



Annual Report and
Accounts 2017



**Investing
to help develop**
the NHS of the future

Financial highlights

Investment property (£m)

£1,344.9m

▲ up by 21.2%

2015	925.3
2016	1,109.4
2017	1,344.9

Net rental income (£m)

£67.9m

▲ up by 16.3%

2015	48.2
2016	58.4
2017	67.9

EPRA EPS (p)

2.4p

▲ up by 20.0%

2015	2.1
2016	2.0
2017	2.4

EPRA NAV (p)

49.4p

▲ up by 7.2%

2015	44.9
2016	46.1
2017	49.4

Profit before tax (£m)

£95.2m

▲ up by 230.6%

2015	35.6
2016	28.8
2017	95.2

Total dividends paid (p)

2.25p

▲ up by 9.8%

2015	1.85
2016	2.05
2017	2.25

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Investing to help develop the NHS of the future

Assura is the UK's leading healthcare Real Estate Investment Trust, helping GPs and the NHS bring care closer to home by creating the modern, fit-for-purpose buildings that doctors say they urgently need, in the right places for patients.

By designing GP surgery premises for the job they'll be doing in future, we can help the NHS deliver on its plans to ease pressure on hospitals – by giving family doctors the infrastructure they need to offer extended appointment hours, digital consultations and more services, tests and treatment in the community.

Whether we're developing new buildings or investing to make existing spaces work better, we're helping to create a primary care estate today that's in shape for the NHS of tomorrow.



Available online at: www.assurapl.com

Our business at a glance

Investing to support the primary healthcare infrastructure.



Aspen Centre, Gloucester
3,481 sq.m

The Aspen centre contains Barnwood Medical Practice, Heathville Medical Practice and London Medical Practice, which together have a list size of over 21,000 patients. The centre offers a broad range of services to the local community, including consultant rooms, high-tech treatment rooms, a day site operating theatre, training rooms and conference facilities.



Frome Medical Centre, Frome
4,087 sq.m

Frome Medical Centre, completed in 2012, serves over 29,000 patients and is adjacent to the community hospital.



Moor Park Health and Leisure Centre, Blackpool
5,217 sq.m

This multi-purpose centre is home to two GP surgeries, a library and the local leisure centre.



Fleetwood Health and Wellbeing Centre, Fleetwood
5,857 sq.m

The centre is home to The Mount View Practice, which serves over 11,000 patients.



One Life Building, Middlesbrough
3,327 sq.m

The One Life Building is located in the heart of Middlesbrough offering conveniently located services to the local community, including a GP practice, opticians and pharmacy.



Todmorden Medical Centre, Todmorden
4,467 sq.m

This visually striking building was completed in 2008 and offers multiple services, including a GP surgery, pharmacy, district nurses, physio, podiatry, and clinical and office space for two local Foundation Trusts.

**Portfolio analysis
by capital value**

	Number of properties	Total value £m	Total value %
<£1m	83	53.3	4
£1–5m	245	618.4	47
£5–10m	48	322.2	23
>£10m	22	321.1	24
	398	1,315.1	100

**Portfolio analysis
by region**

	Number of properties	Total value £m	Total value %
North	147	538.5	41
South	127	391.6	30
Midlands	77	274.2	21
Scotland	21	44.8	3
Wales	26	66.0	5
	398	1,315.1	100

**Portfolio analysis
by tenant covenant**

	Total rent roll £m	Total rent roll %
GPs	50.3	68
NHS body	13.7	18
Pharmacy	5.6	8
Other	4.8	6
	74.4	100

Properties valued over £10 million

Building official name	Town	Build date	Sq.m	List size	NHS %
Ashfields Primary Care Centre	Sandbach	2004	2,681	23,381	88%
Aspen Centre	Gloucester	2014	3,481	21,067	91%
Beam Street Medical Centre	Nantwich	2008	3,322	24,235	88%
Bonnyrigg Medical Centre	Bonnyrigg	2005	4,074	21,906	97%
Church View Medical Centre	South Kirkby	2013	2,812	13,779	91%
Crompton Health Centre	Bolton	2007	2,964	11,425	88%
Dene Drive Primary Care Centre	Winsford	2007	2,988	23,328	87%
Dickson House	Basingstoke	2007	2,318	37,056	67%
Eaglebridge Health and Wellbeing Centre	Crewe	2007	6,261	42,723	90%
Fleetwood Health and Wellbeing Centre	Fleetwood	2012	5,857	11,733	91%
Freshney Green Primary Care Centre	Grimsby	2009	6,796	29,402	87%
Frome Medical Centre	Frome	2012	4,087	29,112	83%
Market Drayton Primary Care Centre	Market Drayton	2005	3,667	17,482	91%
Moor Park Health and Leisure Centre	Blackpool	2011	5,217	28,482	95%
North Ormesby Health Village	North Ormesby	2005	7,652	22,384	66%
One Life Building	Middlesbrough	2005	3,327	9,586	94%
Severn Fields Health Village	Shrewsbury	2012	6,086	16,883	94%
South Bar House	Banbury	2009	3,691	33,937	89%
Sudbury Community Health Centre	Sudbury	2014	2,937	9,367	100%
Todmorden Medical Centre	Todmorden	2008	4,467	13,452	92%
Turnpike House Medical Centre	Worcester	2006	4,257	27,170	91%
Waters Green Medical Centre	Macclesfield	2006	6,007	61,397	93%

EPRA summary table

	2017	2016
EPRA EPS (p)	2.4p	2.0p
EPRA NAV (p)	49.4p	46.1p
EPRA NNNAV (p)	44.7p	42.4p
EPRA NIY (%)	5.05%	5.23%
EPRA “topped-up” NIY (%)	5.05%	5.23%
EPRA Vacancy Rate	2.1%	3.0%
EPRA Cost Ratio (including direct vacancy costs) (%)	13.7%	16.5%
EPRA Cost Ratio (excluding direct vacancy costs) (%)	12.5%	16.0%

See a detailed rationale for each performance measure on page [XX].

Chairman's statement

Assura's purpose is to provide GPs and patients with the buildings they need for the NHS of tomorrow.

EPRA EPS

2.4p

▲ up by 20%

Dividends paid per share

2.25p

▲ up by 9.8%

Simon Laffin
Non-Executive Chairman



Dear Shareholder

Assura has continued to grow over the last 12 months.

Our property portfolio expanded significantly, through both acquisitions and new developments. In the past year we have added £158 million of property and this, together with the £141 million of property additions in the previous year, has increased our net rental income by 16% to £67.9 million. We are now the UK's largest developer and owner-manager of primary healthcare property with a property portfolio valued at over £1.3 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 £350 million, lowering the overall cost of borrowings by 78 basis points to 4.06%.

Last year we set a lower medium term loan to value ("LTV") target range of between 40% and 50%. At the year-end our LTV was 37%, well within this range. We are continuing to source attractive investment opportunities and we currently have a pipeline of further property acquisitions and developments of £122 million in solicitors' hands. This will in time increase the LTV. We shall continue to monitor what the right LTV range is for the Company.

A key part of our strategy is our unique proposition of offering all of the elements of the property service for GPs. This provides GPs with a long-term partner approach throughout the lifecycle of a medical centre, from first idea of a new surgery through; the NHS business case; development and build of the new surgery; moving in; disposal of old property; and to maintenance of the 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 with GPs. Moreover, it provides a highly scalable model that means that, as we grow, the benefits of scale accrue to shareholders and drive our progressive dividend policy and shareholder returns. The benefit of this model has been illustrated again this year as rent roll rose by 17% to £74.4 million and EPRA earnings by 53% to £40.3 million.

Dividends

We aim to deliver superior risk-adjusted returns to our shareholders. A key component of this return is a growing, fully historically-covered dividend. In January 2017 the Board increased our quarterly dividend payment by 9% to 0.60 pence per share or 2.4 pence per share on an annualised basis. This represents an increase of over 33% from the level of 0.45 pence per share paid three years ago

Shareholders

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 95 meetings with investors during the year and I am delighted to welcome a number of new shareholders onto our register.

Our people and the Board

The past year was marked by the tragic death of our previous Chief Executive Officer, Graham Roberts. Graham stepped down in March 2016 and passed away in July, having been suffering from cancer. Graham was a great leader and CEO for Assura over his four years in charge, delivering a period of remarkable success which saw the Group grow from a market capitalisation of £152m to become a FTSE 250 company valued at over £900 million. He had a clear vision, inspired investor confidence and built a strong team, all of which transformed Assura into a leading player in the sector.

I became executive Chairman in March last year to cover for Graham's absence. In October 2016, the Board appointed Jonathan Murphy as Interim CEO and confirmed him as permanent CEO in February 2017. Jonathan had been Finance Director since 2 January 2013. He brings extensive knowledge and experience to the role, as well as the commitment and ability to continue to deliver on our strategy. We are currently recruiting for a new Finance Director.

I am delighted to welcome Andrew Darke onto the Board as Property Director. Andrew has been with Assura since its flotation in 2003 and brings to the Board an unparalleled knowledge and understanding of the specialist primary care property market.

We have 43 people employed in Assura and, on behalf of the Board, I would like to thank them all for their hard work, dedication and contribution to the

Our investment case

By following our strategies we can deliver long-term shareholder value through:

- Low volatility of property returns
- Low default risk
- Linkage to cost inflation
- Scalable, internally managed model
- Covered, progressive dividends
- Excellent risk adjusted returns.



Read about our Business Model and Strategy on page[xx]

success of the business through such a busy year.

Culture, values and ethics

The NHS is Assura's prime customer, accounting for 86% of our total rent roll. We strongly support the NHS and believe in its vital role in the Country's health. We aim to provide the NHS, GPs and patients with the buildings needed for the NHS of today and tomorrow. These buildings provide the essential social infrastructure required to improve the health of the communities in which we operate. We direct private sector capital to provide, develop and enhance primary care premises. Some 6% of NHS patients now use our premises.

This important social dimension in our work is reflected in our alignment with the values of the NHS and our commitment to the highest standards of ethics and integrity. We have robust ethical policies and control procedures which help us ensure that good business ethics are embedded across the Group. The Government and NHS control both new asset investment and rental increases, based on a transparent market mechanism. This reflects the mutually beneficial partnership that we have with the public sector.

a number of years, we have been working on designing and developing a zero energy building, which brings together the latest thinking in sustainable design practice and construction techniques. Our first project under this initiative is now nearing completion and we hope to apply these innovative approaches to future schemes in our development pipeline. This in addition to our commitment to meeting the highest possible BREEAM accreditation for our

schemes as evidenced by us achieving a "Very Good" accreditation for both properties completed in the year.

Looking ahead

With the support of our shareholders, Assura has the strongest balance sheet in the sector and we are well placed to continue investing in what remains a very fragmented market. In addition, we remain focused on carefully managing our existing portfolio with our in-house management team continuing 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 NHS and primary care policy consensus across all mainstream parties is now more positive than ever before, we remain frustrated by the slow progress in transforming policy into meaningful investment in primary care premises. It looks as if the General Election will result in a continuity in basic primary care strategy by whoever wins it. Everyone seems to agree that better health care hinges on more care being provided in the primary care sector. Having more doctors and better leveraging of their skills through ancillary healthcare professionals will require more and better premises. We are ready to support this essential investment in the infrastructure of the NHS by offering the right skills, relationships and capital to make the plans a reality on the ground.

Simon Laffin
Non-Executive Chairman
23 May 2017

CEO review

Investment in primary care premises is an essential enabler for the necessary NHS transformations.

Investment property value

£1,344.9m

▲ up by 21.2%

Rent roll

£74.4m

▲ up by 16.7%

Jonathan Murphy
CEO



Overview

A year of political disruption has contributed towards uncertainty in the financial and commercial property markets. Despite this backdrop Assura has continued to deliver superior risk adjusted returns built on a secure and long-term income stream funded by the NHS. In the past year, our property return was 9.7%, driven by an income return of 5.3% and an increase in property values adding a further 4.4%.

At the end of the financial year, in March, Sir Robert Naylor released his landmark review of the NHS estate highlighting the crucial role for primary care premises in enabling the policy imperatives of dramatically increasing evening and weekend GP appointments, encouraging practices to work together in networks or hubs and increasing significantly the primary care workforce. It is now clear that mainstream thinking recognises that investment in primary care premises is an essential enabler to the necessary NHS transformation. Assura's bespoke approach, one that works for the NHS, for GPs, for wider community health teams and for patients, is well suited to deliver what is required.

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 8.9%. This level of consistent performance over a long period is a testament to the skills and dedication of our property team and to the specialist knowledge we have in our sector.

The strong returns achieved in this five-year period are even more creditable given the development activity of this time has been at historic low levels, as development activity is a key driver of Assura's returns in two ways. Firstly, we are typically able to source developments at an effective yield on cost that is 100 basis points higher than through acquisitions. Secondly, developments provide evidence of construction cost inflation that drives rental growth.

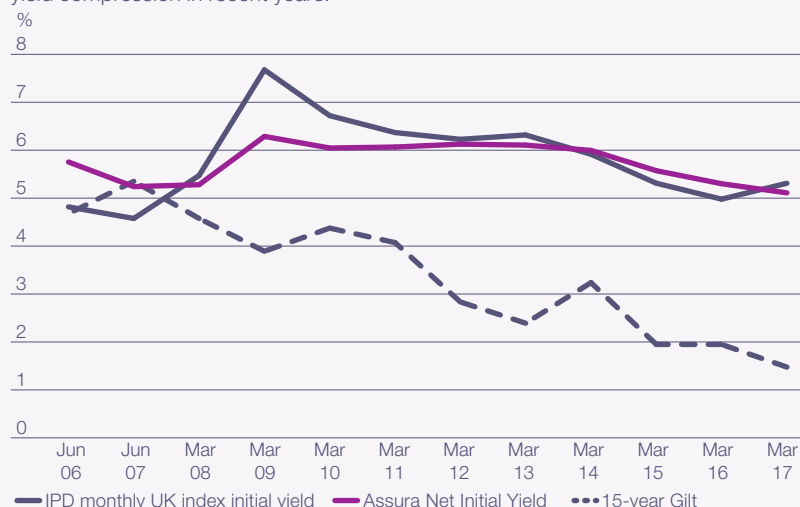
Our 398 medical centres have a rent roll of £74.4 million with the geographically diverse nature of the portfolio allowing us to serve more than 6% of the UK's population. Our investment approach is to identify those assets we believe are best in class in their local catchment areas. By acquiring those assets that provide a broad range of services to their local communities, we believe these will provide greater prospects for lease renewal on expiry and so drive greater property returns over the long-term.

A good example of this approach can be seen in our acquisition of Donnington Medical Practice in Shropshire. This centre serves over 12,500 patients and provides 17 additional services on site including Blood Pressure and Coronary Heart Disease Prevention, Dermatology, minor surgery, and smoking cessation programmes.

For key properties, we are not afraid to acquire shorter leases, and use our property skills to redevelop or enhance the premises, whilst seeking to re-gear the lease to a longer period.

Net initial yield movement

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



Rental income

The key driver of our property return is the income from our long-term leases, and in the year rental growth was 1.6% 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 they are influenced by land and construction cost inflation over the medium-term. Over recent years there has been significant inflation in these costs, but this increased cost is not yet fully reflected in our passing rents as the slowdown in new schemes has reduced the evidence of that inflation. Our portfolio is well placed to capture this rental growth once new developments recommence and this gives us confidence for the medium-term prospects for rental growth in our sector.

Capital growth

The balance of our ungeared annualised return is generated from capital growth, which has seen a like-for-like valuation growth of 5.6% in the past year. This increase has primarily come from a movement in yields with our net

equivalent yield moving by 23 basis points in the past year. The portfolio net initial yield as at 31 March 2017 was 5.10%.

We add value through developing properties ourselves rather than using third party developers and managers. We completed two developments during the year at a total development cost of £13.8 million. This has added £0.7 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. During the year we agreed four extensions, 17 new leases and nine lease extensions. Together this asset management activity added a further £0.4 million to our rent roll.

The combined impact of our investment and asset management activity has been to achieve a 7% growth in EPRA NAV to 49.3 pence per share.

CEO review continued

Maximising operational efficiency

The property additions have been incorporated by our in-house property management team, who are delivering sector leading tenant satisfaction across our portfolio. In our annual tenant satisfaction survey over 95% of our tenants said they would recommend us as potential landlords to other GPs, and our GPs remain our greatest source of referrals for new business. We remain focused on understanding their evolving needs and demands, so we can be at the forefront of the significant investment required in improving premises in the future.

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

This structure enables us to ensure that we can maximise the efficiency with which we can translate increased rental income into underlying profit and hence dividends. In the year we have delivered a 53% growth in EPRA earnings to £40.3 million. This has been achieved

from 21% growth in our investment property value and a reduction in our EPRA Cost Ratio from 17% to 14%.

The overall impact of all of these factors has enabled us to increase our quarterly dividend from January 2017 by 9% to 0.60 pence per share.

Continued focus on our specialist sector

Assura represents a unique proposition in our sector as we act as investor, developer and manager of our properties. This gives us an unrivalled knowledge and understanding of the requirements of GPs for their premises. We also maintain a database of every primary care property in the UK that enables us to identify and analyse potential acquisition opportunities. This exceptional market knowledge has been a key contributor to our continued success in expanding our portfolio during the year and we closed the year with a portfolio of 398 properties and a valuation in excess of £1.3 billion.

The ongoing growth in the portfolio has largely been achieved through continued acquisitions. In the year we completed £158 million of property additions, which was the largest

contributor to the £236 million increase in investment property in the year. This has enabled our rent roll to grow by 17% to £74.4 million.

Our in-house development team is currently busier than it has been for a number of years. Although completed schemes in the year numbered only two sites, for a gross development cost of £13.8 million, the number of potential opportunities has increased markedly. We are currently on site at a further six schemes with a gross development cost of £31 million, which is a significant uplift from this time last year. The pipeline remains strong, with a further eight schemes with a gross development cost of £36 million where we expect to be on site within the next 12 months.

This increased level of activity is encouraging. The schemes we are working on are being driven by pressing local requirements, however we are yet to see the full effect of national policy imperatives or programmes. The potential for the sustainability and transformation plans and the Estates and Technology Transformation Fund is real, though we are not yet seeing that potential converted into significant investment.

We remain optimistic that these central initiatives will result in increased investment in the future. We have the skills, resources and capital to support and benefit from these plans when they convert into action. In the meantime, we continue to work to support GPs by delivering the buildings required today for the NHS of tomorrow.

Funding further growth

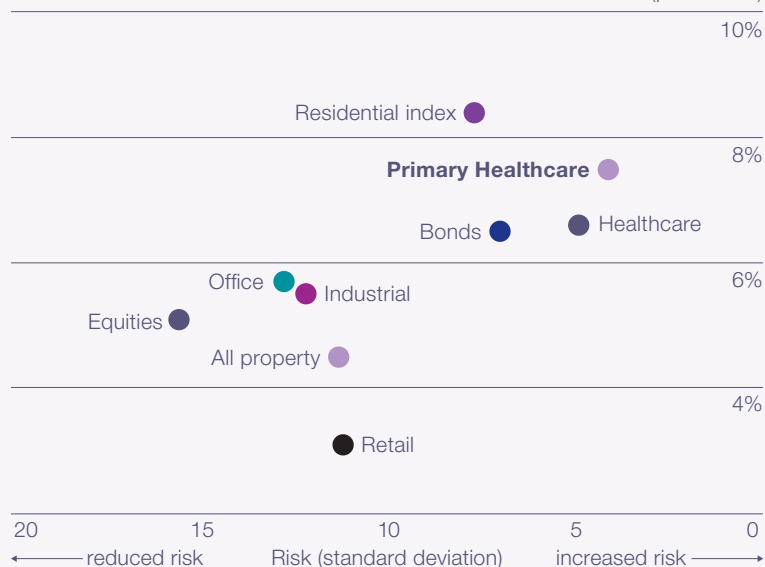
At the year-end we had an immediate acquisition pipeline of £86 million and we continue to identify new opportunities that meet our acquisition criteria.

To support this continued expansion of the portfolio we have been active in sourcing new funding over the past year. In May 2016, we agreed a £200 million unsecured revolving credit facility with a club of four banks at an initial margin of 150 basis points. At the year-end we had utilised £100 million of these facilities and so to provide further scope for expansion we have now, in May 2017, increased this facility to £250 million on the same terms.

Ten-year Total Return vs standard deviation 2007/2016

(since the inception of the IPD Healthcare Index)

Total Return
(per annum)



Source: MSCI

In October 2016, Assura issued £100 million of unsecured ten-year notes at a fixed rate of 2.65%. This was Assura's first issue in the US private placement market and demonstrates our ability to attract a new source of long-term funding at an attractive rate. This unsecured funding increases operational flexibility and reduces transaction costs associated with financing the expanding property portfolio.

These new facilities highlight that the increased financial strength of Assura is enabling us to source new unsecured funding at attractive rates. We have sustained a strong, long-term and diversified debt profile, with 81% of our borrowings now at fixed rate with an average maturity of 8.7 years, while delivering a reduction in our weighted average cost of debt from 4.84% to 4.06%.

The loan to value ratio at the year-end was 37%, which provides further capacity for growth as we maintain a medium-term target range of 40% to 50%.

Market developments

Our purpose is simple: to provide GPs and patients with the buildings they need now, for the NHS of tomorrow. Providing a wider range of health services closer to home, from a broader range of primary care professionals, is both more convenient for patients and significantly less expensive for the NHS. Without the right buildings, however, the plans cannot be delivered. 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.

Given the complex pressures on our national health service, it is perhaps no surprise that the prosaic matter of bricks and mortar rarely makes it to the top of the policy agenda. However, in the past year the importance of improving the quality of physical infrastructure has been explicitly recognised as being part of the solution.

Local 'sustainability and transformation plans' delivered this year set out the optimal design for services in 44 geographical areas. As ever, there is a huge variety in the detail of the documents. There is a common thread

across all the plans that the primary care estate will be a crucial enabler of what they are trying to deliver.

The plans highlight the need for a significant increase in the primary care workforce – with the potential scope going significantly beyond the recruitment of new GPs. More community pharmacists, nurse practitioners, physician associates and mental health therapists will operate from the primary care setting; however, if primary care premises do not have the capacity to host them, these desperately-needed boosts to staffing levels simply cannot be achieved.

A larger workforce represents a shift into a greater provision of primary care at scale. This reflects that larger scale practices can more easily manage extra services and extended hours, as well as potentially delivering greater efficiencies in operations and back office functions. To this end, there are a number of different ways that GPs can work together: through formal alliances, federations and clusters of merged practices. All models of working at scale rely upon larger and more modern buildings.

Yet the level of government investment in primary care premises remains at historically low levels. The Estates and Technology Transformation Fund, offering £900 million of much-needed investment for both GP premises and surgery technology, has not resulted in significant progress for buildings. Demand for funding far outstrips supply, and the pace of projects cannot hope to match this demand. We must wait to see how much of the pledged £325m of additional capital for the most advanced sustainability and transformation plans filters through to improve primary care estate, and we await more detail on NHS England's vision to create 150 urgent treatment centres to take the pressure off A&E units.

Of course, health policy and health economics are extremely complex, so we engage regularly with the NHS and government to make the case for further investment in primary care infrastructure, both through our expanding in-house capability and through our chairing of the British

Property Federation's Healthcare Committee. We believe that our model offers the best solution to the NHS's capital problem for estate, so we work hard to ensure policymakers have a clear understanding of the benefits it can bring.

Outlook

With a general election just a few weeks away, all eyes will be on the next steps for NHS policy after 8 June. Whatever the make-up of Parliament, however, the fundamentals for primary care estate will remain steadfast: to reduce pressure on hospitals, to improve access to general practice and to 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. Assura is uniquely placed to deliver and support in this time of unprecedented change.

Jonathan Murphy
CEO

[x] May 2017

Our business model and strategy

A business model designed to deliver superior risk adjusted returns.

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 43 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 bondholders is crucial to sustaining our investment in the UK's health infrastructure.



Develop



Invest



Manage

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.



Read more on p 18–19



Focus

Maintaining a strategic focus on a highly attractive market



Sustainability

Investing in our people and social infrastructure



Expertise

Responding to the NHS agenda



Effectiveness

Leveraging our team's skills to maximum advantage

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 investing in high quality, sustainable medical centres that provide crucial infrastructure for their local health economy.

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 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 in securing lease renewals, property extensions or co-locating appropriate partners such as pharmacies.

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 opportunities and other asset management initiatives. Moreover, our internally managed structure provides a highly scalable model that means as we grow, the benefits of scale accrue to shareholders, and drive our progressive dividend policy.

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 £24,850 plus employee time to our local charity partners.

Shareholders

EPRA EPS of 2.4 pence and capital growth of 3.4 pence, supporting dividends paid of 2.25 pence.

Employees

£2.1 million paid to our employees. In addition, Assura actively promotes training and development for our staff.

Suppliers

£50.8 million paid to suppliers of materials and services. Our construction and management contracts are often with local suppliers to promote sustainability.

Government

£2.6 million paid in taxes to the UK Government.

Our business model in action



Develop

Providing bespoke, community-led property solutions for each of our healthcare partners.

From the initial concept to handing over the keys, our development team handles the whole process of creating modern, fit-for-purpose buildings to meet the changing needs of GPs, wider community health teams, the NHS and patients. Together with our specialist design and development partners, we are innovating now to create an estate that is fit for the NHS of the future.

Highlights

- Two forward-funded schemes completed
- Six schemes on site
- Appointed on [X] more schemes with end value of approximately £[X].

Supporting Sustainability and Transformation Plans ("STPs")

This year saw publication of the 44 STPs across the country, each with its own unique estates needs. It is clear that improvement and development – both of existing estate and of new premises – will be fundamental to delivering on the NHS' goals of moving services, tests and treatments from acute to primary care, expanding access to general practice and increasing the primary care workforce. We are engaging with STP leads around the country on how we can help, with our expertise and access to capital.

Assura's development team:
Simon Gould and Paul Warwick



The value of culture

All of our development projects start – and end – with the patients, GPs and other health staff who will use the buildings. We pride ourselves on investing the time to really understand how the spaces we create will need to look, feel and perform for everyone who uses them.



**The other side of the street:
West Gorton Medical Centre**

The contrast between this surgery's old building – with its lack of natural light, metal shutters and decaying exterior – and its brand new space just across the road in West Gorton, Greater Manchester could hardly be more striking. But this building is unique for more than just its visual design. Using the very latest in solar technology, it is designed to be carbon neutral, generating its own energy for heating and lighting. Set to open to patients in May 2017, staff cannot wait to make the move.

This year, we are also:

- on site with a brand new building for Woodville Surgery in Swadlincote, Derbyshire – that will offer a range of consulting and treatment rooms as well as a pharmacy to serve the 9,000 patients;
- funding conversion of a former school building into a fit-for-purpose medical centre for Wivenhoe Surgery, Essex – making space for a whole new range of services for patients; and
- funding a state of the art new medical centre in Swansea to create more space and make sure there is access for patients with disabilities.



Project pipeline

	Completed	On site	Immediate pipeline
Number of schemes	2	6	[X]
Development cost	£13.8m	£31.0m	[X]
Completion timing		2017/18	2018/19



Our business model in action continued



Invest

Supporting the evolving requirements of the GPs.

We are here to protect, improve and expand existing primary care premises for the future, investing for the long-term to support GPs who no longer want the risks and responsibility of owning their own premises. With our help, they can redevelop, extend and refurbish – to help them manage growing demand, ensure their premises are ready to deliver different models of care and to accommodate a bigger primary care workforce.

Investment characteristics

- Strong leases, typically long tenure
- No tenant breaks
- No rent-free periods
- NHS-funded income means very low default risk
- Three-yearly rent review cycle with linkage to cost inflation – low volatility
- Substantial ongoing development need
- No speculative development
- Strong risk adjusted returns.

Care closer to home in action at Donnington

This modern, purpose-built medical centre, serving more than 12,000 patients, joined our portfolio this year and we are proud to be supporting the team there to accommodate so many services in the community. From antenatal clinics and dermatology to minor surgery, cryosurgery, smoking cessation and alcohol project clinics, it is a living example of how a good primary care building can enable new ways of working.

The value of culture

Our strong relationships with GPs and practice managers across the country underpin every investment we make. We listen to and work with them to identify opportunities to grow and add value to our portfolio, giving primary care teams the infrastructure they need to do their job most effectively. Much of our investment work is driven by word of mouth – our reputation precedes us for taking excellent care of our buildings for the people who use them.

Assura's investment team:

Tom Ivinson, Adam Lowe, Robert Lawton, Amanda Roddy, Alexander Taylor





Creating space at Newgate Health Centre

Our acquisition of Newgate Health Centre in Worksop came with the opportunity to help the surgery and on-site pharmacy create more space for their patient list – one of the biggest in the country, at more than 30,000 patients. The proposed work will create more than 600 sq.m of extra space over two storeys for the pharmacists and nine GP partners, with an upgraded reception area and a new lift to the first floor space, although it is still subject to relevant approvals.



Our business model in action continued

Manage

Our integrated approach enables us to capture more development and other added value.



For every GP, practice manager and patient using our buildings, our in-house team of property surveyors is here to help. Whatever the issue, from getting the boiler serviced to creating more space, they are here to look after the ever-growing number of buildings in the Assura family. Every GP surgery and primary care centre is different, responding to and innovating for its own unique local health picture and pressures.

We take the time to understand those pressures; our knowledge of the local context in which our buildings operate is a vital part of our bespoke service.

The feedback we get shows why we put that intelligence at the heart of our business. Almost all of our tenants (over 95%) tell us they are satisfied with their relationship with Assura while a similar proportion would recommend us to other GPs and practice managers.



The value of culture

While we are only ever a phonecall or email away for our tenants, we are firm believers in the value of regular face-to-face contact. From John O'Groats to Land's End, our team is on the road paying regular visits to every property we own to ensure everything is running smoothly. That personal touch makes all the difference.

Members of Assura's portfolio team:
Adam Waheed, Roger Thompson,



Ready for the long-term at Long Lane

With three practices merged into one building, Long Lane Surgery in Coalville, Leicestershire was bursting at the seams. With investment from Assura and a grant from NHS England's Estates and Technology Transformation Fund, the surgery has been fully refurbished this year with a new minor operations suite, eight new clinical rooms, administration space and improved reception and waiting areas. With careful planning over the last year, the surgery has been able to continue its work throughout the renovations – and we have managed the entire process.

"The Assura team has worked closely with the builders to make this a reality. Together, they've carried out a phenomenal remodelling - literally moving the walls of the building out in every direction, while service as usual for our patients continued on site. We now have the space and functionality to take us into the next stages of primary care, and provide our patients with a whole range of new services closer to home."

Dr Nick Pulman, lead GP, Long Lane Surgery.



Strategy at a glance

Strategic priority

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.

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.

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.

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.

Performance in 2017

- 21.2% growth in investment property to £1,344.9 million.
- 1.57% rental growth from rent reviews settled in the period.
- Total Property Return of 9.7%.

- Delivered two newly constructed, bespoke GP-led medical centres.
- Engaged with senior NHS leaders and politicians to support transforming primary care.

- First zero carbon and zero energy building on site.
- Both of the two newly constructed medical centres achieved "Very Good" BREEAM rating.

- EPRA Cost Ratio reduced to 13.7% and weighted average cost of debt reduced to 4.06%.
- EPRA EPS increased to 2.4p.
- Total Accounting Return of 12.0%.



To see further evidence of our strategy in action turn to p[xx]

Priorities in 2018

- 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.

- Promote benefits of investment in primary care infrastructure for the NHS.
- Work with emerging STPs to identify development opportunities.

- Develop more zero carbon medical centres of the future for the NHS and continue investment into the highest sustainability standards for new developments.
- Further investment in our team's development.

- 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.

Key risks

- 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.

- Further changes to the organisational structures or policies of the NHS could lead to delays in further investment in primary care infrastructure. However, the current Government remains committed to increased funding for the NHS and an increasing role for primary care service provision.

- 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.

- Maintaining cost discipline as the business expands will be crucial in ensuring that we continue to reduce our overall EPRA Cost Ratio. Included within this metric is the cost of vacant space and so letting this available space will improve this cost metric.
- 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.

Summary of our strategy in action



Focus

Maintaining a strategic focus on a highly attractive market

Our success is built upon our in-depth knowledge and understanding of local health economies, which allow us to focus on those surgeries which best fit our investment criteria and which will complement our portfolio.

Keeping primary care at the core of our activities is a strategy underpinned by the ever-growing policy spotlight on the role of general practice, wider access to clinical pharmacy and a range of other diagnostic and treatment services in the community. By focusing on this most pressing need - for the right buildings in the right places for primary care - our business can make the biggest difference for patients, GPs and the NHS.

6%

UK population in Assura buildings



Expertise

Responding to the NHS agenda

The unique skills mix of our team works in tandem with our UK database of primary care estate, so that we can hold the most effective discussions with both current and prospective tenants.

We are actively engaged with policymakers and influencers at national and regional level to ensure that the buildings and developments we design support primary care policy for the long-term, and that the estate needed to support the transformation of the NHS is getting the attention it requires in national capital and estate planning. As chair of the British Property Federation's Healthcare Committee, we are putting our expertise into action with colleagues across the sector. This year we have met with ministers responsible for NHS estate as well as MPs from all parties and leaders in primary care.

86%

Tenant covenant NHS/GP



Sustainability

Investing in our people and social infrastructure

It is not just our partnerships with GPs which are designed for the long-term. Sustainability is also a hallmark of the way we design our buildings, how we invest in our people and how we support better health in our communities.

Our developments in progress are all on track to achieve a BREEAM rating of at least Very Good, thanks to our focus on designs which reduce impact on the environment.

We continue to support charities in making a difference to health in our local communities. In the past year this included funding to help Life After Loss provide a new fetal heart monitor for Warrington General Hospital, allowing potential problems to be detected and tracked earlier in pregnancy.

100%

Developments on track for BREEAM rating of Very Good or better



Effectiveness

Leveraging our team's skills to maximum advantage

Projects to improve our buildings – like our refurbishment at Long Lane Surgery in Coalville, Leicestershire – simply would not happen without our teams working together to make effective use of their specialist skill sets.

Our portfolio team is in regular contact with our tenants to identify opportunities to improve and develop buildings as the demands for space evolve and change, while our development team works alongside to ensure designs hit the mark, planning processes are smooth and construction works managed.

400+

Meetings with tenants during the year

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

Strategic priority

Focus

Maintaining a strategic focus on a highly attractive market



Expertise

Responding to the NHS agenda



Sustainability

Investing in our people and social infrastructure



Effectiveness

Leveraging our team's skills to maximum advantage



KPI and benchmark

Rental growth from rent reviews

1.6%

▲ 2016: 1.2%

IPD five-year Total Return

8.9%

▲ IPD: 7.0%

Total Property Return

9.7%

▲ 2016: 8.9%

% of tenant covenant NHS/GP

86%

▼ 2016: 87%

WAULT

13.2 years

▼ 2016: 14 years

Complete developments

£13.8m 2 sites

▼ 2016: £16.4m 4 sites

Developments on site

£31.0m 6 sites

▲ 2016: £13.5m 2 sites

BREEAM rating achieved on developments – Very Good or better

100%

► 2016: 100%

Average EPC rating

A

▲ 2016: B

EPRA Cost Ratio

13.7%

▼ 2016: 16.5%

EPRA EPS

2.4p

▲ 2016: 2.0p

Total Accounting Return

12.0%

▲ 2016: 7.2%

Total Shareholder Return

13.2%

▲ 2016: (11.4%)

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 Property Return and 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 NAV growth over a three-year period. Further detail is provided in the Remuneration Report on pages [x](#) to [x](#).

In order to achieve these objectives, we have four strategic priorities and how we monitor ourselves against them is outlined below:

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 figure providing an equivalent five-year annualised figure. This shows the quality of our investments to deliver a combination of rental income and capital growth.

- 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.

- 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.

- 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

- We have delivered rental growth of 1.6% from rent reviews completed during the year. This slight increase against 2016 has mainly been driven 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 8.9% per annum is in excess of the All Healthcare Benchmark of 7.0%, demonstrating how our portfolio has delivered strong returns over a sustained period.

- In a year of growth, the weighted average unexpired lease term ("WAULT") of 13.2 years and effective NHS backing of rent of 86% have remained strong, showing how investments during the year fit with our existing portfolio.
- Development activity has improved during the year with two schemes completed during the year and six on site at the year end. Although development activity in the sector has not yet returned to the levels we would hope for, in addition we have a pipeline of [x](#) schemes (development cost £[x](#) million) that we would hope to be on site in next 12-18 months.

- Both of the developments completed during the year achieved our target of a BREEAM rating of Very Good, and exceeded our target for EPC ratings by achieving an average of A.
- In addition, we are on site with our first zero carbon and zero energy building, and we expect all buildings on site to meet our BREEAM and EPC ratings targets.

- The efficient integration of the 77 properties acquired during the year has contributed to a reduction in our EPRA Cost Ratio to 13.7%. 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 2.4 pence per share.
- Our Total Accounting Return of 12.0% reflects capital growth achieved during the year along with the consistent dividend returned to shareholders. The TSR of 13.2% illustrates how the ratio of share price to EPRA has increased. As at 31 March 2017, the share price premium to EPRA NAV was 17% (2016: 15%).

Resources and relationships

Managing our resources to maximise value in the long-term.

What makes us unique is our emphasis on long-term relationships to support our "Develop, Invest, Manage" Business Model, aiming to create value for all stakeholders.

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.

People

We have a small but very knowledgeable, skilled and focused team. Our internally managed model is highly scalable and our development capability enables us to grow the business without significant increase in overheads.

We recognise that our success depends on the quality of our people and we encourage all of our employees to reach their full potential. Staff who wish to undertake relevant training are supported through study support and paid study leave, and we currently have nine members training for professional qualifications, including accountancy, chartered secretarial, chartered surveyor and marketing. We also seek to promote from within and there have been several internal promotions during the past few years.

We strive to provide a great place to work and focus on employee wellbeing, providing private medical insurance, a cycle to work scheme and other incentives to promote a healthy lifestyle. Staff turnover has remained low, being 5% for the last year. We understand the value of gender diversity and the structure and gender makeup of the Board, senior management team and employee workforce is shown on page [xx].

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.

95.9%

of tenants would recommend us

95

shareholder meetings held in the year

"As far as the sale and leaseback process is concerned, I found that Assura and NHS England have both been very supportive. As a result, we are now in a good position to recruit an additional doctor to work at the medical centre. Thank you for your very kind support."

Dr Eddie F Lee
Featherstone Family Health Centre



Capital and funding

Over the past few years we have significantly increased our shareholder base, strengthening our financial soundness. Shareholder engagement is a key priority for the business and 95 investor meetings have been held in the year. We engage with our shareholders in an open and transparent way.

We have continued to strengthen our financial position through reducing our financing costs and improving the financial structure to make it more appropriate to support our business. We have diversified our debt funding and obtained unsecured lending through a revolving credit facility and a US private placement. Having these unsecured facilities increases operational flexibility and reduces transaction costs associated with financing properties. We are grateful to our shareholders and debt providers for their support.

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 95% 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.

"Assura were absolutely fantastic to work with; so straightforward and very good at working with the purchaser to achieve tight timescales."

Kevin Whitfield
Wellspring Properties

Resources and relationships continued



"I have worked in conjunction with Assura within my role as a Practice Manager for the past four years. I have developed a good working relationship with my portfolio manager Andy ensuring we run provide a safe, comfortable, modern premises for our patients and staff. Assura are committed to developing GP premises and aim to provide continuous support to practices to accommodate the changes within primary care"

**Michelle Frankish, Practice Manager
Eastfield Medical Centre**

Supplier partnerships

We work closely with our specialist healthcare developer partners, including the leading architectural practice in the sector, West Hart Partnership, to secure development appointments and create state of the art health care premises.

We encourage the use of local suppliers to support local economies and our suppliers must confirm adherence to our "zero tolerance" modern slavery and bribery policies.

We have worked hard with our external lawyers to streamline the acquisition and development process, increase efficiencies and reduce costs.

Environmental impact

We are committed to sustainable development and the creation of bespoke leading edge premises with minimal running costs and a flexible design capable of adapting to evolving needs.

We realise that our healthcare premises are crucial to the local health economy and aim to enhance the patient experience wherever possible.

To reduce the environmental impact of new developments, we aim to achieve BREEAM rating of Excellent where possible. The two new build properties completed during the year achieved ratings of "Very Good", and our first zero carbon and zero energy building is currently on-site.

The greenhouse gas emissions from operating activities and property occupied by the Group represented 91.3 mt CO₂e (2016: 74.5mt CO₂e).



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.

The NHS

This is a particularly challenging time for the NHS, as the headlines remind us every day. And behind those headlines, primary care estate sits as a relatively unheard story – yet recognised this year as second only to workforce in the list of factors that will ensure a sustainable future for primary care.

We believe primary care estate is a fundamental part of the NHS conversation: without the right buildings, in the right places for patients, many GPs simply will not have

the infrastructure they need to offer extended appointment hours, digital consultations and more services, tests and treatment in the community. We have welcomed the Government’s focus on this issue this year, with the ongoing Estates and Technology Transformation Fund, the Naylor Review highlighting the important role of private investment for primary care premises and additional capital announced for the most advanced STPs. However, it is clear that despite these initiatives, investment in primary care estate still is not moving far enough or fast enough to meet the changing needs of GPs and to support the shift of services out of hospital and closer to home.

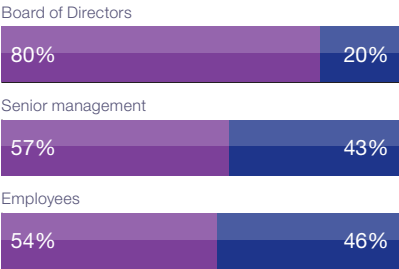
We are investing in specialist, in-house expertise to help us engage with and inform NHS organisations, national and local government, sector bodies, patient groups and academics on ways in which we can help ensure the right primary care estate is in place today for the NHS of tomorrow. We are proud to chair the British Property Federation’s Healthcare Committee, working with our colleagues and partners across health and social care property to provide data, expert analysis and policy solutions to government.



Employee gender diversity

	Male	Female
Board of Directors	4	1
Senior management	4	3
Employees	25	21
Total no. of employees	46	

As a percentage breakdown



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% loan to value ("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
- 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 one third of our loan book, on gearing up to 50% LTV
- Political risk – which could limit future growth but does not affect the current business assets.





The Risk Committee met six 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. 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 [33 to 37].

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 below.

During the year the Risk Committee, Audit Committee and the Board considered the impact of Brexit and concluded that it did not, in itself, constitute a significant risk to the business. Cyber security was investigated and, following an upgrade to the IT systems, security and processes during the year, it was considered that an appropriate level of risk mitigation was in place.

		Strategic objective			
		 Focus	 Expertise	 Sustainability	 Effectiveness
Principal risk	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	●		●

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 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 in interest rates and property valuations.

Having made reference to the principal risks facing the Company, as laid out on pages [x] to [x], 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, a prolonged downturn in property investment valuations, an increased risk of tenant default and a sustained absence of rent review growth. 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
				



Comment

Estates strategies and STPs have recommended increasing investment in the primary care estate.

The reimbursement mechanism is not currently under review.

The Group has recently recruited a head of public affairs with NHS experience to make the case to the Government and the NHS of 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, 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
				

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.

We have made substantial additions to our portfolio during the year.






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: <ul style="list-style-type: none"> 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 a 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
				



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.

Key:

-  New
-  No change
-  Low
-  Medium
-  High

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
				

Comment

95 meetings have been held during the year.

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 predominantly 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
				

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 obtained £300 million of unsecured debt 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. The Board has established a target range for a net LTV ratio over the medium term of 40% to 50%. 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
				



Comment

The level of gearing is currently at 37% 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.	<p>The Group has a dedicated and experienced development management team.</p> <p>The Group's policy is to engage in developments that are substantially pre-let with fixed price or capped price build contracts.</p>	<p>A high level of due diligence is undertaken before works commence and detailed designs are negotiated to prevent variations.</p> <p>Regular reviews are conducted of latest cost estimates as each project progresses.</p>	<p>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.</p> <p>A performance bond insures against the risk of the main contractor becoming insolvent.</p>	 Net risk rating 

Comment

The potential impact of this has not changed during the year as the number of developments remains at a historically low level.

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.	<p>Competitive salary and benefit packages are aligned with appropriate peer groups and periodically benchmarked.</p> <p>Professional development and training are encouraged and costs are met by the Group.</p> <p>Succession plans are in place for each department.</p> <p>Long-term incentive plans span five-year periods to encourage retention of key staff.</p>	<p>Succession planning, team structure and skill sets are regularly evaluated and planned.</p> <p>The appraisal process acts as a two way discussion forum to identify employee aspirations and any dissatisfaction.</p> <p>Any employee resignations are reported at each Board meeting.</p>		 Net risk rating 

Comment





Nine members of staff are currently working towards a professional qualification.

We successfully recruited [xx] qualified surveyors, a qualified accountant and a head of public affairs in the year and staff turnover remains low.

Key:

-  New
-  No change
-  Low
-  Medium
-  High

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 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 
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.	
				Net risk rating 

Comment

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

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

Business review

A year of growth delivering further scale benefits.

Portfolio as at 31 March 2017 £1,344.9 million (2016: £1,088.0 million)

Our business is built on our investment portfolio of 398 properties, with a passing rent roll of £74.4 million (2016: £63.8 million), 86% of which is underpinned by the NHS. The WAULT is 13.2 years and 75% of the rent roll will still be contracted in 2027.

At 31 March 2017, our portfolio of completed investment properties was valued at a total of £1,344.9 million (see Note 10, 2016: £1,088.0 million), which produced a net initial yield ("NIY") of 5.10% (2016: 5.29%). 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 5.29% (2016: 5.52%). Adjusting this Royal Institution of Chartered Surveyors standard measure to reflect the advanced payment of rents, the true equivalent yield is 5.47% (2016: 5.72%).

Our EPRA NIY, based on our passing rent roll and latest annual direct property costs, was 5.05% (2016: 5.23%).

	2017 £m	2016 £m
Net rental income	67.9	58.4
Valuation movement	56.5	36.4
Total Property Return	124.4	94.8

Expressed as a percentage of opening investment property plus additions, Total Property Return was 9.7% compared with 8.9% in 2016.

Our annualised Total Return over the five years to 31 December 2016 as calculated by IPD was 8.9% compared with the IPD All Healthcare Benchmark of 8.7% over the same period.

The valuation gain in the year of £56.5 million represents a 5.6% uplift on a like-for-like basis net of actual purchase costs associated with properties acquired during the year. 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 gilt which traded at 1.49% at 31 March 2017.

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:

	2017 £m
Acquisition of completed medical centres	155.6
Developments/forward funding arrangements	20.9
Like-for-like portfolio (improvements)	2.4
Total capital expenditure	178.9

The bulk of the growth in our investment portfolio has come from the acquisition of 77 properties, seeing us invest £155.6 million during the period. Details of our properties valued over £10 million are on page 3.

Despite the continued delay in NHS approval of new developments, we have completed two developments during the period (both under forward funding agreements) with a total development cost of £13.8 million. This has added £0.7 million to our annual rent roll and generated a 5.0% yield on cost.

Total Property Return

9.7%

▲ 2016: 8.9%

Capital invested

£178.9m

▲ 2016: £144.9m

EPRA Cost Ratio

13.7%

▼ 2016: 16.5%

During the year we recorded a revaluation gain of £1.5 million in respect of investment property under construction and a deficit of £0.7 million in respect of land held for sale. This resulted in a net gain of £0.8 million (2016: deficit of £0.9 million).

As at 31 March 2017, we had six developments on site under a forward funding agreement, with a total committed investment value of £31.0 million, and a further [x] which we would hope to be on site shortly (estimated cost of £[x] million).

Live developments and forward funding arrangements

	Estimated completion date	Development costs	Costs to date	Size
West Gorton	July-17	£3.5m	£2.3m	1,280sqm
Swansea	Dec-17	£2.0m	£1.2m	979sqm
Kibworth	Jun-17	£2.8m	£1.5m	975sqm
Woodville	Oct-17	£2.9m	£1.6m	993sqm
Middlesborough	Jan-18	£18.3m	£4.7m	4,389sqm
Wivenhoe	Jan-18	£1.5m	£0.5m	628sqm

Portfolio management

We have continued to deliver rental growth and have successfully concluded on 156 rent reviews during the year to generate a weighted average annual rent increase of 1.57% (2016: 1.20%) on those properties. Our portfolio benefits from a 28% weighting in fixed, RPI and other uplifts which generated an average uplift of 2.49% during the period. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 0.88% during the period.

We have a dedicated team of asset managers who are in regular communication with our customers and we monitor progress through regular customer satisfaction surveys.

During the period we have secured [x] new tenancies with an annual rent roll of £[x] million covering [x] square metres. Our EPRA Vacancy Rate was 2.1% (2016: 3.0%).

Administrative expenses

The Group analyses cost performance by reference to EPRA Cost Ratios (including and excluding direct vacancy costs) which were 13.7% and 12.4% respectively (2016: 16.5% and 16.0%).

We also measure operating efficiency as the proportion of administrative costs to the average gross investment property value. This ratio during the year was 0.57% (2016: 0.60%) and administrative costs stood at £7.0 million (2016: £6.1 million).

Portfolio analysis by capital value

	Number of properties	Total value £m	Total value %
<£1m	83	53.3	4
£1–5m	245	618.5	47
£5–10m	48	322.2	25
>£10m	22	321.1	24
	398	1,315.1	100

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	147	538.5	41
South	127	391.6	30
Midlands	77	274.2	21
Scotland	21	44.8	3
Wales	26	66.0	5
	398	1,315.1	100

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	50.3	68
NHS body	13.7	18
Pharmacy	5.6	8
Other	4.8	6
	74.4	100

Business review continued

Financing

In May 2016, we replaced our existing £120 million revolving credit facility with a new five-year £200 million facility on an unsecured basis. The initial interest rate is 150 basis points above LIBOR, subject to leverage.

In October 2016, we announced that the Group had signed agreements in the US private placement market for new unsecured, 10-year notes totalling £100 million. These have a fixed interest rate of 2.65% and were drawn in full.

At 31 March 2017, we had undrawn facilities and cash of £123.3 million.

Financing statistics	2017	2016
Net debt	£499.5m	£327.9m
Weighted average debt maturity	8.7 years	10.2 years
Weighted average interest rate	4.06%	4.84%
% of debt at fixed/capped rates	81%	88%
Interest cover ¹	297%	218%
Loan to value	37%	30%

1. Interest cover is the number of times net interest payable is covered by underlying profit before net interest.

Our LTV ratio currently stands at 37%, which is lower than our target range of 40%–50% and will increase as we invest in our pipeline in the short term. 81% of the debt facilities are fixed with a weighted average debt maturity of 8.7 years compared with a WAULT of 13.2 years, which highlights the security of the cash flows of the business.

Details of the facilities and their covenants are set out in Note 17 to the accounts.

Net finance costs presented through EPRA earnings in the year amounted to £20.5 million (2016: £24.0 million). In addition, £1.5 million of loan issue costs were written off following the change in the revolving credit facility.

EPRA earnings

	2017 £m	2016 £m
Net rental income	67.9	58.4
Administrative expenses	(7.0)	(6.1)
Net finance costs	(20.6)	(24.0)
Share-based payments and taxation	–	(2.8)
EPRA earnings	40.3	25.5

The movement in EPRA earnings can be summarised as follows:

	£m
Year ended 31 March 2016	25.5
Net rental income	9.5
Administrative expenses	(0.9)
Net finance costs	3.4
Share based payments and taxation	2.8
Year ended 31 March 2017	40.3

EPRA earnings has grown 58% to £40.3 million in the year to 31 March 2017 reflecting the property acquisitions completed and the reduced finance costs from reducing our LTV and the average cost of borrowings.

Alternative Performance Measures ("APMs")

The financial performance for the year 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 year and calculations with reconciliations back to reported IFRS measures are included where possible.

Underlying profit is no longer reported, to avoid confusion, being similar to the industry standard EPRA EPS measure.

Earnings per share

The basic earnings per share ("EPS") on profit for the period was 35.8 pence (2016: 2.2 pence).

EPRA EPS, which excludes the net impact of valuation movements and gains on disposal, was 2.4 pence (2016: 2.0 pence).

Based on calculations completed in accordance with IAS 33, share-based payment schemes are currently expected to be dilutive to EPS, with 3.3 million new shares expected to be issued. The dilution is not material as illustrated by the table below:

EPS measure	Basic	Diluted
Profit for year	5.8p	5.8p
EPRA	2.4p	2.3p

Dividends

Total dividends paid in the year to 31 March 2017 were £37.0 million (2016: £27.2 million) or 2.25 pence per share (2016: 2.05 pence per share). £5.1 million of this was satisfied through the issuance of shares via scrip.

As a REIT with the requirement to distribute 90% of taxable profits, the Group expected to pay out as dividends at least 90% of recurring cash profits. All dividends paid during the year were normal dividends (non-PID) with an associated tax credit, as a result of brought forward tax losses and available capital allowances. It is expected that some proportion of dividends paid out in the 2017/18 financial year will include a PID element.

The table below illustrates our cash flows over the period:

	2017 £m	2016 £m
Opening cash	44.3	66.5
Net cash flow from operations	39.0	22.9
Dividends paid	(31.9)	(26.3)
Investment:		
Property acquisitions	(157.9)	(122.5)
Development expenditure	(19.9)	(17.7)
Sale of properties	1.4	1.5
Other	(0.3)	(0.2)
Financing:		
Net proceeds from equity issuance	–	299.1
Net borrowings movement	148.8	(179.0)
Closing cash	23.5	44.3

Net cash flow from operations differs from EPRA earnings due to movements in working capital balances, and non-cash items such as share-based payment charges and movements in deferred tax.

Net assets

EPRA NAV movement

	£m	Pence per share
EPRA NAV at 31 March 2016	754.5	46.1
EPRA earnings	40.3	2.4
Capital (revaluations and capital gains)	56.4	3.3
Dividends	(37.0)	(2.3)
Shares issued	1.7	–
Other	1.7	(0.1)
EPRA NAV at 31 March 2017	817.6	49.4

Our Total Accounting Return per share for the year ended 31 March 2017 is 12.0% of which 2.25 pence per share (4.9%) has been distributed to shareholders and 3.3 pence per share (7.2%) is the movement on EPRA NAV.

Business review continued

EPRA performance measures

The European Public Real Estate Association (“EPRA”) has published Best Practice Recommendations with the aim of improving the transparency, comparability and relevance of financial reporting within 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

	2017	2016
EPRA EPS (p)	2.4p	2.0p
EPRA NAV (p)	49.4p	46.1p
EPRA NNNAV (p)	44.7p	42.4p
EPRA NIY (%)	5.05%	5.23%
EPRA “topped-up” NIY (%)	5.05%	5.23%
EPRA Vacancy Rate	2.1%	3.0%
EPRA Cost Ratio (including direct vacancy costs) (%)	13.7%	16.5%
EPRA Cost Ratio (excluding direct vacancy costs) (%)	12.4%	16.0%

EPRA EPS

2.4p

▲ 2016: 2.0p

Diluted EPRA EPS

2.3p

▲ 2016: 2.0p

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

49.4p

▲ 2016: 46.1p

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.

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

44.7p

▲ 2016: 42.4p

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

5.05%

▼ 2016: 5.23%

EPRA “topped-up” NIY

5.05%

▼ 2016: 5.23%

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.

	2017 £m	2016 £m
Investment property	1,344.9	1,107.6
Less developments	(20.2)	(9.7)
Completed investment property portfolio	1,324.7	1,097.9
Allowance for estimated purchasers' costs	85.4	71.7
Gross up completed investment property – B	1,410.1	1,169.6
Annualised cash passing rental income	74.4	63.8
Property outgoings	(3.2)	(2.6)
Annualised net rents – A	71.2	61.2
Notional rent expiration of rent free periods or other incentives	–	–
Topped up annualised rent – C	71.2	61.2
EPRA NIY – A/B (%)	5.05	5.23
EPRA “topped up” NIY – C/B (%)	5.05	5.23

EPRA Vacancy Rate

2.1%

▼ 2016: 3.0%

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.

	2017	2016
ERV of vacant space (£m)	1.6	2.0
ERV of completed property portfolio (£m)	76.7	66.5
EPRA Vacancy Rate (%)	2.1	3.0

**EPRA Cost Ratio
(Including direct vacancy costs)**

13.7%

▼ 2016: 16.5%

**EPRA Cost Ratio
Excluding direct vacancy costs**

12.4%

▼ 2016: 16.0%

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.

	2017 £m	2016 £m
Direct property costs	3.2	2.6
Administrative expenses	7.0	6.1
Share-based payment costs	0.1	1.9
Net service charge costs/fees	(0.2)	(0.2)
Exclude:		
Ground rent costs	(0.4)	(0.4)
EPRA costs (inc direct vacancy costs) – A	9.7	10.0
Direct vacancy costs	(0.9)	(0.3)
EPRA costs (exc direct vacancy costs) – B	8.8	9.7
Gross rental income less ground rent costs (per IFRS)	70.7	60.6
Gross rental income – C	70.7	60.6
EPRA Cost Ratio (inc direct vacancy costs) – A/C	13.7%	16.5%
EPRA Cost Ratio (exc direct vacancy costs) – B/C	12.4%	16.0%

Chairman's introduction to governance

Good governance is essential to support the delivery of our strategy.

Simon Laffin
Non-Executive Chairman



Dear Shareholder

I am pleased to present 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

As members of the Board we have an important role in setting the Group's culture. We strive to lead by example and the Board culture is one of openness, mutual respect and constructive debate.

Leadership

The Board is collectively responsible for the long term success of the Group. We announced the sad death of Graham Roberts in July 2016. Graham had been on sick leave since March 2016 and during this period I had been acting as Executive Chairman. Jonathan Murphy was appointed Interim CEO in October 2016 and my role reverted to Non-Executive Chairman.

We were delighted to confirm Jonathan's permanent appointment as CEO in February 2017. We also welcomed Andrew Darke, Property Director, to the Board in October 2016, retaining responsibility for the property operations and developments.

Relations with shareholders

Effective communication with shareholders is a key priority and 95 investor meetings have been held during the year. Shareholders are encouraged to attend the AGM in July where all Board members will be on hand to answer questions.

Performance evaluation

As in previous years we carried out an internal evaluation of the Board and its Committees. Further details on the process and results are set out on page [xx].

The Board was content, given its small size and its strong spirit, that this year's review was conducted internally and at no cost. This was overseen on a confidential basis by Orla Ball, our Company Secretary. We will keep under review the need for an independent external agency to assist 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 [xx], which enable them to challenge, motivate and support the business.

I consider 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 were pleased to have received over 99% of votes in favour of both our Remuneration Policy and Remuneration Report at the 2016 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 will support the delivery of the Group's strategy.

In accordance with the Listing Rules, I confirm that throughout the year ended 31 March 2017, the Company was compliant with all the relevant provisions as set out in the Code save for during the period when I acted as Executive Chairman. The Company ceased to be a "smaller" company as defined by the Code in March 2017, and as such membership of the Audit Committee and Remuneration Committee does not comply with Code Provisions C.3.1 and D.2.1. We believe that, given the quality of the Board, this has in no way adversely affected our performance and controls. We have commenced the search for a new independent Non-Executive Director who will join these Committees and ensure that we comply with Code Provision B.1.2, which requires at least half the Board to be independent, when a new Finance Director is appointed. I am pleased to confirm that the Company is compliant with all other provisions of the Code at the date of this Annual Report.

Simon Laffin
Non-Executive Chairman
 [XX Date]

Leadership

July 2016 AGM – key highlights

- All resolutions passed.
- Full Director attendance.
- 1,249 to 1,332 million votes cast for each resolution.
- All Directors resigned 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.

The relevant Board committees are shown below.

Relations with shareholders

The Board welcomes open communication with its shareholders and works with its stockbrokers Liberum Capital and Stifel to ensure that an appropriate level of communication is maintained. The dialogue with shareholders is facilitated by a series of investor relations mechanisms, including regular meetings between the Executive Directors, institutional investors, sales teams and industry/sector analysts.

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.assurapl.com.

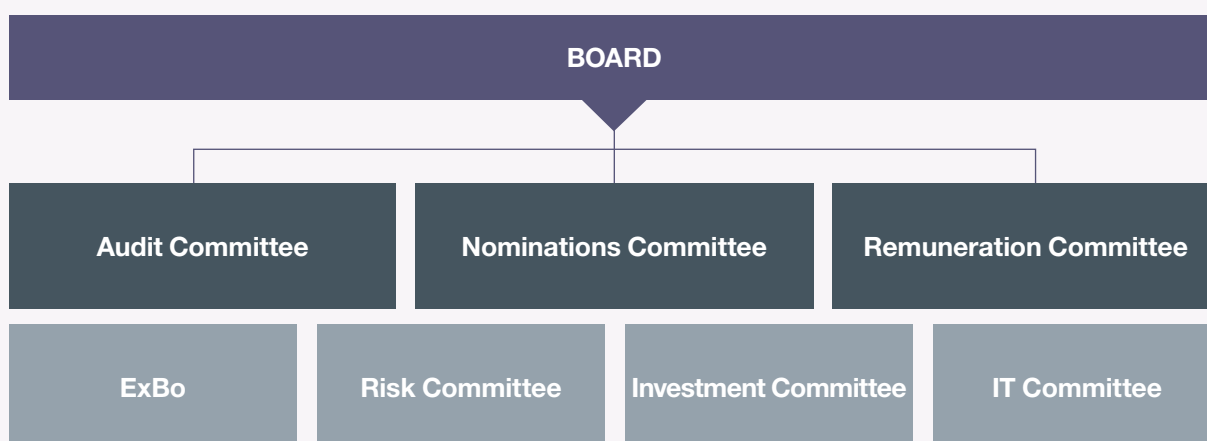
The Board responds to ad hoc requests for information from shareholders and all shareholders have access to the Board, with an opportunity to raise questions at the AGM and other shareholder meetings.

The Board, together with its professional advisors, actively analyses the shareholder register.

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



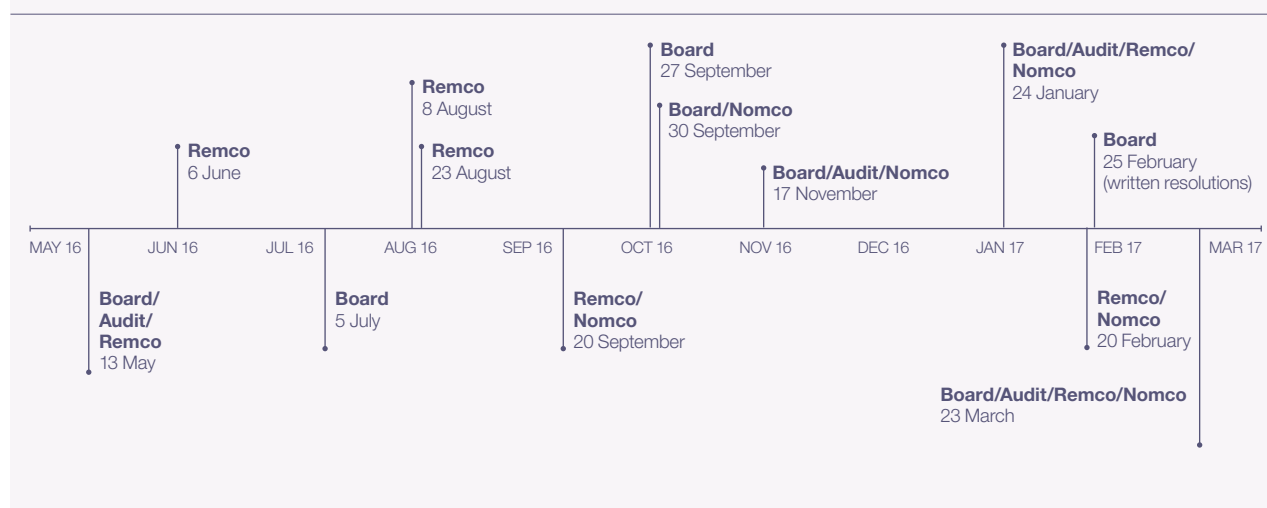
Division of responsibilities

Role	Responsibilities
Chairman	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Running the Company's business 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	<ul style="list-style-type: none"> Constructively 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 Serving on relevant Committees
Senior Independent Director	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	7/7	6/6	7/8	4/4
Jonathan Murphy	7/7	1/1 On appointment as CEO	1/1 On appointment as CEO	4/4
David Richardson	7/7	6/6	8/8	4/4
Jenefer Greenwood	7/7	6/6	8/8	4/4
Andrew Darke	7/7	n/a	n/a	4/4

Board and Committee meeting timeline



Board of Directors

Simon Laffin
Non-Executive Chairman



Skills and experience

Simon is a qualified accountant, and an experienced Chairman. He has served as Chairman of Assura since 2011 and previously served as 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).

Simon has a wealth of strategy and finance experience. 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.

Appointed
August 2011

Other current appointments

Simon is also Non-Executive Chairman of Flybe Group plc and a Non-Executive Director of Watkin Jones plc.

Jonathan Murphy
CEO



Skills and experience

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 also has extensive experience in corporate finance, accounting and reporting and risk management, and 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 leading European Business School in Barcelona.

Appointed
February 2017

Other current appointments

None

Andrew Darke
Property Director



Skills and experience

Andrew is a Chartered Surveyor and has been with Assura since floatation having acquired the seed portfolio in 2003. He has extensive property skills. He has led the property team through its growth since 2003 and been instrumental in all aspects of the property development, investment and portfolio management.

Prior to joining Assura, Andrew held investment and development roles at Barlows plc, Rowlinson Securities plc and Royal & Sun Alliance. He started his career at the District Valuers Office following graduation from Liverpool University.

Appointed
October 2016

Other current appointments

None

David Richardson Senior Independent Director



Skills and experience

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.

Appointed
January 2012

Other current appointments

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



Independent

Jenefer Greenwood OBE Non-Executive Director



Skills and experience

Jenefer is a Chartered Surveyor who started her career at Hillier Parker in 1978, becoming Executive Director and Head of Retail on merger with CBRE. She worked for Grosvenor state from 2003 until 2012. Jenefer's skills include real estate, customer focus and marketing.

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.

Appointed
May 2012

Other current appointments

Jenefer sits on the Investment Advisory Board of INTERNOS Global Investors and was appointed to the Board of DCH Group in August 2014.



Independent

Orla Ball Company Secretary



Skills and experience

Orla 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.

Her 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.

Orla is Head of Legal for the Group and Chair of the Risk Committee.

Appointed
April 2015

Other current appointments

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 unsecured revolving credit facility and private placement, and consideration of future funding requirements
- Regular public affairs updates and presentations by internal and external speakers
- Consideration and debate on future strategy

Internal control and risk management

- Setting the Group's risk appetite
- Reviewing the risk register and internal controls following Audit Committee recommendations
- Review of IT systems and capital expenditure requirements
- Consideration of Brexit implications
- Market Abuse Regulation training, and implementation of share dealing and inside information policies

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 CEO and Property Director following Nominations Committee recommendation
- Setting the Group's culture and leading by example
- Approval of whistleblowing hotline

Governance, stakeholders and shareholders

- Setting the environmental, modern slavery and bribery policies
- Approval of electronic shareholder communications
- Consideration of shareholder activism
- Regular review of shareholder register
- Investor roadshow feedback
- Governance updates

Board Committees

To assist in its Corporate Governance responsibilities, the Board has established standing Committees. All Non-Executive Directors and the Chairman served on all Committees. This was appropriate given the relatively small size of the Board. Each Committee follows Terms of Reference which are reviewed annually and are available on the Company's website. Simon Laffin stepped down from the Audit Committee during his period as Executive Chairman.

Information flow

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

At least one Board meeting a year is held at the Group's head office in Warrington and Board members meet staff in an informal setting before the 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 [xx]. Executive Directors are permitted to serve on other boards if they can demonstrate this will not interfere with their time commitment to the Company. At present, neither of the Executive Directors holds any Non-Executive Director positions.

The Nominations Committee remains satisfied that all Directors devote sufficient time to discharging their duties to a high standard and are committed to their roles.

Induction and professional development

On appointment, new Directors receive a full briefing on the role, duties and responsibilities of a director of a listed company, and on the Company and its Board. An induction pack with important information is provided. 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.

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 2017 AGM. All Directors resigned and were re-elected at the 2016 AGM.

Board and Committee performance evaluation

An internal evaluation of the Board and its Committees was carried out during the year. Board members completed a comprehensive questionnaire, returning it confidentially to the Company Secretary, who prepared an anonymous summary of the results.

The feedback was extremely positive. The only significant points to arise were:

- The continued need for succession planning for all roles at the appropriate time
- The benefit of a greater diversity of skills at Board level
- The requirement for a further Non-Executive Director to ensure compliance with the Code
- A need for further strategic discussion and consideration of emerging issues.

The Nominations Committee will be focusing on succession planning and recruitment of a new Non-Executive Director this year and the Board will continue to devote more time to strategic discussions. The 2015 evaluation had noted the opportunity for enhanced non-financial performance measures and at least three non-financial performance measures were included in the Executive Board objectives for the year.

Board composition

Chairman	1
Executive Directors	2
Non-Executive Directors	2
	5

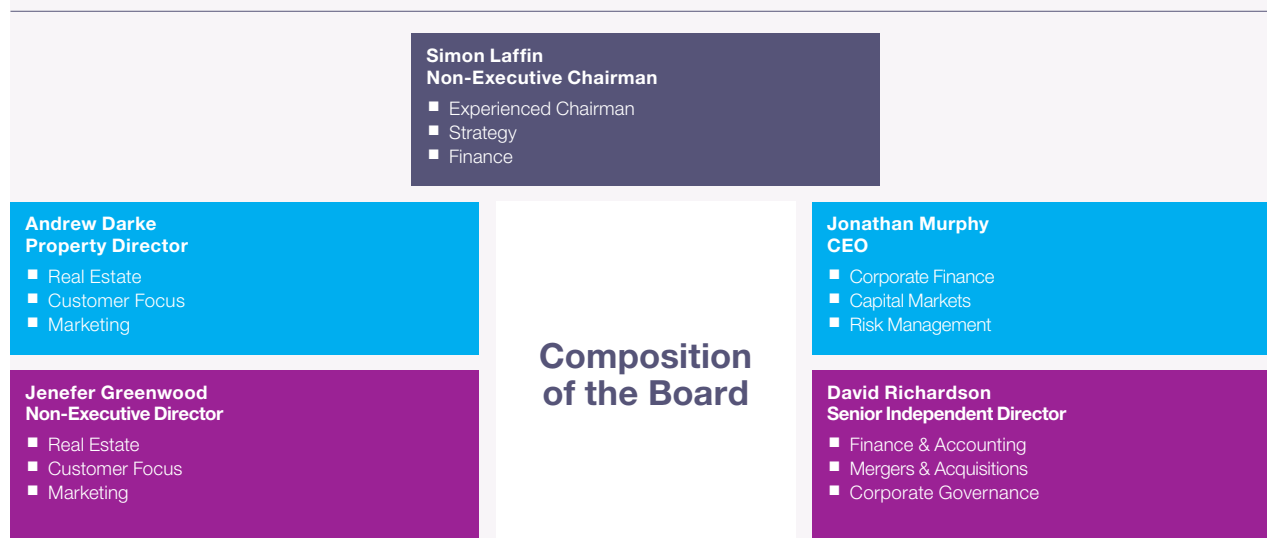
Board tenure (in current role)

0–2 years	2
4–6 years	3
	5

Board gender balance

Female	1
Male	4
	5

Board strengths



Key:

● Non-Executive Chairman ● Executive Director ● Non-Executive Director

Nominations Committee Report



Nominations Committee members

- Simon Laffin (Committee Chair)
- Jenefer Greenwood
- Jonathan Murphy (since February 2017)
- David Richardson

Number of meetings in the year

Six

Attendees

Orla Ball – Company Secretary

Responsibilities

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

Key issues

- Re-election of all Directors at the July 2016 AGM.
- Responding to the illness of our CEO and temporary arrangements to cover his absence.
- Appointment of interim and permanent CEO and the Property Director.
- Review of succession planning.
- Review of Board composition, Committee composition and Committee Chairmanship.
- Consideration of training needs and skills updating.
- Board performance evaluation.
- Considered and confirmed that the Non-Executive Directors were independent.

Key activities of the Committee

Board and Committee changes

The Committee met six times through the year, tackling a number of significant issues. In particular, it debated how to respond to the absence from work and then sad death of our CEO, Graham Roberts, both in the short term and longer-term succession. In the first instance, the Committee decided to appoint me as Executive Chairman in March 2016 when Graham Roberts took three months' sick leave during his treatment for cancer. Following Graham's sad death in the summer, the Committee began an extensive search for a new CEO, first by selecting executive recruitment firm Odgers Berndtson (who have no other connection with Assura), from a shortlist of three such firms, to assist with the process. The firm's brief was to provide a long and then a short list of external candidates, together with consideration of any internal candidates. 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 2016, the Board appointed, on the recommendation of the Nominations Committee, Jonathan Murphy as Interim CEO enabling, me to revert to my former role as Non-Executive Chairman.

In February 2017, the Committee recommended to the Board that Jonathan Murphy was the best candidate for the role, and so the Board approved his appointment. Jonathan had proved himself a capable leader whilst Interim CEO and with his knowledge and experience gained as Finance Director, the Committee considered him to be the right person for the role.

The Committee also recommended that Andrew Darke be appointed to the Board as Property Director. The Board approved this appointment in October 2016.

Commitments of the Chairman

I am also Non-Executive Chairman of Flybe Group plc and Non- Executive Director at Watkin Jones plc. The Committee considered 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. Odgers Berndtson was particularly tasked with searching for possible CEO candidates who could increase the diversity of the Board.

The Board targeted having at least 20% female representation, which was achieved in 2012.

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 2016.

The Committee considered the immediate cover required for the CEO position as well as considering development of talent within the business to fill more senior roles over the medium and long term.

The Committee acknowledges that given the size of the workforce there will not be successors for every senior role. However, the culture of the business is to develop our people and promote from within where possible.

The Committee has identified the need for a further Non-Executive Director to ensure compliance with the Code and has appointed recruitment firm [xx] to assist with the search process.

Following Jonathan Murphy's appointment as CEO, the position of Finance Director must now be filled and Warren Partners has been selected to assist with the recruitment process. Jonathan will continue to fulfil the Finance Director role until a suitable candidate is found.

Board performance evaluation

The Board has reviewed its performance, and the performance of its Committees and individual Directors based on an internal evaluation overseen by the Company Secretary on a confidential basis in January 2017. The Board concluded that its access to relevant information is good, the strategy and goals of the Company are clear and discussions around the boardroom table are constructive and challenging. The Board continues to have an appropriate mix of skills and experience as shown in the strengths table on page [x] which will be supplemented by the skills of the new Finance Director and Non-Executive Director once appointed.

The Nominations Committee also met in the absence of the Chairman to appraise the Chairman's performance. There were no major changes adopted in the way the Board operates.

Simon Laffin

Chair of the Nominations Committee

[XX Date]

Audit Committee Report



Audit Committee members

- David Richardson (Committee Chair)
- Jenefer Greenwood
- Simon Laffin¹

Number of meetings in the year

Four

1. Re-appointed following return to Non-Executive Chairman position

Additional attendees – as appropriate

Deloitte LLP
 Savills Commercial Limited and Jones Lang LaSalle
 Jonathan Murphy – CEO
 Andrew Darke – Property Director
 Orla Ball – Company Secretary
 Paul Carroll – Financial Controller
 David Purcell – Group Finance Manager

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 function.
- 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 received comments from Deloitte on the Committee's effectiveness. It 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.

Others

- 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.

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 2017.

The Company 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 apprised 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 performs 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 in March 2017 and as such membership of the Audit Committee does not comply with Code Provisions C.3.1. We have commenced the search for a new independent Non-Executive Director to join the Committee.

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 to and are challenged by the Committee on their valuations.
- 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 2017 report and appears on page [xx].

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 VCP and PSP.
- Distributable reserves within the Group.
- Presentation of non-recurring expenses such as loan issue costs written off.
- Internal restructuring plan for banking purposes.

We are satisfied that there were no matters arising from each 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 Audit Committee is satisfied that the current level of control and risk management within the business adequately meets the Group's current needs. The Committee considers that

the additional cost of an internal audit department is not currently justified. However, specific pieces of work are commissioned by the Audit Committee to examine particular processes and controls as deemed necessary.

Audit/non-audit fees payable to external auditor

The external auditor did not carry out any services beyond the audit of this Annual Report and review of the interim accounts. 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.

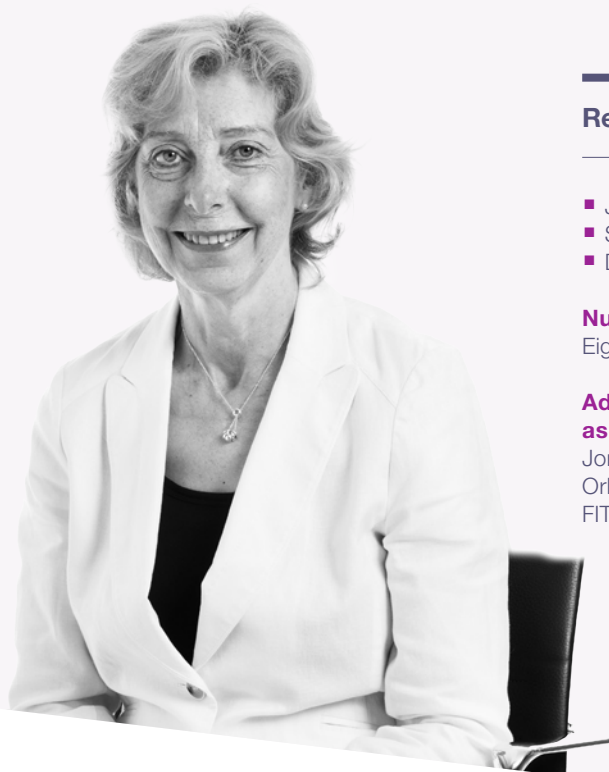
Effectiveness of external audit process

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 2017 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 an external 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
 [XX] Date

Remuneration Report



Remuneration Committee members

- Jenefer Greenwood (Committee Chair)
- Simon Laffin
- David Richardson

Number of meetings in the year

Eight

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 once 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
- Commencing operation of the new PSP
- 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 2017. This report has been prepared by the Remuneration Committee ("the Committee") and approved by the Board. The report is split into two parts:

- The **Director's 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 **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 2016/17 financial year.

We were very pleased to secure such strong levels of support from shareholders at the 2016 AGM for our new Remuneration Policy, with over 99% of votes in favour of this resolution and the accompanying resolution to establish the new PSP. As no changes are proposed to the existing policy, only one remuneration resolution will be tabled at the 2017 AGM, i.e. the advisory shareholder vote on the Annual Report on Remuneration.

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 page [x] to [x].

2016/17 also saw various changes in the structure of our Executive Board to reflect Graham Roberts' very sad death.

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

- Agreeing to pay Jonathan Murphy a non-pensionable salary supplement of £5,417 per month to reflect his assuming the role of Interim CEO between 3 October 2016 and 27 February 2017 (when he assumed the role of permanent CEO and became entitled to a base salary of £335,000)
- Agreeing the package of Andrew Darke upon his appointment to the Board as Property Director
- Determining the approach to Graham's remuneration following his death
- Reflecting another year of strong performance, determining that the Executive Directors earned bonuses equal to 72.8% and 65.5% of salary for Jonathan Murphy and Andrew Darke respectively. Further details of how this bonus outturn was calculated can be found on page [].
- Making the first awards under Assura's new PSP which will vest based upon performance against a blend of absolute NAV per share and TSR growth targets
- Confirming that the next outstanding tranche of the VCP awards could vest, the minimum TSR threshold having been met for that tranche (as described more fully on page [x]).

Remuneration in 2017/18

We do not intend to alter our approach to executive remuneration in the forthcoming year, the main features of which will be:

- **Base salaries:** Jonathan Murphy and Andrew Darke's base salaries will be £335,000 (unchanged) and £225,000 (increased by £5,000) respectively.

- **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), financial targets, customer satisfaction, etc. Jonathan Murphy's maximum bonus opportunity will be 100% (reflecting our policy for the CEO role), with Andrew Darke's maximum bonus being 75% of salary. A deferred share element was introduced into the annual bonus plan as part of last year's policy review, under which 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%. Clawback/malus provisions will continue to apply.
- **Long-term incentives:** A further round of awards will be made under the PSP over shares worth [150%] of salary, which will vest based on performance against a [blend of absolute NAV per share and TSR growth targets]. A two-year post vesting holding period will also apply (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 2017

Remuneration Report continued

PART A: REMUNERATION POLICY AND PRACTICE “AT A GLANCE”

Shareholder approval was obtained at the 2016 AGM for a new Directors’ Remuneration Policy. This policy has been developed with regard to the 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 [x] and [x]. 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
- 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
- The long-term interests of the Company should be promoted.

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

- 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 opposite shows progress on the three KPIs over the last three years:

Total Property Return	24.1%
Total Accounting Return	28.0%
Total Shareholder Return	49.7%

Our full policy can be found in last year’s Report and on our website (www.assurapl.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	<p>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:</p> <ul style="list-style-type: none"> ■ Individual performance and experience ■ Pay and conditions for employees across the Group ■ The general performance of the Company ■ The economic environment. 	<p>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.</p>
Pension/benefits	<p>A market competitive suite of benefits is provided, which are reviewed periodically to ensure that they remain appropriate.</p> <p>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.</p>	<p>Benefit values vary year on year depending on premiums and the maximum value is the cost of the provision of these benefits.</p> <p>The maximum employer's contribution is 20% of base salary. Actual contributions are currently 13.5% for the CEO and the Property Director.</p>
Performance-based variable remuneration		
Bonus	<p>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):</p> <ul style="list-style-type: none"> ■ Delivering specific added-value activities ■ Delivering financial goals ■ Improving operational performance ■ Developing the performance capability of the team. <p>Bonus payments are not pensionable, but are subject to clawback provisions.</p>	<p>The maximum annual bonus for Executive Directors is 100% of salary. At threshold performance 0% of maximum can be earned.</p> <p>At target up to 75% of maximum can be earned.</p>
Long-term incentives	<p>Awards under the PSP may be granted as nil/nominal 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.</p>	<p>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).</p>
Shareholding requirement	<p>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.</p>	<p>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.</p>

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

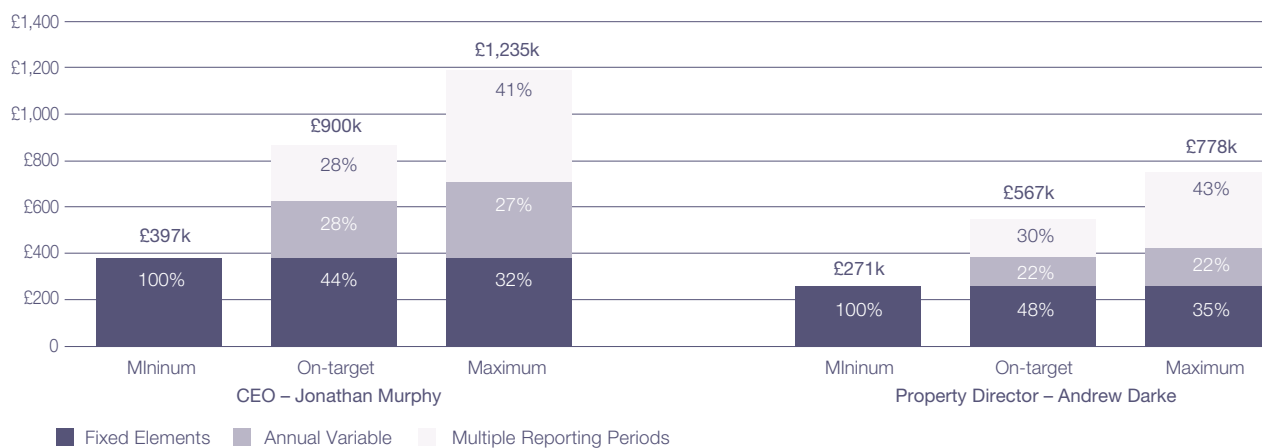
- Setting performance targets for the annual bonus and PSP
- Committee discretions
- Differences between our approach to remuneration for Executive Directors and the wider workforce
- Travel and hospitality
- Considering the views of our shareholders
- Recruitments, terminations and service contracts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

Remuneration Report continued

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 2017/18 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 2017/18.
- Benefits measured as benefits paid in the year ended 31 March 2017.
- Pension measured as the defined contribution or cash allowance in lieu of Company contributions of 13.5% of salary.

	Base salary £'000	Benefits £'000	Pension £'000	Total fixed £'000
2017/18				
Jonathan Murphy	335	17	45	397
Andrew Darke	225	16	30	271

On-target

Based on what the Director would receive if performance was 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 Andrew Darke.
- Long-term incentive: consists of the face value of awards (at [150] % of salary).

Total equity exposure of Executives at 31 March 2017

Jonathan Murphy and Andrew Darke together owned 2,799,461 million shares as at 31 March 2017. A table summarising their interests is included in the Annual Report on Remuneration (Part B below) on page [].

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 2017. 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 2016/17 were Jenefer Greenwood (Committee Chairman), Simon Laffin and David Richardson. 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. Other than Mr Laffin, 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 the senior management 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 eight meetings during the year. Its activities during and relating to the financial year 2016/17 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
- Commencing operation of the new PSP
- Addressing remuneration-related issues arising from the changes to the Executive Board
- Preparing this report.

Advisors to the Committee

During 2016/17 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 £42,500. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

The Committee also sought the views of Graham Roberts and Jonathan Murphy during the year. The CEO is given notice of all meetings and, at the request of the Chairman 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 ⁴	Pensions	Long-term incentives ⁵	Total
Graham Roberts ¹	2016/17	101	5	–	17	3,366	3,489
	2015/16	322	19	228	64	3,114	3,747
Jonathan Murphy ²	2016/17	270	15	178	33	842	1,338
	2015/16	215	15	108	29	1,445	1,812
Andrew Darke ³	2016/17	110	8	144	15	–	277

1. Further details of Graham Roberts' remuneration can be found on page [x].

2. Jonathan Murphy's 2015/16 long-term incentive figure includes the value of vested Executive Recruitment Plan awards.

3. Andrew Darke joined the Board on 3 October 2016 and figures above relate to amounts after appointment.

4. A portion of Jonathan Murphy's bonus for 2016/17 is deferred as explained on page [x].

5. The long-term incentives column includes the value of the VCP awards that vested during the year as described more fully below.

Remuneration Report continued

Benefits

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

2016/17 annual bonus plan outcome

In determining the award for 2016/17, 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.

It is the Committee's approach to 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 reduce the overall cost of borrowing. For 2016/17 the maximum potential bonus awards were 100% of salary for Graham Roberts as Chief Executive and 75% of salary for Jonathan Murphy and Andrew Darke.

Following Graham Roberts' resignation due to ill-health in June 2016 no bonus was paid to him relating to 2016/17.

Performance measures	Actual targets set at the beginning of the year	Actual performance outcome
Grow the scale of the portfolio	Good £105 million additions, Strong £140 million, Outstanding £190 million	Strong £173 million
Grow income through extensions (annualised)	Good £140,000 additional rent, Strong £175,000, Outstanding £215,000	Nil
Let vacant space	Good £360,000, Strong £510,000, Outstanding £660,000	Strong £556,000
Deliver underlying budget	Good 100%, Strong 105%, Outstanding 110%	Strong 105%
Reduce average cost of debt	Good 30 basis points reduction, Strong 40 basis points, Outstanding 50 basis points	Outstanding 78 basis points
Increase the percentage of tenants asserting they would recommend Assura to others	Good 90%, Strong 92.5%, Outstanding 96%	Outstanding 96%

The Committee reviewed the performance of Jonathan Murphy. His financial targets were as above, overall being rated Strong. His individual targets were to: develop a data analytic tool to financially appraise current and prospective tenants; deepen his understanding of the wider healthcare property market; sustain excellent communication with the Board and to deliver an operational efficiency and savings plan. The Committee concluded that Jonathan had performed strongly on all these objectives. It also noted that Jonathan assumed additional responsibility during the year following the resignation of Graham Roberts and was appointed Interim CEO on 1 October 2016, and confirmed as CEO on 27 February 2017.

As a result, the Committee decided to award Jonathan a bonus of £177,652 equating to 72.8% (93.2% of maximum bonus) of his total salary (excluding the salary supplement paid to him while acting as Interim CEO).

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

His individual targets were: to strengthen and develop the property team; deepen his understanding of the wider healthcare property market; sustain excellent business performance communication with the Board and to continue to enhance the GP property market database.

The Committee concluded that Andrew had performed strongly on these objectives. As a result the Committee decided to award Andrew a bonus of £144,100, equivalent to 65.5% (87.3% 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 Andrew Darke holds the requisite number of shares, Jonathan Murphy does not, resulting in a portion of his bonus being deferred.

Total pension entitlements

No Executive Director or any member of staff is entitled to a defined benefit pension arrangement. Graham Roberts, Jonathan Murphy and Andrew Darke received payments in lieu of pension contributions equivalent to 20.0%, 13.5% and 13.5% of salary respectively for 2016/17.

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 Price (pence)	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 Reality 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); or
- 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.

Remuneration Report continued

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

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 Graham Roberts' units converting into 11,779,255 nil-cost options, Jonathan Murphy's 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% of accrued nil-cost options at the third, provided the minimum return thresholds for each Tranche are achieved at each Measurement Date.

On 25 September 2015 Messrs Roberts and Murphy exercised the first 50% of their nil-cost options resulting in them receiving (after the payment of income tax and NICs) 3,121,503 and 1,365,657 shares respectively.

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.

Graham Roberts held outstanding awards under the VCP on his death. The Committee exercised its discretion to allow these outstanding awards (including the Tranche that was due to vest in 2017) to vest at the same time as the 2016 award using the minimum return threshold used in 2016 (this award already having provisionally vested in full in 2015).

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 01/04/16	Granted during the year	Lapsed during the year	Exercised during the year	Awards outstanding at 31/3/17	Exercise price	Exercisable between
Graham Roberts	2015	2,944,814	–	–	2,944,814	–	Nil-cost	Aug '16–23
Graham Roberts	2015	2,944,813	–	–	2,944,813	–	Nil-cost	Aug '17–23
Jonathan Murphy	2015	1,288,356	–	–	1,288,356	–	Nil-cost	Aug '16–23
Jonathan Murphy	2015	1,288,355	–	–	–	1,288,355	Nil-cost	Aug '17–23
Andrew Darke	2015	1,472,407	–	–	1,472,407	–	Nil-cost	Aug '16–23
Andrew Darke	2015	1,472,407	–	–	–	1,472,407	Nil-cost	Aug '17–23

Performance Share Plan

Shareholder approval was obtained at the 2016 AGM for the establishment of a new PSP. The following awards were made under the PSP to Messrs Murphy and Darke over shares worth 150% of salary:

Executive	Date of grant	Awards outstanding at 01/04/16	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Interests outstanding at 31/03/17	Normal vesting/ exercise date ¹
Jonathan Murphy	8 August 2016	–	607,759	–	–	607,759	From 8 August 2019
Andrew Darke	8 August 2016	–	530,172	–	–	530,172	From 8 August 2019

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 closing share price of on the day before the grant. The exercise price is nil. The minimum share price in 2016/17 was 49.4p and the maximum share price was 60.6p. The closing share price on 31 March 2017 was 57.85p.

These 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 on the 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 ¹	Total fees
Simon Laffin	2016/17	130.5	–	130.5
	2015/16	128.5	–	128.5
David Richardson	2016/17	36.9	16.5	53.4
	2015/16	36.1	16.4	52.5
Jenefer Greenwood	2016/17	36.9	8.3	45.2
	2015/16	36.1	8.2	44.3

Note

1. Additional fees represent Senior Independent Director and Chairman of Board Committee fees.

Simon Laffin received no additional fees for acting as Executive Chairman between March and October 2016.

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 2017

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 2017	Shareholding requirement met?
Executive					
Graham Roberts ³	n/a	n/a	4,000,000	4,000,000	n/a
Jonathan Murphy	300	1,737,251	1,640,346	1,640,346	No
Andrew Darke	300	1,140,881	1,140,881	1,159,115	Yes
Non-Executive					
Simon Laffin	–	–	3,357,664	3,357,664	n/a
David Richardson	–	–	414,835	414,835	n/a
Jenefer Greenwood	–	–	117,256	117,256	n/a

Notes

1. Shareholding requirement calculation is based on the share price at the end of the year (57.85 pence at 31 March 2017).
2. Beneficial interests include shares held directly or indirectly by connected persons.
3. Figures relate to the share interests of Graham Roberts on his death.

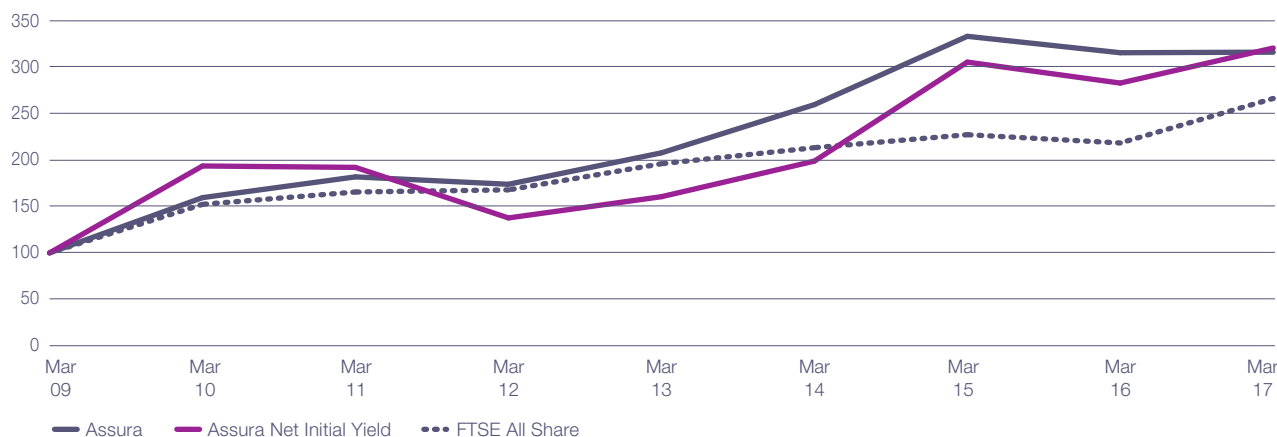
The Company funds its share incentives through a combination of new issue and market purchased shares. The Company monitors the levels of share grants and the impact of these on the ongoing requirement for shares. In accordance with guidelines set out by the Investment Association the Company can issue 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 Real Estate Investment Trusts index and, for comparison, the FTSE All Share index over an eight-year period as required by the Regulations:



The table below shows the Chief Executives' remuneration packages over the past eight 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)
2016/17 ¹	Jonathan Murphy	1,338	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

- Both Graham Roberts' and Jonathan Murphy's remuneration details have been included as they both served as CEO during the year
- 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.
- 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.
- Richard Burrell ceased to be a Director on 15 March 2010.
- During the financial year 2009/10 Richard Burrell was Chief Executive 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 Chief Executive's remuneration

The table below compares the percentage increase in the Chief Executive's pay (including salary and fees, taxable benefits and annual bonus) with the wider employee population. The Company considers the 43 full-time employee population, excluding the Executive Board, to be an appropriate comparator group:

	Salary % increase	Taxable benefits % increase	Bonus % increase/ (decrease)
Chief Executive	4.0	–	n/a ¹
Total employee pay	3.6	1.9	39.7
Average employee pay	3.0	6.0	102.0

Notes

- No comparison has been made as Jonathan Murphy's bonus for the year related to his performance as Finance Director.

Graham Roberts' remuneration details have been used as the basis for the above table (subject to a pro-rata increase as appropriate to reflect his part year service).

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	2016/17 (£m)	2015/16 (£m)	% change
Overall spend on pay for employees, including Executive Directors	3.3	3.3	–
Distributions to shareholders by way of dividends	37.0	27.2	36.0

Remuneration Report continued

Payments to past Directors or for loss of office

The remuneration of Graham Roberts on his death was approached as follows:

- Graham received his usual pay, pension and car allowance plus contractual benefits up to his death.
- Graham did not receive any bonus relating to the year.
- Graham held outstanding awards under the VCP on his death. The Committee exercised its discretion to allow these outstanding awards (including the Tranche that was due to vest in 2017) to vest at the same time as the 2016 award using the minimum return threshold used in 2016 (these awards already having provisionally vested in full in 2015).

Statement of shareholder voting

The table below shows the advisory vote on the 2015/16 Directors' Remuneration Report and the binding vote on the new Remuneration Policy at the AGM held on 14 June 2016:

2016 AGM resolution	Votes for	%	Votes against	%	Votes withheld
Annual Report on Remuneration	1,320,733,144	99.09	12,097,233	0.91	6,634
Remuneration Policy	1,322,798,958	99.25	10,029,694	0.75	8,359

Statement of implementation of Remuneration Policy for 2017/18

Executive Directors

Salary

In setting salary levels for 2017/18 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 2017/18 and the relative increases are set out below:

Executive Director	2016/17 salary (£'000)	2017/18 salary (£'000)	% change
Jonathan Murphy	335 ¹	335	–
Andrew Darke	220 ²	225	2.3

Notes

1. Jonathan Murphy's salary at the 2016/17 year end.
2. Salary on appointment as Director.

Pension and benefits

As was the case last year, Jonathan Murphy and Andrew Darke 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 2017/18 will be 100% of salary for Jonathan Murphy and 75% of salary for Andrew Darke.

The performance objectives under the annual bonus plan for 2017/18 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 2016/17 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 Andrew Darke over shares worth [150% of salary] which will vest subject to the extent to which the following performance conditions are satisfied. 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).

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 would occur between each target.

Non-Executive Directors

The following table sets out the fee rates for the Non-Executive Directors from 1 April 2017:

	2017/18 £'000	2016/17 £'000	% change
Chairman fee	133.4	130.5	2.2
Non-Executive Director base fee	37.8	36.9	2.4
Additional fee for Chairmanship of Audit and Remuneration Committee	8.5	8.3	2.4
Additional fee for Senior Independent Director	8.5	8.3	2.4

By order of the Board

Jenefer Greenwood

Chair of the Remuneration Committee

[X] May 2017

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 2017. The Corporate Governance Statement set out on page [x] 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 in the Glossary on page [x].

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 [x] to [x], 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 [x] to [x]. In addition, Note 23 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 £23.3 million at 31 March 2017 (2016: £43.7 million), the Group has undrawn facilities of £100 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 13.2 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 [x].

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 [x] to the accounts. The Group benefits from brought forward tax losses which results in all dividends paid during the year being paid as ordinary dividends with an associated tax credit.

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

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 2017, the average number of days taken by the Group to pay its suppliers was [x] days (2016: 22 days).

Post balance sheet events [x]

Directors' liability insurance

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

Company share scheme

The Assura plc Employee Benefit Trust holds 61,898 (0.004%) of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees who will take into account any recommendation made to them by the Board of Assura plc.

Donations

In the year to 31 March 2017 Assura donated £24,850 to charities (2016: £26,520), all of which were UK registered charities, and no contributions were made for political purposes (2016: 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 2017, the issued share capital of the Company is 1,655,040,993 Ordinary Shares of 10 pence each. Authority was obtained at the 2016 AGM for the purchase of up to 10% of share capital, if deemed appropriate by the Directors. This expires at the conclusion of the 2017 AGM.

Interests in voting rights

As at 1 May 2017 the Company had been notified of the following interests representing 3% or more of its issued Ordinary Share Capital:

Name of shareholder	31 March 2017		1 May 2017	
	Number of shares	Percentage of Ordinary Shares	Number of shares	Percentage of Ordinary Shares
Invesco Limited	302,458,451	18.27	[x]	[x]
Artemis Investment Management	151,166,796	9.13	[x]	[x]
BlackRock (BGI)	96,981,274	5.81	[x]	[x]
Cohen & Steers Capital Management	96,781,189	5.85	[x]	[x]
Aberdeen Asset Management	96,099,814	5.81	[x]	[x]
Investec Wealth & Investment	70,448,589	4.26	[x]	[x]
Troy Asset Management	58,377,002	3.53	[x]	[x]
[Schroder]	56,454,054	3.41	[x]	[x]
Legal & General	55,767,031	3.37	[x]	[x]
[Resolution Capital]	55,312,889	3.34	[x]	[x]
[Vanguard Group]	51,617,962	3.12	[x]	[x]

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 23 to the accounts.

Future developments

Details of future developments are discussed on pages [x] to [x] 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 is provided on page [x]. 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 2017.

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 DWF, 20 Fenchurch Street, London, EC3M 3AG on 18 July 2017 at 11am.

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

Orla Ball
Company Secretary
 [xx] May 2017

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, are fair, balanced and understandable and provide 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
 [xx] May 2017

Independent Auditor's Report

Opinion on financial statements of Assura plc

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 2017 and of the Group's and Parent Company's profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- the financial statements 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.

The financial statements that we have audited 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 [26] and A to [F].

The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is applicable law and IFRSs as adopted by the European Union.

Summary of our audit approach

Key risk

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

Materiality

The materiality applied in the current year was £[15.5] million, which was determined on the basis of 2% of net assets, and specific materiality applied was £[1.9] million, which was determined on the basis of 5% of EPRA (as defined on page [X]).

Significant changes in our approach

The following significant changes in our approach from the prior year comprise:

Materiality

- In the prior year materiality was determined with reference to profit before tax, of which it represented 5%, whereas for the current year we have determined materiality for the Group based upon net assets with a lower specific materiality based upon the EPRA profit measure.

Risk identification

- In the prior year we identified a key risk in relation to acquisitions. Although the Group has made corporate acquisitions in the year ended 31 March 2017, this was not an area that had a significant effect on our audit strategy nor the allocation of resources in the audit, hence it is not considered to be a key risk in the current year.
 - We have also refined our key risk regarding valuation of the property portfolio to exclude the valuation of properties under development as a significant risk of material misstatement.
-

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained on page [x] of the Directors' Report and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report on page [x].

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page [x] 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;
- the disclosures [on pages X to X] that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page [x] of the Directors' Report 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 ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation [on page X] 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 add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Independent Auditor's Report continued

Our assessment of risks of material misstatement

The assessed risk of material misstatement described below is that which had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Valuation of property portfolio excluding properties under development

Risk description

The Group owns and manages a portfolio of 398 modern primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £1,344.9 million as at 31 March 2017 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 [quarterly](#) 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 under pinned by a number of assumptions. 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 on page [\[x\]](#), and a significant financial reporting matter considered by the Audit Committee, as described on page [\[53\]](#).

How the scope of our audit responded to the risk

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 area.

We read the valuation reports for all properties and attended meetings with each of the Valuers. We confirmed that 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 Estimated Rental Value 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, when 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 assumptions used in the valuations were supportable in light of available and comparable market evidence.

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.

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:

Materiality	Overall Group materiality £[15.5 million].	Specific Group materiality £[1.9] million. Applied to EPRA impacting balances.
Basis for determining materiality	2% of net assets.	5% of EPRA earnings.
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 attribute 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 £[1.9]million based on 5% of that measure for testing of all impacted balances, classes of transactions and disclosures.

The materiality for the Group financial statements as a whole was set at £1.5 million for 2015/16. This was determined with reference to profit before tax, of which it represented 5%. For 2016/17 we have determined materiality for the Group based upon net assets with a lower specific materiality based upon the EPRA profit measure. Given the growth in the business through acquisitions, we consider that these two measures better align with the principal considerations of the shareholders of the Group, and are more aligned to practices observed with industry peers. This is a change to the approach adopted last year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £[775,000] (2016: £30,000), or £[95,000] for differences impacting EPRA, 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. As in all our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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 [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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

We have nothing to report in respect of these matters.

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.

Independent Auditor's Report continued

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 arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

We confirm that we have not identified any such inconsistencies or misleading statements.

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Rachel Argyle (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, UK
[x] May 2017

Consolidated income statement

For the year ended 31 March 2017

	Note	EPRA £m	2017 Capital and other £m	Total £m	EPRA £m	2016 Capital and other £m	Total £m
Continuing operations							
Gross rental and related income	3	71.1	–	71.1	61.0	–	61.0
Property operating expenses		(3.2)	–	(3.2)	(2.6)	–	(2.6)
Net rental income		67.9	–	67.9	58.4	–	58.4
Administrative expenses	4	(7.0)	–	(7.0)	(6.1)	–	(6.1)
Revaluation gains	10	–	56.5	56.5	–	36.4	36.4
(Loss)/gain on sale of property		–	(0.1)	(0.1)	–	0.1	0.1
Share-based payment charge	20	(0.1)	–	(0.1)	(1.9)	–	(1.9)
Finance revenue	3	0.1	–	0.1	0.2	–	0.2
Finance costs	5	(20.7)	(1.4)	(22.1)	(24.2)	–	(24.2)
Early repayment costs	17	–	–	–	–	(34.1)	(34.1)
Profit before taxation		40.2	55.0	95.2	26.4	2.4	28.8
Taxation	6	0.1	–	0.1	(0.9)	–	(0.9)
Profit for the year attributable to equity holders of the parent		40.3	55.0	95.3	25.5	2.4	27.9
EPRA EPS – basic & diluted	7	2.4p			2.0p		
EPS – basic	7			5.8p			2.2p
EPS – diluted	7			5.8p			2.1p

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.

Consolidated balance sheet

As at 31 March 2017

	Note	2017 £m	2016 £m
Non-current assets			
Investment property	10	1,344.9	1,109.4
Investments	9	–	0.4
Property, plant and equipment	11	0.4	0.2
Deferred tax asset	22	0.5	0.4
		1,345.8	1,110.4
Current assets			
Cash, cash equivalents and restricted cash	12	23.5	44.3
Trade and other receivables	13	9.4	7.5
Property assets held for sale	10	0.9	1.7
		33.8	53.5
Total assets		1,379.6	1,163.9
Current liabilities			
Trade and other payables	14	16.4	16.5
Borrowings	17	4.3	4.0
Deferred revenue	15	16.3	14.2
Provisions	16	–	0.3
		37.0	35.0
Non-current liabilities			
Borrowings	17	515.8	365.2
Obligations due under finance leases	14	3.0	3.0
Deferred revenue	15	5.8	6.4
		524.6	374.6
Total liabilities		561.6	409.6
Net assets		818.0	754.3
Capital and reserves			
Share capital	18	165.5	163.8
Own shares held	18	–	(0.6)
Share premium		246.1	241.9
Merger reserve		231.2	231.2
Reserves		175.2	118.0
Total equity		818.0	754.3
NAV per Ordinary Share			
– basic	8	49.4p	46.1p
– diluted	8	49.3p	45.7p
EPRA NAV per Ordinary Share			
– basic	8	49.4p	46.1p
– diluted	8	49.3p	45.8p

The financial statements were approved at a meeting of the Board of Directors held on XX May 2017 and signed on its behalf by:

Simon Laffin
Non-Executive Chairman

Jonathan Murphy
CEO

Consolidated statement of changes in equity

For the year ended 31 March 2017

	Note	Share capital £m	Own shares held £m	Share premium £m	Merger reserve £m	Reserves £m	Total equity £m
1 April 2015		100.7	(1.8)	–	231.2	121.8	451.9
Profit attributable to equity holders		–	–	–	–	27.9	27.9
Total comprehensive income		–	–	–	–	27.9	27.9
Issue of Ordinary Shares	18	62.5	(0.3)	250.7	–	–	312.9
Issue costs		–	–	(9.5)	–	–	(9.5)
Dividends	19	0.2	–	0.7	–	(27.2)	(26.3)
Employee share-based incentives		0.4	1.5	–	–	(4.5)	(2.6)
31 March 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	19	0.9	–	4.2	–	(37.0)	(31.9)
Employee share-based incentives		0.8	0.6	–	–	(0.9)	(0.3)
31 March 2017		165.5	–	246.1	231.2	175.2	818.0

Consolidated cash flow statement

For the year ended 31 March 2017

	Note	2017 £m	2016 £m
Operating activities			
Rent received		71.1	62.7
Interest paid and similar charges		(19.2)	(25.9)
Fees received		0.8	0.8
Interest received		0.1	0.2
Cash paid to suppliers and employees		(13.8)	(14.9)
Net cash inflow from operating activities	21	39.0	22.9
Investing activities			
Purchase of investment property		(157.9)	(122.5)
Development expenditure		(19.9)	(17.7)
Proceeds from sale of property and investments		1.4	1.5
Expenditure on property, plant and equipment		(0.3)	(0.2)
Net cash outflow from investing activities		(176.7)	(138.9)
Financing activities			
Issue of Ordinary Shares		–	308.6
Issue costs paid on issuance of Ordinary Shares		–	(9.5)
Dividends paid	19	(31.9)	(26.3)
Repayment of loans	17	(59.3)	(188.5)
Long-term loans drawdown	17	210.0	45.0
Early repayment costs	17	–	(34.1)
Loan issue costs	17	(1.9)	(1.4)
Net cash inflow from financing activities		116.9	93.8
Decrease in cash and cash equivalents		(20.8)	(22.2)
Opening cash and cash equivalents		44.3	66.5
Closing cash and cash equivalents	12	23.5	44.3

Notes to the accounts

For the year ended 31 March 2017

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.

Standards affecting the financial statements

The following standards and amendments became effective for the Company in the year ended 31 March 2017. The pronouncements either had no material impact on the financial statements or resulted in changes in presentation and disclosure only:

- Annual improvements 2010 – 2012 cycle
- Annual improvements 2011 – 2013 cycle

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):

- Disclosure Initiative – Amendments to IAS 7 (1 January 2017)
- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- IFRS 16 Leases (not yet endorsed in the EU)
- Amendments to IAS 40 (1 January 2018)
- Annual Improvements to IFRS Standards 2014–2016 Cycle

The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 10 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.

Significant judgements and key estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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.

Notes to the accounts continued

For the year ended 31 March 2017

2. Significant accounting policies continued

Accounting for acquisitions

A degree of judgement is required in relation to acquisitions to determine whether they should be accounted for as business combinations under IFRS 3 or as asset purchases. Consideration is taken of all the facts, including whether business processes or employees have been assumed, concerning the transaction in making the appropriate judgement. In addition, the fair value of assets and liabilities acquired as part of the transaction must be determined, which is based on external market evidence where available.

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.

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 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.

2. Significant accounting policies continued

Gains on sale of properties

Gains on sale of properties are recognised on the completion of 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 fair 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, on an undiscounted basis.

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. Underlying profit is no longer reported to avoid confusion, being very similar to the industry standard EPRA EPS measure which is now reported.

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 the Black Scholes option pricing model or the Monte Carlo 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.

Notes to the accounts continued

For the year ended 31 March 2017

3. Revenue

	2017 £m	2016 £m
Rental revenue	70.4	60.2
Other related income	0.7	0.8
Gross rental and related income	71.1	61.0
Finance revenue		
Bank and other interest	0.1	0.2
	0.1	0.2
Total revenue	71.2	61.2

4. Administrative expenses

	Note	2017 £m	2016 £m
Wages and salaries		2.0	1.9
Social security costs		0.3	0.4
		2.3	2.3
Auditor's remuneration	4(a)	0.2	0.2
Directors' remuneration and fees		1.1	1.2
Other administrative expenses		3.4	2.4
		7.0	6.1

a) Auditor's remuneration

	2017 £m	2016 £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

The Audit Committee considers the level of non-audit fees prior to work commencing to ensure independence is maintained. Detail of considerations during the year is provided on page [x].

The average monthly number of employees during the year was 39 (2016: 33).

Key management are the Executive Directors and other key management personnel.

	2017 £m	2016 £m
Key management staff		
Salaries, pension, holiday pay, payments in lieu of notice and bonus	1.4	1.8
Cost of employee share-based incentives (including related social security costs)	0.1	1.8
Social security costs	0.3	0.3
	1.8	3.9

5. Finance costs

	2017 £m	2016 £m
Interest payable	20.5	24.1
Interest capitalised on developments	(0.4)	(0.5)
Amortisation of loan issue costs	0.6	0.6
Finance costs presented through EPRA profit	20.7	24.2
Write off of loan issue costs	1.4	–
Early repayment costs (Note 17)	–	34.1
Total finance costs	22.1	58.3

Interest was capitalised on property developments at 5% (2016: 5%).

6. Taxation

	2017 £m	2016 £m
Consolidated income tax		
Deferred tax		
Relating to origination and reversal of temporary differences	(0.1)	0.9
Income tax (credit)/charge reported in consolidated income statement	(0.1)	0.9

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

	2017 £m	2016 £m
Profit before taxation	95.2	28.8
UK income tax at rate of 20% (2016: 20%)	19.0	5.8
Effects of:		
Non-taxable income (including REIT exempt income)	(18.6)	(6.0)
Expenses not deductible for tax purposes	–	0.6
Movement in unrecognised deferred tax	(0.5)	0.5
	(0.1)	0.9

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% (2017: 20%).

The Group tax (credit)/charge relates to its non-property income. As the Group has sufficient brought forward tax losses, no tax is due and so the amount represents the movement in deferred tax. The movement in part relates to brought forward losses that have been utilised during the year, with the remainder representing a change in the estimated losses that will be utilised in the future.

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. In the year to 31 March 2016, the taxable rental profit of the Group was £nil as a result of capital allowances available, and consequently no PID was required. A small PID is expected to be required for the year to 31 March 2017 which will be distributed in due course within the usual quarterly dividends and in advance of the payment deadline of 31 March 2018.

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 2017.

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.

Notes to the accounts continued

For the year ended 31 March 2017

7. Earnings per Ordinary Share

	Earnings 2017 £m	EPRA earnings 2017 £m	Earnings 2016 £m	EPRA earnings 2016 £m
Profit for the year	95.3	95.3	27.9	27.9
Early repayment costs		–		34.1
Revaluation gains		(56.5)		(36.4)
Loss/(gain) on sale of property		0.1		(0.1)
Write off of loan issue costs		1.4		–
EPRA earnings		40.3		25.5
Weighted average number of shares in issue – basic	1,647,388,495	1,647,388,495	1,300,338,908	1,300,338,908
Potential dilutive impact of share options	3,243,291	3,243,291	11,243,261	11,243,261
Weighted average number of shares in issue – diluted	1,650,631,786	1,650,631,786	1,311,582,169	1,311,582,169
Earnings per Ordinary Share – basic	5.8p	2.4p	2.2p	2.0p
Earnings per Ordinary Share – diluted	5.8p	2.4p	2.1p	2.0p

As set out on pages [10](#) and [11](#), the current estimated number of shares over which nil-cost options may be issued to participants of the VCP is 3.2 million (2016: 12.5 million). After allowing for shares held by the Employee Benefit Trust, this would amount to a potential issuance of a further 3.2 million (2016: 11.2 million) shares in September 2017. Options issued under the PSP are not currently considered dilutive.

8. NAV per Ordinary Share

	NAV 2017 £m	EPRA NAV 2017 £m	NAV 2016 £m	EPRA NAV 2016 £m
Net assets	818.0	818.0	754.3	754.3
Own shares held		-		0.6
Deferred tax		(0.5)		(0.4)
NAV in accordance with EPRA		817.5		754.5
Number of shares in issue	1,655,040,993	1,655,040,993	1,637,706,738	1,637,706,738
Potential dilutive impact of VCP (Note 7)	3,243,291	3,243,291	11,243,261	11,243,261
Diluted number of shares in issue	1,658,284,284	1,658,284,284	1,648,949,999	1,648,949,999
NAV per Ordinary Share – basic	49.4	49.4	46.1p	46.1p
NAV per Ordinary Share – diluted	49.3	49.3	45.7p	45.8p
		Adjusted NAV 2017 £m		Adjusted NAV 2016 £m
EPRA NAV		817.5		754.5
Mark to market of fixed rate debt		(77.7)		(60.2)
EPRA NNNNAV		739.8		694.3
EPRA NNNNAV per Ordinary Share		44.7p		42.4p

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.

Notes to the accounts continued

For the year ended 31 March 2017

9. Investments

Below is listing of all subsidiaries of Assura plc:

Property investment companies	Holding or dormant companies
Abbey Healthcare Group Ltd*	AH Medical Properties Ltd*
Abbey Healthcare Property Investments Ltd*	Assura (AHI) Ltd*
Ashdeane Investments Ltd*	Assura Aylesham Ltd*
Assura Aspire Ltd*	Assura Banbury Ltd*
Assura Aspire UK Ltd*	Assura CS Ltd*
Assura Beeston Ltd*	Assura Financing Ltd*
Assura CVSK Ltd*	Assura Grimsby Ltd*
Assura HC Ltd*	Assura Group Ltd (Guernsey)
Assura HC UK Ltd*	Assura HC Holdings Ltd*
Assura Health Investments Ltd*	Assura IH Ltd
Assura Medical Centres Ltd*	Assura Investments Ltd*
Assura PCP UK Ltd*	Assura Kensington Ltd*
Assura Primary Care Properties Ltd*	Assura Management Services Ltd*
Assura Properties plc*	Assura Pharmacy Holdings Ltd* (Guernsey)
Assura Properties UK Ltd*	Assura Pharmed Ltd*
Assura Trellech Ltd*	Assura Property Ltd* (Guernsey)
BHE (Heartlands) Ltd*	Assura Property Management Ltd*
BHE (St James) Ltd*	Assura Retail York Ltd*
Birchdale Investments Ltd*	Assura Services Ltd*
Broadfield Surgery Ltd*	Assura Southampton Ltd*
Cae Court Developments Ltd*	Assura Stanwell Ltd*
Cloverleaf Investments Ltd*	Assura Todmorden Ltd*
Donnington Healthcare Ltd*	Assura Tunbridge Wells Ltd*
F.P. Projects Ltd*	MP Realty Holdings Ltd*
Malmesbury Medical Enterprise Ltd*	PCI Management Ltd*
Medical Properties Ltd*	PH Investment (No. 1) Ltd*
Metro MRH Ltd*	Primary Care Initiatives (Macclesfield) Ltd*
Metro MRI Ltd*	Riddings Pharmco Ltd*
Metro MRM Ltd*	South Kirkby Property Ltd*
Newton Healthcare Ltd*	SPCD (Balsall Common) Ltd*
Park Medical Services Ltd*	SPCD (Crawcrook) Ltd*
Pentagon HS Ltd*	SPCD (Davyhulme) Ltd*
PVR Investments Ltd*	SPCD (Didcot) Ltd*
SPCD (Silsden) Ltd*	SPCD (Kincaidston) Ltd*
The Third Party Development Corporation*	SPCD (Rugeley) Ltd*
Trinity Medical Properties Ltd*	SPCD (Sutton in Ashfield) Ltd*
	The 3P Development Ltd*
	Trinity Medical Developments 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. Taking into consideration the facts of each transaction, acquisitions of companies owning property completed during the years ended 31 March 2017 and 31 March 2016 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 6% equity holding (book value £nil) and a £4 million loan note receivable (book value £nil, 2016: £nil).

During the year the Group agreed to dispose of the investment in GB Partnerships Investments Limited at book value.

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 2017. The properties have been valued individually and on the basis of open market value in accordance with RICS Valuation – Professional Standards 2014 ("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 4.40% to 5.00% (2016: 4.65% to 5.25%) for prime units, increasing up to 8.00% (March 2016: 6.15%) for older units with shorter unexpired lease terms. For properties with weaker tenants and poorer units, the yields range from 6.00% to 12.00% (March 2016: 6.15% and over 8.0%) and higher for those very close to lease expiry or those approaching obsolescence.

A 0.25% shift of valuation yield would have approximately a £68.1 million (2016: £54.2 million) impact on the investment property valuation.

	Investment 2017 £m	IPUC 2017 £m	Total 2017 £m	Investment 2016 £m	IPUC 2016 £m	Total 2016 £m
Opening fair value	1,094.9	11.5	1,106.4	915.6	6.7	922.3
Additions:						
– acquisitions	155.6	–	155.6	124.5	–	124.5
– improvements	2.4	–	2.4	2.7	–	2.7
	158.0	–	158.0	127.2	–	127.2
Development costs	–	20.9	20.9	–	17.7	17.7
Transfers	14.0	(14.0)	–	16.4	(16.4)	–
Transfer from assets held for sale	–	0.8	0.8	0.6	3.1	3.7
Capitalised interest	–	0.4	0.4	–	0.5	0.5
Disposals	(0.9)	(0.2)	(1.1)	(0.6)	(0.8)	(1.4)
Unrealised surplus on revaluation	55.7	0.8	56.5	35.7	0.7	36.4
Closing market value	1,321.7	20.2	1,341.9	1,094.9	11.5	1,106.4
Add finance lease obligations recognised separately	3.0	–	3.0	3.0	–	3.0
Closing fair value of investment property	1,324.7	20.2	1,344.9	1,097.9	11.5	1,109.4
					2017 £m	2016 £m
Market value of investment property as estimated by valuer					1,315.3	1,088.0
Add IPUC					20.2	11.5
Add pharmacy lease premiums					6.4	6.9
Add finance lease obligations recognised separately					3.0	3.0
Fair value for financial reporting purposes					1,344.9	1,109.4
Land held for sale					0.9	1.7
Total property assets					1,345.8	1,111.1

Three land sites are held as available for sale (2016: three land sites).

Fair value hierarchy

The fair value measurement hierarchy for all investment property and IPUC as at 31 March 2017 was Level 3 – Significant unobservable inputs (2016: Level 3). There were no transfers between Levels 1, 2 or 3 during the year.

Notes to the accounts continued

For the year ended 31 March 2017

10. Property assets continued

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

Valuation techniques: market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions.

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.

11. Property, plant and equipment

The Group holds computer and other equipment assets with cost of £1.0 million (2016: £0.7 million) and accumulated depreciation of £0.7 million (2016: £0.5 million), giving a net book value of £0.3 million (2016: £0.2 million).

Additions during the year were £0.3 million (2016: £0.2 million) and depreciation charged to the income statement was £0.1 million (2016: £0.1 million).

12. Cash, cash equivalents and restricted cash

	2017 £m	2016 £m
Cash held in current account	23.3	43.7
Restricted cash	0.2	0.6
	23.5	44.3

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

	2017 £m	2016 £m
Trade receivables	5.1	4.2
Prepayments and accrued income	1.2	1.2
Other debtors	3.1	2.1
	9.4	7.5

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. Other debtors are generally on 30–60 days' terms. No bad debt provision was required during the year (2016: £nil).

As at 31 March 2017 and 31 March 2016, 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	>120 days £m
2017	5.1	4.4	0.2	0.3	0.2	–
2016	4.2	3.8	0.2	0.1	0.1	–

The bulk of the Group's income derives from the NHS or is reimbursed by the NHS, hence the risk of default is minimal.

14. Trade and other payables

	2017 £m	2016 £m
Trade creditors	1.4	2.8
Other creditors and accruals	12.8	11.8
VAT creditor	2.2	1.9
	16.4	16.5

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 £3.0 million (2016: £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 23. The fair value of the Group's lease obligations is approximately equal to their carrying value.

15. Deferred revenue

	2017 £m	2016 £m
Arising from rental received in advance	15.7	13.7
Arising from pharmacy lease premiums received in advance	6.4	6.9
	22.1	20.6
Current	16.3	14.2
Non-current	5.8	6.4
	22.1	20.6

16. Provisions

	2017 £m	2016 £m
At 1 April	0.3	0.4
Utilisation of provision	(0.3)	(0.1)
At 31 March	–	0.3

Provisions relate to the onerous property lease on the former Pall Mall office and represent management's best estimate of the Group's liability. The lease expired in July 2016.

Notes to the accounts continued

For the year ended 31 March 2017

17. Borrowings

	2017 £m	2016 £m
At 1 April	369.2	513.5
Amount drawn down in year	210.0	45.0
Amount repaid in year	(59.3)	(188.5)
Loan issue costs	(1.9)	(1.4)
Amortisation of loan issue costs	0.7	0.6
Write off of loan issue costs	1.4	–
At 31 March	520.1	369.2
Due within one year	4.3	4.0
Due after more than one year	515.8	365.2
At 31 March	520.1	369.2

The Group has the following bank facilities:

- 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).
- Loans from Aviva Commercial Finance with an aggregate balance of £213.8 million at 31 March 2017 (2016: £217.8 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2024 and 2044 with a weighted average term of 13.8 years to maturity; £4.3 million is due within a year. These loans are secured by way of charges over specific medical centre investment properties with cross-collateralisation between the loans and security. The loans are subject to fixed all-in interest rates ranging between 4.11% and 6.66% and a weighted average of 5.43%. The loans carry a debt service cover covenant of 1.05 times and an LTV covenant of 70%, calculated across all loans and secured properties.

In November 2015, in line with the debt reduction plan announced in the Prospectus for the October 2015 equity raise, £182.0 million of loans were repaid along with associated early repayment costs of £34.1 million.
- Five-year club revolving credit facility with RBS, HSBC, Santander and Barclays for £200 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 2017, £100 million of this facility was drawn. This facility replaced the previous £120 million secured revolving credit facility.
- 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.

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

18. Share capital

	Number of shares 2017	Share capital 2017 £m	Number of shares 2016	Share capital 2016 £m
Ordinary Shares issued and fully paid				
At 1 April	1,637,706,738	163.8	1,006,900,141	100.7
Issued 20 July 2015	–	–	4,545,455	0.4
Issued 25 September 2015	–	–	3,543,975	0.4
Issued 14 October 2015	–	–	618,000,000	61.8
Issued 4 November 2015	–	–	2,229,072	0.2
Issued 20 January 2016 – scrip	–	–	1,611,873	0.2
Issued 27 January 2016	–	–	876,222	0.1
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	–	–
At 31 March	1,655,040,993	165.5	1,637,706,738	163.8
Own shares held	(61,898)	–	(1,256,714)	(0.6)
Total share capital	1,654,979,095	165.5	1,636,450,024	163.2

Ordinary Shares issued on 20 July 2015, 4 November 2015 and 27 January 2016 represent shares issued as part consideration for the acquisition of investment properties held in corporate vehicles. The shares were valued based on the closing share price the day before issuance with this amount appropriately allocated between share capital and share premium.

On 25 September 2015 and 26 August 2017, 3,543,975 and 8,000,000 Ordinary Shares were issued following employees exercising nil-cost options awarded under the VCP. Further information can be found in respect of the VCP in Note 20 and on pages [x] and [x] of the Remuneration Report.

On 14 October 2015, 618,000,000 Ordinary Shares were issued by way of a Firm Placing, Placing and Open Offer and Offer for Subscription at a price of 50 pence per Ordinary Share. Gross proceeds to the Company were £309.0 million, which has been allocated appropriately between share capital (£61.8 million) and share premium (£247.2 million). Issue costs totalling £9.5 million were incurred and have been allocated against share premium.

On 20 January 2016, 1,611,873 Ordinary Shares were issued to shareholders who elected to receive Ordinary Shares in lieu of a cash dividend under the Company scrip dividend alternative.

In the year ended 31 March 2017, 9,334,255 Ordinary Shares were issued to shareholders who elected to receive Ordinary Shares in lieu of a cash dividend under the Company scrip dividend alternative.

On 19 April 2017, 1,514,247 Ordinary Shares were issued to shareholders who elected to receive Ordinary Shares in lieu of a cash dividend under the Company scrip dividend alternative.

Own shares held comprise shares held by the Employee Benefit Trust.

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For the year ended 31 March 2017

19. Dividends paid on Ordinary Shares

Payment date	Pence per share	Number of Ordinary Shares	2017 £m	2016 £m
30 April 2015	0.5	1,006,900,141	–	5.0
22 July 2015	0.5	1,006,900,141	–	5.0
4 November 2015	0.5	1,632,989,571	–	8.2
20 January 2016	0.55	1,635,218,643	–	9.0
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	–
			37.0	27.2

A quarterly dividend for 2017/18 of 0.60 pence per share is currently planned to be paid on 19 July 2017 to shareholders on the share register at 15 July 2017.

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 18.

The dividends paid do not include any PIDs as defined under the REIT regime.

20. Share-based payments

As at 31 March 2017, the Group had two long-term incentive schemes in place – the Value Creation Plan (“VCP”) and the Performance Share Plan (“PSP”).

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 2017, the Employee Benefit Trust held a total of 61,898 (2016: 1,256,714) Ordinary Shares of 10 pence each in Assura plc. Previous long-term incentive plans have lapsed without vesting.

Value Creation Plan

As at 31 March 2017, a total of 3,305,149 nil-cost options were outstanding to employees (including 2,760,761 outstanding to Executive Directors as detailed in the Remuneration Committee Report).

Participants have the opportunity to receive 10% of the total value created for shareholders above a threshold price determined at three Measurement Dates in a five-year measurement period from March 2012 to March 2017. Before any awards vest, which are granted as nil-cost options on conversion of any value created, a minimum level of Total Shareholder Return of 8% per annum compound growth from the Base Price at each Measurement Date must be achieved.

At the first Measurement Date in August 2015, nil-cost options over 24,999,450 Ordinary Shares were awarded to scheme participants. 50% of these were exercisable in September 2015 with the remainder exercisable in 2016 or 2017 subject to achievement of certain performance hurdles. Further details in respect of the VCP are provided in the Remuneration Committee Report on pages [59] and [60].

Performance Share Plan

During the year, 1,137,931 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.

20. Share-based payments continued

The fair value of the newly issued PSP equity settled units 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 units were granted. The following table lists the inputs to the models used for the year ended 31 March 2017:

	2017
Expected share price volatility (%)	23
Risk free interest rate (%)	0.03
Expected life of units (years)	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 units granted in 2017 was £454,600 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 £318,000 (2016: £468,500) and an additional credit has been recorded during the year in respect of the employer national insurance contributions payable on the awards so that the total income statement charge was £0.1 million (2016: £1.9 million).

As at 31 March 2017, 1,137,931 share options were outstanding (2016: nil).

21. Note to the consolidated cash flow statement

	2017 £m	2016 £m
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net profit before taxation	95.2	28.8
Adjustments for:		
(Increase)/decrease in debtors	(2.8)	0.5
Increase/(decrease) in creditors	1.2	(1.5)
Decrease in provisions	(0.3)	(0.1)
Revaluation gain	(56.5)	(36.4)
Interest capitalised on developments	(0.4)	(0.5)
Loss/(gain) on disposal of properties	0.1	(0.1)
Depreciation	0.1	0.1
Early repayment costs	–	34.1
Employee share-based incentive costs	0.3	(2.6)
Amortisation of loan issue costs	0.7	0.6
Write off of loan issue costs	1.4	–
Net cash inflow from operating activities	39.0	22.9

Notes to the accounts continued

For the year ended 31 March 2017

22. Deferred tax

Deferred tax consists of the following:

	2017 £m	2016 £m
At 1 April	0.4	1.3
Income statement movement	0.1	(0.9)
At 31 March	0.5	0.4

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

	2017 £m	2016 £m
Tax losses	225.6	213.4
Other timing differences	1.9	6.0
	227.5	219.4

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:

	2017 £m	2016 £m
Tax losses	38.4	38.4
Other temporary differences	0.3	1.1
	38.7	39.5

23. 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 £18 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 800 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.

23. 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 13.2 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 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	–	9.5	–	–	–	9.5
	–	28.3	56.5	289.0	648.5	1,022.3

Receivables as at 31 March 2016	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	–	15.9	47.8	252.7	629.0	945.4
Trade and other receivables	–	7.5	–	–	–	7.5
	–	23.4	47.8	252.7	629.0	952.9

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2017 and 31 March 2016 based on contractual undiscounted payments at the earliest date 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 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

Payables as at 31 March 2016	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	–	6.5	14.4	99.8	406.8	527.5
Trade and other payables	–	13.3	3.2	0.2	2.8	19.5
Total financial liabilities	–	19.8	17.6	100.0	409.6	547.0

Notes to the accounts continued

For the year ended 31 March 2017

23. 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 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)	(189.9)	(213.9)
Payments due under finance leases	–	(0.2)	(2.8)	(3.0)

In November 2011 the Group issued a £110.0 million 10-year senior secured bond at 4.75%.

Aviva loans decreased during the period to £213.9 million (2016: £217.8 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2024 and 2044. £4.0 million is due within a year. These loans are secured by way of charges over specific medical centre investment properties with cross-collateralisation between the loans and security. The loans are subject to fixed all-in interest rates ranging between 4.11% and 6.66%.

The Group has a revolving credit facility of £200 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 ten-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%.

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2016 was as follows:

	Within 1 year £m	1 to 5 years £m	>5 years £m	Total £m
Floating rate asset				
Cash	44.3	–	–	44.3
Liabilities (fixed rate unless stated)				
Long-term loans:				
Revolving credit facility (variable rate)	–	(45.0)	–	(45.0)
Bond	–	–	(110.0)	(110.0)
Aviva	(4.0)	(18.6)	(195.2)	(217.8)
Payments due under finance leases	–	(0.2)	(2.8)	(3.0)

23. Derivatives and other financial instruments continued

Sensitivity analysis

As at 31 March 2017, 81% of debt drawn by the Group is subject to fixed interest rates. A 0.25% movement in interest rates would change profit by £0.2 million based on the amount of variable rate debt drawn.

	Book value		Fair value	
	2017 £m	2016 £m	2017 £m	2016 £m
Cash	23.5	44.3	23.5	44.3
Long-term loans	520.1	(369.2)	597.8	(429.4)
Payments due under finance leases	3.0	(3.0)	3.0	(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 37% at 31 March 2017 (30% at 31 March 2016).

	2017 £m	2016 £m
Investment property	1,324.7	1,097.9
Investment property under construction	20.2	11.5
Held for sale – land	0.9	1.7
Total property	1,345.8	1,111.1
	2017 £m	2016 £m
Loans	520.1	369.2
Finance lease	3.0	3.0
Cash	(23.5)	(44.3)
Net debt	499.6	327.9
LTV	37%	30%

24. Commitments

At the year end the Group had seven (2016: two) committed developments of which six were on site with a contracted total expenditure of £40.7 million (2016: £13.5 million) of which £15.9 million (2016: £8.5 million) had been expended.

25. Related party transactions

Details of transactions during the year and outstanding balances at 31 March 2017 in respect of associates are detailed in Note 9.

Details of payments to key management personnel are provided in Note 4.

26. Post balance sheet events



Company income statement

For the year ended 31 March 2017

	2017 £m	2016 £m
Revenue		
Dividends received from subsidiary companies	150.0	50.0
Group management charge	2.1	1.2
Total revenue	152.1	51.2
Administrative expenses	(2.7)	(2.1)
Share-based payment charge	(0.1)	(1.9)
Impairment of investment in subsidiary	(111.6)	–
Operating profit	37.7	47.2
Profit before taxation	37.7	47.2
Taxation	–	–
Profit attributable to equity holders	37.7	47.2

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 2017

	Note	2017 £m	2016 £m
Non-current assets			
Investments in subsidiary companies	B	372.5	396.7
		372.5	396.7
Current assets			
Cash and cash equivalents	C	–	5.2
Other receivables		0.1	0.1
Amounts owed by subsidiary companies	D	380.7	345.8
		380.8	351.1
Current liabilities			
Trade and other payables		(1.0)	(1.5)
		(1.0)	(1.5)
Net assets		752.3	746.3
Capital and reserves			
Share capital	18	165.5	163.8
Share premium		246.1	241.9
Own shares held		–	(0.6)
Merger reserve	B	183.7	295.4
Reserves		157.0	45.8
Total equity		752.3	746.3

The financial statements were approved at a meeting of the Board of Directors held on XX May 2017 and signed on its behalf by:

Simon Laffin
Non-Executive Chairman

Jonathan Murphy
CEO

Company registered number: 9349441

Company statement of changes in equity

For the year ended 31 March 2017

	Note	Share capital £m	Share premium £m	Own shares held £m	Merger reserve £m	Reserves £m	Total equity £m
1 April 2015		100.7	–	(1.8)	295.4	30.0	424.3
Profit attributable to equity holders		–	–	–	–	47.2	47.2
Total comprehensive income		–	–	–	–	47.2	47.2
Issue of Ordinary Shares	18	62.5	250.7	(0.3)	–	–	312.9
Share issue costs		–	(9.5)	–	–	–	(9.5)
Dividends	19	0.2	0.7	–	–	(27.2)	(26.3)
Employee share-based incentives		0.4	–	1.5	–	(4.2)	(2.3)
31 March 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	19	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

Company cash flow statement

For the period ended 31 March 2017

	Note	2017 £m	2016 £m
Operating activities			
Dividends received from subsidiaries		–	50.0
Charges received from subsidiaries		2.1	1.2
Amounts paid to suppliers and employees		(2.5)	(5.2)
Net cash (outflow)/inflow from operating activities		(0.4)	46.0
Investing activities			
Net loans advanced to subsidiaries		27.1	(314.6)
Net cash inflow/(outflow) from investing activities		27.1	(314.6)
Financing activities			
Issue of Ordinary Shares		–	308.6
Issue costs paid on issuance of Ordinary Shares		–	(9.5)
Dividends paid		(31.9)	(26.3)
Net cash (outflow)/inflow from financing activities		(31.9)	272.8
(Decrease)/increase in cash and cash equivalents		(5.2)	4.2
Cash and cash equivalents at start of period		5.2	1.0
Cash and cash equivalents at end of period	C	–	5.2

Notes to the Company accounts

For the period ended 31 March 2017

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.

B. Investments in subsidiary companies

	2017 £m	2016 £m
Cost	484.2	396.7
Provision for diminution in value	(111.7)	–
	372.5	396.7

Details of all subsidiaries as at 31 March 2017 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 £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 £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

	2017 £m	2016 £m
Cash held in current account	–	5.2

D. Loans to subsidiary companies – current

	2017 £m	2016 £m
Amounts owed by Group undertakings	380.7	345.8

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 2017	2.1	150.0	380.7	–
31 March 2016	1.2	50.0	345.8	–

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 £1.0 million at 31 March 2017 (31 March 2016: £1.5 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.

BPF is the British Property Federation which 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.

Code is the UK Corporate Governance Code 2014, a full copy of which is available on the website of the Financial Reporting Council.

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.

Company is Assura plc.

Consumer Price Index ("CPI") is an official measure of the general level of inflation as reflected in the weighted average of prices of a basket of consumer goods and services such as transportation, food, clothing, etc. CPI is commonly calculated on a monthly and annual basis.

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.

Dividend Cover is the number of times the dividend payable (on an annual basis) is covered by underlying profit.

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 (true and nominal) 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.

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 underlying profit 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 the Investment Property Databank Limited which provides performance analysis for most types of real estate and produces an independent benchmark of property returns.

IPD Healthcare is the 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 Key Performance Indicators.

London Interbank Offered Rate ("LIBOR") is the interest rate charged by one bank to another for lending money.

Local Improvement Finance Trusts ("LIFT") are public-private consortia that develop primary care and community based facilities and services.

Loan to Value ("LTV") is the ratio of net debt to the total value of property assets.

Mark to Market ("MtM") is the difference between the book value of an asset or liability and its market value.

NAV is Net Asset Value.

Net Initial Yield 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 purchaser's 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 PCTs.

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.

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.

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.

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.

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.

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.

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.

Corporate information

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	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Bankers:	Aviva plc
	Barclays Bank plc
	HSBC plc
	Santander UK plc
	The Royal Bank of Scotland plc

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