SURGERY

Meeting the needs of a changing NHS

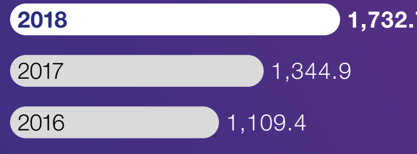
Annual Report and Accounts 2018

Financial highlights

Investment property (£m)

£1,732.7m

▲ up by 28.8%



Diluted EPRA NAV (p)*

52.4p

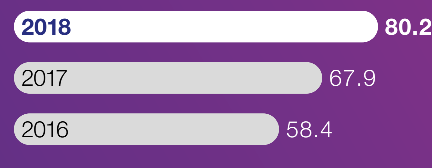
▲ up by 6.3%

* See Note 8

Net rental income (£m)

£80.2m

▲ up by 18.1%



Profit before tax (£m)

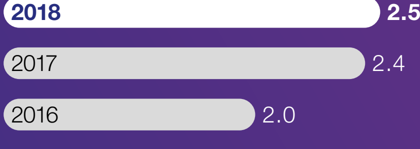
£71.8m

▼ down by 24.6%

EPRA EPS (p)**

2.5p

▲ up by 4.2%



** See Note 7

Total dividends paid (p)

2.46p

▲ up by 9.3%

Available online at:
www.assuraplc.com

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Premises fit for the future

In the NHS's 70th year, the buildings in which patients receive their care are under unprecedented strain. Our growing, ageing population needs more from the NHS than ever before, and its estate is feeling the pressure.

Primary care buildings – the places where more than 90% of patient contact in the NHS takes place – are being asked to accommodate more staff, and provide seven-day access to general practice and a bigger range of services closer to home. By improving its physical infrastructure, the NHS is equipping itself for the task.

The third party development model is playing a vital role. Since we began our work, we have now invested more than £350 million (in addition to acquistions of more than £1.2 billion) in improving existing GP buildings and in developing new, modern premises, meaning that patients are getting their care in fit-for-purpose surroundings – helping to create a primary care estate today that is in shape for the NHS of tomorrow.

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Additional information

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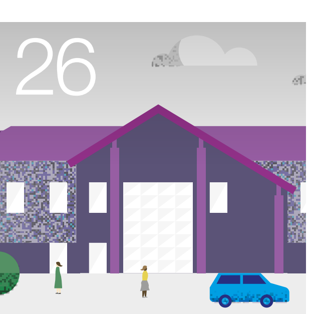
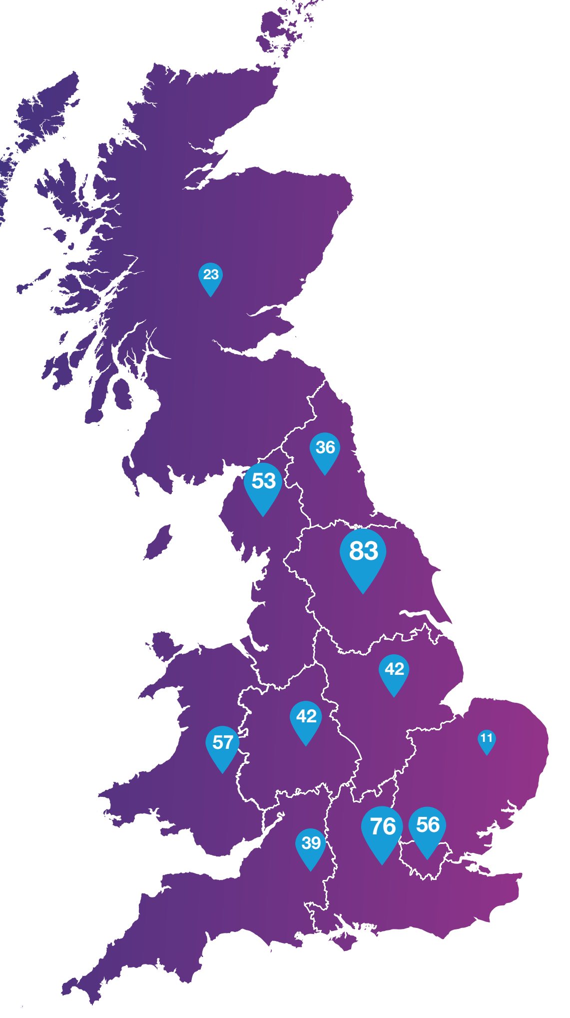


Our business at a glance

Investing to support the primary healthcare infrastructure.



Medical centres valued over £10 million

Building official name	Town	Build date	Sq.m	List size	NHS rent %
Ashfields Health Centre	Sandbach	2004	2,681	24,388	88%
Aspen Centre	Gloucester	2014	3,481	21,354	91%
Bonnyrigg Medical Centre	Bonnyrigg	2005	4,074	22,168	97%
Church View Medical Centre	South Kirkby	2013	2,812	14,020	91%
Church View Primary Care Centre	Nantwich	2008	3,322	24,440	88%
Crompton Health Centre	Bolton	2007	2,964	11,043	88%
Dene Drive Primary Care Centre	Winsford	2007	2,988	24,083	87%
Dickson House	Basingstoke	2007	2,318	37,435	67%
Eagle Bridge Health & Wellbeing Centre	Crewe	2007	6,261	43,712	90%
Fleetwood Health & Wellbeing Centre	Fleetwood	2012	5,857	11,839	91%
Freshney Green Primary Care Centre	Grimsby	2009	6,796	28,439	87%
Frome Medical Centre	Frome	2012	4,087	29,036	83%
Hall Green Health Centre	Birmingham	2003	2,406	25,674	86%
Malmesbury Primary Care Centre	Malmesbury	2008	3,205	15,697	90%
Market Drayton Primary Care Centre	Market Drayton	2005	3,667	17,645	90%
Moor Park Medical Centre	Blackpool	2011	5,217	28,966	95%
North Ormesby Health Village	North Ormesby	2005	7,652	18,068	66%
Northgate Health Centre	Bridgnorth	2007	3,589	16,475	91%
One Life Building	Middlesbrough	2005	3,327	9,882	94%
Parkshot Medical Centre	Richmond	2014	974	12,377	100%
Severn Fields Health Village	Shrewsbury	2012	6,086	17,279	94%
South Bar House	Banbury	2009	3,691	32,941	89%
Sudbury Community Health Centre	Sudbury	2014	2,937	9,760	100%
Tees Valley Treatment Centre	Middlesbrough	2018	4,389	–	n/a
The Surgery @ Wheatbridge	Chesterfield	2008	2,943	15,292	83%
Todmorden Medical Centre	Todmorden	2008	4,467	13,466	92%
Turnpike House Medical Centre	Worcester	2006	4,257	28,908	91%
Waters Green Medical Centre	Macclesfield	2006	6,007	61,405	93%

Portfolio analysis by capital value

	Number of properties	Total value £m	Total value %
>£10m	29	437.5	26
£5–10m	67	440.3	26
£1–5m	315	764.3	45
<£1m	107	67.5	3
	518	**1,709.6**	**100**

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	172	664.0	39
South	182	557.2	33
Midlands	84	313.3	18
Scotland	23	50.3	3
Wales	57	124.8	7
	518	**1,709.6**	**100**

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	61.8	68
NHS body	14.6	16
Pharmacy	7.4	8
Other	7.2	8
	91.0	**100**

EPRA summary table

	2018	2017
EPRA EPS (p)	**2.5p**	2.4p
EPRA NAV (p)	**52.4p**	49.4p
EPRA NNNAV (p)	**51.8p**	44.7p
EPRA NIY (%)	**4.77%**	5.05%
EPRA “topped-up” NIY (%)	**4.81%**	5.05%
EPRA Vacancy Rate	**1.8%**	2.1%
EPRA Cost Ratio (including direct vacancy costs) (%)	**13.0%**	13.7%
EPRA Cost Ratio (excluding direct vacancy costs) (%)	**12.0%**	12.4%

See a detailed rationale for each performance measure on pages 42 and 43.

Development pipeline

Completed 2017/18

Kibworth Medical Centre, Leicester
975 sq.m

Mountview Surgery & Children’s Centre, Swansea
979 sq.m

Tees Valley Treatment Centre, Middlesbrough
4,389 sq.m

West Gorton Medical Centre, Greater Manchester
1,280 sq.m

Wivenhoe Surgery, Colchester
628 sq.m

Woodville Surgery, Derbyshire
993 sq.m

On site 2018/19

Brixworth Surgery, Northampton

Canolfan Feddygol Porthcawl Medical Centre, Porthcawl

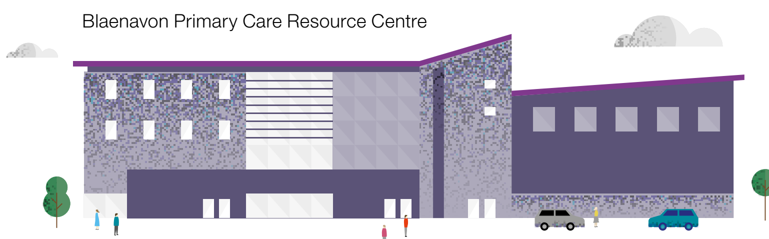
Darley Dale Medical Centre, Derbyshire

Durham Diagnostic Treatment Centre, Durham

Stow Surgery, Stow-on-the-Wold

Pipeline

10 schemes, £47 million approximate value


Blaenavon Primary Care Resource Centre

Read more
Business review page 38

Chairman's statement

We're innovating now to create an estate that's fit for the NHS of the future.

Simon Laffin
Non-Executive Chairman

EPRA EPS

2.5p

▲ up by 4.2%

Dividends paid per share

2.46p

▲ up by 9.3%

Dear Shareholder

Assura exists to provide premises to the UK's primary care sector and we are proud of our role in supporting the public health of the UK. The NHS is often maligned, but it is in fact a great organisation providing free health services to everyone, based on need not means, and at a cost that is competitive in international terms. It is widely accepted now that the NHS needs to leverage its investment in primary care more effectively in order to relieve the strain on secondary care and to reduce costs whilst improving patient outcomes. When the Government makes this change of emphasis, as surely it must, Assura will be well placed to assist by providing further private sector capital to enhance primary care premises, enabling GPs to provide more services and attend to more patients.

The NHS is Assura's prime customer, accounting for 84% of our total rent roll. Some 7.5% of the UK's NHS patients now use our premises. This important social dimension to our work is reflected in our alignment with the values of the NHS and our commitment to the highest standards of ethics and integrity.

Over the last 12 months, Assura has continued to grow, providing more and better premises to the primary care sector. Our property portfolio has been expanded significantly, through both acquisitions and new developments. We now own and manage 518 premises, up by 120 since last year. Over the period under review we have added £314 million of property and this, together with the £170 million of property additions in the previous year, increased our net rental income by 18% to £80.2 million.

Thanks to the continued support of our shareholders we were able to raise £409 million in two separate equity raises in June 2017 and December 2017. This support has enabled us to fund our investment programme and restructure some of our more expensive debt facilities. We are well advanced in implementing our plan to deploy these proceeds.

We remain the UK's largest developer and owner-manager of primary healthcare property with a property portfolio valued at over £1.7 billion. The increased scale of our operations and our strong financial position have assisted us in obtaining better terms on our debt. We have signed new unsecured debt facilities of £200 million, lowering the overall cost of borrowings by 94 basis points to 3.12%.

Following the two equity raises in the year our loan to value ("LTV") fell from 37% to 26% at the year end. We have stated previously that we are comfortable with LTV increasing to a level between 40% and 50%, so the current position gives us a significant level of headroom for future investment. We are continuing to source attractive opportunities and currently have a £152 million pipeline of further property acquisitions and developments in solicitors' hands.

A key part of our strategy is our unique partnership with GPs, to whom we offer all elements of property service. This provides GPs with a long-term partner approach throughout the lifecycle of a medical centre, from first idea for a new surgery through the NHS business case; the development and build of the new surgery; moving in; sale of the old property; and maintenance of the new premises over the next 25 plus years. Our ability to "develop, invest and manage" gives us a crucial advantage when securing new development opportunities and other asset management initiatives. Moreover, our model is highly scalable meaning that, as we grow, the benefits of scale accrue to shareholders through a growing dividend stream. The benefit of this model has been illustrated again this year as net rental income rose by 18% to

Our investment case

Assura is one of the UK's leading primary care real estate investors and developers, supporting the future requirements of the NHS. As a trusted partner of GPs, our scalable platform and robust balance sheet enable us to deliver sustainable returns.

1. Leader in the provision of primary care real estate with a strong brand nurtured through long-term partnerships with GPs and delivering value for money to the NHS.
2. Strong balance sheet together with sustainable, covered and progressive dividend policy.
3. Capitalising on acquisition and development opportunities supported by a scalable platform to address growing demand.
4. Low risk, growing portfolio providing a recurring and predictable revenue stream.

Market Weighton Group Practice

£80.2 million and EPRA earnings rose by 24% to £50 million, and profit before tax was £71.8 million.

Dividends

We aim to deliver superior risk adjusted returns to our shareholders and a key component of this return is a growing, covered dividend. In January 2018 the Board increased the quarterly dividend payment by 9% to 0.655 pence per share. This represents an increase of nearly one third from the level of 0.5 pence per share paid three years ago.

Shareholder engagement

We are committed to the highest standards of financial transparency and believe a significant investment in investor relations activity is a key responsibility for any public company. We have held 141 meetings with investors during the year and I am delighted to welcome a number of significant new shareholders onto our register.

Our people and the Board

Following the appointment of Jonathan Murphy as CEO in February 2017, we then recruited a very talented new CFO in Jayne Cottam, who joined us in September 2017. Jayne brings a wealth of financial and debt strategy experience as well as a keen mind. Andrew Darke retired from the Board on 31 March 2018 after 14 years of sterling service, although I am pleased to report that he continues to support the business as an advisor.

I indicated to the Board last year that I was considering retiring, and as a result Ed Smith was appointed as a Non-Executive Director in October 2017 with a view to succeeding me as Chairman. On 22 March 2018, I announced my intention to retire at the conclusion of the AGM and the Board has announced that it intends to appoint Ed Smith as Chairman at that time. Ed has a long and successful career in finance as well as deep experience of the health service and government and this will serve us well when he becomes Chairman of this Company.

Assura has undergone much change since I joined back in August 2011. We refocused to become a pure property company, sold non-core activities, simplified the Group structure, launched five equity issues to raise a total of £933 million, refinanced our debt, became a REIT and entered the FTSE 250 index. Over this period, our property portfolio increased from some £500 million to £1.7 billion today, and our market capitalisation increased from £120 million at its low point to just over £1.4 billion today. The business is now in excellent shape with a leadership position in its chosen market, a supportive shareholder base and a strong financial position to underpin future growth.

We have 50 people employed in Assura and, on behalf of the Board, I would like to thank each and every one of them for their hard work, dedication and contribution to the success of the business. They are the key to Assura's success.

Looking ahead

Assura has the strongest balance sheet in the sector and we are well placed to continue investing in primary care property, which remains a very fragmented market. In addition, we remain focused on carefully managing our existing portfolio with our in-house management team striving to deliver the highest standard of customer service and operational excellence for the nation's GPs, while also maximising the value of our portfolio through asset management initiatives.

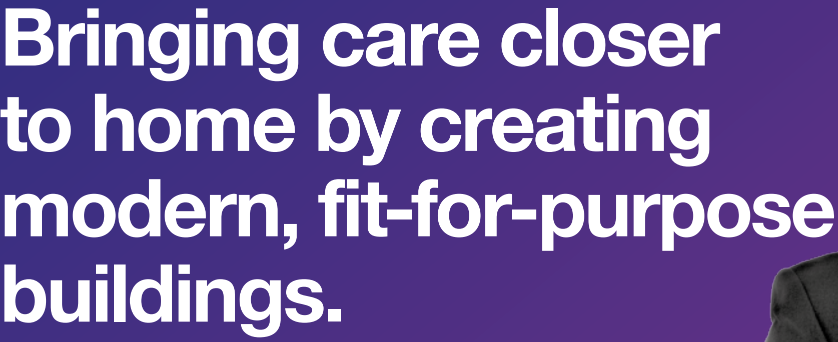
Although the policy consensus across all mainstream parties to increase emphasis and investment in primary care is more positive now than ever before, we remain frustrated by the slow progress in transforming policy into meaningful investment. Everyone seems to agree that better healthcare hinges on more care being provided in the primary sector. Having more doctors and better leveraging their expertise through ancillary healthcare professionals will require more and better premises. We stand ready to support this essential investment in NHS infrastructure by offering a powerful combination of the right skills, relationships and capital to make such plans a reality on the ground.

Simon Laffin
Non-Executive Chairman
22 May 2018

CEO review

Bringing care closer to home by creating modern, fit-for-purpose buildings.

Jonathan Murphy
CEO



Investment property value

£1,732.7m

▲ up by 28.8%

Rent roll

£91.0m

▲ up by 21.5%

Overview

Assura has continued to deliver significant growth in 2018, adding 120 medical centres to create a portfolio of 518 properties at the year end.

The UK primary care market remains highly fragmented with approximately 9,000 medical centres and so this represents a market share of around 6%.

Assura maintains a distinct model that offers investment, development and management of premises to our GP customers. This multi-faceted approach enables us to understand better the requirements of the GPs and to anticipate their future needs, thus giving us an advantage in securing investment or development opportunities. This has been a key factor behind our success in adding £314 million of property additions. We continue to source many schemes off market, taking advantage of our relationships and market knowledge to identify opportunities that are not widely advertised.

I would specifically highlight four successful portfolio transactions in the year which between them included 57 properties for a gross consideration of £134 million. They neatly reflect our long-term approach to business as we had been patiently tracking several of these deals for a number of years to ensure that we were in pole position when the opportunities materialised.

Delivering long-term outperformance in property returns

Assura is a constituent of the IPD All Healthcare Index and over the last five years we have delivered an annualised ungeared return of 9.9% which compares favourably to the Index at 9.4% over the same period.

Moreover, these strong returns have been achieved against a background of historically low levels of development activity. Development activity enhances our returns in two ways: firstly, we are typically able to develop new premises at an effective yield on cost that is 100 basis points higher than achieved through buying existing premises; and secondly, developments provide evidence of construction cost inflation that in turn drives rental growth.

Our 518 medical centres, which are geographically diverse and collectively serve more than 7.5% of the UK's population, currently have a rent roll of £91.0 million. Our investment approach is to identify and acquire those assets we believe are best in class in their local catchment areas and facilitate provision of a broad range of services to their local communities. We believe such properties provide better prospects for lease renewal on expiry and so drive higher property returns over the long term.

A good example of this approach is seen in our acquisition of Argyle Surgery Medical Centre, which was acquired off market after a direct approach through

our marketing team. This centre today serves over 24,000 patients and as such is the largest practice in Wales. It provides almost 20 additional services on site including counselling, phlebotomy, asthma treatment, coronary disease clinics and a minor surgery suite.

At the same time, we are prepared to acquire shorter leases, and then use our property skills to redevelop or enhance the premises, whilst seeking to re-gear the lease to a longer period.

Rental income

The key driver of our property return is the income from our long-term leases. In the year, rental growth was 1.7% from settled rent reviews. Most of our rent reviews are on an open market basis, set by reference to rental awards agreed with the District Valuer on new schemes. This means that rents are influenced by land and construction cost inflation over the medium term. While there has been significant inflation in these costs in recent years, this is not yet fully reflected in our passing rents as the slowdown in new schemes has reduced the available evidence of that inflation. Our portfolio is well placed to capture this rental growth once new development activity picks up and this gives us confidence in rental growth prospects over the medium term.

Capital growth

The balance of our ungeared annualised return is generated from capital growth, which has seen a like-for-like valuation growth of 6.9% in the past year. This increase has primarily come from a movement in yields, with our net equivalent yield moving down by 31 basis points over the past year. The portfolio net initial yield as at 31 March 2018 was 4.80%.

We completed six developments during the year at a total development cost of £31.3 million. This has added £1.6 million to our annual rent roll.

We also add value through active asset management of our properties, working with our GP tenants on proposals for physical extensions or agreeing new or extended lease terms. We have done this at Wide Way Medical Centre, where working with the practice and the NHS, with part funding from the NHS London Improvement Grant Fund, we were able deliver a 195 sq.m extension. This provides five new patient consultation rooms, a minor operations suite and a conference room, as well as improved reception, waiting and administration areas allowing the premises to provide seven day extended access to primary care. As part of this new extension Assura was able to agree a new 25-year lease with the GP tenant. Overall, during the year we agreed three extensions, 13 new leases and 15 lease extensions, significantly improving surgery provision for some 235,000 patients, whilst adding a further £0.5 million to our rent roll.

The combined impact of our investment and asset management activity has been to achieve a 6% growth in EPRA NAV to 52.4 pence per share.

Maximising operational efficiency

GPs are our principal customer, so we naturally measure ourselves against their satisfaction with what we do for them and the best test of this is whether our GPs would recommend us to other GPs. In our annual tenant satisfaction survey, over 96% of our tenants said they would recommend us as potential landlords to other GPs. This is reflected in the fact that our GPs remain our greatest source of referrals for new business. We continue to focus on understanding their evolving needs and demands, so we can be at the forefront of the significant investment required in improving premises going forward.

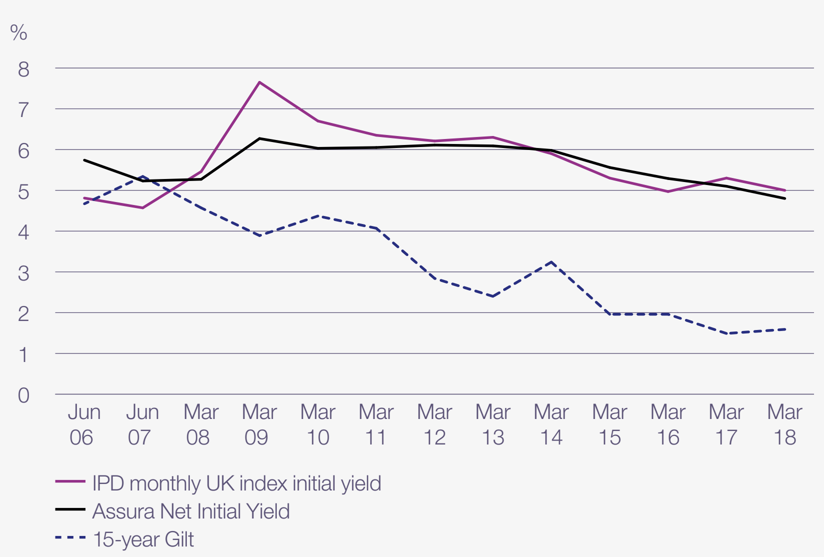
Our team of portfolio and investment managers are responsible for identifying value enhancing asset management opportunities, such as lease extensions and redevelopments within our existing estate, as well as new acquisition opportunities.

This approach enables us to optimise the efficiency with which we can translate increased rental income into underlying profit and hence dividends. In the year we have delivered a 24% growth in EPRA earnings to £50.0 million, which has been achieved from a combination of 18% growth in our net rental income and

Castle Medical Group, Ashby-de-la-Zouch

Net initial yield movement

The attractiveness of the sector has resulted in a stable yield profile with modest yield compression in recent years.



CEO review continued

a reduction from 14% to 13% in our EPRA Cost Ratio. Profit before tax was £71.8 million.

The overall impact of all of these factors has enabled us to increase our quarterly dividend from January 2018 by 9% to 0.655 pence per share, which is the sixth successive dividend increase over a period of six years.

Continued focus on our specialist sector

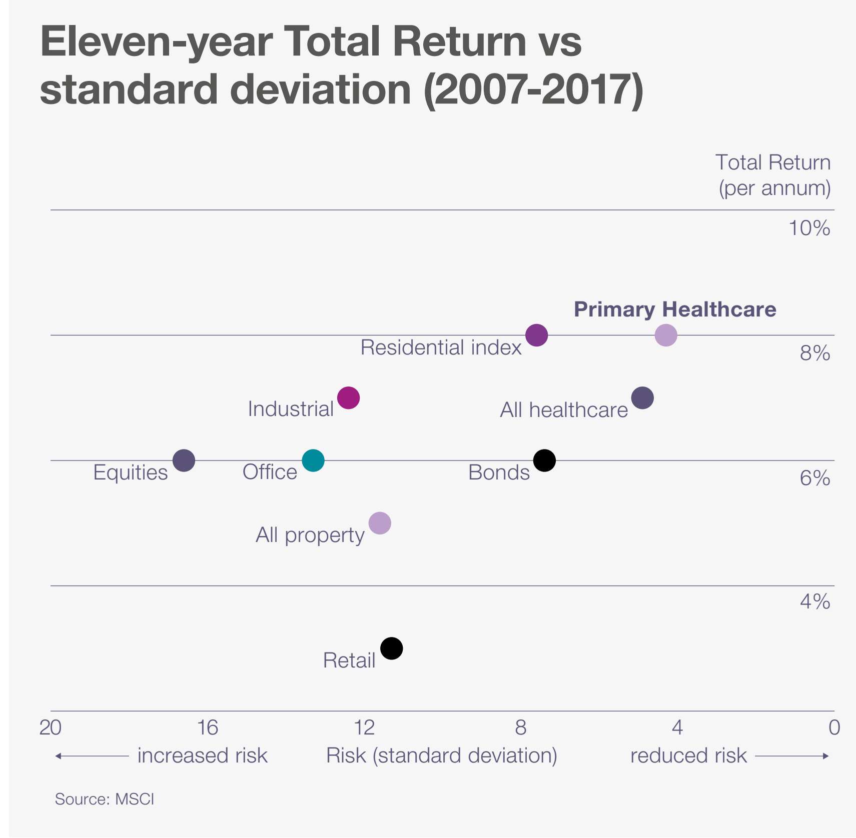
Assura maintains a proprietary database of every primary care property in the UK from which we can identify and analyse potential acquisition opportunities. This unique market perspective has been a key contributor to our continued success in expanding our portfolio. We closed the year with a portfolio of 518 properties and a valuation in excess of £1.7 billion.

The ongoing growth in the portfolio has largely been achieved through acquisitions. In the year we completed £314 million of property additions, which was the largest contributor to the £388 million increase in investment property in the year. This has enabled our rent roll to grow by 22% to £91.0 million.

Meanwhile our in-house development team is currently busier than it has been for a number of years. We completed six schemes in the year for a gross development cost of £31.3 million and the number of potential opportunities has increased markedly. We are currently on site at a further five schemes with a gross development cost of £23.6 million. The pipeline where we expect to be on site within the next 12 months remains strong, comprising a further 10 schemes with a gross development cost of £47 million.

This increased level of activity is encouraging and has resulted in us increasing the size of our development team from two to five colleagues as we look to both secure more schemes and increase the proportion that we manage in-house.

There continue to be delays in implementing approved schemes under the Estates and Technology Transformation Fund, although we are encouraged by the announcement in the Autumn Budget of £2.6 billion being made available to support capital projects by Sustainability and Transformation Partnerships ("STPs"). More than £700 million of this total has already been allocated to the most advanced projects, including a number of primary care schemes, and we remain optimistic that these central initiatives will result in increased future investment across the NHS estate. Assura has the skills, resources and capital to support these plans when they convert into action.



Funding further growth

The success in delivering growth in our portfolio has only been possible thanks to the continued support of our shareholders and we successfully raised £409 million in two separate equity issues in June 2017 and December 2017.

In October 2017 we secured £150 million from a UK private placement with Legal & General Investment Management with a maturity split between eight and 10 years and a blended interest rate of 3.04%. In addition, the available facilities under the RCF were increased to £300 million, which is a variable rate facility at an initial margin of 150 basis points. In line with Assura's funding strategy, the new notes and the RCF are unsecured.

Our LTV was 26% at the year end. We are comfortable with our LTV increasing to a level between 40% and 50% and so we retain significant headroom to fund future growth. We are continuing to source attractive investment opportunities and we currently have a pipeline of further property acquisitions and developments of £152 million in solicitors' hands.

Market developments

Estates have been a continuing theme of focus for STPs this year, with government expecting detailed estates strategies to be submitted by all areas this summer. Through work with the Nuffield Trust, we have played our part in supporting a number of STPs with their thinking and planning on primary care infrastructure matters. Providing a wider range of health services closer to home, from a broader range of primary care professionals, creates a better care experience for patients and the conditions for better outcomes for the NHS. The outdated and unfit converted residential stock of surgery premises must evolve into purpose built medical centres, with the capacity and the capability to meet the challenges the NHS will face in the future. The NHS desperately needs more investment in its primary care estate, which is largely owned now by GPs themselves, and we stand ready to provide capital to deliver this investment.

Meddygfa Padarn Surgery, Aberystwyth

In the past year the importance of improving the quality of physical infrastructure for primary care has been explicitly recognised as being part of the solution to broader NHS challenges, with the Government's formal response to the Naylor Review largely accepting its recommendations as well as highlighting the need for private capital to play a role in funding the investment that will be required.

Executive Board

I am delighted to report that Jayne Cottam was appointed Chief Financial Officer in September, joining us from the leading private house builder, Morris Homes. She serves on both the Group and Executive Boards.

Andrew Darke stepped down from both Boards at the end of the year. Following this change, I have taken the opportunity to rejig the Executive Board to include the three Heads of Department from our property team who join Jayne Cottam, our CFO, Orla Ball, our Head of Legal, and myself. The three new members are: Spencer Kenyon (Head of Portfolio Management) who has been with the business since its formation and has managed the portfolio throughout this time; Simon Gould (Head of Development) who has led our development efforts for the last decade; and Patrick Lowther (Head of Investment) who joined us last year having previously been a property fund manager at Savills and so benefits from extensive investment management experience.

The new Executive Board has been in place only a few months, but I am pleased with the progress the newly established team has made already and I look forward to working with them as we enter the next chapter in Assura's development as a leading real estate business and partner to the NHS.

Outlook

The political agenda continues to be dominated by Brexit, but in its 70th anniversary year, the NHS is one of the few domestic issues managing to secure meaningful debate. The Prime Minister has publicly accepted the need for a long-term funding settlement for the health service, and MPs from all parties are working together on potential solutions. Assura firmly believes in the NHS. Regardless of the politics, the fundamentals for primary care estate will remain steadfast: to reduce pressure on hospitals, improve access to general practice and help the people who rely on health services the most to reach them closer to home. GP surgery buildings and primary care premises must be fit for the future.

Jonathan Murphy
CEO
22 May 2018

Well Street Surgery, Hackney

Market overview

Responding to changes in our market

1. More of us, living longer but less healthily

Our ageing, growing population is putting ever-greater pressures on NHS buildings – in terms of the sheer number of patients they must serve, but also because of the complexity of the care we now need as we live longer, less healthy lives.

Better primary care buildings:
- offer fit-for-purpose surroundings for care and use of technology
- allow patients to access health services closer to home
- provide space for an expanded primary care workforce
- allow goals of Five Year Forward View / STPs to be delivered.

2. NHS primary care policy

Government's five-year transformation programmes for both the NHS as a whole and for general practice include a focus on the expansion of primary care and access to more services closer to home. STPs in 44 'footprints' in England are driving local delivery of the outcomes required, and running across them all is the theme of investment in estate as a key enabler.

NHS priorities 2017/18:
- Concrete progress on local STPs
- More services provided away from hospitals
- A larger primary care workforce and increased productivity
- Easier and more convenient access to planned GP services, including appointments in the evenings and at weekends
- A strategic estates strategy in every CCG that will help release surplus NHS land for new homes and capital receipts by 2020.

Better primary care buildings:
- provide the infrastructure to accommodate extended access to primary care, and diagnostic and treatment services away from hospitals
- help deliver goals of STPs.

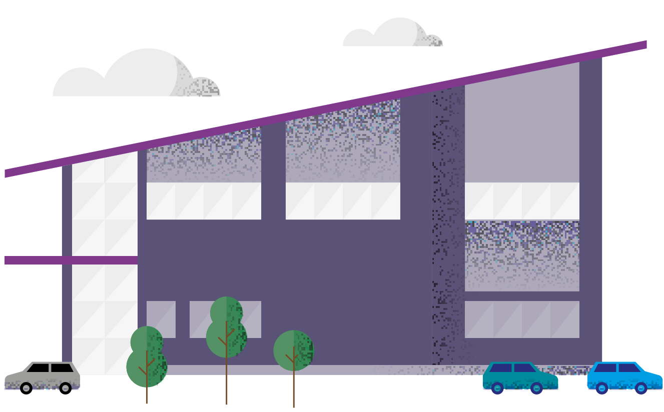
3. New homes need infrastructure

A top priority for government is to accelerate delivery of new homes to rent and buy across the country, and to create the conditions for healthier placemaking. By engaging with the Government's work to improve planning processes, we want to ensure that fast-growing communities are supported by the primary care infrastructure they need, and that developer contributions are employed effectively when existing local GP buildings lack the capacity to cope with future demand.

Better primary care buildings:
- provide easier access to healthcare for new communities
- help practices cope with an influx of patients in new communities.

Third party development model
- works effectively with developers, planners and the NHS to deliver the right infrastructure.

Read more
Our strategic priorities page 20
Key performance indicators page 22
Principal risks and uncertainties page 34



Pont Newydd Medical Centre

4. Buildings and technology working together for healthier places and people

Innovation in primary care building design and development can cut building costs for GPs by using sustainable techniques and design features. This year, we brought together a specialist team to study the best of international healthcare building design, highlighting ideas that we hope to incorporate into our work in future. It is clear that building design will be a fundamental driver of the adoption of digital technology to improve the patient experience, and our development team is committed to spearheading new ideas.

Better primary care building design

– can spearhead better patient experiences.

Building design

– must be fleet of foot to reflect evolving role of technology in healthcare monitoring, diagnostics and treatment closer to home.

5. NHS estates policy

In England, government has formally adopted Sir Robert Naylor's recommendations to improve primary care estate, committing to a £10 billion investment programme to ensure the NHS's buildings are fit for purpose. Ministers state that private sector investment will form part of this work, where it is good value to the taxpayer, and that "some of this will come from the types of schemes that already fund primary care facilities". The Five Year Forward View and STPs are united on the role of fit-for-purpose buildings in transforming care.

In Scotland, challenges of recruiting and retaining GPs, particularly in rural areas, are acute. A new GP contract will be implemented from April with a range of measures designed to make general practice in Scotland more appealing to new doctors, including steps to remove from practices the risks of owning or leasing premises. In a shift over the next 25 years, GPs will have the option for local health boards to purchase their premises from them, or to take on the lease responsibilities if the surgery building is rented from a third party. We are already actively engaged with the implementation process.

In Wales, similar issues with recruiting and retaining staff in general practice prevail. Here, also, we are seeing local health boards stepping in to take on lease responsibilities to protect services for patients in the long term. With Welsh government announcing its "biggest targeted investment in primary and community care infrastructure" this year, setting out a pipeline of a new generation of integrated health and care centres through new build and improvements to existing buildings, commitment to the provision of more health services closer to home is a clear priority.

Better primary care buildings

– give NHS staff the workplaces they deserve.

Flexible lease solutions

– support doctors to opt for/stay in general practice by removing the risks of property ownership.

Third party ownership

– improves and protects existing primary care infrastructure, and can facilitate moves to newer buildings.

Need for investment

– can be met by third party development model.

Our business model and strategy

We develop, invest and manage a portfolio of primary care medical centres across the UK. We aim to generate attractive long-term financial and social returns for our shareholders and wider stakeholders by developing and investing in high quality, sustainable medical centres that provide crucial infrastructure for their local health economy.

What we need

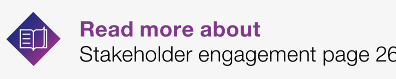
Customer relationships
Knowledge of GPs' evolving requirements through our involvement in the design and management of medical centres gives us a unique insight into their property needs.

Assets
Our bespoke medical centres are constructed in locations that are crucial to the local health economy and to the highest sustainability standards.

People
Our team of 50 people covers the key skills of real estate ownership and includes asset and property management, development, investment, marketing and financing.

Partners
We maintain strategic partnerships with the leading architectural practice in the sector and a number of specialist healthcare developers to complement our in-house expertise.

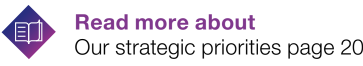
Capital
The support of our shareholders, banking partners and lenders is crucial to sustaining our investment in the UK's health infrastructure.


Read more about
Stakeholder engagement page 26

How our strategy and business model work together

Our strategic priorities drive the behaviours of our team to support our business model, ensuring everything we do is tailored toward creating value for our shareholders and stakeholders.

Focus
Maintaining a strategic focus on a highly attractive market


Read more about
Our strategic priorities page 20

Our competitive strengths

We are unique in offering GPs a full property service, so a partnership with Assura is a long-term approach. Our ability to "develop, invest and manage" gives us a crucial advantage when securing new development and investment opportunities and other asset management initiatives. Moreover, our internally managed structure provides a highly scalable model which means that as we grow, the benefits of scale accrue to shareholders and drive our progressive dividend policy.

Our team of development managers works with our design and development partners to provide bespoke, community-led property solutions for each of our healthcare partners. We monitor and manage the process from design through to delivery of the completed building.

Our investment managers work to identify opportunities and to build lasting relationships with GPs, helping them to realise their long-term ambitions for their practice and growing our portfolio to provide scale benefits to our investors.

Our team of property surveyors supports the evolving requirements of our tenants, liaising frequently to assist their efficient operation. This integrated approach enables us to benefit both the tenants and our shareholders through lease renewals, property extensions or co-locating appropriate partners such as pharmacies.

The value we create

Key beneficiaries of our value creation:

GP customers

Our purpose built medical centres provide the essential infrastructure to allow GPs to provide a broader range of healthcare services in the community.

Communities

Our medical centres provide a crucial community resource to aid improved health outcomes in their locations. In the year we donated £23,000 plus employee time to our local charity partners.

Shareholders

EPRA EPS of 2.5 pence and capital growth of 3.1 pence, supporting dividends paid of 2.455 pence.

Employees

During the year we have invested significantly in increasing our skilled employee base with seven new recruits. £3.7 million paid to our employees. We continue to promote actively from within and provide training and development opportunities to all staff.

Suppliers

£69.2 million paid to suppliers of materials and services. Our construction and management contracts are often with local suppliers to promote sustainability.

Government

£3.0 million paid in employment and other taxes to the UK Government.

Expertise
Responding to the NHS agenda

Sustainability
Investing in our people and social infrastructure

Effectiveness
Leveraging our team's skills to maximum advantage

Our business model in action
Develop

A strong pipeline of opportunities.

This year saw the ribbon cut on some of our most exciting development projects as well as new faces joining the team to help keep up with demand.

Milestones at pace

We completed new builds in Derbyshire and Swansea while in West Gorton, our first ultra low-energy premises was opened by former health minister and Greater Manchester Mayor, Andy Burnham. In Brixworth, Stow-on-the-Wold and Porthcawl, we began work on new primary care centres for practices with growing patient lists. And in Kirklees and Wivenhoe, we overhauled, refurbished and fitted out older buildings to give practices new homes which are fit for the future.

We asked Simon Gould, how does our approach to development stand out?

"Tenacity, determination and our understanding of the primary care system from both the provider and commissioner viewpoints are our hallmarks – we aim to deliver projects which meet everyone's needs."

You led much of our work this year to look at international design best practice — what are you excited about bringing into our primary care design projects here?

"Our research of healthcare buildings overseas has been very interesting. We hope to introduce some ideas into our new buildings, particularly around the patient experience in waiting rooms and integrating new technology. We're also keen to go even further on environmental sustainability and cost in use."

Top: Woodville Surgery, Derbyshire
Middle: Kibworth Medical Centre, Leicester
Bottom: West Gorton Medical Centre, Greater Manchester

Canolfan Feddygol Porthcawl Medical Centre, Porthcawl

"Getting good feedback from patients and clinicians on our new buildings is always the ultimate test – as a long-term partner to GPs, it's one of the most important parts of the process so that we're continually learning."

Simon Gould
Head of Development

Our business model in action
Invest

A record-breaking year.

A record-breaking year for our work to invest in existing primary care buildings was marked by a number of significant portfolio acquisitions and a new head for the team, Patrick Lowther. Our reputation among GPs continues to go before us, with most of our investment work driven by personal recommendations and experiences of our existing tenants.

Fit for the future
Our acquisition of a portfolio of 11 medical centres spread across Southern England, providing primary care to 120,000 patients, was an inspiring end to 2017. The quality and design of this stunning group of buildings is exceptional, with concept, layout and fit out having been NHS future-proofed from inception. They currently outperform many newer developments and even the oldest building, constructed in 2002, meets current NHS guidelines on room sizes and corridor widths. As examples of the importance of good design in primary care property, they don't come much better.

Patrick Lowther, what appealed to you about joining Assura?
"It's the experience the business has built up in its core market, and the competitive advantage that it gives the Company. We work to get under the skin of the unique situation for every practice, so that we can find solutions for that particular group of GPs – I'm learning the importance of the relationships we develop with the practice team over what can be a long process. I also think it's that sense of being a responsible 'custodian' of social infrastructure – of channelling our expertise for the buildings in which community healthcare services are delivered now, and for the future. Assura has the resources and reputation to be a guardian of what is an important long-term relationship – and that's why GPs pick up the phone to us."

What's next for the investment team?
"We want to keep up the pace – and I'm keen to explore opportunities to support and enhance our existing portfolio."

Top: Milborne Port Surgery, Dorset
Middle: Sturminster Newton Medical Centre, Dorset
Bottom: The Surgery @ Wheatbridge, Chesterfield

Ilminster Medical Centre, Somerset

"In my real estate career to date, I can't think of a time when I have been exposed to a part of the market where there is such a disconnect between supply and demand."

Patrick Lowther
Head of Investment

Our business model in action
Manage

An important measure of success for our portfolio team is the satisfaction of our tenants.

This year, occupier satisfaction was at more than 94% for the third year running. This is due in no small part to the dedication of our growing team, to which we added four new portfolio managers this year to ensure every tenant gets a service tailored to their needs.

Innovation in action
In a year which saw us complete our biggest ever extension of an existing building in our portfolio, the strength of our internally managed, full-service team came to the fore. Our specialists from portfolio management and development came together to deliver the huge new space for Wide Way Medical Centre, Mitcham, delivering five new clinical rooms, a minor operations suite and better waiting, administrative and reception areas. At Severn Fields Health Village in Shropshire, we're fitting out expansion space for the local acute trust to move its fertility clinic – one of the top IVF locations in the UK – to modern premises where it can offer more advanced treatments.
In Lincolnshire, we worked with our tenants at Freshney Green Primary Care Centre to fit out more space for mental health services for children and young people who are suffering with conditions such as anxiety, depression, trauma, eating disorders and self-harm.

Spencer, with so many new tenants this year, how does the team get to know each building and the needs of the teams within?
"We've always had a strong ethos that personal contact and face to face visits make a real difference. The team spends a lot of time on the road having those detailed, practical conversations with GPs and practice managers about how our buildings are working for them and – most crucially – how we can make them work even better, with more space or a different layout. Then, of course, it's also about doing the day to day portfolio work really well: responding promptly to problems and challenges, and making sure we find solutions."

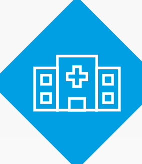
Top: Long Lane Surgery, Coalville
Middle and bottom: Wide Way Medical Centre, Mitcham

Aspen Centre, Gloucester

"There is nothing more satisfying than seeing an extension that's been needed for many years come into service for patients, and to hear about the difference it makes for the practice team. Projects to improve surgery buildings take a long time to plan with the NHS but the end result can change the experience for patients and staff almost instantaneously."

Spencer Kenyon
Head of Portfolio Management

Strategy at a glance

Strategic priority	Performance in 2018
Focus We have a deep understanding of the economic dynamics of healthcare real estate. By building on the knowledge and expertise of our team and engagement with our healthcare partners we believe we can generate superior Total Property Return through a strategic focus on a highly attractive market.	– 28.8% growth in investment property to £1,732.7 million. – 1.70% rental growth from rent reviews settled in the period. – Total Property Return of 9.7%.
 **Expertise** Our strong reputation for innovation derives from our bespoke designs for our medical centres. Our designs have an emphasis on flexibility and adaptability to ensure that the buildings can adapt to the changing NHS agenda.	– Delivered two newly constructed, bespoke GP-led medical centres. – Engaged with senior NHS leaders and politicians to support transforming primary care.
Sustainability We pride ourselves on our commitment to the highest possible standards in sustainability, the personal development of our teams and our role in spearheading investment in social infrastructure.	– All developments completed during the year achieved “Very Good” BREEAM rating or better. – Completion of our first ultra low-energy development. – New staff development programme implemented.
Effectiveness We are committed to supporting the NHS in tackling the major underinvestment in UK primary care property and utilising our skills and capital in achieving this. We have the right team to source and manage these opportunities and the right plans to leverage our team’s skills to maximum advantage.	– EPRA Cost Ratio reduced to 13.0% and weighted average cost of debt reduced to 3.12%. – EPRA EPS increased to 2.5 pence. – Total Accounting Return of 11.0%.

Priorities in 2019	Key risks
– Drive development opportunities to support rental growth evidence. – Investment managers to focus on asset enhancement opportunities. – Continue to seek growth opportunities through acquisitions, and purchase and leasebacks.	– The market is becoming increasingly competitive but our strong brand and reputation as a long-term investor in the sector mean we are well placed to secure further attractive opportunities. **Read more about** our stakeholder engagement from page 26
– Complete developments currently on site. – Bring our development pipeline through to live schemes. – Promote benefits of investment in primary care infrastructure for the NHS. – Work with emerging STPs to identify development opportunities.	– Further changes to the organisational structures or policies of the NHS could lead to delays in further investment in primary care infrastructure. However, recent policy statements suggest an increasing role for primary care service provision. **Read more about** our market on page 10
– Continue investment in new developments that incorporate innovation in respect of sustainable solutions and technology. – Further investment in our team's development.	– Sustainable development and building design is an area of constant change and we seek to be fully up to date with the latest technologies and innovations. – Failure to recruit, develop and retain our team with the right skills and experience may weaken our ability to deliver against our strategic priorities.
– Seek further opportunities to expand the portfolio. – Continue to promote the Company to a wide shareholder base and a diverse group of debt funders. – Achieve further scale benefits.	– Maintaining cost discipline as the business expands will be crucial in ensuring that we continue to reduce our overall EPRA Cost Ratio. – We have been successful in securing both equity and debt capital for supporting the expansion of the business although there is no certainty that future expansion will be supported in the same way. We believe the fundamentals of the business remain very strong and attractive to both equity and debt funders.

Read more
Key performance indicators page 22
Principal risks and uncertainties page 34

Key performance indicators

Assura is the UK's leading healthcare REIT. In order to sustain the leadership position, we need to demonstrate that we can consistently outperform over time. In order to measure ourselves against this objective we have a wide range of key performance indicators ("KPIs"). These can be distilled into three key areas. Firstly, Total Property Return, which measures our success in choosing the right investments and managing these over time. Secondly, Total Accounting Return, which measures the returns we have delivered to our shareholders in the form of dividends paid

Focus

KPI and benchmark

Rental growth from rent reviews

1.7%

▲ 2017: 1.6%

Total Property Return

9.7%

▶ 2017: 9.7%

IPD annualised five-year Total Return

9.9%

▲ IPD All Healthcare: 9.4%

Explanation

Rental growth, being the weighted average annualised uplift on reviews settled during the year, provides an indicator of how cost inflation is translated into increased rent.

Total Property Return shows the return generated by our portfolio on a debt free basis, with the IPD value providing an equivalent five-year annualised figure. This shows the quality of our investments to deliver a combination of rental income and capital growth.

Performance

We have delivered rental growth of 1.7% from rent reviews completed during the year. This slight increase against 2017 has been driven mainly by reviews linked to inflation but we believe, with construction cost inflation returning, medium-term prospects for rental growth are improving.

The Total Property Return for the year of 9.7% reflects the capital growth achieved on the portfolio in addition to the annual rental yield. The IPD five-year Total Return of 9.9% per annum is in excess of the All Healthcare Benchmark of 9.4%, demonstrating how our portfolio has delivered strong returns over a sustained period.

Sustainability

KPI and benchmark

BREEAM rating achieved on developments – "Very Good" or better

100%

▶ 2017: 100%

Average EPC rating

B

▼ 2017: A

Explanation

BREEAM is the world's foremost environmental assessment method and rating for buildings, and sets the standard for best practice in sustainable building design, construction and operation. An Energy Performance Certificate ("EPC") gives a building a rating for energy efficiency. Strong performance against these measures demonstrates our commitment to building sustainable buildings that improve the local infrastructure.

Performance

All developments completed during the year achieved our target of a BREEAM rating of "Very Good", and achieved an average EPC rating of B.

In addition, our on-site buildings incorporate several environmentally friendly design features, and we expect all buildings on site to meet our BREEAM and EPC ratings targets.

and our growth in net asset value ("NAV"). Lastly, we consider Total Shareholder Return ("TSR") as measured by the stock market, which reflects the value of dividends paid and the relative movement in our share price over the period.

These measures are complementary and should build on each other although the share price movement is also affected by other external factors outside of our control. By managing the Total Property Return and Total Accounting Return over the medium term we should be able to deliver a superior TSR to our investors.

This overriding objective is reflected in the long-term management incentive schemes implemented, with rewards linked to both TSR and EPS over a three-year period. Further detail is provided in the Remuneration Report on pages 56 to 69. In order to achieve these objectives, we have four strategic priorities and how we monitor ourselves against them is outlined below:

Expertise

KPI and benchmark

% of tenant covenant NHS/GP

84%

▼ 2017: 86%

Developments completed

£31.3m

6 sites

▲ 2017: £13.8m 2 sites

WAULT

12.6 years

▼ 2017: 13.2 years

Developments on site

£23.6m

5 sites

▼ 2017: £31.0m 6 sites

Explanation

NHS percentage is the proportion of our rent roll that is paid directly by GPs or NHS bodies. Weighted Average Unexpired Lease Term ("WAULT") is the average period until the next available break clause in our leases weighted by rent. These measures show who we provide our buildings to and how long our existing leases last for, demonstrating our position as a long-term partner to the NHS.

Developments, both completed during the year and currently on site, illustrate how our buildings are chosen by the NHS to provide a modern facility to suit the primary care needs of that particular location.

Performance

In a year of growth, the WAULT of 12.6 years and effective NHS backing of rent of 84% have remained strong, showing how investments during the year fit with our existing portfolio.

Development activity has been strong with six schemes completed during the year and five on site at the year end. Although development activity in the sector is not yet at the levels we would hope for, we have a pipeline of 10 schemes (development cost £47 million) that we would hope to be on site in next 12–18 months.

Effectiveness

KPI and benchmark

EPRA Cost Ratio

13.0%

▼ 2017: 13.7%

Total Accounting Return

11.0%

▼ 2017: 12.0%

EPRA EPS

2.5p

▲ 2017: 2.4p

Total Shareholder Return

6.8%

▼ 2017: 13.2%

Explanation

A reducing EPRA Cost Ratio shows the efficiency and scale benefits of our operating model, being costs as a percentage of rental income. EPRA EPS is a measure of recurring profit calculated in accordance with EPRA guidelines.

Total Accounting Return is the amount generated for shareholders in the form of dividends and movement in EPRA NAV. TSR is the amount generated in the form of dividends and movement in share price. These two measures are key measures in assessing our performance in the form of returns for shareholders and are the measures to which Directors' long-term incentive plans are linked.

Performance

The efficient integration of the 115 properties acquired during the year has contributed to a reduction in our EPRA Cost Ratio to 13.0%. This cost efficiency, along with the growth achieved and reduction in weighted average cost of debt, has been reflected in our EPRA EPS increasing to 2.5 pence per share.

Our Total Accounting Return of 11.0% reflects capital growth achieved during the year along with the consistent dividend returned to shareholders. The TSR of 6.8% illustrates how the ratio of share price to EPRA has increased. As at 31 March 2018, the share price premium to EPRA NAV was 13% (2017: 17%).

Policy matters

Making the case.

How do GP buildings impact care?

"I am certain that the quality of the premises has a direct effect on the care that we can provide… I've worked in rooms that were so small that the examining couch was in a different room, a hugely inefficient system which makes keeping to 10 minute appointments impossible."

Dr Toni Hazell, blogging for Assura
July 2017

What can our sector do to support the NHS?

"Sometimes, there comes a challenge so great that it's working with other organisations, with peers across a sector, which is called for. Making sure our country's GP surgery buildings are fit for the changes to general practice and care closer to home could be one such task."

Jonathan Murphy, blogging for Assura
September 2017

Can primary care estate help ease winter pressures?

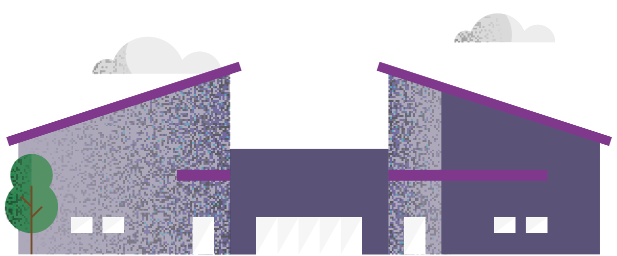
"Paracetamol won't cure flu symptoms, and nor will better GP buildings rid A&E departments of all but the most seriously-ill patients overnight. But premises which can allow primary care teams the space to offer more NHS services in the community are a vital part of the prescription."

Claire Rick, blogging for Assura
January 2018

Is third party development ("3PD") getting the recognition it deserves?

"3PD may still be somewhat under the radar, despite its delivery of some of the most innovative buildings in the country. But it has capacity, creativity and capability."

Jonathan Murphy, speaking at Westminster Forum
February 2018


Ardudwy Health Centre, Harlech

How highly do buildings rank among the NHS priorities of voters?

"Despite the turmoil of the election result, one thing is certain: we mustn't allow politicians to forget their acknowledgement of the problems for NHS premises during the campaign, or the commitments they made in their manifestos to address them. Patients are finally watching."

Claire Rick,
blogging for Assura
June 2017

How can improved GMS premises cost directions help?

"Get these sorts of funding mechanisms right, and more GPs will have the buildings they need."

Simon Gould,
blogging for Assura
June 2017

How should primary care infrastructure interlink with housing for older people?

"Access to primary care must be in the right places and spaces, particularly for older patients who rely on it the most."

Assura evidence to Communities and Local Government Committee Inquiry into Housing for Older People
published February 2018

What is the role of primary care infrastructure in delivering new homes?

"Ensuring the right healthcare infrastructure is there for patients in new communities will be essential to fully realising government's housebuilding ambitions, so we're pleased to see plans to improve the system of developer contributions towards local infrastructure."

Jonathan Murphy,
responding to the Autumn Budget
November 2017

Stakeholder engagement

Working together.

GPs/NHS

We aim to provide buildings that make it easier for our GP and NHS tenants to deliver effective services in their local community. It is therefore crucial that we are continually updating our understanding of what issues matter to GPs and how the NHS is changing.

Read more
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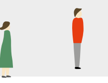
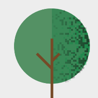




Shareholders

During the year we have completed two equity raises to further strengthen the balance sheet.

Shareholder engagement is a key priority for the business and 141 investor meetings have been held in the year. We engage with our shareholders in an open and transparent way.

Number of investor meetings

141

Customer relationships

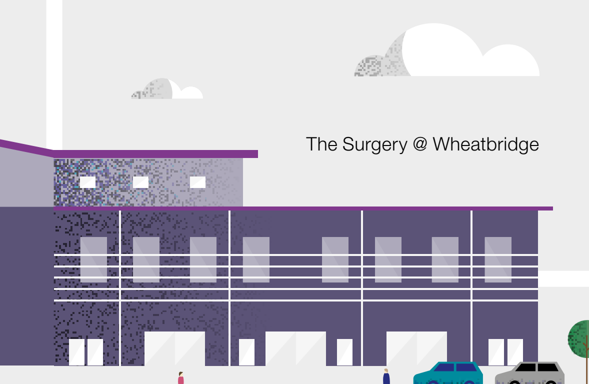
Our dedicated team of asset managers looks after our tenants' property needs through regular communication and a supportive approach to property management.

Customer satisfaction is vital for the business and we monitor this through regular surveys. In our most recent survey, over 96% of tenants who responded said they would recommend us as potential landlords to other GPs.

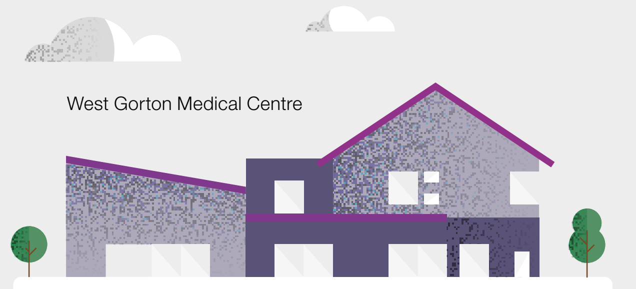
We seek to develop a long-lasting relationship with GPs, working to meet their current and future premises aspirations.

Number of tenants who responded who said they would recommend us as potential landlords to other GPs

96%



The Surgery @ Wheatbridge



Communities and environment

We realise the importance of the impact our business has on those around us. We work with a number of local charities, selecting those that work to promote healthy and active lifestyles.

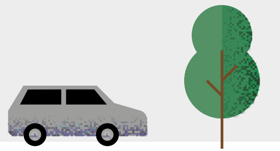
We also focus on the design of our developments, incorporating innovative design features where possible to reduce their environmental impact.

Read more
page 29

Suppliers

We work closely with our specialist healthcare developer partners to secure development appointments and create state of the art healthcare premises.

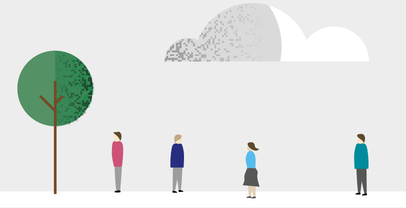
We encourage the use of local suppliers to support local economies. Our suppliers must confirm adherence to our “zero tolerance” modern slavery and anti-bribery policies, and we also require compliance with the Safe Contractor Scheme.



Employees

Our small team of employees is crucial to the ongoing success of Assura. That is why we work so hard to ensure appropriate training and development opportunities are in place, and that Assura offers a great place to work.

Read more
page 30



Lender relationships

We have worked with our lenders, both existing and new, to improve our financial structure in support of our business model.

We have extended our RCF and taken a second unsecured private placement, having repaid the secured loans with Aviva, to increase our operational flexibility and benefit from reduced interest rates in the current environment.

Read more
Note 16 to the accounts on page 94

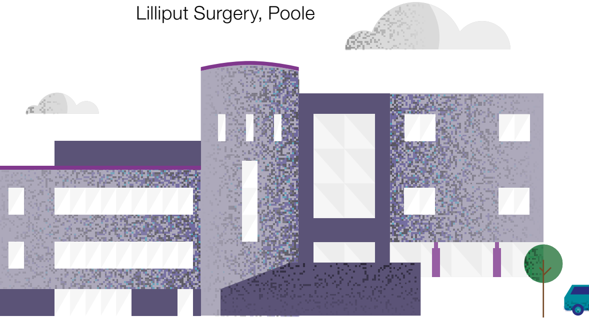
Stakeholder engagement continued

GPs/NHS

Conversations matter: a year of stakeholder engagement

From GPs guest-blogging for us about their perspectives on working in unfit premises to surveying our tenants for their views of the role a building plays in the care they deliver, this year has been about listening to, and sharing the bricks and mortar issues which matter to, staff using primary care buildings. We are reflecting this across our communications work, including distributing our Property Matters newsletter to every practice in the country. We were delighted to join the Nuffield Trust as an expert advisor to its Restate programme, helping five STP teams to work on challenges for primary care estate in their respective footprints.

With NHS estates issues rising up government's agenda in the last year, engagement with ministers, officials and MPs has also been a focus, along with our role as chair of the British Property Federation's Healthcare Committee. We teamed up with our sector colleagues to highlight the potential of third party development to help government reach its commitment of £10 billion of investment to improve the NHS estate. Our Primary Care Buildings Pledge set out the capacity for the model to inject more than £3 billion into new primary care centres over five years – the equivalent of 750 new buildings across the country. We have been hugely encouraged by the response to our joint pledge and conversations on its potential continue.

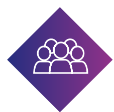

Lilliput Surgery, Poole

Greater Manchester Mayor, Andy Burnham, opening our West Gorton site

We have discussed primary care estates challenges and solutions with MPs at a range of events in Westminster, while in constituencies across the country, parliamentarians have been visiting to see how better buildings are improving the patient experience. Welsh Government Minister for Housing and Regeneration, Rebecca Evans AM, opened our new building for Mountain View Health Centre, Children's Centre and Pharmacy in Swansea; Siobhain McDonagh MP cut the ribbon on our landmark extension for Wide Way Medical Centre in Mitcham; Tracey Brabin MP opened our refurbishment of a derelict former surgery building for Cook Lane Surgery in West Yorkshire; Richard Graham MP welcomed new tenants NewMedica to the Aspen Centre in Gloucester; and Greater Manchester Mayor, Andy Burnham, marked the official opening of our West Gorton site.

On the Conservative Party Conference fringe, we brought together British Property Federation Chief Executive, Melanie Leech, Greater Manchester Health and Social Care Partnership advisor, Dr George Ogden, and Place North West Deputy Editor, Jessica Middleton-Pugh, to discuss the primary care buildings of the future. Our white paper, "Designing the future: how can architecture change the way patients experience primary care?" explored those themes in more detail, combining expert views from architects and academics with international research by our team to explore the changing nature of healthcare building design around the world, and its potential to support changes in care here.

The absence of robust, national data on primary care estate was a problem flagged by Sir Robert Naylor's review of NHS land and buildings, and we have welcomed NHS Improvement's steps to begin addressing this gap. This year, we supported the Reform think-tank in it's work in this area; it's paper "A design diagnosis: reinvigorating the primary care estate", analyses interviews with GPs, practice managers and estates experts to consider the range of options to fund improvements to primary care buildings, and to recommend measures which could accelerate delivery. A roundtable to discuss the paper, opened by the BMA's General Practice Committee lead on premises, Dr Krishna Kasaraneni, stressed the importance of this broad mix of approaches.



Communities

Walking the walk

Our relationships with GPs fed directly into our community work for 2017/18. In addition to the second year of our partnership with Life After Loss – during which we funded a new fetal heart monitor for Warrington General Hospital so that problems can be identified earlier in pregnancy, and memory box kits for hundreds of local families experiencing stillbirth or miscarriage – we also funded four Warrington projects designed to improve health in our community (see right).

Our partnership with Active Cheshire, which worked with one of our Warrington medical centre sites to establish community walks for older people, has been particularly inspiring as it links directly with our national work to promote surgery buildings as focal points for physical activity. Our "Mile Maps" programme – which offers any GP practice a free wall map detailing a one-mile route for stepping out from the surgery door, which can be recommended to staff and patients – has now been rolled out to more than 90 practice buildings around the country, and we look forward to growing this network even further during 2018/19.

Warrington Youth Club
Used our grant to run free health and fitness sessions for young girls and young people with disabilities.

Active Cheshire
Used our funding to pilot a model for free community walks with older people, in partnership with GP surgeries.

Beat eating disorders
Used our funding to recruit and deploy five Warrington-based volunteers to support sufferers via its helpline and online chat services.

Warrington Wolves Foundation
Used our grant to fund food for 160 children from low income families attending summer holiday activity programmes.

Active Cheshire, community walk participants

Environment

We are conscious of the environmental impact of our business; particularly in respect of our developments. Our development team, led by Simon Gould, is constantly looking at ways to innovate on building design and incorporate features that are better from an environmental perspective and also minimise running costs for the tenants.

The ultra low energy building at West Gorton, completed during the year, is a great example of this and our on-site developments incorporate features such as photovoltaic cells, low energy light fittings and air source heat pumps.

In terms of how this is tracked and measured, we have achieved and maintain ISO 14001 Environmental Management System certification and we aim to achieve BREEAM ratings of "Excellent" on all developments completed. The BREEAM rating is considered at the start of the design process and tracked throughout development to ensure the score is maximised. All BREEAM schemes completed during the year achieved a rating of "Very Good" or better.

We also think about the impact of our employees and office; details of our directly controlled greenhouse gas emissions are provided in the Directors' Report, and we have re-emphasised our recycling efforts in the office.

Stakeholder engagement continued

Assura employees Adam Waheed, Kirsty Grice and Debbie Barry

Employee gender diversity

	Male	Female
Board of Directors	4	2
Senior management	4	2
Employees	27	27
Total no. of employees*		**54**

* Including Non-Executive Directors

As a percentage breakdown

	Male	Female
Board of Directors	67%	33%
Senior management	67%	33%
Employees	50%	50%

Employees

We have a small but very knowledgeable, skilled and focused team. As such we understand that staff retention is key to maintaining our relationships with other stakeholders and, therefore, our reputation.

We strive to provide a great place to work whilst encouraging employees to reach their full potential through training and development.

Quality of service is also important to us and we have achieved and maintained ISO 9001 Quality Management System certification.

Training and development

Staff who wish to undertake relevant training are supported through study support and paid study leave. We currently have nine members training or professional qualifications, including accountancy and chartered surveyor, and are delighted by the success of three individuals completing their studies for qualifications in chartered secretarial, marketing and chartered surveyor.

We have created the Assura Development Programme offering employees the chance to receive one to one coaching to advance their career. We also seek to promote from within and there have been several internal promotions during the past few years.

We listened to the results of an employee survey completed during the year to implement a consistent and transparent appraisal process, giving each member of staff development objectives.

Employee wellbeing

We are constantly looking at ways to make the employee experience at Assura as enjoyable as possible. Employee benefits introduced include a holiday buy-back scheme, private medical insurance a cycle to work scheme and on-site gym facilities, amongst others.

We have also renewed our policies in respect of health and safety, employee rights and diversity (including in respect of gender, race, disability and ethnicity, amongst others), and data protection to ensure staff are suitably protected.

Our whistleblowing hotline allows staff and suppliers to raise any issues of concern in complete confidence. No issues have been raised this year.

All of the above help us to attract, engage and develop our people to enable the effective delivery of the Group's strategy over the long term.

Women in property

According to the Association of Women in Property, women represent only 15% of the property and construction workforce. We're proud to have such strong female representation in our team, and this year our new Chief Financial Officer, three new surveyors and new appointments in finance and portfolio management have further strengthened our expertise.

Our key resources

Brand

We place great value on our reputation as a long-term partner to our GP tenants, supporting them through the lifecycle of their medical centre. This reputation and our excellent relationships within the GP community lead to off market acquisition opportunities with GPs as our greatest source of referrals.

Our established track record in providing state of the art primary care premises helps secure our appointment on developments.

Database and technology

We have created a bespoke database of GP premises throughout the UK and this assists with targeted marketing and evaluation of acquisition opportunities with regard to their strategic importance to the local health economy.

Our investment in IT allows staff to access all relevant information when attending clients' premises and to work remotely if necessary.

The threat of cyber-attack evolves in sophistication and scope and we continue to monitor the security of our systems to mitigate this risk.

New directions

Natalie McRoy is one of our assistant portfolio administrators and this year, she decided to begin her journey to becoming one of our specialist portfolio managers.

"The senior portfolio manager was a huge influence in my thinking – I knew I wanted to stay with Assura, but I was looking for more challenge. Adam began giving me some more complex assignments and taking me out on property visits to understand the role in more detail. Given that two administrators have already taken this training route from administration to surveying roles with Assura, I knew it was a fantastic opportunity.

"It's very intense and a lot of work around my existing role, but it's exciting to be able to see the path I'm on. I'm really looking forward to the day I take on my first properties as a graduate trainee surveyor."

Assura employee Natalie McRoy

What makes a good Assura portfolio manager?

"It's the expertise they have not just in the buildings themselves, but also in what GPs and the NHS need from physical infrastructure to achieve their vision of more care closer to home. The ultimate 'user' of these buildings is the patients they serve, so at any one time the team will be finding solutions to everything from creating extra consulting rooms for a practice to advising on steps to make buildings more energy efficient."

Spencer Kenyon
Head of Portfolio Management

Woodville Surgery, Derbyshire

Risk management

Effective risk management is crucial in delivering our strategic objectives.

Risk management is the responsibility of the Board, which sets the risk appetite and tolerances for the business, determines the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives and ensures that risk management and internal controls are embedded in the business's operations.

We target above market, risk adjusted returns in our chosen healthcare real estate assets, by developing assets ourselves (as opposed to purchasing only completed developments) and using debt to gear returns up to 50% LTV. However, we seek to avoid, trap or heavily mitigate risks in all other areas of the business, including:

- Property event risk – by full insurance cover, full due diligence and committed funds for acquisitions
- Development risk – by only undertaking developments where there is already an agreement for lease in place with fixed price or capped price build contracts
- Control risk – by clear management controls and Board reporting
- Gearing risk – we maintain an appropriate range of lenders and debt maturities with variable rate debt being restricted to an appropriate level
- Political risk – which could limit future growth but does not affect the current business assets.

The Risk Committee met five times in the year, to review the risk register, identify emerging risks and conduct "deep dives" into individual risks to ensure that sound assurance is in place. Staff were reminded of the whistleblowing hotline where concerns overs risk management could be raised in confidence but none were received. Risk Committee projects in the year included reviews of payment processes, the General Data Protection Regulation ("GDPR"), cyber security and penetration testing, health and safety of staff, prevention of tax evasion, fire risks at properties following the Grenfell Tower disaster, and supplier/staff conflicts. The Risk Committee reports to the Audit Committee, which regularly monitors risk management and internal control systems and reports to the Board.

The Board has carried out a robust assessment of the principal risks facing the business. These are the risks which would threaten its business model, future performance, solvency or liquidity and are summarised on pages 34 to 37.

Principal risk		Strategic objective			
		Focus	Expertise	Sustainability	Effectiveness
Strategic	Changes to government policy	●	●		●
	Competitor threat	●			●
	Reduction in investor demand	●			●
	Failure to communicate	●		●	●
Financial	Reduction in availability and/or increase in cost of finance	●	●		●
	Failure to maintain capital structure and gearing	●	●		●
Operational	Development overspend	●	●		●
	Key staff dependency	●	●	●	●
	Underperformance of assets	●			●

The Board has also considered which of the Group's strategic objectives may be affected by these risks and its findings are set out in the table on page 32.

As during the previous financial year, the Risk Committee, Audit Committee and the Board considered the impact of Brexit on the business and again concluded, on the basis that the Group is a wholly UK-based operation with no reliance on exports, that Brexit did not, in itself, constitute a significant risk to the business. Cyber security was also kept under review and, given the upgrade to the IT systems the previous year and with continuing improvements to security and processes during the year, it was considered that an appropriate level of risk mitigation was in place.

Viability statement

In accordance with Provision C.2.2 of the UK Corporate Governance Code 2014 ("the Code"), the Board has conducted a review of the Company's current position and principal risks to assess the Company's longer-term viability.

A five-year period is considered appropriate for this review as this corresponds with the Company's strategic planning timeframe. In addition, the long-term nature of the leases and debt facilities supports an assessment over this period.

Company forecasts are prepared using a comprehensive financial model which projects the income statement, balance sheet, cash flows and key performance indicators over the relevant timeframe. The model allows various assumptions to be applied and altered in respect of factors such as level of investment, investment yield, availability and cost of finance, rental growth, and potential movements of interest rates and property valuations.

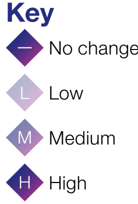
Having made reference to the principal risks facing the Company, as laid out on pages 34 to 37, sensitivities which are considered severe but within the realms of possibility have been applied to the assumptions to review the potential impact on the Company's results and financial position.

Specific sensitivities applied include increases in interest rates (0.5% per annum), a prolonged downturn in property investment valuations (initially 25 basis points, followed by further negative movements), an increased risk of tenant default and a sustained absence of rent review growth. We assume that debt facilities can be refinanced as required, although on a variable rate and with a margin above LIBOR in excess of what we currently pay. All models showed compliance with covenants throughout the forecast period.

This assessment has not assumed any significant changes to government policy with respect to NHS estates strategies or the GP reimbursement model, or any specific implications as a result of Brexit.

Based on this consideration of principal risks and the forecasting exercise completed, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period assessed. The Board considers that the long-term nature of the leases and financing arrangements in place means that the business model would remain viable in the event that further growth of the business was not achieved.

Principal risks and uncertainties



Strategic risks

Changes to government policy

Risk	Avoid	Trap	Mitigate	Movement in year
Reduced funding for primary care premises' expenditure could lead to a reduction in our development pipeline and growth prospects. A change to the reimbursement mechanism for GPs could lead to a change in the risk profile of our underlying tenants.	The Group proactively engages with the Government over policy that could impact the business, both directly and through the Healthcare Committee of the British Property Federation.	The Board monitors changes in government policy and management reports to the Board at every meeting.		— **Net risk rating** M

Comment
STPs highlight the need for investment in the primary care estate, and all note that buildings will be an enabler of NHS transformation. Government has committed to invest £10 billion in improving NHS buildings, which will include good value private sector funding. Ministers have also launched a national strategic estates planning service for the NHS, designed to support STPs and to signpost options for funding and delivery of their local capital programme of projects.

The reimbursement mechanism is not currently under review.

The Group's Head of Public Affairs continues to make the case to the Government and the NHS for the benefit of investment in primary care infrastructure.

Competitor threat

Risk	Avoid	Trap	Mitigate	Movement in year
Increased competition from new purchasers could lead to a reduction in our ability to acquire new properties and a general increase in prices across the sector.	We maintain our specialist knowledge, team structure and strong brand recognition with GPs, and focus heavily on customer care.	The Board receives regular property reports, highlighting where we have lost to competitors and when new entrants are identified. The market is increasingly competitive and every proposed transaction is reviewed by our Investment Committee to ensure that the prospective returns are adequate.	Continuing use of our specialist expertise.	— **Net risk rating** M

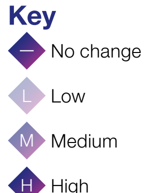
Comment
A further significant increase in asset prices increases the risk of these returns not achieving our required level and our rate of acquisitions slowing significantly. However, we have made substantial additions to our portfolio during the year.

While sector specialists and other low risk income focused funds continue to drive competition and pricing in the sector, our Investment Team maintains a pipeline of suitable investment opportunities.

Reduction in investor demand

Risk	Avoid	Trap	Mitigate	Movement in year
Reduced investor demand for UK primary care property could lead to a reduction in asset valuations and a fall in future profits. This could arise from: – Changes in NHS policy – Health of the UK economy – Availability of finance – Relative attractiveness of other asset classes.	We are open in communicating our strategy to investors and maintain an LTV range which is acceptable to the market.	The overall economy and its impact on the Group's operations are regularly assessed and considered in reviewing the Group's strategy. The Board receives regular reports on investor relations and the development of our share register.	The dividend yield and the underlying strength of the cash flows supporting it remain attractive relative to other asset classes.	— **Net risk rating** M

Comment
The fundamentals for our sector remain very strong and the longevity and security of our cash flows have continued to generate strong investor demand for our shares in the past year. The Group raised gross proceeds of £98.4 million through a placing in June 2017 and £310.7 million from a share issue in December 2017. On both occasions we received strong support from both existing and new investors, reflecting the high level of support for the business and its current strategy.



Failure to communicate

Risk	Avoid	Trap	Mitigate	Movement in year
Failure to adequately communicate the Company's strategy and explain performance may result in an increased disconnect between investors' perceptions of value and actual performance.	Strategic priorities are clearly articulated in corporate communications and the Group's performance is transparently reported. We communicate regularly with investors and analysts.	The Board receives regular reports on investor attitudes and the market. The Group maintains close links with its two brokers, which communicate investor thoughts and concerns.	Investor communication, particularly through face to face meetings, remains a key priority.	— **Net risk rating** M

Comment
141 meetings have been held during the year.

The equity issues completed during the year were supported by both existing and new shareholders and regular communication with both existing and potential shareholders will remain a key priority for the year ahead.

Financial risks

Reduction in availability and/or increase in cost of finance

Risk	Avoid	Trap	Mitigate	Movement in year
A reduction in available financing could adversely affect the Group's ability to source new funding and refinance existing facilities. This could delay or prevent the development of new premises. Increasing financing costs could increase the overall cost of debt to the Group and so reduce underlying profits.	The Group has a number of long-term facilities which reduce these refinancing risks.	The Group regularly monitors and manages its refinancing profile and cash requirements.	The Group actively engages with a range of funders to ensure a breadth of funder and maturity profiles. We continue to explore financing options with other lenders as well as maintaining strong relationships with existing lenders.	— **Net risk rating** M

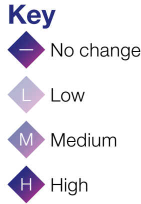
Comment
The current appetite for lending into the sector is very strong, given the quality of the underlying cash flows and, during the year, the Group increased its unsecured revolving credit facility from £200 million to £300 million and privately placed £150 million unsecured notes at attractive rates.

Failure to maintain capital structure and gearing

Risk	Avoid	Trap	Mitigate	Movement in year
Property valuations are inherently uncertain and subject to significant judgement. A fall in property values or income could adversely affect bank covenants. Breach of covenants could lead to forced asset disposals which could reduce the Group's net assets and profitability.	Valuations and yields are regularly benchmarked against comparable portfolios. All financial forecasting, including for new acquisitions, considers gearing and covenant headroom.	The Group engages two external valuers to review property valuations. The valuations are formally reviewed by the Board twice a year. Covenant headroom and gearing are regularly monitored with reference to possible valuation movements and future expenditure. The Board regularly reviews the capital structure of the Group.	It is possible to dispose of properties to preserve covenants as certain facilities are unsecured.	— **Net risk rating** M

Comment
LTV is currently at 26% and this provides generous covenant headroom.

Principal risks and uncertainties continued



Operational risks

Development overspend

Risk	Avoid	Trap	Mitigate	Movement in year
Development risk could adversely impact the performance of the Group as a result of cost overruns and delays on new projects.	The Group has a dedicated and experienced development team. The Group's policy is to engage in developments that are substantially pre-let with fixed price or capped price build contracts.	A high level of due diligence is undertaken before works commence and detailed designs are negotiated to prevent variations. Regular reviews are conducted of latest cost estimates as each project progresses.	We remain confident of our ability to manage this risk through our experienced team of development surveyors and reduce the potential risk through the use of fixed price contracts and the use of performance bonds. A performance bond insures against the risk of the main contractor becoming insolvent.	— (No change) **Net risk rating** M

Comment
The potential impact of this has increased slightly during the year as the number of developments gathers momentum.

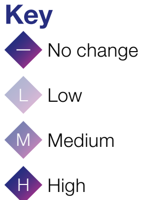
Our future development programme is more geared towards in-house development (as opposed to forward funding commitments) so increased scrutiny on JCT contract conditions and pre-contract due diligence is required in conjunction with our legal advisors.

Key staff dependency

Risk	Avoid	Trap	Mitigate	Movement in year
Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in underperformance.	Competitive salary and benefit packages are aligned with appropriate peer groups and periodically benchmarked. Professional development and training are encouraged and costs are met by the Group. Succession plans are in place for each department. Long-term incentive plans span three-year periods to encourage retention of key staff.	Succession planning, team structure and skill sets are regularly evaluated and planned. The appraisal process acts as a two way discussion forum to identify employee aspirations and any dissatisfaction. Any employee resignations are reported at each Board meeting.		— (No change) **Net risk rating** M

Comment
Nine members of staff are currently working towards a professional qualification with three members of staff achieving ICSA, MRICS and ACIM qualifications in the year.

We successfully recruited several qualified members of staff in the year. Please see further details of our employee engagement on page 30.



Underperformance of assets

Risk	Avoid	Trap	Mitigate	Movement in year
Not all rent reviews are upwards only and challenges to reviews and appeals could lead to lack of rental growth.	The Group engages experienced third parties to conduct rent reviews.	Leases are carefully reviewed on acquisition and the Group does not acquire any new leases with a tenant right to trigger a downward rent review.	The Group targets Retail Price Index ("RPI") reviews for new leases but if this is unachievable then open market upwards only reviews or open market landlord trigger only reviews are accepted.	— **Net risk rating** M
Loss of income could arise from failing practices handing back GP contracts, losing the right to rent reimbursement, and becoming unable to meet their financial obligations under the lease.	The strategic importance of a practice to its location is a key investment decision.	We are in regular contact with GPs to ensure there are no financial issues.	We liaise with GPs and NHS commissioning bodies to ensure continuing provision of services from that practice. GPs remain personally liable as named individuals under the lease. We review financial information provided by the NHS on our tenants and as part of the acquisition due diligence.	**Movement in year** — **Net risk rating** M

Comment
Approximately 28% of leases have fixed uplifts or are linked to RPI.

Less than 6% of leases have tenant ability to trigger a downward rent review.

There are very limited cases of GPs handing back medical contracts and we are in active discussion with the tenants and NHS commissioning bodies in these cases.

Business review
For the year ended 31 March 2018

Portfolio as at 31 March 2018 £1,732.7 million (31 March 2017: £1,344.9 million)

Our business is based on our investment portfolio of 518 properties. This has a passing rent roll of £91.0 million (March 2017: £74.4 million), 84% of which is underpinned by the NHS. The WAULT is 12.6 years and 74% of the rent roll will still be contracted in 2028.

At 31 March 2018 our portfolio of completed investment properties was valued at a total of £1,709.6 million, including investment properties held for sale of £7.4 million (March 2017: £1,315.3 million and £nil), which produced a net initial yield ("NIY") of 4.80% (March 2017: 5.10%). Taking account of potential lettings of unoccupied space and any uplift to current market rents on review, our valuers assess the net equivalent yield to be 4.98% (March 2017: 5.29%). Adjusting this Royal Institution of Chartered Surveyors ("RICS") standard measure to reflect the advanced payment of rents, the true equivalent yield is 5.15% (March 2017: 5.47%).

Our EPRA NIY, based on our passing rent roll and latest annual direct property costs, was 4.77% (March 2017: 5.05%).

	2018 £m	2017 £m
Net rental income	**80.2**	67.9
Valuation movement	**79.4**	56.5
Total Property Return	**159.6**	124.4

Expressed as a percentage of opening investment property plus additions, Total Property Return for the year was 9.7%, which is the same return as in 2017.

Our annualised Total Return over the five years to 31 December 2017 as calculated by IPD was 9.9% compared with the IPD All Healthcare Benchmark of 9.4% over the same period.

The net valuation gain in the year of £79.4 million comprises a 6.86% uplift on a like-for-like basis net of movements relating to properties acquired in the period. The uplift has arisen due to the downward pressure on yields with increased demand for assets in the sector. Despite the downward pressure, the NIY on our assets continues to represent a substantial premium over the 15-year UK gilt which traded at 1.588% at 31 March 2018.

Investment and development activity

We have invested substantially during the period, with this expenditure split between investments in completed properties, developments, forward funding projects, extensions and fit-out costs enabling vacant space to be let as follows:

	2018 £m
Acquisition of completed medical centres	**278.9**
Developments/forward funding arrangements	**31.7**
Like-for-like portfolio (improvements)	**6.0**
Total capital expenditure	**316.6**

The bulk of the growth in our investment portfolio has come from the acquisition of 115 properties for £278.9 million during the period.

Despite the continued delay in NHS approval of new developments, we have completed six developments during the period (all under forward funding agreements) with a total development cost of £31.3 million. This has added £1.6 million to our annual rent roll and generated a 5.2% yield on cost. The £31.7 million in the table above is development spend during the year, whereas the £31.3 million relates to projects completed.

Total Property Return

9.7%

▶ 2017: 9.7%

Capital invested

£316.6m

▲ 2017: £178.9m

EPRA Cost Ratio

13.0%

▼ 2017: 13.7%

During the year we recorded a revaluation gain of £6.2 million in respect of investment property under construction (2017: £0.8 million).

Development gains are recorded based on the stage of completion whilst there has also been uplift reflecting an element of yield shift, as with the existing portfolio.

As at 31 March 2018, we had five developments on site (four under forward funding agreements), with a total committed investment value of £23.6 million, and a further 10 which we would hope to be on site shortly (estimated cost of £47 million).

Live developments and forward funding arrangements

	Estimated completion date	Development costs	Costs to date	Size
Brixworth	May-18	£1.2m	£0.1m	600 sq.m
Darley Dale	Sep-18	£2.3m	£1.0m	773 sq.m
Durham	Apr-18	£10.2m	£9.7m	2,069 sq.m
Porthcawl	Feb-19	£7.2m	£2.0m	2,212 sq.m
Stow-on-the-Wold	Dec-18	£2.7m	£1.0m	742 sq.m

Portfolio management

We have continued to deliver rental growth and have successfully concluded 182 rent reviews during the year to generate a weighted average annual rent increase of 1.70% (2017: 1.57%) on those properties. Our portfolio benefits from a 28% weighting in fixed, RPI and other uplifts which generated an average uplift of 3.14% during the period. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 0.68% during the period.

We have secured 13 new tenancies with an annual rent roll of £0.4 million, in addition to 15 lease re-gears (rent of £0.9 million) and three extensions to existing buildings (rent of £0.1 million). Our EPRA Vacancy Rate was 1.8% (March 2017: 2.1%).

Administrative expenses

The Group analyses cost performance by reference to our EPRA Cost Ratios (including and excluding direct vacancy costs) which were 13.0% and 12.0% respectively (2017: 13.7% and 12.4%).

We also measure our operating efficiency as the proportion of administrative costs to the average gross investment property value. This ratio during the period was 0.51% (2017: 0.57%) and administrative costs stood at £7.9 million (2017: £7.0 million).

Portfolio analysis by capital value

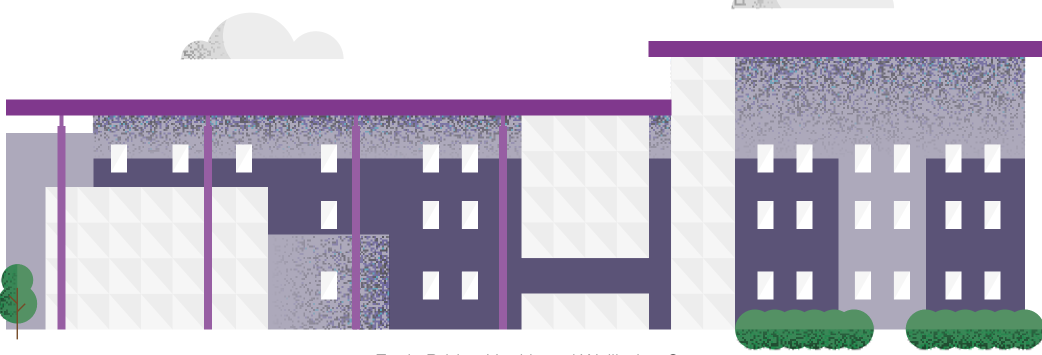
	Number of properties	Total value £m	Total value %
>£10m	29	437.5	26
£5–10m	67	440.3	26
£1–5m	315	764.3	45
<£1m	107	67.5	3
	518	**1,709.6**	**100**

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	172	664.0	39
South	182	557.2	33
Midlands	84	313.3	18
Scotland	23	50.3	3
Wales	57	124.8	7
	518	**1,709.6**	**100**

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	61.8	68
NHS body	14.6	16
Pharmacy	7.4	8
Other	7.2	8
	91.0	**100**



Eagle Bridge Health and Wellbeing Centre

Business review continued

Financing

In line with our financing strategy, we have continued the move from secured to unsecured facilities and increased our share capital base through two equity issuances.

In May 2017, we extended the revolving credit facility to £250 million. The terms were unchanged, being unsecured and at an initial margin of 150 basis points above LIBOR, subject to leverage. In October 2017, this was further extended to £300 million.

In June 2017, we completed a £98.4 million, gross of expenses, equity raise via a placing of approximately 164 million shares.

In October 2017, we issued £150 million of privately placed loan notes in two tranches with maturities of eight and 10 years. The weighted average coupon is 3.04% and the notes are unsecured.

In December 2017, we completed a £310.7 million, gross of expenses, equity raise via Firm Placing, Placing and Open Offer and Offer for Subscription.

In January 2018, the proceeds from the December equity raise were used, in part, to repay the remaining £211 million of long-term loans held by Aviva Commercial Finance, with associated repayment costs of £56 million.

Financing statistics	2018	2017
Net debt[1]	**£460.4m**	£499.6m
Weighted average debt maturity	**6.0 yrs**	8.7 yrs
Weighted average interest rate	**3.12%**	4.06%
% of debt at fixed/capped rates	**73%**	81%
Interest cover[2]	**327%**	296%
LTV[1]	**26%**	37%

1. See Note 22
2. Interest cover is the number of times net interest payable is covered by EPRA earnings before net interest.

Our LTV ratio currently stands at 26% following the equity raises in the year. LTV will increase in the short term as we invest in additional properties and our policy allows us to reach the range of 40% to 50% should the need arise. 73% of the debt facilities are fixed with a weighted average debt maturity of 6.0 years.

As at 31 March 2018, we had undrawn facilities and cash totalling £199 million. Details of the outstanding facilities and their covenants are set out in Note 16 to the accounts.

Net finance costs presented through EPRA earnings in the year amounted to £22.0 million (2017: £20.6 million).

Finance costs presented outside of EPRA earnings totalled £57.3 million (2017: £1.4 million). These costs represent one-off costs associated with early repayment of facilities or accounting adjustments to write off loan fees where the revolving credit facility was amended. The 2018 charge included £56.4 million of early redemption fees associated with the Aviva loans being repaid in January 2018, in line with the plan announced in the prospectus for the December 2017 equity raise.

Alternative Performance Measures (“APMs”)

The financial performance for the period is reported including a number of APMs (financial measures not defined under IFRS). We believe that including these alongside IFRS measures provides additional information to help understand the financial performance for the period, in particular in respect of EPRA measures which are designed to aid comparability across real estate companies. Calculations of the measures, with reconciliations back to reported IFRS measures, are included where possible.

Profit before tax

Profit before tax for the period was £71.8 million (2017: £95.2 million). The decrease reflects the net impact of the early repayment costs incurred relating to the repayment of the Aviva facilities, offset by increased valuation gain on investment property and the higher net rental income following additions to the portfolio.

EPRA earnings

	2018 £m	2017 £m
Net rental income	**80.2**	67.9
Administrative expenses	**(7.9)**	(7.0)
Net finance costs	**(22.0)**	(20.6)
Share-based payments and taxation	**(0.3)**	–
EPRA earnings	**50.0**	40.3

The movement in EPRA earnings can be summarised as follows:

	£m
Year ended 31 March 2017	40.3
Net rental income	12.3
Administrative expenses	(0.9)
Net finance costs	(1.4)
Share-based payments and taxation	(0.3)
Year ended 31 March 2018	**50.0**

EPRA earnings has grown 24% to £50.0 million in the year to 31 March 2018 reflecting the property acquisitions and developments completed as well as the impact of our asset management activity with rent reviews and new lettings. This has been offset by increases in administrative expenses and financing costs.

Earnings per share

The basic earnings per share ("EPS") on profit for the period was 3.7 pence (2017: 5.8 pence).

EPRA EPS, which excludes the net impact of valuation movements and gains on disposal, was 2.5 pence (2017: 2.4 pence).

Based on calculations completed in accordance with IAS 33, share-based payment schemes are currently expected to be dilutive to EPS, with 0.2 million new shares expected to be issued. The dilution is not material as illustrated in the table below:

EPS measure	Basic	Diluted
Profit for year	3.7p	3.7p
EPRA	2.5p	2.5p

Dividends

Total dividends settled in the year to 31 March 2018 were £46.4 million or 2.455 pence per share (2017: 2.25 pence per share). £9.7 million of this was satisfied through the issuance of shares via scrip.

As a REIT with requirement to distribute 90% of taxable profits (Property Income Distribution, "PID"), the Group expects to pay out as dividends at least 90% of recurring cash profits. Three of the four dividends paid during the year were normal dividends (non-PID), as a result of brought forward tax losses and available capital allowances. The October 2017 dividend was paid as a PID and future dividends will be a mix of PID and normal dividends as required.

The table below illustrates our cash flows over the period:

	2018 £m	2017 £m
Opening cash	**23.5**	44.3
Net cash flow from operations	**49.9**	39.0
Dividends paid	**(36.7)**	(31.9)
Investment:		
Property acquisitions	**(282.3)**	(157.9)
Development expenditure	**(31.7)**	(19.9)
Sale of properties	**0.9**	1.4
Other	**–**	(0.3)
Financing:		
Net proceeds from equity issuance	**397.1**	–
Net borrowings movement	**(92.0)**	148.8
Closing cash	**28.7**	23.5

Net cash flow from operations differs from EPRA earnings due to movements in working capital balances.

Diluted EPRA NAV movement

	£m	Pence per share
Diluted EPRA NAV at 31 March 2017	817.5	49.3
EPRA earnings	50.0	2.5
Capital (revaluations and capital losses)	79.1	4.0
Dividends	(46.4)	(2.5)
Shares issued	411.0	1.4
Refinancing costs	(57.3)	(2.4)
Other	(4.0)	0.1
Diluted EPRA NAV at 31 March 2018	**1,249.9**	**52.4**

Our Total Accounting Return per share for the year ended 31 March 2018 is 11.0% of which 2.455 pence per share (5.0%) has been distributed to shareholders and 3.1 pence per share (6.0%) is the movement on EPRA NAV.

Business review continued

EPRA performance measures

The European Public Real Estate Association ("EPRA") has published Best Practices Recommendations with the aim of improving the transparency, comparability and relevance of financial reporting with the real estate sector across Europe. This section details the rationale for each performance measure as well as our performance against each measure.

Summary table

	2018	2017
EPRA EPS (p)	**2.5**	2.4
EPRA Cost Ratio (including direct vacancy costs) (%)	**13.0**	13.7
EPRA Cost Ratio (excluding direct vacancy costs) (%)	**12.0**	12.4

	2018	2017
EPRA NAV (p)	**52.4**	49.4
EPRA NNNAV (p)	**51.8**	44.7
EPRA NIY (%)	**4.77**	5.05
EPRA "topped-up" NIY (%)	**4.81**	5.05
EPRA Vacancy Rate (%)	**1.8**	2.1

EPRA EPS

2.5p

▲ 2017: 2.4p

Diluted EPRA EPS (p)

2.5p

▲ 2017: 2.4p

Definition

Earnings from operational activities.

Purpose

A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

The calculation of EPRA EPS and diluted EPRA EPS are shown in Note 7 to the accounts.

EPRA NAV

52.4p

▲ 2017: 49.3p

Definition

NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business. Presented on a diluted basis.

Purpose

Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities with a true real estate investment company with a long-term investment strategy.

The calculation of EPRA NAV is shown in Note 8 to the accounts.

EPRA NNNAV

51.8p

▲ 2017: 44.7p

Definition

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

Purpose

Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.

The calculation of EPRA NNNAV is shown in Note 8 to the accounts.

EPRA NIY

4.77%

▼ 2017: 5.05%

EPRA "topped-up" NIY

4.81%

▼ 2017: 5.05%

Definition – EPRA NIY

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

Definition – EPRA "topped-up" NIY

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

Purpose

A comparable measure for portfolio valuations, this measure should make it easier for investors to judge for themselves how the valuation compares with that of portfolios in other listed companies.

	2018 £m	2017 £m
Investment property	**1,732.7**	1,344.9
Less developments	**(22.2)**	(20.2)
Completed investment property portfolio	**1,710.5**	1,324.7
Allowance for estimated purchasers' costs	**111.0**	85.4
Gross up completed investment property – B	**1,821.5**	1,410.1
Annualised cash passing rental income	**90.1**	74.4
Annualised property outgoings	**(3.3)**	(3.2)
Annualised net rents – A	**86.8**	71.2
Notional rent expiration of rent-free periods or other incentives	**0.9**	–
Topped-up annualised rent – C	**87.7**	71.2
EPRA NIY – A/B (%)	**4.77**	5.05
EPRA "topped-up" NIY – C/B (%)	**4.81**	5.05

EPRA Vacancy Rate

1.8%

▼ 2017: 2.1%

Definition

Estimated rental value ("ERV") of vacant space divided by ERV of the whole portfolio.

Purpose

A "pure" (%) measure of investment property space that is vacant, based on ERV.

	2018	2017
ERV of vacant space (£m)	**1.7**	1.6
ERV of completed property portfolio (£m)	**93.8**	76.7
EPRA Vacancy Rate (%)	**1.8**	2.1

EPRA Cost Ratio (including direct vacancy costs)

13.0%

▼ 2017: 13.7%

EPRA Cost Ratio (excluding direct vacancy costs)

12.0%

▼ 2017: 12.4%

Definition

Administrative and operating costs (including and excluding direct vacancy costs) divided by gross rental income.

Purpose

A key measure to enable meaningful measurement of the changes in a company's operating costs.

	2018 £m	2017 £m
Direct property costs	**3.3**	3.2
Administrative expenses	**7.9**	7.0
Share-based payment costs	**0.3**	0.1
Net service charge costs/fees	**(0.3)**	(0.2)
Exclude:		
Ground rent costs	**(0.4)**	(0.4)
EPRA Costs (including direct vacancy costs) – A	**10.8**	9.7
Direct vacancy costs	**(0.8)**	(0.9)
EPRA Costs (excluding direct vacancy costs) – B	**10.0**	8.8
Gross rental income less ground rent costs (per IFRS)	**83.1**	70.7
Gross rental income – C	**83.1**	70.7
EPRA Cost Ratio (including direct vacancy costs) – A/C	**13.0**	13.7
EPRA Cost Ratio (excluding direct vacancy costs) – B/C	**12.0**	12.4

Chairman's introduction to governance

Good governance is key to the way we run our business.

Simon Laffin
Non-Executive Chairman

Dear Shareholder

This is the Corporate Governance Report, which sets out how the Board and its Committees operate and how we are committed to maintaining the highest level of Corporate Governance.

People and culture

The Board is responsible for setting the Group's overall culture and promoting its core values. We strive to lead by example through a team culture of transparency, mutual respect and constructive debate.

Effective communication between the Board and wider business is facilitated by regular staff presentations and site visits as well as the fact that we only have 50 employees, all of whom work in our head office in Warrington. An informal dinner with the Board and all staff once a year provides an opportunity to hear employees' views on a range of matters and new Directors gain valuable insight to the business divisions through one on ones with staff members as part of their induction.

Performance evaluation

Given the recent Board member changes, the Board decided that it would make sense to defer the Board evaluation until later this year. The Board will consider whether it is appropriate for an independent external agency to assist with the process.

Effectiveness

I believe that the Board has an effective, well-balanced structure. Board members have a wealth of skills and experience, as shown on pages 48 and 49, which enable them to challenge, motivate and support the business. In our new members, Jayne Cottam brings financial and debt strategy skills gained from her previous roles and Ed Smith's health service, public sector and business experience will stand us in good stead as Assura continues to fund the transformation of NHS primary care premises.

I am happy that all the Directors continue to devote sufficient time to discharging their duties to a high standard and remain committed to their roles.

Remuneration

We received over 98% of votes in favour of our Remuneration Report at the 2017 AGM and I am grateful to shareholders for the level of engagement and support during the year.

Compliance with the Code

As a Board we believe that good governance is key to the way we run our business.

In accordance with the Listing Rules, I confirm that throughout the year ended 31 March 2018, the Company was compliant with all the relevant provisions as set out in the Code, save as follows: (i) During the period up to October 2017 I was a member of the Audit Committee and this did not comply with Code Provision C.3.1. We were able to address this when Ed Smith joined and replaced me on the Committee. (ii) Following Jayne Cottam joining as CFO we did not comply, with Code Provision B.1.2, which requires at least half the Board to be independent. This was rectified on Ed Smith's appointment.

(iii) The Board has not carried out a performance evaluation in this financial year in accordance with Code Provision B.6 for the reasons stated before. I am pleased to confirm that the Company is compliant with all other provisions of the Code at the date of this Annual Report.

Leadership

The Board is collectively responsible for the effective leadership and long-term success of the Group.

We were delighted to welcome Jayne Cottam as CFO in September 2017 following Jonathan Murphy's appointment as CEO in February 2017.

On 22 March 2018, I announced my intention to retire as Chairman at the conclusion of the AGM. I had indicated to the Board last year that I was considering retiring as Chairman and, accordingly, the Board commenced a search for a new Non-Executive Director who could provide possible Chairman succession. Ed Smith joined the Board in October 2017 and the Board now intends to appoint him as Non-Executive Chairman at the conclusion of the AGM. I wish him all the best in this role.

Andrew Darke stepped down from the Board on 31 March 2018 to pursue his own personal business interests but continues to support the business on a consultancy basis.

We have commenced the search for a new independent Non-Executive Director to further strengthen the Board and provide possible succession for the Audit Committee Chair, given that David Richardson has indicated that he may retire next year.

Executive Board

Following Andrew Darke's decision to step down as Property Director, the Group strengthened the Executive Board with the appointment of the three property division heads, Patrick Lowther, Simon Gould and Spencer Kenyon, to the Executive Board.

The Executive Board meets fortnightly to consider operational matters as well as strategic direction for the business divisions.

Simon Laffin
Non-Executive Chairman
22 May 2018

New appointees to the Executive Board

Left to right: Patrick Lowther, Spencer Kenyon, Simon Gould

Leadership

July 2017 AGM – key highlights

- All resolutions passed.
- 1,457 to 1,468 million votes cast for each resolution.
- All Directors retired and were re-elected to the Board.

Role of the Board

The Company has an effective Board which is collectively responsible for the long-term success of the Company by directing and supervising its activities.

The Board has approved a schedule of matters reserved for decision by the Board. This includes all corporate acquisitions or corporate disposals, debt raising above £50 million, the Remuneration Policy, the annual budget approval and amendments to delegated authorities.

The Board meets at least six times per year for scheduled meetings. It also meets as required to consider any important or urgent business such as the equity raises.

The relevant Board Committees are shown below.

Relations with shareholders

The Board welcomes open communication with its shareholders and works with its stockbrokers Stifel and JP Morgan Cazenove to ensure that an appropriate level of communication is maintained. The dialogue with shareholders is facilitated by a series of investor relations activities, including regular meetings between the Executive Directors, institutional investors, sales teams and industry/sector analysts, as well as regular advice from KPMG Makinson Cowell.

141 investor meetings have been held in the year.

Feedback from these meetings is regularly relayed to the Board in order to ensure that all Board members, and Non-Executive Directors in particular, develop an understanding of the views of major shareholders. This process augments the regular dissemination of annual reports and other market updates. Copies of these announcements and any accompanying presentational materials are available on the Company's website at **www.assuraplc.com**.

The Board, together with its professional advisors, actively analyses the shareholder register and the Senior Independent Director is available to act as a conduit for investor concerns if required.

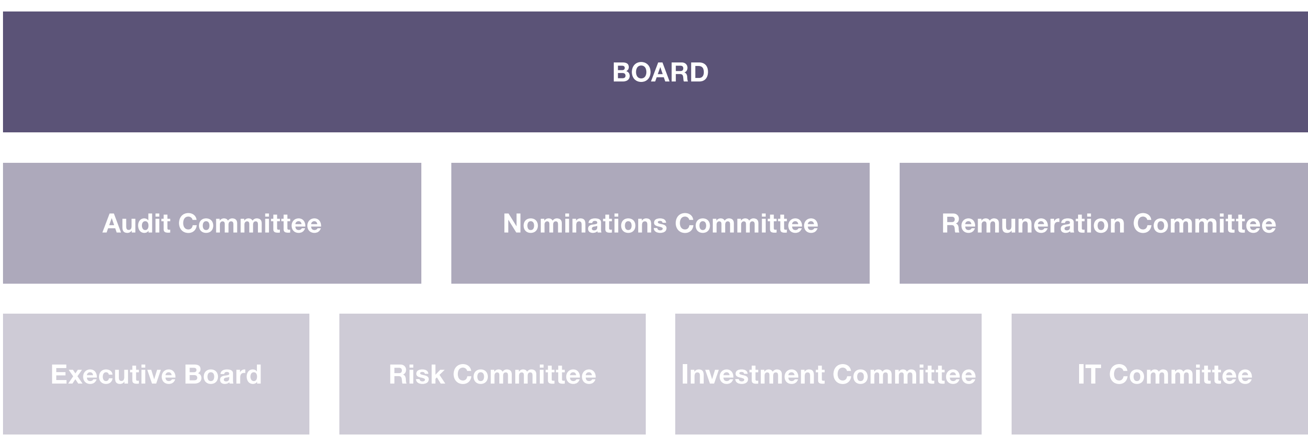
The equity issues completed in June 2017 and December 2017 were supported by both existing and new shareholders and effective communication with current and potential shareholders remains a key priority for the year ahead.

Shareholders are encouraged to attend the AGM in July where all Board members will be on hand to answer any questions.

Accountability

The Board understands its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects, to assess the principal risks facing the Group, to ensure that there are effective systems of risk management and internal control and to provide a statement as to the Group's long-term viability. The steps it has taken to comply with these requirements are set out in this section of the Annual Report.

Governance framework



Division of responsibilities

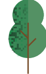
Role	Responsibilities
Chairman	– The effective running of the Board – Ensuring the Directors receive accurate and timely information – Promoting high standards of Corporate Governance – Ensuring Board agendas take full account of relevant issues and Board members' concerns – As Chair of the Nominations Committee, ensuring effective Board succession plans are in place
CEO	– Running the Company's day to day operations – Implementing the business strategy and culture – Regularly updating the Board on progress against approved plans – Providing effective leadership of the Executive Board to achieve agreed strategies and objectives
Non-Executive Directors	– Challenging and helping to develop proposals on strategy – Satisfying themselves as to the integrity of the financial information and that there are effective systems of risk management and financial control – Chairing and/or serving on relevant Committees
Senior Independent Director	– Acting as Chair of the Board if the Chairman is conflicted – If necessary, acting as a conduit to the Board for communicating shareholder concerns – Ensuring the Chairman is provided with effective feedback on performance – Serving as an intermediary for other Directors when necessary
Company Secretary	– Ensuring good information flow within the Board and Committees – Facilitating induction and training of Board members – Advising the Board on all governance matters

Board and Committee meeting attendance

Director	Board	Nominations Committee	Remuneration Committee	Audit Committee
Simon Laffin	8/8	4/4	4/4	5/5
Jonathan Murphy	8/8	4/4	4/4	5/5
David Richardson	8/8	4/4	4/4	5/5
Jenefer Greenwood	8/8	4/4	4/4	5/5
Andrew Darke	7/8	n/a	n/a	4/5
Jayne Cottam*	5/5	n/a	n/a	4/4
Ed Smith*	4/4	2/2	2/2	4/4

* Full Board and relevant Committee attendance after appointment.

Fleetwood Health And Wellbeing Centre



Board of Directors

Name Position	**Simon Laffin** Non-Executive Chairman	**Jonathan Murphy** CEO	**Jayne Cottam** CFO
Skills and experience	Simon is an experienced Chairman having served as Chairman of Assura since 2011. Previously he served as an advisor to CVC Capital Partners, Chairman of Hozelock Group and a Non-Executive Director of Quintain Estates and Development plc, Mitchells & Butlers plc, Aegis Group plc and Northern Rock plc (as part of the rescue team). Between 1995 and 2004 he was Group Chief Financial Officer of UK grocery retailer Safeway plc (which he joined in 1990) and was latterly also responsible for property. Prior to that, he held a variety of finance and management roles in Mars Confectionery, Rank Xerox and BP. He is a qualified accountant. Simon also chairs the Nominations Committee. Simon has announced his attention to stand down at the conclusion of the AGM.	Jonathan is the CEO of Assura and was previously the Finance Director, having joined the Group in January 2013. He has significant experience in real estate, capital markets and investment gained during his time as Finance Director and Interim CEO of the Group and in his previous position as Managing Director for the property management business of Brooks Macdonald Group plc. Jonathan was previously Finance Director for the fund management business of Brooks Macdonald and Braemar Group plc. His earlier career included commercial and strategic roles at Spirit Group and Vodafone. Jonathan qualified as a Chartered Accountant with PricewaterhouseCoopers, holding management roles in both the UK and Asia. He holds an MBA from IESE, the European Business School in Barcelona.	Jayne is a CIMA qualified accountant, with skills including finance, debt strategy and risk management. She joined Assura from Morris Homes, one of the UK's largest private national housing developers where she was the Finance Director for Operations, heading up the operational finance team across the Group and providing financial and strategic support as a member of the Board for each of the three operating regions. Jayne was previously Director of Finance for the Continental Europe Division of European Metal Recycling Limited, one of the world's largest metal recyclers, and before that held a number of other senior finance positions.
Appointed	August 2011	February 2017	September 2017
Other current appointments	Simon is also Non-Executive Chairman of Flybe Group plc, a Non-Executive Director of Watkin Jones plc and Chairman of the Audit Committee at Dentsu Aegis Network.	None	None

David Richardson
Senior Independent Director

David is a Non-Executive Director of Assura whose skills and experience include finance and accounting, mergers and acquisitions and corporate governance. Previously he spent 22 years at Whitbread Plc where he was the Strategic Planning Director for eight years and the Finance Director for four years.

At Whitbread he played a pivotal role in transforming the Group from a brewing and pubs company into a market leader in hotels, restaurants and leisure clubs. Following this he has held a number of Non-Executive roles in FTSE listed companies, including Serco Group plc, Forth Ports plc (now called Forth Ports Ltd), Tomkins plc (now called Gates Worldwide Limited), Dairy Crest plc and De Vere Group plc. He is a Chartered Accountant.

David chairs the Audit Committee.

January 2012

David is currently Chairman of BBGI SICAV S.A. and a Board member of The Edrington Group.

Independent

Jenefer Greenwood OBE
Non-Executive Director

Jenefer is a Chartered Surveyor with extensive knowledge of the real estate industry (in particular development and maximising value) and significant board level experience. Jenefer started her career at Hillier Parker in 1978, becoming Executive Director and Head of Retail on merger with CBRE. She worked for Grosvenor Estate from 2003 until 2012.

Jenefer has previously served on the Board of The Crown Estate and chaired its Remuneration Committee. She has held positions as Chair of the National Skills Academy for Retail and President of the British Council of Shopping Centres.

Jenefer chairs the Remuneration Committee.

May 2012

Jenefer is a Non-Executive Director of St Modwen Properties plc, sits on the Supervisory Board of INTERNOS Global Investors, is on the Board of Liverty and is a Director of the Ernest Cook Trust.

Independent

Ed Smith CBE
Non-Executive Director

Ed is an experienced Chairman with significant health service, public sector and business experience. He was Chairman of NHS Improvement for two years and Deputy Chairman of NHS England for the previous three years. He was also Lead Non-Executive Director for the Department for Transport until the end of December 2017.

Ed was the former Global Assurance Chief Operating Officer and Strategy Chairman of PricewaterhouseCoopers ("PwC"). Before retiring from PwC, he had a 30-year career as a Senior Partner, holding many leading Board and top client roles in the UK and globally.

Ed is a Chartered Accountant.

The Board intends to appoint Ed as Chairman at the AGM.

October 2017

Ed is the Pro-Chancellor and Chairman of Council at the University of Birmingham. He also has advisory roles at Pushdoctor and HCA Healthcare.

Independent

Orla Ball
Company Secretary

Orla's skills include corporate governance, and managing legal risk. She qualified as a solicitor with Eversheds Manchester and gained significant corporate governance and mergers and acquisitions experience working as a corporate lawyer for over 14 years.

Orla's move in-house to Braemar Group plc, subsequently acquired by Brooks Macdonald plc, provided her with further property skills as she looked after the legal matters for its property management and property funds business.

She recently qualified as a Chartered Secretary and has been admitted as an Associate of ICSA.

Orla is Head of Legal for the Group, Chair of the Risk Committee and a member of the Executive Board.

April 2015

None

Effectiveness

Board activities in the year

The table below shows a selection of Board activities in the financial year.

Strategy, property and funding
- Regular updates on portfolio and portfolio valuations
- Approval of equity issues of £98.4 million through a placing in June 2017 and £310.7 million from a share issue in December 2017
- Approval of increase in unsecured revolving credit facility to £300 million and UK private placement of £150 million unsecured notes
- Consideration of future funding requirements
- Consideration and debate on future strategy

Internal control and risk management
- Setting the Group's risk appetite
- Adopting the risk register and regular reviews of internal controls following Audit Committee recommendations
- Review of IT systems and capital expenditure requirements
- Approval of prevention of tax evasion policy

Financial performance
- Regular financial updates and reviews of KPIs
- Approval of dividends and dividend policy
- Competitor analysis
- Review of direct property costs, vacant space and asset enhancements initiatives
- Approval of final and interim results and trading statements
- Updates on REIT requirements

Leadership, culture and people
- Staff recruitment and leaver updates
- Staff succession updates from Nominations Committee
- Appointment of CFO and Non-Executive Director following Nominations Committee recommendation
- Setting the Group's culture and leading by example

Governance, stakeholders and shareholders
- Regular review of NHS developments
- Regular review of shareholder register
- Investor roadshow feedback
- Governance updates

Board Committees

All Non-Executive Directors apart from the Chairman served on all Committees. Each Committee follows Terms of Reference which are reviewed annually and are available on the Company's website.

Information flow

The Board manages the Group's growth closely and secures its understanding of the business through comprehensive electronic Board papers, which include minutes of all Executive Board meetings, and also through staff presentations.

Board members meet staff in an informal setting before the July meeting to encourage feedback and foster a closer relationship between staff and the Board.

Time commitments

Other directorships of the Board members are set out on pages 48 and 49. Executive Directors would be permitted to serve on one other Board if this would not interfere with their time commitment to the Company. At present, neither of the Executive Directors holds any Non-Executive Director positions.

Re-election of Directors

In accordance with Corporate Governance best practice, it is the Company's policy that all Directors will submit themselves for re-election at the 2018 AGM. Jayne Cottam and Ed Smith, having been appointed during the year, will submit themselves for election.

NED induction process

Following Ed Smith's appointment as NED, the following induction was carried out:

Meetings with the Chairman and other Board members

Meetings with the CEO, CFO and Property Director

Directors' duties and governance training from the Company's legal advisors and briefings from the Company Secretary

A full support pack of relevant reading materials

Briefings from the Company's advisors including auditors, corporate brokers and PR firm

Meetings with members of senior management and other staff members at the Company's head office in Warrington

Visits to premises

Induction and professional development

On appointment, new Directors undertake a full, formal and tailored induction programme.

Training needs are reviewed annually as part of the Board evaluation.

Each Board member is permitted to take professional advice on any matter which relates to their position, role and responsibilities as a Director at the cost of the Company, and have access to the advice and services of the Company Secretary, who advises the Board on Corporate Governance matters, preparing a regular governance update for each Board meeting.

Board composition

Chairman	1
Executive Directors	2
Non-Executive Directors	3
	6

Board tenure (in current role)

0–2 years	3 (50%)
4–6 years	3 (50%)
	6

Board gender balance

Female	2 (33%)
Male	4 (67%)
	6

Executive Board

Female	2 (33%)
Male	4 (67%)
	6

Board strengths

Composition of the Board

Simon Laffin
Non-Executive Chairman
- Experienced Chairman
- Strategy
- Finance

Jonathan Murphy
CEO
- Corporate Finance
- Capital Markets
- Strategy

Jayne Cottam
CFO
- Finance & Accounting
- Corporate Finance
- Risk Management

David Richardson
Senior Independent Director
- Finance & Accounting
- Mergers & Acquisitions
- Corporate Governance

Jenefer Greenwood
Non-Executive Director
- Real Estate including development and maximising value
- Customer Focus
- Marketing

Ed Smith
Non-Executive Director
- Public Sector
- NHS
- Finance & Accounting

Key:
● Non-Executive Chairman ● Executive Director ● Non-Executive Director

Nominations Committee Report

Nominations Committee members

- Simon Laffin (Committee Chair)
- Jenefer Greenwood
- Jonathan Murphy
- David Richardson
- Ed Smith (from October 2017)

Number of meetings in the year

- Four

Additional attendees – as appropriate

- Orla Ball – Company Secretary

Responsibilities

The Terms of Reference are reviewed annually (and are available to view on the Company's website).

Key issues

- Submitting for re-election all Directors at the AGM.
- Appointment of CFO and Non-Executive Director.
- Review of succession planning particularly for Chairman and Audit Committee Chair.
- Review of Board composition, Committee composition and Committee Chair.
- Consideration of training needs and skills updating.
- Confirmation that the Non-Executive Directors were independent.

Key activities of the Committee

Board and Committee changes

The Nominations Committee ("the Committee") met four times through the year.

Following Jonathan Murphy's appointment as CEO, the position of CFO had to be filled and Warren Partners (which has no other connection with Assura) was selected to assist with the recruitment process. A short list of potential candidates was interviewed by the Committee and, on the Committee's recommendation, Jayne Cottam was appointed by the Board to the position of CFO in September 2017.

Another key process for the Committee was to select a Non-Executive Director, preferably with relevant NHS expertise, to further strengthen the Board and who could provide possible Chairman succession. The Committee selected recruitment firm The Zygos Partnership (which has no other connection with Assura) to assist with the search process. A long list of potential candidates was reviewed by the Committee and from this, a short list selected. The Committee then interviewed a number of candidates. In October 2017, the Board appointed Ed Smith on the Committee's recommendation. The Committee has recommended to the Board that Ed is appointed as Chairman following my planned retirement at the AGM.

The Board is planning to recruit another Non-Executive Director with complementary skills and expertise to further the Board's strength and to provide succession options as Chair of the Audit Committee. The Committee has selected Russell Reynolds Associates (who acquired Zygos Partnership) to assist with the process.

Commitments of the Chairman

I am also Non-Executive Chairman of Flybe Group plc and Non-Executive Director at Watkin Jones plc. The Committee considers that I manage my time effectively in order to allocate sufficient time to each of my roles.

Diversity

The Board believes that a diverse workforce and management team improve the culture of the organisation and add value to the business as a whole. The Zygos Partnership and Warren Partners were particularly tasked with searching for possible CFO and Non-Executive Director candidates who could increase the diversity of the Board.

The Board targeted having at least 20% female representation, which was achieved in 2012. Following Jayne Cottam's appointment and Andrew Darke's resignation, female representation on the Board is now 33% and we are pleased that the Group ranked 33rd in the Hampton-Alexander Review FTSE 250 Rankings Women on Boards and in Leadership.

The Committee will continue to consider gender and wider aspects of diversity such as experience, nationality, disability and age when recommending any future Board appointments and recruitment firms are instructed to include a diverse list of candidates for the Committee's consideration. Final appointments will always be made on merit.

Succession planning

Succession planning was a focus of the Committee during 2017.

The Committee considered the external Board appointments as well as the development of talent within the business to fill more senior roles over the medium and long term.

Simon Laffin
Chair of the Nominations Committee
22 May 2018

Audit Committee Report

Audit Committee members

- David Richardson (Committee Chair)
- Jenefer Greenwood
- Ed Smith (from October 2017)
- Simon Laffin (until October 2017)

Number of meetings in the year

- Five

Additional attendees – as appropriate

- Deloitte LLP
- Savills Commercial Limited and Jones Lang LaSalle
- Jonathan Murphy – CEO
- Jayne Cottam – CFO
- Andrew Darke – Property Director
- Orla Ball – Company Secretary
- Paul Carroll – Financial Controller
- David Purcell – Head of Financial Reporting

Responsibilities

Financial statements and reports

- To monitor the integrity of the half year and annual financial statements before submission to the Board, reviewing significant financial reporting matters and judgements, focusing particularly on matters of material financial impact.
- To review the effectiveness of the Company's system of internal control.
- To conduct an annual review of the need to establish an internal audit function.
- To discuss the issues arising from the interim and final audits.
- To monitor and review annually the auditor's independence, objectivity and effectiveness.
- To develop and implement the policy for provision of non-audit services by the external auditor.
- To make recommendations to the Board in relation to the selection process for the appointment of the external auditor.

Key activities of the Committee

Financial statements and reports

- Reviewed the Annual Report and financial statements and half year financial report and made recommendations to the Board regarding the approval of these documents.

Review of external audit

- Reviewed, considered and agreed the scope and fees for the audit work to be undertaken by the external auditor.
- Reviewed the effectiveness, performance and fees of the external auditor.

Review of external valuers

- Received presentations from both external valuers and raised queries on these.
- Reviewed the effectiveness, performance and fees of the external valuers.

Review of Committee

- The Committee reviewed its performance and was found to be performing to a high standard.

Review of risk management and internal controls

- Reviewed the effectiveness of the Company's internal controls and risk management processes and the disclosures made in the Annual Report.
- Received the minutes from the Risk Committee and reviewed the principal risks derived from the risk register along with any movement in those risks in the year.
- Reviewed the appropriateness of the accounting policies, and the design and operation of the internal controls.

Other matters

- Monitored compliance with the REIT rules.
- Reviewed the requirement for an internal audit function.
- Reviewed the viability statement and supporting evidence.
- Reviewed the approved treasury counterparties.
- Reviewed documentation relating to the December 2017 equity raise.

Dear Shareholder

As Chairman of the Audit Committee ("the Committee"), I have pleasure in setting out below the formal report on its activities for the year ended 31 March 2018.

The Committee is aware of the Code's requirements in relation to risk and the monitoring of internal control systems. During the year the Committee received minutes from the meetings of the Risk Committee, reviewed the risk register, monitored the Group's risk management and internal control systems and was kept appraised of the upgrades being made to the IT systems, security and processes. The Committee has not identified any significant failings or weakness in these control systems during the year.

The Committee performed a detailed review of the content and tone of the Annual Report and half year results and has satisfied itself that there are robust controls over the accuracy and consistency of the information presented. Accordingly, the Committee has advised the Board that the Annual Report taken as a whole is "fair, balanced and understandable" and provides the information necessary for the shareholders to assess the Company's position and performance, business model and strategy.

The Company ceased to be a "smaller" company as defined by the Code on 1 April 2017 and as such membership of the Audit Committee did not comply with Code Provision C.3.1. Compliance was achieved following the appointment of Ed Smith in October 2017.

Significant financial reporting matters

- Valuation of investment properties, including those under construction – valuations and yields are discussed with management and benchmarked against comparable portfolios. The two external valuers present and discuss their findings with the Committee.
- Validity of the going concern basis and the availability of finance going forward – the Committee considers the financing requirements of the Group in the context of committed facilities and evaluates management's assessment of going concern and the assumptions made. The external auditor also reports to the Committee following its review.
- Viability statement – the Committee considered the viability statement proposed for inclusion in the Annual Report and the supporting analysis produced by management. The statement was approved for inclusion in the 2018 report and appears on page 33.

Other financial reporting matters

In addition to the significant financial reporting matters discussed above, the Committee considers other financial reporting matters as and when they arise to ensure appropriate treatment in the accounts.

During the year this included the following:

- Share-based payment charges for the Value Creation Plan ("VCP") and Performance Share Plan ("PSP").
- Prospectus, working capital and SAS 72 sign offs required for the equity raise in December 2017.
- Presentation of non-recurring expenses such as early repayment fees and loan issue costs written off.

We are satisfied that there were no matters arising from any of the above that we wish to draw to the attention of the shareholders.

Internal controls

The Group's internal control systems include a detailed authorisation process, formal documentation of all transactions, a robust system of financial planning (including cash flow forecasting and scenario testing) and a robust appraisal process for all property investments. Changes to internal controls, or controls to respond to changing risks identified, are addressed by the Risk Committee with appropriate escalation to the Audit Committee as required.

Internal audit

The Committee is satisfied that the current level of control and risk management within the business adequately meets the Group's current needs. Specific pieces of internal work are commissioned by the Committee to examine particular processes and controls as deemed necessary. The Committee considers that the additional cost of an internal audit department is not currently justified.

Audit/non-audit fees payable to external auditor

The only non-audit services provided by Deloitte were as reporting accountant to the equity raise, as required by SAS 72 regulations. The fees paid to the external auditor are disclosed in Note 4(a) to the accounts, and the policy for non-audit services is in the Audit Committee Terms of Reference available on our website.

Effectiveness of external audit process

The Committee assessed the effectiveness of the external audit process, initially reviewing and challenging the audit planning memorandum prepared by Deloitte and then monitoring fulfilment of this plan. The Committee received regular feedback from management on the service and support provided by Deloitte, had a meeting at the end of the audit to discuss judgements and concluded that the external audit was carried out efficiently and effectively with objective, independent challenge. Accordingly, the Committee recommends Deloitte's re-appointment at the 2018 AGM.

Deloitte was appointed following a competitive tender in March 2012 and the latest date by which the Company is required to tender and appoint a new auditor is for the financial year beginning 1 April 2022. The current lead auditor, Rachel Argyle, was appointed in March 2015. There are no current intentions to conduct an audit tender in the next 12 months.

David Richardson
Chair of the Audit Committee
22 May 2018

Remuneration Report

Remuneration Committee members

- Jenefer Greenwood (Committee Chair)
- Simon Laffin
- David Richardson
- Ed Smith (from 10 October 2017)

Number of meetings in the year

- Four

Additional attendees – as appropriate

- Jonathan Murphy – CEO
- Orla Ball – Company Secretary
- FIT Remuneration Consultants LLP

Responsibilities

The Terms of Reference, which are reviewed annually (and are available to view on the Company's website), require the Committee to meet at least twice per year.

The Committee's activities during the year included:

- Consideration of objectives and targets for annual bonuses.
- Consideration of annual pay awards and bonuses.
- Overseeing the continued vesting of awards under the VCP.
- Consideration of targets and awards under the PSP.
- Oversight of the Executive Board's remuneration structures and levels.
- Addressing remuneration-related issues arising from the changes to the Executive Board.

Dear Shareholder

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2018. This report has been prepared by the Remuneration Committee ("the Committee") and approved by the Board. The remainder of this report is split into two parts:

- The **Directors' Remuneration Policy** – which provides an "at a glance" summary of the Remuneration Policy for which shareholder approval was obtained at the 2016 AGM and which will continue to apply without amendment for the forthcoming year. The full Remuneration Policy is available on the Company's website.
- The **Annual Report on Remuneration** – which sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the 2017/18 financial year and how the Remuneration Policy will be implemented for the 2018/19 financial year.

We were very pleased to continue to receive such strong levels of support from shareholders at the 2017 AGM for our advisory shareholder vote on the Annual Report on Remuneration, with over 98% of votes in favour of this resolution. As no changes are proposed to the existing policy, a similar resolution will be the only remuneration resolution tabled at the 2018 AGM.

Context to the Committee's decisions

The last financial year marked a further period of success for Assura, with continued strong growth. See our business review on pages 38 to 43.

2017/18 also saw us welcome Jayne Cottam to the Board as Chief Financial Officer ("CFO") and Ed Smith as a Non-Executive Director. As announced in October 2017, Andrew Darke, Property Director, stepped down from the Board at the end of the financial year.

It was in this context that the Committee made its key decisions, which included:

- Agreeing Jayne Cottam's remuneration arrangements upon her appointment to the Board.
- Reflecting another year of strong performance, determining that the Executive Directors earned bonuses equal to 84%, 57% and 60% of salary for Jonathan Murphy, Andrew Darke and Jayne Cottam respectively. Further details of how this bonus outturn was calculated can be found on page 62.
- Making the second awards under Assura's PSP in 2017 which will vest in 2020 based upon performance against a blend of absolute NAV per share and TSR growth targets.
- Confirming that the final outstanding tranche of the VCP awards could vest, the minimum TSR threshold having been met for that tranche (as described more fully on page 63).
- Confirming Andrew Darke's arrangements upon leaving the Board.

Remuneration in 2018/19

The main features will be:

- **Base salaries:** Jonathan Murphy's and Jayne Cottam's base salaries will be £365,000 and £184,500 respectively. Jayne Cottam's base salary will be reviewed in October 2018 when she has completed one year's service as CFO.
- **Annual bonus:** We will retain the current approach to bonus target setting and assessment. Therefore, the performance objectives set under the annual bonus will continue to relate to matters such as value-added opportunities (within the portfolio and from market activity) and financial targets. Jonathan Murphy's maximum bonus opportunity will continue to be 100%, with Jayne Cottam's maximum bonus being 75% of salary. Up to 50% of any bonus earned by an Executive Director is deferred into shares for two years to the extent that the Executive Director does not already hold shares worth at least 300% of salary. Clawback/malus provisions will continue to apply.
- **Long-term incentives:** A further grant of awards will be made under the PSP to Jonathan Murphy and Jayne Cottam over shares worth 150% of salary which will vest subject to the extent to which three-year performance targets are satisfied. However, reflecting the Company's focus on earnings growth and a progressive dividend policy, the Remuneration Committee is proposing to switch the NAV target to an earnings per share ("EPS") target for the 2018 PSP awards onwards. EPRA EPS will be used as the metric best suited to demonstrating operational earnings growth as it excludes the impact of revaluations. No changes will be made to the TSR metric, the threshold vesting percentage or the growth ranges. Major investors have been consulted on this proposal.
- A two-year post vesting holding period will also apply to PSP awards (unless shares worth 300% of salary are already held), with clawback/malus provisions also applying.

In conclusion

I trust you find this report helpful and informative. I look forward to receiving your support for the resolution on the Annual Report on Remuneration at our forthcoming AGM.

Jenefer Greenwood
Chair of the Remuneration Committee
22 May 2018

Remuneration Report continued

PART A: REMUNERATION POLICY AND PRACTICE "AT A GLANCE"

The current Directors' Remuneration Policy was approved by shareholders at the 2016 AGM. This policy was developed with regard to the prevailing UK Corporate Governance Code and is felt to be appropriate to support the long-term success of the Company while ensuring that it does not promote inappropriate risk taking. More particularly, the policy is framed to support the Company's strategic drivers, which are set out on pages 20 and 21. The Committee aims for the policy and its use of performance metrics to support shareholder value creation by incentivising sustainable performance consistent with the strategic drivers and appropriate risk management and that:

- The interests of shareholders and management should be aligned
- The long-term interests of the Company should be promoted
- Excessive risk taking should be discouraged and effective risk management given due consideration
- It should retain and motivate, based on selection and interpretation of appropriate benchmarks
- Poor performance should not be rewarded.

Our goal is to maximise returns for shareholders over the long term. Our success is measured by the following KPIs:

- Earnings Per Share – measuring the profitability of the Company and its ability to pay dividends.
- Total Property Return – measuring income and capital appreciation generated from the portfolio.
- Total Accounting Return – measuring total reported returns for the Company after all overheads and including the effect of leverage.
- Total Shareholder Return – the dividend and capital appreciation experienced by shareholders.

Our remuneration arrangements either directly or indirectly encourage delivery of outstanding performance against these KPIs. The table below shows progress on the KPIs over the last three years:

Earnings Per Share	6.9p
Total Property Return	24.5%
Total Accounting Return	31.7%
Total Shareholder Return	6.1%

Our full policy can be found on the Company's website (**www.assuraplc.com**). However, for convenience we have set out below a summary of the policy's key terms:

Element	Operation	Maximum opportunity
Fixed remuneration		
Base salary	An Executive Director's base salary is considered by the Committee on appointment and then reviewed periodically or when an individual changes position or responsibility. When making a determination as to the appropriate salary level, the Committee first considers remuneration practices within the Group as a whole and, where considered relevant, conducts objective research on companies within the Company's peer group. The results of any benchmarking will only be one of many factors taken into account by the Committee. Other factors include: – Individual performance and experience – Pay and conditions for employees across the Group – The general performance of the Company – The economic environment.	In the normal course of events, increases in the Executive Directors' salaries will not exceed the average increase for employees, save where there is a clear misalignment with market levels. However, individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.
Pension/benefits	A market competitive suite of benefits is provided, which are reviewed periodically to ensure that they remain appropriate. Executive Directors can receive pension contributions to personal pension arrangements or, if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance (or all) can be paid as a cash supplement.	Benefit values vary year on year depending on premiums and the maximum value is the cost of the provision of these benefits. The maximum employer's contribution is 20% of base salary. Actual contributions are currently 13.5% for the CEO and the CFO.
Performance-based variable remuneration		
Bonus	Pay-outs may be made in a mix of cash and deferred shares determined by the Committee following the financial year end, based on achievement against a range of financial and strategic targets which may include (but are not limited to): – Delivering specific added-value activities – Delivering financial goals – Improving operational performance – Developing the performance capability of the team. Bonus payments are not pensionable, but are subject to clawback provisions.	The maximum annual bonus for Executive Directors is 100% of salary. At threshold performance 0% of maximum can be earned. At target up to 75% of maximum can be earned.
Long-term incentives	Awards under the PSP may be granted as nil-cost options or conditional awards which vest to the extent performance conditions are satisfied over a period of at least three years, with a post vesting holding period also potentially applying. Vested awards may also be settled in cash. Clawback and malus provisions apply to PSP awards.	150% of base salary in normal circumstances (up to 300%, if the Committee considers that it is in shareholders' interests to do so, e.g. if exceptional circumstances exist relating to a recruitment).
Shareholding requirement	Executive Directors may not sell any shares acquired via any share-based incentive plan if the sale would take their shareholding below the shareholding requirement.	The Executive Directors are expected to acquire shares equal to at least 300% of their salary. At the Committee's discretion this may be acquired over a timeframe determined by the Committee.

The full policy also provides full details of our approach to:

- Setting performance targets for the annual bonus and PSP
- Committee discretions
- Differences between our approach to remuneration for Executive Directors and the wider workforce
- Travel and hospitality
- Considering the views of our shareholders
- Recruitments, terminations and service contracts
- Chairman and Non-Executive Directors' fees
- External appointments.

Remuneration Report continued

Clawback

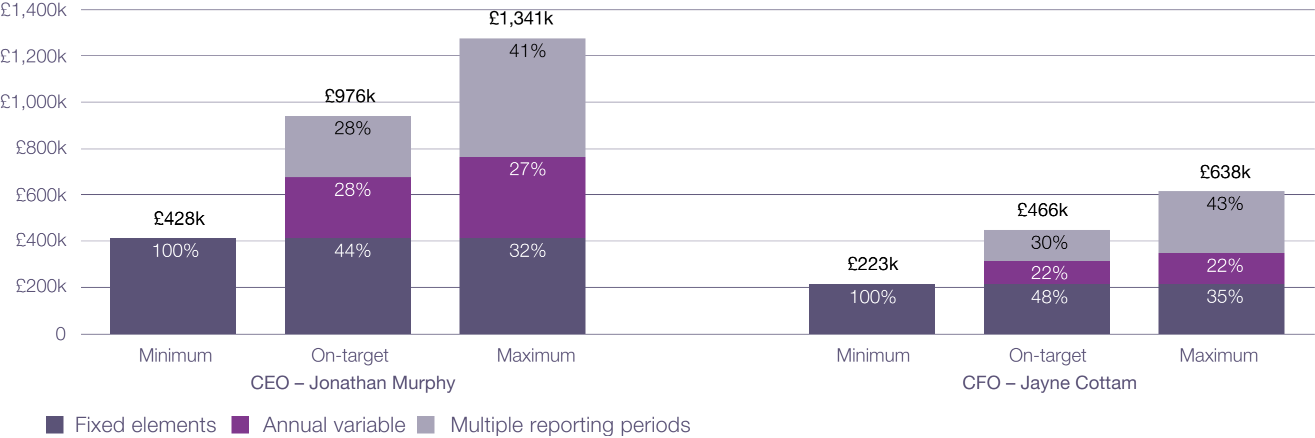
The Committee retains the power to reduce the annual bonus or potential vesting of unvested deferred bonus/PSP awards (including to zero) (often referred to as malus) or to recoup the value of previously paid or vested awards from an individual within two years of vesting if it considers appropriate to do so (often referred to as clawback). The Committee may choose to exercise this power where there has been:

- a material misstatement of financial results for any period;
- an error or the use of inaccurate information in assessing the extent to which any performance condition was satisified; or
- circumstances warranting the summary dismissal of an individual.

Illustrations of application of Remuneration Policy

The policy of the Committee is to align Executive Directors' interests with those of shareholders and to give the Executive Directors incentives to perform at the highest levels. To achieve this, the Committee seeks to ensure that a significant proportion of the remuneration package varies with the performance of the Company and that targets are aligned with the Company's stated business objectives.

The composition and total value of the Executive Directors' remuneration package for the financial year 2018/19 at minimum, on-target and maximum performance scenarios are set out in the charts below:



Assumptions used in determining the level of pay-out under given scenarios are as follows:

Minimum

- Consists of base salary, benefits and pension.
- Base salary is the salary to be paid in 2018/19.
- Benefits have been estimated for 2018/19.
- Pension is measured as the defined contribution or cash allowance in lieu of Company contributions of 13.5% of salary.

2018/19	Base salary £'000	Benefits £'000	Pension £'000	Total fixed £'000
Jonathan Murphy	365	14	49	428
Jayne Cottam	184.5	13	25	222.5

On-target

Based on what the Director would receive if performance were on-target (excluding share price appreciation and dividends):

- Annual bonus: consists of the on-target bonus (75% of maximum opportunity used for illustrative purposes).
- Long-term incentive: consists of the midpoint level of vesting (50% vesting) under the PSP.

Maximum

Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: consists of maximum bonus of 100% of salary for Jonathan Murphy and 75% of salary for Jayne Cottam.
- Long-term incentive: consists of the face value of awards (at 150% of salary).

PART B: ANNUAL REPORT ON REMUNERATION – UNAUDITED UNLESS STATED

This Annual Report on Remuneration contains details of how the Company's Remuneration Policy for Directors was implemented during the financial year ended 31 March 2018. This report has been prepared in accordance with the provisions of the Companies Act 2006 and the Regulations. An advisory resolution to approve this report will be put to shareholders at the AGM.

Consideration by the Committee of matters relating to Directors' remuneration

The members of the Committee during 2017/18 were Jenefer Greenwood (Committee Chairman), Simon Laffin, David Richardson and Ed Smith (from 10 October 2017). The members of the Committee have no personal financial interest, other than as shareholders, in matters to be decided, and no potential conflicts of interest arising from cross-directorships. The Non-Executives have no day to day involvement in running the business.

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and for setting the remuneration packages for each Executive Director. The Committee sets the fees of the Chairman and the fees for the Non-Executive Directors are set by the Chairman in conjunction with the CEO. The Committee also has oversight of the remuneration policy and packages for other senior members of staff. The written Terms of Reference of the Committee are available on the Company's website and from the Company on request.

The Committee held four meetings and one subcommittee meeting during the year. Its activities during and relating to the financial year 2017/18 included:

- Consideration of objectives and targets for annual bonuses
- Consideration of annual pay awards and bonuses
- Overseeing the final vesting of awards under the VCP
- Consideration of targets and awards under the PSP
- Oversight of the Executive Board's remuneration structures and levels
- Addressing remuneration-related issues arising from the changes to the Executive Board
- Confirming Andrew Darke's arrangements upon leaving the Board
- Preparing this report.

Advisors to the Committee

During 2017/18 the Committee received advice from FIT Remuneration Consultants LLP ("FIT"), its independent advisor. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of the services provided by FIT and was satisfied that no conflict of interest exists or existed in the provision of these services. The total fees paid to FIT in respect of services to the Committee during the year were £30,000. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

The Committee also sought the views of Jonathan Murphy during the year. The CEO is given notice of all meetings and, at the request of the Chair of the Committee, attends part of the meetings. The CEO may request that he attends and speaks at Committee meetings. In normal circumstances, the CEO will be consulted on general policy matters and matters concerning the other Executive Director and employees.

Single total figure of remuneration – Executive Directors (audited)

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior year is shown below. Figures provided have been calculated in accordance with the Regulations:

Executive Director (£'000)	Year	Salary	Taxable benefits	Bonus[5]	Pensions	Long-term incentives[6]	Total
Jonathan Murphy[1]	2017/18	335	14	281	45	838	1,513
	2016/17	270	15	178	33	736	1,232
Andrew Darke[2]	2017/18	229	14	128	30	958	1,359
	2016/17	110	8	144	15	–	277
Jayne Cottam[3]	2017/18	93	7	56	13	–	169
Graham Roberts[4]	2016/17	101	5	–	17	3,366	3,489

Notes
1. Jonathan Murphy's remuneration for 2016/17 reflects his role as Finance Director, Interim CEO (3 October 2016 to 27 February 2017) and then permanent CEO.
2. Andrew Darke joined the Board on 3 October 2016. The 2016/17 figures above relate to the part year from appointment.
3. Jayne Cottam joined the Company on 25 September 2017. The 2017/18 figures above relate to the part year from appointment.
4. Graham Roberts' remuneration reflects the period up to his death in June 2016.
5. A portion of bonus is deferred as explained on page 62.
6. The long-term incentives column includes the value of the VCP awards that vested during the year as described more fully below. Andrew Darke's VCP award vested before he was appointed to the Board.

Remuneration Report continued

Benefits
Taxable benefits comprised health insurance, death in service benefits, critical illness, group income protection and company car allowance.

2017/18 annual bonus plan outcome
In determining the award for 2017/18, the Committee took into account the Company's financial performance and achievements against key short-term objectives established at the beginning of the year. This involved establishing in advance what would constitute success for good, strong or outstanding performance. The performance targets and performance are summarised below. These accounted for 80% of the bonus potential. The remaining 20% was based on an assessment of personal performance against individual objectives set at the beginning of the year.

It is the Committee's approach to also view the performance in the round at the end of the year, taking into account extraneous events and changing priorities, where relevant. The key success factors for the year were identified as continuing to increase the investment portfolio and to raise capital to support further growth. For 2017/18 the maximum potential bonus awards were 100% of salary for Jonathan Murphy as CEO and 75% of salary for Andrew Darke and Jayne Cottam.

Performance measures	Actual targets set at the beginning of the year	Actual performance outcome	Potential (% of max)	Payout (% of max)
Grow the scale of the portfolio	Good £160 million, Strong £180 million, Outstanding £200 million	Outstanding £278.9 million acquisition spend	20	20
Increase the number of developments to generate rental evidence to support ERV growth	Good £30 million, Strong £35 million, Outstanding £40 million	Good £31.7 million spend during year	8	4
Achieve unconditional sign off of new developments in year	Good 4 schemes, Strong 5 schemes, Oustanding 6 schemes	Strong five schemes	8	6
Grow rent through physical extensions	Good 5, Strong 6, Outstanding 7	Not achieved three schemes	4	–
Let vacant space	Good £400,000, Strong £500,000, Outstanding £600,000	Good £409,000	8	4
Add value through lease re-gears and increase WAULT	Good 11, Strong 13, Outstanding 15	Outstanding 15	4	4
Deliver EPRA earnings budget	Good £46 million, Strong £47 million, Outstanding £48 million	Outstanding £50.0 million	20	20
Obtain new debt at a cost below 3.5%	Good 30bps, Strong 40bps, Outstanding 50bps	Outstanding 67bps below	8	8
Total			80	66

The Committee reviewed the performance of Jonathan Murphy. His financial targets were as above, overall being rated Strong. His individual targets were to develop an effective Public Affairs strategy, recruit a strong CFO, deepen his knowledge of the wider community healthcare property market, develop and implement a capital funding strategy and deliver innovation into the design and construction of Assura's new buildings. The Committee concluded that Jonathan had performed strongly on all of these objectives resulting in an assessment of 18 out of 20 for this part of the bonus.

As a result, the Committee decided to award Jonathan a bonus of £281,400 equating to 84% (84% of maximum bonus) of his total salary.

The Committee also considered the performance of Andrew Darke. His financial targets were as above, overall being rated Strong.

His individual targets were to successfully recruit and integrate new surveyors into the development team, develop the wider property team including effective succession planning, deepen his knowledge of the wider community healthcare property market, deliver rental growth ahead of budget and deliver innovation into the design and construction of Assura's new buildings resulting in an assessment of 10 out of 20 for this part of the bonus.

The Committee concluded that Andrew had performed strongly on these objectives. As a result the Committee decided to award Andrew a bonus of £128,250, equivalent to 57% (76% of maximum bonus) of annual base salary.

The Committee also considered the performance of Jayne Cottam. Her financial targets were as above, overall being rated Strong.

Her individual targets were to effectively manage the advisors during the equity raise, negotiate the redemption of the Aviva long-term debt, deepen her knowledge of the primary care property market and Assura's interaction with it, evaluate and design an effective debt capital funding strategy and develop her investor relations expertise resulting in an assessment of 14 out of 20 for this part of the bonus.

The Committee concluded that Jayne had performed strongly on these objectives. As a result the Committee decided to award Jayne a bonus of £55,800 after adjusting for the part year worked, equivalent to 60% (80% of maximum bonus) of annual base salary.

Up to 50% of any bonus earned by an Executive Director must be deferred into shares for two years to the extent that the Executive Director does not already hold shares worth at least 300% of salary. While Jonathan Murphy and Andrew Darke hold the requisite number of shares, Jayne Cottam does not, resulting in 50% of her bonus being deferred in shares.

Total pension entitlements

No Executive Director or any member of staff is entitled to a defined benefit pension arrangement. All the Executive Directors received payments in lieu of pension contributions equivalent to 13.5% of salary respectively for 2017/18.

Vesting of long-term incentive awards (audited)

Value Creation Plan

As reported previously, to take account of three significant capital raising events, certain adjustments were made to the VCP pay-out algorithm to ensure the potential VCP benefit created at each Measurement Date was:

- Attributable to management's performance/achievement of the VCP performance conditions (i.e. an 8% p.a. return to shareholders must be achieved before any value is created for participants); and
- Aligned with the value created for shareholders during the relevant measurement period.

More particularly, the Committee amended the Threshold Price applicable to the first Measurement Date (i.e. 20 August 2015) whereby, for each capital raising event (to be known as "Tranches"), a Threshold Price was set which must be exceeded before any value could be earned by participants. The paragraphs below summarise the alterations.

The Threshold Price applicable to each Tranche of shares at the first Measurement Date was set as follows:

	Tranche	Shares (m)	Original Threshold Price (pence)	New Threshold Price (pence)
Share capital at the start of the VCP	1	529.5	39.37	39.37
Capital issued for MP Realty Holdings Ltd acquisition	2	44.3	39.37	44.95
Capital issued following placing/offer to shareholders	3	414.3	39.37	45.06
Capital issued for Metro MRI Ltd acquisition	4	18.8	39.37	51.29

Each Tranche under the VCP was tested on the first Measurement Date and on 20 August 2015 was subject to the original terms and conditions of the VCP, except that, as shown above, each Tranche had its own Threshold Price.

At subsequent Measurement Dates (i.e. one and two years after the first Measurement Date), it was determined that the methodology for determining the Threshold Price for each Tranche will be the same whereby the Threshold Price for each Tranche will be the higher of:

- The highest return achieved at any previous Measurement Date (treated as separate Tranches); and
- 8% p.a. TSR from the Base Price for Tranche 1 or the capital raising price/price on the day of issue for Tranches 2, 3 and 4 (and others if further capital raising events occur).

Each Tranche has its own minimum return threshold which must be achieved before any awards earned and deferred at previous Measurement Dates vest at the second or third Measurement Dates. This means that awards rolled over (i.e. accrued but not vested) from previous Measurement Dates must sustain an 8% p.a. TSR from the Base Price for Tranche 1 or the capital raising price/price on the day of issue for Tranches 2, 3 and 4.

The maximum aggregate number of shares that can be issued to satisfy awards under the VCP to all participants remained limited to 25 million. Therefore, no adjustments were made to the cap on the number of shares that could be earned under the VCP as a result of the changes to the share capital.

As previously reported, the first Measurement Date occurred on 20 August 2015. The table below sets out the actual value creation under the VCP as calculated at the first Measurement Date, using (as prescribed in the plan rules) the average share price over three months following the announcement of the Company's financial results for the 2014/15 financial year plus dividends paid on shares in issue:

		Tranche 1 (pence per share)	Tranche 2 (pence per share)	Tranche 3 (pence per share)	Tranche 4 (pence per share)
Average share price at first Measurement Date	A	56.27	56.27	56.27	56.27
Dividends paid per share in issue	B	5.0625	2.40	1.95	1.50
Measurement Price	C=A+B	61.3325	58.67	58.22	57.77
Threshold Price	T	39.37	44.95	45.06	51.29
Value created	C-T	21.9625	13.72	13.16	6.48

Remuneration Report continued

As per the VCP performance condition, the total participant benefit available was 10% of the above value created for each Tranche multiplied by the number of shares in each Tranche, which amounts in total to £17.8 million. As a consequence of the Company's strong performance up to the first Measurement Date, the VCP units converted virtually in full into nil-cost options over 24,999,950 shares (out of the total 25 million pool). This resulted in Jonathan Murphy's units converting into 5,153,423 options and Andrew Darke's into 5,889,627 options.

Under the rules, 50% of any shares that accrued at the first Measurement Date (in the form of nil-cost options) became exercisable at the first Measurement Date, 50% of the remainder become exercisable at the second and 100% at the third, provided the minimum return thresholds for each Tranche are achieved at each Measurement Date.

On 25 September 2015 Jonathan Murphy exercised the first 50% of his nil-cost options resulting in him receiving (after the payment of income tax and NICs) 1,365,657 shares. The share price on 25 September 2015 was 54.25 pence.

On 30 August 2016 Messrs Murphy and Darke exercised the next 25% of their nil-cost options resulting in them receiving (after the payment of income tax and NICs) 682,829 and 780,376 shares respectively. The share price on 30 August 2016 was 58.5 pence.

On 31 August 2017 Messrs Murphy and Darke exercised the final 25% of their nil-cost options resulting in them receiving (after the payment of income tax and NICs) 682,828 and 780,375 shares respectively. The share price on 31 August 2017 was 65.25 pence.

The impact of the conversion of the Executive Directors' units into nil-cost options and the above exercises is set out in the table below:

Name	Year of grant	Awards outstanding at 01/04/17	Granted during the year	Lapsed during the year	Exercised during the year	Awards outstanding at 31/03/18	Exercise price	Exercisable between
Jonathan Murphy	2015	1,288,355	–	–	1,288,355	–	Nil-cost	Aug '17–23
Andrew Darke	2015	1,472,406	–	–	1,472,406	–	Nil-cost	Aug '17–23

The aggregate gain by Directors on the exercise of share options during the year was £1,796,000.

Performance Share Plan

Shareholder approval was obtained at the 2016 AGM for the establishment of a PSP. The following awards were made under the PSP to the Executive Directors during the year:

Executive	Date of grant	Basis of award	Face value of award £000	End of performance period
Jonathan Murphy	18 July 2017[1]	150% of salary	502,500	31 March 2020
Andrew Darke	18 July 2017[1]	150% of salary	337,500	31 March 2020
Jayne Cottam	9 February 2018[2]	150% of salary[3]	135,000	31 March 2020

Notes
1. The awards made on 18 July 2017 were granted using the average mid-market share price on the three dealing days prior to the date of grant (62.517 pence). The exercise price is nil.
2. The awards made on 9 February 2018 were granted using the average mid-market share price on the three dealing days prior to the date of grant (58.45 pence). The exercise price is nil.
3. A pro-rata award was made to Jayne Cottam as she was appointed part way through the financial year.

Details of the outstanding PSP awards are:

Executive	Date of grant	Awards outstanding at 01/04/17	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Interests outstanding at 31/03/18	Normal vesting/ exercise date[1]
Jonathan Murphy	8 August 2016	607,759	–	–	–	607,759	From 8 August 2019
	18 July 2017	–	803,781	–	–	803,781	From 18 July 2020
Andrew Darke	8 August 2016	530,172	–	–	239,183	290,989	From 8 August 2019
	18 July 2017	–	539,853	–	413,264	126,589	From 18 July 2020
Jayne Cottam	9 February 2018	–	230,967	–	–	230,967	From 9 February 2021

Note
1. A two-year post vesting holding period will apply to the extent that, on vesting, a participant does not comply with the shareholding guideline in place at that time (currently 300% of salary).

The above PSP awards were granted at the average mid-market share price on the three dealing days before the grant. The exercise price is nil. The minimum share price in 2017/18 was 57.00 pence and the maximum share price was 66.67 pence. The closing share price on 31 March 2018 was 59.30 pence.

In addition, Mr Darke has outstanding awards under the PSP which are due to vest in 2019 and 2020 subject to satisfaction of the relevant vesting criteria. The Board has exercised its discretion under the plan rules to classify Mr Darke as a good leaver and allow the awards to continue to vest on the respective normal vesting dates subject to the relevant performance conditions and time pro-rating. In respect of his 2016 PSP awards (530,172 shares originally granted), 239,183 shares have lapsed as a result of early cessation, leaving 290,989 shares which will vest in August 2019, subject to performance. In respect of his 2017 PSP awards (539,853 shares originally granted), 413,264 shares have lapsed as a result of early cessation, leaving 126,589 shares which will vest in July 2020, subject to performance.

All outstanding PSP awards vest based on performance against the following targets which encourage the generation of sustainable long-term returns to shareholders over a three-year performance period commencing at the start of the financial year of grant:

Absolute TSR growth: 50% of award

Absolute average annual compound TSR growth over performance period	Percentage of this portion of award that vests
Below 5%	0%
5%	0%
15%	100%

NAV per share growth (including the value of dividends paid): 50% of award

Absolute average annual compound NAV per share growth over performance period	Percentage of this portion of award that vests
Below 5%	0%
5%	0%
15%	100%

Straight line vesting will occur between each target.

Single total figure of remuneration – Non-Executives (audited)

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations:

Non-Executive Director (£'000)		Basic fees	Additional fees[2]	Total fees
Simon Laffin	2017/18	133.4	–	133.4
	2016/17	130.5	–	130.5
David Richardson	2017/18	37.7	17.0	54.7
	2016/17	36.9	16.5	53.4
Jenefer Greenwood	2017/18	37.7	8.5	46.2
	2016/17	36.9	8.3	45.2
Ed Smith[1]	2017/18	17.4	–	17.4

Notes
1. Ed Smith was appointed to the Board on 10 October 2017.
2. Additional fees represent Senior Independent Director and Chairman of Board Committee fees.

Remuneration Report continued

Statement of Directors' shareholding and share interests (audited)

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain a personal shareholding equal to 300% of their basic salary in the Company.

Shareholding and other interests at 31 March 2018

Director	Shares required to be held (percentage of salary)	Number of shares required to hold[1]	Number of beneficially owned shares[2]	Total interests held at 31 March 2018	Change from 1 April 2017	Shareholding requirement met?
Executive						
Jonathan Murphy	300	1,846,543	2,393,349	2,393,349	753,003	Yes
Jayne Cottam	300	933,390	17,543	17,543	17,543	No
Non-Executive						
Simon Laffin	–	–	3,620,821	3,620,821	263,157	n/a
David Richardson	–	–	485,010	485,010	70,175	n/a
Jenefer Greenwood	–	–	117,256	117,256	–	n/a
Ed Smith	–	–	87,719	87,719	87,719	n/a

Notes
1. Shareholding requirement calculation is based on the share price at the end of the year (59.3 pence at 31 March 2018).
2. Beneficial interests include shares held directly or indirectly by connected persons.

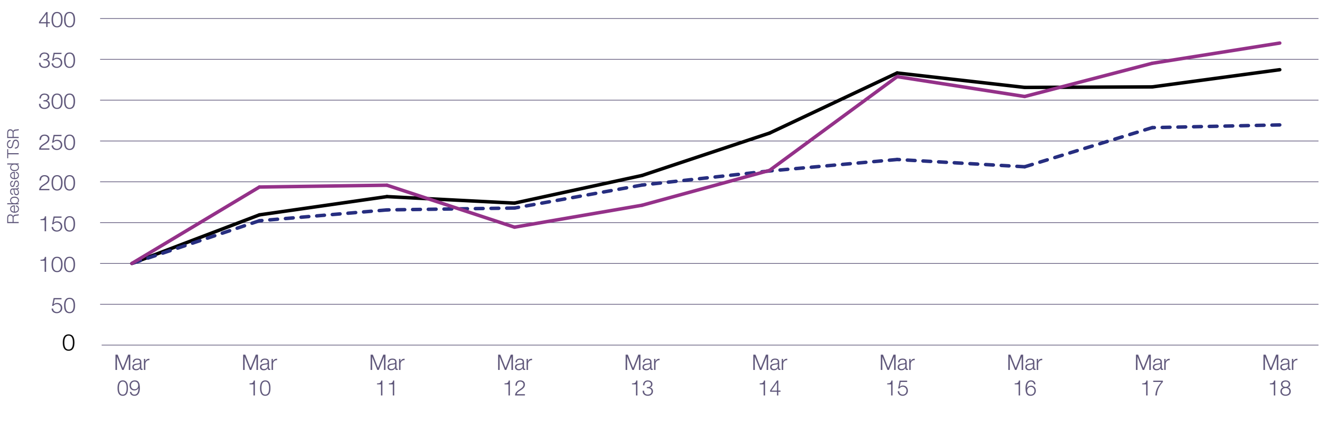
The Company funds its share incentives through a combination of new issue and market purchased shares. The Company monitors the levels of share grants and the impact of these on the ongoing requirement for shares. In accordance with guidelines set out by the Investment Association the Company can issue a maximum of 10% of its issued share capital in a rolling 10-year period to employees under all its share plans, with an inner 5% limit applying to discretionary plans.

There has been no movement in Directors' shareholdings since the year end.

Performance graph and table

The Committee believes that the Executive Directors' Remuneration Policy and the supporting reward structure provide clear alignment with the Company's performance. The Committee believes it is appropriate to monitor the Company's performance against the FTSE All Share Real Estate Investment Trusts index for these purposes.

The graph below sets out the TSR performance of the Company compared to the FTSE All Share Real Estate Investment Trusts index and, for comparison, the FTSE All Share index over a nine-year period as required by the Regulations:



The table below shows the CEOs' remuneration packages over the past nine years:

Year	Name	Single figure of total remuneration £'000[2]	Bonus pay-out (as percentage maximum opportunity)	Long-term incentive vesting rates (as percentage maximum opportunity)
2017/18	Jonathan Murphy	1,513	84	100
2016/17[1]	Jonathan Murphy	1,232	93	100
2016/17[1]	Graham Roberts	3,489	–	100
2015/16	Graham Roberts	3,747	71	100
2014/15	Graham Roberts	677	90	–
2013/14	Graham Roberts	680	95	–
2012/13	Graham Roberts	674	100	–
2011/12	Nigel Rawlings[3]	395	85	–
2010/11	Nigel Rawlings	314	75	–
2009/10	Nigel Rawlings (from 16/03/10)	11	–	–
2009/10	Richard Burrell[4, 5] (until 15/03/10)	487	–	–

Notes
1. Both Graham Roberts' and Jonathan Murphy's remuneration details have been included as they both served as CEO during the year.
2. Includes base salary, taxable benefits, bonus payments for the relevant financial year, long-term incentive awards that vested for performance related to the financial year and cash in lieu of pension.
3. Nigel Rawlings ceased to be a Director with effect from 30 April 2012. The bonus of £100,000 was a one-off award reflecting his contribution to selling the Pharmacy business.
4. Richard Burrell ceased to be a Director on 15 March 2010.
5. During the financial year 2009/10 Richard Burrell was CEO from 1 April 2009 until 15 March 2010 when Nigel Rawlings assumed the position. The amounts above are therefore reflective of the relative lengths of service.

Percentage change in the CEO's remuneration

The table below compares the percentage increase in the CEO's pay (including salary and fees, taxable benefits and annual bonus) with the wider employee population. The Company considers the 50 full-time employee population, excluding the Executive Directors, to be an appropriate comparator group:

	Salary % increase	Taxable benefits % increase/ (decrease)	Bonus % increase/ (decrease)
CEO	–[1]	(0.7)	n/a[2]
Total employee pay	6.1	2.8	7.0
Average employee pay	6.1	7.6	12.6

Notes
1. No change during year ended 31 March 2018 from date of appointment.
2. No comparison has been made as Jonathan Murphy's prior year bonus did not relate to a full year as CEO.

Relative importance of spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders:

Significant distributions	2017/18 £m	2016/17 £m	% change
Overall spend on pay for employees, including Executive Directors	4.4	3.3	33.3
Distributions to shareholders by way of dividends	46.4	37.0	25.4

Remuneration Report continued

Payments to past Directors or for loss of office

The remuneration arrangements in respect of Andrew Darke, who stepped down from the Board on 31 March 2018, are as follows:

- Salary, benefits and pension were paid up to 31 March 2018.
- Annual bonus for the year ended 31 March 2018 was paid following the year end in cash (i.e. no deferral was operated given the 300% share ownership guideline being met).
- The 2016 and 2017 PSP awards will continue to vest at the normal vesting date subject to the relevant performance targets and time pro-rating.
- No payment was made or will be made in respect of loss of office. However, Mr Darke will be retained by the Company as a consultant after stepping down from the Board to retain access to his skills, knowledge and contacts. The consultancy agreement will run until 31 March 2019 for a fee of £2,000 per calendar month and is terminable by either party on one month's notice.

Statement of shareholder voting

The table below shows the advisory vote on the 2016/17 Directors' Remuneration Report at the AGM held on 15 June 2017 and the binding vote on the Remuneration Policy at the AGM held on 14 June 2016:

AGM resolution	Votes for	%	Votes against	%	Votes withheld
Annual Report on Remuneration (2017 AGM)	1,444,072,651	98.38	23,722,945	1.62	8,648
Remuneration Policy (2016 AGM)	1,322,798,958	99.25	10,029,694	0.75	8,359

Statement of implementation of Remuneration Policy for 2018/19

Executive Directors

Salary

In setting salary levels for 2018/19 for the Executive Directors, the Committee considered a number of factors, including individual performance and experience, pay and conditions for employees across the Group, the general performance of the Company, pay levels in other comparable companies and the economic environment. The salaries for 2018/19 and the relative increases are set out below:

Executive Director	2017/18 salary £'000	2018/19 salary £'000	% change
Jonathan Murphy	335	365	9
Jayne Cottam	180	184.5	2.5

The CEO received a salary increase of 9% (from £335,000 to £365,000) in recognition of his growing experience and performance in the role (noting that he has now served a compete financial year as CEO, in addition to his time as interim CEO). While this increase is above that awarded to the general workforce, the Committee has adopted this approach given the size and responsibility of the role and noting that it still remains very conservatively positioned against companies of a comparable size in the FTSE 250 Real Estate sector.

Pension and benefits

As was the case last year, Jonathan Murphy and Jayne Cottam will receive payments in lieu of pension contributions equivalent to 13.5% of salary respectively. Benefits will be provided in line with the Remuneration Policy.

Annual bonus

The maximum bonus opportunity for 2018/19 will continue to be 100% of salary for Jonathan Murphy and 75% of salary for Jayne Cottam.

The performance objectives under the annual bonus plan for 2018/19 will continue to relate to value-added opportunities, within the portfolio and from market activity and financial targets. The Committee is of the opinion that the precise performance targets for the bonus plan are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Appropriate levels of disclosure of the actual targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any pay-outs. The Committee will also follow the practice of previous years and view the weightings for bonus purposes at the end of the year, having regard to all known factors.

As was the case with the 2017/18 bonus, a deferred share element will apply, under which up to 50% of any bonus earned by an Executive Director will be deferred into shares for two years to the extent that the Executive Director does not already hold shares worth at least 300% of salary.

Long-term incentives
A further grant of awards will be made under the PSP to Jonathan Murphy and Jayne Cottam over shares worth 150% of salary which will vest subject to the extent to which three-year performance targets are satisfied. However, reflecting the Company's focus on earnings growth and a progressive dividend policy, the Remuneration Committee is proposing to switch the NAV target to an EPS target for the 2018 PSP awards onwards. EPRA EPS will be used as the metric best suited to demonstrating operational earnings growth as it excludes the impact of revaluations. No changes will be made to the TSR metric, the threshold vesting percentage or the growth ranges. As such, the performance targets for the 2018 PSP awards, which are expected to be granted in July 2018, will be as follows:

Absolute TSR growth: 50% of award

Absolute average annual compound TSR growth over performance period	Percentage of this portion of award that vests
Below 5%	0%
5%	0%
15%	100%

EPRA EPS: 50% of award

EPRA EPS Growth over performance period	Percentage of this portion of award that vests
Below 5%	0%
5%	0%
15%	100%

Straight line vesting would occur between each target.

A post vesting holding period will also apply to the extent that, on vesting, a participant does not comply with the shareholding guideline in place at that time (currently 300% of salary).

Non-Executive Directors

The following table sets out the fee rates for the Non-Executive Directors from 1 April 2018:

	2018/19 £'000	2017/18 £'000	% change
Chairman fee	150.0	133.4	12.4
Non-Executive Director base fee	38.6	37.7	2.4
Additional fee for Chairing of Audit and Remuneration Committee	8.7	8.5	2.4
Additional fee for Senior Independent Director	8.7	8.5	2.4

Following consultation with our remuneration consultants and reviewing the current market position for comparable roles and the commitment required to fulfil the role the Board decided to increase the Chairman fee by 12% to £150,000. This level is conservatively positioned with market comparables and represents the first increase above inflation since 2011.

By order of the Board

Jenefer Greenwood
Chair of the Remuneration Committee
22 May 2018

Directors' Report

Financial and business reporting

The Directors present their Annual Report and Accounts on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2018. The Corporate Governance Statement set out on page 44 forms part of this report.

The Directors' Report and the other sections of this Annual Report contain forward-looking statements. The extent to which the Company's shareholders or anyone may rely on these forward-looking statements is set out on page 111.

Principal activities

Assura plc is a leading primary care property investor and developer. It owns and procures good quality primary care properties across the UK.

The subsidiary and associated undertakings are listed in Note 9 to the accounts.

Business review

The Group is required to include a business review in this report. The information that fulfils the requirements of the business review can be found on pages 38 to 43, which are incorporated in this report by reference.

Going concern

Assura's business activities together with factors likely to affect its future performance are set out in the business review on pages 38 to 43. In addition, Note 22 to the accounts includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Group has facilities from a number of financial institutions, none of which are repayable before May 2021 other than modest annual amortisation. In addition to surplus available cash of £26.7 million at 31 March 2018 (2017: £23.3 million), the Group has undrawn facilities of £170 million at the balance sheet date.

The Group's primary care property developments in progress are all substantially pre-let.

The Group has adequate headroom in its banking covenants. The Group has been in compliance with all financial covenants on its loans throughout the year.

The Group's properties are substantially let with rent paid or reimbursed by the NHS and they benefit from a weighted average lease length of 12.6 years. They are diverse both geographically and by lot size and therefore represent excellent security.

The Group's financial forecasts show that borrowing facilities are adequate and the business can operate within these facilities and meet its obligations when they fall due for the foreseeable future. The Directors believe that the business is well placed to manage its current and reasonably possible future risks successfully.

Accordingly, the Board considers it appropriate that the financial statements have been prepared on a going concern basis of accounting and there are no material uncertainties to the Company's ability to continue to prepare them on this basis over a period of at least 12 months.

Long-term viability statement

The Company's viability statement is on page 33.

Internal controls and risk management

The Board accepts and acknowledges that it is both accountable and responsible for ensuring that the Group has in place appropriate and effective risk management and internal control systems, including financial, operational and compliance control systems.

The Board monitors these systems on an ongoing basis and this year's review found them to be operating effectively.

Dividends

Details of the dividend can be found in Note 18 to the accounts. The Group benefits from brought forward tax losses, which resulted in three of the four dividends paid during the year being paid as ordinary dividends. The October 2017 dividend was paid as a PID.

Details of the Group's dividend policy can be found in the business review on page 41.

Supplier payment policy

The Group has not signed up to any specific supplier payment code; it is Assura's policy to comply with the terms of payment agreed with its suppliers. Where specific payment terms are not agreed, the Group endeavours to adhere to the suppliers' standard payment terms. As at 31 March 2018, the average number of days taken by the Group to pay its suppliers was 12 days (2017: 10 days).

Directors' liability insurance

The Company has arranged insurance cover in respect of legal action against its Directors.

Donations

In the year to 31 March 2018, Assura donated £23,000 to charities (2017: £24,850), all of which were UK registered charities, and no contributions were made for political purposes (2017: nil). More details of our chosen charities can be found on our website.

Employees

Employees are encouraged to maximise their individual contribution to the Group. In addition to competitive remuneration packages, they participate in an annual bonus scheme which links personal contribution to the goals of the business. Outperformance against the annual targets can result in a bonus award proportionate to the individual's contribution. Employees are provided regularly with information regarding progress against the budget, financial and economic factors affecting the business's performance and other matters of concern to them. In addition, all staff are eligible to participate in a defined contribution pension scheme. The views of employees are taken into account when making decisions that might affect their interests. Assura encourages openness and transparency, with staff having regular access to the Directors and being given the opportunity to express views and opinions.

The Group is committed to the promotion of equal opportunities, supported by its Equal Opportunity and Diversity Policy. The policy reflects both current legislation and best practice. It highlights the Group's obligations to race, gender and disability equality. Full and fair consideration is given to applications for employment from disabled persons and appropriate training and career development are provided.

Share capital

As at 31 March 2018, the issued share capital of the Company is 2,383,122,112 Ordinary Shares of 10 pence each. Authority was obtained at the 2017 AGM for the purchase of up to 10% of share capital, if deemed appropriate by the Directors. This expires at the conclusion of the 2018 AGM.

Interests in voting rights

As at 18 May 2018, the Company had been notified of the following interests in accordance with DTR 5:

	31 March 2018	18 May 2018
Name of shareholder	**Percentage of Ordinary Shares**	Percentage of Ordinary Shares
Invesco Limited	**11.97**	10.99
BlackRock Inc.	**9.45**	no change
Artemis Investment Management	**8.71**	no change
Standard Life Aberdeen	**6.27**	no change
Schroders plc	**6.12**	<5%
Resolution Capital Limited	**5.29**	6.29
Legal & General Group plc	**3.01**	no change

Directors' Report continued

Price risk, credit risk, liquidity risk and cash flow risk

Full details of how these risks are mitigated can be found in Note 22 to the accounts.

Future developments

Details of future developments are discussed on pages 38 to 41 in the business review.

Competition and Markets Authority ("CMA") Order

The Company confirms that it has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 published by the CMA on 26 September 2014.

Greenhouse gas emissions

The greenhouse gas emissions from the head office activities represented 94.1mt CO_2e (2017: 91.3mt CO_2e) This has been calculated by reference to kilowatt hours used and miles driven, with appropriate conversion factors applied.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors, on recommendation from the Audit Committee, intend to place a resolution before the AGM to re-appoint Deloitte LLP as auditor for the year ending 31 March 2019.

Amendments to the Articles of Incorporation

The Articles of Incorporation of the Company may be amended by special resolution of the Company.

Annual General Meeting

The AGM of the Company will be held at the offices of CMS, Cannon Place, 78 Cannon Street, London EC4N 6AF on 10 July 2018 at 11am.

Both the Directors' Report and the Strategic Report were approved by the Board and signed on its behalf.

Orla Ball
Company Secretary
22 May 2018

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, IAS 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Orla Ball
Company Secretary
22 May 2018

Independent Auditor's Report to the members of Assura plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's and Parent Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Assura plc (the "Parent Company") and its subsidiaries (the "Group") which comprise:

- the Consolidated and Parent Company Income Statements;
- the Consolidated and Parent Company Statements of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Cash Flow Statements;
- the Consolidated and Parent Company Statements of Changes in Equity; and
- the related notes 1 to 24 and A to F.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter

The key audit matter that we identified in the current year was the valuation of the property portfolio excluding properties under development.

Materiality

The materiality applied for the Group financial statements was £25 million which was determined on the basis of 2% of net assets and specific materiality applied was £2.5 million which was determined on the basis of 5% of EPRA earnings (as defined on page 42).

Scoping

The Group audit team performed full scope audit procedures giving coverage of 100% of the Group's net assets. The Group is audited in its entirety by the Group audit team.

Significant changes in our approach

Our approach is consistent with the previous year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 34 to 37 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 32 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 33 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property portfolio excluding properties under development

Key audit matter description

The Group owns and manages a portfolio of 518 modern primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £1,709.6 million as at 31 March 2018 and comprises the majority of the assets in the Group balance sheet.

The Group uses professionally qualified external valuers, Savills and Jones Lang LaSalle ("the Valuers"), to fair value the Group's portfolio at half-yearly intervals. The Valuers are engaged by the Directors and perform their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards. The Valuers used by the Group are well-known firms and have considerable experience in the markets in which the Group operates.

The valuation of the portfolio is inherently subjective and is underpinned by a number of assumptions, therefore we have identified a potential fraud risk in this area. The existence of significant estimation uncertainty coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement on the income statement and balance sheet, warrants specific audit focus in this area.

In determining a property's valuation, the Valuers take into account property-specific information such as current tenancy agreements and rental income attached to the asset. The portfolio (excluding development properties) is valued by the investment method of valuation. Key inputs into the valuation exercise are yields and Estimated Rental Value ("ERV"), which are influenced by prevailing market yields, comparable market transactions and the specific characteristics of each property in the portfolio.

Valuation of property represents a key source of estimation uncertainty for the Group, as described in the Group's accounting policies in Note 2, and a significant financial reporting matter considered by the Audit Committee, as described on page 55. Further details are disclosed in Note 10 to the financial statements.

Independent Auditor's Report continued

How the scope of our audit responded to the key audit matter

Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions, and the technicalities of a valuation methodology, we engaged our internal valuation specialists (qualified chartered surveyors) to assist us in our audit of this key risk audit matter.

We read the valuation reports for all properties and attended meetings with each of the Valuers. We assessed whether the valuation approach for each was in accordance with RICS guidance and suitable for use in determining the carrying value in the Group balance sheet.

We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which exist between the Group and the Valuers.

We carried out procedures, on a sample basis, to test whether property-specific data supplied to the Valuers by management reflected the underlying property records held by the Group and which had been tested during our audit.

We assessed management's process for reviewing and challenging the work of the external Valuers including management's experience and knowledge to undertake this activity. We observed discussions between management and the Valuers which evidenced that alternative assumptions and recent market transactions were considered and evaluated before the final valuation was determined.

We compared the yields used by the Valuers to an estimated range of expected yields, determined via reference to published benchmarks, and to recent transactions. We also considered the reasonableness of other assumptions that are not so readily comparable to published benchmarks, such as ERV and void rates. Additionally, we evaluated year on year movements in capital value with reference to published benchmarks. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further investigations and, where necessary, held further discussions with the Valuers in order to challenge the assumptions.

We also considered the adequacy of the Group's disclosures about the degree of the estimation and sensitivity to key assumptions made when valuing these properties disclosed in Note 10.

Key observations

We found that the valuations and their underlying assumptions were supportable in light of available and comparable market evidence, and the disclosures were appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements		Parent Company financial statements
Materiality	**Overall Group materiality** £25 million (2017: £16 million)	**Specific Group materiality** £2.5 million (2017: £1.9 million) Applied to EPRA earnings impacting balances	£2.3 million (2017: £1.7 million)
Basis for determining materiality	2% (2017: 2%) of net assets	5% (2017: 5%) of EPRA earnings	The Parent Company materiality represents 2% (2017: 2%) of equity which is capped at 90% (2017: 90%) of Specific Group materiality.
Rationale for the benchmark applied	In arriving at this judgement we had regard to the carrying value of the Group's assets, acknowledging that the primary performance measure of the Group is the carrying value of investment property.	In addition to net assets, we consider EPRA earnings to be a critical financial performance measure for the Group and we applied a lower threshold of £2.5 million based on 5% of that measure for testing of all impacted balances, classes of transactions and disclosures.	As a non-trading Parent Company, equity is the key driver of the Company. The cap is applied against the specific Group materiality due to the EPRA earnings impacting transactions within the Company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1,250,000 (2017: £800,000), or £124,000 (2017: £95,000) for differences impacting EPRA earnings, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its internal and external environment. This included assessing Group-wide controls, assessing the risks of material misstatement at the Group level, and in particular looking at where the Directors make subjective judgements, for example in respect of significant accounting estimates or adoption of accounting policies that are underpinned by a number of assumptions.

The Group is audited in its entirety by the Group audit team. Our audit work on the individual subsidiary entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. This results in full scope audit procedures performed on 100% (2017: 99%) of the Group's net assets. At the parent entity level we also tested the consolidation process and carried out analytical procedures to conclude that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Independent Auditor's Report continued

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 March 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is seven years, covering the years ended 31 March 2012 to 31 March 2018.

Consistency of the audit report with the additional report to the Audit Committee
Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Rachel Argyle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
22 May 2018

Consolidated income statement
For the year ended 31 March 2018

	Note	2018 EPRA £m	2018 Capital and other £m	2018 Total £m	2017 EPRA £m	2017 Capital and other £m	2017 Total £m
Gross rental and related income	3	**83.5**	**–**	**83.5**	71.1	–	71.1
Property operating expenses		**(3.3)**	**–**	**(3.3)**	(3.2)	–	(3.2)
Net rental income		**80.2**	**–**	**80.2**	67.9	–	67.9
Administrative expenses	4	**(7.9)**	**–**	**(7.9)**	(7.0)	–	(7.0)
Revaluation gains	10	**–**	**79.4**	**79.4**	–	56.5	56.5
Loss on sale of property		**–**	**(0.3)**	**(0.3)**	–	(0.1)	(0.1)
Share-based payment charge	19	**(0.3)**	**–**	**(0.3)**	(0.1)	–	(0.1)
Finance revenue	3	**0.1**	**–**	**0.1**	0.1	–	0.1
Finance costs	5	**(22.1)**	**(0.9)**	**(23.0)**	(20.7)	(1.4)	(22.1)
Early repayment costs	16	**–**	**(56.4)**	**(56.4)**	–	–	–
Profit before taxation		**50.0**	**21.8**	**71.8**	40.2	55.0	95.2
Taxation	6	**–**	**–**	**–**	0.1	–	0.1
Profit for the year attributable to equity holders of the parent		**50.0**	**21.8**	**71.8**	40.3	55.0	95.3
EPRA EPS – basic & diluted	7	**2.5p**			2.4p		
EPS – basic & diluted	7			**3.7p**			5.8p

There were no items of other comprehensive income or expense and therefore the profit for the year also reflects the Group's total comprehensive income. All income derives from continuing operations.

Consolidated balance sheet
As at 31 March 2018

		Note	2018 £m	2017 £m
Non-current assets				
Investment property		10	**1,732.7**	1,344.9
Property, plant and equipment		11	**0.4**	0.4
Deferred tax asset		21	**0.5**	0.5
			1,733.6	1,345.8
Current assets				
Cash, cash equivalents and restricted cash		12	**28.7**	23.5
Trade and other receivables		13	**13.7**	9.4
Property assets held for sale		10	**8.4**	0.9
			50.8	33.8
Total assets			**1,784.4**	1,379.6
Current liabilities				
Trade and other payables		14	**20.2**	16.4
Borrowings		16	**–**	4.3
Deferred revenue		15	**19.0**	16.3
			39.2	37.0
Non-current liabilities				
Borrowings		16	**486.3**	515.8
Obligations due under finance leases		14	**2.8**	3.0
Deferred revenue		15	**5.7**	5.8
			494.8	524.6
Total liabilities			**534.0**	561.6
Net assets			**1,250.4**	818.0
Capital and reserves				
Share capital		17	**238.3**	165.5
Share premium			**580.4**	246.1
Merger reserve			**231.2**	231.2
Reserves			**200.5**	175.2
Total equity			**1,250.4**	818.0
NAV per Ordinary Share	**– basic**	8	**52.5p**	49.4p
	– diluted	8	**52.5p**	49.3p
EPRA NAV per Ordinary Share	**– basic**	8	**52.4p**	49.4p
	– diluted	8	**52.4p**	49.3p

The financial statements were approved at a meeting of the Board of Directors held on 22 May 2018 and signed on its behalf by:

Jonathan Murphy
CEO

Jayne Cottam
CFO

Consolidated statement of changes in equity
For the year ended 31 March 2018

	Note	Share capital £m	Own shares held £m	Share premium £m	Merger reserve £m	Reserves £m	Total equity £m
1 April 2016		163.8	(0.6)	241.9	231.2	118.0	754.3
Profit attributable to equity holders		–	–	–	–	95.3	95.3
Total comprehensive income		–	–	–	–	95.3	95.3
Dividends	18	0.9	–	4.2	–	(37.0)	(31.9)
Employee share-based incentives		0.8	0.6	–	–	(1.1)	0.3
31 March 2017		165.5	–	246.1	231.2	175.2	818.0
Profit attributable to equity holders		**–**	**–**	**–**	**–**	**71.8**	**71.8**
Total comprehensive income		**–**	**–**	**–**	**–**	**71.8**	**71.8**
Issue of Ordinary Shares	17	**70.9**	**–**	**338.2**	**–**	**–**	**409.1**
Issue costs		**–**	**–**	**(12.0)**	**–**	**–**	**(12.0)**
Dividends	18	**1.6**	**–**	**8.1**	**–**	**(46.4)**	**(36.7)**
Employee share-based incentives		**0.3**	**–**	**–**	**–**	**(0.1)**	**0.2**
31 March 2018		**238.3**	**–**	**580.4**	**231.2**	**200.5**	**1,250.4**

Consolidated cash flow statement
For the year ended 31 March 2018

	Note	2018 £m	2017 £m
Operating activities			
Rent received		**81.0**	71.1
Interest paid and similar charges		**(22.8)**	(19.2)
Fees received		**0.8**	0.8
Interest received		**0.1**	0.1
Cash paid to suppliers and employees		**(9.2)**	(13.8)
Net cash inflow from operating activities	20	**49.9**	39.0
Investing activities			
Purchase of investment property		**(282.3)**	(157.9)
Development expenditure		**(31.7)**	(19.9)
Proceeds from sale of property and investments		**0.9**	1.4
Expenditure on property, plant and equipment		**–**	(0.3)
Net cash outflow from investing activities		**(313.1)**	(176.7)
Financing activities			
Issue of Ordinary Shares		**409.1**	–
Issue costs paid on issuance of Ordinary Shares		**(12.0)**	–
Dividends paid	18	**(36.7)**	(31.9)
Repayment of loans	16	**(213.8)**	(59.0)
Long-term loans drawdown	16	**180.0**	210.0
Early repayment costs	16	**(56.4)**	–
Loan issue costs	16	**(1.8)**	(2.2)
Net cash inflow from financing activities		**268.4**	116.9
Increase/(decrease) in cash and cash equivalents		**5.2**	(20.8)
Opening cash and cash equivalents		**23.5**	44.3
Closing cash and cash equivalents	12	**28.7**	23.5

Notes to the accounts
For the year ended 31 March 2018

1. Corporate information and operations
Assura plc ("Assura") is incorporated in England and Wales and the Company's Ordinary Shares are listed on the London Stock Exchange.

As of 1 April 2013, the Group has elected to be treated as a UK REIT. See Note 6 for further details.

2. Significant accounting policies
Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investment properties, including investment properties under construction and land which are included at fair value. The financial statements have also been prepared in accordance with IFRSs and interpretations adopted by the European Union and in accordance with the Companies Act 2006.

The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 70 and are presented in sterling.

The accounting policies have been applied consistently to the results, other gains and losses, liabilities and cash flows of entities included in the consolidated financial statements. All intragroup balances, transactions, income and expenses are eliminated on consolidation.

Standards affecting the financial statements
The following standards and amendments became effective for the Company in the year ended 31 March 2018. The pronouncements either had no material impact on the financial statements or resulted in changes in presentation and disclosure only (effective for periods beginning on or after the date in brackets):

- Amendments to IAS 7 Disclosure initiative (1 January 2017)
- Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses (1 January 2017)

Standards in issue not yet effective
The following standards and amendments are in issue as at the date of the approval of these financial statements, but are not yet effective for the Company. The Directors do not expect that the adoption of the standards listed below will have a material impact on the financial statements of the Company in future periods but are continuing to assess the potential impact (effective for periods beginning on or after the date in brackets).

- IFRS 9 Financial Instruments (1 January 2018)
- Amendments to IAS 40 Transfers of Investment Property (1 January 2018)
- Amendments to IFRS 2 Classification and measurement of share-based payment transactions (1 January 2018)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (1 January 2018)
- Annual Improvements to IFRS Standards 2015–2017 Cycle (1 January 2019)

IFRS 15 Revenue from Contracts with Customers (1 January 2018)
This standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Group's income is from tenant leases and is outside the scope of the new standard. The remaining, non-material, income streams have been assessed under the new standard and no material changes have been identified.

IFRS 16 Leases (1 January 2019)
The standard does not impact the Group's financial position as a lessor or the Group's rental income from its investment properties. The standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in the income statement. Having reviewed the Group's current operating leases and head leases, it is estimated that the Group will recognise a right-of-use asset and corresponding lease liability which would not be material. The net impact on the income statement will also not be material.

There are no other standards or interpretations yet to be effective that would be expected to have a material impact on the financial statements of the Group.

Key sources of estimation and uncertainty
The key assumptions concerning the future, and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2. Significant accounting policies continued

Property valuations

The key source of estimation and uncertainty relates to the valuation of the property portfolio, where a valuation is obtained twice a year from professionally qualified external valuers. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's-length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Property valuations are one of the principal uncertainties of the Group. Details of the accounting policies applied in respect of valuation are set out below and the key unobservable inputs relating to the valuations are set out in Note 10.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described below, the Directors do not consider there to be significant judgements applied with regard to the policies adopted.

Basis of consolidation

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

In the Company financial statements, investments in subsidiaries are held at cost less any provision for impairment. In addition, the Company recognises dividend income when the rights to receive payment have been established (normally when declared and paid).

Where properties are acquired through the purchase of a corporate entity but the transaction does not meet the definition of a business combination under IFRS 3, the purchase is treated as an asset acquisition. Where the acquisition is considered a business combination, the excess of the consideration transferred over the fair value of assets and liabilities acquired is held as goodwill, initially recognised at cost with subsequent impairment assessments completed at least annually. Where the initial calculation of goodwill arising is negative, this is recognised immediately in the income statement.

Property portfolio

Properties are externally valued on an open market basis, which represents fair value, as at the balance sheet date and are recorded at valuation.

Any surplus or deficit arising on revaluing investment properties and investment property under construction ("IPUC") is recognised in the income statement.

All costs associated with the purchase and construction of IPUC are capitalised including attributable interest. Interest is calculated on the expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans. When IPUC are completed, they are classified as investment properties.

In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Leasehold properties that are leased out to tenants under operating leases are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value.

Where an investment property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

The market value of investment property as estimated by an external valuer is increased for the unamortised pharmacy lease premium held at the balance sheet date.

Net rental income

Rental income is recognised on an accruals basis and recognised on a straight line basis over the lease term. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Pharmacy lease premiums received from tenants are spread over the lease term, even if the receipts are not received on such a basis. The lease term is the non-cancellable period of the lease. Property operating expenses are expensed as incurred and property operating expenditure not recovered from tenants through service charges is charged to the income statement.

Notes to the accounts continued
For the year ended 31 March 2018

2. Significant accounting policies continued

Gains on sale of properties

Gains on sale of properties are recognised on the completion of the contract, and are calculated by reference to the carrying value at the end of the previous reporting period, adjusted for subsequent capital expenditure.

Financial assets and liabilities

Trade receivables and payables are initially recognised at transaction value and subsequently measured at amortised cost and discounted as appropriate.

Other investments are shown at amortised cost and held as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption at a constant rate on the carrying amount of the liability.

Financial instruments

Where the Group uses derivative financial instruments, in the form of interest rate swaps, to hedge its risks associated with interest rate fluctuations they are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value by reference to market values for similar instruments. The resulting gains or losses are recognised through the income statement.

Cash equivalents are limited to instruments with a maturity of less than three months.

Tax

Current tax is expected tax payable on any non-REIT taxable income for the period and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value.

Income statement definitions

EPRA earnings represents profit calculated in accordance with the guide published by the European Public Real Estate Association. See Note 7 for details of the adjustments.

Capital and other represents all other statutory income statement items that are excluded from EPRA earnings.

Employee costs

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are charged to the income statement as incurred.

Share-based employee remuneration

Share-based employee remuneration is determined with reference to the fair value of the equity instruments at the date at which they are granted and charged to the income statement over the vesting period on a straight line basis. The fair value of share options is calculated using an appropriate valuation model and is dependent on factors including the exercise price, expected volatility, option life and risk free interest rate. IFRS 2 Share-based Payment has been applied to share options granted.

Segmental information

The Group is run as one business and as such no segmental analysis is presented for the current or prior year results.

3. Revenue

	2018 £m	2017 £m
Rental revenue	**82.7**	70.4
Other related income	**0.8**	0.7
Gross rental and related income	**83.5**	71.1
Finance revenue		
Bank and other interest	**0.1**	0.1
	0.1	0.1
Total revenue	**83.6**	71.2

4. Administrative expenses

	Note	2018 £m	2017 £m
Wages and salaries		**2.6**	2.0
Social security costs		**0.5**	0.3
		3.1	2.3
Auditor's remuneration	4a	**0.3**	0.2
Directors' remuneration and fees		**1.5**	1.1
Other administrative expenses		**3.0**	3.4
		7.9	7.0

a) Auditor's remuneration

	2018 £m	2017 £m
Fees payable to auditor for audit of Company's annual accounts	**0.1**	0.1
Fees payable to auditor for audit of Company's subsidiaries	**0.1**	0.1
Total audit fees	**0.2**	0.2
Reporting accountant services	**0.1**	–
	0.3	0.2

	2018 £m	2017 £m
Key management staff		
Salaries, pension, holiday pay, payments in lieu of notice and bonus	**1.8**	1.4
Cost of employee share-based incentives (including related social security costs)	**0.3**	0.1
Social security costs	**0.3**	0.3
	2.4	1.8

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For the year ended 31 March 2018

5. Finance costs

	2018 £m	2017 £m
Interest payable	**21.9**	20.4
Interest capitalised on developments	**(0.7)**	(0.4)
Amortisation of loan issue costs	**0.9**	0.7
Finance costs presented through EPRA profit	**22.1**	20.7
Write off of loan issue costs	**0.9**	1.4
Early repayment costs (Note 16)	**56.4**	–
Total finance costs	**79.4**	22.1

Interest was capitalised on property developments at the appropriate cost of finance at commencement. During the year this ranged from 4% to 5% (2017: 5%).

Loan costs written off related to facilities terminated prior to their maturity.

6. Taxation

Consolidated income tax	2018 £m	2017 £m
Deferred tax		
Relating to origination and reversal of temporary differences	**–**	(0.1)
Income tax charge/(credit) reported in consolidated income statement	**–**	(0.1)

The differences from the standard rate of tax applied to the profit before tax may be analysed as follows:

	2018 £m	2017 £m
Profit before taxation	**71.8**	95.2
UK income tax at rate of 19% (2017: 20%)	**13.6**	19.0
Effects of:		
Non-taxable income (including REIT exempt income)	**(13.5)**	(18.6)
Expenses not deductible for tax purposes	**–**	–
Movement in unrecognised deferred tax	**(0.1)**	(0.5)
	–	(0.1)

The Group elected to be treated as a UK REIT with effect from 1 April 2013. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 19% in 2018/19 (2017/18: 19%).

Any Group tax charge/(credit) relates to its non-property income. As the Group has sufficient brought forward tax losses, no tax is due.

As a REIT, the Group is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's rental profit calculated by reference to tax rules rather than accounting standards. During the year the Group paid its first PID as part of the October 2017 dividend. Future dividends will be a mix of PID and normal dividends as required.

To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of business. The Group remains compliant at 31 March 2018.

Further reductions in the main rate of corporation tax have been substantively enacted; the rate reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020. These changes have been reflected in the calculation of deferred tax.

7. Earnings per Ordinary Share

	Earnings 2018 £m	EPRA earnings 2018 £m	Earnings 2017 £m	EPRA earnings 2017 £m
Profit for the year	**71.8**	**71.8**	95.3	95.3
Early repayment costs		**56.4**		–
Revaluation gains		**(79.4)**		(56.5)
Loss on sale of property		**0.3**		0.1
Write off of loan issue costs		**0.9**		1.4
EPRA earnings		**50.0**		40.3
Weighted average number of shares in issue – basic	**1,963,754,891**	**1,963,754,891**	1,647,388,495	1,647,388,495
Potential dilutive impact of share options	**210,307**	**210,307**	3,243,291	3,243,291
Weighted average number of shares in issue – diluted	**1,963,965,198**	**1,963,965,198**	1,650,631,786	1,650,631,786
Earnings per Ordinary Share – basic & diluted	**3.7p**	**2.5p**	5.8p	2.4p

8. NAV per Ordinary Share

	NAV 2018 £m	EPRA NAV 2018 £m	NAV 2017 £m	EPRA NAV 2017 £m
Net assets	**1,250.4**	**1,250.4**	818.0	818.0
Deferred tax		**(0.5)**		(0.5)
EPRA NAV		**1,249.9**		817.5
Number of shares in issue	**2,383,122,112**	**2,383,122,112**	1,655,040,993	1,655,040,993
Potential dilutive impact of PSP (Note 19)	**210,307**	**210,307**	3,243,291	3,243,291
Diluted number of shares in issue	**2,383,332,419**	**2,383,332,419**	1,658,284,284	1,658,284,284
NAV per Ordinary Share – basic	**52.5p**	**52.4p**	49.4p	49.4p
NAV per Ordinary Share – diluted	**52.5p**	**52.4p**	49.3p	49.3p

	EPRA NNNAV 2018 £m	EPRA NNNAV 2017 £m
EPRA NAV	**1,249.9**	817.5
Mark to market of fixed rate debt	**(14.4)**	(77.7)
EPRA NNNAV	**1,235.5**	739.8
EPRA NNNAV per Ordinary Share – basic	**51.8p**	44.7p

The EPRA measures set out above are in accordance with the Best Practices Recommendations of the European Public Real Estate Association dated November 2016.

Mark to market adjustments have been provided by the counterparty or by reference to the quoted fair value of financial instruments.

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For the year ended 31 March 2018

9. Investments

Below is listing of all subsidiaries of Assura plc:

Property investment companies

Assura (SC1) Ltd*	Assura Primary Care Properties Ltd*	Medical Properties Limited*
Assura (SC2) Ltd*	Assura Properties plc*	Metro MRH Ltd*
Assura Aspire Ltd*	Assura Properties UK Ltd*	Metro MRI Ltd*
Assura Aspire UK Ltd*	Assura Trellech Ltd*	Metro MRM Ltd*
Assura Beeston Ltd*	BHE (Heartlands) Ltd*	Newton Healthcare Ltd*
Assura GHC Ltd*	BHE (St James) Ltd*	Park Medical Services Ltd*
Assura HC Ltd*	Broadfield Surgery Ltd*	PCD Pembrokeshire Ltd*
Assura HC UK Ltd*	Cae Court Developments Ltd*	Pentagon HS Ltd*
Assura Health Investments Ltd*	Donnington Healthcare Ltd*	SJM Developments Ltd*
Assura Medical Centres Ltd*	Malmesbury Medical Enterprise Ltd*	Trinity Medical Properties Ltd*

Holding or dormant companies

Abbey Healthcare Group Ltd*	Assura PCP UK Ltd*	Primary Care Initiatives (Macclesfield) Ltd*
Abbey Healthcare Property Investments Ltd*	Assura Pharmacy Holdings Ltd*	PVR Investments Ltd*
Ashdeane Investments Ltd*	Assura Pharminvest Ltd*	Riddings Pharmco Ltd*
AH Medical Properties Ltd*	Assura Property Ltd* (Guernsey)	South Kirkby Property Ltd*
Assura (AHI) Ltd*	Assura Property Management Ltd*	SPCD (Balsall Common) Ltd*
Assura Aylesham Ltd*	Assura Retail York Ltd*	SPCD (Crawcrook) Ltd*
Assura Banbury Ltd*	Assura Services Ltd*	SPCD (Davyhulme) Ltd*
Assura CS Ltd*	Assura Southampton Ltd*	SPCD (Didcot) Ltd*
Assura CVSK Ltd*	Assura Stanwell Ltd*	SPCD (Kincaidston) Ltd*
Assura Financing Ltd*	Assura Todmorden Ltd*	SPCD (Rugeley) Ltd*
Assura Grimsby Ltd*	Assura Tunbridge Wells Ltd*	SPCD (Silsden) Ltd*
Assura Group Ltd (Guernsey)	Birchdale Investments Ltd*	SPCD (Sutton in Ashfield) Ltd*
Assura HC Holdings Ltd*	Cloverleaf Investments Ltd*	Stonebrites Ltd*
Assura IH Ltd	F.P. Projects Ltd*	The 3P Development Ltd*
Assura Investments Ltd*	MP Realty Holdings Ltd*	The Third Party Development Corporation*
Assura Kensington Ltd*	PCI Management Ltd*	Trinity Medical Developments Ltd*
Assura Management Services Ltd*	PH Investment (No. 1) Ltd*	

* Indicates subsidiary owned by intermediate subsidiary of Assura plc.

All companies are wholly owned by the Group and registered in England unless otherwise indicated. All companies registered in England have a registered address of The Brew House, Greenalls Avenue, Warrington, WA4 6HL. The companies registered in Guernsey have a registered address of Old Bank Chambers, La Grande Rue, St Martin’s, Guernsey. Taking into consideration the facts of each transaction, acquisitions of companies owning property completed during the years ended 31 March 2018 and 31 March 2017 have been accounted for as asset purchases as opposed to business combinations.

The Group also holds an investment in Virgin Healthcare Holdings Limited, made up of a 0.7% equity holding (book value £nil) and a £4 million loan note receivable (book value £nil, 2017: £nil).

10. Property assets

Investment property and investment property under construction ("IPUC")

Properties are stated at fair value, which has been determined for the Group by Savills Commercial Limited and Jones Lang LaSalle as at 31 March 2018. The properties have been valued individually and on the basis of open market value in accordance with RICS Valuation – Professional Standards 2017 ("the Red Book"). Valuers are paid on the basis of a fixed fee arrangement, subject to the number of properties valued.

Initial yields mainly range from 4.10% to 4.75% (2017: 4.40% to 5.00%) for prime units, increasing up to 8.00% (March 2017: 8.00%) for older units with shorter unexpired lease terms. For properties with weaker tenants and poorer units, the yields range from 5.50% to 8.00% (March 2017: 6.00% to over 8.00%) and higher for those very close to lease expiry or those approaching obsolescence.

A 0.25% shift of valuation yield would have approximately a £94.0 million (2017: £68.1 million) impact on the investment property valuation.

	Investment 2018 £m	**IPUC 2018 £m**	**Total 2018 £m**	Investment 2017 £m	IPUC 2017 £m	Total 2017 £m
Opening market value	**1,321.7**	**20.2**	**1,341.9**	1,094.9	11.5	1,106.4
Additions:						
– acquisitions	**278.9**	**–**	**278.9**	155.6	–	155.6
– improvements	**6.0**	**–**	**6.0**	2.4	–	2.4
	284.9	**–**	**284.9**	158.0	–	158.0
Development costs	**–**	**31.7**	**31.7**	–	20.9	20.9
Transfers	**35.5**	**(35.5)**	**–**	14.0	(14.0)	–
Transfer (to)/from assets held for sale	**(7.4)**	**(0.2)**	**(7.6)**	–	0.8	0.8
Capitalised interest	**–**	**0.7**	**0.7**	–	0.4	0.4
Disposals	**(0.2)**	**(0.9)**	**(1.1)**	(0.9)	(0.2)	(1.1)
Unrealised surplus on revaluation	**73.2**	**6.2**	**79.4**	55.7	0.8	56.5
Closing market value	**1,707.7**	**22.2**	**1,729.9**	1,321.7	20.2	1,341.9
Add finance lease obligations recognised separately	**2.8**	**–**	**2.8**	3.0	–	3.0
Closing fair value of investment property	**1,710.5**	**22.2**	**1,732.7**	1,324.7	20.2	1,344.9

	2018 £m	2017 £m
Market value of investment property as estimated by valuer	**1,702.2**	1,315.3
Add IPUC	**22.2**	20.2
Add pharmacy lease premiums/rent adjustments	**5.5**	6.4
Add finance lease obligations recognised separately	**2.8**	3.0
Fair value for financial reporting purposes	**1,732.7**	1,344.9
Completed investment property held for sale	**7.4**	–
Land held for sale	**1.0**	0.9
Total property assets	**1,741.1**	1,345.8

At March 2018, 15 assets are held as available for sale (2017: three assets).

The total value of investment property is £1,709.6 million, which is completed investment property of £1,702.2 million plus £7.4 million of investment properties held for sale.

Notes to the accounts continued
For the year ended 31 March 2018

10. Property assets continued
Fair value hierarchy
The fair value measurement hierarchy for all investment property and IPUC as at 31 March 2018 was Level 3 – Significant unobservable inputs (2017: Level 3). There were no transfers between Levels 1, 2 or 3 during the year.

Descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques used to derive Level 3 fair values
The valuations have been prepared on the basis of fair market value which is defined in the Red Book as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".

Unobservable inputs
These include: estimated rental value ("ERV") based on market conditions prevailing at the valuation date; estimated average increase in rent based on both market estimations and contractual situations; equivalent yield (defined as the weighted average of the net initial yield and reversionary yield); and the physical condition of the property determined by inspections on a rotational basis (target once every three years). A decrease in the ERV would decrease market value. A decrease in the equivalent yield would increase the market value. An increase in the remaining lease term would increase the fair value.

11. Property, plant and equipment
The Group holds computer and other equipment assets with cost of £1.2 million (2017: £1.0 million) and accumulated depreciation of £0.8 million (2017: £0.6 million), giving a net book value of £0.4 million (2017: £0.4 million).

Additions during the year were £0.2 million (2017: £0.3 million) and depreciation charged to the income statement was £0.2 million (2017: £0.1 million).

12. Cash, cash equivalents and restricted cash

	2018 £m	2017 £m
Cash held in current account	**26.7**	23.3
Restricted cash	**2.0**	0.2
	28.7	23.5

Restricted cash arises where there are rent deposits, interest payment guarantees, cash is ring-fenced for committed property development expenditure, which is released to pay contractors' invoices directly, or under the terms of security arrangements under the Group's banking facilities or its bond.

13. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	**9.1**	5.1
Prepayments and accrued income	**2.0**	1.2
Other debtors	**2.6**	3.1
	13.7	9.4

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The Group's principal customers are invoiced and pay quarterly in advance, usually on the English quarter days. The trade receivables were slightly higher at March 2018 due to the timing of Easter around year end. Circa £3.4 million was receipted immediately post year end. Other debtors are generally on 30–60 days' terms. No bad debt provision was required during the year (2017: £nil).

13. Trade and other receivables continued

As at 31 March 2018 and 31 March 2017, the analysis of trade debtors that were past due but not impaired is as follows:

	Total £m	Neither past due nor impaired £m	Past due but not impaired >30 days £m	>60 days £m	>90 days £m
2018	**9.1**	**6.9**	**1.1**	**0.6**	**0.5**
2017	5.1	4.4	0.2	0.3	0.2

The bulk of the Group's income derives from the NHS or is reimbursed by the NHS, hence the risk of default is not considered material.

14. Trade and other payables

	2018 £m	2017 £m
Trade creditors	**2.3**	1.4
Other creditors and accruals	**15.1**	12.8
VAT creditor	**2.8**	2.2
	20.2	16.4

Finance lease arrangements are amounts payable in respect of leasehold investment property held by the Group. The amounts due after more than one year, which total £2.8 million (2017: £3.0 million), have been disclosed in non-current liabilities on the consolidated balance sheet. The maturity of trade and other payables and the minimum payments due under finance leases are disclosed in Note 22. The fair value of the Group's lease obligations is approximately equal to their carrying value.

15. Deferred revenue

	2018 £m	2017 £m
Arising from rental received in advance	**18.5**	15.7
Arising from pharmacy lease premiums received in advance	**6.2**	6.4
	24.7	22.1
Current	**19.0**	16.3
Non-current	**5.7**	5.8
	24.7	22.1

Notes to the accounts continued
For the year ended 31 March 2018

16. Borrowings

	2018 £m	2017 £m
At 1 April	**520.1**	369.2
Amount drawn down in year	**180.0**	210.0
Amount repaid in year	**(213.8)**	(59.0)
Loan issue costs	**(1.8)**	(2.2)
Amortisation of loan issue costs	**0.9**	0.7
Write off of loan issue costs	**0.9**	1.4
At 31 March	**486.3**	520.1
Due within one year	**–**	4.3
Due after more than one year	**486.3**	515.8
At 31 March	**486.3**	520.1

The Group has the following bank facilities:

1. 10-year senior secured bond for £110 million at a fixed interest rate of 4.75% maturing in December 2021. The secured bond carries a loan to value ("LTV") covenant of 75% (70% at the point of substitution of an investment property or cash) and an interest cover requirement of 1.15 times (1.5 times at the point of substitution). In addition, the bond is subject to a WAULT test of 10 years which, if not met, gives the bondholder the option to change the facility to an amortising basis.

2. Five-year club revolving credit facility with RBS, HSBC, Santander and Barclays for £300 million on an unsecured basis at an initial margin of 1.50% above LIBOR, expiring in May 2021. The margin increases based on the LTV of the subsidiaries to which the facility relates, up to 2.0% where the LTV is in excess of 50%. The facility is subject to a historical interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years. As at 31 March 2018, £130 million of this facility was drawn.

3. 10-year notes in the US private placement market for a total of £100 million. The notes are unsecured, have a fixed interest rate of 2.65% and were drawn on 13 October 2016. The facility is subject to a historical interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years.

4. £150 million of privately placed notes in two tranches with maturities of eight and 10 years drawn on 20 October 2017. The weighted average coupon is 3.04%. The facility is subject to a historical cost interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years.

In January 2018, in line with the debt reduction plan announced in the Prospectus for the November 2017 equity raise, £211 million of long-term debt held by Aviva Commercial Finance was repaid. The weighted average interest rate on the loans redeemed was 5.43% with associated early repayment costs of £56 million.

The Group has been in compliance with all financial covenants on all of the above loans as applicable throughout the year.

17. Share capital

	Number of shares 2018	Share capital 2018 £m	Number of shares 2017	Share capital 2017 £m
Ordinary Shares issued and fully paid				
At 1 April	**1,655,040,993**	**165.5**	1,637,706,738	163.8
Issued 20 April 2016 – scrip	**–**	**–**	2,291,541	0.2
Issued 27 July 2016 – scrip	**–**	**–**	1,880,037	0.2
Issued 26 August 2016	**–**	**–**	8,000,000	0.8
Issued 19 October 2016 – scrip	**–**	**–**	2,130,150	0.2
Issued 18 January 2017 – scrip	**–**	**–**	3,032,527	0.3
Issued 19 April 2017 – scrip	**1,514,247**	**0.2**	–	–
Issued 23 June 2017	**163,999,820**	**16.4**	–	–
Issued 19 July 2017 – scrip	**3,861,017**	**0.4**	–	–
Issued 30 August 2017	**3,226,687**	**0.3**	–	–
Issued 18 October 2017 – scrip	**3,061,389**	**0.3**	–	–
Issued 6 December 2017	**545,124,813**	**54.5**	–	–
Issued 17 January 2018 – scrip	**7,293,146**	**0.7**	–	–
At 31 March	**2,383,122,112**	**238.3**	1,655,040,993	165.5
Own shares held	**–**	**–**	(61,898)	–
Total share capital	**2,383,122,112**	**238.3**	1,654,979,095	165.5

The Ordinary Shares issued in April 2016, July 2016, October 2016, January 2017, April 2017, July 2017, October 2017 and January 2018 were issued to shareholders who elected to receive Ordinary Shares in lieu of a cash dividend under the Company scrip dividend alternative.

In June 2017, a total of 163,999,820 new Ordinary Shares of 10 pence each were placed at a price of 60 pence per share. The raising resulted in gross proceeds of approximately £98.4 million which has been allocated appropriately between share capital (£16.4 million) and share premium (£82.0 million). Issue costs totalling £2.3 million were incurred and have been allocated against share premium.

In August 2017 and August 2016, 3,226,687 and 8,000,000 Ordinary Shares respectively were issued following employees exercising nil-cost options awarded under the VCP. Further information can be found in respect of the VCP in Note 19 and on pages 63 and 64 of the Remuneration Report.

On 6 December 2017, 545,124,813 Ordinary Shares were issued by way of a Firm Placing, Placing and Open Offer and Offer for Subscription at a price of 57 pence per Ordinary Share. Gross proceeds to the Company were £310.7 million, which has been allocated appropriately between share capital (£54.5 million) and share premium (£256.2 million). Issue costs totalling £9.7 million were incurred and have been allocated against share premium.

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18. Dividends paid on Ordinary Shares

Payment date	Pence per share	Number of Ordinary Shares	2018 £m	2017 £m
20 April 2016	0.55	1,637,706,738	–	9.0
27 July 2016	0.55	1,639,998,279	–	9.0
19 October 2016	0.55	1,649,878,316	–	9.1
18 January 2017	0.60	1,655,040,993	–	9.9
19 April 2017	0.60	1,656,555,240	**9.9**	–
19 July 2017	0.60	1,656,555,240	**9.9**	–
18 October 2017	0.60	1,827,642,764	**11.0**	–
17 January 2018	0.655	2,383,122,112	**15.6**	–
			46.4	37.0

The April dividend for 2018/19 of 0.655 pence per share was paid on 18 April 2018 and the July dividend for 2018/19 of 0.655 pence per share is currently planned to be paid on 18 July 2018 to shareholders on the share register at 15 June 2018.

A scrip dividend alternative was introduced with effect from the January 2016 quarterly dividend. Details of shares issued in lieu of dividend payments can be found in Note 17.

The October 2017 dividend was a PID as defined under the REIT regime. Future dividends will be a mix of PID and normal dividends as required.

19. Share-based payments

As at 31 March 2018, the Group had one long-term incentive scheme in place – the Performance Share Plan ("PSP"). The Value Creation Plan ("VCP") is no longer in place following the final awards in August 2017. Further details in respect of the VCP can be found in the Remuneration Committee Report on pages 63 and 64.

The long-term incentive arrangements are structured so as to align the incentives of relevant Executives with the long-term performance of the business and to motivate and retain key members of staff. To the extent practicable long-term incentives are provided through the use of share-based (or share-fulfilled) remuneration to provide alignment of objectives with the Group's shareholders. Long-term incentive awards are granted by the Remuneration Committee, which reviews award levels on a case by case basis.

As at 31 March 2018, the Employee Benefit Trust did not hold any (2017: 61,898) Ordinary Shares of 10 pence each in Assura plc. The Trust remains in place to act as a vehicle for the issuance of new shares under the PSP.

Performance Share Plan

During the year, 1,574,601 nil-cost options were awarded to Executive Directors under the newly created PSP. Participants' awards will vest if certain targets relating to TSR and growth in NAV are met, as detailed in the Remuneration Committee Report.

The following table illustrates the movement in options outstanding:

Options outstanding at 1 April 2017	1,137,931
Options issued during the year	1,574,601
Options lapsed in respect of leaver	(652,447)
Options outstanding at 31 March 2018	2,060,085

19. Share-based payments continued

The fair value of the newly issued PSP equity settled options granted during the year was estimated as at the date of grant using the Stochastic Model, taking into account the terms and conditions upon which awards were granted. The following table lists the key inputs to the models used:

	2018	2017
Expected share price volatility (%)	22	23
Risk free interest rate (%)	0.26–0.88	0.03
Expected life units (years)	3	3

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The fair value of the awards granted in 2018 was £691,320 based on the market price at the date the units were granted. This cost is allocated over the vesting period. The cost allocation for all outstanding units in the period was a charge of £0.3 million (2017: £0.1 million).

20. Note to the consolidated cash flow statement

	2018 £m	2017 £m
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net profit before taxation	71.8	95.2
Adjustments for:		
Increase in debtors	(4.3)	(2.8)
Increase in creditors	3.8	1.2
Decrease in provisions	–	(0.3)
Revaluation gain	(79.4)	(56.5)
Interest capitalised on developments	(0.7)	(0.4)
Loss on disposal of properties	0.3	0.1
Depreciation	–	0.1
Early repayment costs	56.4	–
Employee share-based incentive costs	0.2	0.3
Amortisation of loan issue costs	0.9	0.7
Write off of loan issue costs	0.9	1.4
Net cash inflow from operating activities	**49.9**	**39.0**

Notes to the accounts continued
For the year ended 31 March 2018

21. Deferred tax
Deferred tax consists of the following:

	2018 £m	2017 £m
At 1 April	**0.5**	0.4
Income statement movement	**–**	0.1
At 31 March	**0.5**	0.5

The amounts of deductible temporary differences and unused tax losses (which have not been recognised) are as follows:

	2018 £m	2017 £m
Tax losses	**214.0**	225.6
Other timing differences	**2.1**	1.9
	216.1	227.5

The majority of tax losses carried forward relate to capital losses generated on the disposal of former divisions of the Group.

The following deferred tax assets have not been recognised due to uncertainties around future recoverability:

	2018 £m	2017 £m
Tax losses	**36.4**	38.4
Other temporary differences	**0.4**	0.3
	36.8	38.7

22. Derivatives and other financial instruments
The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments and properties are credit risk, liquidity risk, interest rate risk and capital risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

Credit risk
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

In the event of a default by an occupational tenant, the Group will suffer a rental income shortfall and may incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. Given the nature of the Company's tenants and enhanced rights of landlords who can issue proceedings and enforcement by bailiffs, defaults are rare and potential defaults are managed carefully by the credit control department. The maximum credit exposure in aggregate is one quarter's rent of circa £21 million; however, this amount derives from all the tenants in the portfolio and such a scenario is hypothetical. The Group's credit risk is well spread across circa 1,000 tenants at any one time. Furthermore the bulk of the Group's property income derives from the NHS or is reimbursed by the NHS, which has an obligation to ensure that patients can be seen and treated and steps in when GPs are unable to practise, hence the risk of default is minimal.

The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the balance sheet date.

22. Derivatives and other financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. Investments in property are relatively illiquid; however, the Group has tried to mitigate this risk by investing in modern purpose built medical centres which are let to GPs and NHS PropCo. In order to progress its property investment and development programme, the Group needs access to bank and equity finance, both of which may be difficult to raise notwithstanding the quality, long lease length, NHS backing, and geographical and lot size diversity of its property portfolio.

The Group manages its liquidity risk by ensuring that it has a spread of sources and maturities.

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining terms of up to 30 years and have a weighted average lease length of 12.6 years. All leases are subject to revision of rents according to various rent review clauses. Future minimum rentals receivable under non-cancellable operating leases along with trade and other receivable as at 31 March are as follows:

Receivables as at 31 March 2018	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**>5 years £m**	**Total £m**
Non-cancellable leases	**–**	**22.5**	**67.5**	**357.3**	**767.8**	**1,215.1**
Trade and other receivables	**–**	**13.7**	**–**	**–**	**–**	**13.7**
	–	**36.2**	**67.5**	**357.3**	**767.8**	**1,215.1**

Receivables as at 31 March 2017	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
Non-cancellable leases	–	18.8	56.5	289.0	648.5	1,012.8
Trade and other receivables	–	9.4	–	–	–	9.4
	–	28.2	56.5	289.0	648.5	1,022.2

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2018 and 31 March 2017 based on contractual undiscounted payments at the earliest date on which the Group can be required to pay.

The total contracted discounted payments are higher than the total minimum rentals receivable due to the rent receivable not including any residual values on properties at the end of the lease contract. In practice, the Group expects a significant renewal of leases at the end of the lease term.

Payables as at 31 March 2018	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**>5 years £m**	**Total £m**
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	**–**	**3.8**	**11.3**	**291.5**	**266.5**	**573.1**
Trade and other payables	**–**	**16.5**	**3.7**	**0.3**	**2.5**	**23.0**
Total financial liabilities	**–**	**20.3**	**15.0**	**291.8**	**269.0**	**596.1**

Payables as at 31 March 2017	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	–	6.4	19.2	327.5	388.2	741.3
Trade and other payables	–	12.7	3.7	0.2	2.7	19.3
Total financial liabilities	–	19.1	22.9	327.7	390.9	760.6

Notes to the accounts continued
For the year ended 31 March 2018

22. Derivatives and other financial instruments continued
Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and, as debt is utilised, long-term debt obligations. The Group's policy is to manage its interest cost using fixed rate debt, or by interest rate swaps, for the majority of loans and borrowings although the Group will accept some exposure to variable rates where deemed appropriate and restricted to one third of the loan book. The swaps are revalued to their market value by reference to market interest rates at each balance sheet date.

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2018 was as follows:

	Within 1 year £m	1 to 5 years £m	>5 years £m	Total £m
Floating rate asset				
Cash	**28.7**	**–**	**–**	**28.7**
Liabilities (fixed rate unless stated)				
Long-term loans:				
Revolving credit facility (variable rate)	**–**	**(130.0)**	**–**	**(130.0)**
Private placements	**–**	**–**	**(250.0)**	**(250.0)**
Bond	**–**	**(110.0)**	**–**	**(110.0)**
Payments due under finance leases	**–**	**(0.3)**	**(2.5)**	**(2.8)**

In November 2011 the Group issued a £110.0 million 10-year senior secured bond at 4.75%.

The Group has a revolving credit facility of £300 million which expires in 2021. Interest is charged at an initial rate of LIBOR plus 1.5%, subject to LTV.

On 3 October 2016, the Group agreed new 10-year notes in the US private placement market for a total of £100 million. The notes are unsecured and have a fixed interest rate of 2.65%.

On 20 October 2017, the Group agreed £150 million of privately placed notes in two tranches with maturities of eight and 10 years. The weighted average coupon is 3.04%.

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2017 was as follows:

	Within 1 year £m	1 to 5 years £m	>5 years £m	Total £m
Floating rate asset				
Cash	23.5	–	–	23.5
Liabilities (fixed rate unless stated)				
Long-term loans:				
Revolving credit facility (variable rate)	–	(100.0)	–	(100.0)
Private placement	–	–	(100.0)	(100.0)
Bond	–	(110.0)	–	(110.0)
Aviva	(4.3)	(19.7)	(189.8)	(213.8)
Payments due under finance leases	–	(0.2)	(2.8)	(3.0)

22. Derivatives and other financial instruments continued

Sensitivity analysis

As at 31 March 2018, 73% of debt drawn by the Group is subject to fixed interest rates. A 0.25% movement in interest rates would change profit by £0.3 million based on the amount of variable rate debt drawn.

	Book value		Fair value	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Cash	**28.7**	23.5	**28.7**	23.5
Long-term loans	**486.3**	520.1	**500.7**	597.8
Payments due under finance leases	**2.8**	3.0	**2.8**	3.0

The Group is exposed to the valuation impact on investor sentiment of long-term interest rate expectations, which can impact transactions in the market and increase or decrease valuations accordingly.

Capital risk

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may make disposals, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital structure with reference to LTV, which is calculated as net debt divided by total property. The LTV percentage on this basis is 26% at 31 March 2018 (37% at 31 March 2017).

	2018 £m	2017 £m
Investment property	**1,710.5**	1,324.7
Investment property under construction	**22.2**	20.2
Held for sale	**8.4**	0.9
Total property	**1,741.1**	1,345.8

	2018 £m	2017 £m
Loans	**486.3**	520.1
Finance lease	**2.8**	3.0
Cash	**(28.7)**	(23.5)
Net debt	**460.4**	499.6
LTV	**26%**	37%

23. Commitments

At the year end the Group had five (2017: seven) committed developments which were all on site with a contracted total expenditure of £23.6 million (2017: £39.7 million) of which £13.9 million (2017: £15.9 million) had been expended.

24. Related party transactions

Details of transactions during the year and outstanding balances at 31 March 2018 in respect of associates are detailed in Note 9.

Details of payments to key management personnel are provided in Note 4.

Company income statement
For the year ended 31 March 2018

	2018 £m	2017 £m
Revenue		
Dividends received from subsidiary companies	**50.0**	150.0
Group management charge	**2.5**	2.1
Total revenue	**52.5**	152.1
Administrative expenses	**(3.1)**	(2.6)
Share-based payment charge	**(0.3)**	(0.1)
Impairment of investment in subsidiary	**(36.5)**	(111.7)
Operating profit	**12.6**	37.7
Profit before taxation	**12.6**	37.7
Taxation	**–**	–
Profit attributable to equity holders	**12.6**	37.7

All amounts relate to continuing activities. There were no items of other comprehensive income or expense and therefore the profit for the period also reflects the Company’s total comprehensive income.

Company balance sheet
As at 31 March 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investments in subsidiary companies	B	**336.0**	372.5
		336.0	372.5
Current assets			
Cash and cash equivalents	C	**0.3**	–
Other receivables		**0.1**	0.1
Amounts owed by subsidiary companies	D	**790.3**	380.7
		790.7	380.8
Current liabilities			
Trade and other payables		**(1.2)**	(1.0)
		(1.2)	(1.0)
Net assets		**1,125.5**	752.3
Capital and reserves			
Share capital	17	**238.3**	165.5
Share premium		**580.4**	246.1
Merger reserve	B	**147.2**	183.7
Reserves		**159.6**	157.0
Total equity		**1,125.5**	752.3

The financial statements were approved at a meeting of the Board of Directors held on 22 May 2018 and signed on its behalf by:

Jonathan Murphy
CEO

Jayne Cottam
CFO

Company registered number: 9349441

Company statement of changes in equity
For the year ended 31 March 2018

	Note	Share capital £m	Share premium £m	Own shares held £m	Merger reserve £m	Reserves £m	Total equity £m
1 April 2016		163.8	241.9	(0.6)	295.4	45.8	746.3
Profit attributable to equity holders		–	–	–	–	37.7	37.7
Total comprehensive income		–	–	–	–	37.7	37.7
Merger reserve release		–	–	–	(111.7)	111.7	–
Dividends	18	0.9	4.2	–	–	(37.0)	(31.9)
Employee share-based incentives		0.8	–	0.6	–	(1.2)	0.2
31 March 2017		165.5	246.1	–	183.7	157.0	752.3
Profit attributable to equity holders		–	–	–	–	12.6	12.6
Total comprehensive income		–	–	–	–	12.6	12.6
Merger reserve release		–	–	–	(36.5)	36.5	–
Issue of Ordinary Shares	17	70.9	338.2	–	–	–	409.1
Issue costs		–	(12.0)	–	–	–	(12.0)
Dividends	18	1.6	8.1	–	–	(46.4)	(36.7)
Employee share-based incentives		0.3	–	–	–	(0.1)	0.2
31 March 2018		238.3	580.4	–	147.2	159.6	1,125.5

Company cash flow statement
For the year ended 31 March 2018

	Note	2018 £m	2017 £m
Operating activities			
Charges received from subsidiaries		2.5	2.1
Amounts paid to suppliers and employees		(2.0)	(2.5)
Net cash inflow/(outflow) from operating activities		0.5	(0.4)
Investing activities			
Net loans advanced to subsidiaries		(360.6)	27.1
Net cash (outflow)/inflow from investing activities		(360.6)	27.1
Financing activities			
Issue of Ordinary Shares		409.1	–
Issue costs paid on issuance of Ordinary Shares		(12.0)	–
Dividends paid		(36.7)	(31.9)
Net cash inflow/(outflow) from financing activities		360.4	(31.9)
Increase/(decrease) in cash and cash equivalents		0.3	(5.2)
Cash and cash equivalents at start of period		–	5.2
Cash and cash equivalents at end of period	C	0.3	–

Notes to the Company accounts
For the year ended 31 March 2018

A. Accounting policies and corporate information
The accounts of the Company are separate to those of the Group.

The accounting policies of the Company are consistent with those of the Group which can be found in Note 2 to the Group accounts.

The auditor's remuneration for audit and other services is disclosed in Note 4 to the Group accounts. Disclosure of each Director's remuneration, share interests, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those specified for audit by the Listing Rules of the Financial Conduct Authority are shown in the Remuneration Report on pages 61 to 67 and form part of these accounts.

B. Investments in subsidiary companies

	2018 £m	2017 £m
Cost	**484.2**	484.2
Provision for diminution in value	**(148.2)**	(111.7)
	336.0	372.5

Details of all subsidiaries as at 31 March 2018 are shown in Note 9 to the Group accounts.

The Company directly holds investments in Assura Group Limited and Assura IH Limited, which are both intermediate holding companies for the property owning subsidiaries in the Assura plc group.

During the period the Company received a dividend of £50 million (2017: £150 million) from its wholly owned subsidiary company, Assura Group Limited, which was settled by clearing an intercompany balance owed by Assura plc to Assura Group Limited. The resulting reduction in net assets of Assura Group Limited led to management completing an impairment assessment of the investment held in Assura Group Limited. Following this assessment, an impairment charge of £36.5 million (2017: £111.7 million) was recorded. A corresponding amount has been transferred from the merger reserve to retained earnings which is considered distributable.

C. Cash and cash equivalents

	2018 £m	2017 £m
Cash held in current account	**0.3**	–

D. Loans to subsidiary companies – current

	2018 £m	2017 £m
Amounts owed by Group undertakings	**790.3**	380.7

The above loans are unsecured, non-interest bearing and repayable upon demand.

The recoverable amount of loans receivable from subsidiaries is reviewed annually by reference to the subsidiary balance sheet and expected future activities, with a provision recorded to the extent the loan is not considered recoverable. No provision has been deemed necessary.

E. Related party transactions

	Charges received £m	Dividends received £m	Amounts owed by £m	Amounts owed to £m
Group undertakings				
31 March 2018	**2.5**	**50.0**	**790.3**	**–**
31 March 2017	2.1	150.0	380.7	–

The above transactions are with subsidiaries.

F. Risk management

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

Credit risks within the Company derive from non-payment of loan balances. However, as the balances are receivable from subsidiary companies the risk of default is considered minimal.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

The Company balance sheet largely comprises illiquid assets in the form of investments in subsidiaries and loans to subsidiaries, which have been used to finance property investment and development activities. Accordingly the realisation of these assets may take time and may not achieve the values at which they are carried in the balance sheet.

The Company had trade and other payables of £1.2 million at 31 March 2018 (31 March 2017: £1.0 million).

There are no differences between the book value of cash and trade payables, nor is there any meaningful interest rate sensitivity.

Glossary

AGM is Annual General Meeting.

Average Debt Maturity is each tranche of Group debt multiplied by the remaining period to its maturity and the result divided by total Group debt in issue at the year end.

Average Interest Rate is the Group loan interest and derivative costs per annum at the year end, divided by total Group debt in issue at the year end.

BMA is the British Medical Association.

British Property Federation is the membership organisation, and the voice, of the UK real estate industry.

Building Research Establishment Environmental Assessment Method ("BREEAM") assesses the sustainability of buildings against a range of criteria.

Clinical Commissioning Groups ("CCGs") are the groups of GPs and other healthcare professionals that took over commissioning of primary and secondary healthcare from PCTs in England with effect 1 April 2013.

Code is the UK Corporate Governance Code 2014, a full copy of which is available on the website of the Financial Reporting Council.

Company is Assura plc.

Debt Service Cover is the number of times net interest payable plus debt amortisation is covered by underlying profit before net interest.

Direct Property Costs comprise ground rents payable under head leases, void costs, other direct irrecoverable property expenses, rent review fees and valuation fees.

District Valuer ("DV") is the District Valuer Service being the commercial arm of the Valuation Office Agency ("VOA"). It provides professional property advice across the public sector and in respect of primary healthcare represents NHS bodies on matters of valuation, rent reviews and initial rents on new developments.

Earnings per Ordinary Share from Continuing Operations ("EPS") is the profit attributable to equity holders of the parent divided by the weighted average number of shares in issue during the period.

European Public Real Estate Association ("EPRA") is the industry body for European REITs. EPRA is a registered trade mark of the European Public Real Estate Association.

EPRA Net Asset Value ("EPRA NAV") is the balance sheet net assets excluding own shares held, mark to market derivative financial instruments (including associates) and deferred taxation.

EPRA NNNAV is the EPRA NAV adjusted to reflect the fair value of debt and derivatives.

Equivalent Yield is a weighted average of the Net Initial Yield and Reversionary Yield and represents the return a property will produce based upon the timing of the income received. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent assumes rents are received annually in arrears.

Estimated Rental Value ("ERV") is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

GMS is General Medical Services.

Gross Rental Income is the gross accounting rent receivable.

Group is Assura plc and its subsidiaries.

IFRS is International Financial Reporting Standards as adopted by the European Union.

Interest Cover is the number of times net interest payable is covered by EPRA earnings before net interest.

Interest Rate Swap is a contract to exchange fixed payments for floating payments linked to an interest rate, and is generally used to manage exposure to fluctuations in interest rates.

IPD is Investment Property Databank Limited which provides performance analysis for most types of real estate and produces an independent benchmark of property returns.

IPD All Healthcare Index is Investment Property Databank's UK Annual Healthcare Property Index.

IPD Total Return is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD.

KPI is a Key Performance Indicator.

Loan to Value ("LTV") is the ratio of net debt to the total value of property assets. See calculation in Note 22.

London Interbank Offered Rate ("LIBOR") is the interest rate charged by one bank to another for lending money.

Mark to Market is the difference between the book value of an asset or liability and its market value.

NAV is Net Asset Value.

Net Initial Yield ("NIY") is the annualised rents generated by an asset, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the asset valuation (after notional purchasers' costs). Development properties are not included.

Net Rental Income is the rental income receivable in the period after payment of direct property costs. Net rental income is quoted on an accounting basis.

NHS Property Services Limited ("NHS PropCo") is the company, wholly owned and funded by the Department of Health, which, as of 1 April 2013, has taken on all property obligations formerly borne by the Primary Care Trusts.

Primary Care Property is the property occupied by health services providers who act as the principal point of consultation for patients such as GP practices, dental practices, community pharmacies and high street optometrists.

Property Income Distribution ("PID") is the required distribution of income as dividends under the REIT regime. It is calculated as 90% of exempted net income.

PSP is Performance Share Plan.

Real Estate Investment Trust ("REIT") is a listed property company which qualifies for and has elected into a tax regime which exempts qualifying UK profits, arising from property rental income and gains on investment property disposals, from corporation tax, but requires the distribution of a PID.

Rent Reviews take place at intervals agreed in the lease (typically every three years) and their purpose is usually to adjust the rent to the current market level at the review date.

Rent Roll is the passing rent being the total of all the contracted rents reserved under the leases.

Retail Price Index ("RPI") is an official measure of the general level of inflation as reflected in the retail price of a basket of goods and services such as energy, food, petrol, housing, household goods, travelling fares, etc. RPI is commonly computed on a monthly and annual basis.

Reversionary Yield is the anticipated yield which the initial yield will rise to once the rent reaches the ERV and when the property is fully let. It is calculated by dividing the ERV by the valuation.

RPI Linked Leases are those leases which have rent reviews which are linked to changes in the RPI.

Sustainability and Transformation Plans ("STPs") are 44 regional proposals to improve health and care in that area.

Total Accounting Return is the overall return generated by the Group including the impact of debt. It is calculated as the movement on EPRA NAV for the year plus the dividends paid, divided by the opening EPRA NAV.

Total Property Return is the overall return generated by properties on a debt- free basis. It is calculated as the net rental income generated by the portfolio plus the change in market values, divided by opening property assets plus additions.

Total Shareholder Return ("TSR") is the combination of dividends paid to shareholders and the net movement in the share price during the year. It is calculated as the movement in the share price for the period plus the dividends paid, divided by the opening share price.

VCP is Value Creation Plan.

Weighted Average Unexpired Lease Term ("WAULT") is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income.

Yield on cost is the estimated annual rent of a completed development divided by the total cost of development including site value and finance costs expressed as a percentage return.

Yield shift is a movement (usually expressed in basis points) in the yield of a property asset or like-for-like portfolio over a given period. Yield compression is a commonly used term for a reduction in yields.

Corporate information

Registered Office:
The Brew House
Greenalls Avenue
Warrington
WA4 6HL

Company Secretary:
Orla Ball

Auditor:
Deloitte LLP
2 Hardman Street
Manchester
M3 3HF

Legal Advisors:
Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Stockbrokers:
Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

JP Morgan Securities Limited
25 Bank Street
Canary Wharf
London
E14 5JP

Bankers:
Barclays Bank plc

HSBC plc

Santander UK plc

The Royal Bank of Scotland plc

Forward-looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond Assura's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Assura does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

Notes

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Consultancy, design and production
www.luminous.co.uk

Assura plc
The Brew House
Greenalls Avenue
Warrington
WA4 6HL

T: 01925 420660
F: 01925 234503
E: info@assura.co.uk

www.assuraplc.com