Spire Healthcare Group plc

Spire Healthcare reports interim results for the six months ended 30 June 2016

London, UK, 25 August 2016, Spire Healthcare Group plc (LSE: SPI), one of the UK's leading independent hospital groups, today announces its interim results for the six months ended 30 June 2016.

SUMMARY GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June (Unaudited)			
(£ million)	**2016**	2015	Variance %	Underlying variance excluding disposals % (1)
Revenue	**469.5**	**449.8**	**4.4%**	**5.4%**
Operating profit before exceptional items	59.7	58.9	1.4%	1.9%
Exceptional items	(2.8)	(8.3)		
Operating profit	56.9	50.6	12.5%	13.1%
Profit after tax	35.7	30.8	15.9%	
EBITDA (2)	**84.5**	**83.4**	**1.3%**	**1.9%**
Adjusted profit after tax (3)	38.2	37.5	1.9%	
Adjusted, basic earnings per share, pence (4)	**9.6**	**9.4**	**2.1%**	
Interim dividend per share, pence	1.3	1.3	-	
Operating cash flows	88.9	66.9	32.9%	
Capital investments	71.9	37.6	91.2%	
Net debt (5)	**422.6**	**420.0**	**0.6%**	

1. Excludes the impact of Spire St Saviour's Hospital closed in September 2015 (referred to as 'Underlying' in this announcement).
2. Operating profit, adjusted to add back depreciation and exceptional items, referred to hereafter as 'EBITDA'.
3. Adjusted profit is calculated as earnings after tax adjusted for exceptional items and related tax.
4. Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares in issue.
5. Net debt is calculated as total debt (comprising obligations under finance leases and borrowings), less cash and cash equivalents.

GROUP FINANCIAL HIGHLIGHTS

- Revenue increased by 4.4% to £469.5m (H1 2015: £449.8m)
- Underlying revenues, which exclude prior year hospital closure, increased by 5.4% in the period
- EBITDA (2) up 1.3% to £84.5m (H1 2015: £83.4m)
- Profit after taxation up 15.9% to £35.7m (H1 2015: £30.8m)
- Strong cash flow performance with EBITDA conversion to cash flow of 112.3% (H1 2015: 83.9%)
- Net debt at £422.6m (31 December 2015: £419.5m) largely unchanged despite significant increase in capital expenditure
- Invested £71.9m (H1 2015: £37.6m) in capital expenditure funded by operating cash flows
- Guidance unchanged for the full year ending 31 December 2016
- Interim dividend of 1.3p per share payable on 13 December 2016 (H1 2015: 1.3p)

OPERATING HIGHLIGHTS

- Grew in-patient and daycase admissions by 2.5% (underlying) to 139,800 patients (H1 2015: 136,400 patients)
- Opened two operating theatres in the period
- An additional four operating theatres under construction, three for delivery in the second half of 2016 at St Anthony's and Hartswood and one in early 2017 at Methley Park
- Construction work for the new hospitals in Manchester and Nottingham substantially progressed with both on track to complete in Q1 2017

Garry Watts, Executive Chairman of Spire Healthcare, said:

"Spire's first half results are in line with our plan and enable us to re-iterate the full year outlook for 2016 which we published in March. Underlying sales grew in all three payor groups, with our Self-pay and NHS patient choice (e-Referral) businesses in particular showing encouraging growth. Despite our expanding business we kept a firm grip on our cost base and achieved cash conversion of more than 100% in the period.

We have now completed the new six theatre block at Spire St Anthony's and work on our two new hospitals in Manchester and Nottingham remains on time and on budget to open in early 2017.

In June we launched an innovative partnership between Southampton NHS Foundation Trust and Spire Southampton Hospital, to provide and use a new da Vinci state-of-the-art 3D surgical robot system to treat patients with early-stage prostate cancer. The partnership sees Spire Southampton provide the equipment, training facilities and operating theatre space to treat NHS patients, increasing patient access to advanced surgical technology and reducing waiting times.

Looking at the bigger picture, although we now know the result of the Brexit referendum, we have no great clarity on how it will affect our sector in either the short term or the longer term. A constant however, is that NHS funding constraints will continue to put pressure on waiting list targets and the provision of a fully unrestricted, unrationed service to the UK public.

A core part of our strategic proposition focuses on this ever increasing opportunity; it complements our developing partnerships with the major healthcare insurers in growing the numbers of covered lives, and the proven effects of clear consumer and brand proposition for our Self-pay business.

Finally, I'd like to mark the departure from the company of Rob Roger. Rob departed with our best wishes in June to take on a new role elsewhere. I would like to thank him for leaving in place an experienced management team, well able to take on and develop the business which he oversaw for the last nine years."

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ABOUT SPIRE HEALTHCARE

Spire Healthcare is a leading independent hospital group in the United Kingdom, with 38 private hospitals, 12 clinics and two Specialist Cancer Care Centres across England, Wales and Scotland.

Spire delivered tailored, personalised care to approximately 140,000 in-patients and daycase patients in the six months ended 30 June 2016, and is the leading private provider, by volume, of knee and hip operations in the United

Kingdom. Spire is uniquely positioned to capture a growing share of the rapidly expanding private healthcare market. The Group's well positioned and scalable hospitals have earned reputations as centres of excellence, delivering 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 interim 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 interim 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 interim 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 interim announcement.

The Group is providing the information in this interim 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 Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT.

A live audiocast of the presentation will be available at 9.30am from the Spire website at http://webcast.openbriefing.com/spire_healthcare_half_year_results_2016/.

Operating Review

PERFORMANCE IN PERIOD

The Group has continued to increase revenue for the first six months of 2016. Revenue increased by 4.4% to £469.5 million (H1 2015: £449.8 million). Underlying revenue, which excludes the impact of the closure of Spire St Saviour's Hospital in September 2015, increased by 5.4% in the period. This has resulted in underlying EBITDA growth of 1.9% to £84.5 million (H1 2015: £82.9 million).

In-patient and daycase admissions grew by 2.5% (underlying) to 139,800 cases (H1 2015: 136,400 patients).

During the period, we invested £71.9 million (H1 2015: £37.6 million) in capital expenditure, a 91% increase on the first half of 2015. Investments included progress in the development of the new Spire Manchester and Spire Nottingham hospitals, and theatre development at Spire St Anthony's Hospital. Despite this, net debt remained largely unchanged at £422.6 million (31 December 2015: £419.5 million), thanks to our strong operating cash flows.

MARKET TRENDS

We continue to see an increase in demand for healthcare services in the UK (caused by a combination of a growing, ageing population and advancement in medical technology). This is coupled with a general acceptance amongst the major political parties and healthcare market commentators (and by the NHS itself) that the NHS is on track to experience a significant and growing funding gap over the next five years and beyond, which is likely to be only partly alleviated by productivity improvements and cost efficiencies.

Additionally, we believe the NHS's drive for cost control and further efficiencies is likely to result in lengthening waiting lists and further rationing of elective treatments. We are therefore of the view that, in the medium to long term, Spire should benefit from its inherent 'payor hedge' as individuals recognising the resulting increases in NHS waiting lists and/or rationing or restricting of certain procedures are likely to elect to be PMI or self-paying patients.

Against this market background in H1 2016:

- The PMI market has been relatively static with growth in corporate insured lives offset by declines in individual insured lives.
- The Self-Pay market continues to grow as individuals requiring medical care increasingly choose a private alternative over the NHS.
- The NHS market has continued to see a decline in the levels of Local Contract work being offered to Spire, but this decline has been more than offset by the strong growth in the first six months of Spire's NHS e-Referral business.

It is currently too early to speculate on the medium to long term impact of the result of the Brexit referendum on future NHS funding levels, the UK healthcare sector as a whole and Spire's position within that sector.

BUSINESS DEVELOPMENT

Our strategy is based on four pillars, and aims to build value by offering a wider range of treatments, more efficiently, to an increasing number of patients:

1. We will continue to focus on our relationships with each of our three major payor groups – PMI, Self-pay and the NHS – developing targeted responses to their individual requirements.
2. We will leverage and develop our existing well-invested and scalable hospitals, maximising existing capacity and opening new theatres to meet growing demand. We will continue to build relationships with our patients, their referring GPs and the consultants who provide treatment in our hospitals.
3. We will develop new sites and services, targeting identified growth areas such as cancer care, but also orthopaedics, cardiac and general surgery, and acquiring or building new hospitals in areas where Spire is underrepresented, including London.
4. We will continue to drive productivity improvement and cost management, both centrally and locally.

Investing in our core businesses

- At our Spire St Anthony's Hospital, the new six operating theatre block opened on schedule in August 2016 (replacing the existing four operating theatre block), and work continues on the remainder of the planned developments to result in 84 ward beds, an eight bed ITU and 19 consulting rooms.
- Construction of the new Spire Manchester hospital (6 theatres, 76 beds, Clinical trials unit, ITU) remains on track and is expected to complete Q1 2017.
- Construction of the new Spire Nottingham hospital (4 theatres, 56 Beds, ITU) remains on track and is expected to complete Q1 2017.
- We currently have 125 operating theatres, including the net two new theatres opened at Spire St Anthony's in August 2016. Construction of a further two new theatres at Spire Hartswood and Spire Methley Park hospitals is underway.

Developing our service offering

- We continue to develop our offering of more complex procedures in hospitals where it is appropriate to do so, taking into account the local payor demographics and availability of consultants with the requisite specialisations and skills in the local NHS facilities. In this regard we have approved:
    - A £23 million development project at Spire Bushey Hospital, which will increase out-patient space, introduce the latest generation imaging technology, and increase bed and theatre capacity.
    - A £10 million development project at Spire Cambridge Hospital, which will provide a full hospital refurbishment, increase day care capacity and improve endoscopy services.
- In H1 2016, we commissioned a dedicated theatre in our Spire Southampton Hospital, housing a Da Vinci surgical robot, which is already performing well.

Developing lower cost of delivery

- Improved utilisation of spare theatre capacity provides the opportunity to improve the recovery of fixed and semi-variable costs in the business.
- Additional volumes improve our ability to deliver economies of scale in procurement, distribution and logistics and other in-house support services such as pathology and sterilisation.
- Investment in IT platforms has enabled us to reduce administration costs whilst improving the quality of our management information system and enabling the Group to more effectively conform practice across the Group and to identify and cultivate best operating practice across our hospital network.
- Further standardisation and improvement of our clinical pathways and practices across the Group employing new technologies to improve outcomes and reduce length of stay.
- Focus on recruitment and retention – 'growing our own' – to increase our flexible 'bank' nursing resource, reduce our use of relatively expensive 'agency' nurses, and make Spire Healthcare an employer of choice.

Relationships with patients

- We continue to work to improve our patient proposition and clinical experience in all areas of our business.
- Our dedicated customer relationship management (CRM) system is being utilised by our hospital network, ensuring a better patient experience and improved operational efficiency.
- Our monthly patient satisfaction monitoring and reporting is enabling us to monitor customer experience and identify opportunities for continuous improvement.

BOARD CHANGES

During the period we announced the departure of Rob Roger, our Chief Executive Officer, who left the Company on 30 June. Rob was with Spire since 2007, first as Chief Financial Officer before becoming Chief Executive Officer, and steered the Company through its successful listing on the London Stock Exchange in July 2014. Rob leaves with our thanks and best wishes for the future. On the announcement of Rob leaving, Garry Watts resumed his previous role of Executive Chairman, a position it is anticipated he will hold for one year from Rob's departure while a search for a new Chief Executive Officer happens. We were pleased to appoint our Chief Operating Officer, Andrew White, to the Board as an Executive Director on 1 July.

On 27 June we were sorry to announce the resignation of Robert Lerwill, independent Non-Executive Director, with effect from that date due to personal reasons. John Gildersleeve, Deputy Chairman and Senior Independent Director, has also indicated his intention to leave the Board in the future and a further update will be released in due course.

We were recently delighted to announce the appointment of Adèle Anderson as an independent Non-Executive Director from 28 July. Adèle has a strong financial background and will chair our Audit and Risk Committee.

REGULATION AND GOVERNANCE

We welcome the increase in scrutiny that the CQC's new inspections regime brings. It has confirmed that our hospitals are, in the main, 'Good', although there are of course areas for improvement. We address all such areas as a matter of urgency. We have revised the format of our own internal clinical reviews to mirror the CQC's approach.

All Spire hospitals will have been inspected by the CQC by the end of 2016. Of the eight Spire hospitals for which we have so far received the CQC report, five received the overall rating of "Good" and three received the overall rating of "Requires improvement".

OUTLOOK

We reiterate our current market guidance for the financial year as a whole, as follows:

- Full year revenue for the Group's 2016 financial year will grow by 3.0% to 5.0% over and above the financial year ended 31 December 2015.
- The Group's EBITDA margin (1) for the 2016 financial year as a whole will remain broadly consistent with that for the financial year ended 31 December 2015.
- Capital expenditure is expected to be in the range of £170 million to £190 million for financial year 2016.
- Net debt is expected to close 2016 on or around 3.0 times EBITDA leverage (2).

1. EBITDA/total revenue, expressed as a percentage.
2. The ratio of net debt/EBITDA.

Financial Review

SELECTED FINANCIAL INFORMATION

	Six months ended 30 June (Unaudited)			
(£ million)	**2016**	2015	Variance %	Underlying variance excluding disposals % (1)
Revenue	**469.5**	**449.8**	**4.4%**	**5.4%**
Cost of sales	(244.0)	(232.6)	(4.9%)	(6.2%)
Gross profit	**225.5**	**217.2**	**3.8%**	**4.6%**
Other operating costs	(168.6)	(166.6)	(1.2%)	(2.0%)
Operating profit	**56.9**	**50.6**	**12.5%**	**13.1%**
Exceptional items included within other operating costs	(2.8)	(8.3)	66.3%	
Operating profit before exceptional items	**59.7**	**58.9**	**1.4%**	**1.9%**
Loss on disposal of property, plant and equipment	(0.8)	(0.4)	(100.0%)	
Net finance costs	(10.1)	(10.8)	6.5%	
Profit before taxation	**46.0**	**39.4**	**16.8%**	
Taxation	(10.3)	(8.6)	(19.8%)	
Profit for the period	**35.7**	**30.8**	**15.9%**	
EBITDA (2)	**84.5**	**83.4**	**1.3%**	**1.9%**
Operating profit before exceptional items	**59.7**	**58.9**	**1.4%**	**1.9%**
Adjusted, basic earnings per share, pence (3)	**9.6**	**9.4**	**2.1%**	
Interim dividend per share, pence	1.3	1.3	-	
Operating cash flows	88.9	66.9	32.9%	
Capital investments	71.9	37.6	91.2%	
Net debt (4)	**422.6**	**420.0**	**0.6%**	

1. Excludes the impact of Spire St Saviour's Hospital closed in September 2015 (referred to as 'Underlying' in this announcement).
2. Operating profit, adjusted to add back depreciation and exceptional items, referred to hereafter as 'EBITDA'.
3. Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares in issue. Adjusted profit is calculated as earnings after tax adjusted for exceptional items and related tax.
4. Net debt is calculated as total debt (comprising obligations under finance leases and borrowings), less cash and cash equivalents.

(£ million)	Six months ended 30 June (Unaudited) 2016	2015	Variance %	Underlying variance excluding disposals % (1)
Total revenue	**469.5**	**449.8**	**4.4%**	**5.4%**
Of which:				
PMI	220.7	220.8	–	0.5%
NHS	146.6	135.8	8.0%	10.1%
Self-pay	85.3	77.4	10.2%	10.8%
Other (2)	16.9	15.8	7.0%	8.3%
	469.5	**449.8**	**4.4%**	**5.4%**
Of which:				
In-patient/daycase	318.9	306.2	4.1%	5.3%
Out-patient	133.7	127.8	4.6%	5.4%
Other	16.9	15.8	7.0%	8.3%
	469.5	**449.8**	**4.4%**	**5.4%**
Number ('000s)				
Total in-patient/daycase admissions	**139.8**	**137.9**	**1.4%**	**2.5%**
Of which:				
PMI volumes	63.5	64.4	(1.4%)	(0.8%)
NHS volumes	53.1	52.1	1.9%	3.9%
Self-pay volumes	23.2	21.4	8.4%	8.9%
Theatres				
Number of theatres (3)	**123**	**123**	**–**	**1.7%**
Theatre utilisation (4)	**65%**	**65%**	**–**	**(0.4 p.p.) (5)**

1. Excludes the impact of Spire St Saviour's Hospital closed in September 2015 (referred to as 'Underlying' in this announcement).
2. Other revenue includes consultant revenue, third-party revenue streams (e.g. pathology services), secretarial services and commissioning for quality and innovation payments (earned for meeting quality targets on NHS work) ('CQUIN').
3. Represents the number of theatres in use at period end.
4. Theatre utilisation is calculated by dividing utilised theatre hours by maximum theatre hours (maximum theatre hours is defined as 10 hours per weekday and 7 hours per Saturday for 50 weeks per year).
5. Expressed in percentage points.

GROWING REVENUE

(£ million)	30 June 2015	In-patient/ daycase volume	In-patient/ daycase rate	Out-patient	Other	**30 June 2016**	**Growth**
Underlying total revenue	445.3	8.0	8.3	6.6	1.3	**469.5**	**5.4%**
Disposals	4.5					**–**	
Total revenue	449.8					**469.5**	**4.4%**

Revenue for the six months ended 30 June 2016 increased by £19.7 million, or 4.4%, to £469.5 million (H1 2015: £449.8 million).

Underlying growth, excluding revenue of nil (H1 2015: £4.5 million) relating to Spire St Saviour's Hospital which was closed in September 2015, was 5.4%.

Of the underlying revenue growth of 5.4%:

- growth in in-patients and daycase admissions of 2.5% drove a 1.8% increase in total revenues;
- average revenue per case improved in the period, accounting for a 1.9% increase in total revenues; and
- improved outpatient revenue performance contributed 1.5% to the increase in total revenues in the period.

PMI

(£ million)	30 June 2015	In-patient/ daycase volume	In-patient/ daycase rate	Out-patient	**30 June 2016**	**Growth**
Underlying PMI revenue	219.6	(1.0)	0.7	1.4	**220.7**	**0.5%**
Disposals	1.2				**–**	
Total PMI revenue	220.8				**220.7**	**–**

PMI revenue for the six months ended 30 June 2016 decreased by £0.1 million to £220.7 million (H1 2015: £220.8 million). Underlying growth, excluding revenue relating to Spire St Saviour's Hospital, was 0.5%.

Of the underlying growth in PMI revenue of 0.5%:

- a decline of 0.8% in in-patient and daycase admissions reduced PMI revenues by 0.4%;
- average revenue per case improved in the period, notwithstanding an increase in the proportion of daycase patients treated, which increased PMI revenues by 0.3% over the prior period; and
- improved outpatient revenue performance contributed growth in PMI revenues of 0.6% over the six months ended 30 June 2015.

NHS

(£ million)	30 June 2015	In-patient/ daycase volume	In-patient/ daycase rate	Out-patient	**30 June 2016**	**Growth**
Underlying NHS revenue	133.1	4.4	4.9	4.2	**146.6**	**10.1%**
Disposals	2.7				**–**	
Total NHS revenue	135.8				**146.6**	**8.0%**

NHS revenue for the six months ended 30 June 2016 increased by £10.8 million, or 8.0%, to £146.6 million (H1 2015: £135.8 million). Underlying growth, excluding revenue relating to Spire St Saviour's Hospital, was 10.1%.

Of the underlying growth in NHS revenue of 10.1%:

- an increase of 3.9% in in-patient and daycase admissions increased NHS revenues by 3.3%;
- average revenue per case improved in the period, with higher case mix complexity more than offsetting the residual impact of 2015/2016 tariff reduction and contributing an improvement to NHS revenues of 30.7%: and
- growth in outpatient revenues contributed 3.1% to revenue growth in the period;

The underlying revenue growth in NHS revenues is split as follows:

- 11.6% decline in local contract NHS revenues. This was anticipated following the surge in activity in the last half of 2015 (and its subsequent curtailment following intervention by Monitor); and
- 18.0% increase in NHS revenues arising from e-referral (previously known as 'choose and book)'.

Self-pay

(£ million)	30 June 2015	In-patient/ daycase volume	In-patient/ daycase rate	Out-patient	**30 June 2016**	**Growth**
Underlying Self-pay revenue	77.0	4.6	2.7	1.0	**85.3**	**10.8%**
Disposals	0.4				**–**	
Total Self-pay revenue	77.4				**85.3**	**10.2%**

Self-pay revenue for the six months ended 30 June 2016 increased by £7.9 million, or 10.2%, to £85.3 million (H1 2015: £77.4 million). Underlying growth, excluding revenue relating to Spire St Saviour's Hospital, was 10.8%.

Of the underlying growth in Self-pay revenue of 10.8%:

- an increase of 8.9% of in-patient and daycase admissions increased Self-pay revenues by 6.0%;

- average revenue per case improved in the period which increased Self-pay revenues by 3.5%; and
- growth in outpatient revenues contributed 1.3% to Self-pay revenue growth in the period.

Other revenue

Other revenue, which includes fees paid to the Group by consultants (e.g. for the use of Group facilities and services) and third-party revenues (e.g. pathology services to third-parties), increased by £1.1 million, or 7.0%, in the period, to £16.9 million (H1 2015: £15.8 million).

COST OF SALES AND GROSS PROFIT

Cost of sales increased in the period by £11.4 million, or 4.9%, to £244.0 million (H1 2015: £232.6 million). Underlying cost of sales (excluding Spire St Saviour's Hospital) increased in the period by £14.3 million, or 6.2%.

Underlying gross margin for the six months ended 30 June 2016 was 48.0%, compared to 48.3% for the six months ended 30 June 2015 and 48.1% for the twelve months ended 31 December 2015.

On an underlying basis, and as a percentage of relevant revenue:

	Six months ended 30 June		Full year
	2016	2015	2015
Clinical staff	**18.4%**	18.5%	18.9%
Direct costs	**22.2%**	21.7%	21.6%
Medical fees	**11.4%**	11.5%	11.4%
Cost of sales	**52.0%**	51.7%	51.9%

Despite supply-side constraints of nursing resource, clinical staff costs as a percentage of revenues have fallen in the first half of 2016 relative to the prior year. Management is focused on continuous improvement of recruitment and training and development process in the business as well as rostering and productivity improvements designed to limit use of agency staff. Increased case mix in established complex hospitals has also led to some scale economy benefits in labour utilisation, although these largely contra with increased direct costs of drugs, prostheses and consumables.

OTHER OPERATING COSTS

Other operating costs for the six months ended 30 June 2016 increased by £2.0 million, or 1.2%, to £168.6 million (H1 2015: £166.6 million). Excluding exceptional items, other operating costs for the period increased by £7.5 million, or 4.7%, to £165.8 million.

Underlying other operating costs (excluding Spire St Saviour's Hospital) increased in the period by £3.3 million, or 2.0%, to £168.6 million (H1 2015: £165.3 million). Excluding exceptional items, underlying other operating costs for the period increased by £8.8 million, or 5.6%, to £165.8 million.

Depreciation

Excluding depreciation relating to Spire St Saviour's Hospital, the underlying depreciation charge for the six months ended 30 June 2016 increased by £0.5 million, or 2.1%, to £24.8 million (H1 2015: £24.3 million).

Rent

Rent of land and buildings for the period increased by £0.1 million, or 0.3%, to £31.0 million (H1 2015: £30.9 million).

Share-based payments

During the period, grants were made to executive directors and members of the executive management team under the Company's deferred bonus plan and long term incentive plan. For the six months ended 30 June 2016, the charge to the income statement was £0.3 million (H1 2015: £0.6 million), or £0.3 million inclusive of NI (H1 2015: £0.7 million). Further details are contained in note 14 of this announcement.

Exceptional items included in other operating costs

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Business reorganisation	**1.0**	1.4
Hospitals set up costs	**0.1**	–
Hospital closure	**–**	6.9
Corporate restructuring	**1.5**	–
Other	**0.2**	–
	2.8	8.3

Full details of exceptional items are disclosed in note 7 of this interim announcement.

EBITDA AND UNDERLYING EBITDA

EBITDA for the six months ended 30 June 2016 increased by £1.1 million, or 1.3%, to £84.5 million (H1 2015: £83.4 million). Excluding the results of Spire St Saviour Hospital in H1 2015, underlying EBITDA increased by 1.9%, from £82.9 million to £84.5 million.

OPERATING PROFIT BEFORE AND AFTER EXCEPTIONAL ITEMS

Operating profit after exceptional costs increased by 12.5% in the period to £56.9 million. Before exceptional costs, operating profit increased by 1.4%, to £59.7 million for the six months ended 30 June 2016 (H1 2015: £58.9 million). Excluding the results of Spire St Saviour Hospital in H1 2015, underlying operating profit before exceptional costs increased by 1.9%, from £58.6 million to £59.7 million.

NET FINANCE COSTS

Net finance costs decreased by 6.5% to £10.1 million (H1 2015: £10.8 million) as a result of increased finance costs capitalised in the period in relation to the Group's development of the new Spire Manchester and Spire Nottingham hospitals.

TAXATION

The taxation charge for the six months ended 30 June 2016 consisted of a £0.9 million charge for corporation tax and a charge of £9.4 million for deferred tax. The effective tax rate for the six months ended 30 June 2016 was 22.4% (before exceptional costs 21.7%).

The taxation charge for the six months ended 30 June 2015 consisted of a £5.2 million charge for corporation tax and a charge of £3.4 million for deferred tax. The effective tax rate for the six months ended 30 June 2015 was 21.8% (before exceptional costs 21.4%).

PROFIT FOR THE PERIOD

The profit after taxation for the six months ended 30 June 2016 was £35.7 million (H1 2015: £30.8 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.

Adjusted profit after tax and earnings per share

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

	Six months ended 30 June (Unaudited)	
(£ million)	**2016**	2015
Profit before taxation	**46.0**	39.4
Adjustment for:		
Exceptional items	**2.8**	8.3
Adjusted profit before tax	**48.8**	47.7
Taxation (note 1)	**(10.6)**	(10.2)
Adjusted profit after tax	**38.2**	37.5
Weighted average number of ordinary shares in issue (No.)	**399,833,138**	400,738,623
Adjusted basic earnings per share (pence)	**9.6**	9.4

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

CASH FLOWS ANALYSIS FOR THE PERIOD

	Six months ended 30 June (Unaudited)	
(£ million)	**2016**	2015
Opening cash balance	**78.9**	**74.5**
Operating cash flows before exceptional items and income tax paid	**94.9**	**70.0**
Exceptional items (note 1)	(2.8)	(2.7)
Income tax paid	(3.2)	(0.4)
Operating cash flows after exceptional items and income tax paid	88.9	66.9
Net cash used in investing activities	(71.5)	(37.7)
Net cash used in financing activities	(19.6)	(26.0)
Closing cash balance	**76.7**	**77.7**
Closing net indebtedness	**422.6**	**420.0**

1. Comprising exceptional costs paid of £1.6 million (H1 2015: £1.4 million) and exceptional costs included within movements in working capital of £1.2 million (H1 2015: £1.3 million).

Operating cash flows before exceptional items and income tax paid

The cash inflow from operating activities before exceptional items and income tax paid for the six months ended 30 June 2016 was £94.9 million, which constitutes a cash conversion rate from EBITDA for the period of 112.3% (H1 2015: £70.0 million or 83.9%). The net cash inflow from movements in working capital in the period was £6.9 million (H1 2015: outflow £14.4 million) mainly due to timing difference relating to trade payables.

Investing and financing cash flows

Net cash used in investing activities for the six months ended 30 June 2016 was £71.5 million. Capital expenditure for the purchase of property, plant and equipment in the period totalled £71.9 million, which included the development of the new Spire Manchester and Spire Nottingham hospitals, and theatre development at Spire St Anthony's Hospital.

Net cash used in investing activities for the six months ended 30 June 2015 was £37.7 million. Capital expenditure for the purchase of property, plant and equipment in the period totalled £37.6 million, which included the development of the new Spire Manchester and Spire Nottingham hospitals, the Spire Specialist Care Centre at Chelmsford and theatre developments at Spire Elland Hospital.

Net cash used in financing activities for the six months ended 30 June 2016 was £19.6 million, including interest paid of £9.8 million and final 2015 dividend paid to shareholders of £9.6 million.

Net cash used in financing activities for the six months ended 30 June 2015 was £26.0 million, including interest paid of £10.9 million, purchase of shares held in the Company's Employee Benefit Trust of £5.6 million, and final 2014 dividend paid to shareholders of £7.2 million.

DIVIDEND

The Board has approved a 2016 interim dividend of 1.3 pence per share (H1 2015: 1.3 pence) payable on 13 December 2016.

RELATED PARTY TRANSACTIONS

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

Principal risks

The Board has overall responsibility for the Group's risk management and internal control systems.

The principal risks and mitigating factors are described in more detail on pages 50 to 55 of the Group's Annual Report and Accounts for the year ended 31 December 2015 (a copy of which is available on the Group's website at www.spirehealthcare.com). Other than the addition of the Brexit impact risk (following a referendum on the proposed exit of the UK from the European Union), the management and the Board have reconsidered the Group's key risks and believe that there have been no other changes and that they remain appropriate for the remaining six months period to 31 December 2016.

- Availability of key medical staff
- Clinical care
- Macroeconomic conditions
- Government policy
- Compliance with laws, regulations and other applicable requirements
- Competitor challenge
- Brexit impact
- Insurance
- Cybersecurity
- Concentration of the PMI market
- Investment plans and execution
- Liquidity and covenant risk

For the Brexit impact risk, the Group will actively monitor the progress of Britain's exit from the EU in order to develop projections to anticipate its impact and mitigate the risk, where possible.

Directors' responsibilities statement

We confirm that to the best of our knowledge:

- This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 ('IAS 34') as adopted by the EU.
- The interim management report, which is incorporated into the Executive Chairman's message, Operating Review and Financial Review, includes a fair review of the information as required by:
    - DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of the important events that have occurred during the six months of the current financial year and their impact on the condensed consolidated interim financial information and a description of the principal risks for the remaining six months of the year; and
    - DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially impacted the financial position or performance of the Group during the period and any material changes in the related party transactions described in the Group's Annual Report and Accounts for the year ended 31 December 2015.

By order of the Board

Garry Watts	**Simon Gordon**
Executive Chairman	Chief Financial Officer

24 August 2016

Condensed financial statements

Consolidated interim income statement

For the six months ended 30 June 2016

(£ million)	Notes	Six months ended 30 June (Unaudited) 2016	2015
Revenue	6	**469.5**	**449.8**
Cost of sales		(244.0)	(232.6)
Gross profit		**225.5**	**217.2**
Other operating costs		(168.6)	(166.6)
Operating profit	5	**56.9**	**50.6**
Exceptional items included within other operating costs	7	(2.8)	(8.3)
Operating profit before exceptional items		59.7	58.9
Loss on disposal of property, plant and equipment		(0.8)	(0.4)
Interest income		0.2	0.1
Finance costs	8	(10.3)	(10.9)
Profit before taxation		**46.0**	**39.4**
Taxation	9	(10.3)	(8.6)
Profit for the period		**35.7**	**30.8**
Profit for the period attributable to owners of the Parent		**35.7**	**30.8**
Earnings per share – basic and diluted (in pence per share)	11	**8.9**	**7.7**

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2016

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Profit for the period	**35.7**	30.8
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period attributable to owners of the Parent	**35.7**	30.8

Consolidated interim statement of changes in equity

For the six months ended 30 June 2016 (Unaudited)

(£ million)	Notes	Share capital	Share premium	Capital reserves	EBT share reserves	Retained earnings	Total equity
As at 1 January 2015		4.0	826.9	376.1	–	(252.0)	955.0
Profit for the period		–	–	–	–	30.8	30.8
Other comprehensive income for the period		–	–	–	–	–	–
Share-based payments	14	–	–	–	–	0.6	0.6
Deferred tax on share-based payments		–	–	–	–	0.1	0.1
Purchase of shares held in the Employee Benefit Trust ('EBT')		–	–	–	(5.6)	–	(5.6)
Dividend paid	10	–	–	–	–	(7.2)	(7.2)
Balance at 30 June 2015		4.0	826.9	376.1	(5.6)	(227.7)	973.7
As at 1 January 2016		**4.0**	**826.9**	**376.1**	**(5.6)**	**(203.8)**	**997.6**
Profit for the period		–	–	–	–	35.7	35.7
Other comprehensive income for the period		–	–	–	–	–	–
Share-based payments	14	–	–	–	–	0.3	0.3
Deferred tax on share-based payments		–	–	–	–	(0.3)	(0.3)
Utilisation of EBT shares for Directors' Share Bonus Award		–	–	–	2.6	(2.6)	–
Dividend paid	10	–	–	–	–	(9.6)	(9.6)
Balance at 30 June 2016		**4.0**	**826.9**	**376.1**	**(3.0)**	**(180.3)**	**1,023.7**

Consolidated interim balance sheet

(£ million)	Notes	As at 30 June 2016 (Unaudited)	 31 December 2015 (Audited)
ASSETS			
Non-current assets			
Intangible assets		519.1	519.1
Property, plant and equipment	12	942.2	895.5
		1,461.3	1,414.6
Current assets			
Inventories		29.1	29.0
Trade and other receivables		136.1	134.7
Income tax receivable		0.6	–
Cash and cash equivalents		76.7	78.9
		242.5	242.6
Total assets		**1,703.8**	**1,657.2**
EQUITY AND LIABILITIES			
Equity			
Share capital		4.0	4.0
Share premium		826.9	826.9
Capital reserves		376.1	376.1
EBT share reserves		(3.0)	(5.6)
Retained earnings		(180.3)	(203.8)
Equity attributable to owners of the Parent		1,023.7	997.6
Non-controlling interests		–	–
Total equity		**1,023.7**	**997.6**
Non-current liabilities			
Borrowings	13	494.6	493.5
Deferred tax liability		63.3	53.6
		557.9	547.1
Current liabilities			
Provisions		15.3	15.6
Borrowings	13	4.7	4.9
Trade and other payables		102.2	90.3
Income tax payable		–	1.7
		122.2	112.5
Total liabilities		**680.1**	**659.6**
Total equity and liabilities		**1,703.8**	**1,657.2**

Consolidated interim statement of cash flows

For the six months ended 30 June 2016

(£ million)	Notes	Six months ended 30 June (Unaudited) 2016	2015
Cash flows from operating activities			
Profit before taxation		46.0	39.4
Adjustments for:			
Depreciation	5	24.8	24.5
Impairment		–	5.6
Share-based payments		0.3	0.6
Loss on disposal of property, plant and equipment		0.8	0.4
Interest income		(0.2)	(0.1)
Finance costs	8	10.3	10.9
		82.0	**81.3**
Movements in working capital:			
Increase in trade and other receivables		(1.4)	(8.9)
Increase in inventories		(0.1)	(0.2)
Increase / (decrease) in trade and other payables		11.9	(8.5)
(Decrease) / increase in provisions		(0.3)	3.6
Income tax paid		(3.2)	(0.4)
Net cash from operating activities		**88.9**	**66.9**
Cash flows from investing activities			
Purchase of property, plant and equipment		(71.9)	(37.6)
Proceeds from / (costs of) disposal of property, plant and equipment		0.2	(0.2)
Interest received		0.2	0.1
Net cash used in investing activities		**(71.5)**	**(37.7)**
Cash flows from financing activities			
Interest paid		(9.8)	(10.9)
Repayment of borrowings		(0.2)	(1.3)
Payment of share issue costs relating to 2014 IPO		–	(1.0)
Purchase of shares held in the EBT		–	(5.6)
Dividend paid to equity holders of the Parent		(9.6)	(7.2)
Net cash used in financing activities		**(19.6)**	**(26.0)**
Net (decrease) / increase in cash and cash equivalents		**(2.2)**	**3.2**
Cash and cash equivalents at beginning of period		78.9	74.5
Cash and cash equivalents at end of period		**76.7**	**77.7**
Exceptional costs			
Exceptional costs paid included in the cash flow from operating activities		(1.6)	(1.4)
Total exceptional costs	7	(2.8)	(8.3)

Notes to the consolidated interim financial statements

1. GENERAL INFORMATION

Spire Healthcare Group plc (the 'Company') and its subsidiaries (collectively, the 'Group') owns and operates private hospitals and clinics in the UK and provides a range of private healthcare services.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK (registered number: 09084066). The address of its registered office is 3 Dorset Rise, London EC4Y 8EN.

The condensed consolidated interim financial information for the six months ended 30 June 2016 was approved by the Board on 24 August 2016.

2. BASIS OF PREPARATION

Basis of preparation of interim statements

The condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with information contained in the Group's Annual Report and Accounts for the year ended 31 December 2015. The condensed consolidated interim financial information has been reviewed, not audited.

Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 16 March 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section s498 (2) or (3) of the Companies Act 2006.

Going concern

The Group is financed by a bank loan facility that matures in 2019. 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 the foreseeable future. In relation to available cash resources, the directors have had regard to both cash at bank and a £100.0 million committed undrawn revolving credit facility. Accordingly, they have adopted the going concern basis in preparing this condensed consolidated interim financial information.

3. ACCOUNTING POLICIES

In preparing the condensed consolidated interim financial information, the same accounting policies, methods of computation and presentation have been applied as set out in the Group's Annual Report and Accounts for the year ended 31 December 2015. The accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the EU.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

The significant judgements and estimates used in the application of the Group's accounting policies are the same as those described in the Group's Annual Report and Accounts for the year ended 31 December 2015.

5. OPERATING PROFIT

Operating profit for the period has been arrived at after charging:

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Rent of land and buildings under operating leases	**31.0**	30.9
Depreciation of property, plant and equipment	**24.8**	24.5
Staff costs	**134.6**	125.3

6. SEGMENTAL REPORTING

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

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

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

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Insured	**220.7**	220.8
NHS	**146.6**	135.8
Self-pay	**85.3**	77.4
Other	**16.9**	15.8
Total	**469.5**	449.8

The Group's financial results have not historically been subject to significant seasonal trends.

7. EXCEPTIONAL ITEMS

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Business reorganisation	**1.0**	1.4
Hospitals set up costs	**0.1**	–
Hospital closure	**–**	6.9
Corporate restructuring	**1.5**	–
Other [(1)]	**0.2**	–
Total	**2.8**	8.3

1. Other exceptional items primarily relate to NI on Directors' Share Bonus Award granted at the time of the IPO.

In the six months ended 30 June 2016, business reorganisation mainly comprised staff restructuring costs. Hospitals set up costs refer to pre-opening costs for the new Manchester and Nottingham hospitals. Corporate restructuring related to an internal group reorganisation and transaction costs relating to a hospital swap, subject to lease (refer note 15 for further details). Except for the corporate restructuring costs, which were capital in nature, all other exceptional costs are expected to be tax deductible.

In the six months ended 30 June 2015, business reorganisation costs mainly comprised staff restructuring costs. Hospital closure costs related to the closure of the Spire St Saviour's Hospital announced in June 2015 and included an impairment charge on freehold property and equipment of £5.6 million. These costs were largely tax deductible.

8. FINANCE COSTS

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Interest on bank facilities	**6.4**	6.7
Finance charges payable under finance leases	**4.5**	4.3
	10.9	11.0
Finance costs capitalised in the period	**(0.6)**	(0.1)
Total finance costs	**10.3**	10.9

Finance costs capitalised during the period were calculated based on a weighted cost of borrowing of 2.7% (H1 2015: 2.7%).

9. TAXATION

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Current tax		
UK Corporation tax arising in the period	**0.9**	5.2
Adjustments in respect of prior years	**–**	–
Total current tax	**0.9**	5.2
Deferred tax		
Origination and reversal of temporary differences	**9.4**	3.4
Total deferred tax charge	**9.4**	3.4
Taxation in the period	**10.3**	8.6

The tax charge for the period has been calculated using an estimate of the effective annual rate of tax for the full year. This rate has been applied to the pre-tax profits for the six months ended 30 June 2016. The Group has separately calculated the tax rates applicable to exceptional items for the period. Tax rate changes that were substantively enacted at the balance sheet date have been factored into the calculation of the effective tax rates.

10. DIVIDENDS

(£ million)	Six months ended 30 June (Unaudited) 2016	2015
Amounts recognised as distributions to equity holders in the period:		
- final dividend for the year ended 31 December 2015 of 2.4 pence per share	**9.6**	–
- final dividend for the year ended 31 December 2014 of 1.8 pence per share	**–**	7.2
	9.6	7.2

An interim dividend of 1.3 pence per share (H1 2015: 1.3 pence), amounting to a total interim dividend of approximately £5.2 million (H1 2015: £5.2 million), was proposed by the Board on 24 August 2016. The interim dividend is payable on 13 December 2016 to shareholders who are on the register at 18 November 2016. In accordance with IAS 10 *'Events after the balance sheet date'*, dividends declared after the balance sheet date are not recognised as a liability in this condensed consolidated interim financial information.

11. EARNINGS PER SHARE

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

	Six months ended 30 June (Unaudited)	
	2016	2015
Profit for the period attributable to owners of the Parent (£ million)	35.7	30.8
Weighted average number of ordinary shares	401,081,391	401,081,391
Adjustment for weighted average number of shares held in the EBT	(1,292,428)	(342,768)
Weighted average number of ordinary shares in issue (No.)	399,788,963	400,738,623
Basic earnings per share (in pence per share)	**8.9**	**7.7**

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

	Six months ended 30 June (Unaudited)	
	2016	2015
Profit for the period attributable to owners of the Parent (£ million)	35.7	30.8
Weighted average number of ordinary shares in issue	399,788,963	400,738,623
Adjustment for weighted average number of contingently issuable shares	2,047,366	924,057
Diluted weighted average number of ordinary shares in issue (No.)	401,836,329	401,662,680
Diluted earnings per share (in pence per share)	**8.9**	**7.7**

12. PROPERTY, PLANT AND EQUIPMENT

(£ million)	Freehold property	Long leasehold property	Equipment	Assets in the course of construction	Total
Net book value					
At 1 January 2016	550.3	146.1	160.5	38.6	895.5
Additions	2.6	6.7	14.3	48.9	72.5
Disposals	–	(0.3)	(0.7)	–	(1.0)
Depreciation	(7.5)	–	(17.3)	–	(24.8)
At 30 June 2016	**545.4**	**152.5**	**156.8**	**87.5**	**942.2**

During the period, additions included the development of the new Spire Manchester and Spire Nottingham hospitals, and theatre developments at Spire St Anthony's Hospital.

Capital expenditure commitments

Capital commitments authorised and contracted for, but not provided in the accounts as at 30 June 2016 amounted to £45.3 million (31 December 2015: £39.4 million).

13. BORROWINGS AND FINANCIAL INSTRUMENTS

(£ million)	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Secured borrowings		
Bank loans	**423.6**	423.1
Obligations under finance leases	**75.7**	75.3
	499.3	498.4

The bank loans and finance leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the Group.

Total borrowings (measured at amortised cost)

(£ million)	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Amount due for settlement within 12 months	**4.7**	4.9
Amount due for settlement after 12 months	**494.6**	493.5
	499.3	498.4

Financial instruments

The Group's financial assets and liabilities, other than trade and other receivables and cash and short-term deposits, held by the Group at the balance sheet date were as set out below:

At 30 June 2016 (Unaudited) (£ million)	Carrying amount	Contractual cash flows	1 year or less	1–2 years	More than 2 years
Non-derivative financial liabilities					
Secured bank facilities	423.6	460.1	11.1	10.5	438.5
Obligations under finance leases	75.7	274.7	8.4	8.7	257.6
Trade and other payables	63.2	63.2	63.2	–	–
	562.5	**798.0**	**82.7**	**19.2**	**696.1**

At 31 December 2015 (Audited) (£ million)	Carrying amount	Contractual cash flows	1 year or less	1–2 years	More than 2 years
Non-derivative financial liabilities					
Secured bank facilities	423.1	479.3	12.1	14.0	453.2
Obligations under finance leases	75.3	278.7	8.3	8.5	261.9
Trade and other payables	58.1	58.1	58.1	–	–
	556.5	816.1	78.5	22.5	715.1

Bases of valuation

At 30 June 2016, the Group did not hold financial instruments measured at fair value (31 December 2015: nil).

Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The carrying value of the other financial instruments, being finance leases and debt, is approximately equal to their fair value, based on a review of current terms against market and expected short term settlements. The debt is presented after the deduction of £3.4 million (31 December 2015: £4.0 million) of issue costs.

14. SHARE-BASED PAYMENTS

During the six months ended 30 June 2016, the Group made further grants under its existing share-based payment schemes, as follows:

Long term incentive plan ('LTIP')

On 30 March 2016, the Company granted Simon Gordon and Andrew White 197,628 and 194,805 share options, respectively, and 557,299 share options to other senior managers. The options will vest based on earnings per share ('EPS') (50%) targets for the financial year ending 31 December 2018 and relative total shareholder return ('TSR') (50%) targets on performance over the three-year period to 31 December 2018, subject to continued employment. Upon vesting, the options will remain exercisable until 30 March 2026.

For the six months ended 30 June 2016, the total cost recognised in the income statement was £0.3 million (H1 2015: £0.6 million). Employer's NI is being accrued, where applicable, at the rate of 13.8%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. For the six months ended 30 June 2016, the total NI charge was £0.1 million (H1 2015: £0.1 million).

15. CONTINGENT LIABILITIES

There has been no change to any of the Group's potential contingent liabilities from the position reported in the Group's Annual Report and Accounts for the year ended 31 December 2015.

16. EVENTS AFTER THE REPORTING PERIOD

2016 interim dividend

The Board has approved a 2016 interim dividend of 1.3 pence per share, amounting to approximately £5.2 million, to be paid on 13 December 2016 to shareholders on the register at the close of business on 18 November 2016.

Second tranche of the Director's share bonus award

On 23 July 2016, the second tranche of the Directors' Share Bonus Award (the 'Award') completed its performance period and resulted in 781,718 options becoming available. The Award was granted in the form of nil-cost options to certain Directors at the time of the IPO on 23 July 2014 to reflect their contribution prior to the admission of the Company to the London Stock Exchange.

Shareholders' information

REGISTERED OFFICE AND HEAD OFFICE:

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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

Ex-div date for 2016 interim dividend	17 November 2016
Record date for 2016 interim dividend	18 November 2016
Payment date for 2016 interim dividend	13 December 2016
Announcement of 2016 preliminary results	March 2017