

Spire Healthcare reports its results for the six months ended 30 June 2022

London, UK, 8 September 2022, Spire Healthcare Group plc (LSE: SPI) ('Spire Healthcare', 'the Group' or 'the Company'), a leading independent hospital group in the UK, today announces its interim results for the six months ended 30 June 2022 ('the period' or 'H1 22').

Continued strong demand for private treatment; revenues exceeding pre-pandemic levels

Summary Group results for the six months ended 30 June 2022

	Six months ended 30 June (Unaudited)				
(£ million)	2022	2021	Variance 2022 v 2021	2019	Variance 2022 v 2019
Revenue	597.9	558.2	7.1%	491.6	21.6%
Adjusted operating profit (Adjusted EBIT)	54.6	48.5	12.6%	51.4	6.2%
Adjusting items	(5.6)	(2.3)	NM ⁽¹⁾	(0.4)	NM
Operating profit (EBIT)	49.0	46.2	6.1%	51.0	(3.9%)
Profit / (loss) before taxation	3.0	4.7	(36.2%)	9.6	(68.8%)
(Loss) / profit after taxation	(0.6)	(16.9)	NM	7.1	NM
Basic (loss) / profit per share, pence	(0.1)	(4.2)	NM	1.8	NM
Adjusted profit / (loss) per share, pence ⁽²⁾	1.1	(3.6)	NM	1.8	(38.9%)
Adjusted EBITDA ⁽³⁾	105.8	96.0	10.2%	96.8	9.3%
Adjusted FCF ⁽⁴⁾	23.7	1.6	NM	25.9	(8.5%)
Capital investments ⁽⁵⁾	38.8	36.3	6.9%	19.7	97.0%
Net bank debt ⁽⁶⁾	227.8	306.3	25.6%	362.2	37.1%

1. Not meaningful

2. Adjusted profit / (loss) per share is stated before the effects of Adjusting Items.

3. Adjusted EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items, referred to hereafter as 'Adjusted EBITDA'. For EBITDA for covenant purposes, refer to note 15.

4. Adjusted FCF (Free Cash Flow) is calculated as Adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the Purchase of plant, property and equipment.

5. Capital investments include right of use assets.

6. Net bank debt is defined as bank borrowings less cash and cash equivalents.

Included in our interim results are comparatives for both the prior year 2021 and 2019. This is to allow meaningful comparison as the Group operated under a COVID-19 NHS contract from the start of Q2 2020 through to the end of Q1 2021. Comparatives are against H1 2021 unless otherwise stated. Additional information in respect of the Balance Sheet and cash flow for the two periods can be found on our website: www.spirehealthcare.com/investorrelations.

Financial and operating highlights

Strong revenue and Adjusted EBITDA in H1 significantly higher than pre-pandemic levels

- Revenue up 7.1% vs H1 21 (up 21.6% vs H1 19), driven by strong demand for private treatment
- Adjusted EBITDA of £105.8m up 10.2% vs H1 21 (up 9.3% vs H1 19) despite some COVID-19 impacts
- Loss after taxation £0.6m (H1 21: loss of £16.9m; H1 19: profit of £7.1m)
- Private revenue up by 21.6% vs H1 21 (up 30.9% vs H1 19) with high growth in self-pay and return to growth in PMI
- Continued support for the NHS especially on 104-week waiting patients and orthopaedics
- Managed significant operational pressures caused by the ongoing impact of COVID-19
- Good cost management against the inflationary backdrop
- Reduced leverage – net debt / EBITDA covenant ratio of 2.2x at 30 June 2022 (from 2.3x at the end of FY21 and 3.0x at the end of FY19)
- Repaid £100m of bank loan and completed re-financing of the Group's £325m funding facilities

Continued development of the business in line with strategy

- 98% of inspected hospitals and clinics currently rated 'Good' or 'Outstanding' by CQC or equivalent (end FY21: 90%; end FY19: 85%)
- Continued momentum in private mix, now representing 73% of total revenue vs 65% in H1 21 (H1 19: 68%)
- New four-year agreement signed with Bupa, to provide services to its UK health insurance customers through to March 2026
- Private GP services growing strongly with volume up 69% vs H1 21 (up 169% vs H1 19)
- Further good progress in the delivery of efficiency programmes; on track to deliver at least £15m cost savings in 2022
- £38.8m capex investment in facilities and equipment, in line with target range of 6-7% of revenue
- Recruited further new nurse apprentices; extended overseas nurse recruitment programme
- Announced 5% workforce salary increases from 1 September, with in year rises of over 16% for the lowest earners
- Continued progress towards target of becoming net carbon zero by 2030

Looking forward

- Significantly increased demand for healthcare with 6.7m people nationally awaiting treatment
- Strong private growth in H2 22 after COVID-19 wave in July
- Improving profitability and strong cash conversion expected to continue
- COVID-19 wave net impact of £6m in July; strong recovery in August
- Investing in people to manage continuing shortage of healthcare workforce
- Focusing on continued efficiency programme and existing cost hedges
- Plans progressing to open community-based diagnostic and treatment clinics and expand private GP provision

Current trading and outlook

Financial and operational performance has been strong during the first half, despite the volatile operational impact of the ongoing COVID-19 pandemic on Spire Healthcare's business. We are encouraged with the further growth of our private patient revenues, continuing the trend shown in 2021. We expect to see continued private revenue growth during the second half of the year, with further profit and margin growth.

As previously indicated, successive COVID-19 waves are a risk to short-term delivery, and the EBITDA impact of these in H1 alone was £25m. July 2022 was particularly hard hit by the summer Omicron wave, with high incidence relating to cancellations and absences which combined with patient, staff and Consultant holidays. As a result, the net COVID-19 impact in July exceeds expectation by £6m. The business continued to work hard to recover and as a result volumes were strong in August.

In common with other businesses, the healthcare sector is facing inflationary pressures. Our efficiency programme is progressing well and we have successfully completed the underlying actions that will drive cost savings of at least £15m in FY22. As a result of this and actions taken previously to lock in supplier pricing over the medium term, we remain positive about our ability to manage reasonable levels of inflationary risk, and were pleased to expand margins in H1. Further self-help actions taken to offset inflationary pressures include implementing price rises, managing our mix of services and being selective in the choice of products we use.

Subject to the timing and severity of any future COVID-19 wave, our guidance remains unchanged from that provided at the time of our FY21 results announcement in March: 'Overall in 2022, we expect to see good revenue growth, continued Adjusted EBITDA growth, and a further increase in ROCE, with an improvement in margins.'

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

"Fundamental changes are underway in UK healthcare, leading to strong growth in Spire Healthcare's private revenues across both self-pay and PMI. I'd like to thank all my colleagues across the Group for their continued efforts to meet the strong demand for our services in what remains a challenging operating environment for healthcare provision. Our revised strategy leaves us well positioned to continue to help meet the nation's growing healthcare needs. I am looking forward to the expansion of Spire Healthcare's proposition into community-based clinics and extending our private GP provision, as we continue to grow and deliver for all our stakeholders."

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About Spire Healthcare

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

Working in partnership with around 8,150 experienced Consultants, Spire Healthcare delivered tailored, personalised care to almost 870,000 in-patients and daycase patients in 2021, and is the leading private provider, by volume, of knee and hip operations in the United Kingdom.

The Group's well-located and scalable hospitals have delivered successful and award-winning clinical outcomes, positioning the Group well with patients, Consultants, the NHS, GPs and Private Medical Insurance ("PMI") providers. 98% of Spire Healthcare's inspected hospitals and clinics are rated 'Good' or 'Outstanding' by the Care Quality Commission ('CQC') or the equivalent in Scotland and Wales.

Spire Healthcare treats patients through a variety of routes including PMI, self-pay and the NHS, providing the Group with diversified access to the expected growth opportunities in the UK healthcare market, which faces significant supply challenges as a result of NHS budget constraints and increasing demand from a growing population with longer life expectancy.

Cautionary statement

This preliminary announcement contains certain forward-looking statements relating to the business of Spire Healthcare Group plc (the "Company") and its subsidiaries (collectively, the "Group"), including with respect to the progress, timing and completion of the Group's development, the Group's ability to treat, attract, and retain patients and customers, its ability to engage Consultants and GPs and to operate its business and increase referrals, the integration of prior acquisitions, the Group's estimates for future performance and its estimates regarding anticipated operating results, future revenue, capital requirements, shareholder structure and financing. In addition, even if the Group's actual results or development are consistent with the forward-looking statements contained in this preliminary announcement, those results or developments may not be indicative of the Group's results or developments in the future. In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "aims," "targets," "anticipates," "believes," "intends," "estimates," or similar words. These forward-looking statements are based largely on the Group's current expectations as of the date of this preliminary announcement and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Group's expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments, changes in legislation or the regulatory regime governing healthcare in the UK, poor performance by Consultants who practice at our facilities, unexpected regulatory actions or suspensions, competition in general, the impact of global economic changes, and the Group's ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this

preliminary announcement will in fact be realised and no representation or warranty is given as to the completeness or accuracy of the forward-looking statements contained in this preliminary announcement.

The Group is providing the information in this preliminary announcement as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Analyst and investor meeting

There will be an analyst and investor meeting today at 9am via Zoom webinar. Please register in advance through this link:

https://spirehealthcare.zoom.us/webinar/register/WN_7PsBnqagTPmJy0j2dl-PMA

The webcast will be available for replay following the presentation through the Company's investor website:

<https://investors.spirehealthcare.com/home/>

Operating Review

Overview

H1 2022 has seen continued high demand for private healthcare, amidst rising NHS waiting lists in the wake of the COVID-19 pandemic. At the latest count, approximately 6.7m people await treatment through the NHS. COVID-19 continued to have a major impact on the business during H1, but in a more way inconsistent than in 2021, with high infection rates prevailing at certain times during the first six months of 2022 and low rates at other times.

Against the backdrop of rising NHS waiting lists, demand from both self-pay ('SP') and private medical insurance ('PMI') patients, seeking prompt, safe and effective diagnosis and treatment, remained strong. During the first half of the year, private revenue accounted for 73% of Group revenue, compared to 65% in H1 21 and 68% in H1 19.

During Q1 22, in light of the uncertainties created by the Omicron variant of COVID-19, we provided further assistance to the NHS under an arrangement similar to that in Q1 21. Payment was by activity based on NHS tariff, with minimum value underpins. NHS commissioning proved relatively modest during this period.

Total admissions of 131,656 for H1 22 were 5,088 or 4.0% higher than H1 21 (vs H1 19: 305 or 0.2% lower).

Our priority at all times is patient safety and clinical quality. Throughout H1 22, we maintained many of the critical measures that we had put in place at the outset of the pandemic to keep our sites COVID-19 secure and our colleagues, Consultants and patients safe, in line with government guidelines.

Performance

Spire Healthcare delivered a solid performance in H1 22 with good revenue and earnings growth, despite the significant challenges presented by the ongoing COVID-19 pandemic and growing inflationary and workforce pressures.

At the Group's capital markets event on 29 June 2022, we announced our revised Purpose and Strategy as follows:

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

Strategy - Help to meet UK Healthcare needs by running great hospitals and developing new services

The Group's revised strategy is now centred on the following pillars:

- **Drive hospital performance** by continuing to grow our existing hospital estate with increasing margins.
- **Build on quality** by maintaining strong quality and safety credentials as a competitive advantage in all our activities.
- **Invest in our workforce** by recruiting, retaining and developing a great workforce.
- **Champion sustainability**, aiming to become recognised as an ESG leader in our industry.
- **Expand our proposition** by selectively investing to attract patients and meet more of their healthcare needs.
- **Deliver strong financial performance** through financial discipline supporting cash generation, targeted investment and improving ROCE / shareholder returns.

Also at the capital markets event, we announced a new Financial Framework for the Group comprising the following:

- Payor mix – 70-80% private, dependent on NHS commissioning
- Organic capex – 6-7% of revenue
- Cash conversion – c.100%

Continued revenue growth

Revenue in the first six months grew by 7.1% YOY to £597.9m and was 21.6% ahead of 2019, driven by significant demand for private treatment. This was also 9.1% higher than H2 21, providing encouraging evidence of the continued high demand for the Group's services.

Consumer awareness of private healthcare continued to grow in the period. During the period, we conducted several digital advertising and brand awareness initiatives and it was encouraging to note the growth in SP and PMI revenue which resulted. TV advertising has proved a key driver to brand awareness, with nearly half of our target consumers now recalling seeing the advertisements.

Private revenue rose by 21.6% to £439.3m during the first six months compared to H1 2021 and was ahead of the pre-pandemic period in 2019 (vs H1 19: up 30.9%). Our focus on making SP easy and accessible helped support an exceptionally high revenue growth of 34.0% YOY to £174.1m and a near doubling since pre-pandemic levels (vs H1 2019: up 96.5%). We were pleased to see a very strong performance in PMI early this year, with new patient volumes and admissions recovering to pre-pandemic levels. Overall in H1 22, PMI revenue growth, up 14.7% YOY to £265.2m (vs H1 2019: up 7.4%), fulfilled our expectations of a return to growth in the insurance market.

At the end of H1 22, the Group announced that it has signed a new four-year agreement with Bupa, to provide services to its UK health insurance customers through to March 2026, with agreed pricing including capped inflationary mechanisms during this period. The new contract builds on the Group's excellent relationship with Bupa and will include progressive expansion of the existing network of cancer specialist centres offered to Bupa customers and the introduction of new pathways for musculoskeletal disorders.

Our payor mix of total revenue during H1 22 was 44% PMI, 29% SP and 24% NHS. Comparable figures for H1 21 are 41% PMI, 23% SP and 33% NHS; for H1 19, 50% PMI, 18% SP and 29% NHS, demonstrating the results of our deliberate shift in payor mix during the period since 2019.

The overall revenue growth was in fact characterised by months of robust activity, offset by severe disruptions when COVID-19 was at its peaks. Activity volumes were negatively affected by the Omicron variant during the first couple of months of the year, with increased levels of patient cancellations, and absence of staff and Consultants caused by COVID-19 illness and the need to self-isolate. We saw good improvement in volumes as the effect of the Omicron variant reduced midway through the first half before a return to a period of cancellations and related absences towards the end of the period as COVID-19 surged once again, and this continued through July before infection rates began to fall in August.

Overall volume rose 4.0% YOY during H1 and was marginally down (-0.2%) compared to H1 19. Corresponding figures for SP are up 25.1% (up 51.8% vs H1 19); PMI up 15.0% (down 5.1% vs H1 19); overall private up 18.6% (up 10.7% vs H1 19); and NHS down 20.6% (down 20.1% vs H1 19).

We have been actively managing our mix of business and pricing in SP. Growth in ARPC across all income streams has been maintained. During the last quarter of 2021, overall ARPC was consistently above £3k, compared with ARPC of £2.6k in 2019. ARPC growth continued in H1 22.

NHS commissioning in the period was lower than the significant support provided to the NHS by Spire Healthcare in 2020 and 2021 due to COVID-19. NHS revenue during the first six months of 2022 was down 21.5% YOY at £145.6m but slightly ahead of 2019 H1 by 1.3%. Our ARPC for NHS work during H1 22 was £3,090, up 22.5% vs the first half of 2021 and an increase of 28.5% on the level in H1 19. This reflects the NHS' policy of prioritising treatment for those with the greatest clinical need, which are usually the more complex cases, and Spire Healthcare's focus on a more complex mix. During H1 22, an important focus of our NHS work was on supporting local trusts and systems in helping to achieve the Government's target of treating, by the end of July, all NHS patients who had waited longer than 104 weeks.

The encouraging growth in ARPC across all our payor groups is the result of this ongoing focus on delivering a more complex mix of work in all payors, as well as the increased control offered by the Group's new pricing system, which allows central oversight and optimisation of SP pricing across Spire Healthcare's hospitals.

Adjusted EBITDA growth despite ongoing COVID-19 disruption

Adjusted EBITDA of £105.8m for the six month period was up 10.2% on prior year and 9.3% higher than the H1 2019 pre-pandemic comparator. This growth was largely driven by the Group's strong volume growth, the increase in ARPC and the higher proportion of patients coming from private payor groups. The Adjusted EBITDA result was in line with plan and was delivered despite the ongoing operational disruption caused by the COVID-19 pandemic. Our earnings continue to be impacted by COVID-19 related costs, which amounted to £25m during the period compared with £53m for the full year in 2021. The Group's Adjusted EBITDA benefited from success of the Group's savings programme (see details below).

As a hospital group, we continued to operate strict COVID-19 controls to ensure the safety of our patients, Consultants and colleagues, and to reduce the risk of COVID-19 outbreaks in our hospitals. As we described in our FY21 results, we analyse COVID-19 related costs into two categories: (1) Absence and patient cancellations due to COVID-19; and (2) Other costs, such as testing costs, consumables and staffing costs associated with changing the operating model due to COVID-19.

Absence and patient cancellation costs are directly related to the prevalence of COVID-19 in the wider population. These costs increased significantly during January 2022, correlating with the emergence of the Omicron variant, and again in March and late June when COVID-19 incidence rose significantly in the wider population. The impacts, which vary with COVID-19 prevalence in the community, include a significant element of absence and patient cancellation costs, typically because it is often difficult to back-fill cancellations with other patients at short notice, while there may be fewer Consultants and colleagues who can cover. Inevitably, this means that that agency utilisation and related costs are high during these times.

The Other COVID-19 cost element has stabilised at a lower level than that seen in H2 21, and this reduction corresponds with the removal of social distancing and testing requirements resulting from changes in Government policy during the period. When the Government initially relaxed restrictions in society, we maintained some of our precautionary measures, resulting in additional costs, and when COVID-19 prevalence rose again in June and later, we reintroduced some measures with associated costs. With changes in Government guidance, mask wearing and colleague asymptomatic testing has been suspended at Spire Healthcare save for the most vulnerable patients.

Since the end of the period, we saw another peak in COVID-19 incidence in the community during July. The financial impact of this on the Group amounted to £6m. This was significantly higher than that shown during peak period earlier in the year as the disruption in July took place during a popular holiday period, which meant that it was difficult to back-fill cancellations with other patients at short notice, a situation compounded by fewer Consultants and staff members available to cover.

Successfully navigating in an inflationary environment

As we described at the Group's capital markets event on 29 June 2022, high inflation is a factor affecting all businesses including Spire Healthcare. Clearly, demand will be dampened in many sectors, and Spire Healthcare's private customers will of course not be immune to all the pressures ahead. However, our research shows the typical private patient is able to access the funds for private care and healthcare is a key spending priority. A majority of our private patients remain insured via company schemes, a sector which has also returned to growth; this provides the Group further resilience. As a result, Spire Healthcare continues to deliver strong growth and we are well placed as a leading operator in our market, not least as a partner in helping the NHS reduce waiting lists. Our view of short and medium-term demand remains positive.

We are successfully mitigating cost risks relating to the prevailing inflationary pressures through a mix of our ongoing savings programme and by actively managing our procurement effectively. In addition, we have the tools and the potential to pass on a high proportion of inflation-driven cost increases while responding to a dynamic pricing environment. We have successfully completed the underlying actions that will drive cost savings of at least £15m in 2022, and are now pursuing initiatives designed to secure a similar level of saving over the course of 2023 and 2024.

The economic environment is of course a concern for our brilliant workforce. We are pleased that Spire Healthcare's business momentum and our confidence to deliver future growth has enabled us to make a salary increase award of 5% (with 4% for the most senior roles) to all our permanent colleagues across the Group from September 2022. For those in the lowest earning roles, this is an addition to rises earlier in the year, delivering them a 16.6% increase over the course of 2022. All colleagues are now on or above the real living wage (and the London Living Wage for colleagues in and around London). We have also announced the timetable for moving all colleagues onto a simplified salary framework by September 2023.

Strong cash conversion enabling ongoing capex investment and further leverage reduction

The Group has continued to be cash generative and further reduced overall debt levels during the period. Cash inflow from adjusted operating activities during the period was £95.8m, which constitutes a cash conversion rate of 90.5% (H1 21: 89.3% conversion of £96.0m Adjusted EBITDA, H1 2019: 88.1% conversion of £96.8m Adjusted EBITDA) from £105.8m Adjusted EBITDA and in line with plan.

Capital investment in the first half of 2022 was £38.8m, in line with our target range of 6-7% of revenue which we indicated at the recent capital market event forms part of the Group's financial framework. Our capex budget includes investment in significant capacity projects, such as the ongoing major developments at Spire Yale and Spire Edinburgh, but also covers further investment in patient care and digital transformation, the replacement of six CT and MRI scanners this year, as well as refurbishment and maintenance work in several hospitals.

Net bank debt at 30 June 2022 was £227.8m (vs £224.9m at 31 December 2021), with a cash balance of £95.8m. During Q1 22, we paid down bank debt by £100m as part of a successful re-financing of the Group's bank funding facilities. We also extended the scope of the Group's interest rate hedge in July 2022, with the result that 75% of the risk from increasing interest rates is now mitigated for two years.

As a result of the above, the Group's leverage ratio continued to reduce, resulting in a net debt / EBITDA covenant ratio of 2.2x at 30 June 2022 (from 2.3x at the end of FY21 and 3.0x at the end of FY19). This represents the lowest level of leverage since 2016.

Dividend

We recently introduced a clear and sustainable dividend policy for the Group: Dividends will typically be set at 25-30% of profit after tax, provided bank leverage remains less than 2.5x. We expect to commence dividend payments in 2023, provided the Group continues to meet plan.

Building on quality

Patient safety remains our top priority. We continue to see improvement in our regulatory ratings, with four hospital inspections completed in H1 22 across Spire Healthcare services. All four hospitals were rated 'Good' by the CQC. 98% of our inspected hospitals and clinics are now rated 'Good' or 'Outstanding' by the CQC or the equivalent in Scotland and Wales, an improvement from the 90% at 2021 year end and 69% at the end of 2016. We are awaiting re-inspection of our one remaining site which has a 'Requires Improvement' rating, which has not been inspected since 2016/17, in order for us to demonstrate improvements made since then.

We continue to align our safer patient and colleague pathways to national infection control guidance for England, Scotland and Wales and are proud to continue to confirm there have been no cases of hospital-acquired COVID-19 infection across the Group.

Further developments within Spire Healthcare's medical and clinical practices during the period include:

- The successful roll-out of electronic pre-operative assessment (ePOA) across the Group last year has provided the benefits of a standardised approach to pre assessment, greater consistency and allowed regular cross-site cover when needed. Our IT team is currently working on further enhancements to the system to widen its scope.
- A programme to access summary care records (SCRs) has been rolled out across the Group in England which is mandated for all patients, allowing for access to patients' past medical records to make more informed risk-based decisions. The overall feedback has been very positive and this initiative helps support safe assessment. We are working to access the same information in Scotland and Wales.
- An upgraded safe staffing tool was implemented in June 2022, which helps to safely reduce use of agency workers, bank staff and overtime, the number of vacancies and to evidence safe and effective staffing on every shift.

One of the more complex areas of treatment undertaken in Spire Healthcare hospitals, attracting a higher ARPC, is oncology. Spire Healthcare has a strong record of providing high quality oncology treatment and is well respected for its services in this branch of medicine. It was therefore gratifying and a source of great pride to learn that Spire Dunedin has been awarded a level 5 (the highest standard) in their recent Macmillan Quality Environment Mark (MQEM) assessment. MQEM assesses whether cancer services and environments meet the standards required by people living with cancer. The assessment includes the patient environment and the engagement of patients during the review. We continue to support all of our sites providing cancer treatments with this important accreditation.

Investing in our workforce

There is a shortage of skilled healthcare staff in the UK, which places pressure on costs, especially agency usage, and can limit capacity. As a large independent healthcare provider, Spire Healthcare recognises that it has key roles to play in both helping to serve the healthcare needs of the population and addressing the issue of the shortage of clinical staff across the UK healthcare sector. The Group continues to work hard to recruit and retrain colleagues and considerable attention is paid to development and retention strategies aimed at ensuring that colleagues are offered genuine opportunities to grow and develop their careers at Spire Healthcare.

Apprenticeship opportunities within the Group have for some time been a key route in attracting and retaining new colleagues. We now have around 500 apprentices employed across a broad range of clinical and non-clinical operations, with more than 5% of permanent employees being apprentices.

One of the Group's most successful initiatives aimed at building a talent pipeline for its business and UK healthcare more broadly is the nurse degree apprenticeship programme. Launched in early 2021 in partnership with the University of Sunderland, the nurse degree apprenticeship is open to applicants at all stages of work life, including school leavers, university graduates and people looking to retrain. The programme combines university study and workplace learning, and apprentices obtain a BSc degree at the end. Feedback from nurse degree apprentices on the programme has generally been very positive with most being highly engaged and enjoying the experience afforded to them by Spire Healthcare. Our nurse apprenticeship programme continues to grow, as does our overseas nurse recruitment programme.

Expanding our proposition

Running great hospitals is central to Spire Healthcare's business and is fundamental to delivery of the Group's Purpose. However, the healthcare industry in the UK has been experiencing rapid and fundamental changes since the advent of COVID-19 and Spire Healthcare is responding to those changes. We have plans to expand our proposition through selective investments in new services that will attract new patients by meeting more of their needs.

One area in which Spire Healthcare is already developing is primary care, which we believe has significant potential for the Group. Our research amongst consumers and GPs reveals a growing dissatisfaction and frustration with the current state of GP services, echoing many of the headlines we are seeing in the media. We already have GPs working privately in most of our hospitals and we are getting strong support from other GPs who want to work with us. Demand for our private GP services grew in the period with volume up by 69% in H1 22 versus the same period last year. In response, we expanded further our Spire GP service during the period and the recruitment of additional GPs is ongoing in the second half of the year. The Spire GP model also aligns with our plans to pilot clinics to meet the growing healthcare need in local communities. We are also exploring opportunities to work with the NHS in this space, as well as to develop a digital offering whereby patients can swap between the digital service and the face-to-face service.

Championing sustainability

While many ESG/sustainability initiatives have already been in place, we took the opportunity during the period to develop and articulate the Group's sustainability strategy. Championing sustainability is now integral to the way the Group operates and, as such, forms one of the pillars of

the Group's revised strategy. Our aim is to be recognised as an ESG leader in our industry. Spire Healthcare's sustainability strategy is comprised of the following elements:

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

We continued to pursue a range of initiatives during the period which are helping us to move towards our goal of becoming net carbon zero by 2030. These include the replacement of gas-powered boilers, installation of electric vehicle charging points and energy-efficient LED lighting, and effective waste management. Due to the global volatility in the current energy market, our supply of electrical energy has moved from green to brown which is a temporary set-back to our progress, but alternative plans are being developed to keep on track. In the spring, we were highly commended in the BusinessGreen Leaders Awards in the Net Zero Strategy of the Year category.

Further details of progress made across the Group's various ESG/sustainability initiatives will be reported on at the year end.

Financial review

Selected financial information

Six months ended 30 June (Unaudited)									
(£ million)	2022			2021			2019		
	Total before Adjusting items	Adjusting items (note 10)	Total	Total before adjusting items	Adjusting items (note 10)	Total	Total before adjusting items	Adjusting items	Total
Revenue	597.9	–	597.9	558.2	–	558.2	491.6	–	491.6
Cost of sales	(328.4)	–	(328.4)	(304.1)	–	(304.1)	(261.1)	–	(261.1)
Gross profit	269.5	–	269.5	254.1	–	254.1	230.5	–	230.5
Other operating costs	(216.1)	(5.6)	(221.7)	(206.2)	(2.3)	(208.5)	(179.1)	(0.4)	(179.5)
Other income	1.2	–	1.2	0.6	–	0.6	–	–	–
Operating profit (EBIT)	54.6	(5.6)	49.0	48.5	(2.3)	46.2	51.4	(0.4)	51.0
Finance costs	(46.0)	–	(46.0)	(41.5)	–	(41.5)	(41.4)	–	(41.4)
Profit / (Loss) before taxation	8.6	(5.6)	3.0	7.0	(2.3)	4.7	10.0	(0.4)	9.6
Taxation	(4.4)	0.8	(3.6)	(21.6)	–	(21.6)	(2.6)	0.1	(2.5)
(Loss) / profit for the period	4.2	(4.8)	(0.6)	(14.6)	(2.3)	(16.9)	7.4	(0.3)	7.1
Adjusted EBITDA ⁽¹⁾			105.8			96.0			96.8
Basic (loss) / earnings per share, pence			(0.1)			(4.2)			1.8
Adjusted FCF ⁽²⁾			23.7			1.6			25.9
Capital investments ⁽³⁾			38.8			36.3			19.7
Net cash from operating activities			91.5			85.7			87.0
Net bank debt ⁽⁴⁾			227.8			306.3			362.2

1 Adjusted EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items, referred to hereafter as 'Adjusted EBITDA'. See page 10 for further information. For EBITDA for covenant purposes, refer to note 15.

2 Adjusted FCF (Free Cash Flow) is calculated as Adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the Purchase of plant, property and equipment.

3 Capital investments includes right of use assets.

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

Included in our interim results are comparatives for both the prior year 2021 and 2019. This is to allow meaningful comparison as the Group operated under a COVID-19 NHS contract from the start of Q2 2020 through to the end of Q1 2021. Comparatives are against H1 2021 unless otherwise stated. Additional information in respect of the Balance Sheet and cash flow for the two periods can be found on our website: www.spirehealthcare.com/investorrelations.

Revenue

Group revenues increased by 7.1% to £597.9m versus H1 2021 of £558.2m (21.6% increase versus H1 2019 of £491.6m). The increase in revenue in H1 22 is mainly driven by the strong performance of our private business, which increased by 21.6% versus H1 2021 (30.9% versus H1 2019). Total NHS revenue decreased by 21.5% to £145.6m versus H1 2021 of £185.4m (1.3% increase versus H1 2019 of £143.7m) as the Group operated under a COVID-19 specific NHS contract rather than its normal operating model in Q1 2021.

Revenue by location and payor

In the prior interim period, the Group did not provide a revenue split between in-patient/daycase, out-patient and other for the six month period ended 30 June 2021. This is on the basis that, for Q1 2021, the Group operated under an NHS COVID-19 contract rather than its normal operating model. The information is therefore not considered meaningful to users.

Six months ended 30 June (Unaudited)			
(£ million)	2022	2019	Variance % (2022 -2019)
Total revenue	597.9	491.6	21.6%
Of which:			
Inpatient	246.8	186.8	32.1%
Day case	170.0	149.0	14.1%
Out-patient	166.4	143.5	16.0%
NHS – COVID-19	1.7	–	NM ⁽¹⁾
Other	13.0	12.3	5.7%
Total revenue	597.9	491.6	21.6%

1 Not meaningful

(£ million)	2022	2021	Variance % (2022 – 2021)	2019	Variance % (2022 – 2019)
Total revenue	597.9	558.2	7.1%	491.6	21.6%
Of which:					
PMI	265.2	231.3	14.7%	247.0	7.4%
Self-pay	174.1	129.9	34.0%	88.6	96.5%
Total Private	439.3	361.2	21.6%	335.6	30.9%
Total NHS	145.6	185.4	(21.5%)	143.7	1.3%
Other	13.0	11.6	12.1%	12.3	5.7%
Total revenue	597.9	558.2	7.1%	491.6	21.6%

Cost of sales and gross profit

Gross margin for the first six months of 2022 is 45.1% compared to 2021 levels of 45.5%, and 2019 levels of 46.9%. Cost of sales increased in the period by £24.3m (£67.3m on H1 2019), or 8.0% (H1 2019: 25.8%), to £328.4m (2019: £261.1m) on revenues that increased by 7.1% (H1 19: 21.6%). This is partly due to increased costs as a result of increased agency spend due to COVID-19 related absences.

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

	Six months ended 30 June (Unaudited)					
	2022		2021		2019	
	£m	% of revenue	£m	% of revenue	£m	% of revenue
Clinical staff	135.4	22.6%	126.9	22.7%	98.8	20.1%
Direct costs	140.8	23.6%	132.8	23.8%	110.7	22.5%
Medical fees	52.2	8.7%	44.4	8.0%	51.6	10.5%
Cost of sales	328.4	54.9%	304.1	54.5%	261.1	53.1%
Gross profit	269.5	45.1%	254.1	45.5%	230.5	46.9%

Hospital operating profit margin (gross profit less indirect hospital costs) was 24.5% compared to 24.7% in June 2021 and 26.3% in June 2019, with indirect hospital costs increasing by £6.6m from £116.4m in H1 2021 to £123.0m in H1 2022 (H1 19: £101.0m).

Other operating costs

Other operating costs for the six months ended 30 June 2022 increased by £13.2m or 6.3% versus H1 21 to £221.7m. Adjusting Items included in operating costs increased by £3.3m versus H1 21 mainly due to business reorganisation and restructuring costs. Excluding Adjusting Items, other operating costs have increased by £9.9m, or 4.8% to £216.1m (H1 2021: 206.2m). This increase is mainly driven by increased property and equipment costs relating to increased electricity standing charges and depreciation. In H1 2019, other operating costs were £179.5m, being 23.5% lower than H1 2022, and excluding Adjusting Items, 20.7% lower at £179.1m.

Operating margin for the six months ended 30 June 2022 is 8.2% compared to 8.3% at H1 2021 and 10.4% at H1 2019. Excluding adjusting items, operating margin is 9.1%, up from 8.7% at H1 2021, and down from 10.5% at H1 2019.

Adjusted EBITDA

Adjusted EBITDA for the Group has increased by 10.2% in the period from £96.0m to £105.8m for H1 2022, and increased by 9.3% from H1 2019 Adjusted EBITDA of £96.8m. The increase in H1 2022 primarily reflects increased private revenue.

Share-based payments

During the period, grants were made to Executive Directors and members of the executive management team under the Company's Long Term Incentive Plan. For the six months ended 30 June 2022, the charge to the income statement is £1.3m (H1 2021: £1.7m), or £1.5m inclusive of National Insurance (H1 2021: £1.9m).

Adjusting Items

(£ million)	Six months ended 30 June (Unaudited)		
	2022	2021	2019
Business reorganisation and restructuring	3.3	–	–
Asset acquisitions, disposals, impairment and aborted project costs	1.9	2.6	0.3
Remediation of regulatory compliance or malpractice	0.3	(0.4)	–
Hospital set up and closure costs	0.1	0.1	0.1
Total costs	5.6	2.3	0.4
Income tax credit on Adjusting Items	(0.8)	–	(0.1)
Total post-tax Adjusting Items	4.8	2.3	0.3

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

During H2 21, the Group announced a strategic, group wide initiative that impacts the operating model of the Group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. As a result of this initiative, costs of £3.3m have been incurred in the period.

Asset acquisitions, disposals, impairment and aborted project costs mainly comprise costs in respect of Claremont. Following the acquisition of Claremont Hospital in November 2021, the Group has incurred integration costs of £0.5m in the period. In addition, on 31 March 2022, the Group acquired the remaining non-controlling interest for £2.7m, of which £1.9m had been provided for in FY21. Therefore, £0.8m is included in Adjusting items (refer to note 7 for additional details). During the period an impairment of £0.5m was recognised on the St Saviours property, classified as held for sale, as the sales price less costs to sell on the property was lower than the carrying value. The sale of the property is due to be completed in H2 2022. Other costs incurred mainly relate to the final business transfer of the Sussex Hospital to the NHS Trust which completed on 31 March 2022, as announced during FY21. In the prior period, £2.8m relates to the attempted takeover bid by Ramsay Health Care, offset by £0.4m of income as a result of shortening the Sussex lease (from 6 years to 1 year) following the agreement to transfer the business to the NHS Trust in March 2022.

Remediation of regulatory compliance or malpractice costs includes amounts paid to one of the Group's Insurers following the Court of Appeal hearing. £13.0m was provided in FY21, with £13.3m being settled in FY22. The £0.3m recognised in the period reflects this additional amount. In the prior year, a credit of £0.4m was recognised following the settlement of costs to Spire Healthcare from its insurer following the original judgment finding in favour of the Group in FY20.

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

Finance costs

Finance costs have increased by £4.5m to £46.0m (H1 2021: £41.5m, H1 2019: £41.4m). The increase is due to a one off charge of £3.1m in respect of unamortised fees which were recognised in full following the refinancing of the senior loan facility in Q1 2022 as well as increased finance costs related to additional lease liabilities.

Taxation

The taxation charge for the six months ended 30 June 2022 is £3.6m (H1 2021: £21.6m, H1 2019: £2.5m). This consists of a £nil (H1 2021: £nil, H1 2019: £1.3) charge for corporation tax and a change of £0.5m (H1 2021: 19.3m, H1 2019: £1.2m) for the current year movement on deferred tax and £3.1m (H1 2021: £2.3m, H1 2019: £nil) adjustment in respect of previous periods to deferred tax. The deferred tax charge in H1 2021 included a one off charge of £17.7m as a result of deferred tax assets and liabilities being revalued from 19% to 25% following the Government's announcement to increase the corporation tax rate which is due to take place on 1 April 2023. Whilst there is speculation of a change to the corporation tax rate with the appointment of the new Prime Minister, no change has been substantively enacted, and therefore deferred tax remains valued at the 25%. Should a change in the rate be enacted, the deferred tax assets and liabilities will be revalued at that point.

Profit after taxation

The loss after taxation for the six months ended 30 June 2022 was £0.6m (H1 2021: loss £16.9m, H1 2019: profit £7.1m)

Non-GAAP financial measures

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

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

The following information includes references to Adjusted financial information. This has been produced for illustrative purposes and does not represent the Group's actual statutory earnings.

Adjusted EBITDA

(£ million)	Six months ended 30 June (Unaudited)		
	2022	2021	2019
Operating profit / (loss)	49.0	46.2	51.0
Remove effects of:			
Adjusting items	5.6	2.3	0.4
Depreciation	51.2	47.5	45.4
Adjusted EBITDA	105.8	96.0	96.8

Adjusted EBIT

(£ million)	Six months ended 30 June (Unaudited)		
	2022	2021	2019
Operating profit / (loss)	49.0	46.2	51.0
Remove effects of:			
Adjusting items	5.6	2.3	0.4
Adjusted EBIT	54.6	48.5	51.4

Adjusted profit after tax and adjusted earnings per share

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

(£ million)	Six months ended 30 June (Unaudited)		
	2022	2021	2019
Profit before tax	3.0	4.7	9.6
Remove effects of:			
Adjusting items	5.6	2.3	0.4
Adjusted profit before tax	8.6	7.0	10.0
Taxation ¹	(4.4)	(21.6)	(2.6)
Adjusted profit / (loss) after tax	4.2	(14.6)	7.4
Adjusted profit / (loss) after tax attributable to owners of the Parent	4.3	(14.6)	7.4
Weighted average number of ordinary shares in issue (No.)	401,391,262	400,842,733	400,828,739
Adjusted basic earnings / (loss) per share (pence)	1.1	(3.6)	1.8

¹ Reported tax charge for H1 2021 includes a one-off rate change impact of £17.7m

Cash flow analysis for the period

(£ million)	Six months ended June (Unaudited)		
	2022	2021	2019
Opening cash balance	202.6	106.3	47.7
Adjusted operating cash flows	95.8	85.7	85.3
Adjusting items	(4.3)	—	(0.1)
Income tax received	—	—	1.8
Operating cash flows	91.5	85.7	87.0
Net cash in investing activities	(44.0)	(29.5)	(21.3)
Net cash in financing activities	(154.3)	(46.4)	(55.0)
Closing cash balance	95.8	116.1	58.4

Operating cash flows before Adjusting items

The cash inflow from operating activities was £91.5m. After adjusting for cash from Adjusting Items, the Adjusted operating cash flows were £95.8m, which constitutes a cash conversion rate from £105.8m Adjusted EBITDA of 90.5% (H1 2021: 89.3% conversion of £96.0m Adjusted EBITDA, H1 2019: 88.1% conversion of £96.8m). The net cash outflow from movements in working capital in the period was £10.5m (H1 2021: £11.3m outflow, H1 2019: £11.8m outflow).

Investing and financing cash flows

Net cash used in investing activities for the period was £44.0m (H1 2021: £29.5m, H1 2019: £21.3m). Cash outflow for the purchase of Plant, Property and Equipment in the period totalled £44.1m (H1 2021: £31.6m, H1 2019: £21.5m), which included the refurbishment of the Shawfair Park hospital and other building related works as well as investment in new flexible endoscopy equipment and MRI or CT scanners.

Net cash used in financing activities for the period was £154.3m (H1 2021: £46.4m, H1 2019: £55.0m). Cash outflows include the repayment of £100.0m of the Group's senior finance facility as part of the refinancing agreement, lease and bank interest paid of £47.1m (H1 2021: £39.2m, H1 2019: £35.9m) and £7.3m (H1 2021: £7.2m, H1 2019: £9.1m) of lease principal payments. In addition the Group acquired the remaining interest in Claremont in March 2022 resulting in a cash outflow of £2.7m, and received £2.8m, following the issuance of new shares. In H1 19, £10.0m was paid as an interim dividend. No dividends have been paid since the cancellation of the final dividend in 2019 as a result of the uncertainty caused by the COVID-19 pandemic.

Borrowings

At 30 June 2022, the Group has bank borrowings of £323.6m (December 2021: £427.5m), drawn under facilities which are due to mature in February 2026.

(£ million)	As at	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Cash	95.8	202.6
Bank borrowings	323.6	427.5
Bank borrowings less cash and cash equivalents	227.8	224.9

As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance its Senior Loan Facilities. As part of this exercise, and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325.0m and the Group continued to have access to an undrawn Revolving Credit Facility of £100.0m. This new arrangement has a maturity of 4 years, with the Group having the option to extend by a further year. The financial covenants relating to this new agreement are unchanged with leverage to be below 4.0x and interest cover to be in excess of 4.0x. As at 30 June 2022 the leverage measure stood at 2.2x and interest cover of 7.8x.

As at 30 June 2022, lease liabilities were £842.6m (December 2021: £837.8m). Refer to note 16 for more detail.

Dividend

The Board will not be proposing an interim dividend. No dividends have been proposed or paid since the start of the pandemic.

Related party transactions

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

Principal Risks

There are a number of risks facing the Group as disclosed in the 2021 Annual Report. The Governance structures as described in the 2021 Annual Report for the review and management of the Principal Risks remain the same. The Board has decided that greater emphasis needs to be given to external risks facing the organisation, as described below. The Board no longer considers four risks reported in the 2021 Annual Report and Accounts as being Principal Risks, being: Liquidity and Covenants; Insurance & Indemnity; Transformation; and, Compliance & Regulation. Four new Principal Risks have been added being Diversification & Disintermediation; Major Infrastructure Failure; Antimicrobial Resistance and a Pandemic from a New Pathogen. The Board anticipates that the Principal Risks described below in summary will remain the same through to the year-end.

The Principal Risks fall into the following categories:

Clinical & Patient Safety	Environment	People	Financial	Corporate Governance	Geopolitical	Technology	Social
Patient Safety & Clinical Quality	Climate Change	Workforce	Macroeconomic PMI market dynamics Competitor Challenge	Diversification and disintermediation	Government & NHS Policy Supply Chain Disruption	Information Governance and Security Major infrastructure failure	COVID-19/Pandemic Brand Reputation Antimicrobial resistance Pandemic from new pathogen

Below is a summary of the Principal Risks facing the Group with a description of the material mitigations.

Risk	Mitigation
Patient Safety & Clinical Quality There is a risk to the provision of high quality patient care due to: • A shortage of skilled workforce • Clinical and non-clinical staff and Consultants failing to follow guidelines, standards and policies resulting in patient harm • Failing to learn from incidents, complaints, mortality reviews, patient feedback and Patient Notification Exercises • Failure to act on findings from audits, clinical outcome measures (including registry data), peer reviews and external inspections • Nosocomial COVID-19 infection	We maintain the following controls to mitigate against a failure of patient safety and clinical quality: • A reporting culture of openness and shared learning from Ward to Board, with a Freedom to Speak up Guardian ('FTSUG') at each site • Incident / red flag staffing reporting via a database with central oversight • Continually monitoring clinical standards, reporting progress via the Board's Clinical Governance and Safety Committee ('CGSC'). • Integrated Quality Reporting based on a Quality Assurance Framework with a standard set of KPI's. • Development of a Board Assurance Framework to assess risks against clinical and medical strategic objectives. • A schedule of robust and regular hospital audits including the Patient Safety and Quality Reviews, with an action plan for improvement that is monitored. • Standard Operating Procedure for Patient Notification Exercises that includes learning and continuous improvement methodologies. • Colleague induction, clinical competencies requirements and mandated training • Reporting on clinical outcomes with workforce and Consultants including the Chairs of hospital Medical Advisory Committees with a view to driving up safety and performance.
Climate Change Climate related risks have been identified through the emerging risk process. Our climate-related risks include: • Severe Storm Weather events e.g. damage to roofs or flooding • Prolonged spells of extreme ambient temperatures	An estate wide condition assessment of roofs completed in 2021 has informed a prioritised approach to capital investment to manage storm damage risk. Flood risk mitigation includes a continued periodic review of our estate in relation to existing and predicted flood risk zones.

Risk	Mitigation
- Energy price fluctuation (Decarbonisation requires changing our energy sources: moving to more expensive zero-carbon electricity tariffs and replacing gas-fired heat sources with more expensive electricity). - Changes in laws and regulation, including failure to meet net zero targets and obligations (e.g. in financial covenants).	Extreme ambient temperature risk mitigation includes an informed investment plan for upgrade of failing and vulnerable plant. Design of the replacement and upgrade would account for the predicted increase in ambient temperature profiles expected within the lifespan of the plant e.g. 15 years. Further mitigation measures include extreme weather warning protocol and Business Continuity Plans to provide emergency loan Heating, Ventilation & Air Conditioning plant. Energy price risk mitigation includes energy efficiency measures to reduce consumption and our Energy Hedging strategy which has seen all our current energy requirements secured until October 2024. Net zero targets form part of the remuneration of the Executive Directors.
Workforce There is a global shortage of nursing and allied healthcare practitioners. As the economy opened up in 2021, shortages of staff in new areas, for example hotel services, have arisen. This has remained the case in 2022. In addition, the Group has an ageing workforce.	The Group seeks to retain and recruit staff through a variety of mechanisms including: - A common purpose and a positive workplace culture - Maintaining competitive pay and benefits - A centralised recruitment process - An overseas recruitment capability to secure skilled healthcare workers from outside the EU where necessary - Offering apprenticeship programmes to support the development of clinical and non-clinical teams across the business The Group manages immediate staff shortages through the use of agency and bank workers.
Macroeconomic The wider economic outlook for the UK remains unclear. The Bank of England (BoE) is forecasting inflation remaining higher than recent levels (c. 13% on the CPI measure) in late 2022 - early 2023 and remaining high in 2023. The BoE is also forecasting the UK economy to decline from late 2022 and throughout 2023. The war in Ukraine has increased the volatility of food and energy prices, and increased supply chain disruption. It is not clear at this stage what HM Government's fiscal and monetary economic policy will be with recent changes in Chancellor of the Exchequer and Prime Minister. COVID-19 remains a disrupter to global supply chains, especially with the Chinese Government still following its zero COVID-19 policy that has recently led to significant shut downs of key economic zones in China. Despite these macroeconomic headwinds the expectation is that the primary growth drivers for healthcare will remain medium term, namely record NHS waiting lists, stable/growing PMI lives covered and a growing self-pay market.	The evidence available to us indicates that the COVID-19 pandemic has left high levels of pent up demand for our services. The ability for patients to access private care does not appear to be constrained financially at this time. We understand that private medical insurance policy renewals and sales remain stable, and we have seen strong growth in 2021 while waiting lists remain at record levels. In response to macro inflationary pressure we will continue to benefit from a range of inflation mechanisms built into the PMI contracts and will benefit from our ability to change self-pay pricing quickly via our new pricing engine. Our conversion rate from Out-patient appointment to In-patient procedure remains stable. Procurement maintains a constant review of pricing and seeks opportunities to mitigate inflationary increases. In addition, we continue to respond to changing economic circumstances by optimising our private and NHS funded work ensuring we are not over reliant on one income source, supported by an efficient cost base.
PMI market dynamics The PMI market remains concentrated, with the top four companies (Bupa, AXA, Aviva and VitalityHealth) having a market share estimated at over 85%. We have individual contractual relationships for the provision of our services with all the major PMI providers. These contracts come up for renewal on a recurring basis. There is a risk that renewal of contract terms cannot be secured on historical terms. Service line tenders and the introduction of triage services are expected to continue medium term as PMIs look to reduce costs. We also expect an increase in directional networks.	We work hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the Directors, assists the healthcare sector as a whole in delivering high-quality patient care. We ensure we have long-term contracts in place with our PMI partners to avoid co-termination of contractual arrangements. We believe continuing to invest in our well-placed portfolio of hospitals provides a natural fit to the local requirements of all the PMI providers' long term.

Risk	Mitigation
	We continue to invest in efficiency programmes to ensure that we can offer the best combination of high quality patient care at competitive prices.
Competitor Challenge We operate in a highly competitive market. New or existing competitors may enter the market of one or more of our existing hospitals, or offer new services. In the current economic environment, there is a risk that the pressures on competitors results in irrational market behaviour manifesting itself in low pricing on tenders or self-pay.	We maintain a watching brief on new and existing competitor activity and retain the ability to react quickly to changes in patient and market demand. We consider that a partial mitigation of the impact of competitor activity is ensured by providing patients with high-quality clinical care and by maintaining good working relationships with GPs and Consultants. We continue to invest in the brand and deliver an effective acquisition capability both direct and via our partners in order to protect our market position. We have also strengthened our pricing and tendering capabilities. Despite the COVID-19 pandemic, we are maintaining investment into the estate and clinical equipment to differentiate our proposition. We monitor the market for opportunities, should they arise, to acquire or open facilities in specific geographies creating incremental volume.
Diversification and disintermediation (New) There is a risk that we will not be able to launch and scale new propositions or services at sufficient pace to diversify and mitigate the risk of disintermediation. In addition, new digital healthcare services deliver lower margins and therefore contribution to existing services.	Innovation Board bringing together CEO and executive committee members from medical and clinical, commercial and finance, identifying healthcare trends and opportunities to develop new services. Dedicated Director of Innovation and Proposition Development sourcing specific opportunities to support the Group strategy, leading on development, supported with dedicated IT and project resource. Dedicated Director sourcing suitable target acquisitions, supported by expert external financial and tax advisers. Property Lead/team to handle assessment and acquisition of new physical assets if numerous enough, or retained property advisors.
Government & NHS Policy We expect NHSE to complete the establishment of regional Integrated Care Systems (ICS) over the coming 18 months. Meanwhile Scotland and Wales will broadly remain unchanged. It is uncertain how the creation of the new ICSs will affect referrals in NHS geographical areas. Our expectation is this will become a combination of direct referrals from GPs, waiting list transfers and an increasing use of block contracts. There is a risk wider HM Government policy which is unfavourable to the healthcare sector as a whole, e.g. future economic or employment policy.	Historically, we derived 70% of our revenues from PMI and self-pay patients that provided a natural 'hedge' against exposure to Government and NHS policy. Post pandemic, we are seeing strong private revenues that are expected to continue medium term. The Group has successfully secured accreditation on the NHS Frameworks in England, Scotland and Wales ensuring access to tender for future contracts. Through the COVID-19 pandemic, we have increased our relationships with the government via DoHSC, NHS England and NHS Improvement. Meanwhile hospitals have also strengthened their relationships with the local NHS commissioners. Working effectively with the new ICS in each our markets will be a primary objective for hospital management teams.
Supply Chain Disruption The widely reported disruption in the Global and UK supply chains because of a variety of factors, could lead to shortages of critical components or products within: • Medicines • Consumables • Prostheses • Food • Green energy supply	We run a centralised supply chain with a national distribution centre (NDC) and its own vehicle and driver fleet. Medical consumables, medicines and prostheses are held at the NDC with an average of eight weeks supply. In 2021, and into 2022, we have had to respond to a number of product shortages and global recalls, and we have seen some minor shortfalls in order fulfilment. In all cases, our centralised procurement function has

Risk	Mitigation
Medical gases	been able, with the support of a permanent presence from the Clinical team, to find alternative supplies to maintain hospitals' activities. Fresh food is supplied through a national food distributor who has its own delivery fleet and directly employs its HGV drivers. Order fulfilment has remained in the high ninety percentile. Because of the Group's Brexit planning, the Group does have contingency menu plans in case of fresh food shortages. Any national shortages in critical medicines and medical gases are managed by NHS Supply Chain. We receive allocations based on our activity.
Information Governance & Security We have to maintain and manage a range of physical and digital data assets including patient records, commercial information and staff data. Personal data has to be managed in compliance with the principles set out in the Data Protection Act 2018 and the General Data Protection Regulations (GDPR). The level of risk to our IT architecture and systems continues to grow as the volume of cyber security threats are increasing and becoming more sophisticated. Healthcare and pharmaceutical organisations saw increased hostile cyber activity in 2020-21 because of the COVID-19 pandemic. We anticipate that the Healthcare sector will remain a higher risk sector from cyber-attacks.	We have a governance structure, with Board oversight, that monitors the risk and mitigations for information governance. To support the governance structure we have a range of policies and practices covering information governance. All staff have to complete annual mandatory training on information governance and data protection. Our IT team have a cyber-security strategy for continuous improvement based on industry standards. It covers the processes from identifying specific risks, to protecting physical and digital data assets through to recovery in the event of a successful cyber-attack. We work with a number of industry leading technical partners to provide: - Multiple layers of business protection through the use of advanced detection and protection systems, - Regular third-party penetration testing on new and existing IT systems.
Major Infrastructure Failure (New) There is a risk that there is a failure of national infrastructure, e.g. the national electricity grid; import channels for our UK based suppliers; fuel distribution, from a variety of causes including lack of resilience in national infrastructure, terrorist activity and action by state governments wishing to harm the UK.	All our hospitals have a backup power source provided from diesel powered generators that operates major circuits of an hospital, but some key equipment is not covered, e.g. MRI scanners. Battery powered uninterrupted power is provided into specific equipment in theatres to ensure patients remain safe in the event of a generator failure. These backup power sources are designed to keep patients in the hospital safe, but are not a complete substitute for mains power. Our national distribution fleet refuel on a daily basis at the end of their shifts to ensure resilient operational capability.
COVID-19/Pandemic Repeated waves of infection occur from current or future variants of COVID-19 that risk overwhelming the NHS and forcing HM Government to re-introduce severe lock-down measures regionally or nationally.	We have always followed UKHSA guidance throughout the pandemic as well as the Infection Prevention Controls (IPC) set out in the NHSE's IPC Board Assurance Framework regarding COVID-19. IPC performance indicators are reported to the Executive Committee and Board on a regular basis. IPC measures in place include testing of all staff working in or visiting hospitals twice a week, following UKHSA guidance on screening patients pre-admission before in-patient procedures, and local sites have outbreak guidance in the event of a COVID-19 outbreak. All healthcare staff will be offered COVID-19 booster jabs in Q4 2022. We will also offer all staff flu vaccinations. We continue to educate and encourage all our employees to have all the COVID-19 vaccinations they are entitled to, and will encourage all employees to participate in future COVID-19 and flu national vaccination programmes. Non-vaccinated colleagues are risk assessed before working in clinical areas.

Risk	Mitigation
Brand Reputation The COVID-19 pandemic has resulted in a substantial amount of positive media coverage for Spire Healthcare. Our brand presence within the consumer and NHS & HM Government is higher than at any point. Our brand reputation is interconnected with a number of other Principal Risks, e.g. Clinical Quality and Patient Safety, Information Governance and Security. Our future growth depends upon our ability to maintain, and continue to enhance, our reputation amongst patients, clinicians and other stakeholders. As our brand presence grows, the risk increases that adverse events such as: • patient notifications and recalls; • mishandling of patient data; or, • a breach of law or regulation will have a more material impact on us.	Our primary mitigations against damage to our brand reputation is through the good management of its principal risks, in particular: • Patient safety and clinical quality; • Cyber security and data protection; and, • Workforce. In addition, we continue to invest in the awareness and health of the brand through national advertising, public relations and centrally coordinated social media. We also continue to build our reputation amongst analysts and public commentators.
Antimicrobial resistance (AMR) (New) A 2016 review on AMR found that at least 700,000 people – which is likely an underestimate – die every year from drug-resistant infections worldwide, and in the UK alone, there were 60,000 infections in 2018 and a 9% increase in deaths (to 2,000) caused by drug-resistant infections between 2017 and 2018. The UK published a new 5-year action plan to tackle AMR in 2019. This is, however, a global issue and will require global collaboration and a focus on ensuring a sustainable supply chain of drugs, as well as the correct use of them in treating illnesses.* *Source: HM Government 2020 National Risk Register (since withdrawn)	We have in place: • Executive level awareness of the Government's 5 year AMR strategy. • Participation in, and collaboration with, Government's monitoring of AMR outbreaks. • Requirement for clinicians to following guidance in line with national guidelines on the prescribing of antibiotics in line with Government guidelines. • Access to up-to-date antimicrobial prescribing via online systems and access to microbiologists at all sites. • Appropriate investigations of post-surgery infections including review of antibiotics.
Pandemic from new pathogen (New) The emergence of new biological pathogens leads to an uncontrollable global pandemic resulting in increased demand for Spire Healthcare to assist in efforts and/or disruption/staff shortages.	We: • Maintain awareness of early warnings of potential pandemics from organisations like the WHO, Dept of Health, NHSE. • Have a developed Emergency Response Plan in line with the NHS and our experience of managing the COVID-19 pandemic.

Directors' responsibility statement

Going Concern

The Group assessed going concern risk for a 12 month period through to 30 September 2023. As at 30 June 2022 the Group had cash of £96m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £100m. On 24 February 2022, the Group successfully refinanced its debt facilities with a syndicate of existing and new Lenders. As part of the refinancing exercise and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. The new arrangement has a maturity of 4 years, with the Group having the option to extend by another year before the first anniversary of the February 2022 completion date. The financial covenants relating to this new agreement are materially unchanged.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 30 September 2023, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the Directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

It should be noted that we are in a period of unprecedented geo-political and macro-economic uncertainty. Whilst the Directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly the actual financial impact of these risks may materially vary against the current view of their plausible impact.

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

- This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with UK adopted International Accounting Standard 34 and Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company on a consolidated basis.
- The interim management report, which is incorporated into the Chief -Executive Officer message, Operating Review and Financial Review, includes a fair review of the information as required by:
 - DTR 4.2.7R of the Disclosure Guidance 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 Guidance 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 2021.

By order of the Board

Justin Ash
Chief Executive Officer

Sir Ian Cheshire
Chairman

7 September 2022

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 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 21. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

As disclosed in note 3, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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.

Ernst & Young LLP

London, UK

7 September 2022

Condensed financial statements

Consolidated interim income statement

For the six months ended 30 June 2022

Six months ended 30 June (Unaudited)

(£ million)	Note	2022			2021		
		Total before adjusting items	Adjusting items (note 10)	Total	Total before adjusting items	Adjusting items (note 10)	Total
Revenue	6	597.9	–	597.9	558.2	–	558.2
Cost of sales		(328.4)	–	(328.4)	(304.1)	–	(304.1)
Gross profit		269.5	–	269.5	254.1	–	254.1
Other operating costs		(216.1)	(5.6)	(221.7)	(206.2)	(2.3)	(208.5)
Other income	8	1.2	–	1.2	0.6	–	0.6
Operating profit		54.6	(5.6)	49.0	48.5	(2.3)	46.2
Finance costs	9	(46.0)	–	(46.0)	(41.5)	–	(41.5)
Profit / (Loss) before taxation		8.6	(5.6)	3.0	7.0	(2.3)	4.7
Taxation	11	(4.4)	0.8	(3.6)	(21.6)	–	(21.6)
Profit/ (Loss) for the period		4.2	(4.8)	(0.6)	(14.6)	(2.3)	(16.9)
Profit / (Loss) for the period attributable to owners of the Parent		4.3	(4.8)	(0.5)	(14.6)	(2.3)	(16.9)
Loss for the period attributable to non-controlling interests ¹		(0.1)	–	(0.1)	–	–	–
Loss per share (in pence per share)							
– basic	12	1.1	(1.2)	(0.1)	(3.6)	(0.6)	(4.2)
– diluted	12	1.0	(1.1)	(0.1)	(3.6)	(0.6)	(4.2)

1. Loss for the year attributable to non-controlling interests was not disclosed in prior year as it was immaterial.

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2022

(£ million)	Six months to 30 June (Unaudited)	
	2022	2021
Loss for the period	(0.6)	(16.9)
Items that may be reclassified to profit or loss in subsequent periods		
Profit on cash flow hedges	0.7	1.6
Taxation on cash flow hedges	(0.1)	(0.3)
Other comprehensive income for the period	0.6	1.3
Total comprehensive loss for the year, net of tax	–	(15.6)
Attributable to:		
Equity holders of the parent	0.1	(15.6)
Non-controlling interests ¹	(0.1)	–

1. Loss for the year attributable to non-controlling interests was not disclosed in prior year as it was immaterial.

Consolidated interim statement of changes in equity

For the six months ended 30 June 2022

(£ million)	Notes	Share capital	Share premium	Capital reserves	EBT share reserves	Hedging reserve	Retained earnings	Total	Non-controlling interests ¹	Total equity
As at 1 January 2021		4.0	826.9	376.1	(0.8)	(3.2)	(496.4)	706.6	—	706.6
Loss for the period		—	—	—	—	—	(16.9)	(16.9)	—	(16.9)
Other comprehensive profit for the period		—	—	—	—	1.3	—	1.3	—	1.3
Total comprehensive loss		—	—	—	—	1.3	(16.9)	(15.6)	—	(15.6)
Share-based payments (net of tax)	20	—	—	—	—	—	1.7	1.7	—	1.7
As at 30 June 2021		4.0	826.9	376.1	(0.8)	(1.9)	(511.6)	692.7	—	692.7
As at 1 January 2022		4.0	826.9	376.1	(0.8)	(0.5)	(496.1)	709.6	(4.8)	704.8
Loss for the period		—	—	—	—	—	(0.5)	(0.5)	(0.1)	(0.6)
Other comprehensive profit for the period		—	—	—	—	0.6	—	0.6	—	0.6
Total comprehensive loss		—	—	—	—	0.6	(0.5)	0.1	(0.1)	—
Issue of new shares		—	2.8	—	—	—	—	2.8	—	2.8
Purchase of non-controlling interests		—	—	—	—	—	(0.5)	(0.5)	0.5	—
Share based payments (net of tax)	20	—	—	—	—	—	1.1	1.1	—	1.1
Balance at 30 June 2022		4.0	829.7	376.1	(0.8)	0.1	(496.0)	713.1	(4.4)	708.7

1. Loss for the year attributable to non-controlling interests was not disclosed in prior year as it was immaterial.

Consolidated interim balance sheet

(£ million)	Notes	As at	
		30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,540.9	1,553.5
Intangible assets	14	334.8	334.8
Financial asset		3.2	2.3
		1,878.9	1,890.6
Current assets			
Inventories		39.1	40.2
Trade and other receivables		115.8	99.2
Cash and cash equivalents		95.8	202.6
		250.7	342.0
Non-current assets held for sale	5	4.3	4.8
		255.0	346.8
Total assets		2,133.9	2,237.4
EQUITY AND LIABILITIES			
Equity			
Share capital		4.0	4.0
Share premium		829.7	826.9
Capital reserves		376.1	376.1
EBT share reserves		(0.8)	(0.8)
Hedging reserve		0.1	(0.5)
Retained earnings		(496.0)	(496.1)
Equity attributable to owners of the Parent		713.1	709.6
Non-controlling interests		(4.4)	(4.8)
Total equity		708.7	704.8
Non-current liabilities			
Bank borrowings	15	321.8	421.8
Lease liability	16	753.9	751.0
Derivatives	17	–	–
Deferred tax liability		61.6	57.7
		1,137.3	1,230.5
Current liabilities			
Bank borrowings	15	1.8	5.7
Lease liability	16	88.7	86.8
Derivatives	17	–	0.7
Financial liabilities		–	1.9
Provisions	18	27.6	44.8
Trade and other payables	19	166.7	159.1
Income tax payable		3.1	3.1
		287.9	302.1
Total liabilities		1,425.2	1,532.6
Total equity and liabilities		2,133.9	2,237.4

Consolidated interim statement of cash flows

For the six months ended 30 June 2022

(£ million)	Notes	Six months ended 30 June (Unaudited)	
		2022	2021
Cash flows from operating activities			
(Loss) / profit before taxation		3.0	4.7
Adjustments for:			
Depreciation	7	51.2	47.5
Adjusting Items		1.3	2.3
Share-based payments	20	1.3	1.7
Fair value movement on financial assets		(0.9)	(0.6)
(Profit) / Loss on disposal of property, plant and equipment	7	0.1	(0.1)
Finance costs	9	46.0	41.5
		102.0	97.0
Movements in working capital:			
(Increase)/Decrease in trade and other receivables		(18.1)	(5.5)
Decrease/(Increase) in inventories		1.1	2.3
Decrease in trade and other payables		23.7	(8.0)
(Decrease)/increase in provisions		(17.2)	(0.1)
Cash generated from operations		91.5	85.7
Income tax received		—	—
Net cash from operating activities		91.5	85.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(44.1)	(31.6)
Proceeds of disposal of Sussex assets (Adjusting Item)		—	2.0
Proceeds of disposal of property, plant and equipment		0.1	0.1
Net cash used in investing activities		(44.0)	(29.5)
Cash flows from financing activities			
Bank interest paid		(13.3)	(6.5)
Lease interest paid		(33.8)	(32.7)
Payment of lease principal		(7.3)	(7.2)
Payment of bank borrowings		(100.0)	—
Purchase of non-controlling interests		(2.7)	—
Proceeds from the issue of shares		2.8	—
Net cash used in financing activities		(154.3)	(46.4)
Net increase in cash and cash equivalents		106.8	9.8
Cash and cash equivalents at beginning of period		202.6	106.3
Cash and cash equivalents at end of period		95.8	116.1
Adjusting items (note 10)			
Adjusting items included in the cash flow		(4.3)	2.0
Total Adjusting items		(5.6)	(2.3)

Notes to the preliminary announcement *continued*

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, listed on the London Stock Exchange and is incorporated, registered and domiciled in England and Wales (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 2022 was approved by the Board on 7 September 2022.

2. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with UK adopted International Accounting Standard 34 "Interim Financial Reporting". It does 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 2021. The condensed consolidated interim financial information has been reviewed, not audited.

The financial information contained in these interim statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Financial information for the year ended 31 December 2021 has been extracted from the statutory accounts which were approved by the Board of Directors on 2 March 2022 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group assessed going concern risk for a 12 month period through to 30 September 2023. As at 30 June 2022 the Group had cash of £96m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £100m. On 24 February 2022, the Group successfully refinanced its debt facilities with a syndicate of existing and new Lenders. As part of the refinancing exercise and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. The new arrangement has a maturity of 4 years, with the Group having the option to extend by another year before the first anniversary of the February 2022 completion date. The financial covenants relating to this new agreement are materially unchanged.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 30 September 2023, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the Directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

It should be noted that we are in a period of unprecedented geo-political and macro-economic uncertainty. Whilst the Directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly the actual financial impact of these risks may materially vary against the current view of their plausible impact.

3. Accounting policies

In preparing the condensed consolidated financial information, the same accounting policies, methods of computation and presentation have been applied as set out in the Group's Annual Report and Accounts for the year ended 31 December 2021. The accounting policies are consistent with those of the previous financial year and corresponding interim period.

The annual financial statements of the Group will be prepared in accordance with UK adopted International Accounting Standards (UK adopted International Financial Reporting Standards ("IFRSs")).

New standards, interpretations and amendments applied

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

The following amendments to existing standards were effective for the Group from 1 January 2022. These have not have had a material impact on the Group.

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract
- IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

4. Significant judgements and estimates

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

The significant judgements and estimates used in the application of the Group's accounting policies are the same as those described in the Group's Annual Report and Accounts for the year ended 31 December 2021 with the exception of the financial liability on business combination as the liability has been settled during the period.

Notes to the preliminary announcement *continued*

5. Non-current assets held for sale

Two properties remain as held for sale in the current period.

(£ million)	As at	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Spire St Saviours property	3.2	3.7
East Midlands Cancer Centre property (Bostocks Lane)	1.1	1.1
Total assets held for sale	4.3	4.8

The Group has accepted an offer in respect of Spire St Saviours Hospital, which closed in 2015, and the sale is expected to complete in H2 2022. It therefore remains as classified as held for sale as at 30 June 2022. The current sales price less costs to sell was less than the carrying value and therefore an impairment of £0.5m has been recognised in Adjusting Items.

The Group's management have committed to sell a parcel of land at Bostocks Lane as the Group has accepted an offer on the property. The sale is considered highly probable and the assessment has not changed. It therefore remains as classified as held for sale.

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)	
	2022	2021
Insured	265.2	231.3
NHS	145.6	185.4
Self-pay	174.1	129.9
Other	13.0	11.6
Total revenue	597.9	558.2

Group revenues increased by 7.1% to £597.9m versus H1 2021 of £558.2m. The increase in revenue in H1 22 is mainly driven by the strong performance of private patients, increased by 21.6% versus H1 2021. Total NHS revenue decrease by 21.5% as the Group operated under a COVID-19 specific NHS contract with a minimum volume guarantee in Q1 2021. NHS revenue in the period of £145.6m (H1 2021: £185.4m) includes amounts arising from specific COVID-19 contracts of £1.7m (H1 2021: £57.6m).

7. Operating profit

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

(£ million)	Six months ended 30 June (Unaudited)	
	2022	2021
Depreciation of property, plant and equipment	34.6	33.3
Depreciation of right of use assets	16.6	14.2
Lease payments made in respect of low value and short leases	6.7	6.7
Fair value loss on financial liability	0.8	—
Profit on disposal of property, plant and equipment ¹	0.1	(0.6)
Staff costs	233.9	220.7

¹ In 2021: £0.4m of the profit on disposal of Property, Plant and Equipment is included in Adjusting Items in respect of the shortening of the lease at Spire Sussex.

In FY21, the Group acquired 100% of the voting shares of Claremont Hospital Holdings Limited, which in turn owns 88.0% of the shares of Claremont Hospital LLP. On acquisition the agreement contained a put option, on a change of ownership, which allows the non-controlling interest holders to require the majority interest, Spire Healthcare, to purchase all of their shares which was valued at £1.9m at FY21. In March 2022, Spire Healthcare purchased the shares for £2.7m resulting in a fair value movement of £0.8m in the period.

Notes to the preliminary announcement *continued*

8. Other income

(£ million)	Six months ended 30 June (Unaudited)	
	2022	2021
Fair value movement on financial asset	0.9	0.6
Realised profit in respect of financial asset	0.3	—

The fair value movement in respect of the financial asset was recognised to reflect the on-going profit share arrangement with Genesis Care which arose as part of the sale of the Bristol Cancer Centre in 2019. £0.3m has been received in respect of this arrangement.

9. Finance costs

(£ million)	Six months ended 30 June (Unaudited)	
	2022	2021
Finance costs:		
Interest on bank facilities	9.5	8.1
Interest on obligations under leases	36.5	33.4
Total net finance costs	46.0	41.5

10. Adjusting Items

(£ million)	Six months ended 30 June (Unaudited)	
	2022	2021
Business reorganisation and corporate restructuring costs	3.3	—
Asset acquisitions, disposals, impairment and aborted project costs	1.9	2.6
Remediation of regulatory compliance or malpractice	0.3	(0.4)
Hospitals set up and closure costs	0.1	0.1
Total Adjusting Items	5.6	2.3
Income tax charge / (credit) on Adjusting Items	(0.8)	—
Total post-tax Adjusting Items	4.8	2.3

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

During H2 21, the Group announced a strategic, group wide initiative that impacts the operating model of the Group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. As a result of this initiative, costs of £3.3m have been incurred in the period.

Asset acquisitions, disposals, impairment and aborted project costs mainly comprise costs in respect of Claremont. Following the acquisition of Claremont Hospital in November 2021, the Group has incurred integration costs of £0.5m in the period. In addition, on 31 March 2022, the Group acquired the remaining non-controlling interest for £2.7m, of which £1.9m had been provided for in FY21. Therefore, £0.8m is included in Adjusting items (refer to note 7 for additional details). During the period, an impairment of £0.5m was recognised on the St Saviours property, classified as held for sale, as the sales price less costs to sell on the property was lower than the carrying value. The sale of the property is due to be completed in H2 2022. Other costs incurred mainly relate to the final business transfer of the Sussex Hospital to the NHS Trust which completed on 31 March 2022, as announced during FY21. In the prior period, £2.6m included costs of £2.8m, largely relating to the attempted takeover bid by Ramsay Health Care, offset by £0.4m of income as a result of shortening the Sussex lease (from 6 years to 1 year) following the agreement to transfer the business to the NHS Trust in March 2022.

Remediation of regulatory compliance or malpractice costs includes amounts paid to one of the Group's Insurers following the Court of Appeal hearing. £13.0m was provided in FY21, with £13.3m being settled in FY22. The £0.3m recognised in the period reflects this additional amount. In the prior year, a credit of £0.4m was recognised following the settlement of costs to Spire Healthcare from its insurer following the original judgment finding in favour of the Group in FY20.

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

Notes to the preliminary announcement *continued*

11. Taxation

(£ million)	Six months ended 30 June (Unaudited)	
	2022	2021
Current tax:		
UK Corporation tax charge	–	–
Total current tax charge	–	–
Deferred tax:		
Origination and reversal of temporary differences	0.5	1.6
Adjustments in respect of previous periods	3.1	2.3
Impact of rate change adjustment	–	17.7
Total deferred tax charge	3.6	21.6
Total tax charge	3.6	21.6

The tax charge for the period has been calculated using an estimate of the effective annual rate of tax for the full year. This has been applied to the pre-tax profits for the six months ended 30 June 2022. The Group has separately calculated the tax rates applicable in respect of discrete items, such as the vesting of the SAYE scheme, for the period. Adjustments in respect of previous periods reflect true ups between the amounts disclosed in the accounts to the final returns submitted with HMRC, with H1 2022 reflecting a change in estimate in respect of corporate interest restrictions which has impacted deferred tax.

The deferred tax charge in H1 2021 included a one off charge of £17.7m as a result of deferred tax assets and liabilities being revalued from 19% to 25% following the Government's announcement to increase the corporation tax rate which is due to take place on 1 April 2023. Whilst there is speculation of a change to the corporation tax rate with the appointment of the new Prime Minister, no change has been substantively enacted, and therefore deferred tax remains valued at the 25%. Should a change in the rate be enacted, the deferred tax assets and liabilities will be revalued at that point.

12. Earnings per Share (EPS)

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)	
	2022	2021
Loss for the period attributable to owners of the Parent (£ million)	(0.5)	(16.9)
Weighted average number of ordinary shares	401,519,952	401,082,216
Adjustment for weighted average number of shares held in the Employee Benefit Trust (EBT)	(128,690)	(239,483)
Weighted average number of ordinary shares in issue (No.)	401,391,262	400,842,733
Basic loss per share (in pence per share)	(0.1)	(4.2)

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)	
	2022	2021
Loss for the period attributable to owners of the Parent (£ million)	(0.5)	(16.9)
Weighted average number of ordinary shares in issue	401,391,262	400,842,733
Adjustment for weighted average number of contingently issuable shares	–	–
Diluted weighted average number of ordinary shares in issue (No.)	401,391,262	400,842,733
Diluted loss per share (in pence per share)	(0.1)	(4.2)

As the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However, 8,304,963 shares are potentially dilutive in the future.

The Directors believe that EPS excluding Adjusting items ("Adjusted EPS") better reflects the underlying performance of the business and assists in providing comparable performance of the group.

Notes to the preliminary announcement *continued*

Reconciliation of Profit to Profit excluding Adjusting items ("Adjusted profit"):

	Six months ended 30 June (Unaudited)	
	2022	2021
Loss for the period attributable to owners of the Parent (£ million)	(0.5)	(16.9)
Adjusting items (net of taxation) (see note 10)	4.8	2.3
Adjusted loss after tax (£ million)	4.3	(14.6)
Weighted average number of Ordinary Shares in issue	401,391,262	400,842,733
Weighted average number of dilutive Ordinary Shares	409,696,225	400,842,733
Adjusted basic earnings / (loss) per share (in pence per share)	1.1	(3.6)
Adjusted diluted earnings / (loss) per share (in pence per share)	1.0	(3.6)

13. Property, plant and equipment

(£ million)	Freehold property	Leasehold improvements	Equipment	Assets in the course of construction	Sub-total	Right of use asset	Total
Net book value at 1 January 2022	656.3	123.3	159.8	10.9	950.3	603.2	1,553.5
Additions	6.1	9.8	10.3	2.1	28.3	10.5	38.8
Disposals and transfers	(0.2)	(0.3)	5.6	(5.3)	(0.2)	—	(0.2)
Depreciation	(9.0)	(4.5)	(21.1)	—	(34.6)	(16.6)	(51.2)
Net book value at 30 June 2022	653.2	128.3	154.6	7.7	943.8	597.1	1,540.9

Right of use assets are included in the following property, plant and equipment categories:

(£ million)	Leasehold Property	Equipment & motor vehicles	Total
Net book value at 1 January 2022	597.3	5.9	603.2
Additions	0.5	10.0	10.5
Depreciation	(15.0)	(1.6)	(16.6)
Net book value at 30 June 2022	582.8	14.3	597.1

Impairment testing

The Directors consider property and property right of use assets for indicators of impairment at least annually, or when there is an indicator of impairment. When making the assessment, the value-in-use of the property is compared with its carrying value in the accounts. The value-in-use was calculated in line with the Group's forecast and sensitivities reflected in the Intangible impairment review. Where headroom is significant, no further work is undertaken. Where headroom is minimal, the property is reviewed in more detail, reviewing the factors driving underperformance. No impairment charge was taken in the period.

The value-in-use calculations require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. The present value of these cash flows is determined using an appropriate discount rate and market conditions covering the four and a half-year period to December 2026. The Group has used a discount rate of 9.7% (2021 year end: 8.5%), adjusted for the effects of IFRS 16. A long-term growth rate of 2% has been applied to cash flows beyond 2026.

Management identified a number of key assumptions relevant to the property impairment calculations, being Adjusted EBITDA growth, which is impacted by an interaction of a number of elements and assumptions regarding revenue, cost inflation, capex maintenance spend, discount rates and terminal growth rates. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market conditions. Management undertook sensitivity and determined that should the discount rate increase by 30 basis points (bp) with all other assumptions remaining equal, sufficient headroom would remain.

14. Intangible asset

(£ million)	Total
Cost or valuation:	
At 31 December 2021 & 30 June 2022	535.8
Impairment:	
At 31 December 2021 & 30 June 2022	201.0
Carrying amount:	
At 30 June 2022	334.8
At 31 December 2021	334.8

Notes to the preliminary announcement *continued*

Impairment testing

The Directors treat the business as a single cash-generating unit for the purposes of testing goodwill for impairment. The recoverable amount of goodwill is calculated by reference to its estimated value-in-use. In order to estimate the value-in-use, management has used trading projections covering the period to December 2026.

Management identified a number of key assumptions relevant to the value-in-use calculations, being revenue growth, which is impacted by an interaction of a number of elements of the operating model, including pricing trends, volume growth and the mix and complexity of discharges, assumptions regarding cost inflation and discount rate. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market trends.

The Group has used a discount rate of 9.7% (2021 year end: 8.5%), adjusted for the effects of IFRS 16. A long-term growth rate of 2% has been applied to cash flows beyond 2025.

A sensitivity analysis has been performed in order to review the impact of reasonable, possible changes in key assumptions. For example, an increase of 100 basis points (bp) in the pre-tax discount rate, with all other assumptions held constant, or, reducing the terminal growth rate to 1.50% in the period beyond 2026, with all other assumptions held constant, would not result in an impairment charge (H1 2021: nil impairment was booked).

15. Bank Borrowings

The bank loans are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the Group. On 24 February 2022, the Group successfully refinanced its debt facilities with a syndicate of existing and new Lenders. As part of the exercise and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. The new arrangement has a maturity of 4 years, with the Group having the option to extend by another year before the first anniversary of the February 2022 completion date. The financial covenants relating to this new agreement are materially unchanged.

For accounting purposes the loan and associated deferred and amortised fees have been treated as an extinguishment under IFRS 9, as a result £3.1m has been recognised within finance costs in the income statement.

(£ million)	As at	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Amount due for settlement within 12 months	1.8	5.7
Amount due for settlement after 12 months	321.8	421.8
Total bank borrowings	323.6	427.5

Net debt for the purposes of the covenant test in respect of the Senior Loan Facility was £229.2m (December 2021: £222.4m) and the net debt to EBITDA ratio was 2.2x (December 2021: 2.3x). The net debt for covenant purposes comprises the senior facility of £325.0m less cash and cash equivalents. EBITDA for covenant purposes comprises Adjusted EBITDA for Last Twelve Months (LTM) of pre-IFRS 16 Adjusted EBITDA of £111.3m (December 2021: 106.0m) less the rental of a finance lease pre-IFRS 16 of £9.3m (2021: £9.1m).

Terms and debt repayment schedule

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

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

(£ million)	Maturity	Margin over SONIA	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Senior finance facility ⁽¹⁾	February 2026	2.05%	323.6	428.2
Revolving credit facility (undrawn committed facility)	February 2026		100.0	100.0

1. In the prior period the difference between the carrying amount of the facility and the value of the debt repayment schedule is a modification fee on the loan extension and is deferred and amortised in accordance with IFRS 9 loan modification accounting. On refinancing in the current period, these amounts have been accelerated and recognised in the Income Statement as a result of the refinancing being treated as an extinguishment for accounting purposes.

Notes to the preliminary announcement *continued*

Changes in bank borrowings arising from financing activities

(£ million)

	1 January	Cash flows	Non-cash changes	Other ¹	30 June
2022					
Bank loans	427.5	(113.4)	8.5	1.0	323.6
Total	427.5	(113.4)	8.5	1.0	323.6

1. Other relates to fees incurred on the refinanced debt which are deferred and amortised in accordance with IFRS 9 loan modification accounting. Non-cash changes reflect interest charged on the loan.

(£ million)

	1 January	Cash flows	Non-cash changes	Loan modification	30 June
2021					
Bank loans	420.8	(6.5)	7.6	0.5	422.4
Total	420.8	(6.5)	7.6	0.5	422.4

16. Lease liability

The Group has finance arrangements in place in respect of hospital properties, vehicles, office and medical equipment. The leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries in the Group. Leases, with a present value liability of £842.6m (H1 21: £750.6m), expire in various years to 2042 and carry a blended implicit interest rate of 8.4% (2021: 9.0%). Rent in respect of hospital property leases are reviewed annually with reference to RPI, subject to assorted floors and caps. The discount rate used is calculated on a lease-by-lease basis, and based on estimates of incremental borrowing rates.

Changes in lease liabilities arising from financing activities

(£ million)

	1 January	Cash flows	Non-cash changes	Additions	Disposals / modification	30 June
2022						
Lease liabilities	837.8	(41.1)	35.4	10.5	–	842.6
Total	837.8	(41.1)	35.4	10.5	–	842.6

(£ million)

	1 January	Cash flows	Non-cash changes	Additions	Disposals / modification	30 June
2021						
Lease liabilities	749.5	(39.9)	33.4	9.8	(2.2)	750.6
Total	749.5	(39.9)	33.4	9.8	(2.2)	750.6

In the period, the Group recognised charges of £6.7m (2021: £6.7m) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken. Cash outflows in respect of these are materially in line with the expense recognised, resulting in a total cash outflow for all leases of £47.8m (2021: £46.6m). The Group has not made any variable lease payments in the year. The Group is not a lessor for any leases to external parties. There have been no (2021: no) sale and leaseback transactions in this period.

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

17. Derivatives

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

(£ million)	As at	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Amount due for settlement within 12 months	–	0.7
Amount due for settlement after 12 months	–	–
Total derivatives	–	0.7

The interest rate swap matured on the 22nd July 2022 resulting in an insignificant carrying value as at 30 June 2022. The Group entered into new interest rate swaps on the 25th July 2022. The movement in respect of derivatives reflects £0.8m (December 2021: £1.2m) recycled in the period and a £0.1m charge (December 2021: £0.4m credit) in fair value. All movements are reflected within other comprehensive income.

Notes to the preliminary announcement *continued*

18. Provisions

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

(£ million)	Medical malpractice	Business restructuring and other	Total
At 1 January 2022	42.0	2.8	44.8
Increase in existing provisions	3.2	0.5	3.7
Provisions released	(0.2)	–	(0.2)
Provisions utilised	(20.0)	(0.7)	(20.7)
At 30 June 2022	25.0	2.6	27.6

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. During the period £3.2m was added due to additional claims received. Amounts are shown gross of insured liabilities. Insurance recoveries of £7.6m (December 2021: £7.4m) are recognised in other receivables. This drives the majority of the movement in the Medical Malpractice provision with the exception of the Insurer settlement. Following the Court of Appeal judgment in H2 2021, relating to the ongoing legal action between the Group and its Insurer, finding in favour of the Insurer, Spire Healthcare settled £13.0m in the period which is reflected as utilised during the period.

Following the completion of the criminal proceedings against Ian Paterson, a Consultant who previously had practicing privileges at Spire Healthcare, management agreed settlement with all current and known civil claimants (and the other co-defendants) and made a provision for the expected remaining costs in FY20. The provision is being utilised, but no addition has been made in H1 2022. This provision remains subject to ongoing review following the publication of the Public Inquiry report on Paterson issued on 4 February 2020, as the Group continues to assess the potential impact of the recommendations, but no adjustment has been made to the overall project and claims provision in this period. It is possible that, as further information becomes available, an adjustment to this provision will be required, but at this time, it reflects management's best estimate of the costs.

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

As at 30 June 2022, the remaining Business Restructuring and Other provisions primarily includes non-patient claims made against the Group. The Group is in the process of settling or defending such claims as appropriate.

Provisions as at 30 June 2022 are materially considered to be current and expected to be utilised at any time within the next twelve months.

19. Trade and other payables

(£ million)	As at	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade payables	65.6	51.7
Accrued expenses	54.4	52.6
Social security and other taxes	9.7	8.3
Other payables	37.0	46.5
Trade and other payables	166.7	159.1

Accrued expenses includes holiday pay accrued of £9.1m (December 2021: £9.1m) due to staff deferring leave to maintain operations throughout the COVID-19 pandemic.

Other payables includes an accrual for pensions and payments on account. Revenue in respect of payments on account are not recognised until the performance obligation has been met. At June 2022, the balance of payments on account was £10.7m (December 2021: £9.9m), and other credit balances, largely relating to NHS credits, were £21.4m (December 2021: £25.8m).

20. Share-based payments

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

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost recognised in the income statement was £1.3m in the six months ended 30 June 2022 (2021: £1.7m). Employer's National Insurance is also being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the period was £0.2m (2021: £0.2m).

A summary of additional schemes opened in the period are shown below:

Long Term Incentive Plan

On 14 March 2022, the Company granted a total of 3,097,060 options to the Executive directors and other senior management. The options will vest based on return on capital employed ('ROCE') (35%) targets for the financial year ending 31 December 2024, relative total shareholder return ('TSR') (35%) targets on performance over the three year period to 31 December 2024 and operational excellence ('OE') (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2032. The Executive Directors are subject to a 2 year holding period, whilst other senior management are not.

Deferred Share Bonus Award

On 14 March 2022, the Company granted a total of 142,427 options to Executive directors, with a vesting date of 14 March 2025. There are no performance conditions in respect of the scheme and is subject to continued employment.

Notes to the preliminary announcement *continued*

Sharesave scheme

On the 24 April 2022, the Company granted 3,800,557 options to employees with a vesting date of 1 June 2025. There are no performance conditions in respect of the scheme. Upon vesting, the options will remain exercisable for 6 months. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

21. Financial risk management and impairment of financial assets

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

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

Note 30 in the Annual Report and Accounts 2021 sets out the Group's policies and processes for measuring and managing risk. These have not changed significantly during the period to 30 June 2022.

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring in normal circumstances. A large proportion of revenue arise from insured patients' business and the NHS. Insured revenues give rise to trade receivables which are mainly due from large insurance institutions, which have high credit worthiness. The remainder of revenues arise from individual self-pay patients and Consultants. Individual self-pay patients continues to be the largest risk for the Group given the current economic uncertainty. The Expected Credit Loss ("ECL") as at June 2022 is £4.2m (December 2021: £4.1m).

The Group establishes an allowance for impairment that represents its expected credit loss in respect of trade and other receivables. This allowance is composed of specific losses that relate to individual exposures and also an expected credit loss component established using rates reflecting historic information for payor groups, and forward looking information. Given the continued economic uncertainty, the Group has considered the provision required, specifically for self-pay patients and maintained an adjustment to the provision accordingly, which is in line with the position at December 2021.

Investments

The Group limits its exposure to credit risk by only investing in short-term money market deposits with large financial institutions, which must be rated at least Investment Grade by key rating agencies.

Interest rate risk

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

	Variable	Total	Undrawn facility
30 June 2022 (£ million)	325.0	325.0	100.0
Effective interest rate (%)	3.19%	3.19%	
31 December 2021 (£ million)	425.0	425.0	100.0
Effective interest rate (%)	2.96%	2.96%	

The following derivative contracts were in place at 30 June 2022 (December 2021: £0.7 million liability):

(£ million)	Interest rate	Maturity date	Notional Amount	Carrying value Asset / (Liability)
Interest rate swap	1.2168%	22 July 2022	213.0m	—

The fair value of the above instrument is considered the same as its carrying value. In line with disclosures in note 30 of the 2021 Annual report and accounts, the above instrument uses level 2 of the fair value hierarchy to measure the fair value of the instrument. The interest rate swap matured on the 22nd July 2022 resulting in the value of the derivative being insignificant as at 30 June 2022.

Notes to the preliminary announcement *continued*

Sensitivity analysis

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

(£ million)	Profit or loss		Equity	
	25bp increase	25bp decrease	25bp increase	25bp decrease
30 June 2022				
Variable rate instruments	(0.3)	0.3	(0.3)	0.3
31 December 2021				
Variable rate instruments	(0.5)	0.5	(0.5)	0.5

Liquidity risk

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

(£ million)	Maturity analysis				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	More than 2 years
Trade and other payables	157.0	157.0	157.0	—	—
Bank borrowings	323.6	383.8	13.7	16.8	353.3
Lease liabilities	842.6	1,789.6	88.7	89.0	1,611.9
	1,323.2	2,330.4	259.4	105.8	1,965.2
Derivative interest rate swap	—	0.1	0.1	—	—
Total	—	0.1	0.1	—	—

(£ million)	Maturity analysis				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	More than 2 years
Trade and other payables	150.8	150.8	150.8	—	—
Bank borrowings	427.5	449.6	12.8	436.8	—
Lease liabilities	837.8	1,819.3	86.8	87.0	1,645.5
Financial liability	1.9	1.9	1.9	—	—
	1,418.0	2,421.6	252.3	523.8	1,645.5
Derivative interest rate swap	0.7	1.2	1.2	—	—
Total	0.7	1.2	1.2	—	—

Capital management

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

(£ million)	As at	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Committed undrawn revolving credit facility	100.0	100.0
Cash and cash equivalents	95.8	202.6

Capital commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the balance sheet date. They include the full costs of goods and services to be provided under the contracts through to completion. The Group has rights within its contracts to terminate at short notice, and therefore, cancellation payments are minimal.

Capital commitments at the balance sheet date were £33.6m (December 2021: £29.1m).

Notes to the preliminary announcement *continued*

Bases of valuation

As of 30 June 2022, except for the interest rate swap and the financial asset, the Group did not hold financial instruments that are included in level 1, 2 or 3 of the hierarchy.

Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The carrying value of debt is approximately equal to its fair value. During the period, there were no transfers between the levels in the fair value hierarchy.

A derivative is a financial instrument whose value is based on one or more underlying variables. The Group uses derivative financial instruments to hedge its exposure to interest rate risk. Derivatives are not held for speculative reasons. Fair values are obtained from market observable pricing information including interest rate yield curves and have been calculated as follows; fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

The financial asset reflects a profit share arrangement with a partner. There are no market observable prices for the valuation. Management therefore assesses forward looking information and appropriate discount rates and risk factors to determine the fair value. Sensitivities are also taken into account when reviewing the fair value.

As at 30 June 2022, the Group held the following financial instruments measured at fair value. There has been no change in the hierarchy categories during the period.

Instruments measured at fair value
(£ million)

	Value as at 30 June 2022	Value as at 31 December 2021	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss					
Profit share arrangement	3.2	2.3	—	—	3.2
Financial liabilities at fair value through profit or loss and using hedge accounting					
Interest rate swaps	—	0.7	—	—	—
Financial liabilities at fair value on acquisition of a subsidiary					
Share put option	—	1.9	—	—	1.9

In the period, Spire Healthcare received a profit share in respect of the financial asset of £0.3m. In addition a fair value movement of £0.9m was recognised in the income statement, and remains unrealised. The movement on the interest rates swaps related wholly to fair value movements, and is unrealised. The movement on the share put option is fully realised as the options were exercised during the period.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3: techniques which use the inputs which have a significant effect on the recorded fair value that are not based on observable market data.