Spire Healthcare Group plc

Spire Healthcare reports interim results for the six months ended 30 June 2015

London, UK, 21 August 2015, 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 2015.

SUMMARY GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

(£ million)	Six months ended 30 June (Unaudited)			
	2015	2014	Variance %	Variance excluding acquisition / disposal %***
Revenue	**449.8**	**417.2**	**7.8%**	**5.1%**
Operating profit before exceptional items	58.9	57.3	2.8%	0.5%
Exceptional items	(8.3)	(11.1)		
Operating profit	50.6	46.2	9.5%	6.7%
Profit / (loss) after tax	30.8	(7.8)		
Adjusted EBITDA*	**83.4**	**77.2**	**8.0%**	**5.8%**
Adjusted operating profit before exceptional items **	58.9	54.6	7.9%	5.5%
Pro-forma profit after tax ****	37.5	31.7	18.3%	
Adjusted, basic earnings per share, pence †	**9.4**	**7.9**	**19.0%**	
Interim dividend per share, pence	1.3	–	n/a	
Operating cash flow	66.9	71.0	(5.8%)	
Capital investments & acquisitions	37.6	71.9		
Net debt	**420.0**	**1,562.8**		

GROUP FINANCIAL HIGHLIGHTS

- Revenue increased by 7.8% to £449.8m (H1 2014: £417.2m) with growth across all three payor groups
- Adjusted EBITDA* up 8.0% to £83.4m (H1 2014: £77.2m)
- Adjusted EBITDA margin in-line with FY 2014 at 18.5%
- Adjusted operating profit before exceptional items** up 7.9% to £58.9m (H1 2014: £54.6m)
- Adjusted EPS of 9.4 pence per share, up 19.0% on H1 2014
- Maiden interim dividend of 1.3 pence per share payable on 15 December 2015
- Net debt slightly improved at £420.0m, with leverage at 2.5x Adj. EBITDA (31 December 2014: £424.3m and 2.7x Adj. EBITDA)
- Revised full-year 2015 guidance of Revenue and EBITDA growth in the range of 4-6%

OPERATING HIGHLIGHTS

- Invested £37.6m (H1 2014: £71.9m, including St Anthony's Hospital acquisition)
- Grew in-patient and daycase discharges by 8.0% to 138,000 patients (H1 2014: 128,000 patients)
- Opened another operating theatre in the period, increasing the total number of operating theatres to 123
- Increased theatre utilisation from 64% in H1 2014 to 65% in H1 2015
- Construction of Spire's major new cancer radiotherapy centre, next to the Baddow Hospital at the Essex Healthcare Park in Chelmsford, is now well underway with opening scheduled for November 2015. Construction has begun on the new six operating theatre block at St Anthony's; which is expected to complete (along with the new recovery unit and car park) in July 2016
- Work commenced on new hospitals in Manchester and Nottingham. Both on track to complete in Q1 2017

*(*Adjustments required to compare pre-Admission H1 2014 trading to post-Admission H1 2015 trading – see Notes)*

Rob Roger, CEO of Spire Healthcare, said:

"We have again delivered a strong first half to the year, demonstrating continued momentum across the business.

The strategies we have put in place across all our payor groups, whether privately insured, self-pay or NHS continue to deliver well, resulting in very good revenue growth of just under 8%. Furthermore, our continuing focus on productivity and cost efficiency has enabled us to maintain an impressive Adjusted EBITDA margin of 18.5% and this, together with strong cash conversion of 80% (from Adjusted EBITDA), clearly demonstrates that Spire is itself in good health, both operationally and financially.

Because of recent actions taken in response to the NHS Trusts' estimate of aggregate deficits for 2015/16, we recognise that there may be some near-term weakness in NHS demand over the remainder of this financial year. However, we are confident that the medium-to-long term trends in this business remain very positive for Spire and that, when combined with our growing strength in PMI and Self-Pay, the opportunity to deliver value to shareholders remains compelling."

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NOTES

* Operating profit, adjusted to add back depreciation and exceptional items, referred to hereafter as 'Adjusted EBITDA' (2014 EBITDA adjusted to conform the property rental base and to include PLC operating costs).

** Operating profit, adjusted to add back exceptional items, referred to hereafter as 'Adjusted operating profit before exceptional items' (2014 operating profit adjusted to conform the property rental base and to include PLC operating costs).

*** Excludes St Anthony's Hospital acquired on 22 May 2014 and the disposal of trade and assets of the fertility business on 15 August 2014.

**** Pro-forma profit is calculated as earnings after tax adjusted for exceptional items. For comparative H1 2014, pro-forma profit is calculated as earnings after tax adjusted for the capital restructuring in H1 2014, exceptional items, to conform the property rental base, PLC operating costs and the profit arising on the sale of property in March 2014.

† For comparative H1 2014, calculated as pro-forma profit after tax divided by the number of ordinary shares in issue on Admission on 23 July 2014 of 401,081,391 shares.

ABOUT SPIRE

The Group is a leading provider of elective healthcare in the United Kingdom. As at 30 June 2015 the Group operates 39 private hospitals, 13 clinics and one specialist cancer care centre across England, Wales and Scotland.

Spire delivered tailored, personalised care to approximately 138,000 in-patients and daycase patients in the period, 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.

Spire Healthcare aims to be the UK's leading independent hospital group. In June 2015, our outstanding performance was recognised when Spire Healthcare was named Private Hospital Group of the Year, for a second year running, at the HealthInvestor awards, the main awards for our industry.

CAUTIONARY STATEMENT

This interim announcement contains certain forward-looking statements relating to the business of Spire Healthcare Group plc (the “Company”), including with respect to the progress, timing and completion of the Company’s development, the Company’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 Company’s estimates for future performance and its estimates regarding anticipated operating results, future revenues, capital requirements, shareholder structure and financing. In addition, even if the Company’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 Company’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 Company’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 Company’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 Company’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 interim 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 Company 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. Slides will be put onto the Spire website approximately 45 minutes before the presentation is due to begin, and will be available to download from the Spire website at http://investors.spirehealthcare.com/home.

Operating Review

PERFORMANCE IN PERIOD

The Group has continued to report good revenue growth for the first six months of 2015.

Revenue for the six months ended 30 June 2015 has increased by 7.8% from £417.2 million in 2014 to £449.8 million in 2015 and all payor groups have shown growth in revenues over the prior year.

Despite cost pressures arising from an increase in the proportion of revenue derived from the NHS, reductions in NHS tariff reimbursement rates in the period across many of the services we provide the NHS and cost pressures arising from shortages in qualified nursing personnel in the UK, the Group maintained its Adjusted EBITDA margins at 18.5% in the period. Adjusted EBITDA grew by 8.0% in the period from £77.2 million in H1 2014 to £83.4 million in H1 2015.

This has converted to an increase in Adjusted operating profit, before exceptional items, of 7.9% relative to the first six months of 2014. Adjusted operating profit before exceptional items for the first six months of 2015 was £58.9 million compared to £54.6 million in 2014.

Comparable EPS performance requires a number of adjustments to the H1 2014 trading comparatives to take account of the differences in the capital base and other non-recurring items. On a comparable basis, the first half of 2015 shows adjusted basic EPS growth of 19.0% at 9.4 pence per share.

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 market commentators that the NHS is on track to experience a significant and growing funding gap over the next five years, which is likely to be only partly alleviated by productivity improvements and cost efficiencies.

Against this market background:

- The PMI market continues to recover.
- The Self-Pay market continues to grow with the economic recovery and individuals requiring medical care increasingly choosing a private alternative over the NHS.
- Regarding the NHS market:
    - Although we experienced strong growth in our NHS business in H1, recent actions may cumulatively impact the rate of growth of our NHS business.
    - These actions – which have been taken in response to the NHS Trusts' estimate of aggregate deficits for 2015/16 of £2.1bn* - include:
        - On 3 August 2015 Monitor wrote to all hospitals instructing them to fill staff vacancies only "where essential" and suspending a number of the fines and penalties in relation to waiting lists, backdated to the start of the financial year.
        - Some CCGs have started to divert work to NHS Trusts either through block contracts or by allowing circumvention of patient choice - which may contravene patients' legal rights (introduced in 2009) to choose which hospital provider they are referred to by their GP/referrer.
        - Increased triage and tighter implementation of restricted procedures policies is also occurring.
    - Therefore, at least in the immediate short term there is likely to be a slowing in the growth rate of Spire's NHS business. However, in the medium to long term Spire should benefit from its inherent "payor hedge":
        - **Either**: the resulting increases in NHS waiting lists and the NHS's increasing reliance on the Independent Sector for elective work will mean that any dislocation is relatively short-lived.
        - **Or**: the Government may decide to let waiting lists continue to increase in order to alleviate budgetary pressures, in which case over time we would expect much of this work to come back to us in the form of PMI or Self-pay patients.

* Source: HSJ

BUSINESS DEVELOPMENT

Investing in our core business

- At our recently acquired St Anthony's hospital, we have trimmed the cost base and effected the planned back office synergies. The plans to expand from 4 to 6 theatres (in a new block), with 84 ward beds, an 8 bed ITU and 19 consulting rooms, are well underway and are due to complete in July 2016.
- Construction of the new Manchester hospital (6 theatres, 71 beds, Clinical trials unit, ITU, conference suite) is underway and is scheduled to open Q1 2017.
- Construction of the new Nottingham hospital (4 theatres, 54 Beds, ITU) is under way and is scheduled to open Q1 2017.
- We currently have 123 operating theatres, including the new theatre opened at Elland at the end of June 2015. Construction of a further 3 new theatres (at Methley Park, Hull and Parkway) is underway.
- In June 2015, management took the decision to commence a consultation with staff regarding the possible closure of Spire St Saviour's Hospital in Kent on the grounds that it is uneconomic to develop. The closure of the hospital has been confirmed and is expected to be completed by late September 2015. An exceptional charge of £6.9 million has been booked in the period in relation to the impairment of assets and redundancy costs for staff.
- Taking into account all the above and our "regular" maintenance expenditure, we plan capital expenditure of £120 million – £150 million in 2015.

Developing our service offering

- We continue to develop our offering of higher acuity 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.
- Following on from the opening of our facility at Bristol (in H1 2014), we are developing further sites for our specialised radiotherapy cancer centre offering:
    - Spire's second specialist cancer centre (at Baddow in Essex) will open in November 2015
    - We have identified two further sites and one is approaching the planning application stage
    - We are well progressed with the combined process of consultant engagement and land search for the next wave of centres after the four centres mentioned above.

Driving 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.
- Recent investment in IT platforms has enabled us to reduce administration costs whilst improving the quality of our management information systems. This enables the Group to more effectively conform practice across the Group and to identify and cultivate best operating practice across our hospital network.
- Ongoing work to further standardise and improve our clinical pathways and practices across the Group employing new technologies to improve outcomes and reduce length of stay.
- Investing more heavily in HR recruitment and staff development to make Spire an employer of choice in UK healthcare and limit the use of agency staff wherever possible.

Relationships with patients

- We continue to work to improve our patient proposition and clinical experience in all areas of our business.
- Our recent implementation of a dedicated customer relationship management system (CRM) allows us to have a more consistent relationship and communication with patients, ensuring the patient experience is smoother with quicker response times to enquiries.
- We have introduced monthly patient satisfaction monitoring and reporting (which had previously been on an annual basis).

REGULATION AND GOVERNANCE

- We welcome the Care Quality Commission's ('CQC') new inspection methodology and note its challenge of finding and training new inspectors.
- Spire has invested significant resource and support to ensure all our hospitals are up to the required CQC standards.
- The only CQC inspection carried out in H1 2015 for which, to date, we have received the report was that undertaken at Spire Liverpool. This came out as overall 'Good', and also included an 'Outstanding' rating for

the ‘Caring’ domain part of the inspection. We are awaiting the draft report from the CQC in respect of its inspection of Spire Gatwick Park in June 2015.

- CQC inspections are also scheduled to take place at Spire Parkway, Spire Little Aston, Spire Washington, Spire Leicester and Spire Hull & East Riding hospitals in H2 2015.

OUTLOOK

Our positive performance in H1 2015 is encouraging. We have, however, seen clear signs that Monitor’s letter to NHS Trusts in early August has in the last few weeks reduced the flow of cases from the NHS to the Independent Sector. Accordingly, we are now guiding as follows for the balance of the financial year:

- We reiterate our previous PMI and Self-pay revenue guidance for 2015:
    - PMI: Low single digit revenue growth underpinned by the acquisition of St. Anthony’s.
    - Self-pay: Revenue growth in line with 2014.
- We reduce our NHS revenue outlook for 2015:
    - Our previous NHS revenue guidance of “low double digit” growth envisaged stronger growth in H1 (our H1 NHS revenue actually grew at 16.2%) followed by single digit growth (against strong comparatives) in H2.
    - We now expect flat NHS revenues in H2.
- In summary:
    - Whilst we expect that any constraint of NHS referrals, if extended beyond the short term, will lead fairly quickly to increased PMI and Self-pay activity, we now believe it prudent to guide to an overall Revenue and EBITDA growth rate for the full financial year of four to six per cent.

Financial review

Good revenue growth was maintained in the six month period ended 30 June 2015, with growth in revenue across all payor groups, flowing through to increased profits.

SELECTED FINANCIAL INFORMATION

(£ million)	Six months ended 30 June (Unaudited) 2015	2014	Variance %	Variance excluding acquisition / disposal %*
Revenue	**449.8**	**417.2**	**7.8%**	**5.1%**
Cost of sales	**(232.6)**	(210.2)	(10.7%)	(7.2%)
Gross margin	**217.2**	207.0	4.9%	3.0%
Other operating costs	**(166.6)**	(160.8)	3.6%	1.9%
Operating profit	**50.6**	**46.2**	**9.5%**	**6.7%**
Exceptional items included within other operating costs	**(8.3)**	(11.1)		
Operating profit before exceptional items	**58.9**	**57.3**	**2.8%**	**0.5%**
(Loss) / profit on disposal of property, plant and equipment	**(0.4)**	19.6		
Net finance costs	**(10.8)**	(67.5)		
Profit / (loss) before tax	**39.4**	**(1.7)**		
Taxation	**(8.6)**	(6.1)		
Profit / (loss) for the period	**30.8**	**(7.8)**		
Adjusted EBITDA **	**83.4**	**77.2**	**8.0%**	**5.8%**
Adjusted operating profit before exceptional items ***	**58.9**	**54.6**	**7.9%**	**5.5%**
Adjusted, basic earnings per share, pence ****	**9.4**	**7.9**	**19.0%**	
Interim dividend per share, pence	1.3	–	n/a	
Operating cash flow	66.9	71.0	(5.8%)	
Capital investments and acquisitions	37.6	71.9		
Net debt	**420.0**	**1,562.8**		

* Excludes St Anthony's Hospital acquired on 22 May 2014 and the disposal of trade and assets of the fertility business on 15 August 2014 (referred to as 'Underlying' in this report).

** Operating profit, adjusted to add back depreciation and exceptional items, referred to hereafter as 'Adjusted EBITDA' (2014 EBITDA adjusted to conform the property rental base and to include PLC operating costs).

*** Operating profit, adjusted to add back exceptional items, referred to hereafter as 'Adjusted operating profit before exceptional items' (2014 operating profit adjusted to conform the property rental base and to include PLC operating costs).

**** For comparative H1 2014, calculated as pro-forma profit after tax divided by the number of ordinary shares in issue on Admission on 23 July 2014 of 401,081,391 shares. Pro-forma profit is calculated as earnings after tax adjusted for the capital restructuring in H1 2014, exceptional items, to conform the property rental base, PLC operating costs and the profit arising on the sale of property in March 2014.

(£ million)	Six months ended 30 June (Unaudited) 2015	2014	Variance %	Variance excluding acquisition / disposal %*
Total revenue	**449.8**	**417.2**	**7.8%**	**5.1%**
Of which:				
PMI	**220.8**	214.5	2.9%	(0.7%)
NHS	**135.8**	116.9	16.2%	14.1%
Self-pay	**77.4**	70.7	9.5%	8.3%
Other **	**15.8**	15.1	4.6%	2.7%
	449.8	**417.2**	**7.8%**	**5.1%**
Of which:				
In-patient/daycase	**306.2**	277.1	10.5%	6.8%
Out-patient	**127.8**	125.0	2.2%	1.6%
Other	**15.8**	15.1	4.6%	2.7%
	449.8	417.2	7.8%	5.1%
Number ('000s)				
Total in-patient/daycase discharges	**137.9**	**127.7**	**8.0%**	**5.9%**
Of which:				
PMI volumes	**64.4**	62.1	3.7%	0.5%
NHS volumes	**52.1**	45.9	13.5%	12.6%
Self-pay volumes	**21.4**	19.7	8.6%	7.1%
Theatres				
Number of theatres ***	**123**	120	2.5%	2.6%
Theatre utilisation ****	**65%**	64%	1.6%	1.6%
Reconciliation to EBITDA and Adjusted EBITDA **(£ million)**				
Operating profit	**50.6**	**46.2**	**9.5%**	**6.7%**
Exceptional items	**8.3**	11.1		
Operating profit before exceptional items	**58.9**	**57.3**	**2.8%**	**0.5%**
Depreciation	**24.5**	22.6		
EBITDA	**83.4**	**79.9**	**4.4%**	**2.3%**
Adjustment to rent †	**–**	(0.5)		
PLC cost normalisation ^	**–**	(2.2)		
Adjusted EBITDA	**83.4**	**77.2**	**8.0%**	**5.8%**
Adjusted EBITDA margin	**18.5%**	**18.5%**	–	**0.1%**

* Excludes the impact of St Anthony's Hospital, acquired on 22 May 2014 and the disposal of trade and assets of the fertility business on 15 August 2014 (referred to as 'Underlying' in this report).

** 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').

*** Represents the number of theatres in use at period end.

**** 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).

† Adjust to conform the property rental base, to include this cost on the same basis as for 2015, following the sale, subject to lease, of the Spire Washington Hospital premises in March 2014 and the commencement of Spire Hesslewood Clinic, Hull lease from 1 January 2015.

^ Increases other operating expenses for the additional overhead costs associated with operating as a listed company, as if Admission had occurred on 1 January 2014.

GROWING REVENUES

Revenue for the six months ended 30 June 2015 increased by £32.6 million, or 7.8%, to £449.8 million from £417.2 million for the six months ended 30 June 2014. Growth in revenues was reported in all of the primary payor groups, PMI, NHS and self-pay.

Underlying revenue growth for the first six months of 2015 was 5.1%. This excludes revenues of £16.3 million (H1 2014: £3.1 million) arising relating to Spire St Anthony's Hospital acquisition in May 2014, and £nil (H1 2014: £1.7 million) from the disposal of the fertility business in August 2014.

PMI

PMI revenues for the six months ended 30 June 2015 increased by £6.3 million, or 2.9%, from £214.5 million for the six months ended 30 June 2014 to £220.8 million for the six months ended 30 June 2015. Underlying revenue decreased by 0.7%.

Of the underlying decline in PMI revenues of 0.7%:

- An increase of 0.5% in the volume of in-patient and daycase admissions accounted for a 0.3% increase in PMI revenues in the period. Overall the proportion of daycase admissions increased from 73.4% of PMI admissions for the six months ended 30 June 2014 to 75.3% of PMI admissions for the six months ended 30 June 2015. This mix shift in admissions had an adverse impact on average revenue per case and on outpatient revenues associated with the patient episodes.
- Notwithstanding the mix shift in admissions reported above, the Group reported an increase in rate for in-patient and daycase admissions (average revenue per case) equivalent to a 0.4% increase in PMI revenues. Relative to the first half of 2014, the average rate per case on a consistent mix of PMI admissions increased by 2.9% in the period.
- Inflation-plus rate rises for in-patient and daycase admissions were tempered overall by reductions in the rates achieved for outpatient activities. Overall PMI price increases for 2015 were positive but sub-inflationary.
- Outpatient revenues declined in the period, accounting for a fall in overall PMI revenues of 1.4% over 2014. This was a combination of lower outpatient activity levels arising from the daycase surgery mix and the bias of 2015 price increases towards in-patient and daycase surgical activities.

NHS

NHS revenues for the six months ended 30 June 2015 increased by £18.9 million, or 16.2%, from £116.9 million for the six months ended 30 June 2014 to £135.8 million for the six months ended 30 June 2015. Underlying growth, excluding revenues relating to Spire St Anthony's Hospital was 14.1%.

Of the underlying increase in NHS revenues of 14.1%:

- An increase of 12.6% in the volume of in-patient and daycase admissions accounted for a 10.5% increase in NHS revenues in the period.
- The Group reported an increase in the rate for in-patient and daycase admissions (average revenue per case) equivalent to a 1.0% increase in NHS revenues. Case mix complexity increased in the period and this mitigated an overall effective reduction in NHS tariff of approximately 2.2% in the first half of 2015.
- Outpatient activities increased with the volume of admissions, accounting for an overall increase in NHS revenues of 2.6% over 2014.

SELF-PAY

Self-pay revenues for the six months ended 30 June 2015 increased by £6.7 million, or 9.5%, from £70.7 million for the six months ended 30 June 2014 to £77.4 million for the six months ended 30 June 2015. Underlying growth, excluding revenues from St Anthony's Hospital and the fertility business was 8.3%.

Of the underlying increase in self-pay revenues of 8.3%:

- An increase of 7.1% in the volume of in-patient and daycase admissions accounted for a 4.7% increase in self-pay revenues in the period.
- The Group reported an increase in the rate for in-patient and daycase admissions (average revenue per case) equivalent to a 0.6% increase in self-pay revenues.
- Outpatient activities increased with the volume of admissions, accounting for an overall increase in self-pay revenues of 3.0% over 2014.

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 £0.7 million, or 4.6%, in the period, from £15.1 million for the six months ended 30 June 2014 to £15.8 million for the six months ended 30 June 2015.

COST OF SALES AND GROSS PROFIT

Cost of sales increased in the period by £22.4 million, or 10.7%, from £210.2 million for the six months ended 30 June 2014 to £232.6 million for the six months ended 30 June 2015.

Underlying cost of sales (excluding Spire St Anthony's Hospital and the fertility business) increased in the period by £15.0 million, or 7.2%, from £207.3 million for the six months period ended 30 June 2014 to £222.3 million for the six months period ended 30 June 2015.

Underlying gross margin for the six months period ended 30 June 2015 was 48.7%, compared to 49.7% for the six months period ended 30 June 2014.

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

- Clinical staffing costs increase from 17.1% of revenues for the six months ended 30 June 2014 to 17.9% of revenues for the six months ended 30 June 2015. The increase in costs reflects the current overall shortage in the supply of qualified nursing staff across the UK and a consequent increase in agency staffing spend.
- Fees paid to clinicians for services provided to the NHS increased from 5.7% of revenues for the six months ended 30 June 2014 to 6.1% of revenues for the six months ended 30 June 2015. This increase reflects the weighting of overall revenue growth in the period. Fees as a percentage of NHS revenues have reduced in the period from 20.2% of NHS revenues for the six months ended 30 June 2014 to 19.7% for the six months ended 30 June 2015.
- Other direct costs, which includes drugs, consumables and prosthesis spend, has reduced in the period from 27.5% of revenues for the 6 months ended 30 June 2014 to 27.3% of revenues for the six months ended 30 June 2015. This has been achieved notwithstanding a relative increase in NHS activities and a reduction in equivalent NHS tariff reimbursement rates.

OTHER OPERATING COSTS

Other operating costs for the six months ended 30 June 2015 increased by £5.8 million, or 3.6%, from £160.8 million for the six months ended 30 June 2014 to £166.6 million for the six months ended 30 June 2015. Excluding exceptional items, other operating costs for the period increased by £8.6 million, or 5.7%, to £158.3 million.

Underlying other operating costs (excluding Spire St Anthony's Hospital and the fertility business) increased in the period by £3.0 million, or 1.9%, from £159.0 million for the six months period ended 30 June 2014 to £162.0 million for the six months ended 30 June 2015. Excluding exceptional items, underlying other operating costs for the period increased by £5.8 million, or 3.9%, to £153.7 million.

For the period ended 30 June 2015, included within other operating costs before exceptional items are costs of £2.2 million directly associated with the operation of the Group as a public limited company, following its admission to the London Stock Exchange on 23 July 2014. These costs, in addition to £0.5 million of rental expenses arising from property transactions concluded outside or part-way through the comparable period, have been considered as adjustments in arriving at adjusted EBITDA and adjusted operating profit before exceptional items.

DEPRECIATION

The charge for depreciation for the six months ended June 2015 increased by £1.9 million to £24.5 million (H1 2014: £22.6 million). Of the increase, £0.6 million was attributable to depreciation being charged over the full period on the Spire St Anthony's Hospital. The balance reflects the investment in scanning and other medical equipment.

RENT

Rent of land and buildings for the period, excluding £0.1 million relating to Spire St Anthony's Hospital, increased by £1.0 million, or 3.4%, to £30.8 million. The increase is largely the consequence of the annualised impact of Spire Washington Hospital rent and commencement of rental of Spire Hesslewood Clinic, Hull.

SHARE-BASED PAYMENTS IN OTHER OPERATING COSTS

During the period, grants were made to executive directors and members of the senior management team under the Company's deferred bonus plan and long term incentive plan. For the six months period ended 30 June 2015, the charge to the income statement was £0.6 million (H1 2014: nil), or £0.7 million inclusive of NI. Further details are contained in note 16 of this announcement.

EXCEPTIONAL ITEMS INCLUDED IN OTHER OPERATING COSTS

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

EBITDA AND ADJUSTED EBITDA

EBITDA for the six months ended 30 June 2015 increased by £3.5 million, or 4.4%, from £79.9 million to £83.4 million. After account is taken of the basis of differences between reported EBITDA results in H1 2015 versus H1 2014, adjusted EBITDA increased by 8.0%, from £77.2 million to £83.4 million.

OPERATING PROFIT BEFORE AND AFTER EXCEPTIONAL COSTS

Operating profit after exceptional costs increased by 9.5% in the period to £50.6 million. Before exceptional costs, operating profit increased by 2.8%, from £57.3 million for the six months ended 30 June 2014 to £58.9 million for the six months year ended 30 June 2015. After taking into consideration the basis of differences between H1 2015 versus H1 2014, adjusted operating profit before exceptional costs increased by 7.9%, from £54.6 million to £58.9 million.

LOSS / PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

The loss on disposal of £0.4 million for the six months ended 30 June 2015 relates principally to obsolete equipment. The profit in the comparative period of £19.6 million relates to the sale, subject to lease, of the Spire Washington Hospital.

FINANCE COSTS

Finance costs in the comparative period include those incurred in respect of borrowings drawn under the capital structure of the Group prior to Admission. On Admission, indebtedness reduced significantly and, therefore, finance costs also reduced.

Finance costs for the six months ended 30 June 2015 totalled £10.9 million, a reduction of £56.7 million, or 83.9 %, over the comparative period. This reduction mainly comprised £48.9 million of interest on shareholder debt and £18.3 million on bank loans, net of the mark-to-market movement on interest rate swap instruments settled on Admission.

TAXATION

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 underlying effective tax rate for the six months ended 30 June 2015 was 21.4%.

The taxation charge for the six months ended 30 June 2014 consisted of a £0.5 million charge for corporation tax and a charge of £5.6 million for deferred tax. The underlying effective tax rate for the six months ended 30 June 2014 was 27.9%.

PROFIT AFTER TAXATION

The profit after taxation for the six months ended 30 June 2015 was £30.8 million, compared with a loss after taxation for the six months ended 30 June 2014 of £7.8 million. The capital restructuring of the Group on Admission substantially reduced finance costs, contributing £56.7 million to the increase in profit after tax in the period.

H1 2014 PRO-FORMA FINANCIAL INFORMATION

The comparative period for the six months ended 30 June 2014 preceded the IPO. The pro-forma financial information set out below, as presented in the interim financial information for the six months ended 30 June 2014, was prepared to illustrate the effect of the IPO on pro-forma profit after tax. This statement was prepared for illustrative purposes only and did not represent the Group's actual earnings. The information was prepared on a basis consistent with the accounting policies of the Group and as described in the notes set out below.

PRO-FORMA PROFIT AFTER TAX AND EARNINGS PER SHARE

The comparative income statement for the six months ended 30 June 2014 included finance costs that related to debt which was settled on Admission on 23 July 2014, reducing the borrowings outstanding on that date and finance costs that will arise in future periods. Therefore, profit after tax is presented below on a pro-forma basis, under which finance costs are restated as if the Group had been refinanced on 1 January 2014. In addition, adjustments are made to include the overhead costs associated with operating as a listed company and to remove the impact of a number of other significant non-recurring items.

	Six months ended 30 June (Unaudited)	
(£ million)	**2015**	2014
Profit / (loss) before taxation	**39.4**	(1.7)
Operating adjustments:		
Exceptional items	**8.3**	11.1
Profit on disposal of property, plant and equipment (note 1)	**–**	(19.6)
Adjustment to rent (note 2)	**–**	(0.5)
PLC cost normalisation (note 3)	**–**	(2.2)
Financing adjustments:		
Finance costs shareholder loans (note 4)	**–**	48.9
Finance costs bank loans (note 5)	**–**	8.2
Pro-forma profit before tax	**47.7**	44.2
Taxation (note 6)	**(10.2)**	(12.5)
Pro-forma profit after tax	**37.5**	31.7
Weighted average number of ordinary shares in issue (no.)	**400,738,623**	401,081,391
Pro-forma basic earnings per share (pence)	**9.4**	**7.9**

Note 1 Profit on disposal of the long leasehold interest in the Spire Washington Hospital, adjusted as it was a significant non-recurring event.

Note 2 Adjust to conform the property rental base, to include this cost on the same basis as for 2015, following the sale, subject to lease, of the Spire Washington Hospital premises in March 2014 and the commencement of Spire Hesslewood Clinic, Hull lease from 1 January 2015.

Note 3 Increases other operating expenses for the additional overhead costs associated with operating as a listed company, as if Admission had occurred on 1 January 2014.

Note 4 Removes finance costs in the period relating to shareholder loans capitalised on Admission.

Note 5 Reduces bank finance costs; revised costs calculated as if the bank refinancing had occurred on 1 January 2014 and the new loan facility had been entered into on that date.

Note 6 For H1 2015, reported tax charge for the period is adjusted for the tax effect of exceptional items. For H1 2014, taxation is adjusted to eliminate the tax originally charged/credited to the income statement, calculated at 21.5%, the estimated annual rate for the year.

Other than the adjustments detailed above, no other adjustments have been made for events occurring after 30 June 2014.

CASH FLOW

ANALYSIS OF CASHFLOWS IN PERIOD

(£ million)	Six months ended 30 June (Unaudited) 2015	2014
Opening cash balance	**74.5**	111.5
Operating cashflow before exceptional items	**68.3**	75.5
Exceptional costs included in the cash flow from operating activities	**(1.4)**	(4.5)
Operating cashflow after exceptional items	**66.9**	71.0
Net cash used in investing activities	**(37.7)**	(39.6)
Net cash (used in) / generated from financing activities	**(26.0)**	5.3
Closing cash balance	**77.7**	148.2
Closing net indebtedness	**420.0**	1,562.8

OPERATING CASHFLOWS

The cash inflow from operating activities after exceptional items for the six months ended 30 June 2015 was £66.9 million, which constitutes a cash conversion rate from Adjusted EBITDA for the period of 80.2% (H1 2014: £71.0 million or 92.0%). The net cash outflow from movements in working capital in the period was £14.4 million (H1 2014: inflow £2.2 million) mainly due to timing difference relating trade payables.

INVESTING AND FINANCING CASHFLOWS

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 Manchester, Nottingham, the Spire Specialist Care Centre (at Baddow in Essex) and theatre development at Spire Elland Hospital.

Net cash used in investing activities for the six months ended 30 June 2014 was £39.6 million, which included the acquisition of St Anthony's Hospital in May 2014, offset by the proceeds from the disposal of the long leasehold interest in Spire Washington Hospital in March 2014. Capital expenditure for the purchase of property, plant and equipment in the period totalled £33.9 million comprising new theatre developments, the completion of the Bristol radiotherapy centre and new scanning equipment.

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 treasury shares for 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 2015 interim dividend of 1.3 pence per share.

RELATED PARTY TRANSACTIONS

Refer note 17 for details of related party transactions.

Principal risks

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

There are a number of principal risks facing the business in the second half of the financial year. The Board has reconsidered the principal risks listed below:

- Macroeconomic conditions
- Government policy
- Laws, regulations and loss of reputation
- Clinical care
- Competitor challenge
- Concentration of private medical insurance (PMI) market
- Availability of key medical staff
- Investment plans and execution
- Liquidity and covenant risk
- Interest rate risk

These risks and mitigating factors are described in more detail on pages 52 to 55 of the Group’s Annual Report and Accounts for the year ended 31 December 2014 (a copy of which is available on the Group’s website at www.spirehealthcare.com).

As part of their regular review of risks, the management and the Board have reconsidered the Group’s key risks and believe that there have been no changes and that they remain appropriate for the remaining six months period to 31 December 2015.

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 2015 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 Chief Executive Officer’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 2014.

By order of the Board

Rob Roger	**Simon Gordon**
Chief Executive Officer	Chief Financial Officer

20 August 2015

Independent review report to the members of Spire Healthcare Group plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2015 which comprises the Consolidated interim income statement, Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity, Consolidated interim balance sheet, Consolidated interim statement of cash flows and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors’ Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union.

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Ernst & Young LLP
London
20 August 2015

Condensed financial statements

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June (Unaudited)	
(£ million)	Notes	**2015**	2014
Revenue	6	**449.8**	**417.2**
Cost of sales		(232.6)	(210.2)
Gross profit		**217.2**	**207.0**
Other operating costs		(166.6)	(160.8)
Operating profit	5	**50.6**	**46.2**
Exceptional items included within other operating costs	7	(8.3)	(11.1)
Operating profit before exceptional items		58.9	57.3
(Loss) / profit on disposal of property, plant and equipment	8	(0.4)	19.6
Interest income		0.1	0.1
Finance costs	9	(10.9)	(67.6)
Profit / (loss) before taxation		**39.4**	**(1.7)**
Taxation	10	(8.6)	(6.1)
Profit / (loss) for the period		**30.8**	**(7.8)**
Profit / (loss) for the period attributable to owners of the Parent		**30.8**	**(7.8)**
Earnings / (loss) per share – basic and diluted (in pence per share)	12	**7.7**	**(3.1)**

Consolidated interim statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 JUNE 2015

(£ million)	Six months ended 30 June (Unaudited) 2015	2014
Profit / (loss) for the period	**30.8**	(7.8)
Total comprehensive income / (deficit) for the period	**30.8**	**(7.8)**
Total comprehensive income / (deficit) for the period attributable to owners of the Parent	**30.8**	**(7.8)**

Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

(£ million)	Notes	Share capital	Share premium	Capital reserves	Treasury share reserves	Retained earnings	Total equity
As at 1 January 2014 as previously reported		–	–	–	–	(256.2)	(256.2)
Restatement (note 13)		–	–	–	–	(5.0)	(5.0)
As at 1 January 2014 as restated		–	–	–	–	(261.2)	(261.2)
Profit for the period		–	–	–	–	(7.8)	(7.8)
Total comprehensive income		–	–	–	–	(7.8)	(7.8)
Employee benefit trust		–	–	–	–	0.1	0.1
Balance at 30 June 2014		–	–	–	–	(268.9)	(268.9)
As at 1 January 2015 as restated		**4.0**	**826.9**	**376.1**	**–**	**(252.0)**	**955.0**
Profit for the period		–	–	–	–	30.8	30.8
Total comprehensive income		–	–	–	–	30.8	30.8
Share-based payments		–	–	–	–	0.6	0.6
Deferred tax on share-based payments		–	–	–	–	0.1	0.1
Purchase of treasury shares	15	–	–	–	(5.6)	–	(5.6)
Dividend paid	11	–	–	–	–	(7.2)	(7.2)
Balance at 30 June 2015		**4.0**	**826.9**	**376.1**	**(5.6)**	**(227.7)**	**973.7**

Consolidated interim balance sheet

(£ million)	Notes	As at 30 June 2015 (Unaudited)	31 December 2014 (As restated)[1]	1 January 2014 (As restated)[1]
ASSETS				
Non–current assets				
Intangible assets		519.1	519.1	514.9
Property, plant and equipment	13	853.7	846.6	808.6
Deferred tax asset		–	–	17.1
		1,372.8	1,365.7	1,340.6
Current assets				
Inventories		26.2	26.0	26.2
Trade and other receivables		149.0	139.9	131.2
Cash and cash equivalents		77.7	74.5	111.5
		252.9	240.4	268.9
Total assets		**1,625.7**	**1,606.1**	**1,609.5**
EQUITY AND LIABILITIES				
Equity				
Share capital		4.0	4.0	–
Share premium		826.9	826.9	–
Capital reserves		376.1	376.1	–
Treasury share reserves	15	(5.6)	–	–
Retained earnings		(227.7)	(252.0)	(261.2)
Equity attributable to owners of the Parent		973.7	955.0	(261.2)
Non–controlling interests		–	–	–
Total equity		**973.7**	**955.0**	**(261.2)**
Non–current liabilities				
Borrowings	14	492.6	493.5	882.1
Derivative financial instrument		–	–	52.4
Deferred tax liability		51.3	47.8	77.1
		543.9	541.3	1,011.6
Current liabilities				
Provisions		9.8	6.2	3.2
Borrowings	14	5.1	5.3	746.8
Derivative financial instrument		–	–	22.1
Trade and other payables		87.8	97.6	87.0
Income tax payable		5.4	0.7	–
		108.1	109.8	859.1
Total liabilities		**652.0**	**651.1**	**1,870.7**
Total equity and liabilities		**1,625.7**	**1,606.1**	**1,609.5**

1 Details of the restatement are set out in note 13.

Consolidated interim statement of cash flows

FOR THE SIX MONTHS ENDED 30 JUNE 2015

(£ million)	Notes	Six months ended 30 June (Unaudited) 2015	2014
Cash flows from operating activities			
Profit / (loss) before taxation		39.4	(1.7)
Adjustments for:			
Depreciation	5	24.5	22.6
Impairment	7, 13	5.6	–
Share–based payments		0.6	–
Loss / (profit) on disposal of property, plant and equipment	8	0.4	(19.6)
Interest income		(0.1)	(0.1)
Finance costs	9	10.9	67.6
		81.3	68.8
Movements in working capital:			
Increase in trade and other receivables		(8.9)	(5.5)
(Increase) / decrease in inventories		(0.2)	1.3
(Decrease) / increase in trade and other payables		(8.5)	3.7
Increase in provisions		3.6	2.7
Income tax paid		(0.4)	–
Net cash from operating activities		66.9	71.0
Cash flows from investing activities			
Acquisition of business and trading assets, net of cash acquired		–	(38.0)
Purchase of property, plant and equipment		(37.6)	(33.9)
(Costs of) / proceeds from disposal of property, plant and equipment		(0.2)	32.2
Interest received		0.1	0.1
Net cash used in investing activities		(37.7)	(39.6)
Cash flows from financing activities			
Interest paid		(10.9)	(25.0)
Repayments of borrowings		(1.3)	(9.7)
Proceeds from drawdown of long–term borrowing		–	40.0
Payment of share issue costs relating to prior year's IPO		(1.0)	–
Purchase of treasury shares		(5.6)	–
Dividend paid to equity holders of the Parent		(7.2)	–
Net cash (used in) / generated from financing activities		(26.0)	5.3
Net increase in cash and cash equivalents		3.2	36.7
Cash and cash equivalents at beginning of period		74.5	111.5
Cash and cash equivalents at end of period		77.7	148.2
Exceptional costs			
Exceptional costs paid included in the cash flow from operating activities		(1.4)	(4.5)
Total exceptional costs	7	(8.3)	(11.1)

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

The condensed consolidated interim financial information for the six months period ended 30 June 2015 was approved by the Board on 20 August 2015.

2. BASIS OF PREPARATION

Group reorganisation in 2014

As a result of the group reorganisation implemented on 23 July 2014 through an exchange of equity interests, the Company became the legal parent of Spire Healthcare Group UK Limited and Spire UK Holdco 2A Limited, together with each of their subsidiaries. These companies were under common management and control throughout the periods presented and, therefore, the comparative information in respect of the six months ended 30 June 2014 has been prepared as if the reorganisation had taken place as at the beginning of the earliest period presented herein.

As the group reorganisation did not lead to a change in control of the companies included in the Group, it was accounted for using the pooling-of-interest method by aggregating the assets, liabilities, results, share capital and reserves, after eliminating intercompany balances and unrealised profits. The condensed consolidated interim financial information, therefore, reflects the assets, liabilities and results of operations of the components of the Group that constituted the property ownership and trading businesses.

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 2014. The condensed consolidated interim financial information has been reviewed, not audited.

Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 23 March 2015 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.

Refer to note 13, property, plant and equipment, which provides further details on the restatement of the Consolidated balance sheet.

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 2014, except where noted below. The accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the EU.

The following amendments to existing standards and interpretations were effective for the Group from 1 January 2015, but either they were not applicable to or did not have a material impact on the Group:

- IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective on 1 January 2015.

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 2014.

5. OPERATING PROFIT

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

	Six months ended 30 June (Unaudited)	
(£ million)	**2015**	2014
Rent of land and buildings under operating leases	**30.9**	29.8
Depreciation of property, plant and equipment	**24.5**	22.6
Staff costs	**125.3**	115.1

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:

	Six months ended 30 June (Unaudited)	
(£ million)	**2015**	2014
Insured	**220.8**	214.5
NHS	**135.8**	116.9
Self-pay	**77.4**	70.7
Other	**15.8**	15.1
Total	**449.8**	417.2

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

7. EXCEPTIONAL ITEMS

(£ million)	Six months ended 30 June (Unaudited) 2015	2014
Business reorganisation and set up costs	**1.4**	2.4
Hospital closure	**6.9**	–
Corporate restructuring	**–**	4.0
Regulatory costs	**–**	4.7
	8.3	11.1

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

In the six months ended 30 June 2014, business reorganisation costs mainly comprised dual running IT costs and the costs of acquiring St Anthony's Hospital. Corporate restructuring costs related to the preparation for the sale of the business. Regulatory costs include costs relating to the Competition and Markets Authority enquiry. These costs were largely tax deductible.

8. (LOSS) / PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

For the comparative period, on 11 March 2014, the Group completed the sale of a long leasehold interest of the Spire Washington Hospital, Washington, Tyne and Wear, for a consideration of £32.3 million. The property and associated plant and equipment had a net book value at the disposal date of £12.3 million.

9. FINANCE COSTS

(£ million)	Six months ended 30 June (Unaudited) 2015	2014
Interest on loans from former ultimate parent undertakings and management	**–**	48.9
Interest on bank facilities	**6.7**	25.0
Finance charges payable under finance leases	**4.3**	3.8
Change in fair value of interest rate derivatives	**–**	(10.1)
	11.0	67.6
Finance costs capitalised in the period	**(0.1)**	–
Total finance costs	**10.9**	67.6

Finance costs capitalised during the period were calculated based on a weighted cost of borrowing of 2.7%.

10. TAXATION

(£ million)	Six months ended 30 June (Unaudited) 2015	2014
Current tax		
UK Corporation tax arising in the period	**5.2**	–
Adjustments in respect of prior years	**–**	0.5
Total current tax	**5.2**	0.5
Deferred tax		
Origination and reversal of timing differences	**3.4**	5.6
Total deferred tax charge	**3.4**	5.6
Taxation in the period	**8.6**	6.1

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 2015. 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.

11. DIVIDENDS

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

An interim dividend of 1.3 pence per share (H1 2014: nil), amounting to a total interim dividend of approximately £5.2 million (H1 2014: nil), was proposed by the Board on 20 August 2015. The interim dividend is payable on 15 December 2015 to shareholders who are on the register at 20 November 2015. 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.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. For shares prior to the Admission date, as a proxy, the calculation is based on the 250,000,000 shares that were issued on Admission on 23 July 2014 to Cinven, the former ultimate parent undertaking of the Group, and current and former management in exchange for the liabilities to the former ultimate shareholders and management.

For the six months period ended 30 June 2014, the calculation is based on the 250,000,000 shares mentioned above.

	Six months ended 30 June (Unaudited)	
	2015	2014
Profit / (loss) for the period attributable to owners of the Parent (£ million)	30.8	(7.8)
Weighted average number of ordinary shares	401,081,391	250,000,000
Adjustment for weighted average number of treasury shares	(342,768)	–
Weighted average number of ordinary shares in issue (no.)	400,738,623	250,000,000
Basic earnings / (loss) per share (in pence per share)	**7.7**	**(3.1)**

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)	
	2015	2014
Profit / (loss) for the period attributable to owners of the Parent (£ million)	30.8	(7.8)
Weighted average number of ordinary shares in issue	400,738,623	250,000,000
Adjustment for weighted average number of contingently issuable shares	924,057	–
Diluted weighted average number of ordinary shares in issue (no.)	401,662,680	250,000,000
Diluted earnings / (loss) per share (in pence per share)	**7.7**	**(3.1)**

13. PROPERTY, PLANT AND EQUIPMENT

(£ million)	Freehold property	Long leasehold property	Equipment	Assets in the course of construction	Total
Net book value					
At 1 January 2015 as previously reported	540.0	145.1	165.4	1.4	851.9
Restatement	–	(5.3)	–	–	(5.3)
At 1 January 2015 as restated	540.0	139.8	165.4	1.4	846.6
Additions	0.9	6.6	13.1	17.0	37.6
Transfers	0.8	–	(0.8)	–	–
Disposals	–	–	(0.4)	–	(0.4)
Depreciation	(5.0)	(4.0)	(15.5)	–	(24.5)
Impairment	(4.5)	–	(1.1)	–	(5.6)
At 30 June 2015 (Unaudited)	**532.2**	**142.4**	**160.7**	**18.4**	**853.7**

During the period, additions included the development of Manchester, Nottingham, the Spire Specialist Care Centre (at Baddow in Essex) and theatre development at Spire Elland Hospital. As part of the closure of the Spire St Saviour's Hospital, the Group recognised a £5.6 million impairment charge relating to the property and equipment of the hospital. The charge was recognised as an exceptional item (refer note 7).

Prior year balance sheet restatement

The carrying amount of long leasehold property at 31 December 2014 has been restated from £145.1 million to £139.8 million, with an equivalent £5.0 million (£5.3 million less £0.3 million deferred tax impact) adjustment to equity. This is the result of a correction to the initial measurement of certain of the associated lease liabilities, from their inception in January 2010, to account for all minimum annual increases in the rental payable under those leases and a consequential reassessment of the appropriate discount rate (see also note 14). There is no material resultant change to the income statements for any of the periods presented.

Capital expenditure commitments

Capital commitments authorised and contracted for, but not provided in the accounts as at 30 June 2015 amounted to £17.2 million (31 December 2014: £6.4 million).

14. BORROWINGS AND FINANCIAL INSTRUMENTS

(£ million)	As at **30 June 2015 (Unaudited)**	As at 31 December 2014 (Audited)
Secured borrowings		
Bank loans	**422.5**	422.2
Obligations under finance leases	**75.2**	76.6
	497.7	498.8

The bank loans 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 2015 (Unaudited)**	As at 31 December 2014 (Audited)
Amount due for settlement within 12 months	**5.1**	5.3
Amount due for settlement after 12 months	**492.6**	493.5
	497.7	498.8

14. BORROWINGS AND FINANCIAL INSTRUMENTS (CONTINUED)

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 2015 (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	422.5	489.2	11.9	14.0	463.3
Obligations under finance leases	75.2	282.8	8.2	8.4	266.2
Trade and other payables	47.0	47.0	47.0	–	–
	544.7	**819.0**	**67.1**	**22.4**	**729.5**

At 31 December 2014 (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	422.2	499.1	12.9	14.2	472.0
Obligations under finance leases *	76.6	286.9	8.1	8.3	270.5
Trade and other payables	54.5	54.5	54.5	–	–
	553.3	840.5	75.5	22.5	742.5

* The comparative figure for contractual cash flows in respect of obligations under finance leases has been corrected from the £210.6 million presented in the Group's Annual Report and Accounts for the year ended 31 December 2014 to the £286.9 million presented here. The change reflects a re-assessment of the total future cash flows on the finance leases to take into account all minimum annual increases in the rental payable under those finance leases.

Bases of valuation

At 30 June 2015, the Group did not hold financial instruments measured at fair value.

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

The carrying value of 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 £4.6 million (31 December 2014: £5.1 million) of issue costs.

15. TREASURY 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 dependents.

Where the EBT purchases the Company's equity share capital (treasury shares) 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 30 June 2015 1,692,242 shares (31 December 2014: nil) were held by the EBT in relation to the Directors' share bonus award and long term incentive plan.

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

16. SHARE-BASED PAYMENTS

During the six months period ended 30 June 2015, the Group made further grants under its existing share-based payment schemes, as follows:

Long term incentive plan (‘LTIP’)

On 1 April 2015, the Company granted the executive directors, namely, Rob Roger and Simon Gordon 290,858 and 193,905 share options, respectively, and 458,819 share options to certain senior managers. The options will vest in March 2018 based on earnings per share (‘EPS’) (50%) and relative total shareholder return (‘TSR’) (50%) targets for the performance period to 31 December 2017, subject to continued employment. Upon vesting, the options will remain exercisable until 1 April 2025.

Deferred bonus plan

On 1 June 2015, the Company granted the executive directors, namely, Rob Roger and Simon Gordon 18,057 and 10,922 deferred shares, respectively, in the form of nil-cost options under the Group’s deferred bonus plan. Under the plan, the executive directors are required to defer one-third of their total 2014 annual bonus into shares in the Company for a period of three years. The awards will vest on the third anniversary of the grant date on 1 June 2018, subject to continued employment. Upon vesting, the options will remain exercisable until 1 June 2025.

For the six months ended 30 June 2015, the total estimated cost recognised in the income statement was £0.6 million (H1 2014: nil). 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 2015, the total NI charge was £0.1 million (H1 2014: nil).

17. RELATED PARTY TRANSACTIONS

Transactions

Group companies entered into the following transactions:

(£ million) Counterparty	Nature of relationship	Six months ended 30 June (Unaudited) **2015**	 2014
Former parent undertakings:			
Cinven Limited	Monitoring fees *	–	0.3
Rozier Finco Limited	Interest payable	–	40.8
Rozier Finco 2 Limited	Interest payable	–	8.1
Subsidiary undertakings:			
Montefiore House Limited **	Management services	**0.3**	0.2
Montefiore House Limited **	Property rental	**0.9**	0.8
Montefiore House Limited **	Interest receivable	**0.6**	0.3

* In respect of the monitoring of the performance of the Group on behalf of Cinven Funds. On 26 June 2015, Cinven Funds completed the sale of its ordinary shareholding in the Company, and ceased being a related party of the Group.

** Montefiore House Limited (‘MHL’) is a hospital operating company which is owned 50.1% by the Group. A subsidiary company of the Group provides management services to MHL, leases the hospital property to MHL in exchange for the payment of rent by MHL and loan finance.

Amounts owed by related parties

(£ million)	Nature of relationship	As at **30 June 2015 (Unaudited)**	 31 December 2014 (Audited)
Montefiore House Limited	Subsidiary undertaking	**23.0**	22.1

Included in the amounts owed by Montefiore House Limited was loan due from the subsidiary company of £13.1 million (31 December 2014: £12.6 million).

18. EVENTS AFTER THE REPORTING PERIOD

2015 Interim Dividend

The Board has approved a 2015 interim dividend of 1.3 pence per share, amounting to approximately £5.2 million, to be paid on 15 December 2015 to shareholders on the register at the close of business on 20 November 2015.

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

Ex-div date for Interim 2015 dividend	19 November 2015
Record date for Interim 2015 dividend	20 November 2015
Payment date for Interim 2015 dividend	15 December 2015
Announcement of 2015 preliminary results	March 2016