Spire Healthcare reports its results for the year ended 31 December 2019

London, UK, 5 March 2020, Spire Healthcare Group plc (LSE: SPI), a leading independent hospital group in the UK, today announces its preliminary results for the year ended 31 December 2019.

Revenue growth +5%, private growth +6 % and quality ratings increased to 85% Good or Outstanding

Summary Group results for the year ended 31 December 2019

	Year ended December post IFRS 16			Year ended December pre IFRS 16		
(£ million)	**2019**	2018	Variance	**2019**	2018	Variance
Revenue	**980.8**	**931.1**	**5.3%**	**980.8**	**931.1**	**5.3%**
Operating profit before adjusting items[1]	**97.6**	**96.7**	**0.9%**	**54.7**	**54.2**	**0.9%**
Adjusting items	(3.2)	(25.6)	NM[2]	(3.2)	(25.6)	NM
Operating profit	**94.4**	**71.1**	**32.8%**	**51.5**	**28.6**	**80.1%**
Profit / loss before taxation	9.6	(5.6)	NM	24.2	8.2	NM
Profit after taxation	**7.2**	0.1	NM	**19.1**	11.3	69.0%
Basic earnings per share, pence	**1.8**	**0.0**	**NM**	**4.8**	**2.8**	**71.4%**
Adjusted earnings per share, pence [3]	**2.4**	4.1	(41.5%)	**5.5**	6.9	(20.3%)
Dividend paid/proposed per share, pence [4]	**3.8**	3.8	-	**3.8**	3.8	-
EBITDA [5]	189.0	185.7	1.8%	120.5	119.4	0.9%
Capital investments	**62.5**	65.2	(4.1%)	**62.5**	65.2	(4.1%)
Net bank debt [6]	**330.0**	**372.8**	**11.5%**	**330.0**	**372.8**	**11.5%**

1 Adjusting items comprise those matters where the Directors believe the financial effect must be adjusted for, due to their nature or amount, in order to provide a comparison of the Group's underlying performance. Adjusting items include significant write-downs of assets, restructuring costs relating to strategy review, hospital closures and set-up costs, medical malpractice provision, aborted project costs, regulatory compliance remediation and compliance set-up costs. Further information on these matters is set out on page 23
2. Not meaningful
3 Further details on adjusted earnings per share can be found in note 11 of the Annual Report and Accounts
4. A final dividend of 2.5 pence per ordinary share has been approved by the Board
5. EBITDA is calculated as Operating Profit, adjusted to add back depreciation, profit or loss arising from the disposal of fixed assets and Adjusting items, referred to hereafter as 'EBITDA'.
6 Net bank debt defined as bank borrowings less cash and cash equivalents

Group financial performance

- 5.3% revenue growth to £980.8 million (2018: £931.1 million)
- Private growth 5.8% in 2019 (2018: 3.4%). PMI revenues +7.0%, Self-pay +2.7% and NHS +5.0%
- Operating Profit growth to £94.4 million (2018: £71.1 million)
- Net bank debt[6] lowered, with covenant leverage at 3.0x EBITDA (3.3x at end June 19, 3.3x at end Dec 18) versus limit of 4.0x
- Adjusted EPS 2.4 pence (2018: 4.1 pence)
- Final dividend of 2.5 pence proposed. Total dividend maintained at 3.8 pence (2018: 3.8 pence)

Patient safety and clinical quality

- We fully support all recommendations of the Paterson Inquiry and will work closely with the healthcare sector to implement them
- Continued investments in clinical governance yielding further improvements in patient safety
- Nine reports published relating to inspections in 2019, all rated Good, Outstanding or the equivalent. Two reports awaited
- 85% of sites now rated 'Good', 'Outstanding' or equivalent (up from 81% in H1 19, 79% at FY 18)
- Launched "Purpose", our new cultural initiative to raise team engagement and our patient focus, across all hospitals and central functions

Developing our business

- Orthopaedic outpatient facility opened in Manchester on 9 September
- GenesisCare partnership to create a national end-to-end private cancer care pathway, including the sale of both Baddow Specialist Care Centre and Bristol Cancer Centre , which completed on 31 October, yielding £11.6 million in net cash proceeds
- Complex thoracic and lung cancer NHS partnership awarded to Spire Manchester

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

"The recent Paterson Inquiry Report highlighted the continuing need for focus on patient safety across the healthcare sector. Our relentless commitment to high clinical quality is evidenced by the investments we have made over the last two years, and the improvement in our overall CQC or equivalent rating. 85% of sites are now Good, Outstanding or the equivalent, with all published reports from sites inspected in 2019 achieving that rating. As a result of quality gains, and further improvement in our marketing capability, Spire had top line growth of over 5% in 2019, with particularly strong growth in private income.

PMI delivered a record performance, and there is encouraging momentum in Self-pay. NHS revenue also accelerated in the second half of the year, partly as a result of opening new service lines to meet the changing needs of local Commissioners, in addition to new contracts, including the provision of more complex treatments. Operating profit and cash generation both improved materially. These were a good set of results, meeting our key financial and quality targets. Spire now has a solid platform for growth, and we look forward to the future with confidence."

Outlook for 2020

2020 is progressing in-line with the Board's expectations. COVID-19 is creating uncertainty. The nature and scale of any potential impact is dependent on the course of the disease, which cannot be predicted accurately at this time. We are actively managing the situation on a daily basis and following Public Health England guidelines.

Absent this uncertainty, for the full year we anticipate revenue above £1 billion, with growth in operating profit in-line with current market expectations.

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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 810,000 in-patients and daycase patients in 2019, 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 the offices of Instinctif Partners at 65 Gresham Street London EC2V 7NQ

A live webcast of the presentation will be available to view through the following link:
https://webcasting.brrmedia.co.uk/broadcast/5e57f18969849d1689f1c605

The webcast will be available for replay following the presentation through the Company's investor website:
https://investors.spirehealthcare.com/home/

Operating Review

Performance

2019 was a year in which we responded to the challenges the business faced by continuing our focus on patient safety and governance, and by further investing in our infrastructure, people and technology. We said 2019 would be a year of consolidation and stabilisation and we are happy with the progress made, with key financial and quality targets achieved. Nearly £24 million of additional operating costs directly related to patient safety and clinical governance have been added over the last three years. This was a well-planned process which is now largely complete. Our investment in clinical quality is evident in the improved ratings, with 85% of our sites now rated Good, Outstanding or the equivalent, and has helped to deliver strong revenue growth, which we converted to solid cash generation and net debt reduction. We have developed and articulated a clear purpose that is enhancing the performance of the business, as well as giving colleagues a sense of belonging and support.

Revenue growth

Our focus on quality made a real difference to the business in 2019. All payor groups experienced revenue growth in the year, including 7.0% growth in Private Medical Insurance (PMI), continuing the trend we saw in H1 19. New contracts, which underpinned part of this growth, were reliant on independent measures of quality by the CQC or equivalent, whilst our targeted direct marketing campaigns, which also focus on quality, are delivering increases in self-pay enquiries, outpatient consultations and improving brand awareness. Private revenues, comprising both PMI and Self-Pay, grew 5.8% in 2019 (from 4.1% in both H1 19 and H2 18 respectively).

Representing 50% of revenue, PMI is a key long term driver for the business and we believe 2019 growth of 7.0% validates our clear strategy to grow private patient revenues. We have renewed two contracts with our biggest customers, Bupa and AXA PPP Healthcare, both with agreed pricing to provide long term stability. Whilst part of our growth in 2019 came from new contract wins towards the end of 2018, revenues associated with existing PMI contracts also grew by 3.7% due to our investments in clinical quality, our marketing campaigns, and a higher mix of more complex procedures. We continue to develop services to strengthen our relationship with the PMI providers, for example increasing our Children's and Young Persons provision, which is now available in 31 of our 39 hospitals, and our partnership with GenesisCare to provide an end-to end pathway for oncology treatment.

Self-pay growth was 4.0% in H2 19 resulting in 2.7% growth in FY 19, lower than previous full year periods due to the deliberate focus on core clinical procedures and repositioning away from procedures such as bariatrics. Excluding these procedures, self-pay revenues increased 4.5% in the year (6.1% in H2 19). Self-pay outpatient enquiries rose 16% in FY 19 and outpatient first appointments rose 8%, demonstrating the growing demand for healthcare consumers to find out "what's wrong with me" quickly, and in a high quality environment. We believe there are further opportunities to refine our range of services and strategic approach in order to attract more self-pay patients in the future.

The NHS remains a challenging market but we were able to deliver revenue growth of 5.0% in FY 19, reversing the 7.2% decline in FY 18, through a combination of mix and tariff. We selectively opened new service lines to meet the changing needs of the local Commissioners and developed new contracts, such as the complex thoracic surgery contract we were recently awarded in Manchester which demonstrates our continuing trusted relationship. NHS outpatient revenues grew 4.7%, and inpatient and daycase volumes recovered in H2 to finish the year down only 0.8%. We also benefitted from positive revenue mix, with growth in higher revenue total hip and knee replacements offsetting declines in soft tissue repair, alongside tariff increases from Q2.

Cash generation

The strong growth in revenue resulted in 4.1% growth in gross profit to £451.4 million (2018: £433.6 million). Gross margin declined 60bp to 46.0% (2018: 46.6%), due to increased oncology drug costs and staff costs, as we added personnel in pre-operative assessment and central clinical governance. Labour costs remain a key focus in 2020. We are working hard to reduce costs by filling vacancies with both domestic and international recruits and reducing the need for agency staff through improved retention and recruitment of contracted staff. We have increased the holiday allowance for contracted staff and introduced weekly payroll for our Bank Staff. In 2019 we launched the first Save as You Earn scheme at Spire to encourage employee share ownership. This generated a very positive response with nearly 20% of eligible employees subscribing to the scheme.

Direct costs increased due to a greater proportion of oncology revenues, with associated higher drug costs, growth in more complex orthopaedic procedures, which carry higher prosthesis costs and additional administrative costs driven by the growth in outpatients. However, we were able to mitigate the increase through procurement savings and have identified further opportunities to reduce costs in the future through standardising our products and scale purchasing

EBITDA increased 1.8%, below revenue growth due to the full year impact of clinical quality investments made in 2018 and the accrual of team reward payments for financial and quality delivery for the first time in recent years. All of our new hospitals generated increased revenues and profits with Nottingham reaching a break-even run-rate in Q4.

Our digital strategy is key to delivering efficiency improvements whilst reducing paperwork and we have made considerable progress this year, starting with the recruitment of a Chief Information Officer. We now have a range of tools to facilitate on-line booking by GPs, patients and PMI providers. Across all platforms we currently receive some 5,000 on-line bookings per month, up from 1,300 at the end of 2018, meeting our commitment to make Spire easier to do business with. We are building a new people management system which will be implemented in 2020 and are trialling the automation of NHS referrals. We now have better systems in place to provide greater visibility on future admissions which allows us to react more quickly to any changes in our business and our market.

Working capital was a focus area in 2019 and improved by £17.9 million. Trade debtors remained comparable year on year, despite the large increase in revenue, with material improvement in the age profile of debtors. We are industry-leading in paying our suppliers on time with 98% of invoices paid within 60 days and 90% within 30 days. Our trade payables increased by £10.8 million in the year. With improved capex allocation and working capital control we have reduced net bank debt by £43 million. We are delighted that our leverage has now fallen below 3.0x and we intend to reduce this further in 2020. The Board proposes to maintain the dividend at 3.8 pence per share.

Our robust operating cash flows have enabled us to invest £62.5 million (2018: £65.2 million) in capital projects during the period. We have consulted with our hospitals and consultants to help prioritise capex spend which, in 2019, included refurbishing patient bedrooms in Spire Cardiff, as well as capacity enhancements such as a new theatre and outpatient bedrooms at Spire Bushey, the new orthopaedic outpatient centre at Spire Manchester and the acquisition of land and buildings on which to develop a new outpatient centre at Spire Yale. We have conducted a complete estate audit to help prioritise future capex spend with patient safety our primary focus.

We have an increasing focus on return on capital employed and have introduced a cross functional capital committee to manage capex priorities. Our balance sheet is supported by the value of our freehold assets. We have 39 hospitals across the UK, of which 19 are leased and 20 are freehold. At the end of 2018, Knight Frank reported the market value of these freeholds to be c.£1.1 billion.

In 2019, we planned extensively to prepare for Brexit and are confident that we remain prepared should any uncertainty surrounding the UK and EU trade discussion arise. We enter 2020 in good shape to maintain revenue growth whilst delivering efficiency improvements to grow profits.

Patient safety and clinical quality

Following the appointment of Justin Ash as Chief Executive Officer in October 2017, we then completed the recruitment of the Executive management team in 2018, and further strengthened the management team beneath the Executive team in 2019, by organising our business across three regions.

This management team continues to drive improvements in our quality and clinical governance, which are the essential foundations for the future growth of the business; notably we established a new National Medical Governance Committee, chaired by our Chief Operating Officer John Forrest, and attended by Executive team members, including our Group Medical Director and Group Clinical Director. The new committee plays a key role in bringing together our operational and clinical colleagues in working to common goals.

As a market leader in the industry, and having implemented learnings from the past, we recognise our responsibility to help drive the quality agenda. Working with the Independent Healthcare Providers Network (IHPN) we have supported the development of the Medical Practitioners Assurance Framework, which is designed to support improvement and consistency of the oversight of medical practitioners in the independent acute sector. In addition we have also been part of the independent sector pilot of the Getting It Right First Time (GIRFT) initiative led by Sir Tim Briggs, with all our hospitals inspected during the year. We have worked hard to ensure all our sites reach Public Health Information Network (PHIN) Milestone 8 which evidences clinical coding data quality.

Whilst we can never completely eliminate risk to patient safety we have implemented improved culture, systems and controls to identify any concerns quickly. We were the first acute hospital provider in the independent sector to introduce Freedom to Speak Up Guardians in all our sites. We have a strong whistleblowing policy and also operate a confidential Speak Up telephone line staffed by an independent third party, Care First. With the appointment of Jenny Kay as Non-Executive Director in June 2019 we now have two clinicians on the Board, in addition to two clinicians on the Executive Committee, providing on-going focus on clinical governance from the ward all the way to the Board. This is good governance in practice and a necessary function of being a responsible healthcare provider which will, inevitably, lead to a greater number of patient recalls in the future. In order to make our process even more transparent as of today we announce that we are publishing all active patient recalls on our main consumer website.

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 85% (H1 19: 81%, FY 18: 79%), which in turn delivers tangible benefits through improved consultant engagement and relationships with PMI providers. 11 sites were inspected during the year, for which nine reports have been published, all rated Good, Outstanding or Positive. Our Spire Manchester hospital received an Outstanding rating, taking the group total to five, and both Spire London East and Spire Parkway were upgraded from Requires Improvement to Good. We were disappointed that Spire Leeds was rated Requires Improvement, following its inspection in 2018, but we are working closely with the CQC to implement the necessary improvements and anticipate a re-inspection soon.

The World Health Organisation has designated 2020 as the Year of the Nurse and Midwife, in honour of the 200th anniversary of the birth of Florence Nightingale. Spire is participating in the global Nightingale Challenge initiative, identifying more than 20 young registered nurses for a programme of development, above and beyond their clinical skills. This involves participation in mentoring circles that include our non-executive directors, and each nurse will receive senior support at the highest level of the business.

Throughout 2019 we 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 has been launched across all hospitals and central functions with all colleagues taking part in workshops. The launch of our Purpose is bringing our strategy to life throughout the Company and in 2020 we intend to further embed the Purpose as this underpins all business decisions and how we operate.

Paterson Inquiry

The recent Paterson Inquiry highlighted the need for continued focus on patient safety. We welcome the report, and the voice it has given to patients. We fully support its recommendations and will work with Government and the healthcare sector to ensure their implementation.

Significant investment and progress had already been made by Spire in many of the areas highlighted; we have learned lessons from this incident and implemented change. In keeping with the Inquiry's recommendations from next week we will be writing to all patients treated by Paterson at Spire in the period prior to his suspension in 2011, inviting them to a follow-up meeting. This exercise will be comprehensive, and treated with appropriate sensitivity. We do not anticipate any material financial impact as a result of this process.

Partnership with GenesisCare

Oncology is an important specialty for Spire, with significant potential for profitable expansion, generating c.16% revenue growth in FY 19. This year we entered 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 acquired two sites from Spire: Baddow Specialist Care Centre (which was closed in 2017) and the Bristol Cancer Centre, for a sum of £12 million.

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 both the Remuneration and Audit 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 2020

2020 is progressing in-line with the Board's expectations. COVID-19 is creating uncertainty. The nature and scale of any potential impact is dependent on the course of the disease, which cannot be predicted accurately at this time. We are actively managing the situation on a daily basis and following Public Health England guidelines

Absent this uncertainty we anticipate continued revenue growth, albeit at lower rate than the exceptional performance we achieved in 2019, leading to revenues above £1 billion in 2020. We will retain our focus on private pay as we remain cautious on NHS volumes and expect minimal benefit from the new tariff. We expect further mix shift towards lower margin oncology and daycase procedures, but believe our cost efficiency programmes will mitigate medical cost inflation and therefore anticipate growth in operating profit in-line with current market expectations. The benefits from these efficiency programmes will be skewed towards H2.

We also provide the following technical guidance:

- Capex of c.£70 million
- D&A in the range £90-95 million
- Net financing costs in the range £83-88 million
- Effective tax rate of 23-24%

Financial review

Selected financial information

(£ million)	2019 Total pre IFRS 16 and adjusting items	2019 IFRS 16 adjustment	2019 Adjusting items	2019 Total	2018 Total pre IFRS 16 and adjusting items	2018 IFRS 16 adjustment	2018 Adjusting items	2018 Total (restated)
	Year ended 31 December							
Revenue	**980.8**	**–**	**–**	**980.8**	931.1	–	–	931.1
Cost of sales	**(529.4)**	**–**	**–**	**(529.4)**	(497.6)	–	–	(497.6)
Gross profit	**451.4**	**–**	**–**	**451.4**	433.5	–	–	433.5
Other operating costs	**(396.7)**	**42.9**	**(3.2)**	**(357.0)**	(379.3)	42.5	(25.6)	(362.4)
Operating profit	**54.7**	**42.9**	**(3.2)**	**94.4**	54.2	42.5	(25.6)	71.1
Net finance costs	**(27.2)**	**(57.6)**	**–**	**(84.8)**	(20.4)	(56.3)	–	(76.7)
Profit / (loss) before taxation	**27.5**	**(14.7)**	**(3.2)**	**9.6**	33.8	(13.8)	(25.6)	(5.6)
Taxation	**(5.8)**	**2.8**	**0.6**	**(2.4)**	(6.3)	2.6	9.4	5.7
Profit / (loss) for the period	**21.7**	**(11.9)**	**(2.6)**	**7.2**	27.5	(11.2)	(16.2)	0.1
EBITDA (1)	**120.5**	**68.5**	**-**	**189.0**	119.4	66.3	-	185.7
Earnings per share, pence	**5.5**	**(3.0)**	**(0.7)**	**1.8**	6.9	(2.8)	(4.1)	0.0
Interim dividend paid/proposed per share, pence (2)				**3.8**				3.8
Capital investments				**62.5**				65.2
Net cash from operating activities	**133.2**	**68.5**	**-**	**201.7**	116.3	66.3	-	182.6
Bank borrowings less cash & cash equivalents	**330.0**	**-**	**-**	**330.0**	372.8	-	-	372.8

1. EBITDA is calculated as Operating Profit, adjusted to add back depreciation, profit or loss arising from the disposal of fixed assets and Adjusting items, referred to hereafter as 'EBITDA'. See page 8 for further information.
2. A final dividend of 2.5 pence per ordinary share will be proposed at the Company's Annual General Meeting on 14 May 2020. If approved, it will be paid on 23 June 2020 to shareholders on the register of members as at 29 May 2020.

Revenue

Group revenue grew 5.3% to £980.8m as seen in the table below. We detail inpatient and daycase revenues separately to provide greater understanding of our business dynamics. Our daycase ratio, defined as daycase admissions as a proportion of total inpatient and daycase, has risen to 73.5% from 72.7% in FY 19.

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 £0.7 million, or 2.8% in the period, to £24.5 million (2018: £25.2 million).

Revenue by location and payor

(£ million)	2019	2018	Variance %
	Year ended 31 December (Unaudited)		
Total revenue	**980.8**	931.1	5.3%
Of which:			
Inpatient	**370.5**	355.6	4.2%
Daycase	**298.9**	281.9	6.0%
Outpatient	**286.9**	268.4	6.9%
Other	**24.5**	25.2	(2.8%)
Total revenue	**980.8**	931.1	5.3%
Of which:			
PMI(1)	**491.8**	459.6	7.0%
Self-Pay	**178.8**	174.1	2.7%
Total Private	**670.6**	633.7	5.8%
NHS	**285.7**	272.2	5.0%
Other	**24.5**	25.2	(2.8%)
Total revenue	**980.8**	931.1	5.3%

1 PMI restated to include Partnerships. Refer to note 5 of Annual Report and Accounts

Inpatient and daycase admissions increased 0.4% but a focus on more complex procedures drove average revenue per case (ARPC) up 4.5% leading to IPDC revenues up 5.0%. Outpatient revenue growth of 6.9% was the highest since 2014 and represents an acceleration over the 4.5% reported in H1 19.

Revenue analysis in detail

Year ended 31 December (Unaudited)	PMI[1]	Self-pay	Total private	NHS	Other	Total
2019						
IPDC[2] admissions ('000s)	121.6	47.6	169.3	92.0		261.2
ARPC[3] (£)	2,533	2,884	2,632	2,434		2,562
IPDC revenue (£m)	308.2	137.4	445.6	223.8		669.4
Outpatient revenue (£m)	183.7	41.4	225.1	61.8		286.9
Total (£m)	**491.8**	**178.8**	**670.6**	**285.7**	**24.5**	**980.8**
2018						
IPDC admissions ('000s)	119.9	47.5	167.4	92.7		260.1
ARPC (£)	2,408	2,855	2,535	2,300		2,451
IPDC revenue (£m)	288.8	135.5	424.4	213.1		637.5
Outpatient revenue (£m)	170.8	38.5	209.3	59.1		268.4
Total (£m)	**459.6**	**174.1**	**633.7**	**272.2**	**25.2**	**931.1**
Variance (%)						
IPDC admissions	1.4%	0.3%	1.1%	(0.8%)		0.4%
ARPC	5.2%	1.0%	3.8%	5.8%		4.5%
IPDC revenue	6.7%	1.3%	5.0%	5.0%		5.0%
Outpatient revenue	7.5%	7.4%	7.5%	4.7%		6.9%
Total (£m)	**7.0%**	**2.7%**	**5.8%**	**5.0%**	**(2.8%)**	**5.3%**

1 PMI restated to include Partnerships. Refer to note 5 of Annual Report and Accounts

2 IPDC – inpatient and daycase

3 Average revenue per case

PMI revenue for the year ended 31 December 2019 increased by £32.3 million, or 7.0%, to £491.8 million (2018: £459.6 million) reflecting ARPC increase of 5.2%, 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 revenues accelerated over the course of the year, with outpatient growth reaching 7.4% in FY 19 in response to direct marketing campaigns whilst IPDC admissions stabilised at 0.3% through a deliberate repositioning away from bariatric procedures.

NHS eReferral revenue rose by 5.2% in 2019 whilst NHS local revenues grew 3.1%. NHS e-Referrals revenue now accounts for 88.9% of underlying NHS revenue, up from 88.7% in 2018. NHS ARPC benefitted from a mix shift away from soft tissue repair of shoulders and knees towards higher revenue joint replacement. The increase in tariff, effective from 1 April, and improved complexity mix helped deliver better NHS revenue growth than we predicted.

Cost of sales and gross profit

Gross profit increased 4.1% to £451.4m, driven by strong revenue growth. With increased labour and direct costs, gross margin declined 60bp to 46.0% (2018: 46.6%), Cost of sales increased in the period by £31.8 million, or 6.4%, to £529.4 million (2018: £497.6 million) on revenues that increased by 5.3%.

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

	2019		2018	
	Year ended 31 December		Year ended 31 December	
	£m	% of revenue	£m	% of revenue
Clinical staff	**203.3**	20.7%	**190.7**	20.5%
Direct costs	**223.9**	22.8%	**209.1**	22.4%
Medical fees	**102.2**	10.4%	**97.8**	10.5%
Cost of sales	**529.4**	54.0%	**497.6**	53.4%
Gross profit	**451.4**	46.0%	**433.6**	46.6%

Hospital operating profit margin fell 60bp to 25.2% (2018: 25.8%) primarily due to case mix, with a higher proportion of complex joint replacements, oncology treatments and a shift towards daycase and outpatient procedures. Corporate overheads increased as marketing costs were moved centrally and team incentive payments recommenced, along with the launch of a new SAYE scheme in 2019. 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.

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 30 of the Annual Report and Accounts for the IFRS 16 impact.

Other operating costs

Other operating costs for the year ended 31 December 2019 decreased by £5.4m or 1.5% to £357.0 million (2018: £362.4 million). Excluding Adjusting Items, other operating costs have increased by £17.0 million, or 5.0% to £353.8 million (2018: £336.8 million). Pre-IFRS 16, other operating costs have decreased by £5.0 million from £404.9 million to £399.9 million.

The increase in operating costs is mainly driven by the increase in staff costs, including bonus accruals, marketing costs and an annual increase in rental.

Operating margin for the year ended 31 December 2019 is 9.6%, up from 7.6% in 2018. Excluding Adjusting Items, operating margin is 10.0%, down from 10.4% at 2018.

EBITDA

EBITDA after IFRS 16 for the Group has increased by 1.8% in the period from £185.7 million to £189.0 million for 2019. Adjusting for IFRS 16, EBITDA has increased by 0.9% to £120.5 million from £119.4 million. The increase reflects the growth in revenue offset by increased direct costs, staff costs, including the accrual for performance related pay, as well as rental and marketing costs.

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 year ended 31 December 2019, the charge to the income statement is £1.0 million (2018: £0.5 million), or £1.1 million inclusive of National Insurance (2018: £0.6 million). In addition, the Group launched a Sharesave scheme available for all employees. Further details are contained in note 26 of the Annual Report and Accounts.

Adjusting items

	Year ended 31 December	
(£ million)	**2019**	2018
Remediation of regulatory compliance or malpractice	**1.9**	0.7
Business reorganisation and corporate restructuring	**1.1**	4.7
Hospitals set up and closure costs	**0.3**	0.8
Asset disposals, impairment and aborted project costs	**(0.1)**	17.9
Compliance set up costs	**-**	1.5
Total costs	**3.2**	25.6
Income tax credit on Adjusting Items	**(0.6)**	(9.4)
Total post-tax other costs	**2.6**	16.2

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

The £1.9 million remediation charge relates to two separate regulatory compliance issues. One of these issues relates to the temporary closure of a specific site to make improvements following a CQC inspection and no further costs are anticipated. The second issue relates to expected, but uncertain costs for regulatory compliance matter.

Business reorganisation and corporate restructuring costs primarily relate to internal group reorganisation costs associated with a strategic review in 2019 which specifically covered Clinical and Operational functions. These costs have been excluded from adjusted operating profit as they relate to a fundamental change in how these areas are organised and function.

Hospital set-up and closure costs reflect the on-going costs incurred in respect of the sites at St Saviours and Chelmsford following their closure, which were treated as Adjusting items in previous periods.

Asset disposals, impairment and aborted project costs of £0.1million (credit) comprise: a credit of £2.0 million in connection with the reversal of an impairment charge on a property which has been classified as Held for Sale, offset by £0.1 million impairment on classification of an asset to Held for Sale; a charge of £0.3 million taken in H1 19 for aborted project costs relating to the potential hospital development at Milton Keynes; and a write-down of £1.5 million against non-sterile Single Use Devices as a consequence of the forthcoming Medical Device Regulations (MDR) which take effect in May 2020.

Business reorganisation and corporate restructuring costs in 2018 include internal group reorganisation costs associated with the strategic review that commenced in Q4 2017 and a cost reduction project covering hospitals and central functions. Asset disposals, impairment and aborted project costs in 2018 primarily relates to Spire Alexandra Hospital, where an impairment charge of £12.6 million was taken in the first half of 2018 and the write off of

£3.6 million of costs associated with a potential development of a site in Milton Keynes. Compliance set up costs in 2018 include amounts incurred to meet the requirements of GDPR regulations.

Net finance costs

Net finance costs increased by 10.6% to £84.8 million (2018: £76.7 million). This is a result of an incremental increase in lease costs, higher interest rates on bank borrowings and the charge in 2018 being stated net of a gain of £3.3 million arising under IFRS 9 as a consequence of the facility extension. These charges are stated after the adoption of IFRS 16.

Taxation

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

	Year ended 31 December	
(£ million)	**2019**	2018
Profit / loss before taxation	**9.6**	(5.6)
Tax at the standard rate	**1.8**	(1.1)
Effects of:		
Expenses not deductible for tax purposes	**2.8**	1.1
Adjustments to prior year	**(1.5)**	(1.0)
Difference in tax rates	**(0.4)**	(0.2)
Increase from impairment of fixed assets	**-**	0.7
Disposal of fixed assets	**-**	(5.3)
Deferred tax not previously recognised	**(0.3)**	0.1
Total tax charge / (credit)	**2.4**	(5.7)

The effective tax rate on profit before taxation for the year was 25.0% (2018: 101.8%). The effective tax rate before restating for IFRS 16 is 21.1% (2018: (37.8%)). The difference is driven by the unwinding of deferred tax relating to transition adjustments. Deferred tax is detailed in note 22 of the Annual Report and Accounts.

Profit after taxation

The profit after taxation for the year ended 31 December 2019 was £7.2 million (2018: £0.1 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

	Year ended 31 December	
(£ million)	**2019**	2018 (Restated)
Operating profit	**94.4**	71.1
Remove effects of:		
Adjusting Items	**3.2**	25.6
Depreciation (including profit/ loss on sale of fixed assets)	**91.4**	89.0
EBITDA	**189.0**	185.7
Deduct rental costs (pre-IFRS 16)	**(68.5)**	(66.3)
EBITDA (Pre-IFRS 16)	**120.5**	119.4

Statistical Income Statement to Pre-IFRS 16 Income Statement

(£ million)	Year ended 31 December 2019	2018 (Restated)
Operating profit	**94.4**	71.1
Adjust for:		
Depreciation on ROU assets	**25.6**	23.8
Rental expense	**(68.5)**	(66.3)
Operating profit (Pre-IFRS 16)	**51.5**	28.6
Finance costs (excluding interest on lease liability)	**(27.2)**	(20.4)
Profit before tax (pre-IFRS 16)	**24.3**	8.2
Taxation	**(5.2)**	3.1
Profit after tax (pre-IFRS 16)	**19.1**	11.3

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)	Year ended 31 December 2019	2018 (Restated)
Profit / (loss) before tax	**9.6**	(5.6)
Adjustments for:		
Adjusting Items	**3.2**	25.6
Adjusted profit before tax	**12.8**	20.0
Taxation(1)	**(3.0)**	(3.7)
Adjusted profit after tax	**9.8**	16.3
Weighted average number of ordinary shares in issue (No.)	**400,828,739**	400,818,049
Adjusted earnings per share (pence)	**2.4**	4.1

1 Reported tax charge for the period adjusted for the tax effect of Adjusting 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 2018 financials.

(£ million)	Year ended 31 December 2019	2018 (Restated)
Profit / (loss) before tax	**9.6**	(5.6)
Adjustments for:		
IFRS 16 – leases	**14.7**	13.8
Adjusting Items	**3.2**	25.6
Adjusted profit before tax	**27.5**	33.8
Taxation(2)	**(5.8)**	(6.3)
Adjusted profit after tax	**21.7**	27.5
Weighted average number of ordinary shares in issue (No.)	**400,828,739**	400,818,049
Adjusted earnings per share (pence)	**5.5**	6.9

2 Reported tax charge for the period adjusted for the tax effect of adjusting Items and IFRS 16

Cash flow analysis for the period

(£ million)	Year ended 31 December 2019	2018 (Restated)
Opening Cash balance	**47.7**	39.2
Operating cash flows before adjusting Items and income tax paid	**205.5**	191.7
Adjusting Items	**(2.7)**	(7.7)
Income tax paid	**(1.1)**	(1.4)
Operating cash flows after adjusting Items and income tax paid	**201.7**	182.6
Net cash in investing activities	**(48.6)**	(68.0)
Net cash in financing activities	**(110.0)**	(106.1)
Closing cash balance	**90.8**	47.7

Operating cash flows before adjusting items

The cash inflow from operating activities before tax and adjusting items was £205.5 million, which constitutes a cash conversion rate from £189.0 million EBITDA of 109% (2018: 103% conversion of £185.7 million EBITDA). The net cash inflow from movements in working capital in the period was £17.9 million (2018: £7.7 million inflow).

Investing and financing cash flows

Net cash used in investing activities for the period was £48.6 million, after the receipt of £11.6 million received from GenesisCare on the sale of Bristol Cancer Centre and Baddow Specialist Cancer Centre (2018: £68.0 million). Cash outflow for the purchase of plant, property and equipment in the period totalled £60.6 million (2018: £73.7 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 £110.0 million (2018: £106.1 million), including interest paid of £75.5 million (2018: £73.8 million), £19.3 million (2018: £16.9 million) of lease rental payments and a dividend paid to shareholders of £15.2 million (2018: £15.2 million).

Borrowings

At 31 December 2019, the Group has bank borrowings (inclusive of IFRS 9 adjustments) of £420.8 million (2018: £420.4 million), drawn under facilities which mature in July 2022.

	Year ended 31 December	
(£ million)	**2019**	2018 (restated)
Cash	**90.8**	47.7
Bank borrowings	**420.8**	420.4
Bank borrowings less cash and cash equivalents (“net bank debt”)	**330.0**	372.8

Net debt for the purposes of the covenant was £334.2 million and was 3.0x (December 2018: 3.3x). 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: £100.0million) available until July 2022.

Under IFRS 16, a lease liability is now also recognised for those leases previously classified as operating leases. As at 31 December 2019 lease liabilities were £745.3 million (2018: £726.1 million). Refer to note 21 of the Annual Report and Accounts for more detail.

Dividend

The Board has approved a 2019 final dividend of 2.5 pence per share (2018: 2.5 pence) payable on 23 June 2020.

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 in the forthcoming financial year. The table below details the principal risks and how the Group mitigates these risks:

Risk	Risk mitigation
Workforce	The Group seeks to retain staff through: • a common purpose and a positive workplace culture. • Maintaining competitive pay and benefits. • Responding to key metrics such as staff turnover, rookie staff levels, vacancy rates and levels of positive engagement from staff surveys. • Continuous investment in its equipment, facilities and services to retain high-quality clinicians. The Group seeks to recruit staff through: • A centralized recruitment processes • An overseas recruitment capability to secure skilled healthcare workers from outside the EU where necessary. • Offering apprenticeship programmes to • support the development of clinical and nonclinical teams across the business. • Working with the Royal Colleges to offer consultant training opportunities in the private sector. • Building of local bank staff pools The Group manages immediate staff shortages through the use of agency and bank workers.
Government and NHS policy	The Group derives revenues from three primary payor groups (PMI, NHS and Self-pay) which provides a natural 'hedge' against exposure to this risk. The Group regularly monitors changes in government policy and the impact that these have on the business. It has direct engagement with government via DHSC, NHS England, NHS Improvement and closely monitors government thinking on Healthcare. The Group is an active member of the Independent Healthcare Providers Network, contributing across all associated specialist working groups. The Board continually monitors NHS requirements and associated tariff structures to consider the need for cost and/or investment reduction, whether in the short, medium or long term. The Board regularly reviews consultant and employee feedback to ensure our propositions remains competitive.
PMI market dynamics	The Group works hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the Directors, assists the healthcare sector as a whole in delivering high-quality patient care. The Group ensures we have long-term contracts in place with our PMI partners to avoid co-termination of contractual arrangements, recently announcing new and extended long term contracts with the top two insurers in 2019. 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.
Cyber-security	The Group'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, multiple layers of business protection have been created through the use of advanced intrusion detection and protection systems, web access firewalls and advanced content filtering to combat denial of service attacks. Business processes are also kept under review and user education

	regularly carried out to minimise the possibility of ransomware incidents. Regular third-party penetration testing is performed on Spire Healthcare's core IT systems. New IT system developments are subject to rigorous penetration testing prior to release. This approach allows the Group to keep pace with the increasing risk profile, ensuring the risk to Spire Healthcare remains stable.
Macroeconomics (including pandemic)	Health is generally not as sensitive to economic downturns as other retail environments. However, as successfully employed in the last recession, if the private market contracts the Group can reduce costs and future investment to improve profit and cash flow, and is able to offer the released capacity to the NHS at its lower tariff, reducing the impact on profit. Macroeconomic conditions may put comparable finance strain on competitors, who may not be as well positioned to respond. Opportunities may arise from reduced competition or market consolidation. Spire Healthcare will follow the guidance and requirements set out by Public Health England to help contain, delay and then mitigate any spread of a virus. A central incident management team comprising clinical and operational senior leaders taking advice, where necessary, from external specialist clinicians e.g. microbiologists, controls Spire Healthcare's response to such situations. In a serious epidemic, Spire Healthcare staff and patients are as exposed to a virus as are any members of public, and therefore the mitigation activities may only reduce, rather than avoid, operational disruption.
Brand reputation (new)	The group has a strategy of developing Spire Healthcare's brand as a private healthcare provider and to promote its uncompromising patient safety culture. Spire Healthcare has a strategy in place to protect and grow its reputation amongst stakeholders. This includes its medical and clinical governance, and capital investment programme in the hospital estate. Across all elements of the principal risks we have a well-developed strategy and risk policy . We conduct audits of our key stakeholders to contribute to plans for protecting and enhancing our reputation.
Competitor challenge	The market has seen increased 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. The Group considers that a partial mitigation of the impact of competitor activity is ensured by providing patients with high quality clinical care and by maintaining good working relationships with GP's and consultants. Spire continues to invest in the brand and deliver an effective acquisition capability both direct and via our partners in order to protect our market position. We have also strengthened our pricing and tendering capabilities. In addition we will maintain our investment into the estate and clinical equipment to differentiate our proposition. Finally, we expect opportunities to continue to arise as competitors close facilities in specific geographies creating incremental volume.
Patient safety and clinical quality	A programme of continuous improvement across all areas with active focus on areas identified not meeting required standards. A reporting culture of openness and honesty from Ward to Board. Quality metrics in place, including Board. Continually monitoring clinical standards, reporting progress via the Board's Clinical Governance and Safety Committee ('CGSC'). A schedule of robust and regular hospital audits including the Patient Safety and Quality Reviews, with an action plan for improvement that is monitored.

	Reporting on clinical outcomes with workforce and consultants including the Chairs of hospital Medical Advisory Committees with a view to driving up safety and performance.
Compliance and 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, with the Executive Committee having appropriate visibility to ensure robust decision making. The Group has the ability to monitor and react to the changing regulatory framework of a listed Group in the healthcare sector. The Group has a significant centralised clinical services team which assists hospitals in establishing and maintaining a high level of clinical performance. Emerging legal or regulatory changes are monitored by the Board, the Executive Committee, the Audit and Risk Committee and the CGSC, in addition to consultations with external advisers and industry briefings. Identification and reporting of data protection and associated risks are managed by responsible officers and brought to the attention of the Board by the Data Protection Officer.
UK-EU Trade Negotiations	The Group has undertaken a Brexit risk assessment and has comprehensive plans across all key risk areas to minimise disruption, including: utilising its national supply chain and distribution centre to efficiently utilize stock; undertaking supplier assurance; liaising with NHS England and the Department of Health and Social Care Brexit planning team and promoting the EU settlement scheme to relevant staff. Brexit planning is overseen by the Group's Brexit Preparation Committee.
Insurance and Indemnity	The Group reviews and maintains insurance to mitigate the possibility of a major loss. Adequacy of cover is reviewed annually with the Group's brokers with coverage being maintained or increased depending on that advice. Personal injury claims relating to patients, third-parties and employees are covered by insurance once predetermined deductible levels have been reached. The Group engages in consultation information events relating to indemnity and has developed a bespoke affinity insurance product MedicaInsure to provide consultants with a high-quality, regulated alternative to discretionary cover. The Group has made robust representations to government and the Paterson Inquiry with regard to the need to end discretionary indemnity and to regulate the medical defence organisations.
Liquidity and covenant risk	The Group has a solid asset base with the ability to promptly leverage in a short timescale, if required. The Group actively monitors and manages its liquid asset position, its financial liabilities falling due and the cover against its loan covenants, is actively focused on cash management and capital expenditure, and continues to maintain close working relationships with a highly supportive banking group. The Board has considered the risk in detail as part of its assessment of the viability of the Group.

Directors' responsibilties statement

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. 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

These metrics were subject to downside stress testing and sensitivity analyses over the assessment period, taking account of the Group's current position, the Group's experience of managing adverse conditions in the past and the impact of a number of severe yet plausible scenarios, based on the principal risks set out in the Strategic Report.

These scenarios included Brexit related risks and the potential impact arising from an outbreak of COVID 19 in the UK.

The Group's approach for assessing the impact of COVID 19 is based on the Government's Stretch Scenario as set out in their action plan published on 3 March 2020. However, the circumstances concerning COVID 19 are unprecedented and are impossible to accurately determine at this stage. It is plausible that a breach of banking covenants could arise without mitigating actions. Account has been taken of Government and Bank of England statements to support business and the UK economy.

Further detail on both Brexit Related Risk and COVID 19 is provided in the Risk management and internal control section above.

Other specific scenarios covered by our testing were as follows:

- A key hospital is subject to permanent or temporary suspension of trade, for example, due to a major fire or regulatory matter;
- The Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems;
- The downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer, lower NHS tariffs or a general economic downturn; and
- The business is subject to significant uninsured losses arising from medical malpractice, negligence or similar claims.

This review included the following key assumptions:

- No change in capital structure given the Group extended its existing senior finance facility and revolving credit facility to mature in July 2022.
- The government will not change 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, 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.

Each of the Directors confirms that, to the best of their knowledge:

- The preliminary financial information, which has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company on a consolidated and individual basis; and

- The preliminary announcement includes a fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks that it faces.

By order of the Board

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

4 March 2020

Consolidated income statement

For the year ended 31 December 2019

The Group has adopted the new accounting standard IFRS 16 Leases on a fully retrospective basis on 1 January 2019, and therefore the prior period's financial information has been restated to reflect the impact of the new standard in all primary statements. Refer to note 23 for the IFRS 16 transition and restatement impact.

		2019			2018 (Restated for IFRS 16)		
(£ million)	Note	**Total before adjusting items**	**Adjusting items (note 8)**	**Total**	Total before adjusting items	Adjusting items (note 8)	Total
Revenue	5	**980.8**	–	**980.8**	931.1	–	931.1
Cost of sales		**(529.4)**	–	**(529.4)**	(497.6)	–	(497.6)
Gross profit		**451.4**	–	**451.4**	433.5	–	433.5
Other operating costs		**(353.8)**	**(3.2)**	**(357.0)**	(336.8)	(25.6)	(362.4)
Operating profit/(loss)		**97.6**	**(3.2)**	**94.4**	96.7	(25.6)	71.1
Finance income	7	**0.2**	–	**0.2**	0.2	–	0.2
Finance cost	7	**(85.0)**	–	**(85.0)**	(76.9)	–	(76.9)
Profit/(loss) before taxation		**12.8**	**(3.2)**	**9.6**	20.0	(25.6)	(5.6)
Taxation	9	**(3.0)**	**0.6**	**(2.4)**	(3.7)	9.4	5.7
Profit/(loss) for the year		**9.8**	**(2.6)**	**7.2**	16.3	(16.2)	0.1
Profit/(loss) for the year attributable to owners of the Parent		**9.8**	**(2.6)**	**7.2**	16.3	(16.2)	0.1
Earnings per share (in pence per share)							
– **basic**	10	**2.4**	**(0.6)**	**1.8**	4.1	(4.1)	0.0
– **diluted**	10	**2.4**	**(0.6)**	**1.8**	4.1	(4.1)	0.0

Consolidated statement of comprehensive income

For the year ended 31 December 2019

(£ million)	2019	2018 (Restated for IFRS 16)
Profit for the year	7.2	0.1
Items that may be reclassified to profit or loss in subsequent periods		
Net loss on cash flow hedges (net of taxation)	(1.6)	(0.5)
Other comprehensive loss for the year	(1.6)	(0.5)
Total comprehensive income for the year attributable to owners of the Parent	5.6	(0.4)

Consolidated statement of changes in equity

For the year ended 31 December 2019

(£ million)	Note	Share capital	Share premium	Capital reserves (note 15)	EBT share reserves (note 15)	Hedging reserve	Retained earnings	Total Equity
As at 1 January 2018		**4.0**	**826.9**	**376.1**	**(0.9)**	**–**	**(174.6)**	**1,031.5**
Change on restatement of deferred tax	23	–	–	–	–	–	5.3	5.3
Charge arising from adoption of IFRS 16	23	–	–	–	–	–	(73.2)	(73.2)
As at 1 January 2018 (restated)		4.0	826.9	376.1	(0.9)	–	(242.5)	963.6
Profit for the year (restated)		–	–	–	–	–	0.1	0.1
Other comprehensive loss for the year		–	–	–	–	(0.5)	–	(0.5)
Total comprehensive income		–	–	–	–	(0.5)	0.1	(0.4)
Dividend paid	19	–	–	–	–	–	(15.2)	(15.2)
Share-based payments	20	–	–	–	–	–	0.5	0.5
Utilisation of EBT shares for 2014 DBP Awards	15	–	–	–	0.1	–	(0.1)	–
As at 1 January 2019 (restated)		**4.0**	**826.9**	**376.1**	**(0.8)**	**(0.5)**	**(257.2)**	**948.5**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**7.2**	**7.2**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(1.6)**	**–**	**(1.6)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(1.6)**	**7.2**	**5.6**
Dividend paid	19	**–**	**–**	**–**	**–**	**–**	**(15.2)**	**(15.2)**
Share-based payments	20	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Balance at 31 December 2019		**4.0**	**826.9**	**376.1**	**(0.8)**	**(2.1)**	**(264.2)**	**939.9**

Consolidated balance sheet

For the year ended 31 December 2019

(£ million)	Note	2019	2018 (Restated)	1 January 2018 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	11	**1,563.4**	1,576.1	1,592.1
Intangible assets	12	**517.8**	517.8	517.8
Financial assets		**1.5**	–	–
		2,082.7	2,093.9	2,109.9
Current assets				
Inventories		**32.0**	29.4	30.1
Trade and other receivables	13	**73.0**	81.1	85.0
Income tax receivable		**3.6**	2.0	–
Cash and cash equivalents		**90.8**	47.7	39.2
		199.4	160.2	154.3
Non-current assets held for sale	14	**5.1**	2.0	5.6
		204.5	162.2	159.9
Total assets		**2,287.2**	2,256.1	2,269.8
EQUITY AND LIABILITIES				
Equity				
Share capital	15	**4.0**	4.0	4.0
Share premium		**826.9**	826.9	826.9
Capital reserves	15	**376.1**	376.1	376.1
EBT share reserves		**(0.8)**	(0.8)	(0.9)
Hedging reserve	15	**(2.1)**	(0.5)	–
Retained earnings		**(264.2)**	(257.2)	(242.5)
Equity attributable to owners of the Parent		**939.9**	948.5	963.6
Total equity		**939.9**	948.5	963.6
Non-current liabilities				
Bank Borrowings	16	**419.1**	418.9	423.9
Lease liabilities	16	**677.3**	659.7	643.2
Derivatives	16	**1.5**	0.5	–
Deferred tax liabilities		**51.4**	49.0	52.0
		1,149.3	1,128.1	1,119.1
Current liabilities				
Provisions	17	**13.1**	16.4	17.9
Bank Borrowings	16	**1.7**	1.5	1.2
Lease liabilities	16	**68.0**	66.4	66.7
Derivatives	16	**1.0**	–	–
Trade and other payables	18	**114.2**	95.2	99.1
Income tax payable		**–**	–	2.2
		198.0	179.5	187.1
Total liabilities		**1,347.3**	1,307.6	1,306.2
Total equity and liabilities		**2,287.2**	2,256.1	2,269.8

These Consolidated financial statements and the accompanying notes were approved for issue by the Board on 4 March 2020 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2019

(£ million)	Note	2019	2018 (Restated for IFRS 16)
Cash flows from operating activities			
Profit/loss before taxation		**9.6**	(5.6)
Adjustments for:			
Depreciation	11	**91.6**	88.9
Impairment of property, plant and equipment	11	**-**	17.4
Impairment of assets held for sale	11	**0.1**	-
Reversal of impairment on property, plant and equipment	11	**-**	(1.2)
Reversal of impairment on assets held for sale	14	**(2.0)**	(0.5)
(Profit)/loss on disposal of property plant and equipment		**(0.2)**	0.1
Finance income	7	**(0.2)**	(0.2)
Finance costs	7	**85.0**	76.9
Share-based payments	20	**1.0**	0.5
		184.9	176.3
Movements in working capital:			
Decrease in trade and other receivables		**8.1**	4.0
Decrease/(increase) in inventories		**(2.6)**	0.7
Increase in trade and other payables		**15.7**	4.5
(Decrease)/increase in provisions		**(3.3)**	(1.5)
Cash generated from operations		**202.8**	184.0
Tax paid		**(1.1)**	(1.4)
Net cash from operating activities		**201.7**	182.6
Cash flows from investing activities			
Interest received		**0.2**	0.2
Purchase of property plant and equipment		**(60.6)**	(73.7)
Proceeds on disposal of property plant and equipment		**0.2**	1.4
Proceeds on disposal of assets held for sale		**11.6**	4.1
Net cash used in investing activities		**(48.6)**	(68.0)
Cash flows from financing activities			
Interest paid		**(75.5)**	(73.8)
Payment of lease liabilities		**(19.3)**	(16.9)
Repayment of bank borrowing		**-**	(0.2)
Dividends paid to equity holders of the Parent		**(15.2)**	(15.2)
Net cash used in financing activities		**(110.0)**	(106.1)
Net increase in cash and cash equivalents		**43.1**	8.5
Cash and cash equivalents at 1 January		**47.7**	39.2
Cash and cash equivalents at 31 December		**90.8**	47.7
Adjusting items			
Adjusting items paid included in the cash flow		**(2.7)**	(7.7)
Total Adjusting items	8	**(3.2)**	(25.6)

Notes to the 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 a range of private healthcare services.

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors of the Company on 4 March 2020.

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. Basis of preparation

The preliminary financial information for the year ended 31 December 2019 included in this report was approved by the Board on 4 March 2020. The financial information set out here does not constitute the Company's statutory accounts for the year ended 31 December 2019, but is derived from those accounts. Statutory accounts for 2019 will be delivered following the Company's annual general meeting. The auditor has reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (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 these financial statements. 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 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, 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 this preliminary announcement, 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 2019, a copy of this report will shortly be available on the Company's website at www.spirehealthcare.com.

New and amended standards and interpretations
Changes in accounting policy

New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the Group from 1 January 2019, but either they were not applicable or did not have a material impact on the Group:

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements 2015-2017 Cycle

The Group applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of this new accounting standard are described below.

IFRS 16 *Leases*

IFRS 16 'Leases' was effective for annual periods beginning on or after 1 January 2019 with early adoption permitted.

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.

Impact of adoption

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

Notes to the preliminary announcement continued

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*
Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
IFRS 3 –Definition of a Business	1 January 2020
IAS 1 – Classification of liabilities as Current or Non-Current	1 January 2022

The Directors do not expect the adoption of these standards, interpretations and amendments to have a material impact on the Consolidated or Company financial statements in the period of initial application.

4. 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.

In preparing this preliminary announcement, the significant judgements and estimates made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

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 (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)	**2019**	2018
Insured[2]	**491.8**	459.6
NHS	**285.7**	272.2
Self-pay	**178.8**	174.1
Other[1]	**24.5**	25.2
Total	**980.8**	931.1

1 Other revenue includes fees paid to the Group by consultants (e.g. for the use of Group facilities and services) and third-party revenue (e.g. pathology services to third-parties).

2 Amounts previously disclosed in Partnerships (2019: £28.3 million, 2018: £27.0 million) are now included in Insured.

6. Operating profit

Arrived at after charging/(crediting):

(£ million)	**2019**	2018 (Restated)
Depreciation of property, plant and equipment (see note 11)	**65.1**	64.2
Depreciation of right of use assets (see note 11)	**26.5**	24.7
Lease payments made in respect of low value and short leases	**11.3**	9.4
Ian Paterson claims and related costs (see note 17)	**0.3**	0.8
Reversal of impairment on property, plant and equipment (see note 11)	**-**	(1.2)
Reversal of impairment on assets held for sale (see note 14)	**(2.0)**	(0.5)
Impairment of property, plant and equipment (see note 11)	**0.1**	17.4
Loss on disposal of property, plant and equipment	**(0.2)**	0.1
Staff costs	**313.3**	298.9

Impairment losses and reversals of impairment are included in other operating costs.

Notes to the preliminary announcement continued

7. Finance income and costs

(£ million)	2019	2018 (Restated)
Finance income		
Interest income on bank deposits	**0.2**	0.2
Finance cost		
Interest on bank facilities	**17.0**	14.5
IFRS 9 gain arising on facilities extension[1]	**0.9**	(3.3)
Interest on obligations under leases	**67.1**	65.7
Total finance costs	**85.0**	76.9

1 Gain of £3.3 million that was recorded at the date of the extension. This gain is being amortised.

8. Adjusting items

(£ million)	2019	2018
Remediation of regulatory compliance or malpractice costs	**1.9**	0.7
Business reorganisation and corporate restructuring costs	**1.1**	4.7
Hospital set up and closure costs	**0.3**	0.8
Asset disposals, impairment and aborted project costs	**(0.1)**	17.9
Compliance set up costs	**–**	1.5
Total adjusting items	**3.2**	25.6
Income tax credit on adjusting items	**(0.6)**	(9.4)
Total post-tax adjusting items	**2.6**	16.2

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

The £1.9 million remediation charge relates to two separate regulatory compliance issues. One of these issues relates to the temporary closure of a specific site to make improvements following a CQC inspection and no further costs are anticipated. The second issue relates to expected, but uncertain costs for a regulatory compliance matter.

Business reorganisation and corporate restructuring costs primarily relate to internal group reorganisation costs associated with a strategic review in 2019 which specifically covered Clinical and Operational functions. These costs have been excluded from adjusted operating profit as they relate to a fundamental change in how these areas are organised and function.

Hospital set-up and closure costs reflect the on-going costs incurred in respect of the sites at St Saviours and Chelmsford following their closure, which were treated as Adjusting items in previous periods.

Asset disposals, impairment and aborted project costs of £0.1million (credit) comprise: a credit of £2.0 million in connection with the reversal of an impairment charge on a property which has been classified as Held for Sale, offset by £0.1 million impairment on classification of an asset to Held for Sale; a charge of £0.3 million taken in H1 19 for aborted project costs relating to the potential hospital development at Milton Keynes; and a write-down of £1.5 million against non-sterile Single Use Devices as a consequence of the forthcoming Medical Device Regulations (MDR) which take effect in May 2020.

Business reorganisation and corporate restructuring costs in 2018 include internal group reorganisation costs associated with the strategic review that commenced in Q4 2017 and a cost reduction project covering hospitals and central functions. Asset disposals, impairment and aborted project costs in 2018 primarily relates to Spire Alexandra Hospital, where an impairment charge of £12.6 million was taken in the first half of 2018. and the write off of £3.6 million of costs associated with a potential development of a site in Milton Keynes. Compliance set up costs in 2018 include amounts incurred to meet the requirements of GDPR regulations.

Notes to the preliminary announcement continued

9. Taxation

(£ million)	2019	2018 (Restated)
Current tax		
UK corporation tax expense	–	–
UK corporation tax adjustment to prior years	(0.4)	(2.7)
Total current tax (credit)	(0.4)	(2.7)
Deferred tax		
Origination and reversal of temporary differences	4.3	(4.5)
Effect of change in tax rate	(0.4)	(0.2)
Adjustments in respect of prior years	(1.1)	1.7
Total deferred tax	2.8	(3.0)
Total tax charge/(credit)	2.4	(5.7)

Corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was 25.0% (2018: 101.8%). The effective tax rate before restating for IFRS 16 is 21.1% (2018: (37.8%)). The difference is driven by the unwinding of deferred tax relating to transition adjustments. Deferred tax is detailed in note 22 of the Annual Report and Accounts.

10. Earnings per share

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

	2019	2018 (Restated)
Profit for the year attributable to owners of the Parent (£ million)	7.2	0.1
Weighted average number of ordinary shares	401,081,391	401,081,391
Adjustment for weighted average number of shares held in EBT	(252,652)	(263,342)
Weighted average number of ordinary shares in issue (No.)	400,828,739	400,818,049
Basic earnings per share (in pence per share)	1.8	0.0

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options. Refer to the Remuneration Committee Report for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS. There are no instruments that are antidilutive for the years presented which have been excluded from the calculation of diluted EPS.

	2019	2018 (Restated)
Profit for the year attributable to owners of the Parent (£ million)	7.2	0.1
Weighted average number of ordinary shares in issue	400,828,739	400,818,049
Adjustment for weighted average number of contingently issuable shares	6,485,214	1,287,910
Diluted weighted average number of ordinary shares in issue (No.)	407,313,953	402,105,959
Diluted earnings per share (in pence per share)	1.8	0.0

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"):

	2019	2018 (Restated)
Profit for the year attributable to owners of the Parent (£ million)	7.2	0.1
Adjusting items (see note 8)	2.6	16.2
Adjusted profit (£ million)	9.8	16.3
Weighted average number of Ordinary Shares in issue	400,828,739	400,818,049
Weighted average number of dilutive Ordinary Shares	407,313,953	402,105,959
Adjusted basic earnings per share (in pence per share)	2.4	4.1
Adjusted diluted earnings per share (in pence per share)	2.4	4.1

Notes to the preliminary announcement continued

11. Property, plant and equipment

(£ million)	Freehold property	Leasehold improvements	Equipment	Assets in the course of construction	Right of use	Total
Cost:						
At 1 January 2018 as previously reported	854.5	142.5	413.5	11.2	–	1,421.7
IFRS 16 transition adjustment	–	(26.7)	–	–	708.4	681.7
At 1 January 2018 as restated for IFRS 16	854.5	115.8	413.5	11.2	708.4	2,103.4
Additions	10.8	11.4	25.2	17.8	–	65.2
Adjustments to existing assets (e.g. indexation)	–	–	–	–	25.5	25.5
Disposals	(0.8)	(0.1)	(16.2)	–	–	(17.1)
Transfers	11.7	2.7	4.0	(18.4)	–	–
At 1 January 2019 as restated for IFRS 16	**876.2**	**129.8**	**426.5**	**10.6**	**733.9**	**2,177.0**
Additions	**9.2**	**4.4**	**32.0**	**16.9**	–	**62.5**
Additions to ROU assets	–	–	–	–	**8.9**	**8.9**
Adjustments to existing assets (e.g. indexation)	–	–	–	–	**21.4**	**21.4**
Disposals	**(19.3)**	**(0.4)**	**(15.3)**	–	–	**(35.0)**
Transfers	**0.5**	**6.6**	**1.9**	**(9.0)**	–	–
Assets held for sale	–	–	–	**(1.1)**	–	**(1.1)**
At 31 December 2019	**866.6**	**140.4**	**445.1**	**17.4**	**764.2**	**2,233.7**
Accumulated depreciation and impairment:						
At 1 January 2018 as previously reported	129.0	32.7	223.1	–	–	384.8
IFRS 16 transition adjustment	–	(6.9)	–	–	133.4	126.5
At 1 January 2018 as restated for IFRS 16	129.0	25.8	223.1	–	133.4	511.3
Charge for year as restated	16.3	6.1	41.8	–	24.7	88.9
Disposals	(0.8)	(0.1)	(14.6)	–	–	(15.5)
Impairment (note 8)	16.2	1.2	(1.2)	–	–	16.2
At 1 January 2019 as restated for IFRS 16	**160.7**	**33.0**	**249.1**	–	**158.1**	**600.9**
Charge for the year	**14.4**	**6.0**	**44.7**	–	**26.5**	**91.6**
Disposals	**(8.8)**	**(0.3)**	**(13.1)**	**(0.1)**	–	**(22.3)**
Impairment (note 9)	–	–	–	**0.1**	–	**0.1**
At 31 December 2019	**166.3**	**38.7**	**280.7**	–	**184.6**	**670.3**
Net book value:						
At 31 December 2019	**700.3**	**101.7**	**164.4**	**17.4**	**579.6**	**1,563.4**
At 31 December 2018 as restated for IFRS 16	715.5	96.8	177.4	10.6	575.8	1,576.1

Assets reclassified to held for sale in 2019 are in relation to land which was previously held for future development. This was moved to held for sale in December 2019 from assets under construction, and resulted in an impairment of £0.1 million. In addition, during the year, Spire's Bristol Cancer Centre and the non-operational Baddow Cancer Centre were moved to held for sale in May 2019, and subsequently disposed on 31 October 2019. Further details are shown in note 19. The impairment in 2018 is the result of a write down of £12.6 million in the carrying value of the Alexandra Hospital and a write off of the £3.6 million of costs associated with the potential development of a site in Milton Keynes. No assets are subject to restrictions on title or pledged as security for liabilities. There were no borrowing costs capitalised during the year ended 31 December 2019 (2018: Nil).

Impairment testing

The Directors consider property and property right of use assets for indicators of impairment at least annually. This is achieved by comparing the value-in-use of the property with its carrying value in the accounts. The value-in-use calculations require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. In some cases the cash flow forecasts reflect significant improvements in hospital performance as management respond to local market conditions and short-term operational challenges. The present value of these cash flows is determined using an appropriate discount rate and market conditions covering the five-year period to December 2024.

Management identified a number of key assumptions relevant to the property impairment calculations, being EBITDA growth, which is impacted by an interaction of a number of elements and assumptions regarding revenue growth, consultant behaviour, cost inflation, capex maintenance spend, discount rates and terminal growth rates. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market conditions. Management undertook sensitivity analysis and determined that should the discount rate increase by 25 basis points with all other assumptions remaining equal, sufficient headroom would remain.

Notes to the preliminary announcement continued

11. Property, plant and equipment *continued*

Right of use assets

(£ million)	Leasehold property	Equipment & motor vehicles	Total
Cost:			
At 1 January 2018 (on transition)	706.7	1.7	708.4
Adjustments to existing assets (e.g. indexation)	24.5	1.0	25.5
At 1 January 2019 (on transition)	**731.2**	**2.7**	**733.9**
New leases entered	**8.5**	**0.4**	**8.9**
Adjustments to existing assets (e.g. indexation)	**21.4**	**–**	**21.4**
At 31 December 2019	**761.1**	**3.1**	**764.2**
Accumulated depreciation and impairment:			
At 1 January 2018 (on transition)	132.4	1.0	133.4
Charge for year	24.3	0.4	24.7
At 1 January 2019 (on transition)	**156.7**	**1.4**	**158.1**
Charge for the year	**26.0**	**0.5**	**26.5**
At 31 December 2019	**182.7**	**1.9**	**184.6**
Net book value:			
At 31 December 2019	**578.4**	**1.2**	**579.6**
At 31 December 2018 as restated for IFRS 16	574.5	1.3	575.8

Notes to the preliminary announcement continued

12. Intangible assets

(£ million)	Goodwill
Cost or valuation:	
At 1 January 2018, 31 December 2018 and 31 December 2019	**518.8**
Impairment:	
At 1 January 2018, 31 December 2018 and 31 December 2019	**1.0**
Carrying amount:	
At 31 December 2019	**517.8**
At 31 December 2018	517.8

The goodwill arising on acquisitions is reviewed annually for impairment on 31 December or when there is an event that may indicate impairment. The recoverable amount of the Group's cash-generating unit exceeds its carrying value and no impairment charge has been recognised (2018: £nil) and no event has given rise to amounts written off (2018: £nil).

The Directors do not believe that any impairment is required in the current financial year.

13. Trade and other receivables

(£ million)	2019	2018 (restated)
Amounts falling due within one year:		
Trade receivables	**42.7**	45.1
Unbilled receivables	**13.0**	14.5
Prepayments	**15.2**	15.5
Other receivables	**5.8**	10.7
	76.7	85.8
Allowance for expected credit losses	**(3.7)**	(4.7)
Total current trade and other receivables	**73.0**	81.1

Trade receivables after expected credit losses comprise the following wider customer/payor groups:

(£ million)	2019	2018
Private medical insurers	**23.2**	28.0
NHS	**7.2**	5.1
Patient debt	**3.2**	1.8
Other	**5.4**	5.5
	39.0	40.4

14. Non-current assets held for sale

As at December 2019, the Group's management remain committed to sell one property, Spire St Saviours Hospital, which closed in 2015. The property is still expected to be sold within twelve months, remains classified as held for sale and is presented separately in the Consolidated balance sheet. A reversal of impairment of £2.0 million in connection with Spire St Saviours Hospital has been credited to the Consolidated income statement in the year.

In addition, the Group's management have committed to sell a parcel of land at Bostock's Lane and is currently undergoing negotiations with a potential buyer. This asset has therefore been reclassified to held for sale at a value of £1.1 million, being the lower of carrying value and the fair value less costs to sell. An impairment of £0.1 million has been booked to Adjusting items (note 8).

During the year, Spire Bristol Cancer Centre and the non-operational Baddow Cancer Centre were reclassified to held for sale, and subsequently sold on 31 October 2019. The proceeds of disposal exceeded the net carrying value of the assets, and accordingly, no impairment loss was recognised on the reclassification of these operations to held for sale. Consideration of £12.0 million was received, with cash of £11.6 million received after adjusting for transaction costs and VAT.

(£ million)	2019	2018
Spire St Saviours Hospital property (note 8)	**4.0**	2.0
Bostocks Lane (East Midlands Cancer Centre) (note 8)	**1.1**	-
	5.1	2.0

Notes to the preliminary announcement continued

15. Share capital and reserves

	2019	2018
Authorised shares		
Ordinary share of £0.01 each	401,081,391	401,081,391
	401,081,391	401,081,391

Issued and fully paid	£0.01 ordinary shares	
	Shares	£'000
At 31 December 2019	401,081,391	4,010
At 31 December 2018	401,081,391	4,010

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.

EBT share reserves
Equiniti Trust (Jersey) Limited is acting in its capacity as trustee of the Company's Employee Benefit Trust ('EBT'). The purpose of the EBT is to further the interests of the Company by benefiting employees and former employees of the Group and certain of their dependants. The EBT is treated as an extension of the Group and the Company.

During 2019, the EBT purchased no shares (2018: nil shares acquired).

Where the EBT purchases the Company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 31 December 2019, 252,652 shares (2018: 252,652) were held by the EBT in relation to the Directors' Share Bonus award and Long-Term Incentive Plan.

At 1 January 2019 and 31 December 2019, the EBT held 252,652 shares.

At 1 January 2018, the EBT held 281,631 shares. In April 2018, 10,922 shares were exercised in relation to the 2014 Deferred Bonus Plan ('DBP') and in June 2018, a further 18,057 shares were exercised in relation to the 2014 DBP. There were no new purchases of shares and at 31 December 2018 the EBT held 252,652 shares.

The EBT share reserve represents the consideration paid when the EBT purchases the Company's equity share capital, until the shares are reissued.

Hedging reserve
This reserve represents the movement of fair value (net of taxation) on hedging transaction of £1.6 million during the year (2018: £0.5 million).

16. Borrowings

Bank borrowings
The bank loans are secured by a share pledge over the shareholdings of material subsidiaries of the Group. On 23 July 2014, the Group was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising a five-year, £425.0 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 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)	2019	2018
Amount due for settlement within 12 months	1.7	1.5
Amount due for settlement after 12 months	419.1	418.9
Total bank borrowings	420.8	420.4

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:

(£ million)	Maturity	Margin over LIBOR	2019	2018
Senior finance facility[1]	July 2022	2.50%	423.2	423.8
Revolving credit facility (undrawn committed facility)	July 2022		100.0	100.0

1 The difference between the accounting carrying value and the debt repayment schedule in the table above is attributable to the modification gain on the loan extension.

16. Borrowings continued

Changes in bank borrowings arising from financing activities

(£ million)	1 January	Cash flows	Non cash changes	Loan modification	31 December
2019					
Bank loans	**420.4**	**(17.4)**	**16.9**	**0.9**	**420.8**
Total	**420.4**	**(17.4)**	**16.9**	**0.9**	**420.8**

(£ million)	1 January	Cash flows	Non cash changes	Loan modification	31 December
2018					
Bank loans	**425.1**	**(15.2)**	**13.8**	**(3.3)**	**420.4**
Total	**425.1**	**(15.2)**	**13.8**	**(3.3)**	**420.4**

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 £745.3 million (2018: £726.1 million), expire in various years to 2042 and carry a blended implicit interest rate of 9.0% (2018: 9.0%). Rent in respect of hospital property leases are reviewed annually with reference to RPI, subject to assorted floors and caps. The discount rate used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates.

Changes in lease liabilities arising from financing activities

(£ million)	1 January (Restated)	Cash flows	Non cash changes	Additions	31 December
2019					
Lease liabilities	**726.1**	**(77.4)**	**66.3**	**30.3**	**745.3**
Total	**726.1**	**(77.4)**	**66.3**	**30.3**	**745.3**

(£ million)	1 January	Cash flows	Non cash changes	Additions	31 December
2018 (Restated)					
Lease liabilities	**709.9**	**(75.7)**	**66.4**	**25.5**	**726.1**
Total	**709.9**	**(75.7)**	**66.4**	**25.5**	**726.1**

In the year, the Group recognised charges of £11.3 million (2018: £9.4 million) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken. Cash outflows in respect of these are materially in line with the expense recognised, resulting in a total cash outflow of £88.7 million (2018: £85.1 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. There have been no (2018: no) sale and leaseback transactions in this period.

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current year.

Derivatives

The following derivatives were in place at 31 December:

	Interest rate	Maturity date	Notional amount	Carrying value Liability
31 December 2019 (£ million)				
Interest rate swaps	1.2168%	July 2022	213.0	(2.5)
31 December 2018 (£ million)				
Interest rate swaps	1.2168%	July 2022	213.0	(0.5)

(£ million)	2019	2018
Amount due for settlement within 12 months	**1.0**	–
Amount due for settlement after 12 months	**1.5**	0.5
Total derivatives	**2.5**	0.5

All movements in respect of the derivative reflect changes in fair value. No amounts have been recycled in the period. All movements are reflected within other comprehensive income.

Notes to the preliminary announcement continued

17. Provisions

(£ million)	Medical malpractice	Business restructuring and other	Total
At 1 January 2019	**14.7**	**1.7**	**16.4**
Increase in existing provisions	**0.1**	**1.8**	**1.9**
Provisions utilised	**(2.5)**	**(0.6)**	**(3.1)**
Provisions released	**(2.1)**	**–**	**(2.1)**
At 31 December 2019	**10.2**	**2.9**	**13.1**

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. Amounts are shown gross of insured liabilities. Any such insurance recoveries of £5.6 million (2018: £7.7 million) 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) and have made a provision for the expected remaining costs. This provision remains subject to on-going review following the publication of the Public Inquiry report on the Paterson issued on 4 February 2020, as the Group continues to assess the potential impact of the recommendations.

The provision in relation to Ian Paterson costs has been determined before account is taken of any potential further recoveries from insurers.

Business restructuring and other primarily includes staff restructuring costs.

Provisions as at 31 December 2019 are materially considered to be current and expected to be utilised at any time within the next twelve months.

18. Trade and other payables

(£ million)	2019	2018 (Restated)
Trade payables	**58.5**	47.7
Accrued expenses	**33.9**	29.1
Social security and other taxes	**8.0**	6.9
Other payables	**13.8**	11.5
Trade and other payables	**114.2**	95.2

Other payables include an accrual for pensions, payments on account and amounts relating to Carbon Reduction Credits.

19. Dividends

(£ million)	2019	2018
Amounts recognised as distributions to equity holders in the year:		
– final dividend for the year ended 31 December 2018 of 2.5 pence per share (2018: 2.5 pence)	**10.0**	10.0
– interim dividend for the year ended 31 December 2019 of 1.3 pence per share (2018: 1.3 pence)	**5.2**	5.2
Total	**15.2**	15.2

A final dividend of 2.5 pence per share amounting to a total final dividend of approximately £10.0 million, is to be proposed at the Company's annual general meeting on 14 May 2020. In accordance with IAS 10 *Events after the Balance Sheet Date*, dividends declared after the Consolidated balance sheet date is not recognised as a liability in these financial statements.

Notes to the preliminary announcement continued

20. Share-based payments

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

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost in respect of LTIPs and SAYE recognised in the income statement was £1.0 million in the year ended 31 December 2019 (2018: £0.5 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, based on the share price at the reporting date. The total National Insurance charge for the year was £0.2 million (2018: £0.1 million).

The following table analyses the total cost between each of the relevant schemes, together with the number of options outstanding:

	2019		2018	
	Charge £ million	**Number of options (thousands)**	Charge £ million	Number of options (thousands)
Long Term Incentive Plan	**0.8**	**5,120**	0.5	2,804
Deferred Bonus Plan	**–**	**–**	–	–
Save As You Earn (SAYE)	**0.2**	**3,764**	–	–
	1.0	**8,884**	0.5	2,804

A summary of the main features of the scheme is shown below:

Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') is open to Executive Directors and designated senior managers, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria.

Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years, unless the Committee determines otherwise. Awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the Plan rules.

Vesting of awards will be dependent on a range of financial, operational or share price measures, as set by the Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. Not less than 30% of an award will be based on share price measures. The remainder will be based on either financial and/or operational measures. At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance. For awards granted in 2019, vesting will be based on EPS 35%, relative TSR 35% and Operational Excellence 30% targets. The details of measures, targets and weightings may be varied by the Committee prior to grant based on the Group's strategic objectives.

Deferred Bonus Plan

The Deferred 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.

Save As You Earn

The Save As You Earn ("SAYE") is open to all Spire employees. Awards are subject to non-market performance criteria. Vesting will be dependent on continued employment for a period of 3 years from grant.

Notes to the preliminary announcement continued

21. Commitments

Consignment stock

At 31 December 2019, the Group held consignment stock on sale or return of £23.2 million (2018: £22.9 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:

(£ million)	2019	2018
Contracted but not provided for	16.7	16.8

22. Contingent liabilities

The Group had the following guarantees at 31 December 2019:

- the bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5 million (2018: £1.5 million) in relation to contractual pension obligations and statutory insurance cover in respect of the Group's potential liability to claims made by employees under the Employers' Liability (Compulsory Insurance) Act 1969;
- under certain lease agreements entered into on 26 January 2010, the Group has given undertakings relating to obligations in the lease documentation and the assets of the Group are subject to a fixed and floating charge.

23. Restatement & IFRS 16 Leases – 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 consolidated financial statements is included below:

Consolidated income statement IFRS 16 transition adjustment

(£ million)	As reported 31 December 2018	IFRS 16 adjustment	As restated 31 December 2018
Revenue	**931.1**	**–**	**931.1**
Cost of sales	(497.6)	–	(497.6)
Gross Profit	**433.5**	**–**	**433.5**
Other operating costs (excluding those split out below)	(264.1)	–	(264.1)
Other operating costs – operating leases re-classed under IFRS 16	(75.7)	66.3	(9.4)
Other operating costs - depreciation	(65.1)	(23.8)	(88.9)
Total operating costs	**(404.9)**	**42.5**	**(362.4)**
Operating profit/(loss)	**28.6**	**42.5**	**71.1**
Finance income	0.2	–	0.2
Finance cost	(20.6)	(56.3)	(76.9)
Profit/(loss) before taxation	**8.2**	**(13.8)**	**(5.6)**
Taxation	3.1	2.6	5.7
Profit/(loss) after taxation	**11.3**	**(11.2)**	**0.1**
Profit for the period attributable to owners of the Parent	**11.3**	**(11.2)**	**0.1**
Adjusted EBITDA	**119.4**	**66.3**	**185.7**
EPS, Basic	**2.8**	**(2.8)**	**0.0**
Adjusted EPS	**6.9**	**(2.8)**	**4.1**

23. Restatement & IFRS 16 Leases – Transitional impact continued

Consolidated balance sheet restatement & IFRS 16 - transition adjustment

(£ million)	As reported 1 January 2018	IFRS 9 adoption (reported)	Recognition of deferred tax (restated)[1]	IFRS 16 Adjustment[2]	As restated 1 January 2018	As reported 31 December 2018	Recognition of deferred tax (restated)[1]	IFRS 16 Adjustment[2]	As restated 31 December 2018
Assets – Non-current assets									
Intangible assets	517.8	–	–	–	517.8	517.8	–	–	517.8
Property, plant and equipment[3]	1,036.9	–	–	(19.8)	1,017.1	1,019.2	–	(18.9)	1,000.3
Right of use assets previously included in PPE[3]	–	–	–	19.8	19.8	–	–	18.9	18.9
Right of use assets[2]	–	–	–	555.2	555.2	–	–	556.9	556.9
	1,554.7	**–**	**–**	**555.2**	**2,109.9**	**1,537.0**	**–**	**556.9**	**2,093.9**
Assets – Current assets									
Inventory	30.1	–	–	–	30.1	29.4	–	–	29.4
Trade and other receivables	104.5	(6.4)	–	(13.1)	85.0	96.2	–	(13.1)	83.1
Cash and cash equivalents	39.2	–	–	–	39.2	47.7	–	–	47.7
	173.8	**(6.4)**		**(13.1)**	**154.3**	**173.3**		**(13.1)**	**160.2**
Non-current assets held for sale	5.6	–	–	–	5.6	2.0	–	–	2.0
	179.4	**(6.4)**	**–**	**(13.1)**	**159.9**	**175.3**	**–**	**(13.1)**	**162.2**
Total Assets	**1,734.1**	**(6.4)**	**–**	**542.1**	**2,269.8**	**1,712.3**	**–**	**543.8**	**2,256.1**
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)	5.3	(73.2)[4]	(242.5)	(178.1)	5.3	(84.4)[4]	(257.2)
Equity attributable to owners of the Parent	**1,037.9**	**(6.4)**	**5.3**	**(73.2)**	**963.6**	**1,027.6**	**5.3**	**(84.4)**	**948.5**
Total Equity	**1,037.9**	**(6.4)**	**5.3**	**(73.2)**	**963.6**	**1,027.6**	**5.3**	**(84.4)**	**948.5**
Non-current liabilities									
Bank borrowings[5]	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][2]	72.6	–	(5.3)	(15.3)	52.0	72.2	(5.3)	(17.9)	49.0
	564.7	**–**	**(5.3)**	**559.7**	**1,119.1**	**562.9**	**(5.3)**	**570.5**	**1,128.1**
Current liabilities									
Provisions	17.9	–	–	–	17.9	16.4	–	–	16.4
Bank borrowings[4]	9.9	–	–	(8.7)	1.2	10.2	–	(8.7)	1.5
Lease liability[2]	–	–	–	66.7	66.7	–	–	66.4	66.4
Trade and other payables	101.5	–	–	(2.4)	99.1	95.2	–	–	95.2
Income tax payable	2.2	–	–	–	2.2	–	–	–	–
	131.5	**–**	**–**	**55.6**	**187.1**	**121.8**	**–**	**57.7**	**179.5**
Total Liabilities	**696.2**	**–**	**(5.3)**	**615.3**	**1,306.2**	**684.7**	**(5.3)**	**628.2**	**1,307.6**
Total equity and liabilities	**1,734.1**	**(6.4)**	**–**	**542.1**	**2,269.8**	**1,712.3**	**–**	**543.8**	**2,256.1**

1 A restatement for the recognition of previously unrecognised assets in respect of capital losses on buildings following clarification through an IFRIC release in the year.

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

3 Finance lease assets previously recognised have been re-classed from Plant, Property & Equipment to Right of Use Asset.

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

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

Notes to the preliminary announcement continued

23. Restatement & IFRS 16 Leases – Transitional impact continued

The value of deferred tax and retained earnings 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 as a result of the identification of rental prepayments held on the balance sheet at transition. These prepayments have been eliminated with a corresponding adjustment to retained profits and deferred tax.

In addition, deferred tax has been restated in the note above to reflect the recognition of deferred tax assets arising on capital losses. The Group has reviewed its recognition in respect of capital losses arising on buildings where a capital gain is expected to arise on the sale of its associated land. Guidance released during the year provides clarity on the recognition of assets with two tax outcomes. This has resulted in a deferred tax asset of £5.3 million being recognised in prior periods. This restatement only affects the balance sheet.

Consolidated cash flow statement – IFRS 16 transition adjustment

(£ million)	**31 December 2018 (reported)**	IFRS 16 Adjustment	31 December 2018 (Restated)
Cash flows from operating activities			
Profit / (loss) before taxation	8.2	(13.8)	(5.6)
Adjustments for:			
Depreciation	65.1	23.8	88.9
Impairment of property, plant and equipment	17.4	–	17.4
Reversal of impairment on property, plant and equipment	(1.2)	–	(1.2)
Reversal of impairment on assets held for sale	(0.5)	–	(0.5)
Loss on disposal of property, plant and equipment	0.1	–	0.1
Finance income	(0.2)	–	(0.2)
Finance costs	20.6	56.3	76.9
Share-based payments	0.5	–	0.5
	110.0	**66.3**	**176.3**
Movements in working capital:			
Increase in trade and other receivables	4.0	–	4.0
Decrease/(increase) in inventories	0.7	–	0.7
Increase in trade and other payables	4.5	–	4.5
(Decrease)/increase in provisions	(1.5)	–	(1.5)
Cash generated from operations	**117.7**	**66.3**	**184.0**
Income tax received / (paid)	(1.4)	–	(1.4)
Net cash from operating activities	**116.3**	**66.3**	**182.6**
Cash flows from investing activities			
Interest received	0.2	–	0.2
Purchase of property, plant and equipment	(73.7)	–	(73.7)
Proceeds of disposal of property, plant and equipment	1.4	–	1.4
Proceeds of disposal of assets held for sale	4.1	–	4.1
Net cash used in investing activities	**(68.0)**	–	**(68.0)**
Cash flows from financing activities			
Interest paid(1)	(24.4)	(49.4)	(73.8)
Payment of lease liabilities	–	(16.9)	(16.9)
Repayment of borrowings	(0.2)	–	(0.2)
Dividend paid to equity holders of the Parent	(15.2)	–	(15.2)
Net cash used in financing activities	**(39.8)**	**(66.3)**	**(106.1)**
Net (decrease)/increase in cash and cash equivalents	8.5	–	8.5
Cash and cash equivalents at beginning of period	39.2	–	39.2
Cash and cash equivalents at end of period	**47.7**	–	**47.7**

24. Events after the reporting period

2019 final dividend
For 2019, the Board has recommended a final dividend of 2.5 pence per share, amounting to approximately £10 million, to be paid on 23 June 2020 to shareholders on the register on 29 May 2020.

EU-UK trade negotiations impact on the Group
Spire continues to monitor the developments in respect of the UK-EU trade negotiations following the UK's exit from the EU in January 2020. The Executive Committee continues to review progress of these negotiations, and given the uncertainty, is a principal risk for the Group, as disclosed in the Annual Report and Accounts for the year ended 31 December 2019.

Mitigation

We continue to work closely with our key suppliers to understand any developments in their plans.

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 the UK-EU trade negotiations, 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.

25. Prior period restatement

For details of the prior period restatement relating to deferred tax recognition, please refer to note 23.

Shareholders' information

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Corporate Website

Shareholder and other information about the Company can be accessed on the Company's website:
www.spirehealthcare.com

Financial Calendar

2020 Annual General Meeting (London)	14 May 2020
Ex-div date for 2019 final dividend	28 May 2020
Record date for 2019 final dividend	29 May 2020
Payment date for 2019 final dividend	23 June 2020
Announcement of 2019 half year results	September 2020