

Spire Healthcare reports its results for the six months ended 30 June 2019

London, UK, 16 September 2019, Spire Healthcare Group plc (LSE: SPI), a leading independent hospital group in the UK, today announces its interim results for the six months ended 30 June 2019.

Successful first half. On track to meet market expectations for FY 19

Summary Group results for the six months ended 30 June 2019

(£ million)	Six months ended June post IFRS 16			Six months ended June pre IFRS 16		
	2019	2018	Variance	2019	2018	Variance
Revenue	491.6	475.6	3.4%	491.6	475.6	3.4%
Operating profit before exceptionals	51.4	52.5	(2.1%)	30.7	31.6	(2.8%)
Exceptional and other items	(0.4)	(15.3)	nm ⁽¹⁾	(0.4)	(15.3)	nm
Operating profit	51.0	37.2	37.1%	30.3	16.3	85.9%
Profit before tax	9.6	(2.2)	nm	16.7	5.1	227.5%
Profit after tax	7.1	2.1	238.1%	13.6	8.2	65.9%
Basic earnings per share, pence	1.8	0.5	260.0%	3.4	2.0	70.0%
Dividend paid/proposed per share, pence ⁽²⁾	1.3	1.3	–	1.3	1.3	–
EBITDA ⁽³⁾	96.8	98.9	(2.1%)	63.7	66.1	(3.6%)
Capital investments	19.7	33.5	(41.2%)	19.7	33.5	(41.2%)
Net bank debt ⁽⁴⁾	(362.2)	(381.0)	4.9%	(362.2)	(381.0)	4.9%

1. Not meaningful

2. An interim dividend of 1.3 pence per ordinary share has been approved by the Board

3. Operating profit, adjusted to add back depreciation, loss on disposal of PPE and exceptional and other items, referred to hereafter as 'EBITDA'

4. Net bank debt defined as bank borrowings less cash and cash equivalents

Group financial performance

- 3.4% revenue growth to £491.6m (2018: £475.6m)
- Growth across all three payor groups: PMI sales rose 5.1%, Self-pay +1.4% and NHS +2.5%
- Operating Profit growth to £51.0m (2018: £37.2m)
- Net bank debt⁽⁴⁾ lowered, with covenant leverage at 3.3x EBITDA (3.3x at end Dec 18, 3.0x at end June 18) versus limit of 4.0x
- EPS 1.8p (2018: 0.5p), Interim dividend of 1.3p proposed (2018: 1.3p)

Operating highlights

- Robust private growth of 4.1% sustained from H2 18
- Positive momentum on quality improvements with new Manchester hospital rated Outstanding. 81% of sites rated Good, Outstanding or equivalent (up from 74% in H1 18, 79% at FY18)
- Long term pricing agreements signed with AXA PPP Healthcare and Bupa supporting our strategic focus on private patients
- Digital strategy implementation underway with further rollout of consultant online booking, a successful pilot launch of the MySpire patient portal and a new Consultant App
- Purpose, our new cultural initiative to raise team engagement and our patient focus, launched across all hospitals and central functions

Developing our business

- Orthopaedic outpatient facility opened in Manchester on 9 September
- In discussions with GenesisCare to create a national end-to-end private cancer care pathway
- GenesisCare will acquire two Spire sites (Baddow Specialist Care Centre and Bristol Cancer Centre) for £12m plus 50% gross profit share of chemotherapy services in the Bristol site

Justin Ash, Chief Executive Officer of Spire Healthcare, said:

"This was a good performance with clear signs of our strategic and operational initiatives bearing fruit. We promised 2019 would be a year of stabilisation with revenue growth, continued quality improvement, cash generation and net debt reduction. All have been achieved in H1, with good operating profit performance.

We saw growth in both private insurance and self-pay, with a particularly strong result in private insurance reflecting rising consumer awareness following our marketing campaigns. NHS revenue in the period also outperformed expectations as we worked in close partnership with our local trusts and Clinical Commissioning Groups (CCGs) to selectively open new services that respond to their changing needs. We continue to develop our private revenue streams in key areas such as oncology, including working towards a partnership with GenesisCare to create a national end-to-end private cancer treatment pathway.

We remained uncompromising in our focus on patient safety and quality of care and we now have 81% of sites rated Good, Outstanding or the equivalent. We are delighted that both our new hospitals in Manchester and Nottingham have been rated Outstanding and we now have the highest number of Outstanding sites of any independent provider."

Full year guidance reiterated

We expect continued revenue growth, offset by mix and planned investments.

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About Spire Healthcare

Spire Healthcare is a leading independent hospital group in the United Kingdom, with 39 private hospitals and 8 clinics across England, Wales and Scotland.

Spire Healthcare delivered tailored, personalised care to approximately 260,000 in-patients and daycase patients in 2018, and is the leading private provider, by volume, of knee and hip operations in the United Kingdom. The Group's well located and scalable hospitals have delivered successful and award winning clinical outcomes, positioning the Group well with patients, consultants, the NHS, GPs and Private Medical Insurance ("PMI") providers. Spire treats patients through a variety of routes including PMI, Self-pay and the NHS, providing the Group with diversified access to the expected growth opportunities in the UK healthcare market, which faces significant supply challenges as a result of NHS budget constraints and increasing demand from a growing population with longer life expectancy.

Cautionary statement

This preliminary announcement contains 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 preliminary announcement, 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 preliminary announcement 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 in this preliminary announcement 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 this preliminary announcement.

The Group is providing the information in this preliminary announcement 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.

Analyst and investor meeting

There will be an analyst and investor meeting today at 9.30am at 65 Fleet Street London EC4Y 1HT.

Operating Review

Performance

Our key focus for H1 19 was to improve quality, grow revenue, and generate cash. Much progress has been made including the launch of Purpose, our new cultural initiative, which will bring our strategy to life and align our teams and partners in our focus on outstanding, personalised patient care.

Quality

The commitment to clinical quality and governance has translated to an increase in the proportion of our hospitals rated Good or Outstanding by the CQC (or the equivalent in Scotland and Wales) to 81%, which in turn delivers tangible benefits through improved consultant engagement and relationships with PMI providers. Our new Manchester hospital received an Outstanding rating, taking the group total to five, Liverpool retained a Good rating, Fylde Coast was upgraded to Good and we received a positive review of Cardiff. We were disappointed that Leeds was rated Requires Improvement but we are working closely with the CQC to implement the necessary improvements.

Throughout 2019 we have engaged with our wider Senior Leadership Team and Medical Advisory Committee Chairs to define our Purpose, which is “making a positive difference to our patients’ lives through outstanding personalised care”. The Purpose is now being launched across all hospitals and central functions through dedicated toolkits which also include mechanisms to recognise and reward employees who embody the Purpose.

Revenue growth

All payor groups experienced revenue growth in H1 19, with the strongest in Private Medical Insurance (PMI). Our targeted direct marketing campaigns are stimulating growth in both enquiries and outpatient consultations, whilst also increasing awareness amongst the insured population. These campaigns have stimulated both self-pay and PMI outpatient growth, which has allowed private revenue growth to be sustained at 4.1%.

Representing 50% of sales, PMI is a key long term driver for the business. We have renewed two contracts with our biggest customers, Bupa and AXA PPP Healthcare, both with agreed pricing to provide long term stability. We believe our PMI growth of 5.1% demonstrates market share gains and validates our clear strategy to grow private patient revenues. Part of this growth came from new contract wins towards the end of 2018, whilst revenues associated with existing PMI contracts also grew by 3.8%, stimulated by our marketing campaigns and our investments in quality.

Self-pay growth of 1.4% was lower than previous periods, with the lower growth resulting from a deliberate focus on core clinical procedures and a repositioning away from procedures such as bariatrics. Self-pay orthopaedic inpatient and day case revenues rose 4.1%. Self-pay outpatient enquiries rose 19% in the period and outpatient first appointments rose 7%, demonstrating the growing demand for healthcare consumers to find out “what’s wrong with me” quickly, and in a high quality environment. We remain committed to refining our range of services and strategic approach in order to optimise growth in this important segment of the market.

The NHS remains a challenging market but we were able to return to revenue growth of 2.5% in H1 by selectively opening new service lines to meet the changing needs of the local Commissioners. NHS outpatient revenues grew 4.9%, the highest of all three payor groups, and although inpatient and day case activity declined we benefitted from positive revenue mix, with growth in higher revenue total hip and knee replacements offsetting declines in soft tissue repair, and tariff increases from Q2.

Cash generation

Gross margin was broadly flat at 46.9% (2018: 47.1%) despite the continued shift to lower margin day case and outpatient procedures in addition to a greater proportion of oncology admissions, reflecting tight cost control across the business. EBITDA declined, largely due to the accrual of team reward payments for financial and quality delivery for the first time in recent years. Within our newer hospital portfolio, both Manchester and St Anthony’s generated increased revenues and profits. Nottingham is growing fast and we anticipate will break even by the end of the year.

We are working hard to rebalance staff costs by filling vacancies with both domestic and international recruits and improving workforce planning. We are also working towards reducing agency costs through improved retention and recruitment, implementing initiatives such as an increase in holiday allowance for contracted staff. We launched the first Save as You Earn scheme at Spire to encourage employee share ownership. This generated a very positive response with subscribers representing nearly 20% of eligible employees.

We have also implemented efficiency savings in procurement whilst identifying further opportunities to reduce costs in the future. Our digital strategy is key to delivering efficiency improvements whilst reducing paperwork and we have made considerable progress in H1 19. The online booking tool for patients, which was piloted in all hospitals by end January, now has over 1,000 registered consultants, making Spire more accessible to patients and easier to do business with. We have developed a patient portal (MySpire) which allows patients to complete their registration forms on-line. This is in pilot launch in two hospitals but will be rolled out more broadly in H2 and is a necessary first step in the development of Spire’s electronic pre-assessment platform.

We invested £19.7 million (2018: £33.5 million) in capital projects during the period, below the rate implied by our FY guidance reflecting caution ahead of Brexit. The pace of investment has now increased and we still expect to deploy up to £60m-65m in total by the end of the year. We have consulted with our hospitals and consultants to prioritise capex spend. Some 50% of investment in H1 was used for maintenance with the rest on capacity enhancements including a new theatre and outpatient bedrooms at Spire Bushey and the new orthopaedic outpatient centre at Spire Manchester.

Over the past 18 months we have been extensively planning for a no deal Brexit. Given the uncertainty around the impact of a no deal Brexit we cannot rule out disruption to the business as there may be some circumstances outside of our reasonable control. However, our supply chain is optimised for a period of volatility and we are confident that our planning has been robust such that, at this stage, we believe any potential disruption can be minimised.

Partnership with GenesisCare

Oncology is an important specialty for Spire, with significant potential for profitable expansion, generating 15% revenue growth in H1 19. Today we announce a new partnership with GenesisCare in Bristol, to create an integrated, end-to-end, private cancer proposition. We believe this will present PMI providers with a credible, high quality, alternative to the NHS and an improvement on the current private treatment pathway which often requires a patient to switch between various providers, including the NHS, for diagnosis, treatment planning, chemotherapy, radiotherapy and surgery. We believe such an integrated pathway will deliver an improvement in patient co-ordination and oversight. We anticipate that the agreement in Bristol will form the template for future partnerships and we have signed a Memorandum of Understanding with GenesisCare to work towards rolling out similar care pathways at other sites.

As a first step, GenesisCare has agreed to acquire two sites from Spire: Baddow Specialist Care Centre (which was closed in 2017) and the Bristol Cancer Centre, for a sum of £12 million, with staff from the Cancer Centre transferring across to GenesisCare. Spire will retain 50% share of chemotherapy gross profits generated at Bristol and will provide diagnostics and surgery for this location. GenesisCare will contribute its leading expertise in radiotherapy, treatment planning, and innovation in areas such as its electronic multidisciplinary team approach.

In FY18 the Bristol Cancer Centre generated £5.0 million revenue and £0.9 million EBITDA. We anticipate the disposal will complete on 31 October 2019, subject to appropriate CQC clearance.

Senior appointments

We made two Board appointments in the period. Martin Angle was appointed as an independent Non-Executive Director on 14 March 2019, and replaced Peter Bamford as Deputy Chairman and Senior Independent Director on 16 May 2019. Martin chairs the Nomination Committee and is a member of the Remuneration Committee. Martin brings a wealth of PLC, Board and leadership experience, both as principal and as an adviser.

Jenny Kay was appointed as an independent Non-Executive Director on 1 June 2019 and is a member of the Company's Clinical Governance and Safety Committee. Jenny brings considerable clinical experience, healthcare and NHS expertise to the Board and her appointment supports Spire's commitment to enhancing quality in its hospitals.

We are delighted to have them on board.

Outlook for 2019

We reiterate our outlook for 2019, which remains in line with management expectations. We expect continued revenue growth, offset by mix and planned investments.

Financial review

Selected financial information

Six months ended 30 June (Unaudited)

(£ million)	2019				2018			
	Total pre IFRS 16 and exceptional and other items	IFRS 16 adjustment	Exceptional and other items (note 9)	Total	Total pre IFRS 16 and exceptional and other items	IFRS 16 adjustment (note 20)	Exceptional and other items (note 9)	Total (restated)
Revenue	491.6	–	–	491.6	475.6	–	–	475.6
Cost of sales	(261.1)	–	–	(261.1)	(251.6)	–	–	(251.6)
Gross profit	230.5	–	–	230.5	224.0	–	–	224.0
Other operating costs	(199.8)	20.7	(0.4)	(179.5)	(192.4)	20.9	(15.3)	(186.8)
Operating profit	30.7	20.7	(0.4)	51.0	31.6	20.9	(15.3)	37.2
Net finance costs	(13.6)	(27.8)	–	(41.4)	(11.2)	(28.2)	–	(39.4)
Profit / (loss) before taxation	17.1	(7.1)	(0.4)	9.6	20.4	(7.3)	(15.3)	(2.2)
Taxation	(3.2)	0.6	0.1	(2.5)	(4.0)	1.2	7.1	4.3
Profit / (loss) for the period	13.9	(6.5)	(0.3)	7.1	16.4	(6.1)	(8.2)	2.1
EBITDA⁽¹⁾	63.7	33.1	–	96.8	66.1	32.8	–	98.9
Earnings per share, pence	3.5	(1.6)	(0.1)	1.8	4.1	(1.5)	(2.1)	0.5
Interim dividend paid/proposed per share, pence ⁽²⁾				1.3				1.3
Capital investments				19.7				33.5
Net cash from operating activities	53.9	33.1	–	87.0	59.4	32.8	–	92.2
Bank borrowings less cash & cash equivalents	362.2	–	–	362.2	381.0	–	–	381.0

1. Operating profit, adjusted to add back depreciation, profit and loss arising from the disposal of fixed assets, exceptional and other items, referred to hereafter as 'EBITDA'

2. An interim dividend of 1.3 pence per ordinary share has been approved by the Board and will be paid on 10 December 2019

Revenue

Group revenue grew 3.4% to £491.6m as seen in the table below. We detail inpatient and daycase revenues separately for the first time to provide greater understanding of our business dynamics. Our day case ratio, defined as day case admissions as a proportion of total inpatient and day case, has risen to 73.1% from 72.3% in H1 18.

Other revenue, which includes fees paid to the Group by consultants (e.g. for the use of Group facilities and services) and third-party revenue (e.g. pathology services to third-parties), decreased by £0.8 million, or 5.4% in the period, to £12.3 million (2018: £13.1 million).

Revenue by location and payor

(£ million)	Six months ended 30 June (Unaudited)		
	2019	2018	Variance %
Total revenue	491.6	475.6	3.4%
Of which:			
Inpatient	186.8	182.4	2.4%
Daycase	149.0	142.9	4.2%
Outpatient	143.5	137.2	4.5%
Other	12.3	13.1	(5.4%)
Total revenue	491.6	475.6	3.4%
Of which:			
PMI ⁽¹⁾	247.0	234.9	5.1%
Self-Pay	88.6	87.4	1.4%
Total Private	335.6	322.3	4.1%
NHS	143.7	140.3	2.5%
Other	12.3	13.1	(5.4%)
Total revenue	491.6	475.6	3.4%

1. PMI restated to include Partnerships. Refer to note 6.

Inpatient and day case admissions declined 1.3% but a focus on more complex procedures drove average revenue per case (ARPC) up 4.6% leading to IPDC revenues up 3.2%. Outpatient revenue growth of 4.5% was the highest since IPO.

Revenue analysis in detail

Six months ended 30 June (Unaudited)	PMI ⁽¹⁾	Self-pay	Total private	NHS	Other	Total
2019						
IPDC ⁽²⁾ admissions ('000s)	61.6	23.5	85.2	46.8		132.0
ARPC ⁽³⁾ (£)	2,514	2,905	2,622	2,404		2,545
IPDC revenue (£m)	154.9	68.4	223.3	112.5		335.8
Outpatient revenue (£m)	92.1	20.2	112.2	31.2		143.4
Total (£m)	247.0	88.6	335.5	143.7	12.3	491.6
2018						
IPDC admissions ('000s)	61.1	24.0	85.1	48.5		133.7
ARPC (£)	2,404	2,826	2,523	2,277		2,434
IPDC revenue (£m)	147.0	67.8	214.8	110.5		325.3
Outpatient revenue (£m)	88.0	19.5	107.5	29.7		137.2
Total (£m)	234.9	87.4	322.3	140.3	13.1	475.6
Variance (%)						
IPDC admissions	0.8%	(1.9%)	0.0%	(3.5%)		(1.3%)
ARPC	4.6%	2.8%	3.9%	5.6%		4.6%
IPDC revenue	5.4%	0.9%	4.0%	1.8%		3.2%
Outpatient revenue	4.7%	3.2%	4.4%	4.9%		4.5%
Total (£m)	5.1%	1.4%	4.1%	2.5%	(5.4%)	3.4%

1 PMI restated to include Partnerships. Refer to note 6.

2 IPDC – inpatient and day case

3 Average revenue per case

PMI revenue for the six months ended 30 June 2019 increased by £12.1 million, or 5.1%, to £247.0 million (2018: £234.9 million) reflecting ARPC increase of 4.6%, due to mix, including a greater proportion of oncology work. Recent contract wins, with insurers directing patients according to quality, and improved volumes due to marketing, has, we believe, delivered market share gains.

Self-pay outpatient revenues rose 3.2% in response to direct marketing campaigns whilst IPDC admissions fell 1.9% through a deliberate repositioning away from bariatric procedures.

NHS eReferral revenue rose by 3.9% in the six months to end June 2019 whilst NHS local revenues declined by 7.3% in the same period. NHS e-Referrals revenue now accounts for 88.7% of underlying NHS revenue in the six months ended June 2019, up from 87.6% in H1 18. NHS ARPC benefitted from a mix shift away from soft tissue repair of shoulders and knees towards more higher revenue joint replacement. The increase in tariff, effective from 1 April, is driving price rises in-line with the guidance we gave at FY18 results.

Cost of sales and gross profit

Gross margin for the first six months of 2019 was broadly flat at 46.9% (2018: 47.1% in 2018), despite the continued migration of care from inpatient to day case and outpatient and a greater proportion of lower margin oncology procedures, reflecting tight cost control across the business. Cost of sales increased in the period by £9.5 million, or 3.8%, to £261.1 million (2018: £251.6 million) on revenues that increased by 3.4%.

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

	2019		2018	
	£m	% of revenue	£m	% of revenue
Clinical staff	98.8	20.1%	94.2	19.8%
Direct costs	110.7	22.5%	107.0	22.5%
Medical fees	51.6	10.5%	50.4	10.6%
Cost of sales	261.1	53.1%	251.6	52.9%
Gross profit	230.5	46.9%	224.0	47.1%

Hospital operating profit margin remained broadly flat at 26.3% (2018: 26.5%) but corporate overheads increased as marketing costs were moved centrally and team incentive payments/share save accruals recommenced post the suspension in 2018. Clinical staff costs increased as expected due to the increase in personnel related to our focus on clinical quality and governance as well as a tightening of the labour market.

Other operating costs

Other operating costs for the six months ended 30 June 2019 decreased by £7.3m or 3.9% to £179.5 million (H1 2018: £186.8 million). Excluding exceptional and other items, other operating costs have increased by £7.6 million, or 4.4% to £179.1 million (H1 2018: £171.5 million). Pre-IFRS 16, other operating costs have decreased by £7.5 million from £207.7 million to £200.2 million.

The increase in operating costs is mainly driven by staff costs, including the accrual of team incentives in 2019 and marketing spend.

Operating margin for the six months ended 30 June 2019 is 10.4%, up from 7.8% in H1 2018. Excluding exceptional and other items, operating margin is 10.5%, down from 11.0% at H1 2018.

IFRS 16

The Group has adopted the new accounting standard IFRS 16 Leases on a fully retrospective basis from 1 January 2019, and therefore the prior period's financial information has been restated to reflect the impact of the new standard. Refer to note 3 and 20 for the IFRS 16 impact.

EBITDA

EBITDA after IFRS 16 for the Group has decreased by 2.1% in the period from £98.9 million to £96.8 million for H1 2019. Adjusting for IFRS 16, EBITDA has decreased by 3.6% to £63.7 million from £66.1 million. The decrease is driven by the accrual of team incentives for the first time in recent years.

Share-based payments

During the period, grants were made to Executive Directors and members of the executive management team under the Company's Long Term Incentive Plan. For the six months ended 30 June 2019, the charge to the income statement is £0.3 million (H1 2018: £0.5 million), or £0.4 million inclusive of National Insurance (H1 2018: £0.6 million). In addition, the Group launched a Sharesave scheme available for all employees. Further details are contained in note 18 of this announcement.

Exceptional and other items

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018
Hospitals set up and closure costs	0.1	1.8
Hospital impairment on property, plant and equipment and write off of aborted hospital costs	0.3	12.6
Other	-	0.9
Total exceptional costs	0.4	15.3
Income tax credit on exceptional and other items	(0.1)	(7.1)
Total post-tax exceptional and other costs	0.3	8.2

In the period, aborted hospitals costs relate to the potential development in Milton Keynes where the decision was taken to not proceed. In the prior period, the impairment costs related to the Spire Alexandra property. Other exceptional costs largely relate to the maintenance costs of non-operational sites, business reorganisation and corporate restructuring costs.

Net finance costs

Net finance costs increased by 5.1% to £41.4 million (H1 2018: £39.4 million) as a result of an incremental increase in lease costs, higher interest rates on bank borrowings and the effect of amortising the £3.3m gain recognised under IFRS 9 in 2018 from the modification of the Senior Loan Facility (see notes 14-16 for further detail). These charges are stated after the adoption of IFRS 16.

Taxation

The taxation charge for the six months ended 30 June 2019 is £2.5 million (H1 2018: credit £4.3 million). This consists of £1.3 million (H1 2018: £1.9 million) charge for corporation tax and a charge of £1.2 million (H1 2018: credit £6.2 million) for deferred tax. H1 2018 includes one off deferred tax credits in respect of the disposal of properties.

Profit after taxation

The profit after taxation for the six months ended 30 June 2019 was £7.1 million (H1 2018: £2.1 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.

Non-GAAP financial measures

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

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

EBITDA

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Operating profit	51.0	37.2
Adjustments for:		
Exceptional and other items	0.4	15.3
Depreciation (including profit/ loss on sale of fixed assets)	45.4	46.4
Adjusted EBITDA	96.8	98.9

Adjusted profit after tax and adjusted earnings per share

Adjustments have been made to remove the impact of a number of non-recurring items, but include the impact of IFRS 16.

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Profit / (loss) before tax	9.6	(2.2)
Adjustments for:		
Exceptional and other items	0.4	15.3
Adjusted profit before tax	10.0	13.1
Taxation ¹	(2.6)	(2.8)
Adjusted profit after tax	7.4	10.3
Weighted average number of ordinary shares in issue (No.)	400,828,739	400,806,961
Adjusted basic earnings per share (pence)	1.8	2.6

¹ Reported tax charge for the period adjusted for the tax effect of exceptional and other items

Adjustments have been made below to present the position if IFRS 16 had not been adopted in the period. This is being illustrated to allow users compare the current period to the previously reported H1 2018 financials.

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Profit / (loss) before tax	9.6	(2.2)
Adjustments for:		
IFRS 16 – leases	7.1	7.3
Exceptional and other items	0.4	15.3
Adjusted profit before tax	17.1	20.4
Taxation ²	(3.2)	(4.0)
Adjusted profit after tax	13.9	16.4
Weighted average number of ordinary shares in issue (No.)	400,828,739	400,806,961
Adjusted basic earnings per share (pence)	3.5	4.1

² Reported tax charge for the period adjusted for the tax effect of exceptional and other items and IFRS 16.

Cash flow analysis for the period

(£ million)	Six months ended June (Unaudited)	
	2019	2018 (Restated)
Opening Cash balance	47.7	39.2
Operating cash flows before exceptional and other items and income tax paid	85.3	95.0
Exceptional and other items	(0.1)	(1.4)
Income tax received / paid	1.8	(1.4)
Operating cash flows after exceptional and other items and income tax paid	87.0	92.2
Net cash in investing activities	(21.3)	(33.4)
Net cash in financing activities	(55.0)	(52.9)
Closing cash balance	58.4	45.1

Operating cash flows before exceptional items

The cash inflow from operating activities before tax and exceptional items was £85.3 million, which constitutes a cash conversion rate from £96.8 million EBITDA of 88.1% (H1 2018: 96.1% conversion of £98.9 million EBITDA). The net cash outflow from movements in working capital in the period was £11.8 million (H1 2018: £4.4 million outflow).

Investing and financing cash flows

Net cash used in investing activities for the period was £21.3 million (H1 2018: £33.4 million). Cash outflow for the purchase of plant, property and equipment in the period totalled £21.5 million (H1 2018: £33.5 million), which included a new theatre and outpatient bedrooms at Spire Bushey and a new orthopaedic outpatient centre at Spire Manchester.

Net cash used in financing activities for the period was £55.0 million (H1 2018: £52.9 million), including interest paid of £35.9 million (H1 2018: £34.6 million), £9.1 million (H1 2018: £8.3 million) of lease rental payments and a dividend paid to shareholders of £10.0 million (H1 2018: £10.0 million).

Borrowings

At 30 June 2019, the Group has bank borrowings (inclusive of IFRS 9 adjustments) of £420.6 million (December 2018: £420.4 million, June 2018: £426.1 million), drawn under facilities which mature in July 2022.

(£ million)	Six months ended June (Unaudited)	
	2019	2018 (restated)
Cash	(58.4)	(45.1)
Bank borrowings	420.6	426.1
Bank borrowings less cash and cash equivalents	362.2	381.0

Net debt for the purposes of the net debt / EBITDA covenant was £366.6 million and was 3.3x (December 2018: 3.3x, June 2018: 3.0x). The net debt for covenant purposes comprises the senior facility of £425.0m less cash and cash equivalents.

The Group has an undrawn revolving loan facility of £100.0 million (December 2018: £100 million) available until July 2022.

Under IFRS 16, a lease liability is now also recognised for those leases previously classified as operating leases. As at 30 June 2019 lease liabilities were £721.2 million (December 2018: £726.1 million, June 2018: £730.9 million). Refer to note 20 for more detail.

Dividend

The Board has approved a 2019 interim dividend of 1.3 pence per share (H1 2018: 1.3 pence) payable on 10 December 2019.

Related party transactions

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

Principal risks

There are a number of risks facing the business as disclosed in the 2018 Annual Report. The table below summarises the principal risks and how the Group mitigates these risks:

Risk	Mitigation of risk
Patient Safety	Spire Healthcare continually monitors its clinical standards, policies and procedures and has further strengthened medical governance and oversight in 2019, reporting plans and progress via the Board's Clinical Governance and Safety Committee.
Government & NHS policy	The Group maintains direct engagement with government via Department of Health, NHS England and NHS Improvement. The Board closely monitors Government thinking on healthcare, NHS requirements and associated tariff structures to consider the need for cost and/or investment reduction, whether in the short, medium or long term.
Compliance & Regulation	The Group continues to strengthen its Group-wide risk management framework (and associated policies and procedures) to ensure that risks are mitigated as far as possible, the Executive Committee has appropriate visibility to ensure robust decision making, and the Group has the ability to monitor and react to the changing regulatory framework of a listed company in the healthcare sector.
Insurance	The Group reviews and maintains insurance to mitigate the possibility of a major loss. Adequacy of cover is reviewed annually with the Group's brokers, with coverage being maintained or increased depending on that advice.
Concentration of the private medical insurance ('PMI') market	The Group works hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the Directors, assists the healthcare sector as a whole in delivering high-quality patient care. The Board believes continuing to invest in its well-placed portfolio of hospitals provides a natural fit to the local requirements of all the PMI providers long term.
Availability of Key Clinical & Medical Professionals	The Group focuses on staff retention, with trends and changes in our staff survey informing our strategy for engagement with a focus on incentives, staff development and training.
Macroeconomic conditions	The Group manages risk by regularly reviewing market conditions and economic indicators to assess whether actions are required.
Competitor challenge	The market has seen continued pressure in 2019 and the Group maintains a watching brief on new and existing competitor activity and retains the ability to react quickly to changes in patient and market demand.
Cyber security	Spire Healthcare's technical IT teams continually monitor these developments as a business as usual activity. Working with a number of specialist and industry leading technical partners, Spire Healthcare has created multiple layers of business protection through the use of advanced intrusion detection and protection systems, web access firewalls and advanced content filtering to combat denial of service attacks.
Brexit	There is currently uncertainty as to whether the United Kingdom will leave the EU on the 31 October 2019 and, if it does, under what circumstances. The Group has undertaken a Brexit risk assessment. Based on the information available to the Group, and its assessment of the most likely scenarios across all key risk areas, the Group has plans to minimise disruption. This includes: utilising its national supply chain and distribution centre to mitigate stock shortages for a number of weeks of disrupted supply; undertaking supplier assurance; liaising with NHS England and the Department of Health Brexit planning team; and promoting the EU settlement scheme to relevant staff. The Group has contingency plans in place should Brexit negatively affect consumer confidence and expects to be able to mitigate this through prudent cash management and other cost reduction measures. Brexit planning is overseen by the Group's Brexit Preparation Committee which meets regularly to review the position.
Liquidity and covenant risk	The Group actively monitors and manages its liquid asset position, its financial liabilities falling due and the cover against its loan covenants and is actively focussed on cash management and capital expenditure.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 ('IAS 34') as adopted by the EU.
- The interim management report, which is incorporated into the Non-Executive Chairman's message, Operating Review and Financial Review, includes a fair review of the information as required by:
 - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the six months of the current financial year and their impact on the condensed consolidated interim financial information and a description of the principal risks for the remaining six months of the year; and
 - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially impacted the financial position or performance of the Group during the period and any material changes in the related party transactions described in the Group's Annual Report and Accounts for the year ended 31 December 2018.

By order of the Board

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

13 September 2019

Independent review report to the members of Spire Healthcare Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprise the Consolidated interim income statement, Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity, Consolidated interim balance sheet, Consolidated interim statement of cash flows and related notes 1 to 21. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

13 September 2019

Condensed financial statements

Consolidated interim income statement

For the six months ended 30 June 2019

The Group has adopted the new accounting standard IFRS 16 Leases on a fully retrospective basis from 1 January 2019, and therefore the prior period's financial information has been restated to reflect the impact of the new standard. Refer to note 3 and 20 for the IFRS 16 impact.

(£ million)	Notes	2019			2018 (Restated)		
		Total excluding exceptional and other items	Exceptional and other items (note 9)	Total	Total excluding exceptional and other items	Exceptional and other items (note 9)	Total
Revenue	6	491.6	–	491.6	475.6	–	475.6
Cost of sales		(261.1)	–	(261.1)	(251.6)	–	(251.6)
Gross profit		230.5	–	230.5	224.0	–	224.0
Other operating costs		(179.1)	(0.4)	(179.5)	(171.5)	(15.3)	(186.8)
Operating profit	7	51.4	(0.4)	51.0	52.5	(15.3)	37.2
Finance costs	8	(41.4)	–	(41.4)	(39.4)	–	(39.4)
Profit / (loss) before taxation		10.0	(0.4)	9.6	13.1	(15.3)	(2.2)
Taxation	10	(2.6)	0.1	(2.5)	(2.8)	7.1	4.3
Profit after tax for the period		7.4	(0.3)	7.1	10.3	(8.2)	2.1
Profit for the period attributable to owners of the Parent		7.4	(0.3)	7.1	10.3	(8.2)	2.1
Earnings per share (in pence per share)							
– Basic	12	1.8	–	1.8	2.6	(2.1)	0.5
– Diluted	12	1.8	(0.1)	1.7	2.6	(2.1)	0.5

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2019

(£ million)	Six months to 30 June (Unaudited)	
	2019	2018 (Restated)
Profit for the period	7.1	2.1
Items that may be reclassified to profit or loss in subsequent periods		
Net loss on cash flow hedges	(2.3)	–
Taxation on cash flow hedges	0.4	–
Other comprehensive income for the period	(1.9)	–
Total comprehensive income for the period attributable to owners of the Parent	5.2	2.1

Consolidated interim statement of changes in equity

For the six months ended 30 June 2019

(£ million)	Notes	Share capital	Share premium	Capital reserves	EBT share reserves	Hedging reserve	Retained earnings	Total equity
As at 1 January 2018 (reported)		4.0	826.9	376.1	(0.9)	–	(174.6)	1,031.5
Charge arising from adoption of IFRS 16	20	–	–	–	–	–	(62.3)	(62.3)
As at 1 January 2018 (restated)		4.0	826.9	376.1	(0.9)	–	(236.9)	969.2
Profit for the period		–	–	–	–	–	2.1	2.1
Dividend paid	11	–	–	–	–	–	(10.0)	(10.0)
Share-based payments (net of tax)	18	–	–	–	–	–	0.6	0.6
Utilisation of EBT shares for 2014 LTIP Awards		–	–	–	0.1	–	(0.1)	–
As at 30 June 2018 (restated)		4.0	826.9	376.1	(0.8)	–	(244.3)	961.9
As at 1 January 2019 (reported)		4.0	826.9	376.1	(0.8)	(0.5)	(178.1)	1,027.6
Charge arising from adoption of IFRS 16	20	–	–	–	–	–	(73.5)	(73.5)
As at 1 January 2019 (restated)		4.0	826.9	376.1	(0.8)	(0.5)	(251.6)	954.1
Profit for the period		–	–	–	–	–	7.1	7.1
Other comprehensive income for the period		–	–	–	–	(1.9)	–	(1.9)
Total comprehensive income		–	–	–	–	(1.9)	7.1	5.2
Dividend paid	11	–	–	–	–	–	(10.0)	(10.0)
Share based payments (net of tax)	18	–	–	–	–	–	0.2	0.2
Balance at 30 June 2019		4.0	826.9	376.1	(0.8)	(2.4)	(254.3)	949.5

Consolidated interim balance sheet

(£ million)	Notes	As at	
		30 June 2019 (unaudited)	31 December 2018 (Restated) (Audited)
ASSETS			
Non-current assets			
Intangible assets		517.8	517.8
Property, plant and equipment	13	1,540.2	1,578.4
		2,058.0	2,096.2
Current assets			
Inventories		31.7	29.4
Trade and other receivables		104.7	94.2
Income tax receivable		–	2.0
Cash and cash equivalents		58.4	47.7
		194.8	173.3
Non-current assets held for sale	5	14.4	2.0
		209.2	175.3
Total assets		2,267.2	2,271.5
EQUITY AND LIABILITIES			
Equity			
Share capital		4.0	4.0
Share premium		826.9	826.9
Capital reserves		376.1	376.1
EBT share reserves		(0.8)	(0.8)
Hedging reserve		(2.4)	(0.5)
Retained earnings		(254.3)	(251.6)
Equity attributable to owners of the Parent		949.5	954.1
Total equity		949.5	954.1
Non-current liabilities			
Bank borrowings	14	418.8	418.9
Lease liability	15	655.1	659.7
Derivatives	16	1.9	0.5
Other payables		2.3	2.3
Deferred tax liability		57.3	56.5
		1,135.4	1,137.9
Current liabilities			
Provisions	17	15.5	16.4
Bank borrowings	14	1.8	1.5
Lease liability	15	66.1	66.4
Derivatives	16	0.9	–
Trade and other payables		96.8	95.2
Income tax payable		1.2	–
		182.3	179.5
Total liabilities		1,317.7	1,317.4
Total equity and liabilities		2,267.2	2,271.5

Consolidated interim statement of cash flows

For the six months ended 30 June 2019

(£ million)	Notes	Six months ended 30 June (Unaudited)	
		2019	2018 (Restated)
Cash flows from operating activities			
Profit / (loss) before taxation		9.6	(2.2)
Adjustments for:			
Depreciation	7	45.5	46.3
Impairment of property, plant and equipment and other exceptional items		0.3	13.9
Share-based payments	18	0.3	0.5
(Profit) / Loss on disposal of property, plant and equipment	7	(0.1)	0.1
Finance costs	8	41.4	39.4
		97.0	98.0
Movements in working capital:			
Increase in trade and other receivables		(10.5)	(10.5)
(Increase)/decrease in inventories		(2.3)	1.1
Increase in trade and other payables		1.9	3.7
(Decrease)/increase in provisions		(0.9)	1.3
Cash generated from operations		85.2	93.6
Income tax received / (paid)		1.8	(1.4)
Net cash from operating activities		87.0	92.2
Cash flows from investing activities			
Purchase of property, plant and equipment		(21.5)	(33.5)
Proceeds of disposal of property, plant and equipment		0.2	0.1
Net cash used in investing activities		(21.3)	(33.4)
Cash flows from financing activities			
Interest paid		(35.9)	(34.6)
Payment of lease liabilities		(9.1)	(8.3)
Dividend paid to equity holders of the Parent	11	(10.0)	(10.0)
Net cash used in financing activities		(55.0)	(52.9)
Net increase in cash and cash equivalents		10.7	5.9
Cash and cash equivalents at beginning of period		47.7	39.2
Cash and cash equivalents at end of period		58.4	45.1
Exceptional and other items (note 9)			
Exceptional and other items paid included in the cash flow		(0.1)	(1.4)
Total exceptional and other items		(0.4)	(15.3)

Notes to preliminary announcement

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 range of private healthcare services.

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 9084066). The address of its registered office is 3 Dorset Rise, London, EC4Y 8EN.

The condensed consolidated interim financial information for the six months ended 30 June 2019 was approved by the Board on 13 September 2019.

2. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with information contained in the Group's Annual Report and Accounts for the year ended 31 December 2018. The condensed consolidated interim financial information has been reviewed, not audited.

The financial information contained in these interim statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Other than line items which have been restated for IFRS 16, financial information for the year ended 31 December 2018 has been extracted from the statutory accounts which were approved by the Board of Directors on 27 February 2019 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group is financed by a bank loan facility that matures in July 2022. The Directors have considered the Group's forecasts and projections, and the risks associated with their delivery and are satisfied that the Group will be able to operate within the covenants imposed by the bank loan facility for at least twelve months from the date of approval of the condensed consolidated financial information. In relation to available cash resources, the Directors have had regard to both cash at bank and a £100 million committed undrawn revolving credit facility.

The Group has undertaken extensive activity to identify and mitigate its exposure to plausible risks which may arise from Brexit. Based on the Directors' current assessment of the likelihood of the Brexit risks arising 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.

3. Accounting policies

In preparing the condensed consolidated financial information, the same accounting policies, methods of computation and presentation have been applied as set out in the Group's Annual Report and Accounts for the year ended 31 December 2018. The accounting policies are consistent with these of the previous financial year and corresponding interim period with the exception of the adoption of new and amended standards as set out below.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting standard ("IFRS") as adopted by the EU.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective, nor are they expected to have a material impact on the Group.

New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the Group from 1 January 2019. The Annual Improvements 2015-2017 Cycle and IFRIC 23 have not had a material impact, but IFRS 16 has and is described below.

	Effective date*
Annual Improvements 2015–2017 Cycle	1 January 2019
IFRIC 23	1 January 2019
IFRS 16 <i>Leases</i>	1 January 2019

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to them having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

Notes to the preliminary announcement *continued*

3. Accounting policies *continued*

IFRS 16 Leases

IFRS 16 replaces IAS 17 and introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The operating lease cost which the Group previously incurred has been replaced by a depreciation charge on the right-of-use asset (over the term of the lease) as well as an interest charge on the lease liability over the same period.

IFRS 16 has a significant impact for the Group's financial statements owing to its large portfolio of properties which were previously accounted for as operating leases. The impact arising from non-property operating leases is negligible and the Group has elected the recognition exemption for short-term leases (less than 12 months) and low value assets.

The Group has adopted IFRS 16 on a fully retrospective basis on 1 January 2019 utilising the practical expedient to not reassess whether a contract contains a lease. The prior period financial information has been restated to reflect the impact of the new accounting standard (see note 20).

The application of IFRS 16 requires the Group to make judgements that affect the valuation of the lease liabilities and right of use (ROU) assets. These are set out in note 4.

New Accounting Policy with effect 1 January 2019

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.

The Group has elected not to separate lease and non-lease components for leases of vehicles.

The Group recognises a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, less any incentives received. Initial direct costs and costs to dismantle or restore an asset are included. The ROU is depreciated over the shorter of the lease term or the useful economic life of the underlying asset. The incremental borrowing rate is used to discount the assets over the relevant term. The ROU is subject to testing for impairment if there is an indicator for impairment.

Lease payments generally include fixed payments and variable payments that depend on an index (such as inflation index). When the lease contains an extension or purchase option that the Group considered reasonably certain to be exercised, the cost of the option is included in the lease payments. The incremental borrowing rate is used to discount the lease payments over the term of the lease.

ROU assets are included in the heading Property, Plant and Equipment, and the lease liability is included in the headings Lease Liability (current and non-current) on the 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 Income Statement on a straight line basis over the lease term.

4. Significant judgements and estimates

The preparation of the condensed consolidated interim financial information required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements and estimates used in the application of the Group's accounting policies are the same as those described in the Group's Annual Report and Accounts for the year ended 31 December 2018, except where documented below following the application of IFRS 16 Leases.

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, the contract term and interest rate used for discounting future cash flows.

The lease term is determined by the Group comprising non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and period covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. 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 right of use assets.

The present value of the lease payment is determined using the discount factor (incremental borrowing rate) which is determined by a reference rate (being UK Government bonds or Sterling LIBOR) adjusted by an applicable credit spread or margin to reflect the credit standing of the Group observed in the period when the lease contract commences or is modified. The incremental borrowing rate applied reflects a rate for a similar term to that of the lease.

5. Non-current assets held for sale

In the period, the group agreed a partnership with GenesisCare which involved the sale of Baddow Specialist Care Centre and Bristol Cancer Centre. As a result, the assets have been reclassified as Held for Sale in the period at their carrying value, which is considered lower than the fair value.

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018
Spire St Saviours property	2.0	2.0
Baddow and Bristol Cancer Care Centre properties	12.4	-
Total assets held for sale	14.4	2.0

Notes to the preliminary announcement *continued*

6. Segmental reporting

In determining the Group's operating segment, management has primarily considered the financial information in the internal reports that are reviewed and used by the executive management team and the Board of Directors (in aggregate the chief operating decision maker) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that the Group has a single operating segment, being the provision of healthcare services.

All revenue is attributable to and all non-current assets are located in the United Kingdom.

Revenue by wider customer (payor) group is shown below:

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018 (restated)
Private Medical Insurance*	247.0	234.9
NHS	143.7	140.3
Self-pay	88.6	87.3
Other	12.3	13.1
Total revenue	491.6	475.6

*PMI also includes revenues previously disclosed as partnerships, being £15.2m in the period ended 30 June 2019 (2018: £13.5m).

7. Operating profit

Operating profit has been arrived at after charging / (crediting):

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Depreciation of property, plant and equipment	33.1	34.4
Depreciation on right of use assets	12.4	11.9
Lease payments made in respect of low value and short leases	5.3	4.5
(Profit) / loss on disposal of property, plant and equipment	(0.1)	0.1
Staff costs	154.1	147.8

8. Finance costs

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Finance income:		
Interest income on bank facilities	–	–
Finance costs:		
Interest on bank facilities	8.9	6.6
Interest on obligations under leases	32.5	32.8
Total finance costs	41.4	39.4

9. Exceptional and other items

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018
Hospitals set up and closure costs	0.1	1.8
Hospital impairment on property, plant and equipment and write off of aborted hospital costs	0.3	12.6
Other exceptional costs	–	0.9
Total exceptional and other costs	0.4	15.3
Income tax credit on exceptional and other items	(0.1)	(7.1)
Total post-tax exceptional and other costs	0.3	8.2

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

Property impairment costs in 2019 relate to the write off of costs associated with a potential development in Milton Keynes. Property impairment in the prior period relates to the Spire Alexandra hospital, where a charge of £12.6m was taken.

Other exceptional costs largely relate to business reorganisation and corporate restructuring costs. In the comparative period, other exceptional costs also include amounts relating to certain medical malpractice costs.

As disclosed in the 2018 Annual Report and Accounts, Spire is continuing to pursue legal action against its insurers to seek recoveries of the Ian Paterson settlement and related costs. This may give rise to future exceptional income being recognised in the income statement. In 2019, no costs or income has been incurred or received.

Notes to the preliminary announcement *continued*

10. Taxation

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Current tax:		
UK Corporation tax charge	1.3	1.9
Total current tax charge	1.3	1.9
Deferred tax:		
Origination and reversal of temporary differences	1.2	(1.8)
Adjustments in respect of prior years	–	(4.4)
Total deferred tax charge / (credit)	1.2	(6.2)
Total tax charge / (credit)	2.5	(4.3)

The tax charge for the period has been calculated using an estimate of the effective annual rate of tax for the full year. This has been applied to the pre-tax profits for the six months ended 30 June 2019. The Group has separately calculated the tax rates applicable in respect of IFRS 16 adjustments and exceptional and other items for the period. Tax rate changes that were substantively enacted at the balance sheet date have been factored into the calculation for the effective tax rates.

11. Dividends

(£ million)	Six months ended 30 June (Unaudited)	
	2019	2018
Amounts recognised as distributions to equity holders in the period:		
– final dividend for the year ended 31 December 2018 of 2.5 pence per share	10.0	–
– final dividend for the year ended 31 December 2017 of 2.5 pence per share	–	10.0
	10.0	10.0

An interim dividend of 1.3 pence per share (H1 2018: 1.3 pence), amounting to a total interim dividend of approximately £5.2m (H1 2018: £5.2m), was proposed by the Board on 13 September 2019. The interim dividend is payable on 10 December 2019 to shareholders on the register at 15 November 2019.

12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Profit for the period attributable to owners of the Parent (£ million)	7.1	2.1
Weighted average number of ordinary shares	401,081,391	401,081,391
Adjustment for weighted average number of shares held in the EBT	(252,652)	(274,430)
Weighted average number of ordinary shares in issue (No.)	400,828,739	400,806,961
Basic earnings per share (in pence per share)	1.8	0.5

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options.

	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Profit for the period attributable to owners of the Parent (£ million)	7.1	2.1
Weighted average number of ordinary shares in issue	400,828,739	400,806,961
Adjustment for weighted average number of contingently issuable shares	7,404,052	1,599,822
Diluted weighted average number of ordinary shares in issue (No.)	408,232,791	402,406,783
Diluted earnings per share (in pence per share)	1.7	0.5

Notes to the preliminary announcement *continued*

12. Earnings per share *continued*

The Directors believe that EPS excluding exceptional charges and other 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 to profit excluding exceptional charges and other items (“Adjusted profit”):

	Six months ended 30 June (Unaudited)	
	2019	2018 (Restated)
Profit for the period attributable to owners of the Parent (£ million)	7.1	2.1
Exceptional charges and other items (net of taxation) (see note 9)	0.3	8.2
Adjusted profit (£ million)	7.4	10.3
Weighted average number of Ordinary Shares in issue	400,828,739	400,806,961
Weighted average number of dilutive Ordinary Shares	408,232,791	402,406,783
Adjusted basic earnings per share (in pence per share)	1.8	2.6
Adjusted diluted earnings per share (in pence per share)	1.8	2.6

13. Property, plant and equipment

(£ million)	Freehold property	Long leasehold property	Equipment	Assets in the course of construction	Total
Net book value at 1 January 2019 as reported	715.5	115.7	177.4	10.6	1,019.2
Transition adjustment for IFRS 16	–	557.8	1.4	–	559.2
Net book value at 1 January 2019 as adjusted	715.5	673.5	178.8	10.6	1,578.4
Additions	3.5	2.3	7.0	6.9	19.7
Disposals	–	–	–	–	–
Assets held for sale	(10.4)	–	(2.0)	–	(12.4)
Transfer from assets under construction	0.5	–	0.1	(0.6)	–
Depreciation	(8.5)	(15.8)	(21.2)	–	(45.5)
Net book value at 30 June 2019	700.6	660.0	162.7	16.9	1,540.2

Depreciation recognised on right of use assets in the period totalled £12.4 million (year ended 31 December 2018: £23.8 million), of which £12.1 million (2018: £23.4 million) relates to long leasehold property and £0.3 million (2018: £0.4 million) to equipment.

Right of use assets are included in the following fixed assets categories:

(£ million)	Carrying value as at		
	30 June 2019 (Unaudited)	31 December 2018 (Audited) (Restated)	30 June 2018 (unaudited) (Restated)
Long leasehold property:			
Right of use – Properties	545.7	557.8	569.5
Equipment:			
Right of use – Motor vehicles and trucks	0.9	1.2	0.6
Right of use – office equipment	0.2	0.2	0.3
Total right of use assets	546.8	559.2	570.4

14. 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. In July 2018, the Group extended the maturity of its bank loan facility for a further 3 years from July 2019 to July 2022 and recorded this as a non-substantial loan modification not resulting in de-recognition. A modification gain of £3.3 million was recorded at the date of extension, which in turn decreased the carrying value of the loan held.

(£ million)	As at	
	30 June 2019 (Unaudited)	31 December 2018 (Audited) (Restated)
Amount due for settlement within 12 months	1.8	1.5
Amount due for settlement after 12 months	418.8	418.9
Total bank borrowings	420.6	420.4

Notes to the preliminary announcement *continued*

14. Bank Borrowings *continued*

Terms and debt repayment schedule

The maturity date is the date on which the relevant bank loans are due to be fully repaid, as at the balance sheet date.

The carrying amounts drawn (after issue costs and including interest accrued) under facilities in place at the balance sheet date were as follows:

(£ million)	Maturity	Margin over LIBOR	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Senior finance facility	July 2022	2.50%	423.4	423.8
Revolving credit facility (undrawn committed facility)	July 2022		100.0	100.0

On 23 July 2014, the Group was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising a five-year, £425.0 million term loan and a five-year £100.0 million revolving facility. The loan is non-amortising and carries interest at a margin of 2.50% over LIBOR (2018: 2.25% over LIBOR). In July 2018, the Group extended the maturity of its bank loan facility for a further three years to July 2022.

15. Lease liability

The Group has leases in respect of hospital properties, vehicles, office equipment and medical equipment. The leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the Group. Future minimum lease payments under leases are as follows:

(£ million)	June 2019		December 2018 (Restated)	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	76.9	66.1	76.7	66.4
After one year but not more than five years	307.6	213.9	307.5	215.2
More than five years	1,418.3	441.2	1,456.4	444.5
Total minimum lease payments	1,802.8	721.2	1,840.6	726.1
Less amounts representing finance charges	(1,081.6)	–	(1,114.5)	–
Present value of minimum lease payments	721.2	721.2	726.1	726.1

Leases, with a present value liability of £721.2 million (December 2018: £726.1 million), expire in various years to 2042 and carry a blended implicit interest rate of 9.0% (December 2018: 9.0%). Rent in respect of hospital properties is reviewed annually with reference to RPI, subject to assorted floors and caps.

Capital commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the balance sheet date. They include the full costs 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 balance sheet date were £10.9 million (December 2018: £16.8 million).

16. Derivatives

The Group has a derivative contract in respect of an interest rate swap in place:

(£ million)	As at	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Amount due for settlement within 12 months	0.9	–
Amount due for settlement after 12 months	1.9	0.5
Total derivatives	2.8	0.5

In the current period, £0.4 million has been recycled to the Income Statement.

17. Provisions

The movement for the period in the provisions is as follows:

(£ million)	Medical malpractice	Business restructuring and other	Total
At 1 January 2019	14.7	1.7	16.4
Increase in existing provisions	0.7	0.9	1.6
Provisions utilised	(1.4)	(0.2)	(1.6)
Provisions released	(0.9)	–	(0.9)
At 30 June 2019	13.1	2.4	15.5

Notes to the preliminary announcement *continued*

17. Provisions *continued*

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients including commitments in respect of the removal or replacement of the PIP brand of breast implants. Amounts are shown gross of insured liabilities. Any such insurance recoveries are recognised in other receivables.

Following the completion of the criminal proceedings against Ian Paterson, a consultant who previously had practicing privileges at Spire Healthcare, management agreed settlement with all current and known civil claimants (and the other co-defendants). No additional provision has been booked in the period. The provision has been determined before account is taken of any potential further recoveries from insurers.

Business restructuring and other includes staff restructuring costs, the cost of decommissioning two facilities and potential costs associated with the resolution of a customer contract.

The provisions are shown gross of any expected reimbursement from insurers of the related risks. The reimbursement is recognised as a separate receivable when receipt of it is judged sufficiently probable. The amount included in other receivables in that respect was £7.3 million (2018: £7.7 million).

Provisions as at 30 June 2019 are materially considered to be current. The timing of utilisation is dependent upon certain events, and should any not be settled in 12 months, they are expected to be fully utilised any time within three years.

18. Share-based payments

The Group operates a number of share-based payment schemes for Executive Directors and other employees, all of which are equity settled.

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost recognised in the income statement was £0.3 million in the six months ended 30 June 2019 (2018: £0.5 million). Employer's National Insurance is also being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the period was £0.1 million (2018: £0.1 million).

A summary of the main features of the schemes are shown below:

Long Term Incentive Plan

On 25 March 2019, the Company granted a total of 3,252,101 options to the Executive directors and other senior management. The options will vest based on earnings per share ('EPS') (35%) targets for the financial year ending 31 December 2021, relative total shareholder return ('TSR') (35%) targets on performance over the three year period to 31 December 2021 and operational excellence ('OE') (30%) targets based on net promoter scores and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until 25 March 2029.

Sharesave scheme

On 3 May 2019, the Company launched a Sharesave scheme for all employees, and have issued 3,929,889 options. There are no performance conditions in respect of this scheme and the vesting date is 1 June 2022. Upon vesting, the options will remain exercisable for 6 months. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme and dividend yields.

19. Financial risk management and impairment of financial assets

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

Note 28 in the Annual Report and Accounts 2018 sets out the Group's policies and processes for measuring and managing risk. These have not changed significantly during the period to 30 June 2019.

Interest rate risk

Interest rates on variable rate loans are determined by LIBOR fixings on a quarterly basis. Interest is settled on all loans in line with agreements and is settled at least annually.

	Variable	Total	Undrawn facility
30 June 2019 (£ million)	425.0	425.0	100.0
Effective interest rate (%)	3.52%	3.52%	
31 December 2018 (£ million)	425.0	425.0	100.0
Effective interest rate (%)	3.26%	3.26%	

Notes to the preliminary announcement *continued*

19. Financial risk management and impairment of financial assets *continued*

The following derivative contracts were in place at 30 June 2019 (December 2018: £0.5m):

(£ million)	Interest rate	Maturity date	Notional Amount	Carrying value Asset / (Liability)
Interest rate swap	1.2168%	July 2022	213.0	(2.8)

The fair value of the above instrument is considered the same as its carrying value. In line disclosure in note 28 of the 2018 Annual report and accounts, the above instrument uses level 2 of the fair value hierarchy to measure the fair value of the instrument.

Sensitivity analysis

A change in 25 basis points in interest rates at the reporting date would have increased/(decreased) equity and reported results by the amounts shown below. This analysis assumes that all other variables remain constant.

(£ 000)	Profit or loss		Equity	
	25bp increase	25bp decrease	25bp increase	25bp decrease
30 June 2019				
Variable rate instruments	(266)	266	(266)	266
Interest rate swaps	133	(133)	133	(133)
31 December 2018				
Variable rate instruments	(266)	266	(266)	266
Interest rate swaps	133	(133)	133	(133)

Liquidity risk

The following are contractual maturities, as at the balance sheet date, of financial liabilities, including interest payments and excluding the impact of netting arrangements:

30 June 2019	Maturity analysis				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	More than 2 years
(£ million)					
Bank borrowings	420.6	473.1	14.9	14.7	443.5
Lease liabilities (present value)	721.2	1,802.8	76.9	77.1	1,648.8
Derivative interest rate swap	2.8	3.0	0.9	1.0	1.1
Total	1,144.6	2,278.9	92.7	92.8	2,093.4

31 December 2018	Maturity analysis				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	More than 2 years
(£ million)					
Bank borrowings	420.4	481.9	14.3	15.2	452.4
Lease liabilities (present value)	726.1	1,840.6	76.7	76.9	1,687.0
Derivative interest rate swap	0.5	0.6	0.6	0.2	(0.2)
Total	1,147.0	2,323.1	91.6	92.3	2,139.2

Capital management

At the balance sheet date, the Group's committed undrawn facilities, and cash and cash equivalents were as follows:

(£ million)	As at	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Committed undrawn revolving credit facility	100.0	100.0
Cash and cash equivalents	58.4	47.7

Notes to the preliminary announcement *continued*

19. Financial risk management and impairment of financial assets *continued*

Bases of valuation

As of 30 June 2019, except for the interest rate swap, 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 receivables, trade payables and other current liabilities approximate their carrying value amounts largely due to the short-term nature of these instruments. No other assets are measured at FV, nor included in levels 1, 2, 3 of the hierarchy.

The carrying value of other financial instruments, being leases and debt, is approximately equal to their fair value based on review of the current terms against market, except for the floating rate debt, which is after the deduction of £4.4 million (December 2018: £3.8 million) of issue costs.

During the period, there were no transfers between levels in the fair value hierarchy.

As at 30 June 2019, the Group held the following financial instruments measured at fair value.

Liabilities measured at fair value (£ million)	Maturity analysis			
	Value as at 30 June 2019	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest rate swaps	(2.8)	–	(2.8)	–
Financial liabilities at fair value using hedge accounting				
Interest rate swaps	(2.8)	–	(2.8)	–

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 the inputs which have a significant effect on the recorded fair value that are not based on observable market data.

20. IFRS 16 – Lease – transitional impact

As a result of the adoption of IFRS 16 Leases on a full retrospective approach, the prior period comparatives have been restated. The impact of this adoption on the comparative numbers in the condensed consolidated financial information is included below:

Income statement transition adjustment

(£ million)	As reported 30 June 2018 (Unaudited)	IFRS 16 adjustment	As restated 30 June 2018 (Unaudited)
Revenue	475.6	–	475.6
Cost of sales	(251.6)	–	(251.6)
Gross Profit	224.0	–	224.0
Other operating costs (excluding those split out below)	(140.5)	–	(140.5)
Other operating costs – operating leases re-classified under IFRS 16	(32.8)	32.8	–
Other operating costs - depreciation	(34.4)	(11.9)	(46.3)
Total operating costs	(207.7)	20.9	(186.8)
Operating profit/(loss)	16.3	20.9	37.2
Finance cost	(11.2)	(28.2)	(39.4)
Profit/(loss) before taxation	5.1	(7.3)	(2.2)
Taxation	3.1	1.2	4.3
Profit/(loss) after taxation	8.2	(6.1)	2.1
Profit for the period attributable to owners of the Parent	8.2	(6.1)	2.1
Adjusted EBITDA	66.1	32.8	98.9
EPS, Basic	2.0	(1.5)	0.5
Adjusted EPS	4.1	(1.5)	2.6

Notes to the preliminary announcement *continued*

20. IFRS 16 – Lease – transitional impact *continued*

Balance sheet transition adjustment

(£ million)	As reported 1 January 2018	IFRS 9 adoption (reported)	IFRS 16 Adjustment	As restated 1 January 2018	As reported 31 December 2018	IFRS 16 Adjustment	As restated 31 December 2018
Assets – Non-current assets							
Intangible assets	517.8	–	–	517.8	517.8	–	517.8
Property, plant and equipment ⁽¹⁾	1,036.9	–	557.6	1,594.5	1,019.2	559.2	1,578.4
	1,554.7	–	557.6	2,112.3	1,537.0	552.2	2,096.2
Assets – Current assets							
Inventory	30.1	–	–	30.1	29.4	–	29.4
Trade and other receivables	104.5	(6.4)	–	98.1	96.2	–	96.2
Cash and cash equivalents	39.2	–	–	39.2	47.7	–	47.7
	173.8	(6.4)	–	167.4	173.3	–	173.3
Non-current assets held for sale	5.6	–	–	5.6	2.0	–	2.0
	179.4	(6.4)	–	173.0	175.3	–	175.3
Total Assets	1,734.1	(6.4)	557.6	2,285.3	1,712.3	559.2	2,271.5
Equity							
Share capital	4.0	–	–	4.0	4.0	–	4.0
Share premium	826.9	–	–	826.9	826.9	–	826.9
Capital Reserves	376.1	–	–	376.1	376.1	–	376.1
EBT Share reserves	(0.9)	–	–	(0.9)	(0.8)	–	(0.8)
Hedging reserve	–	–	–	–	(0.5)	–	(0.5)
Retained Earnings	(168.2)	(6.4)	(62.3) ⁽²⁾	(236.9)	(178.1)	(73.5) ⁽²⁾	(251.6)
Equity attributable to owners of the Parent	1,037.9	(6.4)	(62.3)	969.2	1,027.6	(73.5)	954.1
Total Equity	1,037.9	(6.4)	(62.3)	969.2	1,027.6	(73.5)	954.1
Non-current liabilities							
Bank borrowings ⁽³⁾	492.1	–	(68.2)	423.9	487.9	(69.0)	418.9
Lease liability	–	–	643.2	643.2	–	659.7	659.7
Derivatives	–	–	–	–	0.5	–	0.5
Other payables	–	–	–	–	2.3	–	2.3
Deferred tax liabilities ⁽¹⁾	72.6	–	(13.1)	59.5	72.2	(15.7)	56.5
	564.7	–	561.9	1,126.6	562.9	575.0	1,137.9
Current liabilities							
Provisions	17.9	–	–	17.9	16.4	–	16.4
Bank borrowings ⁽²⁾	9.9	–	(8.7)	1.2	10.2	(8.7)	1.5
Lease liability ⁽¹⁾	–	–	66.7	66.7	–	66.4	66.4
Trade and other payables	101.5	–	–	101.5	95.2	–	95.2
Income tax payable	2.2	–	–	2.2	–	–	–
	131.5	–	58.0	189.5	121.8	57.7	179.5
Total Liabilities	696.2	–	619.9	1,316.1	684.7	632.7	1,317.4
Total equity and liabilities	1,734.1	(6.4)	557.6	2,285.3	1,712.3	559.2	2,271.5

¹ Adjustments relate to the recognition of IFRS 16 assets and liabilities in line with the Leases accounting policy in note 3.

² An adjustment is booked to retained earnings on the transition to IFRS 16.

³ Finance lease liabilities previously recognised have been re-classified from Bank Borrowings to Lease Liability.

The value of deferred tax on transition to IFRS 16 has been adjusted from that reported in the transition note per note 2 of the Annual Report and Accounts 2018. This is due to further assessments being completed post year-end.

Notes to the preliminary announcement *continued*

20. IFRS 16 – Lease – transitional impact *continued*

Cash flow Statement transition adjustment

(£ million)	30 June 2018 (unaudited) (reported)	IFRS 16 Adjustment	30 June 2018 (Unaudited) (Restated)
Cash flows from operating activities			
Profit / (loss) before taxation	5.1	(7.3)	(2.2)
Adjustments for:			
Depreciation	34.4	11.9	46.3
Impairment of property, plant and equipment	13.9	–	13.9
Share-based payments	0.5	–	0.5
(Profit) / Loss on disposal of property, plant and equipment	0.1	–	0.1
Finance costs	11.2	28.2	39.4
	65.2	32.8	98.0
Movements in working capital:			
Increase in trade and other receivables	(10.5)	–	(10.5)
Decrease/(increase) in inventories	1.1	–	1.1
Increase in trade and other payables	3.7	–	3.7
(Decrease)/increase in provisions	1.3	–	1.3
Cash generated from operations	60.8	32.8	93.6
Income tax received / (paid)	(1.4)	–	(1.4)
Net cash from operating activities	59.4	32.8	92.2
Cash flows from investing activities			
Purchase of property, plant and equipment	(33.5)	–	(33.5)
Proceeds of disposal of property, plant and equipment	0.1	–	0.1
Proceeds of disposal of assets held for sale	–	–	–
Net cash used in investing activities	(33.4)	–	(33.4)
Cash flows from financing activities			
Interest paid ⁽¹⁾	(10.1)	(24.5)	(34.6)
Payment of lease liabilities	–	(8.3)	(8.3)
Repayment of borrowings	–	–	–
Dividend paid to equity holders of the Parent	(10.0)	–	(10.0)
Net cash used in financing activities	(20.1)	(32.8)	(52.9)
Net (decrease)/increase in cash and cash equivalents	5.9	–	5.9
Cash and cash equivalents at beginning of period	39.2	–	39.2
Cash and cash equivalents at end of period	45.1	–	45.1

¹ Principal payments in respect of finance leases has been re-classed from interest paid into the payments of lease liabilities.

21. Events after the reporting period

2019 interim dividend

For 2019, the Board has recommended an interim dividend of 1.3 pence per share, amounting to approximately £5.2 million, to be paid on 10 December 2019 to shareholders on the register on 15 November 2019.

Sale of sites to GenesisCare

On 13 September 2019, the Group signed an agreement with GenesisCare to provide an end-to-end private cancer proposition. As part of this agreement, GenesisCare will acquire the Bristol and Baddow Cancer Care Centres on 31 October 2019 for £12.0million consideration. In addition, the Group will be entitled to 50% of chemotherapy related gross profits from the Bristol site. This agreement is not expected to result in a material profit or loss.

Brexit impact on the Group

Spire continues to monitor the developments in respect of the UK's exit from the EU, and in particular the no-deal scenario on 31 October 2019. The Brexit working group, reporting to the Executive Brexit Preparation Committee continues to review the planning put in place ahead of the 29 March 2019 exit date for its appropriateness in line with the moving business, and update its actions accordingly. Given the uncertainty of a no-deal Brexit, this remains a principal risk for the Group.

The key areas of impact have not changed since the publication of the 2018 Annual report and accounts.

Notes to the preliminary announcement *continued*

21. Events after the reporting period *continued*

Mitigation

We continue to work closely with our key suppliers to understand any developments in their Brexit plans. We have also been undertaking detailed contingency planning for some time to mitigate the impact of a no-deal Brexit in accordance with Government guidance.

We believe we are taking all reasonable steps to ensure that disruption to our patients and other stakeholders is kept to a minimum. However, given the uncertainties around the impact of a no-deal Brexit, we cannot rule out disruption to the business as there may be some circumstances outside of our reasonable control. More information is provided in the principal risk section of this publication.