical to Spire Healthcare's success that we can attract and retain talent at all levels. With a network of 39 hospitals, and a growing portfolio of healthcare services, we rely on strong and capable leadership at all levels.

The committee undertook a review of our remuneration approach for our senior managers which included 1:1 interviews with a number of Spire Healthcare's senior leaders. The committee found that, positively, most leaders had been attracted to Spire Healthcare because of its quality focus and culture, and that the reality aligned strongly with the promise. The review determined that our remuneration approach was broadly 'right' for the leaders we had and for future leaders we aimed to recruit, but identified a small number of changes we could make in the detail of our remuneration implementation which would enhance its effectiveness.

We will continue to keep this under review to ensure that our approach supports execution of our strategic goals.

**2023 incentive outcomes**

The bonus is linked to adjusted EBITDA, free cash flow and individual strategic objectives. The financial and operating performance in the year resulted in bonuses being earned in respect of 2023. The committee evaluated the performance of the chief executive officer and chief financial officer against a number of individual strategic objectives. The overall bonus outcomes for the chief executive officer and the chief financial officer is 75.4% of maximum opportunity. The committee concluded that these outcomes are fully warranted and proportionate relative to the scale of performance delivered.

A portion of the bonuses earned by the executive directors will be deferred into shares for three years to ensure continued alignment with our shareholders (50% for chief executive officer and one-third for chief financial officer for the 2023 award). Further detail on the performance criteria for this award is set out on page 121.

The 2021 LTIP awards were based on TSR, financial and operational excellence performance measured to 31 December 2023. During the performance period, the company delivered growth in shareholder value which was significantly higher than the upper quartile of the FTSE 250 (excluding investment trusts) comparator group over the equivalent period. Therefore the relative TSR element for the 2021 award will vest in full. Return on capital employed exceeded target with outcome of this element at 56%. For operational excellence, regulatory rating objective was met in full with 98% of our inspected locations rated as 'Good', 'Outstanding' or the equivalent by health inspectors in England, Wales and Scotland, and there was an improved colleague engagement score of 81%. The overall vesting outcome for this award is 82.19% of maximum. Vested awards for executive directors will be subject to a further two-year holding period. The committee is satisfied that the outcomes from this award are supported by both underlying performance and the experience of our shareholders.

**Remuneration for 2024**

Salary increases normally take effect from September. Any increase to salaries for executive directors will take into account of the average increase awarded to the wider workforce.

Incentives are based on a rounded assessment of performance taking into account financial, operational and strategic elements. The operational excellence objectives in the LTIP include consideration of our broader ESG performance. The maximum bonus opportunity for executive directors remains unchanged at 150% of salary. For both executive directors, performance measures will remain heavily weighted towards the achievement of adjusted EBITDA targets (60%) and the remainder assessed based on free cash flow (20%) and individual strategic objectives (20%).

For LTIP grants to executive directors, it is expected that awards equivalent to 200% of salary will be granted, consistent with the limits in the remuneration policy. From 2024, EBITDA margin will be introduced as a performance measure with 15% weighting. EBITDA margin is a key measure of group efficiency and long-term improvement in EBITDA margin has been an area of focus for a number of our largest investors. The weighting for relative TSR has been reduced to 20% to facilitate the inclusion of EBITDA margin. While the committee and management are focused on generating value for our shareholders, it is recognised that the lack of listed peers means relative TSR against the general market is not necessarily a perfect measure of success for Spire Healthcare. There is no change in the operational excellence measures as these continue to be an important focus. The committee remains comfortable that the objectives are challenging, taking into account wider industry norms and the continued enhancements in the expectations of our regulators.

**Executive director changes**

Jitesh Sodha will step down from the board and his role as chief financial officer upon conclusion of the annual general meeting on 9 May 2024, to be succeeded by Harbant Samra. After stepping down from the board, Jitesh will initially support his successor with transition before focussing on a number of strategic initiatives for the remainder of his notice period. Given his contribution to the group since appointment in 2018, Jitesh will be treated as a 'good leaver' for the purposes of outstanding incentive awards. Further detail is provided on page 128.

The board is pleased to announce Harbant Samra as the new chief financial officer. Harbant will receive a salary of £380,000 with all other elements of his future remuneration package in line with the remuneration policy. Harbant's base salary has been set below his predecessor. It is the committee's intention to keep his salary under review in future years to ensure it continues to reflect his experience and development in role. Where appropriate the committee would consider making phased increases over time to position remuneration at a more competitive level against the market.

If you have any questions about this year's directors' remuneration report, please contact me via [companysecretary@spirehealthcare.com](mailto:companysecretary@spirehealthcare.com).

**Natalie Ceeney**  
Chair, Remuneration Committee

28 February 2024



Remuneration committee report continued

**Remuneration principles – how our approach to pay reflects the principles of the UK Corporate Governance Code**

<b>Clarity</b>	Incentive arrangements are intended to be closely aligned to our strategy to effectively engage with participants. The remuneration committee regularly engages with wider stakeholders including shareholders and seeks to provide clear disclosure and explanation of our pay arrangements.
<b>Simplicity</b>	Our remuneration policies are straightforward and easy to understand.
<b>Risk</b>	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.
<b>Predictability</b>	Potential values from remuneration arrangements are clearly communicated.
<b>Proportionality</b>	Incentives incorporate performance measures that are linked to the strategic goals of the business. Variable pay is intended to reward for successful execution of the strategy over the short and longer term. The remuneration committee is also mindful of the outcomes of variable incentives for the wider workforce.
<b>Alignment to culture</b>	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.

**At a glance: implementation of the new remuneration policy for 2024**

The table below summarises how key elements of the remuneration policy will be implemented in 2024 and key decisions taken by the committee for the year ended 31 December 2023.

Element	
<b>Base salary as at 31 December 2023</b>	Justin Ash (CEO) £642,952 Jitesh Sodha (CFO) £432,600
<b>Pension</b>	8% (in line with opportunity available to the majority of employees)
<b>Annual bonus policy maximum</b>	Maximum: 150%
<b>Annual bonus measures</b>	<ul style="list-style-type: none"> <li>For 2024, performance measures will be adjusted EBITDA (60%) and free cash flow (20%) and strategic individual objectives (20%)</li> <li>Full disclosure of performance measures and weightings will be made retrospectively</li> </ul>
<b>Annual bonus deferral policy</b>	– Deferral in line with remuneration policy
<b>LTIP policy level</b>	Maximum: 200%

Element

**LTIP measures**

- 2024 LTIP awards will be based on the following measures ROCE (35%), EBITDA margin (hospital) (15%), relative TSR (20%), employee engagement (15%) and regulatory ratings (15%)
- Performance will be measured over a three-year period from 1 January 2024 to 31 December 2026

	25% vests	50% vests	100% vests
Relative TSR (20%)	Median		Upper quartile
ROCE (35%) <sup>2</sup>	8.6%	10%	11%
EBITDA margin (hospital) (15%) <sup>3</sup>		20.5%	21%
Regulatory ratings (15%) <sup>4,5</sup>	84%	88%	94%
	Achieve 'Good' or above	Achieve 'Good' or above	Achieve 'Good' or above
Employee engagement (15%) <sup>5</sup>	76%	80%	82% (or better)

- As noted in the chair's letter, an EBITDA margin (hospital) target has been included as a new measure for 2024 LTIP awards. This is in direct response to shareholder feedback and reflects the strategic importance of delivering a step-change improvement in efficiency of the hospital business. The target range is for performance substantially ahead of the result in 2023 (17.6%). Rather than incorporating a lower threshold hurdle for vesting of 25% for EBITDA margin (hospital), the committee has concluded that there will be no vesting under this element where performance is less than 20.5%. The ROCE targets have also been increased against targets for the prior year. Although the regulatory rating performance in 2023 was exceptionally strong, there is a recognition that the expectations of regulators continue to evolve which may impact ratings in future years. The proposed range is also stretching when considered against wider sector norms. The target ranges for the relative TSR and employee engagement are consistent with 2023 LTIP awards.

**LTIP holding requirement**

- LTIP awards are subject to a two-year holding period

**Shareholding guideline**

- 200% of salary in-employment shareholding guideline
- Post-cessation shareholding requirements apply at the same level as the in-employment guideline (or actual shareholding upon departure, if lower) for two years following cessation of employment

**Malus and clawback**

- Malus and/or clawback provisions apply to annual bonus awards and LTIP awards as set out in the remuneration policy later in this report

1. Straight-line vesting between points shown.  
 2. Return on Capital Employed is calculated as 'Adjusted EBIT/Capital Employed'. Capital Employed is calculated as 'Total Assets less Cash less Current Liabilities less Capital expenditure in the previous 12 months'. Capital expenditure in the last 12 months reflects additions of fixed assets (excluding leased assets). Return on Capital Employed will be measured as at 31 December 2026.  
 3. EBITDA Margin is calculated as EBITDA as a percentage of Revenue as at 31 December 2026. The EBITDA Margin is for Spire's core hospital group.  
 4. Vesting for the regulatory rating element can be scaled back (including to nil) if any site is rated 'inadequate'. The remuneration committee is satisfied that outcomes at the upper-end of the scale would represent exceptional and market leading results.  
 5. The portfolio of Spire Group hospitals shall be that as at 1 January 2024 including The Doctors Clinic Group but excluding new clinics that open during the Performance Period and Vita Health Group.

## 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 on 9 May 2024. If approved, it will be effective from that date.

The current policy was approved by shareholders in 2021, 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 structure or opportunities. There are some proposed changes to the implementation of the policy (such as to the LTIP measures for 2024), further information of which is set out in the policy tables below. 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 a small change to the deferral requirements for the chief executive officer and other minor changes to aid the operation.

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

<b>Purpose and link to strategy</b>	To provide fixed remuneration that is appropriate for the role and to secure and retain the talent required by the group.
<b>Operation</b>	<p>The remuneration committee typically takes into account a number of factors when setting salaries, including but not limited to:</p> <ul style="list-style-type: none"> <li>– Scope and responsibility of the role</li> <li>– The skills and experience of the individual</li> <li>– Salary levels for similar roles within appropriate comparators</li> <li>– Overall structure of the remuneration package</li> <li>– Pay and conditions elsewhere in the group</li> </ul> <p>Salaries are normally reviewed annually.</p>
<b>Maximum opportunity</b>	<p>While there is no defined maximum opportunity, salary increases normally take into account increases for full-time employees across the group.</p> <p>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 development of the individual in the role.</p> <p>Current salary levels are disclosed in the annual report on remuneration.</p>
<b>Performance measures</b>	None.

#### Benefits

<b>Purpose and link to strategy</b>	Fixed element of remuneration providing market competitive benefits to both support retention and recruit people of the necessary calibre.
<b>Operation</b>	<p>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. This also includes reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role including tax thereon.</p> <p>Additional benefits may also be provided where the remuneration committee considers this appropriate (eg, on relocation).</p> <p>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.</p> <p>The remuneration committee keeps the benefits package offered to existing and new executive directors under review.</p>
<b>Maximum opportunity</b>	<p>While no maximum limit exists, individual benefit arrangements take into account a number of factors, including market practice for comparable roles within appropriate pay comparators.</p> <p>Participation in any HMRC-approved all-employee share plan is subject to the maximum permitted by the relevant tax legislation.</p>
<b>Performance measures</b>	None.

#### Retirement benefits

<b>Purpose and link to strategy</b>	<p>Fixed element of remuneration to assist with retirement planning.</p> <p>Retirement benefits are provided to both support retention and recruit people of the necessary calibre.</p>
<b>Operation</b>	<p>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.</p> <p>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.</p>
<b>Maximum opportunity</b>	For 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.
<b>Performance measures</b>	None.

Remuneration policy report continued

**Remuneration policy table** continued

**Variable remuneration**

**Annual bonus**

**Purpose and link to strategy** To incentivise and reward the achievement of annual objectives that are key to the delivery of the group's strategy.

**Operation** Objectives are normally 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. The remuneration committee typically meets as soon as practicable after the year end to review performance against objectives and determines payout levels. The committee may adjust payments to ensure they are reflective of overall performance and wider stakeholder experience.

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). For the chief executive officer, the proportion of the bonus deferred will normally be one-half of any bonus paid until the in-employment shareholding guideline has been met, at which point it will reduce to one-third. For other executive directors, normally one-third of any bonus is deferred. The deferral period is currently three years for all executive directors.

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 116.

**Maximum opportunity** Maximum award opportunity for executive directors is 150% of base salary for each financial year.

**Performance measures** Awards may be based on a combination of financial, operational and/or individual goals.

At least 50% of the award will be assessed against the group's financial metrics. The remainder (if any) of the award will normally 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. The pay-out schedule for each metric may be tailored to reflect the stretch of the targets set.

For 2024, performance measures will be adjusted EBITDA (60%), free cash flow (20%) and strategic individual objectives (20%).

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 normally measured over a period of at least three years, unless the remuneration committee determines otherwise.

Following the end of the performance period, the remuneration committee reviews 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 and wider stakeholder experience.

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 116.

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 may 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 50% of an award will be based on financial measures or measures linked to the share price. The remainder (if any) will be based on operational or strategic measures.

At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance. The pay-out schedule for each metric may be tailored to reflect the stretch of the targets set.

For awards to be granted in 2024, vesting will be based on ROCE (35%), EBITDA margin (15%), relative TSR (20%) and operational excellence (30%).

The details of measures, targets and weightings may be varied by the remuneration committee prior to grant based on the group's strategic objectives.

## Remuneration policy report continued

**Notes to the policy table performance measures and targets****Annual bonus**

The annual bonus performance measures are designed to provide an appropriate balance between incentivising executive directors to meet financial targets for the year and to deliver specific strategic, operational and/or 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 2024 awards reflecting on the group's strategic priorities and feedback from major shareholders. For 2024 awards, it was determined that ROCE remains a key measure of long-term success, EBITDA margin (hospital) will be introduced as a performance measure as it's a key measure of group efficiency, relative total shareholder return will be retained at a reduced weighting to facilitate the inclusion of EBITDA margin, and operational excellence measures will also be retained which continue to be 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.

The committee may disapply or reduce the shareholding guidelines in extenuating circumstances, for example in compassionate circumstances.

**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 or a relevant business unit; the participant's material misconduct, a material corporate failure, or any other circumstances that the committee considers to be similar in their nature of effect.

In addition, the remuneration committee may also apply malus and/or clawback in certain extreme circumstances (including those listed above) for up to two years after the vesting date for LTIP awards and payment of cash bonus, and up to three years after the grant date for the DSBP award.

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, however there may be relocation benefits and other costs in relation to the appointment (eg legal fees) in certain circumstances, which may include a cash payment to cover reasonable expenses. Reimbursed expenses may include a gross-up to reflect any tax due in respect of the reimbursement.

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 in respect of any financial year, 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 (eg 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.

Other elements may be included in the following circumstances: (i) an interim appointment being made to fill an executive director role on a short-term basis; and (ii) if exceptional circumstances require that the chair or a non-executive director takes on an executive function on a short-term basis.

The service contracts for new appointments will be consistent with the policy described later in this report.

Remuneration policy report continued

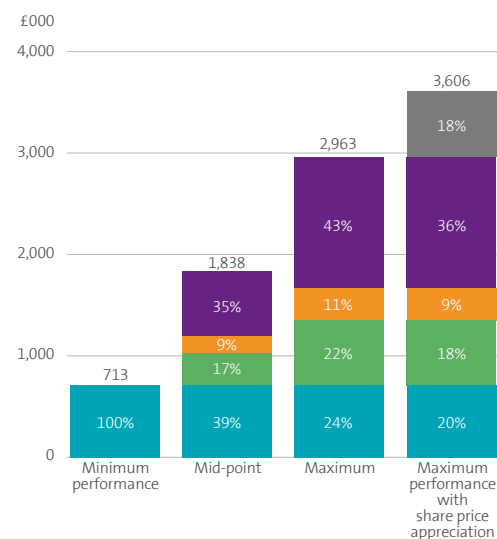
Where an executive director is appointed from within the organisation, the policy of the group is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an executive is appointed following an acquisition of, or merger with, another company, legacy terms and conditions would be honoured.

Illustration of the remuneration policy

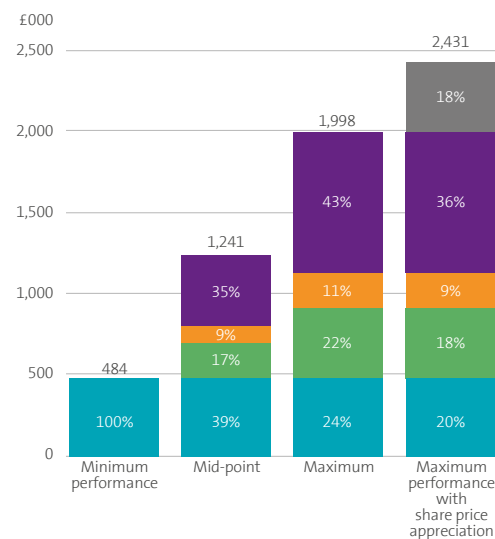
The remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets aligned with the group's objectives, and on delivering shareholder value. The remuneration committee considers the level 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 under four 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



■ Salary/benefits ■ Cash Bonus ■ Deferred shares ■ LTIP ■ Share price appreciation

	Assumed performance	Assumptions
Fixed pay	All performance scenarios	<ul style="list-style-type: none"> <li>Consists of total fixed pay, including base salary, benefits and retirement benefits</li> <li>Base salary – salary effective as at 1 January 2024</li> <li>Benefits – based on 2023 values</li> <li>Retirement benefits – 8% of 2024 salary</li> </ul>
	Variable pay	
	Minimum performance	<ul style="list-style-type: none"> <li>No pay-out under the annual bonus</li> <li>No vesting under the LTIP</li> </ul>
	Mid-point	<ul style="list-style-type: none"> <li>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</li> <li>50% vesting under the LTIP. This represents 100% of base salary</li> </ul>
	Maximum performance	<ul style="list-style-type: none"> <li>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</li> <li>100% vesting under the LTIP. This represents 200% of base salary</li> </ul>
	Maximum performance with share price appreciation	<ul style="list-style-type: none"> <li>Performance outcomes as detailed under the 'maximum performance' description above, assuming share price growth of 50% in respect of the LTIP award</li> </ul>

Remuneration policy report continued

**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:

<b>Notice period</b>	Up to 12 months' notice by either the group or the executive director. This is also the policy for new recruits.
<b>Benefits</b>	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 their family), income protection, life assurance, an annual health assessment (for the executive director and their spouse) and a car allowance.
<b>Termination payment</b>	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.
<b>Immediate termination</b>	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.
<b>External appointments</b>	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 provide other benefits in connection with the departure, which may include making 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 (which will normally only be in 'good leaver' scenarios) 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
<b>Deferred Share Bonus Plan (DSBP) and LTIP</b>	Injury, ill health or disability.	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, will be pro-rated for time.
	The transfer of the individual's employing company or business out of the group.	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 or any other date no later than the original vesting date. Unless the remuneration committee determines otherwise, LTIP awards will normally continue to be subject to any holding period which applies to an award.
	Any other scenario in which the committee determines good leaver treatment is justified.	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.
	Death.	DSBP and LTIP awards will continue to be subject to malus and clawback provisions.  The LTIP awards will normally vest to the extent determined by the remuneration committee as soon as reasonably practicable following the date of death and the awards shall vest on that date, or any other date no later than the original vesting date.
	Any other reason.	DSBP awards will normally vest in full as soon as reasonably practicable following the date of death.  Awards lapse in full to the extent that they have not vested.

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.

Remuneration policy report continued

**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**

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.

**Opportunity**

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
<b>Period</b>	In line with the UK Corporate Governance Code, the chair 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 chair and the non-executive directors are typically expected to serve a further three-year term.
<b>Termination</b>	The appointment of the chair 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.

**Remuneration policy report** continued

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. This amount may assume the reinvestment of dividends and may include or exclude special dividends.

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 pro-rated for time; 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) during the term of, and were consistent with, any previous policy approved by shareholders; or (ii) 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 rules 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 discretionary share plans.

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 set out on page 111, the committee chair also met with a number of Spire Healthcare's senior leaders as part of the remuneration policy review.

As stated in the policy table, salary increases are, in practice, normally determined taking into account the salary increases received by 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 55.

The remuneration of the wider employee population is based on the same reward philosophy, while 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, while ensuring their remuneration varies to the extent these goals are achieved. As noted above, retirement benefits for executive director are 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. During the year the remuneration committee consulted with major shareholders regarding the key terms of the new policy and the feedback received was generally supportive.

This remuneration policy will be presented to shareholders for approval at the 2024 AGM.



# Annual report on remuneration

## Single total figure of remuneration – executive directors (audited)

The following table sets out the total remuneration for the executive directors for the year ended 31 December 2023. This comprises the total remuneration in respect of the full year from 1 January 2023 to 31 December 2023.

(£000)	Justin Ash		Jitesh Sodha	
	2023	2022	2023	2022
Salary	643.0	630.5	432.6	424.2
Benefits	18.5	10.3	17.0	20.3
Retirement benefits	51.4	113.5	34.6	76.4
Total fixed pay	712.9	754.3	484.2	520.9
Annual bonus <sup>1</sup>	727.3	496.2	489.3	329.5
Long-term incentives <sup>2,3</sup>	1,217.2	1,609.5	819.0	1,033.7
Total variable pay	1,944.5	2,105.7	1,308.3	1,363.2
Total	2,657.4	2,860.0	1,792.5	1,884.1

- Half of the annual bonus paid to Justin Ash and one-third of the annual bonus paid to Jitesh Sodha will be deferred into shares for three years.
- Both executive directors were participants of the 2021 LTIP awards, which are due to vest in 2024. For the purposes of this table, the value of awards is based on the average share price during the final quarter of 2023 (£2.22). The share price used to determine the number of shares under the 2021 LTIP Awards was £1.641 being the average of the mid-market closing share price over the five trading days ending on 17 March 2021. Based on the average share price of last quarter of 2023 of £2.22, there has been a 35% share price growth during the three-year performance period. Therefore, 26% of the value shown is attributable to share price appreciation.
- The 2020 LTIP awards have been restated to reflect the actual share price on vesting of £2.135.

## Additional notes to the table

### Salary

Taking into account the impact of the wider macroeconomic trends on colleagues, salary increases of 5.5% were awarded to the majority of permanent colleagues. There was no salary increase for the executive directors. The salaries for the executive directors remain unchanged from 1 September 2022.

- Justin Ash's salary is £642,952
- Jitesh Sodha's salary is £432,600

### Benefits

The benefits consist of private medical cover (for the executive directors and their families), life assurance, health assessment, car allowance and income protection cover.

### Retirement benefits

The amount set out in the table represents the group contribution to the executive directors' retirement planning at a rate of 8% of base salary which is aligned with the wider workforce.

## Annual bonus

For the 2023 financial year, the maximum bonus opportunity for Justin Ash and Jitesh Sodha was 150% of base salary. Awards were measured 60% on adjusted EBITDA, 20% on free cash flow and 20% against individual strategic objectives.

All bonuses in the group, including those payable to executive directors, were subject to a minimum EBITDA trigger of £190m and a minimum quality trigger. Both hurdles were achieved for 2023, and therefore executive directors were considered for bonuses. A portion of bonuses for executive directors are deferred into shares for three years.

Financial measure targets and outcomes for 2023 were as follows:

	0% of element	50% of element	65% of element	100% of element	Outcome	Outcome (% of element)
<b>Adjusted EBITDA</b>						
60%	£190m	£220.7m	£231.0m	£236.5m	£231.5m	68.2%
<b>Free cash flow</b>						
20%	£15m	£35m	£41m	£55m	£48m	82.5%

EBITDA for the purpose of bonus was adjusted to reflect certain items including the impact of Vita Health Group. 25% of the EBITDA measure would have vested for achievement of £203.5m.

## Annual report on remuneration continued

For 2023, the strategic element comprised 20% of the overall bonus and was centred around the achievement of the areas of focus noted in the table below. The outcome for the executive directors fairly reflects the outstanding contribution made during the year, including progress towards a number of key strategic initiatives.

Area of focus	Progress and achievements during the year	Outcome
<b>Chief executive officer</b>		
1. Deliver second year plan of the five-year strategy presented at Capital Markets Day	Strong strategic progress largely resulting from successful acquisition of Vita Health Group	5/5
2. Deliver next phase of transformation programme savings	Spire Healthcare's efficiency programmes have delivered the target savings of £15m in 2023	5/5
3. Develop and implement phase one of reward framework	The reward framework has been well developed however, implementation has been delayed as Spire Healthcare prioritised the annual salary review of 5.5% for majority of permanent colleagues given the cost of living and inflationary pressures	3/5
4. Successful implementation of PSIRF and preparations for new CQC assessment framework	PSIRF has been very well introduced at Spire Healthcare and extensive training undertaken to prepare for CQC's new assessment framework	5/5
<b>Total bonus achieved against individual strategic targets</b>		<b>18%</b>
<b>Chief financial officer</b>		
1. Deliver second year plan of the five-year strategy presented at Capital Markets Day	Strong strategic progress largely resulting from successful acquisition of Vita Health Group	5/5
2. Deliver next phase of transformation programme savings	Spire Healthcare's efficiency programmes have delivered the target savings of £15m in 2023	5/5
3. Finance process improvement	Successful execution of the plan to improve free cash flow (cash conversion now at 98%). Process improvement systems due to be implemented in 2024	3/5
4. ROCE improvement	Successful improvement in ROCE group-wide and particularly in low ROCE sites	5/5
<b>Total bonus achieved against individual strategic targets</b>		<b>18%</b>

Based on the assessment above, the overall outcome is 75.4% of the maximum bonus for the chief executive officer and the chief financial officer.

Taking into account overall performance during the year and strategic progress made, the remuneration committee is satisfied that the outcomes are appropriate and no discretion has been applied.

For Justin Ash, 50% of the 2023 bonus will be deferred into shares for three years, with deferral of one-third of the award for Jitesh Sodha.

**Long Term Incentive Plan (LTIP)**

The performance period for awards granted in 2021 ended on 31 December 2023. Awards were made to executive directors at 175% of salary against 200% of salary as per the remuneration policy. The share price at which the awards were granted was materially higher than the prior year. This award was based on targets linked to ROCE, relative TSR and operational excellence measures. Justin Ash and Jitesh Sodha both participated in this award.

The performance targets for this award were disclosed in the 2021 directors' remuneration report and the result at the conclusion of the three-year performance period was as follows:

	25% vests	50% vests	100% vests	Outcome	Percentage outcome
TSR v FTSE 250 (excluding investment trusts) (35%)	Median <sup>1</sup>		Upper quartile	Above upper quartile	35%
Return on capital employed (35%)	6.0% <sup>1</sup>	7.2%	9.6%	7.5%	19.69%
Regulatory rating (15%)	82% achieve 'Good' or above <sup>1</sup>	86% achieve 'Good' or above	90% achieve 'Good' or above	98% achieve 'Good' or above	15%
Employee engagement (15%)	76% <sup>1</sup>	79%	82%	81%	12.5%
					<b>82.19%</b>

1. There is no vesting for performance below these levels.
2. There is straight-line vesting between the points shown.

Overall the committee is satisfied that the outcomes from this award are supported by improvements in underlying performance over the period and the experience of our shareholders as reflected in the TSR performance. Therefore, the committee is satisfied that the vesting outcomes are fully warranted. Vested shares are subject to a two-year holding period.

Awards under the LTIP were granted to Justin Ash and Jitesh Sodha on 15 March 2023. 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 2025. The maximum award granted to executive directors was equivalent to 200% of base salary.

## Annual report on remuneration continued

The full details of the performance conditions applying to the 2023 awards are set out below.

	25% vests	50% vests	100% vests
Relative TSR (35%)	Median <sup>1</sup>	–	Upper quartile
Return on capital employed (35%) <sup>2</sup>	7.3% <sup>1</sup>	8.6%	10.0%
Regulatory ratings (15%) <sup>4</sup>	84% achieve 'Good' or above <sup>1</sup>	88% achieve 'Good' or above	94% achieve 'Good' or above
Employee engagement (15%)	76% <sup>1</sup>	80%	82%

- There is no vesting for performance below this level.
- Return on Capital Employed is calculated as 'Adjusted EBIT/ Capital Employed'. Capital Employed is calculated as 'Total Assets less Cash less Current Liabilities less Capital expenditure in the previous 12 months'. Capital expenditure in the last 12 months reflects additions of fixed assets (excluding leased assets). Return on Capital Employed will be measured at a point in time on 31 December 2025.
- The remuneration committee may adjust targets in certain circumstances (eg major acquisition or disposal; change to accounting standards).
- Vesting for the regulatory rating element can be scaled back (including to nil) if any site is rated as 'inadequate'.
- Straight-line vesting between points shown.

### Outstanding share awards

The following table provides details of all outstanding awards, as at 31 December 2023, made to executive directors under the LTIP that remain within their three-year performance period:

	Type of award	Date of grant	Number of shares	Share price	Face value at grant <sup>1</sup>	End of performance period
Justin Ash	Conditional Share Award (in the form of nil-cost options)	18 March 2021	665,606	£1.641	£1,092,394	31 December 2023
		14 March 2022	543,750	£2.296	£1,248,450	31 December 2024
		15 March 2023	541,661	£2.374	£1,285,904	31 December 2025
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	18 March 2021	447,843	£1.641	£735,000	31 December 2023
		14 March 2022	365,853	£2.296	£840,000	31 December 2024
		15 March 2023	364,448	£2.374	£865,200	31 December 2025

- The face value of awards made in 2023 was equivalent to 200% of base salary. The share price used to determine the number of shares under the 2023 award was based on the average of the mid-market quotation at close of business over the 30 trading days ending on 14 March 2023 (£2.374). The face value of awards made in 2021 and 2022 were equivalent to 175% and 200% of base salary respectively.
- The 2021, 2022 and 2023 awards are subject to relative TSR, ROCE and Operational Excellence conditions. Further detail on specific targets is set out in the 2021 and 2022 Directors' Remuneration Reports.

The following table provides details of all outstanding awards, as at 31 December 2023, that have completed their three-year performance period and have vested to executive directors under the LTIP but remain within the two-year holding period:

	Type of award	Date of grant	Number of shares originally awarded	Number of shares lapsed	Number of shares in two-year holding period	End of two-year holding period
Justin Ash	Conditional Share Award (in the form of nil-cost options)	25 March 2019	694,444	321,181	373,263	25 March 2024
		6 April 2020	1,028,046	274,180	753,866	6 April 2025
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	25 March 2019	446,025	206,287	239,738	25 March 2024
		6 April 2020	660,289	176,100	484,189	6 April 2025

The following table provides details of awards granted to the executive directors during 2023 under the Deferred Share Bonus Plan, which relate to bonuses payable in respect of 2022 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)	15 March 2023	116,473	£2.13	£248,089
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	15 March 2023	51,569	£2.13	£109,842

These awards will be released in 2026 and remain subject to malus terms during this period.

### Sharesave

The company encourages share ownership and operates an HMRC-approved Savings-Related Share Option Plan (Sharesave). Participation in Sharesave is conditional on three months' service and executive directors may participate in the same way as all other colleagues. Sharesave is an all-employee share plan and there are no performance conditions.

	Date of grant	Number of shares	Option price	Awards are exercisable between
Justin Ash	26 April 2022	1,818	£1.98	1 June 2025 and 30 November 2025
Jitesh Sodha	26 April 2022	1,818	£1.98	1 June 2025 and 30 November 2025

## Annual report on remuneration continued

**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 2023.

(£000)	2023 Fees	2023 Benefits <sup>1</sup>	2023 Total	2022 Fees	2022 Benefits <sup>1</sup>	2022 Totals
Sir Ian Cheshire	230.0	2.0	232.0	230.0	0.9	230.9
Adèle Anderson <sup>2</sup>	24.2	0.7	24.9	65.6	4.5	70.1
Martin Angle	150.0	18.4	168.4	150.0	10.5	160.5
Paula Bobbett <sup>3</sup>	56.7	–	56.7	9.4	–	9.4
Tony Bourne <sup>2</sup>	24.2	0.4	24.6	65.6	–	65.6
Natalie Ceeney <sup>4</sup>	44.2	0.4	44.6	–	–	–
Professor Dame Janet Husband	95.6	15.7	111.3	71.2	6.9	78.1
Jenny Kay	56.7	0.9	57.6	55.6	–	55.6
Simon Rowlands <sup>2</sup>	20.6	–	20.6	54.7	–	54.7
Professor Cliff Shearman	56.7	2.0	58.7	55.6	1.3	56.9
Dr Ronnie van der Merwe <sup>5</sup>	50.0	–	50.0	50.0	–	50.0
Debbie White <sup>6</sup>	63.7	2.1	65.8	–	–	–
Total	872.6	42.6	915.2	807.7	24.1	831.8

- 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.
- Adele Anderson, Tony Bourne and Simon Rowlands did not seek re-election at the company's annual general meeting held on 11 May 2023 and stepped down from the board from this date.
- Paula Bobbett was appointed an independent non-executive director on 1 November 2022.
- Natalie Ceeney was appointed an independent non-executive director on 1 May 2023.
- 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 Group Limited group.
- Debbie White was appointed an independent non-executive director on 1 February 2023. She became the company's senior independent director on 12 May 2023.

**Non-executive directors**

There was no increase to the independent non-executive directors' basic fees during 2023. With effect from 1 January 2024, the non-executive chairman and independent non-executive directors' fees were increased by 3%. Fee levels are as follows.

- Non-executive chairman: £236,900
- Deputy chairman: £154,500
- Senior independent director: £77,250
- Vice chair: £103,000
- Basic fee for independent non-executive directors: £58,350
- Basic fee for non-independent non-executive directors: £50,000
- Chairs of audit and risk committee and remuneration committee: £10,300

Martin Angle, Deputy Chairman, does not receive a fee to chair the audit and risk committee.

**Statement of directors' shareholding and share interests (audited)**

The table below sets out the directors' shareholdings in the company. As noted above, executive directors are expected to build up and maintain a holding equivalent to twice their base salary. In addition, executive directors are required to retain this level of shareholding (or actual relevant holding on departure, if lower), for two years after stepping down from the board. There is no requirement for non-executive directors to hold shares in the company.

	Shareholding		Guidelines Proportion of shareholding guideline achieved <sup>1</sup>
	As at 31 December 2023	As at 31 December 2022	
<b>Non-executive chairman</b>			
Sir Ian Cheshire	8,846	8,846	
<b>Executive directors</b>			
Justin Ash	578,268	418,962	235.9%
Jitesh Sodha	134,058	53,802	155.0%
<b>Non-executive directors</b>			
Martin Angle	–	–	
Paula Bobbett	–	–	
Natalie Ceeney <sup>2</sup>	–	–	
Professor Dame Janet Husband	10,231	10,231	
Jenny Kay	4,911	4,911	
Professor Cliff Shearman	–	–	
Dr Ronnie van der Merwe	–	–	
Debbie White <sup>2</sup>	–	–	

- Calculated based upon the closing share price on 31 December 2023 of £2.265. Unvested DSBP shares and vested LTIP awards subject to a holding period are only taken into account on a net of tax basis for the purpose of the guidelines. As noted above during 2024, shares relating to the 2021 LTIP will vest for both executive directors.
- Debbie White and Natalie Ceeney were appointed independent non-executive director on 1 February 2023 and 1 May 2023 respectively. Neither held any shares in the company on appointment.

There have been no changes to directors' shareholdings between 31 December 2023 and the date this report is signed off.

## Annual report on remuneration continued

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 2023. Unvested awards are structured as nil-cost options.

	Options		Shares	
	Unvested and not subject to performance conditions <sup>1</sup>	Unvested and subject to performance conditions <sup>2</sup>	Unvested and not subject to performance conditions <sup>3</sup>	Vested and not subject to performance conditions <sup>4</sup>
<b>Non-executive chairman</b>				
Sir Ian Cheshire	–	–	–	–
<b>Executive directors</b>				
Justin Ash	1,818	1,751,017	308,731	1,127,129
Jitesh Sodha	1,818	1,178,144	140,626	723,927
<b>Non-executive directors</b>				
Martin Angle	–	–	–	–
Paula Bobbett	–	–	–	–
Natalie Ceeney <sup>5</sup>	–	–	–	–
Dame Janet Husband	–	–	–	–
Jenny Kay	–	–	–	–
Professor Cliff Shearman	–	–	–	–
Dr Ronnie van der Merwe	–	–	–	–
Debbie White <sup>5</sup>	–	–	–	–

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 unvested.
4. Consists of grants under the LTIP that have vested and currently subject to a two-year holding period.
5. Debbie White and Natalie Ceeney were appointed independent non-executive directors on 1 February 2023 and 1 May 2023 respectively.

## Letters of appointment

Non-executive director	Date of appointment	Notice period	Date of expiry
Martin Angle	14 March 2019	3 months	No later than 30 June 2024
Paula Bobbett	1 November 2022	2 months	No later than 30 June 2025
Natalie Ceeney <sup>1</sup>	1 May 2023	2 months	No later than 30 June 2025
Sir Ian Cheshire	4 March 2021	12 months	No later than 30 June 2026
Dame Janet Husband	24 June 2014	2 months	No later than 30 June 2026
Jenny Kay	1 June 2019	2 months	No later than 30 June 2025
Professor Cliff Shearman	1 October 2020	2 months	No later than 30 June 2026
Dr Ronnie van der Merwe <sup>2</sup>	24 May 2018	n/a	No later than 30 June 2024
Debbie White <sup>1</sup>	1 February 2023	3 months	No later than 30 June 2025

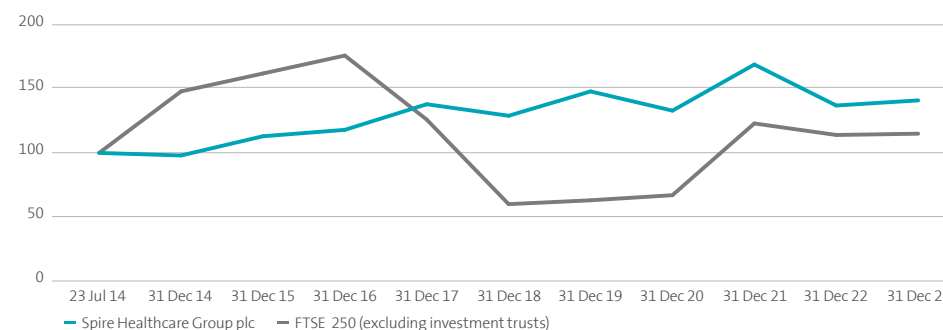
1. Debbie White and Natalie Ceeney were appointed independent non-executive directors on 1 February 2023 and 1 May 2023 respectively.
2. Pursuant to the relationship agreement dated 22 June 2015 between the company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the board one non-executive director, Dr Ronnie van der Merwe was appointed to the board on 24 May 2018. Dr Ronnie van der Merwe is considered to be a non-independent non-executive director.

## Service contracts

After appointment, executive directors will put themselves up for re-election at each annual general meeting. Executive directors are employed under ongoing service contracts with the group. These contracts do not have a fixed term of appointment. Copies of their service contracts are available to shareholders for inspection at the company's registered office.

## Performance graph

The graph below illustrates Spire Healthcare Group plc's TSR performance against the FTSE 250 (excluding investment trusts) since admission on 23 July 2014. Given that the company is a constituent of the FTSE 250 index, the remuneration committee considers this an appropriate peer group.



## Annual report on remuneration continued

The table below shows the total remuneration paid in respect of the chief executive officer role.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Chief executive's single figure remuneration (£000s) <sup>1,2</sup>	6,223.1	1,095.8	320.5	128.2	732.4	1,010.1	1,251.7	2,129.3	2,860.0	2,657.4
Annual bonus payout (% of maximum)	34%	0%	0%	0%	0%	30%	35%	48.4%	53.0%	75.4%
LTIP vesting (% of maximum) <sup>3</sup>	n/a	n/a	n/a	n/a	n/a	n/a	18.9%	53.75%	73.33%	82.19%

- 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.
- 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 the role. Garry Watts fulfilled the role of chief executive officer from 14 March 2016 to 12 June 2017.
- Rob Roger and Garry Watts did not have any LTIP awards vesting in respect of 2016; for other participants the LTIP based on performance to 31 December 2016 vested at 50% of maximum. Similarly, Justin Ash and Garry Watts did not have any LTIP awards vesting in respect of 2017, 2018 or 2019; for other participants (including Simon Gordon) the LTIP based on performance to 31 December 2017 and 31 December 2018 lapsed in full while the LTIP based on performance to 31 December 2019 vested at 3.75% of maximum.

## Annual change in remuneration

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the annual percentage change in remuneration (based on salary or fees, benefits and annual bonus). Given the small number of people employed by the Spire Healthcare Group plc entity, data for all employees of the group has been included.

	2023			2022			2021			2020		
	Salary/fee FY23 vs FY22	Benefits FY23 vs FY22	Annual Bonus FY23 vs FY22	Salary/fee FY22 vs FY21	Benefits FY22 vs FY21	Annual Bonus FY22 vs FY21	Salary/fee FY21 vs FY20	Benefits FY21 vs FY20	Annual Bonus FY21 vs FY20	Salary/fee FY20 vs FY19	Benefits FY20 vs FY19	Annual Bonus FY20 vs FY19
<b>Chairman</b>												
Sir Ian Cheshire <sup>1</sup>	0%	122.2%	–	0%	100%	–	–	–	–	–	–	–
Garry Watts <sup>2</sup>	–	–	–	–	–	–	–	–	–	(4.5)%	(61.7)%	–
<b>Executive directors</b>												
Justin Ash	2.0%	79.6%	46.6%	1.0%	45.1%	9.5%	1.0%	2.9%	40.4%	(4.5)%	(0.1)%	16.7%
Jitesh Sodha	2.0%	(16.3)%	48.5%	1.0%	20.1%	(3.6)%	5.8%	0%	65.2%	(4.5)%	0%	16.7%
<b>Non-executive directors</b>												
Adèle Anderson <sup>4</sup>	0%	(84.4)%	–	0.9%	–	–	0%	–	–	0%	(100.0)%	–
Martin Angle	0%	72.2%	–	0%	400.0%	–	0%	(64.4)%	–	0%	(59.0)%	–
Paula Bobbett <sup>3</sup>	0%	–	–	0%	–	–	–	–	–	–	–	–
Tony Bourne <sup>4</sup>	0%	100.0%	–	0%	–	–	–	–	–	–	–	–
Natalie Ceeny	0%	–	–	–	–	–	–	–	–	–	–	–
Dame Janet Husband	34.3%	127.5%	–	1.7%	137.9%	–	0%	(60.3)%	–	0%	(67.6)%	–
Jenny Kay	1.98%	100.0%	–	1.1%	–	–	0%	–	–	0%	(100)%	–
Simon Rowlands <sup>4</sup>	0%	–	–	9.4%	–	–	0%	–	–	0%	–	–
Professor Cliff Shearman	2.0%	53.85%	–	1.1%	100.0%	–	–	–	–	–	–	–
Dr Ronnie van der Merwe	0%	–	–	0%	–	–	0%	–	–	0%	–	–
Debbie White	0%	–	–	–	–	–	–	–	–	–	–	–
Average employee	4.7%	5.1%	60.0%	4.4%	11.8%	(1.4)%	2.3%	11.2%	4.4%	5.3%	2.7%	75.7%

- Sir Ian Cheshire was appointed chairman-designate on 4 March 2021. To provide a meaningful comparison of percentage increase his fee received as chairman for 2022 has been considered on a full-time equivalent basis.
- Garry Watts stepped down from the board on 13 May 2021.
- Paula Bobbett, Natalie Ceeny and Debbie were appointed independent non-executive director on 1 November 2022, 1 May 2023 and 1 February 2023 respectively. To provide a meaningful comparison of percentage increase Paula's fee for 2022 and Natalie and Debbie's fees for 2023 have been considered on a full-time equivalent basis.
- Adèle Anderson, Tony Bourne and Simon Rowlands stepped down from the Board on 11 May 2023. To provide a meaningful comparison of percentage increase their fees for 2023 have been considered on a full-time equivalent basis.

## Annual report on remuneration continued

## Relative importance of spend on pay

£(m)	2023	2022	% change
Total remuneration	477.2m	418.4m	14.1%
Distributions to shareholders	2.0m	0	100%

## CEO pay ratio for 2023

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 2023, consistent with the Regulations.

Year	Method		P25 (LQ)	P50 (Median)	P75 (UQ)
2019	A	Pay Ratio	50:1	35:1	25:1
2020	A	Pay Ratio	61:1	45:1	31:1
2021	A	Pay Ratio	92:1	66:1	42:1
2022	A	Pay Ratio	122:1	89:1	62:1
2023	A	Pay Ratio	107:1	81:1	55:1

Spire Healthcare has compared the total remuneration of the chief executive officer to UK employees for the 12 months ending 31 December 2023 on a full-time equivalent basis. The company has determined the P25, P50 and P75 individuals with reference to a ranking of total remuneration.

The company's principles for pay setting and progression in our wider workforce are the same as for our executives which form a total reward proposition which is competitive to attract and retain the highest quality of talent in a difficult market, while providing opportunities for development and career progression.

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.

The pay for the chief executive officer is by design intended to have a larger proportion linked to performance-based variable pay, and therefore the pay ratio would be expected to vary year-on-year and be higher in years when the business performs well. The CEO pay ratio is lower in 2023 as the 2022 pay ratio was more materially impacted by share price appreciation. There is no discernible trend between the period from 2019 to 2023. Removing the impact of share price growth on the 2021 LTIP would reduce the median CEO to employee ratio to 71:1. For colleagues, the year-on-year change in remuneration reflects the exceptional annual salary review of 5.5% for majority of permanent colleagues (in comparison to no increase for executive directors).

## Notes to the calculation

- The 2023 total remuneration for the colleagues identified at P25, P50 and P75 are as follows: £24,911, £32,876, £48,233
- The 2023 base salary for the colleagues identified at P25, P50 and P75 are as follows: £22,454, £30,877, £47,230
- Under option A, the ratios are based on the full-time equivalent total remuneration which includes base salary, incentive payments, taxable benefits and pension benefits for the financial year 1 January to 31 December 2023
- Option A is selected as it is considered to provide the most transparent approach to calculation
- Vita Health Group is excluded from the 2023 calculation as they were not part of Spire Healthcare for all of the year
- 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 2023
- In accordance with the regulations, employees and bank workers have been included, while non-executive directors, contractors and medical consultants we contract with in our hospitals and clinics have not been included
- A total of 13,747 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 2023 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 2023 is included in the total remuneration figure including the portion deferred into shares

## Annual report on remuneration continued

**Departure terms for Jitesh Sodha**

As set out on page 112, Jitesh Sodha will step down from the board and his role as chief financial officer upon conclusion of the 2024 annual general meeting. After stepping down from the board, Jitesh will initially support his successor with transition before focusing on a number of strategic initiatives for the remainder of his 12 month notice period.

While Jitesh remains an employee, he will continue to receive his base salary and benefits. Healthcare benefits will cease 12 months after the end of his notice period. As Jitesh will continue to work his notice period, he will not receive any payment in lieu of notice or any other termination payment. He will also be provided with professional fees in relation to legal and career transition support of up to £55,000.

In light of Jitesh's performance and contribution during his tenure, he has been treated as a 'good leaver' for incentive plan purposes. Outstanding deferred bonus awards and LTIP awards subject to a holding period will be released at the normal time. LTIP awards that are unvested at cessation of employment will be pro-rated for time and will remain subject to performance assessed at the end of the relevant performance period. Jitesh will not be granted a further LTIP award in respect of 2024. In line with our normal practices, to the extent that Jitesh works his notice period, he will remain eligible for a bonus. Any bonus earned in respect of 2024 will be paid in Spring 2025 in line with other bonus participants.

The post-employment shareholding requirement as set out in the annual report on remuneration will apply for a period of two years from the date he steps down from the board.

**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 £84,800 (2022: £65,750). During 2023, Deloitte LLP also provided other consulting services to the group. Deloitte LLP has voluntarily signed up to the remuneration consultants' code of conduct in relation to executive remuneration consulting during the year. The remuneration committee is comfortable that the Deloitte LLP engagement partner and team that provides remuneration advice to the remuneration committee do not have connections with the company or any of its directors that may impair their independence.

The non-executive chairman, chief executive officer, chief financial officer, group people director and company secretary 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 2023 annual general meeting**

The following table sets out the voting in respect of the resolutions to approve the company's directors' remuneration policy (voted on by shareholders in 2022) and 2022 directors' remuneration report put to shareholders at the company's annual general meeting held on 11 May 2023:

Resolution at 2023 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the 2022 Directors' Remuneration Report	330,080,521	96.15%	13,232,242	3.85	32,281

Resolution at 2021 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Directors' Remuneration Policy	334,256,201	99.68%	1,076,261	0.32	4,562

This report on directors' remuneration will be put to an advisory vote at the annual general meeting on 9 May 2024. 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 and 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 28 February 2024.

Details of all resolutions passed at the annual general meeting held on 11 May 2023 can be found on page 94.

**Natalie Ceeney**  
Chair, Remuneration Committee

28 February 2024



## 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 2023.

Certain disclosure requirements for inclusion in this directors' report have been incorporated by cross reference to the strategic report on pages 1 to 63 and the directors' remuneration report on pages 111 to 128, 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 in the sustainability report on page 36, engagement with stakeholders on page 60 and TCFD reporting on page 75
- Employees, which can be found in our strategy on page 27, sustainability report from page 44 and engaging with stakeholders on page 55
- The corporate governance report on pages 89 to 94
- Our strategy on pages 20 to 35

A description of the group's exposure and management of risks is provided in the risks section on pages 64 to 74.

Information regarding the company's gender pay gap reporting and charitable donations can be found in the sustainability report from page 36 and in engaging with stakeholders on page 60.

### Registered office

The company's registered office and principal place of business is 3 Dorset Rise, London EC4Y 8EN.

### Annual general meeting

The annual general meeting of Spire Healthcare Group plc will be held at 11.00am on 9 May 2024. Full details of shareholder attendance at the meeting will be provided in the 2024 notice of annual general meeting and at [www.spirehealthcare.com/AGM](http://www.spirehealthcare.com/AGM).

At the meeting, resolutions will be proposed to receive the 2023 annual report and financial statements, approve a final dividend, approve the directors' remuneration report and the directors' remuneration policy, re-elect 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) and approve amended rules for its executive share plans. Further items of business to be proposed at the annual general meeting are described throughout this directors' report.

### Dividends

The directors recommend the payment of a final dividend in respect of the year ended 31 December 2023 of 2.1 pence per ordinary share. Subject to shareholders approving the recommendation at the annual general meeting, the final dividend will be paid on 21 June 2024 to shareholders on the register as at 24 May 2024.

### Board of directors

The following changes were made to the board of directors between 1 January 2023 and signing of this report:

- Debbie White was appointed an independent non-executive director on 1 February 2023. Debbie became Spire Healthcare's senior independent director on 12 May 2023
- Natalie Ceeney was appointed an independent non-executive director on 1 May 2023
- Adèle Anderson, Tony Bourne and Simon Rowlands stepped down from the Board and ceased to be independent non-executive directors at the conclusion of the Company's annual general meeting held on 11 May 2023

A list of the current directors of Spire Healthcare Goup plc can be found on pages 96 and 97.

The UK Corporate Governance Code provides for all directors of FTSE companies to stand for re-election by shareholders every year. Accordingly, all members of the board, with the exception of Jitesh Sodha who will step down as a director, will retire and seek re-election at this year's annual general meeting. Full biographical details of all of the directors can be found on pages 96 and 97.

Further information on the contractual arrangements of the executive directors is given on pages 125. 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 92 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 facility 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 strategy from page 27 and engaging with stakeholders on page 55.

## Directors' report continued

**Statement regarding fostering relationships with suppliers, customers and others**

Explanation of how the directors have fostered the company's business relationships with suppliers, customers, employees and others, and taken each group into account when making principal decisions can be found under engagement with stakeholders on pages 54 to 60.

**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 404,130,113 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 312,160 ordinary shares of 1 pence each (2022: 26,704). Further details can be found in note 21 on page 161.

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 Guidance 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 160. 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 161.

**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 2024 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 124.

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 operates an all-employee Sharesave scheme which has been well received by colleagues. This is an important part of our total reward package and encourages and supports employee share ownership.

**Material interests in shares**

As of 28 February 2024, the company has been notified by the following investors of their interests in 3% or more of the company's issued share capital. These interests were notified to the company pursuant to Disclosure and Transparency Rule 5:

Shareholder	% disclosed
Mediclinic International PLC	29.9
Toscafund Asset Management	18.1
FIL Limited	5.9
Bridgemere Securities	4.1
Melquart Opportunities Master Fund Limited	3.8

## Directors' report continued

**Significant agreements**

The following agreements are considered to be significant in terms of their potential impact on the business of the group as a whole and could alter or terminate on a change of control of the group:

- The group's bank facility agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control
- There are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the group
- 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 111 to 128. 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 2023 at the references set out above.

Information required	Location in Annual Report 2023
Long-term incentive schemes	Directors' Remuneration Report pages 122 to 123
Equity securities allotted for cash	Note 21 on page 160
Parent and subsidiary undertakings	Note 16 on page 157-158
Subsisting significant agreements	Page 130
Controlling shareholder relationships	Page 130

**Financial risk**

The group's disclosure regarding financial risk is disclosed in note 31 of the financial statements.

**Events after the reporting period**

There have been no events to disclose after the reporting date.

**Going concern**

The group assessed going concern risk for the period through to 30 June 2025. As at 31 December 2023 the group had cash of £49.6m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £60m. An RCF drawing of £50m was used for the October 2023 acquisition of Vita Health Group with £10m of this being repaid by the end of the year. On 3 March 2023, the group successfully extended the senior loan facility by a further year. The financial covenants relating to this new agreement are materially unchanged.

The group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 30 June 2025, together with their assessment of the planned mitigating actions being successful, the directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

The group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it breaches its financial covenant. 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 21% fall in annual revenue before the group breaches its financial covenant, we believe that the risk of an event giving rise to this size of reduction in revenue is remote.

It should be noted that we are in a period of material geo-political and macro-economic uncertainty. Whilst the directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly, the actual financial impact of these risks may materially vary against the current view of their plausible impact.

**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
- 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

28 February 2024

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the group's financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK adopted International Accounting Standards ('UK-adopted IFRS') as issued by the International Accounting Standards Board ('IASB') and in accordance with the Companies Act 2006. Under company law the directors must not approve the group's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies in accordance with IAS 8 accounting policies, changes in accounting estimates and errors and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Present information in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance
- In respect of the group financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent company financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/or the group will not continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Each of the directors confirms that, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole
- That the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- 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

28 February 2024

**Jitesh Sodha**  
Chief Financial Officer

28 February 2024

# Independent auditor's report

## 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 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 2023 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2023	Balance sheet as at 31 December 2023
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 C1 to C13 to the financial statements, including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 35 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner and senior team members directed and supervised the audit procedures on going concern, in particular 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 its assessment;
- In obtaining an understanding of management's rationale for the use of the going concern basis of accounting we have challenged the completeness of the assessment by ensuring that management had considered all principal risks as well as emerging issues within the assessments;

### Managements' assessment and assumptions

- We obtained management's board approved forecast cash flows and covenant calculations covering the period of assessment from the financial statement approval date to 30 June 2025. We checked the models for arithmetical accuracy and considered the group's historical forecasting accuracy;
- We evaluated the appropriateness of the duration of the going concern assessment period to 30 June 2025 and considered the existence of any significant events or conditions beyond this period based on our enquiries of management, the group's five-year plan and knowledge arising from other areas of the audit;
- We assessed the reasonableness of the cashflow forecast by analysis of management's historical forecasting accuracy and understanding how any anticipated impact inflation on consumer spending, surge in living costs and shortage in healthcare professionals have been modelled.
- We evaluated the relevance and reliability of the underlying data used to make the assessment through considering corroborating evidence from external sources. We read analyst reports to identify potentially contradictory evidence on future profitability to challenge the going concern assessment. We ensured that climate change considerations were factored into future cash flows.

### Debt covenants

- We obtained all the group's borrowing facility agreements and performed a detailed examination of these agreements. We assessed their continued availability to the group throughout the going concern period and ensured the completeness of covenants identified by management.
- We assessed the accuracy of management's covenant forecast model on the base case, verifying inputs to the board approved forecasts and facility agreement terms.
- We obtained the signed extensions to the Senior Loan Facility dated 23 January 2023 and understood the terms including maturity and arrangement fees and the impact on covenant and liquidity compliance in the going concern period.
- We evaluated the compliance of the group with debt covenants in the forecast period by reperforming calculations of the covenant tests. We further assessed the impact of the downside risk scenarios on covenant compliance and applied sensitivity analysis

**Independent auditor's report** continued*Stress testing and evaluation of management's plans for future actions*

- We performed an independent reverse stress test to understand what it would take to breach available liquidity and exhaust covenant headroom.
- We considered management's plausible downside risk scenarios of the group's cash flow forecast models and their impact on forecast liquidity and banking covenants, specifically whether the downside risks were reasonably possible. We considered the adverse effects that could arise from these risks individually and also selected risks in combination.
- We considered the likelihood of management's ability to execute feasible mitigating actions available to respond to the downside risk scenarios based on our understanding of the group and the sector, including considering whether those mitigating actions were controllable by management

*Disclosures*

- We considered whether management's disclosures within the Annual Report and Accounts, sufficiently and appropriately capture the impacts of the group's principal risks on the going concern assessment and through consideration of relevant disclosure standards.

## Our key observations were:

- The Directors' assessment forecasts that the group will remain compliant with its debt covenants and maintain sufficient liquidity throughout the Going Concern assessment period.
- Stress testing performed indicated a 21% downturn in revenue is required for the group to breach its debt covenants. Management considers such a scenario is not plausible, however, in such an event management considers that the impact could be mitigated by measures within their control, which in the first instance would include management of working capital and constrained levels of capital investment. The group's principal source of funding extends beyond the going concern period to 2027. No loan repayments are due in the going concern period.

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 to date 30 June 2025.

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	<ul style="list-style-type: none"> <li>– We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further 20 components.</li> <li>– The components where we performed full or specific audit procedures accounted for 99% of Revenue, 98% of Profit Before Tax and 99% of Total Assets.</li> </ul>
Key audit matters	<ul style="list-style-type: none"> <li>– Risk of impairment to property, plant and equipment</li> <li>– Manipulation of NHS revenue by changes to the pricing master file</li> <li>– Misstatement due to management posting fraudulent manual journal entries to revenue</li> <li>– Accounting for the acquisition of Vita Health Group in accordance with IFRS 3</li> </ul>
Materiality	– Overall group materiality of £5.9m which represents 2.5% of Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ('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 45 (2022: 44) reporting components of the Group, we selected 22 (2022:27) components which represent the principal business units within the Group. The Group continues to operate solely within the UK.

Of the 22 (2022: 27) components selected, we performed an audit of the complete financial information of 2 (2022: 2) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 20 (2022: 25) components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

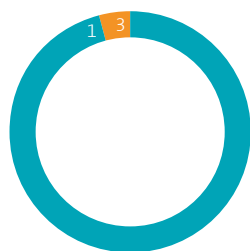
The reporting components where we performed audit procedures accounted for 98% (2022: 99%) of the Group's Profit Before Tax, 99% (2022: 99%) of the Group's Revenue and 99% (2022: 99%) of the Group's Total Assets. For the current year, the full scope components contributed 63% (2022: 48%) of the Group's Profit Before Tax, 96% (2022: 97%) of the Group's Revenue and 79% (2022: 75%) of the Group's Total Assets. The specific scope components contributed 4% (2021: 0%) of the group's revenue and 20% (2022: 24%) of the group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group. It is not possible to present the split between full and specific scope components on an adjusted EBITDA basis in a meaningful way. This is due to intra-group profits earned in certain specific scope components which result in the aggregate adjusted EBITDA amounting to more than 100%.

Independent auditor's report continued

Of the remaining 23 components none are individually greater than 1% of the group's Adjusted EBITDA. For these components, we performed other procedures, including, analytical review, testing of consolidation journals and testing of intercompany eliminations to respond to any potential risks of material misstatement to the group financial statements.

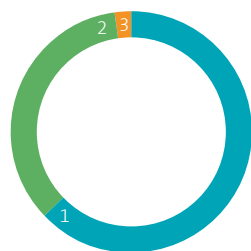
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Total revenue



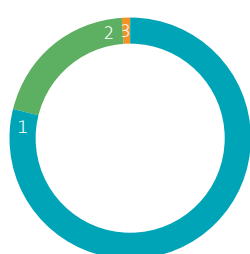
- 1. Full scope components **96%**
- 2. Specific scope components **0%**
- 3. Other procedures **4%**

Total PBT



- 1. Full scope components **63%**
- 2. Specific scope components **35%**
- 3. Other procedures **2%**

Total assets



- 1. Full scope components **79%**
- 2. Specific scope components **20%**
- 3. Other procedures **1%**

Changes from the prior year

Spire Healthcare Group plc acquired one new component in the current financial year which has been assigned as specific scope, being, Vita Health Group. This component has been assigned as specific scope for cash and revenue balances. Six components were dissolved in the year and removed from our audit scope.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the group. The group has determined that the most significant future impacts from climate change on its operations will be from severe and extreme weather patterns, potential changes to laws and regulations, fluctuation in energy prices, and increased costs as a result of measures to reduce carbon emissions. These are explained on pages 75 to 80 in the required Task Force for Climate related Financial Disclosures and on pages 64 to 74 in the principal risks and uncertainties. They have also explained their climate commitments on pages 39 to 44. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

As explained in the group's accounting policies and basis of preparation, the board has not identified any climate related risks or opportunities that would have a material impact on the assets or liabilities of the group. In notes 2, 13 and 14 to the financial statements, significant judgements and estimates relating to climate change have been described on the impairment assessment of property, plant and equipment and intangible assets in addition to financial assets and liabilities.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk. Additionally, we also assessed the costs of energy being appropriately reflected in the assessment of the carrying value of assets, impairment of assets, reduction of economic useful lives of tangible and intangible assets and associated disclosures where values are determined through modelling future cash flows, being the impairment tests of tangible and intangible assets and related disclosures.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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.

Independent auditor's report continued

Risk

**Risk of impairment to intangible and tangible assets**

Refer to the Audit Committee Report (page 107); Accounting policies (page 149); and Note 13 of the Consolidated Financial Statements (page 155 & 156)

At 31 December 2023 the carrying value of property, plant and equipment was £1,618.8m (2022: £1,584.4m) including hospital properties' right of use assets of £633.6m (2022: £618.4m).

The UK economic environment also continues to be challenged by factors including high inflation levels, higher interest rates, an increased cost of living and supply chain disruptions, specifically in the healthcare industry where capacity constraints are being faced, combined with continued pressure on higher wages.

This results in a higher degree of estimation uncertainty which leads us to conclude there to be a higher likelihood of material misstatement within the forecasts used in management's impairment assessments.

No impairment has been recognised (2022: £0m).

**Our response to the risk**

We performed the following procedures:

- We gained an understanding of the process management has in place for impairment assessments 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, by assessing the methodology against the requirements of IAS 36.
- We also confirmed the mathematical accuracy of the models.
- We obtained management's forecasts underlying the impairment review incorporating the continued impact from the macro-economic environment and climate related matters. We agreed them to forecasts approved by the Board.
- We compared the forecast to other external sources such as industry analyst reports to assess the reasonableness of the assumptions applied as well to identify any contrary evidence to assist the audit team in determining the impact of this contrary evidence.
- We challenged management's historical accuracy of forecasting through comparing the budgets to actual results from 2019 to 2022 to determine whether forecast cash flows were reliable based on past experiences.
- We performed sensitivity analysis by testing key assumptions in the model to recalculate a range of potential outcomes in relation to the size of the headroom between the carrying value and the value in use. The sensitivities performed were based on the key assumptions underpinning managements' assessment.
- We have checked that the reasonable possible change assumptions applied by management are reasonable, complete and have been correctly calculated and disclosed

In addition, we worked with our EY internal valuation specialists to:

- Assess the discount rate, benchmarking to external evidence and against industry averages and trends.
- Independently calculate the discount rate and compare this to the discount rate applied in the models by management. We sensitised management's calculation to use the discount rate independently calculated.
- We assessed the inputs applied by management for reasonableness by benchmarking them against peer companies and recent transactions.

*Disclosures*

We evaluated the disclosures in the financial statements against the requirements of IAS 36 Impairment of Assets, in particular in respect of the requirement to disclose sensitivities where a reasonably possible change in key assumptions could cause an impairment.

We performed full and specific scope audit procedures over this risk area in 22 components, which covered 99% of the tangible and intangible assets balance.

**Key observations communicated to the audit committee**

We concluded that the discount rate used by management was at the lower end of the appropriate range determined by EY internal valuation specialists. In addition, we concluded that key assumptions in relation to EBITDA growth, capital maintenance expenditure, discount rates and long-term growth rates applied to the terminal values were reasonable.

We highlighted that a reasonably possible change in key assumptions including a change in EBITDA could lead to impairment charges to property plant and equipment.

We concluded that appropriate disclosures have been made in the financial statements as required.



## Independent auditor's report continued

## Risk

**Revenue recognition: Manipulation of NHS revenue through changes to the pricing master file**

Refer to the Audit Committee Report (page 107); Accounting policies (page 144); and Note 5 of the Consolidated Financial Statements (page 151 & 152)

NHS revenue 2023: £341.2m (2021: £295.4m)

The high volume of patient transactions, for which pricing is derived from the NHS national tariff, leads to a higher likelihood of material misstatement through intentional changes to individual procedural pricing on the pricing master file.

We consider the pressure to achieve forecast results or targets increases the risk of financial reporting manipulation by management.

## Our response to the risk

We have performed the following procedures to gain assurance over NHS pricing:

- We used data analytics to assess the accuracy of all the FY23 NHS billing data to publicly available NHS national tariff base prices, adjusted by Market Force factors.
- For any material portion of the revenue population for which we were unable to agree the price billed to NHS national tariff base prices, e.g. where the price was agreed locally for a specific procedure, we have agreed a sample of this billing data to appropriate audit support. Specifically, we have agreed a sample of this billing data to the underlying signed agreement or, in instances where no current contract or correspondence was available, we traced the settlement of the invoice directly to cash.
- We used data analytics, covering all NHS revenue transactions in the year, to test the correlation between revenue, accrued revenue, accounts receivable and cash.
- We investigated whether there were any pricing disputes with the NHS during the year through discussions with legal counsel, review of minutes and verifying any matters noted to correspondence, where available.
- We obtained a summary of aged NHS receivables and verified that the ageing is appropriate by testing a sample across the different ageing categories. We have performed a search for any large or unusually long outstanding receivables that are outside expected credit terms that may indicate that pricing disagreements exist.
- Whilst we have not relied on any of the work performed by internal audit, we reviewed the results from their individual site audits completed during FY23, to understand if there were any revenue findings specific to NHS pricing which required further enquiry and/or corroboration.
- We performed full scope audit procedures over this risk area in two components which covered 96% of NHS revenue.

## Key observations communicated to the audit committee

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.

**Misstatement due to management posting fraudulent manual journal entries to revenue**

Refer to the Audit Committee Report (page 107); Accounting policies (page 144); and Note 5 of the Consolidated Financial Statements (page 151 & 152)

Our assessment is that the majority of the revenue transactions are non-complex, with no judgement applied over the amount recorded.

We consider there is a potential for management override to achieve revenue targets via topside manual journal entries posted to revenue.

We have performed the following procedures to gain assurance manual journal entries to revenue:

- We performed a walkthrough of the financial statement close process and obtained an understanding of the journal entry process, including the journal entry process for the consolidation, and adjusting journals which are posted directly to the financial statements.
- We performed journal testing by focusing on specific criteria designed to identify journals through which we believe management could post fraudulent manual entries.

Using our data analytics tool, we have understood revenue trends through the use of analytics as follows:

- Analysis of double-entry postings to the related accounts and how these accounts 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.

Based on our audit procedures we concluded that revenue, and adjustments to revenue, are appropriately recognised and recorded.

**Accounting for the acquisition of Vita Health Group in accordance with IFRS 3**

Refer to the Audit Committee Report (page 108); Accounting policies (page 146); and Note 34 of the Consolidation Finance Statements (page 169)

Accounting for business combinations is complex and involves judgement including around the assessment of the fair value of assets and liabilities acquired. The valuation of intangible assets can be a subjective process and there is risk that the accounting treatment may be incorrect.

We performed the following procedures:

- We read and understood the sale and purchase agreement and other documents related to the acquisition.
- We agreed the purchase price paid of £83m to bank statements.
- We performed audit procedures on the acquired opening balance sheet of Vita Health Group and agreed material balances to supporting documentation.
- We obtained an understanding of the internal controls over the preparation of the valuation model and over independent third-party expert advice;
- We evaluated the integrity and expertise of management's valuation advisors;
- We assessed the valuation methodologies and key inputs in determining the purchase price allocation including the discount rate, cash flow forecast and other prospective financial information and the useful lives assigned, with the assistance of our valuation specialists.
- We also reperformed calculations in the valuation models to check mathematical accuracy.
- We read the Group's disclosures in relation to acquisition accounting made in the financial statements to confirm the adequacy of disclosures of the acquisition of Vita Health Group.

Based on the audit procedures performed we concluded that the acquisition of Vita Health Group was accounted for in accordance with IFRS 3, and the fair value adjustments and Purchase Price Allocation were materially correct and appropriately disclosed noting that due to the timing of the acquisition, the initial accounting is not yet complete in line with IFRS 3.

**Independent auditor's report** continued

**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 £5.9 million (2022: £5.1 million), which is 2.5% (2022: 2.5%) of Adjusted EBITDA. We believe that Adjusted EBITDA provides us with the most important metric for the users of the financial statements, being the most important KPI for internal metrics and external analyst expectations.

We determined materiality for the Parent Company to be £12.4 million (2022: £11.6 million), which is 1% (2022: 1%) of Equity.

<b>Starting basis</b>	– EBITDA: £238.2 million
↓	
<b>Adjustments</b>	<ul style="list-style-type: none"> <li>– Adjusted items of £4.2m are recognised in accordance with the Group's accounting policy.</li> <li>– Asset acquisitions, disposals, impairment and aborted project costs (£3.1m)</li> <li>– Business reorganisation and corporate restructuring costs (£2.0m)</li> <li>– Remediation of regulatory compliance or malpractice costs (£-0.9m)</li> </ul>
↓	
<b>Materiality</b>	<ul style="list-style-type: none"> <li>– Total Adjusted EBITDA: £234.0m</li> <li>– Materiality of £5.9m (2.5% Adjusted EBITDA)</li> </ul>

During the course of our audit, we reassessed initial materiality 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% (2022: 50%) of our planning materiality, namely £2.9m (2022: £2.5m). We have set performance materiality at this percentage due to our assessment of the control environment and the history of audit adjustments identified.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.6m to £2.9m (2022: £0.5m to £2.5m).

**Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2022: £0.3m), 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 1-132 and pages 175-180 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Independent auditor's report** continued**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

**Corporate governance statement**

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified 81;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate 81;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities 81;
- Directors' statement on fair, balanced and understandable 132;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks 64;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems 64-67; and;
- The section describing the work of the audit committee 104-109

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 132, 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.

**Independent auditor's report** continued

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 the Companies Act 2006, 2018 UK Corporate Governance Code, the relevant tax compliance regulations in the UK and those administered by the Care Quality Commission in England and the equivalent organisation in Scotland and Wales. 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 London Stock Exchange, the UK Bribery Act 2010 and regulation relating to employment law and data protection.
- 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. We have involved internal specialists as required in assessing compliance with relevant laws and regulations.
- 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; reviewing external specialist reports, 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 16 years, covering the years ending 31 December 2008 to 31 December 2023.
- The audit opinion is consistent with the additional report to the audit 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  
28 February 2024

## Consolidated income statement

For the year ended 31 December 2023

(£m)	Note	2023			2022		
		Total before Adjusting items	Adjusting items (Note 10)	Total	Total before Adjusting items	Adjusting items (Note 10)	Total
<b>Revenue</b>	5	<b>1,359.0</b>	<b>–</b>	<b>1,359.0</b>	1,198.5	–	1,198.5
Cost of sales		<b>(734.8)</b>	<b>–</b>	<b>(734.8)</b>	(660.1)	–	(660.1)
<b>Gross profit</b>		<b>624.2</b>	<b>–</b>	<b>624.2</b>	538.4	–	538.4
Other operating costs		<b>(497.4)</b>	<b>(6.7)</b>	<b>(504.1)</b>	(435.8)	(10.2)	(446.0)
Other income	6	<b>3.6</b>	<b>2.5</b>	<b>6.1</b>	3.0	–	3.0
<b>Operating profit (EBIT)</b>	7	<b>130.4</b>	<b>(4.2)</b>	<b>126.2</b>	105.6	(10.2)	95.4
Finance income	8	<b>1.4</b>	<b>–</b>	<b>1.4</b>	–	–	–
Finance cost	8	<b>(93.0)</b>	<b>–</b>	<b>(93.0)</b>	(91.5)	–	(91.5)
<b>Profit before taxation</b>		<b>38.8</b>	<b>(4.2)</b>	<b>34.6</b>	14.1	(10.2)	3.9
Taxation	11	<b>(6.4)</b>	<b>(0.3)</b>	<b>(6.7)</b>	2.5	1.8	4.3
<b>Profit for the year</b>		<b>32.4</b>	<b>(4.5)</b>	<b>27.9</b>	16.6	(8.4)	8.2
<b>Profit for the year attributable to owners of the parent</b>		<b>31.8</b>	<b>(4.5)</b>	<b>27.3</b>	17.0	(8.4)	8.6
<b>Profit/(loss) for the year attributable to non-controlling interests</b>		<b>0.6</b>	<b>–</b>	<b>0.6</b>	(0.4)	–	(0.4)
<b>Earnings per share (in pence per share)</b>							
– basic	12	<b>7.9</b>	<b>(1.1)</b>	<b>6.8</b>	4.2	(2.1)	2.1
– diluted	12	<b>7.7</b>	<b>(1.1)</b>	<b>6.6</b>	4.1	(2.0)	2.1

The notes on pages 144-169 form an integral part of these financial statements.

## Consolidated statement of comprehensive income

For the year ended 31 December 2023

(£m)	Note	2023	2022
<b>Profit for the year</b>		<b>27.9</b>	8.2
<b>Items that may be reclassified to profit or loss in subsequent periods</b>			
(Loss)/gain on cash flow hedges	21	<b>(4.2)</b>	9.3
Taxation of cash flow hedges		<b>0.9</b>	(2.2)
Other comprehensive (loss)/profit for the year		<b>(3.3)</b>	7.1
<b>Total comprehensive profit for the year, net of tax</b>		<b>24.6</b>	15.3
Attributable to:			
Equity holders of the parent		<b>24.0</b>	15.7
Non-controlling interests		<b>0.6</b>	(0.4)
		<b>24.6</b>	15.3

The notes on pages 144-169 form an integral part of these financial statements.

# Consolidated statement of changes in equity

For the year ended 31 December 2023

(£m)	Note	Share capital (Note 21)	Share premium (Note 21)	Capital reserves (Note 21)	EBT share reserves (Note 21)	Hedging reserve (Note 21)	Retained earnings	Total	Non-controlling interests (Note 16)	Total Equity
<b>As at 1 January 2022</b>		4.0	826.9	376.1	(0.8)	(0.5)	(496.1)	709.6	(4.8)	704.8
Profit / (loss) for the year		–	–	–	–	–	8.6	8.6	(0.4)	8.2
Other comprehensive profit for the year		–	–	–	–	7.1	–	7.1	–	7.1
<b>Total comprehensive profit</b>		–	–	–	–	7.1	8.6	15.7	(0.4)	15.3
Dividends to non-controlling interests		–	–	–	–	–	–	–	(0.2)	(0.2)
Dividends paid in respect of vested share awards		–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Share-based payments	27	–	–	–	–	–	2.3	2.3	–	2.3
Deferred tax adjustment on share-based payments reserve		–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Issue of new shares		–	3.1	–	–	–	–	3.1	–	3.1
Utilisation of EBT shares for share awards		–	–	–	0.8	–	(0.8)	–	–	–
Purchase of non-controlling interest		–	–	–	–	–	0.5	0.5	(0.5)	–
<b>As at 1 January 2023</b>		<b>4.0</b>	<b>830.0</b>	<b>376.1</b>	<b>–</b>	<b>6.6</b>	<b>(485.7)</b>	<b>731.0</b>	<b>(5.9)</b>	<b>725.1</b>
Profit for the year		–	–	–	–	–	27.3	27.3	0.6	27.9
Other comprehensive loss for the year		–	–	–	–	(3.3)	–	(3.3)	–	(3.3)
<b>Total comprehensive profit</b>		–	–	–	–	(3.3)	27.3	24.0	0.6	24.6
Dividends paid		–	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Share-based payments	27	–	–	–	–	–	3.7	3.7	–	3.7
Deferred tax adjustment on share-based payments reserve		–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Settlement on vested share awards		–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Purchase of own shares by EBT		–	–	–	(3.1)	–	–	(3.1)	–	(3.1)
Issue of own shares by EBT in respect of share awards		–	–	–	2.4	–	(2.4)	–	–	–
Additional interest acquired of non-controlling interest		–	–	–	–	–	(3.2)	(3.2)	3.2	–
Financial liability to acquire non-controlling interests		–	–	–	–	–	(9.6)	(9.6)	–	(9.6)
<b>As at 31 December 2023</b>		<b>4.0</b>	<b>830.0</b>	<b>376.1</b>	<b>(0.7)</b>	<b>3.3</b>	<b>(472.8)</b>	<b>739.9</b>	<b>(2.1)</b>	<b>737.8</b>

The notes on pages 144-169 form an integral part of these financial statements.

## Consolidated balance sheet

As at 31 December 2023

(£m)	Note	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,618.8	1,584.4
Intangible assets	14	438.3	345.8
Derivatives	22	0.4	5.0
Financial assets	15	10.0	4.6
		<b>2,067.5</b>	1,939.8
<b>Current assets</b>			
Inventories	17	44.3	40.6
Trade and other receivables	18	121.6	100.5
Derivatives	22	4.0	3.6
Cash and cash equivalents	19	49.6	74.2
		<b>219.5</b>	218.9
Non-current assets held for sale	20	1.1	1.1
		<b>220.6</b>	220.0
<b>Total assets</b>		<b>2,288.1</b>	2,159.8
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	4.0	4.0
Share premium	21	830.0	830.0
Capital reserves	21	376.1	376.1
EBT share reserves	21	(0.7)	–
Hedging reserve	21	3.3	6.6
Retained loss		(472.8)	(485.7)
<b>Equity attributable to owners of the parent</b>		<b>739.9</b>	731.0
Non-controlling interests		(2.1)	(5.9)
<b>Total equity</b>		<b>737.8</b>	725.1
<b>Non-current liabilities</b>			
Bank borrowings	22	361.9	321.4
Lease liabilities	22	793.3	773.7
Financial liabilities	32	9.6	–
Deferred tax liabilities	23	67.9	56.2
		<b>1,232.7</b>	1,151.3
<b>Current liabilities</b>			
Bank borrowings	22	3.4	2.9
Lease liabilities	22	98.4	92.8
Provisions	24	16.4	21.7
Trade and other payables	25	197.1	164.5
Income tax payable		2.3	1.5
		<b>317.6</b>	283.4
<b>Total liabilities</b>		<b>1,550.3</b>	1,434.7
<b>Total equity and liabilities</b>		<b>2,288.1</b>	2,159.8

These consolidated financial statements and the accompanying notes were approved for issue by the board on 28 February 2024 and signed on its behalf by:

**Justin Ash**  
Chief Executive Officer

**Jitesh Sodha**  
Chief Financial Officer

The notes on pages 144-169 form an integral part of these financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2023

(£m)	Note	2023	2022
<b>Cash generated from operations</b>			
Tax paid	28	215.6	181.7
<b>Net cash flows from operating activities</b>		<b>215.5</b>	181.6
<b>Cash flows from investing activities</b>			
Receipt from financial asset		0.7	0.5
Acquisition of a subsidiary, net of cash acquired		(73.2)	(11.3)
Purchase of property, plant and equipment		(84.4)	(87.7)
Proceeds of disposal of property, plant and equipment		0.8	–
Proceeds of disposal of assets held for sale (adjusting items) <sup>1</sup>		–	3.2
Interest received on bank deposits		1.4	–
Movement in restricted cash		(2.5)	–
<b>Net cash used in investing activities</b>		<b>(157.2)</b>	(95.3)
<b>Cash flows from financing activities</b>			
Interest paid and other financing costs		(17.0)	(21.1)
Interest on lease liabilities		(73.0)	(73.5)
Payment of lease liabilities		(27.2)	(20.2)
Proceeds from senior loan facility		–	325.0
Repayment of senior loan facility		–	(425.0)
Draw down on revolving credit facility		60.0	–
Repayment on revolving credit facility		(20.0)	–
Proceeds from the issue of new shares		–	3.1
Purchase of own shares by EBT		(3.1)	–
Purchase of non-controlling interests (adjusting item) <sup>1</sup>		–	(2.7)
Settlement on vested share awards		(0.6)	–
Dividend paid to non-controlling interests		–	(0.3)
Dividends paid to equity holders of the parent		(2.0)	–
<b>Net cash used in financing activities</b>		<b>(82.9)</b>	(214.7)
Net increase in cash and cash equivalents		(24.6)	(128.4)
Cash and cash equivalents at 1 January		74.2	202.6
<b>Cash and cash equivalents at 31 December</b>	19	<b>49.6</b>	74.2
<b>Adjusting items (Note 10)</b>			
Adjusting items paid included in the cash flow		(2.7)	(6.4)
Total pre-tax adjusting items	10	(4.2)	(10.2)

1. Adjusting item was not charged to profit and loss in the prior financial year and is therefore not included in the adjusting items paid included in the cash flow.

The notes on pages 144-169 form an integral part of these financial statements.

# Notes to financial statements

For the year ended 31 December 2022

## 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 2023 were authorised for issue by the board of directors of the company on 28 February 2024.

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 material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with UK-adopted International Accounting Standards (UK-adopted IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial assets and liabilities measured at fair value. The group financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

The preparation of financial statements in accordance with UK-adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Further details on the group's critical judgements and estimates are included in Note 3.

The group has considered the future potential environmental impact on its current and future financial position and considered the impact to below.

### Going concern

The group assessed going concern risk for the period through to 30 June 2025. As at 31 December 2023 the group had cash of £49.6m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £60m. An RCF drawing of £50m was used for the October 2023 acquisition of Vita Health Group with £10m of this being repaid by the end of the year. On 3 March 2023, the group exercised the option to extend the senior loan facility by a further year. The financial covenants relating to this new agreement are materially unchanged and there have been no modifications to the agreement terms.

The group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 30 June 2025, together with their assessment of the planned mitigating actions being successful, the directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

The group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it breaches its financial covenant. 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 21% fall in annual forecast revenue before the group breaches its financial covenant, we believe that the risk of an event giving rise to this size of reduction in revenue is remote.

It should be noted that we are in a period of material geopolitical and macroeconomic uncertainty. Whilst the directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly, the actual financial impact of these risks may materially vary against the current view of their plausible impact.

Further detail on both macroeconomic related risk is provided in the risk management and internal control section on pages 64 to 74.

Other specific scenarios covered by our testing were as follows:

- The group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems
- The downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer
- Significant change in government policy resulting in consultants going on payroll
- Short-term disruption to trade at a sub-set of hospitals owing to an extreme weather event

This review included the following key assumptions:

- No change in capital structure given the group has refinanced its existing senior finance facility and revolving credit facility in February 2022 and exercised the option to extend the senior finance facility for a further year; and
- The government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS

### 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.



**Notes to financial statements** continued**2. Accounting policies** continued**Revenue from contracts with customers** continued

Revenue is recorded as services are transferred to the patient, with the consideration based on the total amount the group expects to receive, taking account of discounts where they are quantifiable and probable. Approximately 70% of the group's revenue is derived from inpatient and daycase admissions. Revenue is recognised day by day, as services are provided to patients. These services are typically provided over a short time frame, that is, one to three days. Outpatient cases and other revenue represent approximately 30% of the group's revenue. Outpatient cases generally do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied. Similarly, other revenue, which includes consultant revenue, and other third-party revenue streams, is recognised when performance obligations are satisfied and the control of goods or services is transferred.

The group reports disaggregated revenue by material revenue stream (ie type of payor: PMI, NHS and self-pay) and other revenue which includes consultant revenue, third-party revenue streams (eg pathology services), 'commissioning for quality and innovation payments' (CQUIN) and rehabilitation, counselling and physiotherapy revenue. Material revenue streams are consistent in nature, being the consideration received in return for the provision of healthcare services to patients. The timing and uncertainty of cash flows is similar for PMI and NHS business while self-pay revenue is received in advance or collected by credit card shortly after treatment. In addition, where possible and meaningful, Spire Healthcare reports revenue split between inpatient/daycase, outpatient and other. As noted above, in all cases, revenue is recognised as performance obligations are completed in the form of services being provided to patients. Unbilled revenue is accrued at period ends. Invoices for the combination of services provided to patients are generally produced within three days of discharge.

As a result of the in-year acquisition other revenue for 2023 includes rehabilitation, counselling and physiotherapy revenue which is recognised over the period to which it relates. The majority of the revenue is received under multi-year contracts spread over the term of the contract.

**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, and recovery of insurance claims.

**Operating profit**

Operating profit is the profit arising from the normal, recurring operations of the business and after charging adjusting items, as defined below. Operating profit is adjusted to exclude adjusting items to calculate the Key Performance Indicator (KPI) 'Operating profit before adjusting items (adjusted EBIT)'.

**Adjusting items**

Adjusting items are those items which the directors believe, by virtue of their nature, size or incidence, either individually or in aggregate, should be disclosed separately to allow a full understanding and comparison of the underlying performance of the group. Examples of items which may be considered this way in nature include significant write-downs of goodwill and other assets, restructuring costs relating to strategic review, impairments, hospital closures and set-up costs, business acquisition costs, medical malpractice provisions, aborted project costs and compliance set-up costs.

**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.

The group has applied the mandatory temporary exemption in IAS 12 Income Taxes to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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 is recognised when it is not probable that the tax authority will accept the uncertain tax position, 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:

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 does not give rise to equal taxable and deductible temporary differences.
- 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

It should be noted that the initial recognition exception does not apply to the majority of the group's freehold property portfolio as these were acquired through the Bupa and Classics acquisitions in 2007 and 2008, which were accounted for as a business combination.

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.

## Notes to financial statements continued

**2. Accounting policies** continued**Taxation including deferred taxation** continued

In assessing the recoverability of deferred tax assets, the group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased costs as a result of measures to reduce carbon emission.

A deferred tax asset, subject to the offsetting above, is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

**Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Major projects are treated as assets in the course of construction until completed when they are transferred to the appropriate asset class. No depreciation is charged on freehold land or assets in the course of construction. Other assets are depreciated so as to write off the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Freehold property and improvements	– 5 to 60 years
Leasehold improvements	– lower of unexpired lease term or expected life, with a maximum of 35 years
Equipment	– 3 to 10 years

The expected useful lives and residual values of property, plant and equipment are reviewed semi-annually and revised as appropriate. The review of the asset lives and residual values of properties takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals. In addition, the potential impact of future climate change is considered. In the case of major facilities opening in new locations, depreciation may be applied to only those assets available for use at the official opening date to reflect that the site is not always fully operational at this opening date.

**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 (ie 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
- 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).

**Intangible assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset is separable or arises from contractual or other legal rights.

As at 31 December 2023 the intangible assets, other than goodwill are assessed to have finite lives.

Amortisation is recognised so as to write off the cost or carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Customer contracts	– 13 to 15 years
IT projects	– 20% straight line
Mobilisation costs	– in line with relevant customer contract length which is typically between 5 to 10 years <sup>1</sup>

## Notes to financial statements continued

**2. Accounting policies continued****Intangible assets other than goodwill** continued

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

*Mobilisation costs*

Mobilisation costs within intangible assets have been recognised on acquisition of Vita Health Group Limited and relate to set-up costs when a new NHS contract is won. These costs are incurred for the benefit of running the contract over its entire term and are classified as intangible assets as these costs are incremental costs of obtaining the contract as determined under IFRS 15. The group's policy is to capitalise these costs and amortise them over the fixed term of the contract on a straight-line basis.

**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.

**Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets other than derivatives****Initial recognition and measurement**

Financial assets are classified as financial assets at fair value through profit or loss, amortised cost or fair value through other comprehensive income (OCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The company's financial assets include cash and short-term deposits, trade and other receivables, unbilled receivables and receivables from profit share arrangements. Unbilled receivables may include contract assets where the performance obligation has been met, but the invoice not raised due to agreement with the

customer being required in respect of the variable consideration. Unbilled receivables can also include amounts where the performance obligation has been met, but the invoice not yet raised due to the timing of the reporting period.

**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 cost of living) and increased the loss rates accordingly.

## Notes to financial statements continued

**2. Accounting policies** continued**Financial Instruments** continued**ii) Financial liabilities other than derivatives**

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or at amortised cost. The group determines the classification of financial liabilities at initial recognition.

**Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

**Subsequent measurement**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and interest payable in the consolidated income statement. Amortised cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement.

**Financial liabilities to purchase own equity instruments**

Financial agreements entered into with non-controlling interests for the future purchase of the remaining interest is recognised as a financial liability measured initially at fair value where there is an obligation on the group to settle a liability. On initial recognition the financial liability is recognised through equity. In subsequent periods, the liability will be measured at amortised cost with changed in the expected cash flows recognised in the income statement. Cash flows are discounted using the weighted average cost of debt.

**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 into 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.

**Borrowing costs**

Borrowing costs that are directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**Provisions**

A provision is recognised in the consolidated balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk-adjusted, future cash flows at a pre-tax risk-free rate. Management consider their best estimate of the likely outcomes of the obligation when determining the recognition. Where a material range of outcomes could arise, details are disclosed accordingly. Provisions are measured gross of any expected insurance recovery. Any such insurance recoveries are recognised in other receivables when the receipt of them is judged virtually certain.

**Leases**

At inception, the group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the group obtains substantially all the economic benefits from the use of that asset, and whether the group has the right to direct the use of the asset when considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. After initial recognition, the lease liability is measured at amortised cost using the effective interest method. A reassessment of the lease liability occurs when there is a change in lease payments. The incremental borrowing rate is only revised where the change in payments is a result of a change in floating interest rates, lease term change or a change in assessment relating to the exercise of purchase option charges.

The group has elected not to separate lease and non-lease components for leases of vehicles or buildings.

**Notes to financial statements** continued**2. Accounting policies** continued**Leases** continued

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 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) or rate. When the lease contains an extension or purchase option that the group considered reasonably certain to be exercised, the cost of the option is included in the lease payments. The incremental borrowing rate is used to discount the lease payments over the term of the lease.

ROU assets are categorised to reflect the nature of the underlying asset and to be consistent with the plant, property and 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.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium. Where the employee benefit trust purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders in both the company and the consolidated balance sheet until the shares are cancelled or reissued.

**Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividend is approved by the company's shareholders. Interim dividends are recognised when paid.

**Pensions**

The group operates the Spire Healthcare Pension Plan, a defined contribution scheme. The assets of the scheme are held separately from those of the group in independently administered funds.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

**Other employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonuses if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Share based payments**

The group operates a number of equity-settled share-based payment schemes under which the group receives services from employees as consideration for equity instruments of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The group has estimated the relevant fair value of the share options and awards, which are subject to total shareholder return (TSR) market-related performance criteria, using a Monte Carlo simulation model (see Note 27). This applies to LTIP Awards and Deferred Share Bonus Schemes.

The group also operates a Save-As-You-Earn (SAYE) scheme, which is open to all employees. Employees are required to save a fixed amount, up to a cap, every month for three years. At the end of the three year period employees are entitled to use their savings to purchase shares in the company at a stated exercise price. Employees are free to stop contributing to the scheme and obtain a refund of contributions at any time, but forfeit their entitlement to exercise the options if they do so. Payment of contributions into a SAYE scheme is not a vesting condition; it does not meet the definition of a performance condition because it has no link to service. Failure to meet a non-vesting condition (eg 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.

**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.

## Notes to financial statements continued

**2. Accounting policies continued****Impairment** continued

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset. As part of this, the group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase costs. These risks in relation to climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount. The group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared for each CGU. The forecasts generally cover a five-year period. A long-term growth rate is calculated and applies to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in other operating costs. Impairment is likely to be considered an Adjusting item.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

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 and estimates****New standards, interpretations and amendments applied**

The following amendments to existing standards were effective for the group from 1 January 2023. Other than some additional disclosures, these amendments have not had a material impact.

	Effective date*
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules	1 January 2023
IFRS 17 – Insurance contracts	1 January 2023

\* 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 UK.

**New standards, interpretations and amendments in issue, but not yet effective**

As at date of approval of the group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the group but not yet effective and thus, have not been applied by the group:

	Effective date*
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16 – Lease Liability in a sale and leaseback	1 January 2024
Amendments to IAS 21 – Lack of exchangeability	1 January 2025

\* 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.

**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.

**Judgements****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.

**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 and includes the 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.

**Significant accounting estimates**

The preparation of the group's consolidated financial statements includes the use of estimates and assumptions. The significant accounting estimates with a significant risk of a material change to the carrying value of assets and liabilities within the next year in terms of IAS 1, 'Presentation of Financial Statements', are:

**Identified intangible assets in a business combination**

Estimation is required in determining the fair value of assets and liabilities acquired in a business combination. In determining the fair value of intangible assets, being customer contracts, management have obtained an external valuation and made judgements in relation to the nature of the contracts, future expected cash flows related to current contracts, rate of customer contract renewal, estimated useful life of the contract and an appropriate discount rate for the acquiree.

## Notes to financial statements continued

**3. Critical accounting judgements and estimates** continued**Significant accounting estimates** continued**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 are considered to be most critical in reviewing goodwill for impairment are contained in Note 14.

**Property impairment**

Property, including property ROU assets, is considered for indicators of impairment at each reporting date, or earlier if a trigger indicates, as set out in the impairment policy. The recoverable amount, being the value-in-use, requires the group to estimate cash flows expected to arise in the future, taking into account market conditions. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. The present value of these cash flows is determined using an appropriate discount rate.

The assumptions are considered to be most critical in reviewing properties for impairment are contained in Note 13.

**Other areas of accounting estimates**

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates and critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties. The other areas of accounting estimates and judgement are:

**Leases**

The present value of the lease payment is determined using the discount factor (incremental borrowing rate) which is based on a risk free UK gilt rate plus an applicable credit spread or margin to reflect the credit standing of the group observed in the period when the lease contract commences or is modified. The incremental borrowing rate applied reflects a rate for a similar term and security to that of the lease and is determined at inception.

Details of incremental borrowing rates can be found in Note 22.

**Expected credit losses**

The group has not changed the methodology in respect of the expected credit loss (ECL) calculations. The group's customer profile includes large organisations that have stable credit ratings, and the payment profiles have remained stable for historical debts. The exception to this is patient debt where economic circumstances can have a significant impact and, given the current economic uncertainty, remains the highest risk for the group. The ECL as at December 2023 is £5.5 million (December 2022: £5.0 million). See Note 18.

**Provisions for medical malpractice**

In response to the publication of the Public Inquiry report on Paterson on 4 February 2020 the group established a provision in respect of the implementation of the recommendations, which included a detailed patient review and support for patients. The provision is utilised for patient claim settlements. The variables include the number of patients which are found to have been harmed following review, the level of harm, and the associated compensation claim. The project is complex and the process for review and settlement takes time. 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 costs and settlement of claims. This provision remains subject to ongoing review.

Details of the provision can be found in Note 24.

**Climate-related risk and opportunities on the financial statements**

To date, the board has not identified any climate-related risks or opportunities that would have a material impact on the assets or liabilities of the group, and therefore has not adjusted financial balances for climate-related risks or opportunities.

**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)	2023	2022
Audit of these financial statements	1.2	1.0
Audit of the financial statements of subsidiaries of the company pursuant to legislation	0.3	0.3
Audit-related assurance services	0.1	0.1
<b>Total</b>	<b>1.6</b>	<b>1.4</b>

**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.

## Notes to financial statements continued

## 5. Segmental reporting continued

Revenue by location (inpatient, daycase or out-patient) and wider customer (payor) group is shown below:

(£m)	2023	2022
Inpatient	535.5	487.5
Daycase	399.9	348.0
Out-patient	365.4	333.1
Other <sup>1</sup>	58.2	29.9
<b>Total revenue</b>	<b>1,359.0</b>	<b>1,198.5</b>
Insured	615.7	538.7
Self-pay	344.0	338.0
NHS	341.1	295.4
Other <sup>1</sup>	58.2	26.4
<b>Total revenue</b>	<b>1,359.0</b>	<b>1,198.5</b>

1. Other revenue includes fees paid to the group by consultants (eg for the use of group facilities and services), third-party revenue (eg pathology services to third parties) and rehabilitation, counselling and physiotherapy revenue from the recent VHG acquisition.

Group revenues increased 13.4% to £1,359.0 million (2022: £1,198.5 million). The increase is driven by demand for private healthcare which remained strong throughout the year. The group's self-pay business remained robust with revenue up year-on-year delivered through a strong focus on mix, where it targeted more complex, higher margin treatments in orthopaedics, while scaling back in high volume but low value areas such as ophthalmology and cosmetics. Included in other revenue is £31.4 million related to new services of which £18.3 million of revenue relates to our recent acquisition of Vita Health Group and £13.1 million (2022: £0.1 million) relates to The Doctors Clinic Group acquired in the prior year. Revenue from new services were not material in FY23. From FY24, new services will be presented separately.

## 6. Other income

(£m)	2023	2022
Fair value movement on financial asset	2.8	2.3
Realised profit in respect of financial asset	0.8	0.7
Settlement from an insurer (adjusting items)	2.5	–
<b>Total other income</b>	<b>6.1</b>	<b>3.0</b>

The fair value movement and realised profit in respect of the financial asset reflect the on-going profit share arrangement with Genesis Care which arose as part of the sale of the Bristol Cancer Centre sold in 2019.

## 7. Operating profit

Arrived at after charging/(crediting):

(£m)	2023	2022
Depreciation of property, plant and equipment (see Note 13)	65.5	64.2
Depreciation of right-of-use assets (see Note 13)	37.5	33.7
Amortisation of intangible assets	0.6	–
Acquisition-related transaction costs (adjusting Item) (see Note 10)	2.5	1.8
Lease payments made in respect of low value and short leases	18.6	13.6
Provision following a court judgement related to Ian Paterson (adjusting Item) (see Note 10)	2.5	0.3
Impairment on assets held for sale (see Note 20)	–	0.5
Movement on the provision for expected credit losses of trade receivables (see Note 18)	0.5	0.9
(Profit) / loss on disposal of property, plant and equipment	(0.3)	0.3
Fair value adjustment on financial liability	–	0.8
Staff restructuring costs (see Notes 9)	2.0	4.5
Staff costs (net of staff restructuring costs and including share-based payment charge) (see Note 9 and 27)	475.2	413.9

Inventory recognised as an expense in the current year is disclosed in Note 17.

## 8. Finance income and costs

(£m)	2023	2022
<b>Finance income</b>		
Interest income on bank deposits	1.4	–
<b>Total finance income</b>	<b>1.4</b>	<b>–</b>
<b>Finance cost</b>		
Interest on bank facilities	18.5	12.4
Refinancing fees	–	1.0
Amortisation of fee arising on facilities extensions/borrowing costs <sup>1</sup>	1.5	1.5
Accelerated amortisation and loss on extinguishment of loan <sup>1</sup>	–	3.1
Interest on obligations under leases	73.0	73.5
<b>Total finance costs</b>	<b>93.0</b>	<b>91.5</b>
<b>Total net finance costs</b>	<b>91.6</b>	<b>91.5</b>

1. £5.0 million of borrowing costs were capitalised on the refinancing of the senior facility, these are being amortised. In the prior year £3.1 million of unamortised fees on the old facility were charged to the profit and loss in the year on the extinguishment of the old facility.



## Notes to financial statements continued

## 9. Staff costs

(No.)	2023	2022
The average number of persons employed by the group (including directors) during the year:		
Clinical	7,455	7,388
Non-clinical	5,514	5,227
Central	776	614
<b>Total</b>	<b>13,745</b>	<b>13,229</b>

(No.)	2023	2022
The average number of full-time equivalent persons employed by the group during the year:		
Clinical	5,831	5,539
Non-clinical	4,349	4,017
Central	695	538
<b>Total</b>	<b>10,875</b>	<b>10,094</b>

The aggregate payroll costs of these persons were as follows:

(£m)	2023	2022
Wages and salaries	398.7	348.0
Social security costs	38.9	34.7
Pension costs, defined contribution scheme	35.9	33.4
Aggregate payroll costs excluding share based payments	473.5	416.1
Share based payment charge	3.7	2.3
<b>Aggregate payroll costs</b>	<b>477.2</b>	<b>418.4</b>

There were £1.6 million wages and salaries and social security costs for year ended 31 December 2023 in Adjusting items (2022: £4.7 million) of which £1.0 million relate to business restructuring costs and which are included in staff costs (2022: £4.5 million), and are set out in Note 7.

Pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2022 were £3.7 million (2022: £2.7 million).

## 10. Adjusting items

(£m)	2023	2022
Asset acquisitions, disposals, impairment and aborted project costs	3.1	4.3
Business reorganisation and corporate restructuring costs	2.0	4.5
Remediation of regulatory compliance or malpractice costs	(0.9)	1.1
Hospital set up and closure costs	–	0.3
<b>Total pre-tax adjusting items</b>	<b>4.2</b>	<b>10.2</b>
Income tax credit on adjusting items	0.3	(1.8)
<b>Total post-tax adjusting items</b>	<b>4.5</b>	<b>8.4</b>

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

Asset acquisitions, disposals, impairment and aborted project costs of £3.1m mainly relate to asset acquisitions. In October 2023, the group acquired 100% of the share capital in Vita Health Group Limited for £83.0 million as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £2.5 million have been incurred in the period. Costs for integration are expected to continue into FY24. £0.4 million of integration related costs have been incurred following the acquisition of The Doctors Clinic Group in December 2022.

In the prior year, the costs mainly related to Claremont Hospital and the purchase of the remaining non-controlling interest, and an impairment of £0.5 million was recognised on the St Saviours property which was sold in H2 2022.

During H2 21, the group announced a strategic, group-wide initiative that impacts the operating model of the group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £2.0 million (2022: £4.5 million) has been incurred. The initial phase of the initiative was completed in 2022, with the majority of the project completed in 2023. It is expected that some costs will be incurred in 2024 as the project enters into the next strategic phase.

The group has recognised a credit of £0.9 million during the year in respect of Remediation of Regulatory Compliance or Malpractice Costs relating to Paterson. This comprises £2.5 million funds received from its insurer and £0.9 million reduction in provision which had been held to resolve the matter. This is offset by an increased separate provision in respect of Paterson by £2.5 million (2022: £0.9 million), which relates to a detailed patient review initiative which commenced in 2021, supporting patients of Paterson. During 2023 the group has re-evaluated the expected cost of completing this complex project, and its associated settlement of patient claims.

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

## 11. Taxation

(£m)	2023	2022
Current tax		
UK corporation tax expense	0.9	0.1
Adjustments in respect of prior years	(1.3)	(0.7)
Total current tax credit	(0.4)	(0.6)
Deferred tax		
Origination and reversal of temporary differences	10.0	(2.6)
Adjustments in respect of prior years	(2.9)	(1.1)
Total deferred tax charge/(credit)	7.1	(3.7)
<b>Total tax charge/(credit)</b>	<b>6.7</b>	<b>(4.3)</b>

In addition to the above, a credit of £0.9 million has been recognised in Other Comprehensive income (2022: £2.1 million charge) and £0.3 million credit (2022: £0.1 million charge) through equity. The £0.3 million credit through equity relates to movements on share-based payments, and reflects a £0.5 million deferred tax charge, offset by a current tax credit of £0.8 million.

## Notes to financial statements continued

**11. Taxation continued**

Corporation tax is calculated at 23.5% (2022: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year is 19.4%, although not truly reflective of the current year position as a result of adjustments to the prior years (2022: not meaningful as a result of adjustments in respect of prior years and movements on deferred tax which are not directly linked to profit). Excluding the adjustments to prior years in 2023, the effective tax rate is 31.5%. The adjustments to prior years includes the recognition of a deferred tax asset in respect of Corporate Interest restrictions which has recognised a credit of £3.3 million for deferred tax purposes, as well as the recognition of deferred tax on acquired losses of £1.9 million in respect of an acquisition. In the prior year, the group reassessed the useful life and residual value of its freehold property portfolio. This resulted in a one-off deferred tax credit of £9.0 million. 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)	2023	2022
Profit before taxation	34.6	3.9
Tax at the standard rate	8.1	0.7
Effects of:		
Expenses and income not deductible or taxable	3.2	8.2
Tax adjustment for the super-deduction allowance	(0.8)	(2.6)
Impairment charge in respect of held for sale assets (not tax deductible)	–	0.1
One-off impact of revision to useful economic life and residual value of freehold property portfolio (deferred tax)	–	(9.0)
Reallocation to equity	–	–
Adjustments to prior year	(4.2)	(1.8)
Difference in tax rates	0.2	0.1
Deferred tax not previously recognised	0.2	–
Total tax charge/(credit)	6.7	(4.3)

Expenses and income not deductible or taxable relate mostly to depreciation on non-qualifying fixed assets, disallowable entertaining and legal and professional fees.

The current year and prior year charges are driven by expenses not deductible for tax purposes, offset by adjustments to prior year and the claim of the super deduction for capital allowance purposes.

The group does not hold any uncertain tax positions under IFRIC 23 at the year-end (2022: none).

Pillar Two legislation, reflecting the OECDs Base Erosion Profit Shifting ('BEPs') framework, seeks to enforce a minimum tax rate on large and multinational groups in each jurisdiction in which it operates. This legislation has been enacted or substantively enacted in the UK, being the only jurisdiction in which the group operates.

The legislation will be effective for the group's financial year beginning 1 January 2024. The group has performed an assessment of the group's potential exposure to Pillar Two income taxes.

This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the group. Based on the assessment performed, Pillar Two effective tax rates in the UK, being the only jurisdiction in which the group operates, has been above 15% in the current and previous financial years, and management is not currently aware of any circumstances under which this might change. Therefore, the group does not expect a potential exposure to Pillar Two top-up taxes.

**12. Earnings per share (EPS)**

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Profit for the year attributable to ordinary equity holders of the parent (£m)	27.3	8.6
Weighted average number of ordinary shares for basic EPS (No.)	404,117,249	402,756,797
Adjustment for weighted average number of shares held in EBT	(468,363)	(77,501)
Weighted average number of ordinary shares in issue (No.)	403,648,886	402,679,296
<b>Basic earnings per share (in pence per share)</b>	<b>6.8</b>	<b>2.1</b>

For dilutive EPS, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options. Refer to the remuneration committee report for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS.

	2023	2022
Profit for the year attributable to ordinary equity holders of the parent (£m)	27.3	8.6
Weighted average number of ordinary shares in issue (No.)	403,648,886	402,679,296
Adjustment for weighted average number of contingently issuable shares	9,494,645	9,363,470
Diluted weighted average number of ordinary shares in issue (No.)	413,143,531	412,042,766
<b>Diluted earnings per share (in pence per share)</b>	<b>6.6</b>	<b>2.1</b>

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):

	2023	2022
Profit for the year attributable to owners of the parent (£m)	27.3	8.6
Adjusting items (see Note 10)	4.5	8.4
Adjusted profit (£m)	31.8	17.0
Weighted average number of Ordinary Shares in issue	403,648,886	402,679,296
Weighted average number of dilutive Ordinary Shares	413,143,531	412,042,766
<b>Adjusted basic earnings per share (in pence per share)</b>	<b>7.9</b>	<b>4.2</b>
<b>Adjusted diluted earnings per share (in pence per share)</b>	<b>7.7</b>	<b>4.1</b>

## Notes to financial statements continued

## 13. Property, plant and equipment

(£m)	Freehold property	Leasehold improvements	Equipment	Assets in the course of construction	Right-of-use (ROU)	Total
<b>Cost:</b>						
At 1 January 2022	845.3	177.7	480.6	10.9	825.9	2,340.4
Additions	8.5	6.4	55.9	19.3	–	90.1
Acquisition of a subsidiary (Note 32)	–	–	0.6	–	–	0.6
Additions to ROU assets	–	–	–	–	4.9	4.9
Adjustments to existing assets (eg indexation)	–	–	–	–	34.0	34.0
Disposals	(3.6)	(3.7)	(71.8)	–	(0.9)	(80.0)
Transfers	–	–	(10.0)	–	10.0	–
<b>At 1 January 2023</b>	<b>850.2</b>	<b>180.4</b>	<b>455.3</b>	<b>30.2</b>	<b>873.9</b>	<b>2,390.0</b>
Additions	7.2	12.1	42.3	22.3	–	83.9
Acquisition of a subsidiary (Note 32)	–	–	1.3	–	1.3	2.6
Additions to ROU assets	–	–	–	–	14.7	14.7
Adjustments to existing assets (eg indexation)	–	–	–	–	36.7	36.7
Disposals	(0.7)	(2.4)	(21.6)	(0.4)	(0.1)	(25.2)
Transfer	3.7	13.3	9.9	(26.9)	–	–
<b>At 31 December 2023</b>	<b>860.4</b>	<b>203.4</b>	<b>487.2</b>	<b>25.2</b>	<b>926.5</b>	<b>2,502.7</b>

## Accumulated depreciation and impairment:

At 1 January 2022	189.0	54.4	320.8	–	222.7	786.9
Charge for the year	12.3	9.3	42.6	–	33.7	97.9
Disposals	(3.1)	(3.6)	(71.6)	–	(0.9)	(79.2)
<b>At 1 January 2023</b>	<b>198.2</b>	<b>60.1</b>	<b>291.8</b>	<b>–</b>	<b>255.5</b>	<b>805.6</b>
Charge for the year	12.2	9.8	43.5	–	37.5	103.0
Disposals	(0.6)	(2.4)	(21.6)	–	(0.1)	(24.7)
Transfers	(0.2)	–	0.2	–	–	–
<b>At 31 December 2023</b>	<b>209.6</b>	<b>67.5</b>	<b>313.9</b>	<b>–</b>	<b>292.9</b>	<b>883.9</b>

## Net book value:

<b>At 31 December 2023</b>	<b>650.8</b>	<b>135.9</b>	<b>173.3</b>	<b>25.2</b>	<b>633.6</b>	<b>1,618.8</b>
At 31 December 2022	652.0	120.3	163.5	30.2	618.4	1,584.4

The net book value of land is £156.3 million (2022: £156.3 million). Nine of the group's freehold properties are pledged as security against the senior finance facility, the net book value of these properties are £124 million (2022: £157.6 million). There were no borrowing costs capitalised during the year ended 31 December 2023 (2022: Nil).

## Impairment testing

The directors consider property and property right-of-use assets for indicators of impairment semi-annually. As equipment and leasehold improvements do not generate independent cash flows, they are considered alongside the property as a single cash-generating unit (CGU). When making the assessment, the value-in-use of the property is compared with its carrying value in the accounts. Where headroom is significant, no further work is undertaken. Where headroom is minimal, a detailed assessment is performed for the property, which includes identifying the factors resulting in limited headroom and undertaking financial forecasts to assess the level of sensitivity this has to key assumptions.

In order to estimate the value-in-use, management has used trading projections covering the period to December 2028 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. To the extent that there was a shortfall between the recent actual cash flows and forecast, the future cash flows have been adjusted to reflect any initiatives implemented by management to address the underlying cause. In addition, management consider the potential financial impact from short-term climate change scenarios, and the cost of initiatives that have substantially commenced by the group to manage the longer-term climate impacts.

## Key assumptions

Management identified a number of key assumptions relevant to the value-in-use calculations, being EBITDA growth over the five-year period, capital maintenance spend, discount rates and long-term growth rates. The assumptions are based on past experience and external sources of information.

There was one property triggered for detailed review in the period owing to the relatively lower level of headroom. Management has performed a sensitivity analysis on these properties using reasonably possible changes for each key assumption, keeping all other assumptions constant. The sensitivity analysis included an assessment of the break-even point for each of the key assumptions.

The trading projections for the five-year period underlying the value-in-use reflect a growth in EBITDA. EBITDA is based on a number of elements of the operating model over the longer term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation.

The property triggered for detail review has headroom (amount that recoverable amount exceeded the carrying amount) of £3.9 million. The sensitivity analysis identified that a reasonably possible change in the EBITDA growth over the five year period for the triggered property, would result in the elimination of headroom. The average annual EBITDA growth over the five years is 8.8%. The annual EBITDA over the five year period would have to decrease by 16.0% per annum to eliminate the headroom.

During the year the group moved to a post IFRS 16 discount rate, the group has used a pre-tax discount rate of 11.5% (2022: 10.6% adjusted for the effect of IFRS 16). A long-term growth rate of 2.0% has been applied to cash flows beyond 2028 based on a long-term view of inflation, revenue growth and market conditions. Capital maintenance spend is based on historic run rates and our expectations of the group's requirements. The sensitivity testing identified no reasonably possible changes in the discount rate, capital maintenance and long-term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

As a result, management believe that some of the key impairment review assumptions constitute a major source of estimation uncertainty as they consider that there is a significant risk of a material change to its estimate of these assumptions within the next 12 months.

## Notes to financial statements continued

## 13. Property, plant and equipment continued

## Right-of-use (ROU) assets

(£m)	Leasehold property	Equipment and motor vehicles	Total
<b>Cost:</b>			
At 1 January 2022	815.5	10.4	825.9
New leases entered	0.4	4.5	4.9
Adjustments to existing assets (eg indexation)	34.0	–	34.0
Disposals	(0.1)	(0.8)	(0.9)
Transfers	–	10.0	10.0
<b>At 1 January 2023</b>	<b>849.8</b>	<b>24.1</b>	<b>873.9</b>
New leases entered	4.3	10.4	14.7
Acquisition of a subsidiary (Note 32)	1.3	–	1.3
Adjustments to existing assets (eg indexation)	36.7	–	36.7
Disposals	–	(0.1)	(0.1)
<b>At 31 December 2023</b>	<b>892.1</b>	<b>34.4</b>	<b>926.5</b>
<b>Accumulated depreciation and impairment:</b>			
At 1 January 2022	218.2	4.5	222.7
Charge for year	29.9	3.8	33.7
Disposals	(0.1)	(0.8)	(0.9)
<b>At 1 January 2023</b>	<b>248.0</b>	<b>7.5</b>	<b>255.5</b>
Charge for the year	31.8	5.7	37.5
Disposals	–	(0.1)	(0.1)
<b>At 31 December 2023</b>	<b>279.8</b>	<b>13.1</b>	<b>292.9</b>
<b>Net book value:</b>			
<b>At 31 December 2023</b>	<b>612.3</b>	<b>21.3</b>	<b>633.6</b>
At 31 December 2022	601.8	16.6	618.4

## 14. Intangible assets

(£m)	Goodwill	Customer contracts	IT projects	Mobilisation costs	Total
<b>Cost or valuation:</b>					
<b>At 1 January 2022</b>	535.8	–	–	–	535.8
Acquisition of a subsidiary	11.1	–	–	–	11.1
Adjustment to prior year goodwill acquired	(0.1)	–	–	–	(0.1)
<b>At 31 December 2022</b>	546.8	–	–	–	546.8
Acquisition of a subsidiary	65.3	20.6	4.3	2.4	92.6
Additions	–	–	0.3	0.2	0.5
<b>At 31 December 2023</b>	<b>612.1</b>	<b>20.6</b>	<b>4.6</b>	<b>2.6</b>	<b>639.9</b>
<b>Impairment:</b>					
<b>At 1 January 2022 and 31 December 2022</b>	201.0	–	–	–	201.0
Amortisation charge during the year	–	0.2	0.3	0.1	0.6
<b>At 31 December 2023</b>	<b>201.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.1</b>	<b>201.6</b>
<b>Carrying amount:</b>					
<b>At 31 December 2023</b>	<b>411.1</b>	<b>20.4</b>	<b>4.3</b>	<b>2.5</b>	<b>438.3</b>
At 31 December 2022	345.8	–	–	–	345.8

## Acquisition during the year

On 18 October 2023, the group acquired 100% of the voting shares of Vita Health Group, a non-listed company based in England who are a provider of mental and physical health services in the UK, for a net cash consideration of £73.2 million generating goodwill of £65.3 million. On acquisition the group acquired £27.3 million of other intangible assets relating to IT projects, mobilisation costs related to NHS contracts and customer relationship contracts. In determining the fair value of intangible assets acquired in line with IFRS 3 the group obtained an independent valuation of customer contracts relating to NHS and corporate contracts and recognised acquired intangibles of £20.1 million.

## Impairment testing

The directors treat the hospital business and The Doctors Clinic Group as separate cash-generating units for the purposes of testing goodwill for impairment as the goodwill can be reliably allocated. The goodwill recognised for the VHG acquisition has not yet been allocated as the initial accounting is not yet complete. The recoverable amount of goodwill is calculated by reference to its estimated value-in-use. In order to estimate the value-in-use, management has used trading projections covering the period to December 2028 from the most recent board-approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. In addition, management consider the potential financial impact from short-term climate change scenarios, and the cost of initiatives by the group to manage the longer-term climate impacts.

## Notes to financial statements continued

**14. Intangible assets continued***Key assumptions*

Management identified a number of key assumptions relevant to the value-in-use calculations, being EBITDA growth over the five-year period, capital maintenance spend, discount rates and long-term growth rates. The assumptions are based on past experience and external sources of information.

Management has performed a sensitivity analysis using reasonably possible changes for each key assumption, keeping all other assumptions constant. The sensitivity analysis included an assessment of the break-even point for each of the key assumptions.

The table below provides the headroom and the reasonably possible change identified in the sensitivity analysis mentioned above which would result in the elimination of headroom.

	Headroom £m	Average EBITDA growth over the five year period	Sensitivity for decrease of EBITDA per annum
Hospital business	793.7	9.0%	23.2%
The Doctors Clinic Group ("DCG")	7.2	87.9%	30.3%

The trading projections for the five-year period underlying the value-in-use reflect a growth in EBITDA. EBITDA is dependent on a number of elements of the operating model over the longer term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. During the year DCG made a small loss owing to the effect of integration costs, one off investments in new clinics and a planned delay in the offer of in-house laboratory services. This is now rolling out and 2024 is expected to see a return to profitability, which is factored into the growth in EBITDA.

During the year the group moved to a post IFRS 16 discount rate, and has used a pre-tax discount of 11.5% (2022: 10.6% adjusted for the effect of IFRS 16).

A long-term growth rate of 2.0% has been applied to cash flows beyond 2028 based on long-term view of inflation and market conditions. Capital maintenance spend is based on historic run rates and our expectation of the group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long-term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

As a result, management believe that some of the key impairment review assumptions constitute a major source of estimation uncertainty as they consider that there is a significant risk of a material change to its estimate of these assumptions within the next 12 months.

**15. Financial assets**

Financial assets consist of a £7.5 million (2022:£4.6 million) profit share arrangement and a prepayment of the Montefiore option to purchase the remaining 25% interest £2.5 million (2022:nil). Refer to Note 32 for further information relating to the non-controlling interest option.

On 31 October 2019, the group entered into a profit share arrangement with Genesis Care. The agreement provides the group with an entitlement to a gross profit share relating to the chemotherapy business transferred to Genesis Care as part of the sale of the Bristol Cancer Centre in perpetuity. Under the agreement after the ten-year anniversary of the agreement the buyer (Genesis Care) may exit the arrangement by serving notice and paying a multiple of ten times the Gross Margin in the preceding 12 months.

The group has recognised a financial asset in respect of this gross profit share and the asset is classed as a fair value through profit and loss asset. The financial asset is valued using the expected present value technique – method 2 in determining the fair value. Management uses forward looking and historical trends of gross profits, growth rate, risk premium and an appropriate discount rate to determine the fair value. At the inception of the transaction we applied a risk premium to the fair value of the asset reflecting the fact that it was a new venture and so any future forecasted cashflows contained an element of uncertainty. This risk premium has been reduced over time and reflects our growing confidence in the operation's ability to hit its future forecasts. Sensitivities are also taken into account when reviewing the fair value.

This valuation is reviewed at each reporting date, with movements in fair value being recognised through the consolidated income statement. Cash received is adjusted against the financial asset, and is included within cash flows from investing activities on the consolidated statement of cash flows.

(£m)	2023	2022
Valuation at 1 January	4.6	2.3
Cash receipt	(0.8)	(0.7)
Fair value adjustments	3.7	3.0
<b>Carrying amount at 31 December (Note 30)</b>	<b>7.5</b>	<b>4.6</b>

Management completes relevant sensitivities on the inputs when assessing the fair value.

With all other inputs remaining constant:

- A 1.2% increase (decrease) in the discount rate used, would see a decrease (increase) in fair value of £0.8 million (£0.6 million) (2022: 1.2% increase (decrease) £0.6 million (£0.3 million))
- A 20% increase (decrease) in the forecast annual cash flow of £0.16 million (2022: £0.14 million), would see an increase (decrease) in fair value of £1.4 million (£1.4 million) (2022: £0.6 million (£1.1 million))

**16. Subsidiary undertakings and non-controlling interest**

As at 31 December 2023, 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
Claremont Hospital Holdings Limited	Holding company	Ordinary
Claremont Hospital LLP <sup>†</sup>	Health provision	N/A
Classic Hospitals Group Limited <sup>‡</sup>	Holding company	Ordinary
Classic Hospitals Limited <sup>‡</sup>	Non-trading company	Ordinary
Classic Hospitals Property Limited	Property company	Ordinary
Didsbury MSK Limited <sup>°</sup>	Health provision	Ordinary
Fox Healthcare Acquisitions Limited	Leasing company	Ordinary
Lifescan Limited <sup>‡</sup>	Non-trading company	Ordinary
Maitland Medical Service Limited	Health provision	Ordinary
Medicainsure Limited	Non-trading company	Ordinary
Montefiore House Limited <sup>†</sup>	Health provision	Ordinary
SHC Holdings Limited <sup>^</sup>	Holding company	Ordinary
Soma Health Limited	Health provision	Ordinary
Spire Cambridge (Disposal) Limited <sup>‡</sup>	Non-trading company	Ordinary

## Notes to financial statements continued

## 16. Subsidiary undertakings and non-controlling interest continued

Incorporated in England and Wales and registered at 3 Dorset Rise, London, EC4Y 8EN, unless otherwise stated

	Principal activity	Class of share
Spire Fertility (Disposal) Limited <sup>#</sup>	Non-trading company	Ordinary
Spire Healthcare (Holdings) Limited	Holding company	Ordinary
Spire Healthcare Finance Limited*	Holding company	Ordinary
Spire Healthcare Holdings 1 <sup>&amp;#</sup>	Holding company	Ordinary
Spire Healthcare Property Developments Limited	Development company	Ordinary
Spire Healthcare Holdings 2 Limited <sup>^</sup>	Holding company	Ordinary
Spire Healthcare Limited	Health provision	Ordinary
Spire Healthcare Properties Limited	Property company	Ordinary
Spire Property 1 Limited	Property company	Ordinary
Spire Property 4 Limited	Property company	Ordinary
Spire Property 5 Limited	Property company	Ordinary
Spire Property 6 Limited	Property company	Ordinary
Spire Property 13 Limited	Property company	Ordinary
Spire Property 16 Limited	Property company	Ordinary
Spire Property 18 Limited	Property company	Ordinary
Spire Property 19 Limited	Property company	Ordinary
Spire Property 23 Limited	Property company	Ordinary
Spire Thames Valley Hospital Limited <sup>#</sup>	Non-trading company	Ordinary
Spire Thames Valley Hospital Propco Limited	Property company	Ordinary
Spire UK Holdco 4 Limited	Holding company	Ordinary
The Doctors Clinic Group Ltd	Holding company and health provision	Ordinary
The London Doctors Clinic Ltd	Non-trading company	Ordinary
Kingfisher Topco Limited	Holding company	Ordinary
Kingfisher Midco Limited	Holding company	Ordinary
Kingfisher Bidco Limited	Holding company	Ordinary
Vita Health Group Limited	Health provision	Ordinary
Crystal Palace Physio Holdings Limited	Holding company	Ordinary
Vita Health Solutions Limited	Health provision	Ordinary
Pennine MSK Partnership Limited	Health provision	A Ordinary & B Ordinary
Physio For All Limited	Health provision	Ordinary
Physiotherapy2fit Ltd	Health provision	A Ordinary & B Ordinary
Physiotherapy Specialists Ltd	Health provision	Ordinary
The Abbey Clinic Limited	Health provision	Ordinary
The Bisham Abbey Knee Clinic Limited	Health provision	Ordinary
Vita Health Wellness Limited	Health provision	Ordinary

<sup>o</sup> Ownership interest is 51.0%.

<sup>+</sup> Ownership interest is 50.1%.

<sup>\*</sup> Direct shareholding of the company.

<sup>&</sup> Spire Healthcare Holdings 1 is an undertaking with unlimited liability.

<sup>!</sup> The LLP has 'Members' capital classified as equity' in lieu of 'Class of shares'.

<sup>#</sup> In liquidation and expected to be dissolved during 2024.

<sup>^</sup> The company was dissolved on 23 December 2023

In FY21, in order to simplify the structure of the group and reduce costs, the group undertook a process in which a number of companies within the group were identified for members' voluntary liquidation. The entities in members' voluntary liquidation at year end are shown above and they are expected to be formally dissolved at Companies House during 2024.

## Non-controlling interest

Financial information of subsidiaries that have a material non-controlling interest is provided below. The entities, as set out above, are Montefiore House Limited and Didsbury MSK Limited. During the period, Spire Healthcare acquired an additional 24.9% interest in Montefiore House Limited, and now owns 75% of this entity. The accumulated interest relating to Montefiore has therefore been reclassified to retained earnings. Accumulated balances of material non-controlling interest:

(£m)	Montefiore House Limited	Didsbury MSK Limited	Claremont Hospital LLP	Total
<b>Accumulated balances of non-controlling interest at 1 January 2022</b>	(5.6)	0.3	0.5	(4.8)
Profit/(loss) allocated to non-controlling interests	(0.8)	0.4	-	(0.4)
Recycled profit for non-controlling interest purchased by parent	-	-	(0.5)	(0.5)
<b>Accumulated balances of material non-controlling interest at 1 January 2023</b>	<b>(6.4)</b>	<b>0.5</b>	<b>-</b>	<b>(5.9)</b>
Profit allocated to non-controlling interests	-	<b>0.6</b>	-	<b>0.6</b>
Recycled loss for non-controlling interest purchased by parent	<b>3.2</b>	-	-	<b>3.2</b>
<b>Accumulated balances of non-controlling interest at 31 December 2023</b>	<b>(3.2)</b>	<b>1.1</b>	<b>-</b>	<b>(2.1)</b>

Within the entities, the most material assets and liabilities relate to right of use assets and lease liabilities in respect of property. Except for the lease rental payments, the majority of cash flows are generated through operations. In the period, the group entered into an agreement with the non-controlling interest of Montefiore House Limited, in which both parties can exercise an option for Spire to purchase the remaining 25% interest in the subsidiary at a future date. The purchase price is calculated in line with pre-determined metrics which are based on the subsidiary's EBITDA performance and the group multiple.

## Guarantees with group undertakings for the year ended 31 December 2023

Spire Healthcare Group Plc agreed to provide a guarantee, in the course of ordinary business to the below subsidiaries to take exemption from having their financial statements audited under section 479A to 479C of the Companies Act 2006. The guarantee to these subsidiaries is to guarantee outstanding liabilities, including contingent and prospective liabilities, for the financial year ended 31 December 2023. In respect to this guarantee, it is judged to be remote that any cash outflow will arise.

Subsidiary	Companies house registration number
Spire Healthcare Properties Limited	01829406
Spire Healthcare Property Developments Limited	08996103
Claremont Hospital Holdings Limited	08534235
Spire Thames Valley Hospital Propco Limited	06480375
Fox Healthcare Acquisitions Limited	06487777
Classic Hospitals Property Limited	05389607

## Notes to financial statements continued

**16. Subsidiary undertakings and non-controlling interest** continued**Guarantees with group undertakings for the year ended 31 December 2023** continued

Subsidiary	Companies house registration number
Spire UK Holdco 4 Limited	06342689
Spire Property 1 Limited	06408718
Spire Property 4 Limited	06408872
Spire Property 5 Limited	06408908
Spire Property 6 Limited	06408930
Spire Property 13 Limited	06409008
Spire Property 16 Limited	06409066
Spire Property 18 Limited	06409117
Spire Property 19 Limited	06409119
Spire Property 23 Limited	06409139

**17. Inventories**

(£m)	2023	2022
Prostheses, drugs, medical and other consumables	44.3	40.6

Cost of sales for the year ended 31 December 2023 includes inventories recognised as an expense amounting to £265.0 million (2022: £244.0 million).

**18. Trade and other receivables**

(£m)	2023	2022
<b>Amounts falling due within one year:</b>		
Trade receivables	74.8	59.8
Unbilled receivables	20.2	18.2
Prepayments	21.9	15.7
Other receivables	10.2	11.8
	127.1	105.5
Allowance for expected credit losses	(5.5)	(5.0)
Total current trade and other receivables	121.6	100.5

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 £4.6 million insurance reimbursement right (2022: £5.4 million); as well as £4.1 million (2022: £2.6 million) reimbursement right related to the Paterson fund, which is being held by solicitors on account until payments are made, with any amount not paid out being returned to Spire Healthcare. During the year, £3.9 million was paid out of this fund and an additional £5.5 million was paid into the fund. The amounts paid to the new Paterson fund do not reflect an investment in a financial asset, but merely a right to reimbursement should the fund not be utilised in full.

Trade and other receivables of £12.7 million have been recognised on the acquisition of Vita Health Group during the year (Note 34).

Trade receivables comprise amounts due from private medical insurers, the NHS, self-pay patients, consultants and other third parties who use the group's facilities. Invoices to customers fall due within 60 days of the date of issue.

The group was successful in its bid to be included on the NHSE Framework for purchasing additional activity from the independent sector, which commenced in April 2021. Inclusion on the Framework is at an agreed price for activity, based on the NHS tariff, but carries no guaranteed volumes. For contracts under the framework that include an estimated contract value, billing is in advance for the expected volume, with a quarterly true-up for actual volumes undertaken. For contracts under the framework without an estimated contract value (which can include local agreements), billing is in arrears based on actual volumes only.

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date (excluding payments on account where there is no right to offset these at the reporting date). 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 2023 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	0.0%	2.7%	16.3%	29.0%	41.9%	5.1%
Gross debt (£m)	75.3	14.8	4.3	6.2	6.2	106.8
Less payments on account (£m)						(32.0)
Carrying amount of trade receivables (£m)						74.8
Loss allowance (£m)	–	0.4	0.7	1.8	2.6	5.5

The loss allowance as at 31 December 2022 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	0.0%	1.8%	8.3%	29.2%	17.5%	7.2%
Gross debt (£m)	27.8	16.8	8.4	8.9	8.0	69.9
Less payments on account (£m)						(10.1)
Carrying amount of trade receivables (£m)						59.8
Loss allowance (£m)	–	0.3	0.7	2.6	1.4	5.0

Trade receivables are written off when there is no longer a reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and failure to make contractual payments for a period of greater than two years past due.

The group assesses on a forward-looking basis expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

## Notes to financial statements continued

**18. Trade and other receivables** continued

Trade receivables after expected credit losses comprise the following wider customer/payor groups:

(£m)	2023	2022
Private medical insurers	29.5	30.4
NHS	25.0	8.2
Patient debt	4.1	7.2
Other	10.7	9.0
	<b>69.3</b>	54.8

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

(£m)	2023	2022
At 1 January	5.0	4.1
Provided in the year	1.6	1.1
Utilised during the year	(0.3)	(0.2)
Released during the year	(0.9)	–
At 31 December	<b>5.5</b>	5.0

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 dependent 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.

**19. Cash and cash equivalents**

(£m)	2023	2022
Cash at bank	20.7	67.1
Short-term deposits	28.9	7.1
	<b>49.6</b>	74.2

Cash and cash equivalents comprise cash balances, short-term deposits and other short-term highly liquid investments (including money market funds) with maturities not exceeding three months placed with investment grade counterparties which are subject to an insignificant risk of change in value.

Cash and cash equivalents of £9.8 million has been added on the acquisition of Vita Health Group during the year (Note 34).

**20. Non-current assets held for sale**

As at 31 December 2023 the group's management have committed to sell a parcel of land at Bostocks Lane as the group has accepted an offer on the property. The sale is considered highly probable and the assessment has not changed. It therefore remains as classified as held for sale.

(£m)	2023	2022
Bostocks Lane (East Midlands Cancer Centre)	1.1	1.1
	<b>1.1</b>	1.1

**21. Share capital and reserves**

	2023	2022
<b>Authorised shares</b>		
Ordinary share of £0.01 each	404,126,630	404,108,470
	<b>404,126,630</b>	404,108,470
	<b>£0.01 ordinary shares</b>	
	Shares	£'000
<b>Issued and fully paid</b>		
At 31 December 2023	404,126,630	4,042
At 31 December 2022	404,108,470	4,041

During the year, the authorised share capital was increased by £181.60 by the issue of 18,160 ordinary shares of £0.01 each.

**Share premium**

(£m)	2023	2022
At 1 January	830.0	826.9
Issue of new shares	–	3.1
At 31 December	<b>830.0</b>	830.0

During the year the group issued 18,160 shares to settle share awards of which 18,160 shares were exercised under the save as you earn 2019 scheme at an average price of £1.09 per share. The proceeds from the issue of shares were £29,163.

**Capital reserves**

This reserve represents the loans of £376.1 million due to the former ultimate parent undertaking and management that were forgiven by those counterparties as part of the reorganisation of the group prior to the IPO in 2014.



## Notes to financial statements continued

**21. Share capital and reserves** continued**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 benefitting 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 the year, the EBT purchased 1,339,634 shares and exercised 1,054,620 shares (2022: 88,354 shares issued and 300,491 exercised) in order to settle share awards in relation to the directors' share bonus award and Long-Term Incentive Plan.

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 2023, 312,160 shares (2022: 27,146) were held by the EBT in relation to the directors' share bonus award and Long-Term Incentive Plan. The EBT share reserve represents the consideration paid when the EBT purchases the company's equity share capital, until the shares are reissued.

As with prior years, the company will continue to fund the Spire Healthcare Employee Benefit Trust (EBT), a discretionary trust held for the benefit of the group's employees, for the ongoing acquisition of shares to satisfy the exercise of share plan awards by employees.

	2023		2022	
	(£m)	(Number of shares)	(£m)	(Number of shares)
<b>At 1 January</b>	–	<b>27,146</b>	0.8	239,283
Purchased	<b>3.1</b>	<b>1,339,634</b>	–	88,354
Exercised	<b>(2.4)</b>	<b>(1,054,620)</b>	(0.8)	(300,491)
<b>At 31 December</b>	<b>0.7</b>	<b>312,160</b>	–	27,146

**Hedging reserve**

The balance of £3.3 million at 31 December 2023 (2022: £6.6 million) reflects the £4.4 million debit (2022: £1.2 million credit) recycled in the period, the fair value credit of £0.2 million (2022: £8.1 million credit) and the £0.9 million tax credit on the profit (2022: £2.2 million charge) to give a net movement of a decrease of £3.3 million during the year (2022: an increase of £7.1 million) on a hedged transaction. See Note 22 for further information.

**22. Borrowings**

The group has borrowings in two forms, bank borrowings and lease liabilities as disclosed on the consolidated balance sheet. Total borrowings at 31 December 2023 were £1,257.0 million (2022: £1,190.8 million). More detail in respect of these two forms of borrowings are set out below.

**Bank borrowings**

The bank loans are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the group. On 24 February 2022, the group successfully refinanced its debt facilities with a syndicate of existing and new lenders. As part of the exercise and in recognition of the fact that the group had substantial cash reserves at 31 December 2021, the group repaid £100.0 million of the Senior Loan Facility. During the year the group exercised its option to extend the facility by one year the arrangement has a maturity of February 2027. The financial covenants relating to this new agreement are materially unchanged. The loan is non-amortising and carries interest at a margin of 2.05% over SONIA (2022: 2.05% over SONIA).

The group drew down £60.0 million on its revolving credit facility to acquire Vita Health Group in October 2023. Since the acquisition the group has repaid £20.0 million.

(£m)	2023	2022
Amount due for settlement within 12 months	<b>3.4</b>	2.9
Amount due for settlement after 12 months	<b>361.9</b>	321.4
<b>Total bank borrowings</b>	<b>365.3</b>	324.3

**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 SONIA	2023	2022
Senior finance facility	February 2027	2.05%	<b>325.3</b>	324.3
Revolving credit facility	February 2027	1.95%	<b>40.0</b>	–

Net debt for the purposes of the covenant test in respect of the Senior Loan Facility was £315.4 million (December 2022: £250.8 million) and the net debt to EBITDA ratio was 2.2x (December 2022: 2.2x). The net debt for covenant purposes comprises the senior facility of £325.0 million, drawn revolving credit facility of £40.0 million less cash and cash equivalents of £49.6 million. EBITDA for covenant purposes comprises Adjusted EBITDA for Last Twelve Months (LTM) of pre-IFRS 16 Adjusted EBITDA of £152.9 million (December 2022: £123.9 million) less the rental of a finance lease pre-IFRS 16 of £10.0 million (2022: £9.5 million).

The interest cover for covenant purposes was 8.5x (2022: 8.5x) and is calculated as the pre-IFRS 16 EBITDA described above over pre-IFRS 16 finance costs paid.

The senior finance facility includes a sustainability-linked element connected to environmental and quality factors. The group also has access to a further £60.0 million through a committed and undrawn revolving credit facility to February 2027.

**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 £891.7 million (2022: £866.5 million), expire in various years to 2046 and carry incremental borrowing rates in the range 3.2% – 14.6% (2022: 3.1% – 14.6%). Rents in respect of hospital property leases are reviewed annually with reference to RPI or CPI, subject to assorted floors and caps. The discount rates used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates. A movement in the incremental borrowing rate of 1% would result in a 7.5% movement in lease liability.

In the year, the group recognised charges of £3.8 million (2022: £3.3 million) of lease expenses relating to low value leases and £14.8 million (2022: £10.3 million) of lease expense in respect of short-term 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 £118.8 million (2022: £105.6 million). The group has not made any variable lease payments in the year. The group is not a lessor for any leases to external parties. Where new leases have the right to extend and management is not reasonably certain to exercise the

## Notes to financial statements continued

**22. Borrowings** continued**Lease liabilities** continued

extension option, those future cash flows are not reflected in the above.

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current year. The cash flows above do not reflect any termination, extension or break clause options as management is reasonably certain that the options will not be exercised. There are no significant restrictions or covenants which impact the cash flows in respect of these leases.

See Note 13 for more detail on the depreciation of the Right-of-use (ROU) assets and Note 8 for more detail on the interest expense relating to leases.

**Changes in bank borrowings and lease liabilities arising from financing activities**

(£m)	1 January	Cash flows	Non cash changes <sup>1</sup>	Additions <sup>2</sup>	31 December
<b>2023</b>					
Bank loans	324.3	(17.0)	18.0	40.0	365.3
Lease liabilities	866.5	(100.2)	73.0	52.4	891.7
<b>Total</b>	<b>1,190.8</b>	<b>(117.2)</b>	<b>91.0</b>	<b>90.8</b>	<b>1,257.0</b>

(£m)	1 January	Cash flows	Non cash changes <sup>1</sup>	Additions <sup>2</sup>	31 December
<b>2022</b>					
Bank loans	427.5	(121.1)	17.9	–	324.3
Lease liabilities	837.8	(93.7)	73.5	48.9	866.5
<b>Total</b>	<b>1,265.3</b>	<b>(214.8)</b>	<b>91.4</b>	<b>48.9</b>	<b>1,190.8</b>

1. Non-cash changes reflect interest charged on the loan.

2. Additions include both new leases entered into, indexation of existing leases and acquisitions of subsidiaries.

**Derivatives**

The following derivatives were in place at 31 December:

	Interest rate	Maturity date	Notional amount	Carrying value Asset
<b>31 December 2023 (£m)</b>				
Interest rate swaps	2.7780%	Feb 2026	243.8	4.4
31 December 2022 (£m)				
Interest rate swaps	2.7780%	Feb 2026	243.8	8.6
<b>(£m)</b>			<b>2023</b>	<b>2022</b>
Amount due for settlement within 12 months			4.0	3.6
Amount due for settlement after 12 months			0.4	5.0
<b>Total derivatives (asset)/liability</b>			<b>4.4</b>	<b>8.6</b>

The group entered into interest rate swaps on the 25 July 2022. The movement in respect of derivatives reflects £4.4 million (December 2022: £1.2 million) recycled in the period and a £0.2 million credit (December 2022: £8.1 million credit) in fair value. All movements are reflected within other comprehensive income.

**23. Deferred tax**

(£m)	Property, plant and equipment	Intangible	IFRS 16 leases – spreading	IFRS 16	Share-based payments	Losses	Provisions and other temporary differences	Total
At 1 January 2022	87.3	–	(47.0)	28.7	(4.2)	(4.8)	(2.3)	57.7
(Credit)/charge to the profit or loss	(7.1)	–	1.8	2.8	0.1	(0.8)	0.6	(2.6)
Charge to other comprehensive income and equity	–	–	–	–	0.1	–	2.1	2.2
Adjustment in respect of prior year	(2.2)	–	–	1.5	–	(0.6)	0.2	(1.1)
At 1 January 2023	<b>78.0</b>	<b>–</b>	<b>(45.2)</b>	<b>33.0</b>	<b>(4.0)</b>	<b>(6.2)</b>	<b>0.6</b>	<b>56.2</b>
(Credit)/charge to the profit or loss	<b>7.2</b>	<b>–</b>	<b>2.3</b>	<b>1.4</b>	<b>(0.6)</b>	<b>–</b>	<b>(0.3)</b>	<b>10.0</b>
(Credit)/charge to other comprehensive income and equity	–	–	–	–	0.5	–	(0.9)	(0.4)
Adjustment in respect of prior year	<b>0.3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(3.2)</b>	<b>(2.9)</b>
Recognised on acquisition	<b>1.1</b>	<b>5.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1.1)</b>	<b>–</b>	<b>5.0</b>
At 31 December 2023	<b>86.6</b>	<b>5.0</b>	<b>(42.9)</b>	<b>34.4</b>	<b>(4.1)</b>	<b>(7.3)</b>	<b>(3.8)</b>	<b>67.9</b>
Disclosed within liabilities	<b>86.6</b>	<b>5.0</b>	<b>(42.9)</b>	<b>34.4</b>	<b>(4.1)</b>	<b>(7.3)</b>	<b>(3.8)</b>	<b>67.9</b>

Deferred tax on property, plant and equipment has arisen on differences between the carrying value of the relevant assets and the tax base. In the prior year, a one off credit to the profit and loss of £9.0 million in respect of the change in useful life and residual value of the freehold properties was recognised.

In the current period, the group has recognised a deferred tax asset in respect of the corporate interest restriction of £3.3 million which is reflected in the adjustments to prior year line.

On the acquisition of Vita Health Group Limited, a deferred tax asset has been recognised for losses as they are expected to be available for utilisation across the wider group from the fifth anniversary of the acquisition date. In addition, a deferred tax liability has been recognised in respect of fixed assets. On acquisition, the group has recognised an intangible asset in respect of customer contracts. A deferred tax liability of £5 million has been recognised in respect of this asset, and will unwind in line with amortisation of the intangible in future years.

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. Deferred tax in the current period continues to be measured at 25%.

Deferred tax assets are recognised on the basis that the deferred tax liabilities represent forecast profits of the appropriate type (either capital or trading) and therefore represent a suitable taxable profit against the reversal of the deferred tax assets can be offset. Deferred tax assets and liabilities in relation to property are only offset to the extent that they relate to the same site.

## Notes to financial statements continued

**23. Deferred tax continued**

The group has unrecognised deferred tax assets (which do not expire) as follows:

(£m)	2023		2022	
	Gross	Tax effected	Gross	Tax effected
Trading losses	11.7	2.6	8.0	2.0
Tax basis for future capital disposals	11.6	2.9	11.6	2.9
Total	23.3	5.5	19.6	4.9

These amounts are the expected tax value of the gross temporary difference at the enacted long-term tax rate of 25% (2022: 25%) following the substantive enactment of the increased corporation tax rate of 25% effective from 1 April 2023. A deferred tax asset has not been recognised in respect of these amounts due to uncertainties as to the timing of future profits that the trading losses could be offset against and tax basis for capital disposals could be utilised.

**24. Provisions**

(£m)	Medical malpractice	Business restructuring and other	Total
At 1 January 2023	19.4	2.3	21.7
Increase in existing provisions	3.8	–	3.8
Provisions utilised	(7.1)	(1.0)	(8.1)
Provisions released	(1.0)	–	(1.0)
At 31 December 2023	15.1	1.3	16.4

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. During the period £3.8 million was added due to additional claims received, and £7.1 million utilised and £1.0 million was released. Amounts are shown gross of insured liabilities. Any such insurance recoveries of £4.6 million (December 2022: £5.4 million) are recognised in other receivables.

In response to the publication of the Public Inquiry report on Paterson on 4 February 2020, Spire Healthcare established a provision in respect of implementing the recommendations including a detailed patient review and support for patients. The provision is being utilised, including £9.2 million in patient claim settlements. The provision to complete the reviews, settle any claims and costs in respect of other Paterson items has been increased by £2.5 million. The project is complex and the process for review and settlement takes some time. 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 costs and settlement of claims at this point. The variables include the number of patients which are found to have been harmed following review, the level of harm, and the associated compensation claim, as well as the time to review each case can vary significantly. This provision remains subject to ongoing review. In addition, and as disclosed in Note 10 adjusting items, this was offset by the release of a £0.9 million provision which had been held to resolve a matter with an insurer.

As at 31 December 2023, the business restructuring and other provisions primarily includes acquisition related provisions related to tax matters other than income tax which is expected to be utilised or released as the relevant tax years close for review. During the year the group settled non-patient claims as appropriate and sought external counsel on this settlement.

Provisions as at 31 December 2023 are materially considered to be current and expected to be utilised at any time within the next twelve months, subject to external factors beyond the group's control.

**25. Trade and other payables**

(£m)	2023	2022
Trade payables	63.9	67.2
Accrued expenses	65.9	58.4
Deferred income	10.4	–
Social security and other taxes	15.2	9.7
Other payables	41.7	29.2
Trade and other payables	197.1	164.5

Trade and other payables of £26.1 million have been added on the acquisition of Vita Health Group during the year (see Note 34) of which £10.4 million relates to deferred income related to contract revenue. Accrued expenses includes general operating expenses incurred but not invoiced as at the year end, as well as holiday pay accrued of £2.1 million (2022: £5.2million), and bonuses accrued during the year and paid during the following year of £12.7 million (2022: £7.0 million).

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 £10.3 million (2022: £11.9 million). In addition other credit balances re-classed from trade debtors were £32.0 million (2022: £28.2 million), which largely relate to NHS credits. Payments on account are expected to be utilised against patient procedures within the following 12 months. The balance of payments on account as at 31 December 2022 were utilised in the current year when the patient attended the procedure, and not cancelling or deferring treatment, such payments on account could result in repayment to the patient should they request so.

**26. Dividends**

(£m)	2023	2022
Final dividend for the year ended 31 December 2022 (0.5 pence per share)	2.0	–
Dividend paid to non-controlling interests	–	0.2
Dividend paid in respect of grants under the LTIP share scheme that have vested	–	0.1
<b>Total dividends paid</b>	<b>2.0</b>	<b>0.3</b>

Since the end of the financial year, the directors have proposed a final dividend of approximately 2.1 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 December 2023.

**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 £3.7 million in the year ended 31 December 2022 (2022: £2.3 million). Employer's National Insurance is being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised,

## Notes to financial statements continued

**27. Share-based payments** continued

based on the share price at the reporting date. The total National Insurance charge for the year was £0.4 million (2022: £0.3 million).

The following table analyses the total cost between each of the relevant schemes, together with the number of options outstanding:

	2023		2022	
	Charge £m	Number of options (thousands)	Charge £m	Number of options (thousands)
Long Term Incentive Plan	3.0	12,394	1.8	12,787
Deferred Share Bonus Plan	–	449	–	525
Save As You Earn (SAYE)	0.7	3,252	0.5	3,652
	<b>3.7</b>	<b>16,095</b>	2.3	16,964

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. No 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 18 March 2021, the company granted a total of 3,595,102 options to the executive directors and other senior management. The options will vest based on return on capital employed (ROCE) (35%) targets for the financial year ending 31 December 2023, relative total shareholder return (TSR) (35%) targets on performance over the three-year period to 31 December 2023 and operational excellence (OE) (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2031. The executive directors are subject to a two-year holding period, whilst other senior management are not.

On 14 March 2022, the company granted a total of 3,097,060 options to the executive directors and other senior management. The options will vest based on return on capital employed (ROCE) (35%) targets for the financial year ending 31 December 2024, relative total shareholder return (TSR) (35%) targets on performance over the three-year period to 31 December 2024 and operational excellence (OE) (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2032. The executive directors are subject to a two-year holding period, whilst other senior management are not.

On 15 March 2023, the company granted a total of 2,980,384 options to the executive directors and other senior management. The options will vest based on return on capital employed (ROCE) (35%) targets for the financial year ending 31 December 2025, relative total shareholder return (TSR) (35%) targets on performance over the three-year period to 31 December 2025 and operational excellence (OE) (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2033. The executive directors are subject to a two-year holding period, whilst other senior management are not.

**Deferred Share Bonus Plan**

The Deferred Share Bonus Plan is a discretionary executive share bonus plan under which the remuneration committee determines that a proportion of a participant's annual bonus will be deferred. The market value of the shares granted to any employee will be equal to one-third of the total annual bonus that would otherwise have been payable to the individual. The awards will be granted on the day after the announcement of the group's annual results. The awards will normally vest over a three-year period.

On 18 March 2021, the company granted a total of 138,888 options to executive directors, with a vesting date of 18 March 2024. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2022, and subject to continued employment.

On 14 March 2022, the company granted a total of 142,427 options to executive directors, with a vesting date of 14 March 2025. There are no performance conditions in respect of the scheme and is subject to continued employment.

On 15 March 2023, the company granted a total of 168,042 options to executive directors, with a vesting date of 14 March 2026. There are no performance conditions in respect of the scheme and is subject to continued employment.

**Save As You Earn**

The Save As You Earn (SAYE) is open to all Spire Healthcare employees. Vesting will be dependent on continued employment for a period of three years from grant. The requirement to save is a non-vesting condition.

On 24 April 2022, the company granted 3,800,557 options to employees with a vesting date of 1 June 2025. There are no performance conditions in respect of the scheme. Upon vesting, the options will remain exercisable for six months. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

The aggregate number of share awards outstanding for the group and their weighted average contractual life is shown below:

	2023					
	LTIP (ROCE condition) (thousands)	LTIP (TSR condition) (thousands)	LTIP (EPS condition) (thousands)	LTIP (OE condition) (thousands)	Deferred Share Bonus Plan (thousands)	SAYE (thousands)
At 1 January	2,169	4,726	1,540	4,343	525	3,652
Granted	1,043	1,043	–	894	168	–
Exercised	–	(652)	(380)	(636)	(244)	(18)
Surrendered <sup>1</sup>	(69)	(69)	–	(59)	–	–
Cancelled <sup>2</sup>	(67)	(590)	(258)	(584)	–	(382)
At 31 December	<b>3,076</b>	<b>4,457</b>	<b>903</b>	<b>3,958</b>	<b>449</b>	<b>3,252</b>
Exercisable at 31 December	–	–	–	–	–	14
Weighted average contractual life	<b>2.6 years</b>	<b>2.0 years</b>	<b>0.7 years</b>	<b>2.0 years</b>	<b>1.3 years</b>	<b>1.4 years</b>

Notes to financial statements continued

27. Share-based payments continued

	2022					
	LTIP (ROCE condition) (thousands)	LTIP (TSR condition) (thousands)	LTIP (EPS condition) (thousands)	LTIP (OE condition) (thousands)	Deferred Share Bonus Plan (thousands)	SAYE (thousands)
At 1 January	1,133	4,175	1,975	4,166	383	3,114
Granted	1,084	1,079	–	925	142	3,811
Exercised	–	(208)	–	(93)	–	(2,916)
Surrendered <sup>1</sup>	(48)	(205)	(77)	(198)	–	–
Cancelled <sup>2</sup>	–	(115)	(358)	(457)	–	(357)
At 31 December	2,169	4,726	1,540	4,343	525	3,652
Exercisable at 31 December	–	–	–	–	–	37
Weighted average contractual life	2.4 years	3.2 years	0.4 years	2.8 years	1.1 years	2.5 years

1. These are shares where the participants are considered to be good leavers and forfeit a proportion of their shares on pro-rata basis.

2. These are shares where the participants forfeit all share options.

The weighted average share price for the share awards exercised during the period is £2.18 per share.

Share options outstanding at the end of the year have the following expiry date:

Grant – vest	Expiry date	Exercise price (£)	Share options thousands	
			2023	2022
<b>LTIP grants</b>				
30/09/2014 – December 2016	30/09/2024	–	–	32
30/03/2017 – March 2020	30/03/2027	–	2	2
28/03/2018 – March 2021	28/03/2028	–	18	326
25/03/2019 – March 2022	25/03/2029	–	1,188	1,118
06/04/2020 – April 2023	06/04/2030	–	2,396	5,112
18/03/2021 – March 2024	18/03/2031	–	3,038	3,199
14/03/2022 – March 2025	14/03/2032	–	2,860	2,997
15/03/2023 – March 2026	15/03/2033	–	2,892	–
<b>Deferred Share Bonus Plan</b>				
06/04/2020 – April 2023	05/04/2030	–	–	244
18/03/2021 – March 2024	17/03/2031	–	139	139
14/03/2022 – April 2025	01/04/2032	–	142	142
15/03/2023 – March 2026	15/03/2033	–	168	–
<b>Save As You Earn</b>				
03/05/2019 – June 2022	31/11/2022	1.09	–	18
26/04/2022 – June 2025	31/11/2025	1.98	3,252	3,634

During the year, 1,054,620 shares, relating to LTIPs, were exercised from the company's Employee Benefit Trust (EBT), during the year (see Note 21 for more information). Where considered the most appropriate use of surplus cash, the company will continue to fund the Spire Healthcare Employee Benefit Trust (EBT), a discretionary trust held for the benefit of the group's employees, for the ongoing acquisition of shares to satisfy the exercise of share plan awards by employees.

The following information is relevant to the determination of the fair value of the awards granted for the years ended 31 December 2023 and 2022, respectively, under the schemes:

2023	LTIP (TSR condition)	LTIP (ROCE condition)	LTIP (OE condition)	Deferred Share Bonus Plan	Save as you Earn
Option pricing model	Monte Carlo	Fair value at grant date	Fair value at grant date	n/a	Black-Schöles model
Fair value at grant date (£)	1.26	2.10	2.10	n/a	0.71
Fair value at grant date for shares subject to holding period (£)	1.07	1.78	1.78	n/a	n/a
Weighted average share price at grant date (£)	2.10	2.10	2.10	n/a	2.10
Exercise price (£)	Nil	Nil	Nil	Nil	1.98
Weighted average contractual life	3.1 years	3.1 years	3.1 years	1.8 years	1.4 years
Expected dividend yield	n/a	n/a	n/a	n/a	n/a
Risk-free interest rate	3.4%	n/a	n/a	n/a	n/a
Volatility <sup>1</sup>	49%	49%	49%	n/a	n/a

2022	LTIP (TSR condition)	LTIP (ROCE condition)	LTIP (OE condition)	Deferred Share Bonus Plan	Save as you Earn
Option pricing model	Monte Carlo	Fair value at grant date	Fair value at grant date	n/a	Black-Schöles model
Fair value at grant date (£)	1.75	2.44	2.44	n/a	0.71
Fair value at grant date for shares subject to holding period (£)	1.48	2.06	2.06	n/a	n/a
Weighted average share price at grant date (£)	2.44	2.44	2.44	n/a	2.21
Exercise price (£)	Nil	Nil	Nil	Nil	1.98
Weighted average contractual life	2.2 years	2.2 years	0.2 years	3.0 years	2.5 years
Expected dividend yield	n/a	n/a	n/a	n/a	n/a
Risk-free interest rate	1.4%	n/a	n/a	n/a	n/a
Volatility <sup>1</sup>	53%	53%	53%	n/a	n/a

1. The expected volatility is based on the historical volatility of the company and a comparator group of other international healthcare companies.

## Notes to financial statements continued

**28. Reconciliation of cash generated from operations**

(£m)	Note	2023	2022
<b>Cash flows from operating activities</b>			
Profit before taxation		34.6	3.9
Adjustments to reconcile profit before tax to net cash flows:			
Impairment of assets held for sale (adjusting items) (see Note 10)	20	–	0.5
Fair value adjustment on financial liability (adjusting items) (see Note 10)		–	0.8
(Profit)/loss on disposal of property, plant and equipment		(0.3)	0.3
Adjusting items – other		1.5	2.5
Depreciation of property, plant and equipment and right-of-use assets	13	103.0	97.9
Amortisation on intangible assets	12	0.6	–
Finance income	8	(1.4)	–
Finance costs	8	93.0	91.5
Other income	6	(3.6)	(3.0)
Share-based payments expense	27	3.7	2.3
Movements in working capital:			
Increase in trade receivables and prepayments		(12.7)	(6.9)
Increase in inventories		(3.7)	(0.4)
Increase in trade and other payables		2.2	8.2
Decrease in provisions		(1.3)	(15.9)
<b>Cash generated from operations</b>		<b>215.6</b>	<b>181.7</b>

**29. Commitments****Consignment stock**

At 31 December 2023, the group held consignment stock on sale or return of £24.5 million (2022: £24.3 million). The group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

**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)	2023	2022
Contracted but not provided for	31.6	27.0

**30. Contingent liabilities**

The group had the following guarantees at 31 December 2023:

- The bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5 million (2022: £1.5 million) in relation to contractual pension obligations
- 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
- See Note C11 for details of contingent liability in respect of lease arrangements and agreements.

**31. 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
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The directors have overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

**Credit risk and impairment**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities.

**Trade and other receivables**

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring in normal circumstances. Most revenues arise from insured patients' business and the NHS. Insured revenues give rise to trade receivables which are mainly due from large insurance institutions, which have high credit worthiness. The remainder of revenues arise from individual self-pay patients and consultants.

The group establishes an allowance for impairment that represents its ECL in respect of trade and other receivables. This allowance is composed of specific losses that relate to individual exposures and also an ECL component established using rates reflecting historical information for payor groups, and forward looking information.

During the period, trade receivables have increased in line with revenue, but aged debt has reduced. Individual self-pay patients continues to be the largest risk for the group given the current economic uncertainty. The group has considered the provision required and maintained a provision accordingly through the expected loss rate percentages, which is in line with the position at December 2022. The Expected Credit Loss (ECL) as at year end is £5.5 million (December 2022: £5.0 million).

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.

## Notes to financial statements continued

**31. Financial risk management and impairment of financial assets** continued**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 SONIA 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 <sup>1</sup>
<b>31 December 2023 (£m)</b>	<b>365.0</b>	<b>365.0</b>	<b>60.0</b>
Effective interest rate (%)	5.63%	5.63%	
<b>31 December 2022 (£m)</b>	325.0	325.0	100.0
Effective interest rate (%)	4.85%	4.85%	

1. If this facility was drawn the interest rate would be in line with the variable rate loans.

The group has an interest rate swap derivative asset of £4.4 million (2022: £8.6 million liability) 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 SONIA

**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.

(£m)	Profit or loss		Equity	
	25bp increase	25bp decrease	25bp increase	25bp decrease
<b>At 31 December 2023</b>				
Variable rate instruments	(0.3)	0.3	(0.3)	0.3
<b>At 31 December 2022</b>				
Variable rate instruments	(0.2)	0.2	(0.2)	0.2

**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.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days, including the servicing of financial obligations. In addition to cash on demand, the group has available the following line of credit:

- £60.0 million of revolving credit facility, which was undrawn as at 31 December 2023 (2022: £60.0 million 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 2023 (£m)	Maturity analysis							
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Trade and other payables	171.5	171.5	171.5	–	–	–	–	–
Bank borrowings	365.3	434.3	24.7	19.9	18.7	371.0	–	–
Lease liabilities	891.7	1,818.7	99.8	100.0	98.1	97.8	97.7	1,325.3
	1,428.5	2,424.5	296.0	119.9	116.8	468.8	97.7	1,325.3
<b>Derivative financial assets</b>								
Interest rate swaps	(4.4)	(5.0)	(4.1)	(0.8)	(0.1)	–	–	–
	1,424.1	2,419.5	291.9	119.1	116.7	468.8	97.7	1,325.3

At 31 December 2022 (£m)	Maturity analysis							
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Trade and other payables	154.8	154.8	154.8	–	–	–	–	–
Bank borrowings	324.3	394.4	20.2	22.1	20.5	331.6	–	–
Lease liabilities	866.5	1,819.1	92.8	93.2	93.6	92.2	92.2	1,355.1
	1,345.6	2,368.3	267.8	115.3	114.1	423.8	92.2	1,355.1
<b>Derivative financial assets</b>								
Interest rate swaps	(8.6)	(9.2)	(2.9)	(3.6)	(2.1)	(0.6)	–	–
	(8.6)	(9.2)	(2.9)	(3.6)	(2.1)	(0.6)	–	–

**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 2023 were £737.8 million (2022: £725.1 million) and net debt, calculated as bank borrowings of £365.3 million (2022: £324.3 million) less cash and cash equivalents of £49.6 million (2022: £74.2 million) amounted to £315.7 million (2022: £250.1 million).

The principal focus of capital management revolves around working capital management and compliance with externally imposed financial covenants see Note 22 for more detail.

## Notes to financial statements continued

**31. Financial risk management and impairment of financial assets** continued**Capital management** continued

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)	2023	2022
Committed undrawn revolving credit facility	60.0	100.0
Cash and cash equivalents	49.6	74.2

**Fair value measurement**

As of 31 December 2023, 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. During the year ended 31 December 2023, there were no transfers between the levels in the fair value hierarchy.

In determining fair value measurement, the impact of potential climate-related matters, including legislation, which may affect the fair value measurement of assets and liabilities in the financial statements has been considered.

A derivative is a financial instrument whose value is based on one or more underlying variables. The group uses derivative financial instruments to hedge its exposure to interest rate risk. Derivatives are not held for speculative reasons. Fair values are obtained from market observable pricing information including interest rate yield curves and have been calculated as follows; fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

The financial asset reflects a profit share arrangement with a partner. There are no market observable prices for the valuation. Management therefore assesses forward looking information and appropriate discount rates and risk factors to determine the fair value. Sensitivities are also taken into account when reviewing the fair value (Note 15).

As at 31 December 2023, the group held the following financial instruments measured at fair value:

Financial instruments measured at fair value (£m)	Maturity analysis			
	Value as at 31 December 2023	Level 1	Level 2	Level 3
<b>Financial assets at fair value through profit and loss</b>				
Profit share arrangement (Note 15)	7.5	–	–	7.5
Interest rate swaps	4.4	–	4.4	–
<b>Financial assets measured at fair value</b>	<b>11.9</b>	<b>–</b>	<b>4.4</b>	<b>7.5</b>

During the year, Spire Healthcare received a profit share in respect of the financial asset of £0.8 million (2022: £0.7 million). In addition an unrealised fair value movement of £3.0 million (2022: £3.0 million) was recognised in income upon review of the financial asset to increase the value of the financial asset on the balance sheet.

As at 31 December 2022, the group held the following financial instruments measured at fair value:

Financial instruments measured at fair value (£m)	Maturity analysis			
	Value as at 31 December 2022	Level 1	Level 2	Level 3
<b>Financial assets at fair value through profit and loss</b>				
Profit share arrangement (Note 15)	4.6	–	–	4.6
Interest rate swaps	8.6	–	8.6	–
<b>Financial assets measured at fair value</b>	<b>13.2</b>	<b>–</b>	<b>8.6</b>	<b>–</b>

**Cash flow hedge**

The group designate, as cash flow hedges, interest rate swaps entered into with three counterparties maturing in February 2026. 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 2023 and 2022, 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.

**32. Financial liabilities****Financial instruments to purchase non-controlling interest**

In the period, the group entered into an agreement with the non-controlling interest of one of its subsidiaries, Montefiore House Limited, in which both parties can exercise an option for Spire Healthcare to purchase the remaining 25% interest in the subsidiary at a future date. The purchase price is calculated in line with pre-determined metrics which are based on the subsidiary's EBITDA performance and the group multiple. The option can be exercised between two to five years. The expected future cash flow to settle the obligation is discounted at the group cost of debt of 8.1%. The financial liability is initially recognised through equity at the present value of future cash flows and subsequently recognised at amortised cost.



## Notes to financial statements continued

## 32. Financial liabilities continued

(£m)	2023	2022
Valuation at 1 January	–	–
Option to purchase non-controlling interests	9.6	–
<b>Valuation at 31 December</b>	<b>9.6</b>	–

## 33. 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 95 to 98.

Compensation for key management personnel is set out in the table below:

## Key management compensation

(£m)	2023	2022
Salaries and other short-term employee benefits	5.2	5.0
Post-employment benefits	0.4	0.5
Share-based payments	1.3	1.1
	<b>6.9</b>	<b>6.6</b>

Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 110 to 128.

There were no transactions with related parties external to the group in the year to 31 December 2023 (2022: nil).

## 34. Business combinations

## Acquisitions in 2023

## Acquisition of Kingfisher TopCo Limited (together 'Vita Health Group')

On 18 October 2023, the group acquired 100% of the voting shares of Kingfisher TopCo Limited (which in turn owns 100% of the shares of Vita Health Group), a non-listed company based in England a market-leading provider of mental and physical health services in the UK, for £83.0 million and a net cash consideration of £73.2 million. This acquisition complements our existing business and aligns well with our strategy of developing new services and moving into adjacent markets.

## Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Vita Health Group as at the date of acquisition were:

(£m)	Fair value recognised on acquisition
<b>Assets</b>	
Intangible assets (Note 14)	27.3
Plant, property and equipment (Note 13)	1.3
Right of use assets (Note 13)	1.3
Trade and other receivables (Note 18)	12.7
Cash and cash equivalents (Note 19)	9.8

(£m)	Fair value recognised on acquisition
<b>Liabilities</b>	
Trade and other Payables (Note 25)	26.1
Income tax and withholding tax payable	2.3
Deferred tax liability (Note 23)	5.0
Lease liabilities (Note 22)	1.3
<b>Total identifiable net assets at fair value</b>	<b>17.7</b>
Goodwill arising on acquisition (Note 14)	65.3
<b>Purchase consideration transferred</b>	<b>83.0</b>

The initial accounting for the business combination is not complete due to the timing of the acquisition which occurred close to the year end. Amounts recognised, are subject to adjustment in line with IFRS 3 for up to 12 months from acquisition, with goodwill being adjusted accordingly. Therefore, goodwill has not been allocated.

The fair value of the trade receivables amounts to £12.7 million. The gross amount of trade receivables is £13.2 million and it is expected that the full contractual amounts can be collected.

From the date of acquisition, Vita Health Group contributed £18.3 million of revenue and profit of £1.1 million to profit before tax from continuing operations of the group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been £1,450.5 million and loss before tax from continuing operations for the group would have been £40.1 million.

Goodwill has been recognised to reflect the synergies which the group believes are available to expand its offering for mental and physical health services in line with its strategic plan which reflect intangibles that cannot be separately quantified. This goodwill is not deductible for tax purposes.

## Purchase consideration transferred

(£m)	Cash flow on acquisition
Net cash acquired with the subsidiary	9.8
Cash paid	83.0
Net cash flow on acquisition	73.2

Transaction costs of £2.5 million were expensed and are included within adjusting Items.

## Prior year Acquisition of The Doctors Clinic Group Ltd (together 'The Doctors Clinic Group')

During the year, the group reviewed its goodwill position in respect of The Doctors Clinic Group in line with IFRS 3 and no adjustment has been recognised.

## 35. Events after the reporting period

There have been no other events to disclose after the reporting date.

## Company balance sheet

As at 31 December 2023  
(Registered number 09084066)

(£m)	Note	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	C9	840.6	840.5
Other receivables	C7	179.8	168.3
		<b>1,020.4</b>	1,008.8
<b>Current assets</b>			
Other receivables	C7	226.9	170.2
Cash and cash equivalents	C6	0.1	0.2
		<b>227.0</b>	170.4
<b>Total assets</b>		<b>1,247.4</b>	1,179.2
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	4.0	4.0
Share premium		830.0	830.0
EBT share reserves	21	(0.7)	–
Retained earnings		404.2	337.8
<b>Total equity</b>		<b>1,237.5</b>	1,171.8
<b>Current liabilities</b>			
Income tax payable		9.3	1.8
Trade and other payables	C8	0.6	5.6
<b>Total liabilities</b>		<b>9.9</b>	7.4
<b>Total equity and liabilities</b>		<b>1,247.4</b>	1,179.2

The profit attributable to the owners of the company for the year ended 31 December 2023 was £67.1 million (2022: £51.4 million).

The financial statements on pages 170 to 174 were approved by the board of directors on 28 February 2024 and signed on its behalf by:

### Justin Ash

Chief Executive Officer

### Jitesh Sohda

Chief Financial Officer

## Company statements of changes in equity

For the year ended 31 December 2023

(£m)	Share capital	Share premium	EBT share reserves	Retained earnings	Total equity
<b>At 1 January 2022</b>	4.0	826.9	(0.8)	285.0	1,115.1
Profit for the year	–	–	–	51.4	51.4
Issue of new shares	–	3.1	–	–	3.1
Share-based payment	–	–	–	2.3	2.3
Utilisation of EBT shares	–	–	0.8	(0.8)	–
Dividend paid	–	–	–	(0.1)	(0.1)
<b>As at 1 January 2023</b>	<b>4.0</b>	<b>830.0</b>	<b>–</b>	<b>337.8</b>	<b>1,171.8</b>
Profit for the year	–	–	–	67.1	67.1
Purchase of own shares by EBT	–	–	(3.1)	–	(3.1)
Share-based payment	–	–	–	3.7	3.7
Utilisation of EBT shares	–	–	2.4	(2.4)	–
Dividend paid	–	–	–	(2.0)	(2.0)
<b>As at 31 December 2023</b>	<b>4.0</b>	<b>830.0</b>	<b>(0.7)</b>	<b>404.2</b>	<b>1,237.5</b>

## Company statement of cash flows

For the year ended 31 December 2023

(£m)	2023	2022
<b>Cash flows from operating activities</b>		
Profit before taxation	74.5	52.1
Dividend received	(52.1)	(46.9)
Profit before taxation (excluding dividend received)	22.4	5.2
Adjustments for:		
Share-based payments	3.6	–
Interest income	(27.6)	(9.8)
Finance costs	–	3.4
	(1.6)	(1.2)
Movements in working capital:		
Increase in trade and other receivables	(45.6)	(45.9)
Increase in trade and other payables	0.1	0.3
<b>Net cash used in operating activities</b>	<b>(47.1)</b>	<b>(46.8)</b>
<b>Cash flows from investing activities</b>		
Dividend received	52.1	46.9
<b>Net cash generated from investing activities</b>	<b>52.1</b>	<b>46.9</b>
<b>Cash flows from financing activities</b>		
Purchase of own shares by EBT	(3.1)	–
Dividend paid to equity holders of the Parent	(2.0)	(0.1)
<b>Net cash used in financing activities</b>	<b>(5.1)</b>	<b>(0.1)</b>
Net decrease in cash and cash equivalents	(0.1)	–
Cash and cash equivalents at beginning of year	0.2	0.2
<b>Cash and cash equivalents at end of year</b>	<b>0.1</b>	<b>0.2</b>

## Notes to the parent company financial statements

For the year ended 31 December 2023

This section contains the notes to the company financial statements. The issued share capital and EBT share reserves are consistent with the Spire Healthcare Group plc group financial statements. Refer to Note 21 of the group financial statements.

### C1. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) in accordance with the Companies Act 2006 and on an historical cost basis. The financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

See Note 1 for general information about the company.

The financial statements have been prepared on a going concern basis as the directors believe there are no material uncertainties that lead to significant doubt that the company can continue as a going concern until June 2025 (see the going concern section in Note 2 for more detail).

The company applies consistent accounting policies, as applied by the group. To the extent that an accounting policy is relevant to both group and company financial statements, refer to the group financial statements for disclosure of the accounting policy. Material policies that apply to the company only are included as appropriate.

The company has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the income statement of the parent company.

The company did not have items to be reported as other comprehensive income; therefore, no statement of comprehensive income was prepared.

### C2. Significant accounting policies in this section Investment in subsidiaries

The company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use. In addition, market capitalisation is compared to the investments of the company when assessing impairment requirements.

### Share-based payments

The financial effect of awards by the company of options over its equity shares to employees of subsidiary undertakings is recognised by the company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings. The subsidiary, in turn, will recognise the IFRS 2 cost in its income statement with a credit to equity to reflect the deemed capital contribution from the company.

### C3. Key estimates and assumptions in this section Impairment testing of investments in subsidiaries

The market capitalisation of the company is compared to the investments of the company to determine if there is a trigger for impairment review. 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 adjusted for the assumption that internal and external borrowings have been settled. See Note C9 for more detail.

## Notes to the parent company financial statements continued

**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)	2023	2022
Amounts payable to auditor in respect of:		
Audit of the company's annual financial statements	15.0	15.0
	15.0	15.0

**C6. Cash and cash equivalents**

(£m)	2023	2022
Cash at bank	0.1	0.2
	0.1	0.2

**C7. Other receivables**

(£m)	2023	2022
Amounts owed by subsidiary undertakings – current	226.9	170.2
	226.9	170.2

The amounts owed by subsidiary undertakings bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). No allowance for expected credit losses has been included for amounts receivable from subsidiary undertakings as the provision rates are immaterial. As described in the directors' report, the group has sufficient resources to satisfy going concern and viability considerations. All subsidiaries are under common control and resources could be made available for settlement of debts as and when required.

(£m)	2023	2022
Amounts owed by subsidiary undertakings – non-current	179.8	168.3
	179.8	168.3

The amounts owed by subsidiary undertakings bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). The amounts are unsecured and repayable on demand.

**C8. Trade and other payables**

(£m)	2023	2022
Amounts owed to subsidiary undertakings	–	5.1
Accruals	0.6	0.5
	0.6	5.6

The amounts owed to subsidiary undertakings bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). The amounts are unsecured and repayable on demand.

**C9. Investment in subsidiaries**

(£m)	Subsidiary undertakings
Net book value	
At 1 January 2022	838.2
Additions – IFRS 2 costs	2.3
<b>At 1 January 2023</b>	<b>840.5</b>
Additions – IFRS 2 costs	0.1
<b>At 31 December 2023</b>	<b>840.6</b>

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 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 that the market capitalisation exceeds the investment value including intercompany receivables.

The recoverable amount of investments is calculated by reference to its estimated value-in-use calculation adjusted for the assumption that internal and external borrowings have been settled.

In order to estimate the value-in-use, management has used trading projections covering the period to December 2028 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. In addition, management consider the potential financial impact from short-term climate change scenarios, and the cost of initiatives by the group to manage the longer-term climate impacts.

Management determined that no impairment was required as the recoverable amount exceeds the carrying amount by £1,364.0 million.

**Key assumptions**

Management identified a number of key assumptions relevant to the value-in-use calculations, being EBITDA growth over the five-year period, capital maintenance spend, discount rates and long-term growth rates. The assumptions are based on past experience and external sources of information.

Management has performed a sensitivity analysis using reasonably possible changes for each key assumption, keeping all other assumptions constant. The sensitivity analysis included an assessment of the break-even point for each of the key assumptions.

The trading projections for the five-year period underlying the value in use reflect a growth in EBITDA. EBITDA is dependent on a number of elements of the operating model over the longer term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. The average annual EBITDA growth over the five years is 10.9%. The annual EBITDA over the five year period would have to decrease by 36.8% per annum to eliminate the headroom.

During the year the group moved to a post IFRS 16 discount rate, and has used a pre-tax discount of 11.5% (2022: 10.6% adjusted for the effect of IFRS 16).

## Notes to the parent company financial statements continued

**C9. Investment in subsidiaries** continued

A long-term growth rate of 2.0% has been applied to cash flows beyond 2028 based on long term view of inflation and market conditions. Capital maintenance spend is based on historic run rates and our expectation of the group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long-term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

As a result, management believe that some of the key impairment review assumptions constitute a major source of estimation uncertainty as they consider that there is a significant risk of a material change to its estimate of these assumptions within the next 12 months.

**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 £1,237.5 million (2021: £1,171.8 million) as at 31 December 2023, and cash amounted to £0.1 million (2021: £0.2 million).

**Credit risk**

As at 31 December 2023, the company had amounts owed by subsidiary undertakings of £406.7 million (2022: £338.5 million). The company's maximum exposure to credit risk from these amounts is £406.7 million (2022: £338.5 million).

**Liquidity risk**

The company finances its activities through its investments in subsidiary undertakings.

The company anticipates that its funding sources will be sufficient to meet its anticipated future administrative expenses and dividend obligations as they become due over the next 12 months.

Dividends paid in the year:

(£m)	2023	2022
Final dividend for the year ended 31 December 2022 (0.5 pence per share)	2.0	–
Dividend paid in respect of grants under the LTIP share scheme that have vested	–	0.1
<b>Total dividends paid</b>	<b>2.0</b>	<b>0.1</b>

Since the end of the financial year, the directors have proposed a final dividend of approximately 2.1 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 December 2023.

(£m)	2023	2022
Financial assets: carrying amount and fair value:		
<b>Loans and receivables</b>		
Cash and cash equivalents	0.1	0.2
Amounts owed by subsidiary undertakings	406.7	338.5
	<b>406.8</b>	<b>338.7</b>

The above financial assets are not impaired.

(£m)	2023	2022
Financial liabilities: carrying amount and fair value:		
<b>Amortised cost</b>		
Amounts owed to subsidiary undertakings	–	5.1
	<b>–</b>	<b>5.1</b>

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 2023 the company had short-term borrowings of Nil (2022: £5.1 million) owed to subsidiary undertakings, which are repayable on demand and bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). Interest on these borrowings in the year amounted to Nil (2022: £3.4 million) and the directors do not perceive that servicing this debt poses any significant risk to the company given its size in relation to the company's net assets.

IFRS 7 Financial Instruments: Disclosures required a market risk sensitivity analysis illustrating the fair values of the company's financial instruments and the impact on the company's income statement and shareholders' equity of reasonably possible changes in selected market risks. Excluding cash and cash equivalents, the company has no financial assets or liabilities that expose it to market risk, other than the amounts owed by/to subsidiary undertakings of £406.7 million (2022 £338.5 million) and Nil (2022: £5.1 million) respectively. The directors do not believe that a change of 25 basis points in the SONIA interest rates will have a material impact on the company's income statement or shareholders' equity.

**C11. Contingent liabilities**

The below financial guarantees have been assessed in line with the requirements of IFRS 17 insurance contracts and are exempt as the guarantees have not been asserted explicitly as insurance contracts and as such the accounting for insurance contracts is not applicable.

**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 £51.3 million per annum.

As a result of the sale, the group has long-term institutional lease arrangements (up to December 2042, subject to renewal or extension), with the landlord for each of the 12 properties. The leases include key terms such as annual rental covenants and minimum levels of capital expenditure invested by the group. The capital expenditure covenants measured on an average basis over each five-year period during the term of the leases, require the group to incur, in total, £5.0 million of maintenance capital expenditure and £3.0 million of additional capital expenditure on the portfolio of 12 hospitals each year, such being subject to indexation in line with RPI. If the minimum rent cover ratio is not met, the group is required to enter into an asset performance recovery plan in order to comply with the covenants, but no default would be deemed to have occurred. The company is a party to this guarantee. As at 31 December 2023 the group complied with the required covenants and the lease liability held on the consolidated balance sheet is £628.7 million (2022: £611.4 million).

## Notes to the parent company financial statements continued

**C11. Contingent liabilities** continued**Lease agreements entered into by Classic Hospitals Limited (novated to Spire Healthcare Limited during the year)**

Under lease agreements entered into on 26 January 2010 by Classic Hospitals Limited, a subsidiary undertaking of the company, the company has undertaken to guarantee the payment of rentals over the lease term to August 2040, and to ensure that the other covenants in the lease are observed. The lease has been moved to Spire Healthcare Limited, another subsidiary undertaking of the company, to allow Classic Hospitals Limited to enter Members' Voluntary Liquidation as part of the entity rationalisation carried out during the year. The initial rentals payable under the leases in 2010 were £6.3 million per annum, which will be subject to an increase in future years. As part of these arrangements, the assets of the company are subject to a fixed and floating charge in the event of a default. As at 31 December 2023, there was no breach in the required covenants and the lease liability held on the Consolidated balance sheet is £81.2 million (2022: £80.8million).

Based on the liquidity and expected cash generation of Spire Healthcare Limited, the expected credit loss in respect of these financial guarantees, as at 31 December 2023, is not considered to be significant. As a result, no liability has been recorded (2022: Nil).

**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)	2023	2022
Amounts owed from subsidiary undertakings – Spire Healthcare Finance Limited, Spire Healthcare Limited and Spire Healthcare (Holdings) Limited	406.7	338.5
Amounts owed to subsidiary undertakings – Spire Healthcare Limited	–	(5.1)
	<b>406.7</b>	<b>333.4</b>

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)	2023	2022
Amounts invoiced to subsidiaries	73.3	57.8
Amounts invoiced by subsidiaries	–	–
Dividend received from subsidiaries	52.1	46.9

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 110 to 128.

(£m)	2023	2022
Short-term employee benefits*	1.1	1.0
Share-based payments	1.0	–
<b>Total</b>	<b>2.1</b>	<b>1.0</b>

\* 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 (ie 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.

**C13. Events after the reporting period**

There have been no events to disclose after the reporting date.

# Shareholder information

## Spire Healthcare group websites

Shareholders are encouraged to visit our websites at [www.spirehealthcare.com](http://www.spirehealthcare.com), [www.vitahealthgroup.co.uk](http://www.vitahealthgroup.co.uk), [www.londondoctorsclinic.co.uk](http://www.londondoctorsclinic.co.uk) and [spireoccupationalhealth.com](http://spireoccupationalhealth.com) which have 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](http://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 178, 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).

## 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
- 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](http://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](mailto: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](http://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
- 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](http://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](http://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](http://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](http://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).

\* Lines are open from 8.30am to 5.30pm, Monday to Friday, UK time.

Shareholder information continued

**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](http://www.spirehealthcare.com).

**2024 financial calendar**

2024 annual general meeting	9 May 2024
Final dividend record date	24 May 2024
Final dividend payment date	21 June 2024
Announcement of 2024 half year results	12 September 2024

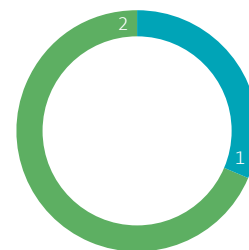
**Analysis of ordinary shareholders**

**Holding of ordinary shares as at 31 December 2023**

Investor type	Private		Institutional and other		Total	
	2023	2022	2023	2022	2023	2022
Number of holders	161	147	351	355	512	502
Percentage of holders	31.45%	29.28%	68.55%	70.72%	100%	100%
Percentage of shares held	0.20%	0.17%	99.80%	99.83%	100%	100%

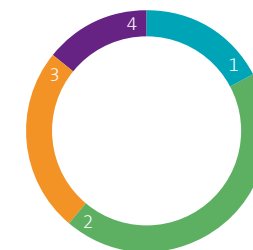
Investor type	1-1,000		1,001-50,000		50,001-500,000		500,001+	
	2023	2022	2023	2022	2023	2022	2023	2022
Number of holders	85	74	237	250	121	106	69	72
Percentage of holders	16.60%	14.74%	46.29%	49.80%	23.63%	21.12%	13.48%	14.34%
Percentage of shares held	0.01%	0.01%	0.68%	0.76%	5.55%	4.67%	93.76%	94.56%

**Shareholders percentage by shareholder**



- 1. Private **31.45%**
- 2. Institutional and others **68.55%**

**Shareholders percentage by shareholding**



- 1. 1-1,000 **16.6%**
- 2. 1,001-50,000 **42.29%**
- 3. 50,001-500,000 **23.63%**
- 4. 500,001 **13.48%**

**Corporate advisers**

**Auditor**  
Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**Brokers**

**J.P. Morgan Cazenove**  
25 Bank Street  
Canary Wharf  
London E14 5JP

**Remuneration consultants**  
Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

**Deutsche Numis**

45 Gresham Street  
London EC2V 7BF

**Legal advisers**

Freshfields Bruckhaus  
Deringer LLP  
100 Bishopsgate  
London EC2P 2SR

**Registrar**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA



## Alternative performance measures definitions

Performance measure	Definition	Purpose
<b>Adjusted operating profit; or, adjusted EBIT</b>	Operating profit, less adjusting items before interest and tax.	Provides a comparable measure of operating profit performance over time.
<b>Conversion of adjusted EBITDA to cash</b>	Adjusted EBITDA divided by operating cash flows before adjusting items and taxation.	Intends to show the group's efficiency at converting adjusted EBITDA into cash.
<b>Adjusted EBITDA</b>	Adjusted EBITDA is calculated as operating profit, adjusted to add back depreciation, and adjusting items.	Adjusted 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.
<b>Adjusted EBITDA margin</b>	Adjusted EBITDA as a percentage of revenue.	Provides a comparable performance metric, expressed as a percentage of revenues.
<b>Net debt</b>	Interest-bearing liabilities, less cash and cash equivalents.	Measurement of net group indebtedness for covenant purposes.
<b>Net bank debt</b>	Interest-bearing liabilities, excluding borrowing costs, less cash and cash equivalents.	Measurement of net group indebtedness.
<b>Pre IFRS 16</b>	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.
<b>Net debt/EBITDA</b>	Net debt at the end of the period divided by EBITDA.	Indicates the group's ability to service its debt from cash earnings.
<b>Clinical staff costs as a percentage of revenue</b>	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.
<b>Other direct costs as a percentage of revenue</b>	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 2023, unless the context requires otherwise:

<b>Act</b>	The Companies Act 2006, as amended
<b>Acute care</b>	active but short-term treatment for a severe injury or episode of illness
<b>Adjusted EBITDA</b>	Adjusted EBITDA is calculated as operating profit, adjusted to add back depreciation, and adjusting items
<b>Admission</b>	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
<b>Articles</b>	the articles of association of the company
<b>Board</b>	the board of directors of the company
<b>CAGR</b>	compound annual growth rate
<b>Cardiology</b>	specialty which encompasses the treatment of patients with cardiovascular disease
<b>CGSC</b>	Clinical governance and safety committee
<b>CMA</b>	the UK Competition and Markets Authority
<b>Company</b>	Spire Healthcare Group plc
<b>CQC</b>	Care Quality Commission
<b>CO<sub>2</sub>e</b>	carbon dioxide equivalent

<b>CQUIN</b>	commissioning for quality and innovation payment which is earned for meeting quality targets on NHS work
<b>CRC Energy Efficiency Scheme</b>	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
<b>CREST</b>	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
<b>CRM</b>	customer relationship management system/software
<b>CT</b>	computerised tomography
<b>DAISY</b>	Diseases Attacking the Immune System
<b>Directors</b>	the executive directors and non-executive directors
<b>DPA</b>	Data Protection Act
<b>DSBP</b>	Deferred Share Bonus Plan
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	earnings per share
<b>eRS</b>	Electronic Referral System
<b>EU</b>	the European Union
<b>Executive directors</b>	the executive directors of the company
<b>FCA</b>	the Financial Conduct Authority

<b>FRC</b>	the Financial Reporting Council
<b>FTSUG</b>	Freedom to Speak Up Guardian
<b>GDP</b>	gross domestic product
<b>GDPR</b>	General Data Protection Regulation
<b>GHG</b>	greenhouse gas
<b>GIRFT</b>	Getting it Right First Time
<b>GMC</b>	General Medical Council
<b>GP</b>	General practitioner
<b>GPG</b>	Gender Pay Gap
<b>Group</b>	Spire Healthcare Group plc and its subsidiaries
<b>HD</b>	Hospital director
<b>Health &amp; Safety Act</b>	The Health & Safety at Work etc Act 1974
<b>HIS</b>	Health Improvement Scotland
<b>HIW</b>	Health Inspectorate Wales
<b>HMRC</b>	HM Revenue & Customs
<b>HSE</b>	Health and Safety Executive
<b>ICBs</b>	Integrated Care Boards: NHS organisation which plans how to meet local population health needs, associated budget and provision.
<b>ICSSs</b>	Integrated Care Systems: Partnerships of NHS organisations, local authorities and others to collectively plan services.

<b>IFRS</b>	International Financial Reporting Standards, as adopted by the EU
<b>IPO</b>	initial public offering of shares to certain institutional and other investors
<b>IRIS</b>	Inclusive Recognition of Inspirational Staff
<b>ISO 14001</b>	environmental management system
<b>ISO 18001</b>	health and safety management system
<b>ITU</b>	Intensive Therapy Unit
<b>JAG accreditation</b>	The Joint Advisory Group on Gastrointestinal Endoscopy (JAG) accreditation: formal recognition an endoscopy service has the competence to deliver against measures in the Endoscopy Global Rating Scale standards
<b>KPI</b>	key performance indicator
<b>Listing Rules</b>	the listing rules of the FCA made under section 74(4) of the Financial Services and Markets Act 2000
<b>LTIP</b>	Long Term Incentive Plan
<b>MAC</b>	Medical advisory committee
<b>MHFA</b>	Mental Health First Aid
<b>MQEM</b>	Macmillan Quality Environment Mark
<b>MRI</b>	magnetic resonance imaging
<b>NDC</b>	Spire Healthcare's national distribution centre in Droitwich

## Glossary continued

<b>NHS</b>	the National Health Services in England, Scotland, Wales and Northern Ireland, collectively	<b>Registration regulations</b>	the Care Quality Commission (Registration) Regulations 2009	<b>UKAS</b>	UK Accounting Standards
<b>NI</b>	National Insurance	<b>Regulated activities regulations</b>	the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010	<b>UK Code</b>	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time-to-time
<b>NIC</b>	National Insurance Contributions	<b>RIDDOR</b>	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations	<b>YOY</b>	Year on year
<b>NJR</b>	National Joint Registry: records, monitors, analyses and reports on performance outcomes in joint replacement surgery	<b>ROCE</b>	return on capital employed		
<b>Non-executive directors</b>	the non-executive directors of the company	<b>SAP</b>	global software developer/ software		
<b>Official List</b>	the record of whether a company's shares are officially listed, maintained by the FCA (the UKLA Official List)	<b>SDG</b>	Sustainable Development Goal, set by the United Nations		
<b>Oncology</b>	specialty which encompasses the treatment of people with cancer	<b>Self-pay</b>	when a procedure or treatment provided is funded by the patient directly		
<b>PHIN</b>	Private Healthcare Information Network	<b>SEQOHS</b>	Safe Effective Quality Occupational Health Service, benchmarks for occupational health services		
<b>PILON</b>	payment in lieu of notice	<b>Shareholders</b>	the holders of shares in the capital of the company		
<b>PMI</b>	Private medical insurance	<b>Shares</b>	the ordinary shares of 1 pence each in the company, having the rights set out in the articles		
<b>PPE</b>	property, plant and equipment	<b>tCO<sub>2</sub>e</b>	tonnes of carbon dioxide equivalent		
<b>PROMs</b>	Patient Reported Outcome Measures	<b>TSR</b>	total shareholder return		
<b>PSIRF</b>	Patient Safety Incident Response Framework	<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland		
<b>Registrar</b>	Equiniti Limited				

## 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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