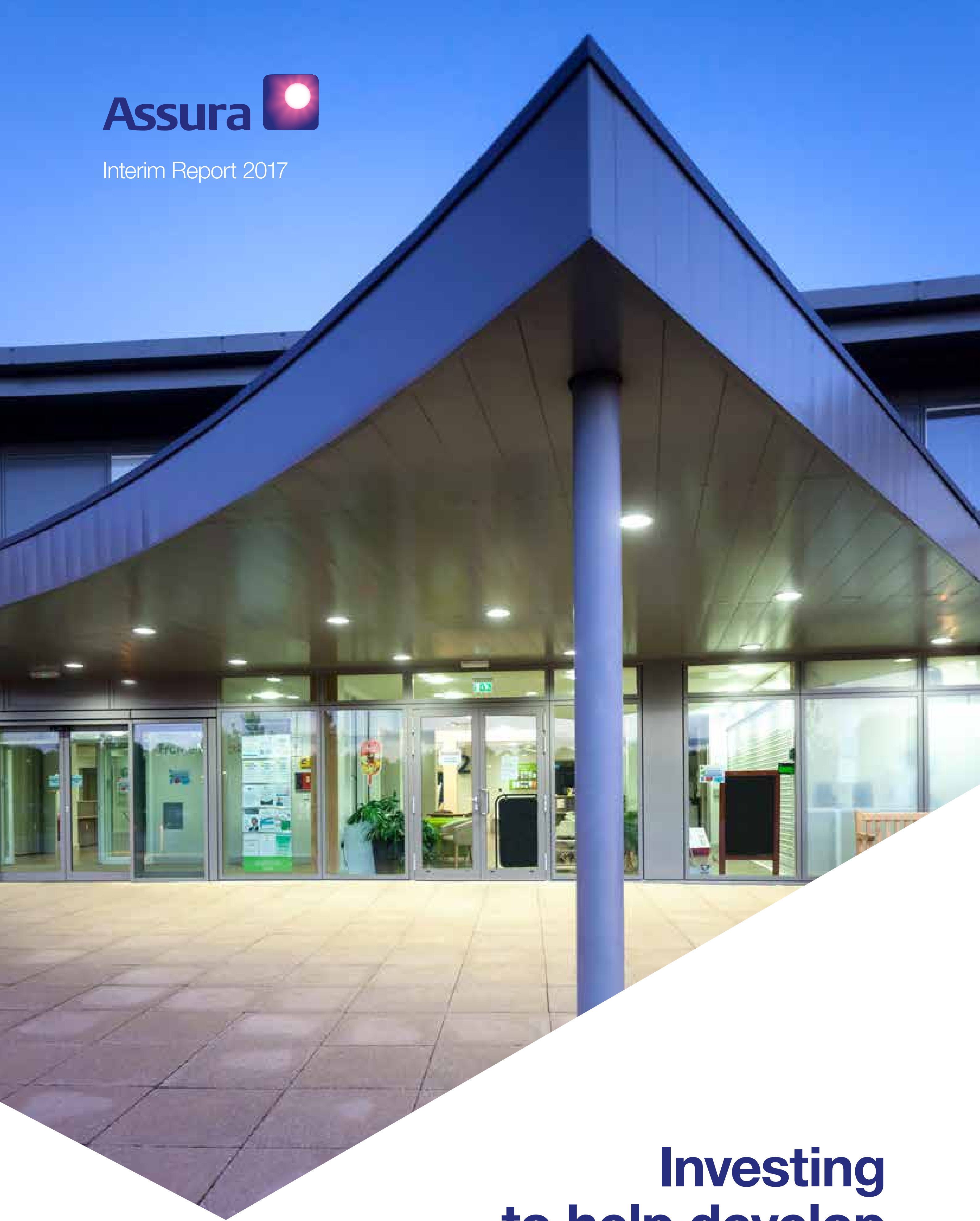
Assura

Interim Report 2017



Investing to help develop the NHS of the future

Financial highlights

Investment property (£m)

£1,560.0m

▲ up by 16%

March 2016	1,109.4
March 2017	1,344.9
September 2017	**1,560.0**

Diluted EPRA NAV (p)

53.1p

▲ up by 8%

March 2016	45.8
March 2017	49.3
September 2017	**53.1**

Net rental income (£m)

£38.3m

▲ up by 16%

2015	28.1
2016	32.9
2017	**38.3**

Profit before tax (£m)

£73.4m

▲ up by 76%

2015	35.4
2016	41.7
2017	**73.4**

EPRA EPS (p)

1.3p

▲ up by 8%

2015	0.9
2016	1.2
2017	**1.3**

Total dividends paid (p)

1.20p

▲ up by 9.1%

2015	1.00
2016	1.10
2017	**1.20**

Continued growth of portfolio

— 76% increase in profit before tax to £73.4 million (2016: £41.7 million)
— 8.3% increase in EPRA EPS to 1.3 pence (2016: 1.2 pence)
— 16.0% increase in investment property to £1.6 billion (March 2017: £1.3 billion)
— 7.7% growth in diluted EPRA NAV per share to 53.1 pence (March 2017: 49.3 pence)
— 11.7% increase in rent roll to £83.1 million (March 2017: £74.4 million)

Strong balance sheet enabling reduction in cost of debt

— £98 million, gross of expenses, raised from equity placing in June 2017
— Unsecured revolving credit facility increased to £250 million at initial margin of 150bps
— Weighted average cost of debt reduced by 28bps to 3.78% (March 2017: 4.06%)
— Further facilities secured post period end

Sector leader in a market that is in significant need of investment

— Consensus that primary care must play a bigger role in health provision
— Significant underinvestment in primary care space, many GP premises not currently fit for purpose
— The Naylor report released earlier this year highlighted a need for significant investment in the NHS estate with support from the private sector

Well positioned to help alleviate the pressures on primary care infrastructure

— Strong pipeline with £209 million of acquisitions and developments
— Current LTV of 36%
— Scalable, internally managed operating model, with in-house development model
— Group operates in a highly fragmented market: portfolio of 475 medical centres compares with a total UK market of approximately 9,000 surgery buildings

CEO's statement

In the first half of the year we have continued to grow our portfolio and improve profitability. During the period, the value of our investment property increased by 16% to £1.6 billion and we completed £164 million of property additions, acquiring and developing assets in excess of our plan for the year to date.

We have continued to strengthen our financial position. In May, we increased our revolving credit facility to £250 million. The Group also completed an equity issuance for £98 million, which was significantly oversubscribed, and has been fully deployed to fund the accelerated growth of our portfolio in the first half of the year.

Since the period end we have secured a further £150 million in the UK private placement market by issuing eight and 10 year notes at a blended rate of 3.04% along with a further increase of our revolving credit facility by £50 million to £300 million. This expansion of unsecured facilities gives us the operational flexibility to fund our pipeline of opportunities as well as securing further funds at very competitive rates as we look to bring our weighted average cost of debt down.

Gearing continues to be below our medium term loan-to-value range of 40% to 50%, thus enabling us to take advantage of the strong pipeline of investment opportunities. Our robust financial position means we are able to maintain our progressive dividend policy.

Financial highlights

Net rental income increased 16% to £38.3 million in the period and profit before tax increased 76% to £73.4 million. EPRA EPS increased 8% to 1.3 pence per share and diluted EPRA net asset value grew 8% to 53.1 pence per share at the period-end. This growth in EPRA EPS is a reflection of developments and acquisitions in the period, our ability to manage, carefully, our internal costs, further reducing the EPRA Cost Ratio to 11.7% and reductions in our financing costs following the successful fundraising and financing initiatives.

This strong financial performance has enabled us to announce an intended increase of 9% in our dividend from January 2018 to 0.655 pence per share on a quarterly basis, subject to the completion of the proposed equity raise announced today. A further announcement formally declaring the January 2018 dividend will be made in due course.

Market opportunity

In March 2017, Sir Robert Naylor released his detailed review of the NHS estate, highlighting the essential role for primary care premises in enabling the policy directives of increasing evening and weekend access to GP's, encouraging practice networks with central hubs and therefore increasing the primary care workforce. The review recommends utilising private sector investment in supporting GPs and improving the standard of premises.

Assura has an open dialogue with the key stakeholders within the NHS and Government. We continue to demonstrate our excellent track record and ability to deliver state of the art primary care premises within the heart of the community. We are at the forefront to deliver value for money for the NHS and for the taxpayer as a third party developer ("3PD"). The ability to deliver these developments presents limited development risk for Assura with pre-let arrangements and the opportunity for future rental growth.

We have continued to both source and complete acquisition opportunities during the period utilising our proprietary database. Assura's market share remains modest at approximately 7% and there are many opportunities for further growth in a highly fragmented, though specialist, market.

Board appointments

In the past few months we have strengthened our Board and executive team with two key appointments. Jayne Cottam joined as CFO and Ed Smith was appointed a Non-Executive Director. Both Jayne and Ed bring a wealth of experience and fresh perspective to Assura and I look forward to working with them as we continue to develop the business and deliver on our strategy.

Outlook

The additional funding provided by the UK private placement and the increase in the revolving credit facility provides a sound financial footing for the business. The continued move to unsecured funding offers a flexible platform for growth.

We have a strong pipeline of £126 million of targeted acquisitions and £83 million of development opportunities.

The open market rent review mechanism in our sector provides income growth whilst recent land and construction cost inflation provides the potential for future rental growth.

We believe that Assura will continue to provide stable long term returns and our confidence is reflected in the proposed increase in quarterly dividend from January 2018.

JONATHAN MURPHY
CEO
15 November 2017

Business review

For the six months ended 30 September 2017

Portfolio as at 30 September 2017 £1,560.0 million (31 March 2017: £1,344.9 million)

Our business is based on our investment portfolio of 475 properties. This has a passing rent roll of £83.1 million (March 2017: £74.4 million), 86% of which is underpinned by the NHS. The WAULT is 12.8 years and 74% of the rent roll will still be contracted in 2027.

At 30 September 2017 our portfolio of completed investment properties was valued at a total of £1,527.2 million, including investment properties held for sale of £3.8 million (March 2017: £1,315.3 million and £nil), which produced a net initial yield ("NIY") of 4.93% (March 2017: 5.10%). Taking account of potential lettings of unoccupied space and any uplift to current market rents on review, our valuers assess the net equivalent yield to be 5.09% (March 2017: 5.29%). Adjusting this Royal Institution of Chartered Surveyors standard measure to reflect the advanced payment of rents, the true equivalent yield is 5.26% (March 2017: 5.47%).

Our EPRA NIY, based on our passing rent roll and latest annual direct property costs, was 4.96% (March 2017: 5.05%).

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Net rental income	**38.3**	32.9
Valuation movement	**50.4**	23.4
Total Property Return	**88.7**	56.3

Expressed as a percentage of opening investment property plus additions, Total Property Return for the six months was 5.9% compared with 4.7% 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 7.0% over the same period.

The net valuation gain in the six months of £50.4 million represents a 4.29% uplift on a like-for-like basis and movements relating to properties acquired in the period. The uplift has arisen due to the downward pressure on yields with increased demand for assets in the sector. Despite the downward pressure, the NIY on our assets continues to represent a substantial premium over the 15-year UK gilt which traded at 1.67% at 30 September 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:

	Six months ended 30 September 2017 £m
Acquisition of completed medical centres	**152.8**
Developments/forward funding arrangements	**14.7**
Like-for-like portfolio (improvements)	**1.8**
Total capital expenditure	**169.3**

Portfolio analysis by capital value

	Number of properties	Total value £m	Total value %
>£10m	25	372.0	24
£5–10m	55	370.3	24
£1–5m	284	711.7	47
<£1m	111	73.2	5
	475	1,527.2	100

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	166	616.3	40
South	158	459.2	30
Midlands	82	301.8	20
Scotland	22	47.7	3
Wales	47	102.2	7
	475	1,527.2	100

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	57.0	69
NHS body	14.2	17
Pharmacy	6.7	8
Other	5.2	6
	83.1	100

Business review continued

For the six months ended 30 September 2017

The bulk of the growth in our investment portfolio has come from the acquisition of 75 properties for £152.8 million during the period.

Despite the continued delay in NHS approval of new developments, we have completed three developments during the period (all under forward funding agreements) with a total development cost of £9.5 million. This has added £0.5 million to our annual rent roll and generated a 5.8% yield on cost.

During this period we recorded a revaluation gain of £4.2 million in respect of investment property under construction (2016: net deficit of £0.3 million).

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

As at 30 September 2017, we had five developments on site under forward funding agreements, with a total committed investment value of £34 million, and a further 12 which we would hope to be on site shortly (estimated cost of £49 million).

Portfolio management

We have continued to deliver rental growth and have successfully concluded 88 rent reviews during the six months to generate a weighted average annual rent increase of 1.81% (year to March 2017: 1.57%) on those properties. Our portfolio benefits from a 27% weighting in fixed, Retail Price Index ("RPI") and other uplifts which generated an average uplift of 2.84% during the period. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 0.83% during the period.

Live developments and forward funding arrangements

	Estimated completion date	Development costs	Costs to date	Size
Darley Dale	Sep-18	£2.3m	£0.6m	772 sq.m
Durham	Apr-18	£10.2m	£6.5m	2,069 sq.m
Middlesbrough	Jan-18	£18.3m	£12.3m	4,389 sq.m
Swansea	Jan-18	£2.0m	£1.2m	979 sq.m
Wivenhoe	Oct-17	£1.5m	£1.1m	628 sq.m

We have secured nine new tenancies with an annual rent roll of £0.2 million, in addition to four lease regears (rent of £0.2 million) and three extensions to existing buildings (rent of £0.3 million). Our EPRA Vacancy Rate was 2.1% (March 2017: 2.1%).

Administrative expenses

The Group analyses cost performance by reference to our EPRA Cost Ratios (including and excluding direct vacancy costs) which were 11.7% and 11.5% respectively (2016: 13.5% and 12.3%).

We also measure our operating efficiency as the proportion of administrative costs to the average gross investment property value. This ratio during the period was 0.25% (2016: 0.29%) and administrative costs stood at £3.6 million (2016: £3.4 million).

Financing

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

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

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

Business review continued

For the six months ended 30 September 2017

At 30 September 2017, we had undrawn facilities and cash of £101.9 million.

Financing statistics	30/09/2017	31/03/2017
Net debt	**£569.1m**	£499.6m
Weighted average debt maturity	**7.9 years**	8.7 years
Weighted average interest rate	**3.78%**	4.06%
% of debt at fixed/capped rates	**71%**	81%
Interest cover[1]	**308%**	296%
LTV	**36%**	37%

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

Our loan to value ("LTV") ratio currently stands at 36%, which is lower than our target range of 40%-50% and will increase as we invest in our pipeline in the short to medium term (where this is funded by debt facilities). 71% of the debt facilities are fixed with a weighted average debt maturity of 7.9 years compared with a WAULT of 12.8 years, which highlights the security of the cash flows of the business.

Details of the facilities and their covenants are set out in Note 11 to the accounts.

Net finance costs presented through EPRA earnings in the six-month period amounted to £11.2 million (2016: £9.7 million).

Alternative Performance Measures ("APMs")

The financial performance for the period is reported including a number of APMs (financial measures not defined under IFRS). We believe that including these alongside IFRS measures provides additional information to help understand the financial performance for the period and calculations with reconciliations back to reported IFRS measures are included where possible.

Profit before tax

Profit before tax for the period was £73.4 million (2016: £41.7 million). The increase can primarily be attributed to the increased valuation gain on investment property and the higher net rental income following additions to the portfolio.

EPRA earnings

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Net rental income	**38.3**	32.9
Administrative expenses	**(3.6)**	(3.4)
Net finance costs	**(11.2)**	(9.7)
Share-based payments and taxation	**(0.2)**	–
EPRA earnings	**23.3**	19.8

The movement in EPRA earnings can be summarised as follows:

	£m
Six months ended 30 September 2016	19.8
Net rental income	5.4
Administrative expenses	(0.2)
Net finance costs	(1.5)
Share-based payments and taxation	(0.2)
Six months ended 30 September 2017	23.3

EPRA earnings has grown 18% to £23.3 million in the six months to 30 September 2017 reflecting the property acquisitions completed and the reduced finance costs from reducing our LTV and the average cost of borrowings.

Earnings per share

The basic earnings per share ("EPS") on profit for the period was 4.2 pence (2016: 2.5 pence).

EPRA EPS, which excludes the net impact of valuation movements and gains on disposal, was 1.3 pence (2016: 1.2 pence).

Business review continued
For the six months ended 30 September 2017

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

EPS measure	Basic	Diluted
Profit for six months	4.2p	4.2p
EPRA	1.3p	1.3p

Dividends
Total dividends settled in the six months to 30 September 2017 were £19.9 million or 1.2 pence per share (2016: 1.1 pence per share). £3.3 million of this was satisfied through the issuance of shares via scrip.

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

The table below illustrates our cash flows over the period:

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Opening cash	**23.5**	44.3
Net cash flow from operations	**20.3**	15.6
Dividends paid	**(16.5)**	(15.8)
Investment:		
Property acquisitions	**(155.3)**	(82.7)
Development expenditure	**(14.8)**	(10.5)
Sale of properties	**1.1**	1.1
Other	**–**	(0.4)
Financing:		
Net proceeds from equity issuance	**96.1**	–
Net borrowings movement	**67.5**	76.1
Closing cash	**21.9**	27.7

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

Net assets
Diluted EPRA NAV movement

	£m	Pence per share
Diluted EPRA NAV at 31 March 2017	817.5	49.3
EPRA earnings	23.3	1.3
Capital (revaluations and capital gains)	50.1	2.9
Dividends	(19.9)	(1.2)
Shares issued	99.5	0.8
Other	0.2	–
Diluted EPRA NAV at 30 September 2017	**970.7**	**53.1**

Our Total Accounting Return per share for the six months ended 30 September 2017 is 9.9% of which 1.20 pence per share (2.4%) has been distributed to shareholders and 3.7 pence per share (7.5%) is the movement on EPRA NAV.

Business review continued

For the six months ended 30 September 2017

EPRA performance measures

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

Summary table

	Six months ended 30 September 2017	Six months ended 30 September 2016
EPRA EPS (p)	**1.3**	1.2
EPRA Cost Ratio (including direct vacancy costs) (%)	**11.7**	13.5
EPRA Cost Ratio (excluding direct vacancy costs) (%)	**11.5**	12.3

	30/09/2017	31/03/2017
EPRA NAV (p)	**53.1**	49.3
EPRA NNNAV (p)	**49.5**	44.7
EPRA NIY (%)	**4.96**	5.05
EPRA "topped-up" NIY (%)	**4.96**	5.05
EPRA Vacancy Rate (%)	**2.1**	2.1

EPRA EPS
six months ended 30 September 2017

1.3p

▲ Six months ended 30 September 2016: 1.2p

Diluted EPRA EPS (p)
six months ended 30 September 2017

1.3p

▲ 2016: 1.2p

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 30/09/2017

53.1p

▲ 31/03/2017: 49.3p

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

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

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

EPRA NNNAV 30/09/2017

49.5p

▲ 31/03/2017: 44.7p

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

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

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

Business review continued

For the six months ended 30 September 2017

EPRA NIY 30/09/2017

4.96%

▼ 31/03/2017: 5.05%

EPRA "topped-up" NIY 30/09/2017

4.96%

▼ 31/03/2017: 5.05%

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

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

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

	30/09/2017 £m	31/03/2017 £m
Investment property	**1,560.0**	1,344.9
Less developments	**(27.1)**	(20.2)
Completed investment property portfolio	**1,532.9**	1,324.7
Allowance for estimated purchasers' costs	**99.0**	85.4
Gross up completed investment property – B	**1,631.9**	1,410.1
Annualised cash passing rental income	**83.1**	74.4
Annualised property outgoings	**(2.2)**	(3.2)
Annualised net rents – A	**80.9**	71.2
Notional rent expiration of rent-free periods or other incentives	**–**	–
Topped-up annualised rent – C	**80.9**	71.2
EPRA NIY – A/B (%)	**4.96**	5.05
EPRA "topped-up" NIY – C/B (%)	**4.96**	5.05

EPRA Vacancy Rate 30/09/2017

2.1%

◀ 31/03/2017: 2.1%

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

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

	30/09/2017	31/03/2017
ERV of vacant space (£m)	**1.8**	1.6
ERV of completed property portfolio (£m)	**85.7**	76.7
EPRA Vacancy Rate (%)	**2.1**	2.1

EPRA Cost Ratios (including direct vacancy costs) Six months ended 30 September 2017

11.7%

▼ Six months ended 30 September 2016: 13.5%

EPRA Cost Ratios (excluding direct vacancy costs) Six months ended 30 September 2017

11.5%

▼ Six months ended 30 September 2016: 12.3%

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.

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Direct property costs	**1.1**	1.5
Administrative expenses	**3.6**	3.4
Share-based payment costs	**0.2**	–
Net service charge costs/fees	**(0.1)**	(0.1)
Exclude:		
Ground rent costs	**(0.2)**	(0.2)
EPRA Costs (including direct vacancy costs) – A	**4.6**	4.6
Direct vacancy costs	**(0.1)**	(0.4)
EPRA Costs (excluding direct vacancy costs) – B	**4.5**	4.2
Gross rental income less ground rent costs (per IFRS)	**39.2**	34.2
Gross rental income – C	**39.2**	34.2
EPRA Cost Ratio (including direct vacancy costs) – A/C	**11.7**	13.5
EPRA Cost Ratio (excluding direct vacancy costs) – B/C	**11.5**	12.3

Interim condensed consolidated income statement

For the six months ended 30 September 2017

		Note	Six months ended 30 September 2017 Unaudited			Six months ended 30 September 2016 Unaudited		
			EPRA £m	Capital and other £m	Total £m	EPRA £m	Capital and other £m	Total £m
Gross rental and related income			**39.4**	**–**	**39.4**	34.4	–	34.4
Property operating expenses			**(1.1)**	**–**	**(1.1)**	(1.5)	–	(1.5)
Net rental income			**38.3**	**–**	**38.3**	32.9	–	32.9
Administrative expenses			**(3.6)**	**–**	**(3.6)**	(3.4)	–	(3.4)
Revaluation gains		9	**–**	**50.4**	**50.4**	–	23.4	23.4
Share-based payment charge			**(0.2)**	**–**	**(0.2)**	–	–	–
Loss on sale of property			**–**	**(0.3)**	**(0.3)**	–	–	–
Finance revenue			**–**	**–**	**–**	0.1	–	0.1
Finance costs		5	**(11.2)**	**–**	**(11.2)**	(9.8)	(1.5)	(11.3)
Profit before taxation			**23.3**	**50.1**	**73.4**	19.8	21.9	41.7
Taxation		6	**–**	**–**	**–**	–	–	–
Profit for the period attributable to equity holders of the parent			**23.3**	**50.1**	**73.4**	19.8	21.9	41.7
Earnings per share								
EPS	– basic & diluted	7			**4.2p**			2.5p
EPRA EPS	– basic & diluted	7	**1.3p**			1.2p		

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

Interim condensed consolidated balance sheet

As at 30 September 2017

		Note	**30 September 2017 Unaudited £m**	31 March 2017 Audited £m
Non-current assets				
Investment property		9	**1,560.0**	1,344.9
Property, plant and equipment			**0.4**	0.4
Deferred tax asset			**0.5**	0.5
			1,560.9	1,345.8
Current assets				
Cash, cash equivalents and restricted cash			**21.9**	23.5
Trade and other receivables			**13.7**	9.4
Property assets held for sale		9	**4.8**	0.9
			40.4	33.8
Total assets			**1,601.3**	1,379.6
Current liabilities				
Trade and other payables			**15.3**	16.4
Borrowings		11	**4.4**	4.3
Deferred revenue		10	**17.9**	16.3
			37.6	37.0
Non-current liabilities				
Borrowings		11	**583.6**	515.8
Obligations due under finance leases			**3.0**	3.0
Deferred revenue		10	**5.9**	5.8
			592.5	524.6
Total liabilities			**630.1**	561.6
Net assets			**971.2**	818.0
Capital and reserves				
Share capital		12	**182.8**	165.5
Share premium			**328.6**	246.1
Merger reserve			**231.2**	231.2
Reserves			**228.6**	175.2
Total equity			**971.2**	818.0
NAV per Ordinary Share	**– basic**	8	**53.1p**	49.4p
	– diluted	8	**53.1p**	49.3p
EPRA NAV per Ordinary Share	**– basic**	8	**53.1p**	49.4p
	– diluted	8	**53.1p**	49.3p

The interim condensed consolidated financial statements were approved at a meeting of the Board of Directors held on 15 November 2017 and signed on its behalf by:

JONATHAN MURPHY
CEO

JAYNE COTTAM
CFO

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2017

	Note	Share capital £m	Own shares held £m	Share premium £m	Merger reserve £m	Reserves £m	Total equity £m
1 April 2016		163.8	(0.6)	241.9	231.2	118.0	754.3
Profit attributable to equity holders		–	–	–	–	41.7	41.7
Total comprehensive income		–	–	–	–	41.7	41.7
Dividend	14	0.4	–	1.8	–	(18.0)	(15.8)
Employee share-based incentives		0.8	0.6	–	–	(1.1)	0.3
30 September 2016 (Unaudited)		165.0	–	243.7	231.2	140.6	780.5
Profit attributable to equity holders		–	–	–	–	53.6	53.6
Total comprehensive income		–	–	–	–	53.6	53.6
Dividend	14	0.5	–	2.4	–	(19.0)	(16.1)
31 March 2017 (Audited)		165.5	–	246.1	231.2	175.2	818.0
Profit attributable to equity holders		–	–	–	–	73.4	73.4
Total comprehensive income		–	–	–	–	73.4	73.4
Issue of Ordinary Shares		16.4	–	82.0	–	–	98.4
Issue costs		–	–	(2.3)	–	–	(2.3)
Dividend	14	0.6	–	2.8	–	(19.9)	(16.5)
Employee share-based incentives		0.3	–	–	–	(0.1)	0.2
30 September 2017 (Unaudited)		182.8	–	328.6	231.2	228.6	971.2

Interim condensed consolidated statement of cash flow

For the six months ended 30 September 2017

	Six months ended 30 September 2017 Unaudited £m	Six months ended 30 September 2016 Unaudited £m
Operating activities		
Rent received	**36.4**	33.2
Interest paid and similar charges	**(11.1)**	(9.6)
Fees received	**0.4**	0.4
Interest received	**–**	0.1
Cash paid to suppliers and employees	**(5.4)**	(8.5)
Net cash inflow from operating activities	**20.3**	15.6
Investing activities		
Purchase of investment property	**(155.3)**	(82.7)
Development spend	**(14.8)**	(10.5)
Investment in property, plant and equipment	**–**	(0.4)
Proceeds from sale of property	**1.1**	1.1
Net cash outflow from investing activities	**(169.0)**	(92.5)
Financing activities		
Issue of Ordinary Shares	**98.4**	–
Issue costs paid on issuance of Ordinary Shares	**(2.3)**	–
Dividends paid	**(16.5)**	(15.8)
Repayment of loan	**(2.1)**	(57.0)
Long-term loans drawn down	**70.0**	135.0
Loan issue costs	**(0.4)**	(1.9)
Net cash inflow from financing activities	**147.1**	60.3
Decrease in cash and cash equivalents	**(1.6)**	(16.6)
Opening cash and cash equivalents	**23.5**	44.3
Closing cash and cash equivalents	**21.9**	27.7

Notes to the interim condensed consolidated accounts

For the six months ended 30 September 2017

1. Corporate information

The Interim Condensed Consolidated Accounts of the Group for the six months ended 30 September 2017 were authorised for issue in accordance with a resolution of the Directors on 15 November 2017.

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.

Copies of this statement are available from the website at www.assuraplc.com.

2. Basis of preparation

The Interim Condensed Consolidated Accounts for the six months ended 30 September 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. These accounts cover the six-month accounting period from 1 April 2017 to 30 September 2017 with comparatives for the six-month accounting period from 1 April 2016 to 30 September 2016, or 31 March 2017 for balance sheet amounts.

The Interim Condensed Consolidated Accounts do not include all the information and disclosures required in the Annual Report, and should be read in conjunction with those in the Group's Annual Report as at 31 March 2017 which are prepared in accordance with IFRSs as adopted by the European Union.

The accounts are presented in pounds sterling rounded to the nearest 0.1 million unless specified otherwise.

The accounts are prepared on a going concern basis.

3. Accounts

The results for the six months to 30 September 2017 and to 30 September 2016 are unaudited. The interim accounts do not constitute statutory accounts. The financial information for the year ended 31 March 2017 does not constitute the Company's statutory accounts for that year, but is derived from those accounts. Statutory accounts have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

4. New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Accounts are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 March 2017. The Group is not expecting new and proposed changes in accounting standards endorsed by the EU to have a material impact on reported numbers in future periods.

5. Finance costs

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Interest payable	**11.3**	9.7
Interest capitalised on developments	**(0.5)**	(0.2)
Amortisation of loan issue costs	**0.4**	0.3
Finance costs presented through EPRA earnings	**11.2**	9.8
Write off of loan issue costs	**–**	1.5
Total finance costs	**11.2**	11.3

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2017

6. Taxation on profit on ordinary activities

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Tax charged in the income statement		
Deferred tax:		
Origination and reversal of temporary differences	–	–
Total tax charge	–	–

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%.

Group tax charges relate to its non-property income. As the Group has sufficient brought forward losses no tax is due in relation to the current or prior period.

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. 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.

7. Earnings per Ordinary Share

	Earnings 2017 £m	EPRA earnings 2017 £m	Earnings 2016 £m	EPRA earnings 2016 £m
Profit for the period from continuing operations	73.4	73.4	41.7	41.7
Revaluation gains		(50.4)		(23.4)
Loss on sale of property		0.3		–
Write off of loan issue costs		–		1.5
EPRA earnings		23.3		19.8
Weighted average number of shares in issue – basic	1,748,149,201	1,748,149,201	1,641,793,597	1,641,793,597
Potential dilutive impact of share options	173,009	173,009	3,243,291	3,243,291
Weighted average number of shares in issue – diluted	1,748,322,210	1,748,322,210	1,645,036,888	1,645,036,888
EPS/EPRA EPS – basic & diluted	4.2p	1.3p	2.5p	1.2p

The current estimated number of shares over which nil-cost options may be issued to participants is 0.2 million.

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2017

8. Net asset value per Ordinary Share

	NAV 30/09/2017 £m	EPRA NAV 30/09/2017 £m	NAV 31/03/2017 £m	EPRA NAV 31/03/2017 £m
Net assets	971.2	971.2	818.0	818.0
Deferred tax		(0.5)		(0.5)
EPRA NAV		970.7		817.5
Number of shares in issue	1,827,642,764	1,827,642,764	1,655,040,993	1,655,040,993
Potential dilutive impact of share options (Note 7)	173,009	173,009	3,243,291	3,243,291
Diluted number of shares in issue	1,827,815,773	1,827,815,773	1,658,284,284	1,658,284,284
NAV per Ordinary Share – basic	53.1p	53.1p	49.4p	49.4p
NAV per Ordinary Share – diluted	53.1p	53.1p	49.3p	49.3p

	EPRA NNNAV 30/09/2017 £m	EPRA NNNAV 31/03/2017 £m
EPRA NAV	970.7	817.5
Mark to market of fixed rate debt	(65.5)	(77.7)
EPRA NNNAV	905.2	739.8
EPRA NNNAV per Ordinary Share – basic	49.5p	44.7p

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

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

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2017

9. Property assets

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

Investment properties are stated at fair value, as determined for the Company by Savills Commercial Limited and Jones Lang LaSalle as at 30 September 2017. The properties have been valued individually and on the basis of open market value in accordance with RICS valuation – Professional Standards 2017 ("the Red Book").

Initial yields mainly range from 4.25% to 4.75% (March 2017: 4.40% to 5.00%) for prime units, increasing up to 8.00% (March 2017: 8.00%) for older units with shorter unexpired lease terms. For properties with weaker tenants and poorer units, the yields range from 6.00% to over 8.00% (March 2017: 6.00% to over 8.00%) and higher for those very close to lease expiry or those approaching obsolescence.

A 0.25% shift of valuation yield would have approximately a £81.7 million (March 2017: £68.1 million) impact on the investment property valuation:

	Investment 30/09/17 £m	**IPUC 30/09/17 £m**	**Total 30/09/17 £m**	Investment 31/03/17 £m	IPUC 31/03/17 £m	Total 31/03/2017 £m
Opening fair value	**1,321.7**	**20.2**	**1,341.9**	1,094.9	11.5	1,106.4
Additions:						
– acquisitions	**152.8**	**–**	**152.8**	155.6	–	155.6
– improvements	**1.8**	**–**	**1.8**	2.4	–	2.4
	154.6	**–**	**154.6**	158.0	–	158.0
Development costs	**–**	**14.7**	**14.7**	–	20.9	20.9
Transfers	**11.4**	**(11.4)**	**–**	14.0	(14.0)	–
Transfer (to)/from assets held for sale	**(3.8)**	**(0.2)**	**(4.0)**	–	0.8	0.8
Capitalised interest	**–**	**0.5**	**0.5**	–	0.4	0.4
Disposals	**(0.2)**	**(0.9)**	**(1.1)**	(0.9)	(0.2)	(1.1)
Unrealised surplus on revaluation	**46.2**	**4.2**	**50.4**	55.7	0.8	56.5
Closing market value	**1,529.9**	**27.1**	**1,557.0**	1,321.7	20.2	1,341.9
Add finance lease obligations recognised separately	**3.0**	**–**	**3.0**	3.0	–	3.0
Closing fair value of investment property	**1,532.9**	**27.1**	**1,560.0**	1,324.7	20.2	1,344.9

	30/09/2017 £m	31/03/2017 £m
Market value of investment property as estimated by valuer	**1,523.4**	1,315.3
Add IPUC	**27.1**	20.2
Add pharmacy lease premiums	**6.5**	6.4
Add finance lease obligations recognised separately	**3.0**	3.0
Fair value for financial reporting purposes	**1,560.0**	1,344.9
Assets held for sale	**4.8**	0.9
Total property assets	**1,564.8**	1,345.8

Six properties and three land sites are held as available for sale (31 March 2017: two land sites).

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2017

10. Deferred revenue

	30/09/2017 £m	31/03/2017 £m
Arising from rental received in advance	**17.3**	15.7
Arising from pharmacy lease premiums received in advance	**6.5**	6.4
	23.8	22.1
Current	**17.9**	16.3
Non-current	**5.9**	5.8
	23.8	22.1

11. Borrowings

	30/09/2017 £m	31/03/2017 £m
At 1 April	**520.1**	369.2
Amount issued or drawn down in period/year	**70.0**	210.0
Amount repaid in period/year	**(2.1)**	(59.0)
Loan issue costs	**(0.4)**	(2.2)
Amortisation of loan issue costs	**0.4**	0.7
Write off of loan issue costs	**–**	1.4
At the end of the period/year	**588.0**	520.1
Due within one year	**4.4**	4.3
Due after more than one year	**583.6**	515.8
At the end of the period/year	**588.0**	520.1

The Group has the following bank facilities:

1. 10-year senior secured bond for £110 million at a fixed interest rate of 4.75% maturing in December 2021. The secured bond carries a loan to value covenant of 75% (70% at the point of substitution of an investment property or cash) and an interest cover requirement of 1.15 times (1.5 times at the point of substitution). In addition, the bond is subject to a WAULT test of 10 years which, if not met, gives the bondholder the option to request repayment of £5.5 million every six months.

2. Loans from Aviva Commercial Finance with an aggregate balance of £211.7 million at 30 September 2017 (31 March 2017: £213.8 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 12.8 years to maturity; £4.4 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 have 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.

3. Five-year club revolving credit facility with RBS, HSBC, Santander and Barclays for £250 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 30 September 2017, £170 million of this facility was drawn (31 March 2017: £100 million). Subsequent to the period end, the available facility has been increased to £300 million.

4. 10-year notes in the US private placement market for a total £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.

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2017

11. Borrowings continued

The Group has been in compliance with all financial covenants on all of the above loans as applicable throughout the period. Subsequent to the period end, the Group has issued £150 million of privately placed notes in two tranches with maturities of eight and ten years. The weighted average coupon is 3.04%, the notes are unsecured and covenants match existing unsecured facilities.

12. Share capital

	Number of shares 30/09/2017	**Share capital 30/09/2017 £m**	Number of shares 31/03/2017	Share capital 31/03/2017 £m
Ordinary Shares of 10 pence each issued and fully paid	**1,655,040,993**	**165.5**		
At 1 April	**–**	**–**	1,637,706,738	163.8
Issued April 2016 – scrip	**–**	**–**	2,291,541	0.2
Issued July 2016 – scrip	**–**	**–**	1,880,037	0.2
Issued August 2016	**–**	**–**	8,000,000	0.8
Issued October 2016 – scrip	**–**	**–**	2,130,150	0.2
Issued January 2017 – scrip	**–**	**–**	3,032,527	0.3
Issued April 2017 – scrip	**1,514,247**	**0.2**	–	–
Issued June 2017	**163,999,820**	**16.4**	–	–
Issued July 2017 – scrip	**3,861,017**	**0.4**	–	–
Issued August 2017	**3,226,687**	**0.3**	–	–
Total at 30 September/31 March	**1,827,642,764**	**182.8**	1,655,040,993	165.5
Own shares held	**–**	**–**	(61,898)	–
Total share capital	**1,827,642,764**	**182.8**	1,654,979,095	165.5

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

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

In August 2017 and August 2016, 3,226,687 and 8,000,000 Ordinary Shares were issued following employees exercising nil-cost options awarded under the VCP.

13. Commitments

At the period end the Group had five forward funding purchases on site (31 March 2017: seven) with a contracted total expenditure of £34.3 million (31 March 2017: £39.7 million) of which £21.7 million (31 March 2017: £15.9 million) had been expended.

14. Dividends paid on Ordinary Shares

Payment date	Pence per share	Number of Ordinary Shares	**Six months ended 30 September 2017 £m**	Six months ended 30 September 2016 £m
20 April 2016	0.55	1,637,706,738	**–**	9.0
27 July 2016	0.55	1,639,998,279	**–**	9.0
19 April 2017	0.60	1,655,040,993	**9.9**	–
19 July 2017	0.60	1,656,555,240	**10.0**	–
			19.9	18.0

A dividend of 0.60 pence per share was paid to shareholders on 18 October 2017.

Directors' responsibilities statement

Principal risks and uncertainties

The factors identified by the Board as having the potential to affect the Group's operating results, financial control and/or the trading price of its shares were set out in detail in the Annual Report for the year ended 31 March 2017.

The Directors have reconsidered the principal risks and uncertainties facing the Group. Accordingly, the Directors do not consider that the principal risks and uncertainties have changed significantly since the publication of the Annual Report for the year ended 31 March 2017.

Going concern

The Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Group's properties are substantially let with the majority of rent paid or reimbursed by the NHS and they benefit from a weighted average lease length on the portfolio of 12.8 years. The Group has facilities from a variety of lenders with modest annual amortisation, in addition to the secured bond, and has remained in compliance with all covenants throughout the period. In making the assessment, and having considered the continuing economic uncertainty, the Directors have reviewed the Group's financial forecasts which cover a period of 18 months beyond the balance sheet date, showing 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. There have been no material changes in assumptions in the forecast from the basis adopted in making the assessment at the previous year end.

Directors' responsibilities statement

The Board confirms to the best of their knowledge:

— that the Interim Condensed Consolidated Accounts for the six months to 30 September 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union; and
— that the Half Year Management Report comprising the Business Review and the principal risks and uncertainties includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules.

The above Directors' Responsibilities Statement was approved by the Board on 15 November 2017.

JONATHAN MURPHY
CEO
15 November 2017

JAYNE COTTAM
CFO

Independent review report to Assura plc

For the six months ended 30 September 2017

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprise the Interim Condensed Consolidated Income Statement, the Interim Condensed Consolidated Balance Sheet, the Interim Condensed Consolidated Statement of Changes in Equity, the Interim Condensed Consolidated Statement of Cash Flow and the related Notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP – Statutory Auditor
Manchester, UK
15 November 2017

Corporate information

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Company Secretary:	Orla Ball
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Legal Advisors:	Ernst & Young LLP 2 St Peter's Square Manchester M2 3DF
Stockbrokers:	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
	J.P. Morgan Securities plc 25 Banks Street London E14 5YP
Bankers:	Aviva plc
	Barclays Bank plc
	HSBC Bank plc
	Santander UK plc
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