



**Creating outstanding
spaces for health services
in our communities**

Investing to support primary healthcare infrastructure

Our locations

We invest in and develop medical centres throughout the UK. The most important characteristic of a building is its importance to the community it serves. Our buildings currently serve approximately 5.6 million patients, or 8.5% of the UK population.

Portfolio analysis

Capital value	Total value £m		Number of properties	Total value %
>£10m	<div></div>	558.5	35	29
£5–10m	<div></div>	474.1	71	24
£1–5m	<div></div>	859.7	348	44
<£1m	<div></div>	68.2	109	3
Total		1,960.5 ¹	563	100

Region	Total value £m		Number of properties	Total value %
North	<div></div>	756.9	182	38
South	<div></div>	662.4	216	34
Midlands	<div></div>	350.6	85	18
Scotland	<div></div>	54.6	23	3
Wales	<div></div>	136.0	57	7
Total		1,960.5 ¹	563	100

Tenant covenant	Total rent roll £m		Total rent roll £m	Total rent roll %
GPs	<div></div>		69.4	68
NHS body	<div></div>		17.8	17
Pharmacy	<div></div>		8.2	8
Other	<div></div>		7.3	7
Total			102.7	100

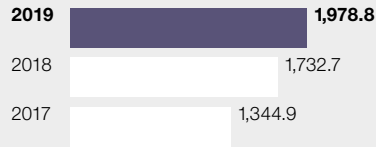
1. See Note 10 for reconciliation to balance sheet.

Financial highlights

INVESTMENT PROPERTY (£M)

£1,978.8m

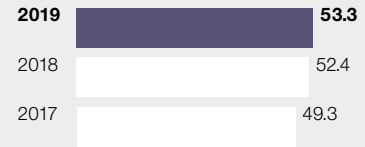
↑ up by 14.2%



DILUTED EPRA NAV (P)*

53.3p

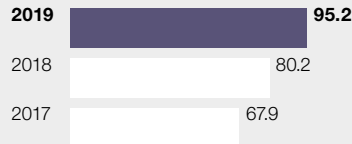
↑ up by 1.7%



NET RENTAL INCOME (£M)

£95.2m

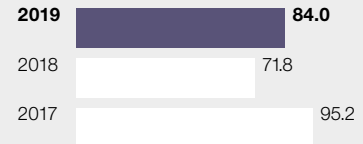
↑ up by 18.7%



PROFIT BEFORE TAX (£M)

£84.0m

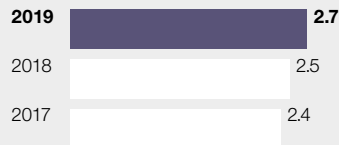
↑ up by 17.0%



EPRA EPS (P)**

2.7p

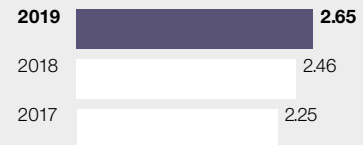
↑ up by 8.0%



TOTAL DIVIDENDS PAID (P)

2.65p

↑ up by 7.7%



* See Note 8

** See Note 7

EPRA summary table

	2019	2018
EPRA EPS (p)	2.7p	2.5p
EPRA NAV (p)	53.3p	52.4p
EPRA NNNNAV (p)	52.5p	51.8p
EPRA NIY (%)	4.73%	4.77%
EPRA "topped-up" NIY (%)	4.78%	4.81%
EPRA Vacancy Rate	1.5%	1.8%
EPRA Cost Ratio (including direct vacancy costs) (%)	12.5%	13.0%
EPRA Cost Ratio (excluding direct vacancy costs) (%)	11.4%	12.0%

See a detailed rationale for each performance measure on pages 48 and 49.

Who we are

We are a leading healthcare real estate investment trust (REIT) with a portfolio of 563 medical centres across the country.

Our purpose

Our purpose is to create outstanding spaces for health services in our communities.

What we do

Fifteen years of working with GPs and the NHS means we have a clear understanding of the needs of those using our buildings, and of how their premises can support them. We combine that with our capital strength to develop, invest in, manage and improve our portfolio of essential social infrastructure.

The places where patients receive NHS care are fundamental to their experience. And for the NHS's 1.5 million staff, its buildings are their work places.

We are here to support the right premises in the right places for Britain's most treasured public service.

Available online at:
www.assurapl.com



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What we value

Innovation

Expertise

Being genuine

Collaboration

Passion

How we work

We champion new ideas and we're open-minded

We do what we say we will

We don't give up

We strive for excellence

We listen to, learn from and encourage others

Highlights of the year

Investing £219m in acquisitions including Stratford Healthcare Centre in Warwickshire — one of the country's largest primary care buildings, serving more than 18,000 patients

Marking Assura's 15th anniversary year



Our biggest year to date for development, completing a new primary care centre for patients in South Wales, opening the Durham Diagnostics and Treatment Centre, starting on site for new buildings in 11 locations including Essex, Kent, Gloucestershire and Greater Manchester and extending our pipeline of opportunities

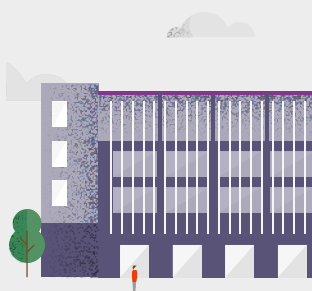


Assigned an investment grade rating of A- by Fitch Ratings Limited and issuing a £300m unsecured listed bond



Creating the specialist space for one of the most modern fertility clinics in the NHS, within our Severn Fields Health Village in Shrewsbury

Disposing of 12 assets demonstrating our capital recycling capabilities



Establishing our major charity partnership with Dementia UK and progressing plans for the country's first accredited dementia friendly primary care centre design



Thinking long term: planning for the NHS of the future

Creating outstanding
spaces for health services
in our communities.



1

Ardudwy Health Centre, Harlech

625 sq.m

Small but innovative and crucial to delivery of health services in this Welsh seaside town, Ardudwy Health Centre in Harlech is one of the most sustainable in our portfolio – with an insulated timber frame, biomass boiler and photovoltaic panels on the roof all helping to generate heat and power for this community branch surgery.



2



West Gorton Medical Centre, Greater Manchester

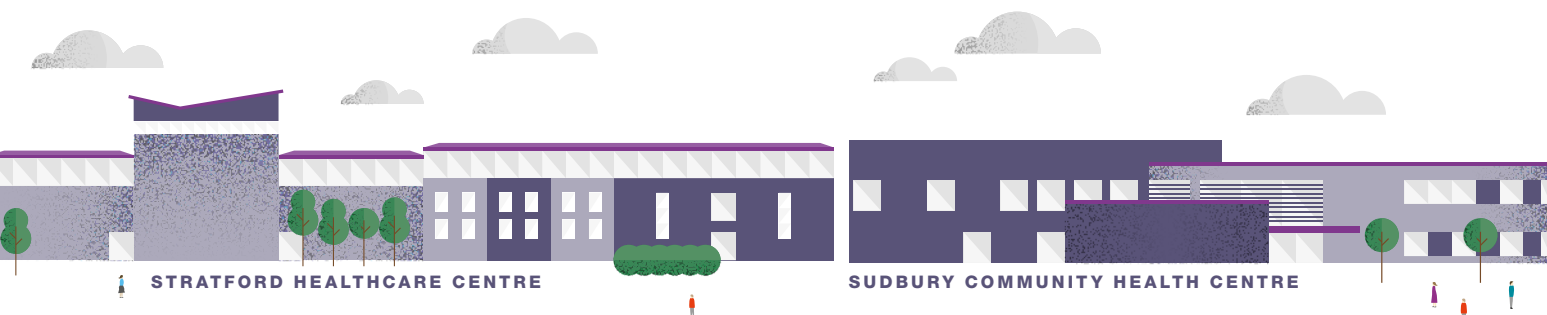
1,190 sq.m

In a city region tackling serious health challenges, West Gorton Medical Centre's building doesn't just create space for more services, it's also a trailblazer for the Greater Manchester's ambition to become carbon neutral by 2038 – dramatically reducing energy use and increasing efficiency for the NHS compared with the average surgery building.

Durham Diagnostics and Treatment Centre, Durham

2,069 sq.m

From urology and renal services to ENT, oral and maxillofacial surgery and ophthalmology care, Durham Treatment Centre bridges the gap between the GP surgery and hospital sites in the North East of England – acting as a specialist treatment hub for patients who previously had to travel long distances for their care.



4

Stratford Healthcare Centre, Stratford-upon-Avon

5,988 sq.m

One of the largest primary care buildings in the country, Stratford Healthcare Centre brings together general practice, community mental health, sexual health and treatment services as well as a pharmacy and training space.



5

Sudbury Community Health Centre, Sudbury

2,937 sq.m

A true super-centre for NHS services away from hospital, Sudbury Community Health Centre houses paediatrics, dermatology, audiology, musculoskeletal physiotherapy, X-ray, dentistry, podiatry, mental health, midwifery, diagnostics and pharmacy alongside GPs – in a community which had campaigned for a new facility for decades.



We continue to solidify our position as a partner of choice to the NHS

Ed Smith, CBE
Non-Executive Chairman



Our people, our capital strength, the quality of our service, our buildings and our long-term relationships are the five unique hallmarks of our partnerships with GPs and the NHS.

In these first months as Chairman, I have been struck by just how deeply embedded these qualities are across this business. As our nation's health service seeks to deliver on the much-needed ambition set out in the NHS Long Term Plan, significant capital investment is required to support it, meaning the way we combine our unique strengths to deliver GP and NHS infrastructure has never been more important.

This year has given us particularly strong examples of all five elements in action. The team has worked together to cement our strategy around a clear vision and purpose, underpinned by a set of values and ways of working which we agree are important to us, our customers and the public.

The NHS is our prime customer, accounting for 85% of our total rent roll. Approximately 8.5% of the UK's NHS patients now use our premises and we are proud to be providing the infrastructure that serves so many people.

The last 12 months have seen us continue on our growth journey and we now own and manage 563 properties. Our portfolio has expanded through both new developments and acquisitions, with £240 million of property additions in the year and £314 million from the prior year. This has helped us to grow our net rental income by 18.7% to £95.2 million.

Following the extensive support of our shareholders during 2017 we were able to fulfil our intentions to restructure some of our more expensive debt facilities. The restructure provided the platform for Assura to gain an A- investment grade rating from Fitch Ratings Limited and successfully execute a £300 million public bond.

In a defining year for our development pipeline, we opened new spaces around the country for GP practices and three NHS Trusts, and acquired 57 high quality assets including one of the country's biggest primary care centres. This impressive progress would not have been possible without our long-term relationships and market understanding. The skills and knowledge of our team enable us to bring together successfully the many stakeholders on each deal, navigating the complex NHS procurement processes and managing our supply chain to meet the individual needs of each community.

The quality of our service and depth of our relationship with our tenants remain a key part of our strategy and this year we have evolved our approach of listening, listening and listening even more to the needs of everyone using our buildings. We have ensured there are locally based teams serving some of our busiest geographical areas. We have developed a new structure for our portfolio team to enhance our customer service and introduced a new role of senior project manager dedicated to overseeing our service to tenants during asset enhancement schemes.

Our investment case

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

1

Leader in the provision of primary care real estate with a strong brand nurtured through long-term partnerships with GPs and delivering value for money to the NHS.

2

Strong balance sheet together with a sustainable, covered and progressive dividend policy.

3

Capitalising on acquisition and development opportunities supported by a scalable platform to address growing demand.

4

Low risk, growing portfolio providing a recurring and predictable revenue stream.



Results and dividends

Our effective business model and ability to acquire, develop and manage and enhance properties has led to an increase in our EPRA earnings to £63.8 million, growth of 27.6%. Our profit before tax was £84.0 million.

Delivering superior and sustainable risk adjusted returns to our shareholders, including a progressive and covered dividend, is a core focus for us as a business. In January 2019, the Board increased the dividend payment by 7.7% to 2.65 pence per share.

Strong shareholder engagement

We are committed to shareholder engagement through open and transparent dialogue and communicate with our shareholders regularly. Our management team invests significant time and effort in this process and has conducted 108 meetings in the year. In addition, we have commissioned an investor study in the year as well as a consultation regarding changes to our Remuneration Policy, further details of which can be found on page 63 of this report.

Our people and the Board

Having taken over as Chairman in July last year, it has been a pleasure to join such a motivated team. We have 58 people within our business, and their skills are at the very heart of Assura's success. On behalf of the Board I would like to thank each of them for their hard work, commitment and dedication.

David Richardson has decided to retire after the AGM in July. He has been Senior Independent Non-Executive Director and chair of the Audit Committee for seven years now and was a key figure in the many changes that Assura has undergone. I would like to thank David for his service to the Company.

Jonathan Davies joined as Non-Executive Director in June 2018 and will take over as Senior Independent Director and Audit Committee chair following David's retirement from the Board. Jonathan is Chief Financial Officer of SSP Group plc and brings a wealth of experience to the Company.

The future

Looking ahead, we have a health service with an energetic strategy for the future, additional revenue funding, and real drive for integration of services and adoption of new technologies. What it lacks, however, is the capital investment strategy to match; in due course the Spending Review will set out the Government's contribution to the NHS's long-term capital needs, but other solutions will be needed to reach the significant level of investment required. We're ready to play our part; demonstrated by our acquisition of primary care developer, GPI – strengthening our development capability, growing our pipeline and reinforcing our market position. Our goal of creating outstanding spaces for health services in our communities is our vision for the future, accommodating the transition towards more services in primary care, more specialist treatments in communities, general practice at scale and the growth of social prescribing.

As the Government continues to approve healthcare schemes, we continue to solidify our position as a partner of choice to the NHS and play a key role in providing high quality primary care facilities to reduce the pressure on the NHS.

I would like to take this opportunity to thank our shareholders and the whole Assura team – the beating heart of our business – for their support and commitment over the year.

Ed Smith, CBE

Non-Executive Chairman
20 May 2019

Planning for the future

Our development team has had a strong year, converting nine schemes from our pipeline to on site, giving us 11 on site at year end, and strengthening our pipeline of schemes in the short and medium term.

On site



Cinderford

1,491 sq.m
Estimated completion: spring 2020

Darley Dale

773 sq.m
Estimated completion: spring 2019

Great Barr

1,170 sq.m
Estimated completion: summer 2020

Knebworth

859 sq.m
Estimate completion: winter 2019/20

STOW-ON-THE-WOLD DEVELOPMENT

How we develop our pipeline

Our growing team of experienced development surveyors source opportunities through the strength of their relationships with GPs and the NHS throughout the country. We are the largest developer in our sector and are well positioned to support the needs of the NHS in the provision of primary care in each community.

Our immediate pipeline are schemes that we expect to be on site in the next 12 months. Our extended pipeline includes those schemes where we have been appointed as preferred partners but the timing of approval is less certain.

These pipeline figures do not include any schemes relating to the acquisition of GPI.

Completed



PORTHCAWL MEDICAL CENTRE



Durham Diagnostics and Treatment Centre, Durham

2,069 sq.m

Porthcawl Medical Centre, Porthcawl

2,212 sq.m

Saxon Spires Practice, Brixworth

600 sq.m

Netherfield

1,247 sq.m

Estimated completion: winter 2019/20

Newtown

1,317 sq.m

Estimated completion: summer 2020

South Woodham Ferrers

1,357 sq.m

Estimated completion: summer 2019

Stafford

2,800 sq.m

Estimated completion: spring 2020

Stow-on-the-Wold

742 sq.m

Estimated completion: summer 2019

Timperley

424 sq.m

Estimated completion: spring 2020

Tonbridge

1,405 sq.m

Estimated completion: spring 2020

Pipeline



On site

11

SCHEMES, £49m

Immediate pipeline

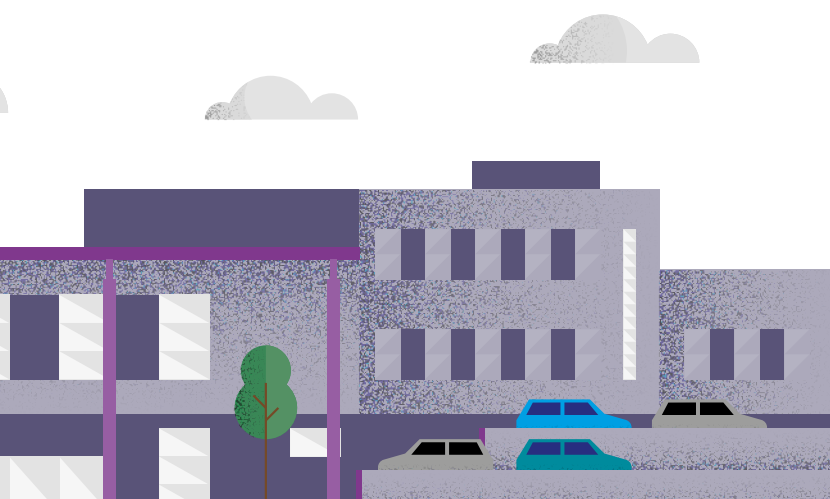
11

SCHEMES, £52m

Extended pipeline

16

SCHEMES, £89m



PIPELINE SCHEME

Well positioned sector leader in a market which is under-invested

Jonathan Murphy
CEO



Overview

Assura has just completed its 15th year and we have again demonstrated our ability to deliver sustainable growth with an increase in the value of our portfolio of £246 million to £2 billion. This growth was driven by property additions as our investment and development teams successfully secured 57 assets for inclusion in our portfolio at an average yield on cost of 4.8% and a WAULT of 14.5 years.

The primary care property market remains highly attractive with its secure, long-term income, linkage to construction cost inflation and constrained supply leading to stable long-term returns.

Assura's position in the market is distinct in that our all-round model offers investment, development and management of premises to our GP clients. This multi-faceted approach enables us to understand better the requirements of the GPs and to anticipate their future needs, thus giving us an advantage in securing future investment or development opportunities.

It also enables us to own the relationship with our customers so that we can protect and enhance the brand and reputation that have been so carefully nurtured over Assura's 15 years in operation. By retaining the property management and enhancement skills in-house we are also better able to understand the potential from our portfolio. We are currently strengthening our asset enhancement team by creating a dedicated project team to focus on delivering physical extensions and asset enhancements within our portfolio. We believe this has the potential to play a much bigger role in our value creation in the future.

As well as asset enhancement, we continue to accelerate our investment in development opportunities. Development activity enhances our returns in two ways: first, developments provide a higher level of return for a low level of development risk; and, second, they provide evidence of construction cost inflation that, in turn, drives rental growth. We have significantly strengthened our extended development pipeline this year to a total of £190 million.

This commitment to development as a key strategic driver of value is reflected in today's announcement of the acquisition of the primary care developer, GPI. GPI has been a leading developer in primary care for over 25 years and its experienced team and strong pipeline are a valuable addition to the Assura proposition. Our development team will now increase from five to nine surveyors and our extended pipeline will increase from £190 million to £282 million. This makes it the strongest pipeline in our history and reinforces our position as market leaders.

To support this growth, we have put in place a robust financial structure with an emphasis on long-term sustainability through a lower level of gearing and maximising our flexibility by using unsecured funding. This approach was recognised earlier in the year by Fitch Ratings Limited when they awarded us an investment grade rating of A-, which marks us out as being amongst the most financially strong of the listed property businesses.

INVESTMENT PROPERTY VALUE

£1,978.8m

↑ up by 14.2%

RENT ROLL

£102.7m

↑ up by 12.9%

Distinct market

Assura holds a leading position in a distinct market with the majority of its properties let to GPs on very long leases. These bespoke assets are designed and built to the local health requirements of the communities they serve and so are essential local social infrastructure. The GPs receive 100% funding for their rental costs and so this NHS backing provides excellent security for our income.

The bespoke nature of the assets means that they must be carefully matched to local requirements and so all new buildings are approved by the NHS in advance to exacting standards. This approval process is rigorous and can be very time consuming with pre-qualification standards for contractors. This effectively prevents any speculative development and the net effect of this is a very stable market with low volatility.

The sector is subject to strong growth in underlying demand. There are three key elements for this growth in demand.

The first of these are the health and demographic changes we are undergoing as a population. The UK population is forecast both to grow and the relative proportion of older patients to increase significantly. This has an outsize impact on healthcare demands as the elderly have significantly higher health treatment requirements. The population of the over 80s is forecast to increase by 70% over the next 20 years according to the Office for National Statistics.

The second key element is the historically low levels of investment in primary care property in the UK. This under-investment has left the UK with an infrastructure that is struggling to keep pace with the increasing demands of the NHS and its patients. The detailed study of the state of

the NHS property estate, the Naylor Review, was published in 2017 with its recommendation of a £10 billion investment in NHS property across both primary care and the hospital sector. The most recent study in this area was a survey by the British Medical Association which was published in February of this year. 50% of practices did not feel their primary care buildings were currently fit for purpose and 80% judged that their premises would be unsuitable for meeting the future needs of their patients.

The final element is the policy direction to see more health treatments occurring outside of the hospital environment. This policy has cross-party support and recognises that it is both more convenient for the patient and cheaper for the NHS for more routine outpatient, diagnostic and minor urgent care to be dealt with by primary care centres and not by hospitals.

These factors result in a market where there is a significant requirement for investment in primary care and in the buildings that enable that care to be delivered. In January 2019, the NHS published its Long Term Plan. This was a response to an announcement by the Government last summer that it was going to increase the overall NHS budget by over £20.5 billion in real terms in the next five years. The Plan included £4.5 billion of additional funding being allocated to primary care with a specific emphasis on more healthcare staff working with and within GP practices including more physiotherapists, pharmacists, physician associates and social prescribing link workers. The Plan also called for a significant expansion in the provision of outpatient clinics and diagnostic services in a primary care setting. Our ability to provide the innovative and flexible workspaces that this would require is second to none and puts us in prime position to support the delivery of the Plan.

Financial highlights

I am pleased to be reporting on an excellent set of results for Assura this year with profit before tax growing by 17% to £84.0 million and growth in EPRA earnings per share of 8% to 2.7 pence. In addition, we have achieved an increase in portfolio value supporting a further 2% gain in EPRA net asset value to 53.3 pence per share.

These strong results have been achieved through focusing on delivering revenue growth, ensuring economies of scale are captured for the benefits of shareholders and on optimising the value from our portfolio.

The overall impact of all of these factors has enabled us to increase our quarterly dividend from January 2019 by 8% to 0.685 pence per share which is the seventh successive dividend increase over a period of six years.

Going forward, we plan to announce proposed dividends annually at the time of our full year results rather than with the interim results as is

Assura's position and strengths**Our market**

Supported by demographics

More GP-led services in communities

Significant investment required

Secure long-term income streams

Significant barriers to entry

No speculative development

Assura

Knowledge and expertise

Best in class team

Financial strength

Internally managed

Brand and reputation

Strong pipeline

currently the case. In order to facilitate this change, at the interim results in November 2019, we will announce the dividend for the following two quarters before implementing this approach with the full year results in May 2020. Dividends will continue to be paid on a quarterly basis.

Robust revenue growth

The skills of our development and investment teams were the key element in securing the property additions of £240 million in the year, which was the largest contributor to the £246 million increase in investment property in the year. This has enabled our rent roll to grow by 13% to £102.7 million.

In the year rental growth from settled rent reviews was 2.2%. Most of our rent reviews are on an open market basis, which saw a growth in the year of 1.1% up from 0.7% in the prior year. These rents are set by reference to rental awards agreed with the District Valuer on new schemes. This means that rents are influenced by land and construction cost inflation over the medium term. While there has been significant inflation in these costs in recent years, this is not yet fully reflected in our passing rents as the slowdown in new schemes

has reduced the available evidence of that inflation. This inflation is also partially affected by yield compression in recent years. New development activity is starting to pick up as evidenced by the strength of our development pipeline and this gives us confidence in rental growth prospects over the medium term.

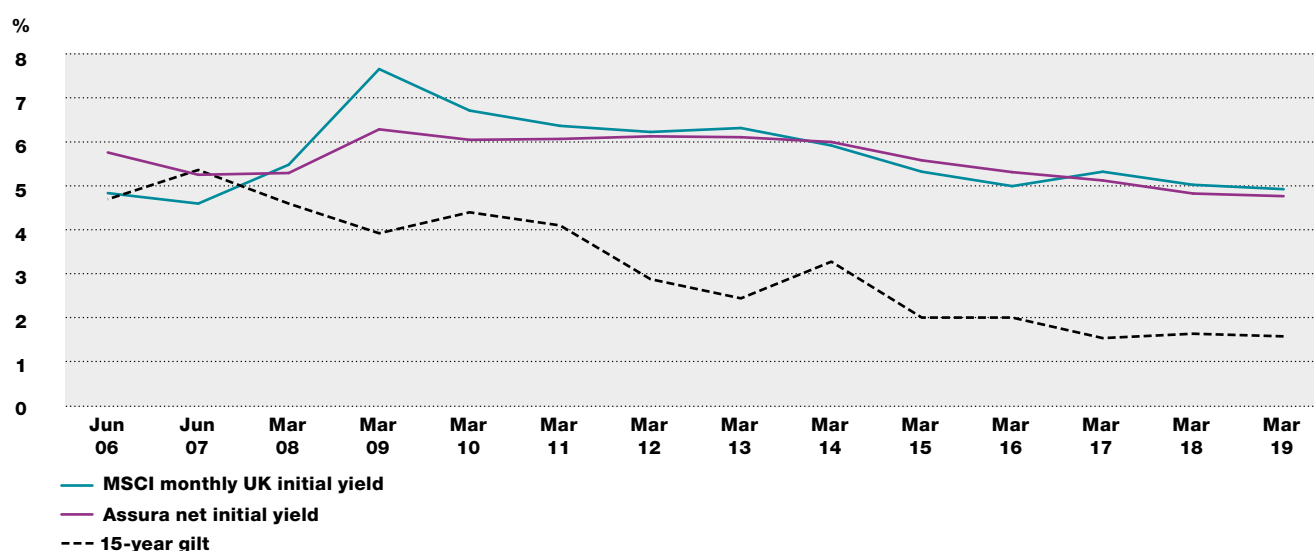
Improved operational efficiency

Assura adopts an internally managed model, so the Assura team members are all employees of the business. This means that a lot of our costs are fixed, and do not move in line with the gross asset value as they typically do in funds managed by external fund managers.

This approach enables us to optimise the efficiency with which we can translate increased rental income into underlying profit and hence dividends. In the year we have delivered 28% growth in EPRA earnings to £63.8 million which has been achieved by a combination of 19% growth in our net rental income and a reduction from 13% to 12.5% in our EPRA Cost Ratio.

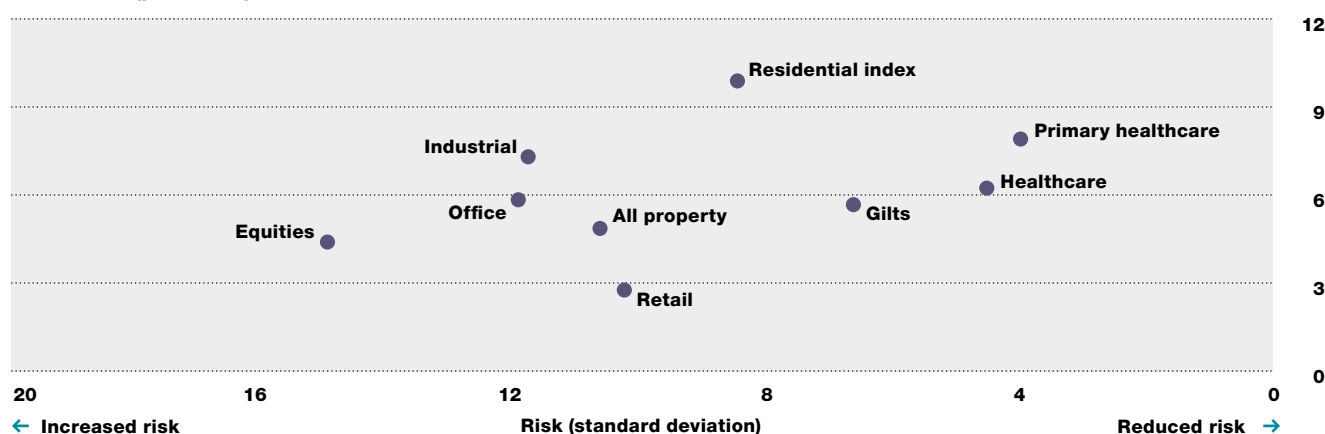
Net initial yield movement

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



Twelve-year Total Return vs standard deviation (2007-2018)

Total Return (per annum) %



Source: MSCI

Optimising portfolio value

Assura is a constituent of the MSCI All Healthcare Index and over the last five years we have delivered an annualised ungeared return of 9.9% which compares favourably to the Index at 9.1% pa over the same period.

Our 563 medical centres, which are geographically diverse and collectively serve approximately 8.5% of the UK's population, currently have a rent roll of £102.7 million. Our investment approach is to identify and acquire those assets we believe are best in class in their local catchment areas and facilitate provision of a broad range of services to their local communities. We believe such properties provide better prospects for lease renewal on expiry and so drive higher property returns over the long term.

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

It is not always asset value that determines the importance of an asset within the portfolio. A good example of this is a property we acquired this year in West Wales for under £1.5 million. It has a patient list of 6,000, which is well below our average. However, it provides an essential service to the local community and as a rural practice the nearest alternative practice, which does not have any spare capacity, is more than six miles away. We also identified the practice as under-rented and so at first review we have been able to secure an uplift in the passing rent of 9%.

We also work with our practices to identify opportunities for extensions or improvements as this can often be a very cost effective way of significantly improving the return on our assets.

A good example of this is Outwood Park Medical Centre in Wakefield where, working with the GP practice and the NHS, we were able to agree a new 25-year lease and complete some premises improvement works including installation of some energy efficient LED lighting. Overall, during the year we agreed 13 new leases and 6 lease extensions, significantly improving surgery provision for some 222,000 patients, whilst adding a further £10.3 million to our total contracted rent roll.

The Assura team's property skills and wide expertise have enabled us to end the year with a contracted rent roll of over £1.35 billion. We have built up this rent roll through our portfolio management over these last 15 years. During this time, we have developed deep relationships with our GPs and the local NHS teams. This has given us a unique opportunity to maximise the value from all our 563 properties.

To put this in context, over the last five years through acquisition, development and asset enhancement, we have been able to protect our average lease length so that the five years we should have lost through the passing of time we have been able to mitigate to 2.4 years, with the WAULT now standing at 12.0 years.

Each asset enhancement initiative may of itself be modest but this perseverance in the improvement of our estate is crucial to the further growth in our contracted rent roll.

The balance of our ungeared annualised return is generated from capital growth, which has seen a like-for-like valuation growth of 1.5% in the past year. This increase has primarily come from the movement in yields with our net initial yield moving down by six basis points over the past year to stand at 4.74%. The portfolio net equivalent yield as at 31 March 2019 was 4.77%.

We completed three developments during the year at a total development cost of £18.7 million. This has added £1.0 million to our annual rent roll.

The combined impact of our investment and asset management activity has been to achieve a 2% growth in EPRA NAV to 53.3 pence per share.

Positive social impact

Assura's purpose is to create outstanding spaces for health services in our communities. Part of that commitment is to continuously improve our buildings and Assura has been at the forefront of innovation and technical advances.

One of the crucial elements to the new generation of medical centres is sustainability, and Assura has a commitment to the highest standards. All of our in-house developments achieved a "Very Good" or "Excellent" BREEAM rating, which is the industry benchmark for sustainability as assessed by the Building Research Establishment ("BRE"). At two of our developments this year, Brixworth and Stow-on-the-Wold, both sites have had solar panels installed. All of the materials at Brixworth were chosen from the BRE Green Guide to Specification and Stow also includes an air source heat pump to minimise carbon emissions.

Providing the most sustainable buildings supports our climate change efforts, though there is also a commercial imperative as sustainable buildings have been shown to provide better returns for investors and lower running costs for our customers.

A further crucial element is the positive impact that investment in medical centres can have on the communities our GPs serve.

This year we have established a national partnership with the charity, Dementia UK, given that the condition impacts upon millions of patients, staff and carers using our buildings. We are helping to fund Dementia UK's national helpline for carers and are working on the development of the country's first medical centre to be accredited for dementia friendly design.

A key aspect of the NHS Long Term Plan is a growing role for social prescribing in primary care. For some practices, this will mean making space for link workers and projects within their buildings, which Assura is ideally placed to support. We are also supporting projects themselves: we asked our GP practice tenants about the social prescribing schemes which are making the biggest difference to health for their patients, allowing us to fund 28 local initiatives from community cafés and gardening clubs to dementia music groups.

Outlook

The fundamentals of our sector remain constant: long-term, government backed income, with a linkage to cost inflation and with constrained supply. These elements have supported the consistent returns that our sector has delivered. Assura has established a distinctive positioning in this market that has enabled us to enjoy strong growth over the past five years and achieve a portfolio of 563 properties with a contracted rent roll of £1.35 billion.

The requirements for investment in primary care continue to increase and our ability to meet these needs has been strengthened through our continued investment in our development and asset enhancement teams. These investments reflect our belief in the future prospects of Assura and enable us to look forward with confidence to the next 15 years.

Jonathan Murphy

CEO
20 May 2019

Six drivers shaping our market



Patients being cared for in older, cramped and unfit infrastructure

“It was clear that the buildings that house general practice are often old and in need of serious investment and expansion.”

“Being able to get into the building easily or get to the reception desk due to lack of space to turn and manoeuvre.”

“The areas that everyone has to use are totally inadequate for what they were originally built for.”

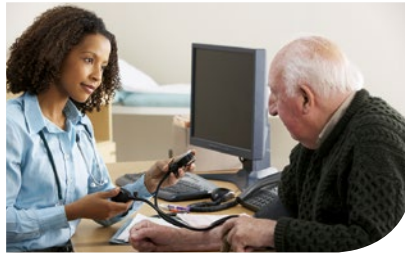
“It is impossible to speak to the receptionist without being overheard.”

“No lift and the corridors are narrow.”

Patients' views on making the best use of GP premises, Patients Association, January 2019

Better primary care premises:

- Help to give patients a better experience of primary care
- Allow patients to access more NHS services closer to home
- Create more pleasant work places for NHS staff, and space for a broader range of professionals in primary care.



More of us living longer, with more complex conditions

“By 2021 it is predicted that more than one million people across the UK will be living with dementia and by 2030, three million people will be living with or beyond cancer... Doctors across the UK consistently report that their workload is increasing in intensity and complexity.”

Working in a system that is under pressure: The British Medical Association, March 2018

Better primary care premises:

- Support provision of a wider range of health services close to home
- Provide accessible facilities so that all patients with physical, mental and sensory challenges can receive the care they need
- Create space for a broader range of professionals in primary care.



A workforce struggling with premises challenges

50% of GP practices say their premises aren't suitable for current needs, while 80% said their premises would not be able to handle expected future demand. “The Government must use [the] Spending Review to urgently invest in practice premises – as well as wider NHS infrastructure – to bring facilities up to 21st century standards and ensure that GPs and their colleagues throughout the health service can guarantee the best care now and in the future.”

Dr Richard Vautrey, British Medical Association GP Committee chair on its survey of premises, February 2019

We support GPs and the NHS by:

- Providing funding for new premises, moving risk away from taxpayers
- Getting premises improvements and new developments completed quickly, with specialist healthcare development expertise and skills
- Flexible lease and repairing options to support GP recruitment, retention and shared commitment to better premises.



Government strategy for a broader mix of health professionals in primary care, and integration of NHS services

“Expanded neighbourhood teams will comprise a range of staff such as GPs, pharmacists, district nurses, community geriatricians, dementia workers and allied health professionals such as physiotherapists and podiatrists/chiropractors, joined by social care and the voluntary sector... By April 2021, [integrated care systems] will cover the whole country.”

NHS Long Term Plan, January 2019

Better primary care premises:

- Support provision of a wider range of health services close to home
- Provide accessible facilities to support all patients with physical, mental and sensory challenges
- Create space for a broader range of professionals in primary care.



More revenue funding pledged for primary care – but capital options remain limited

“In this Long Term Plan, we commit to increase investment in primary medical and community health services as a share of the total national NHS revenue spend across the five years from 2019/20 to 2023/24. This means spending on these services will be at least £4.5 billion higher in five year’s time.”

NHS Long Term Plan, January 2019

We support GPs and the NHS by:

- Providing funding for new premises, moving risk away from taxpayers in a capital-constrained NHS
- Providing options to unlock existing loans or lease commitments held by GPs so that premises improvement projects can move forward
- Getting premises improvements and new developments completed quickly, with specialist healthcare development expertise and skills
- Reducing energy use and cost for the NHS with innovative designs and technology in more modern buildings.



The need for health infrastructure to support new homes


When asked which advantages would influence their support for new homes, respondents ranked ‘medical facilities built or existing ones improved’ second only to the creation of new jobs.


Public attitudes to house building, Ministry of Housing, Communities & Local Government, June 2018

We work with housing developers to:

- Support provision of new healthcare infrastructure in areas of rapid housing growth, ensuring GPs have the facilities they need to cope with increasing patient numbers
- Ensure Section 106 and Community Infrastructure Levy commitments for new primary care infrastructure are met.

 Our strategic priorities p16

 Key performance indicators p24

 Principal risks and uncertainties p40

Our business model

We develop, invest in and manage a portfolio of primary care, diagnostic and treatment buildings across the UK.

We aim to generate attractive long-term financial returns for our shareholders through our portfolio of crucial social infrastructure for health services in our communities.



LILLIPUT SURGERY, POOLE

What we do

Our competitive strengths

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



Develop

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.

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.

 **Our strategic priorities p16**



Leveraging our financial strength

To grow returns for investors, making each £ invested work harder



Quality of buildings

To develop buildings fit for the future of healthcare



Quality of service

To deliver on our promises



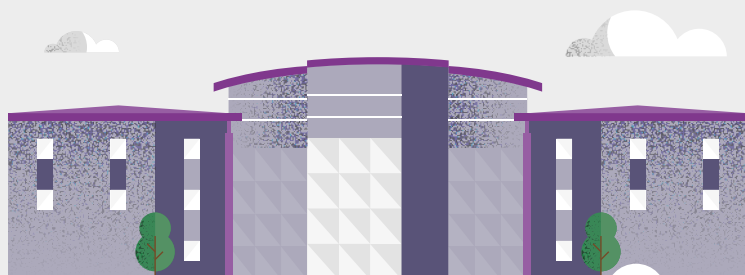
People

To attract, retain and develop employees



Long-term relationships

To build long-term relationships that benefit all of our stakeholders



SEVERN FIELDS HEALTH VILLAGE, SHREWSBURY

What we need

Customer relationships

Knowledge of GPs' and the NHS's 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 centres are constructed in locations that are crucial to the local health economy and to the highest sustainability standards.

People


Our team of 58 people covers the key skills of real estate ownership and includes asset and property management, development, investment, marketing and finance.

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, lenders and banking partners is crucial to sustaining our investment in the UK's health infrastructure.

 **Stakeholder engagement p26**



Invest

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



Manage

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



The value we create

Key beneficiaries of our value creation

GP customers

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

Communities

Our medical centres provide a crucial community resource to aid improved health outcomes in their locations. In the year we donated £85,000 plus employee time to our local charity partners.

Shareholders

Our EPRA EPS is 2.7 pence and capital growth is 0.9 pence, supporting dividends paid of 2.65 pence.

Employees

During the year we have invested significantly in increasing our skilled employee base with eight new recruits. £4.0 million has been paid to our employees. We continue to promote actively from within and provide training and development opportunities to all staff.

Suppliers

£55.0 million has been paid to suppliers of materials and services. Our construction and management contracts are often with local suppliers to promote sustainability.

Government

£2.1 million has been paid in employment taxes to the UK Government.

Our strategy

Strategic priority



Leveraging our financial strength

To grow returns for investors, making each £ invested work harder

2019 priorities

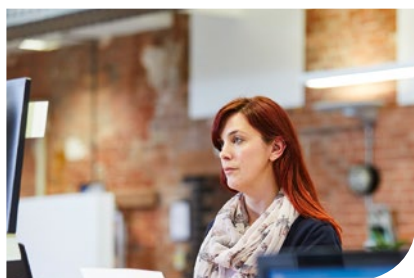
- Drive development opportunities to support rental growth evidence.
- Continue to promote the company to a wide shareholder base and a diverse group of debt funders.
- Achieve further scale benefits.



Quality of buildings

To develop buildings fit for the future of healthcare

- Bring our development pipeline through to live schemes.
- Continue investment in new developments that incorporate innovation in respect of sustainable solutions and technology.



Quality of service

To deliver on our promises

- Investment managers to focus on asset enhancement opportunities.
- Complete developments currently on site.



People

To attract, retain and develop employees

- Further investment in team development.



Long-term relationships

To build long-term relationships that benefit all of our stakeholders

- 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 and ICSs to identify development opportunities.

 **KPIs – read more p24**

 **Risks – read more p38**

 ***KPI linked to executive remuneration p73**

2019 actions/progress

- Rental growth of 2.2% achieved from rent reviews.
- 11 developments on site with an immediate pipeline of 11 further schemes.
- A- investment grade rating achieved from Fitch and £300 million unsecured bond raised.
- EPRA Cost Ratio reduced to 12.5%.
- Fully covered dividend increase for sixth consecutive year.

- Strongest development pipeline and most schemes on site in 10 years.
- Completed developments hit BREEAM and EPC targets.
- Working with Dementia UK to incorporate dementia friendly features on our pipeline scheme in Cinderford.

- Three developments completed during the year.
- 54 properties acquired and successfully embedded by our portfolio management team.
- Continued strong results from our tenant satisfaction survey.
- Support for and sponsorship of Patients Association report.

- Conducted staff survey highlighting high levels of commitment and employee satisfaction.
- Training for all staff as needed, including a high concentration development programme for a small number of staff each year.
- Focus on staff wellbeing.
- Changing the way we work - creating a more flexible working environment.

- Establishment of All-Party Parliamentary Group.
- Executive team positions on regional business leader boards.
- Support for and sponsorship of Patient Association report.

2020 priorities

- Rental growth from rent reviews, to grow recurring earnings.
- Maintain EPRA Cost Ratio.
- Maintain investment grade rating.

- Bespoke designs, incorporating aspects of sustainability agenda (inc. dementia friendly).
- BREEAM - aim for outstanding (KPI - Very Good).
- Develop sustainable solutions.
- EPC Ratings - achieve at least B on completed developments and review our existing portfolio.

- Working with our tenants to advance asset enhancement opportunities throughout portfolio.
- Complete developments on site and convert immediate pipeline to on site.

- Continue with staff survey.
- Establish staff groups to engage on improvements or any areas identified by the staff survey.

- Working with our tenants to advance asset enhancement opportunities throughout portfolio.
- Working with our suppliers to innovate in technologies and ways of building.
- Continue to focus on building long-term relationships with all stakeholders, including local authorities, government, Patient Association, GP collaboratives, NHS Trusts, developers and social groups.

KPIs

- Growing, fully covered dividend
- EPRA Cost Ratio
- EPRA EPS* and EPRA NAV
- Total Property Return and Total Shareholder Return*
- Total Accounting Return*
- Rental growth from rent reviews

- BREEAM rating on completed developments
- Average EPC rating on new developments
- Developments on site
- Quality of tenant and lease tenure

- Quality of tenant & lease tenure
- Tenant satisfaction surveys
- Developments completed
- Growth in contracted rent roll*

- Staff satisfaction survey (to be reported on from 2020)

- Tenant satisfaction surveys
- Growth in contracted rent roll*
- Developments on site

Risks

- Reduction in investor demand
- Failure to communicate
- Reduction in availability and/or increase in cost of finance
- Failure to maintain capital structure and gearing
- Underperformance of assets

- Changes to government policy
- Development overspend
- Underperformance of assets

- Changes to government policy
- Competitor threat
- Key staff dependency
- Underperformance of assets

- Key staff dependency

- Changes to government policy
- Competitor threat
- Underperformance of assets

We develop...

Our busiest year on record

With 11 new buildings in progress around the country and the opening of a landmark diagnostics and treatment centre as the NHS celebrated its 70th birthday, it's been a milestone year for our development team.

Porthcawl

This three-storey primary care centre houses two GP surgeries with more than 20 consulting rooms, six treatment rooms, space for minor operations and additional health board services as well as a drop-off area, ambulance bay and car park. Designed to make visiting the surgery easier for those with dementia, it has clear signage around the building and a colour scheme to make patients feel more at ease.

Unicorns, slime, school photos and coins were all in a day's work for our development team as they gave a local primary school one of the first tours of the new centre. Pupils buried a time capsule in the grounds to mark the occasion – filled with their statement objects from 2019.

Durham

This 2,069 sq.m facility was commissioned by City Hospitals Sunderland NHS Foundation Trust to allow thousands of patients across the North East to access specialist hospital services closer to home. Patients from Durham no longer have to travel to Sunderland, Bishop Auckland, Shotley Bridge or Sacriston for their care. The building offers multiple outpatient clinic and treatment rooms and a day-case theatre, to bring a range of the Trust's specialties into the community including renal dialysis; urology; ear, nose and throat and oral and maxillofacial surgery.

Brixworth

Housing growth must be supported by the social infrastructure that communities rely on. The team at Brixworth's Saxon Spires Practice knew they wouldn't be able to continue serving a growing population from their existing building, with new residents moving to hundreds of new homes in the area. Through a Section 106 agreement with Barratt Homes, we completed this new primary care centre building with space to care for around 7,000 patients in modern treatment and consulting rooms, with a health education space for training.



New Durham Treatment Centre opens in NHS's 70th anniversary week



Our head of development giving a tour at Porthcawl Medical Centre



City Hospitals
@SunderlandRoyal

Following

We're finally open!!! Couldn't have done it without the help and support of our partners and #TeamCHS colleagues @assurapl @esh_group @ashleyhouseplc #DTC #Durham #PatientsFirst



Our new state-of-the-art Durham Treatment Centre is now open!



Porthcawl Medical Centre



Durham Diagnostics and Treatment Centre

"The children are so pleased to have been involved and feel a real part of the community. Thank you for this amazing opportunity."

Jo Rowley, Headteacher

PATIENTS

17,000+

CONSULTING ROOMS

20+



PORTHCAWL MEDICAL CENTRE

We invest...

Supporting diverse community needs

Our deep understanding of where and how a health building fits in to the health system for that community has been the key to our strategic investments this year – as the team brought some of the country's most exciting primary care, diagnostic and treatment centre assets into our portfolio.

Stratford Health Care Centre, Warwickshire

At 5,988 sq.m, this is one of the largest primary healthcare facilities in operation today, providing care for more than 18,000 patients next to Stratford-upon-Avon's new hospital development. Alongside the GP surgery, it accommodates a pharmacy, dentist, physiotherapy centre, rehabilitation centre, mental and sexual health services, and a café.

Lifesaving treatment closer to home in Oldham

Our acquisition of Oldham Kidney Care Centre adds to our growing suite of buildings which accommodate specialist services away from hospital – reducing journey time for patients to receive complex treatments in the community, and easing pressure on hospital sites.

Right opposite Boundary Park Stadium and the Royal Oldham Hospital, the centre is a satellite of the renal unit of Salford Royal Foundation Trust and has been hailed as a state of the art facility for its provision of haemodialysis across 22 stations in the main treatment area, two bays, four side rooms and a self-care room. The building means kidney failure patients in Oldham can receive their essential treatment without travelling so far, improving their quality of life.

Upperthorpe Medical Centre, Sheffield

Serving a growing list of more than 11,000 patients, this large, purpose built health centre has a short remaining lease term but comes with exciting opportunities to improve and refurbish the interior for staff and patients and regear the lease with a new 25-year term.

Disposal in action

Our focus on long-term growth of the portfolio saw us dispose of 12 assets during the year, highlighting our capital discipline.



Recent acquisition of Oldham Kidney Care Centre

"It was quite a drag travelling to Salford and I wasn't getting home until midnight so it was quite tiring. Now I can plan to do something with the rest of my day. The new unit is great, it will be a huge benefit for patients."

Patient interviewed by Salford Royal NHS Trust on the opening of the centre in 2014



Oldham Kidney Care Centre



Stratford Healthcare Centre



Heysham Primary Care Centre

PATIENTS

14,400+

GP OR NHS TENANT

100%



WELL STREET SURGERY, HACKNEY

We manage...

Relationships matter

From major asset enhancement projects to bringing new health services into our buildings and looking after the day to day essentials for our sites all over the country, our in-house team continues to show the value of strong relationships with the people and services within our premises.

Asset enhancement, Shrewsbury

Since 2003, the Shropshire and Mid Wales Fertility Centre has been involved in the creation of 1,500 families. So it was an emotional occasion when the centre invited families to help them mark the official opening of their new, expanded space within our Severn Fields Health Village. Creating the highly specialist and technical new space the centre needed within our existing building – which already brings together general practice with mental and sexual health services – was a particularly exciting project for our team this year.

The new facility is one of the most modern in the NHS, delivering the latest assisted conception methods and technology. The centre has been designed to provide scope for more advanced fertility treatments of the future, such as pre-implantation genetic diagnosis, and also to further improve the centre's high success rates.

Burton-on-Trent

This year saw other health services moving into our buildings alongside general practice. In Burton-on-Trent in Staffordshire, we welcomed Midlands Partnership NHS Foundation Trust into our Branston Primary Care Centre's premises. The Trust is now offering sexual health services from part of the ground and first floors, expanding the primary care offer to local patients from this site.

Listening and learning

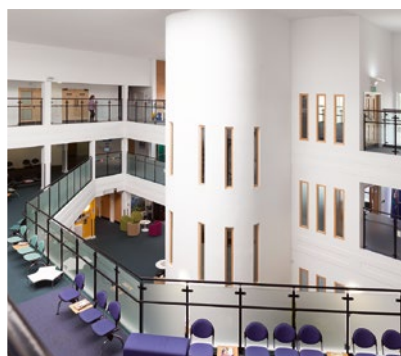
We used our annual occupier satisfaction survey this year to explore not just how our tenants feel about our services, but also how they feel their buildings can help improve their impact for patients. Perhaps unsurprisingly in view of the NHS Long Term Plan, the most common requests were for even more consulting rooms, and for space to accommodate social prescribing initiatives on site. 96% of those who responded told us their building has a big or very big impact on the experience of their patients, and a similar proportion felt their building has a big or very big impact on staff morale. Following the pattern of recent years, 95% of respondents told us they'd consider recommending Assura to others.



Making space for one of the country's most advanced IVF facilities



Severn Fields Health Village,
Shrewsbury



“I have to pinch myself every morning walking into this place because we finally have, in Shrewsbury, a department which is worthy of the patients we treat – in terms of giving them the highest-quality care, in the best facilities that we can possibly supply.”



Fertility clinic at
Severn Fields Health
Village, Shrewsbury

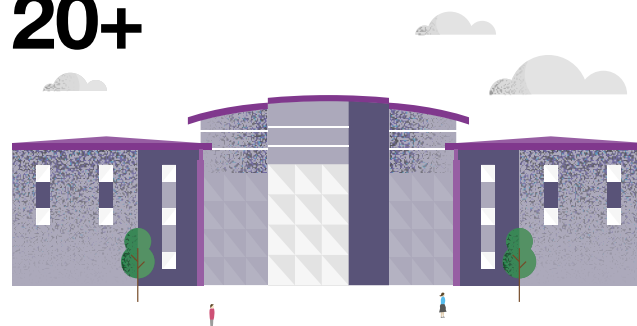
Jason Kasraie, Consultant Clinical Embryologist and Andrologist, and Head of Fertility Services at Shrewsbury and Telford Hospital Trust

CONSULTING ROOMS

50+

TREATMENT AND THERAPY ROOMS

20+



SEVERN FIELDS HEALTH VILLAGE, SHREWSBURY

Measuring our progress

Assura is one of the UK's leading healthcare REITs. In order to sustain this position, we need to demonstrate that we can consistently outperform over time. To measure ourselves against this objective we have a wide range of key performance indicators ("KPIs").

These can be distilled into three areas, all of which link back to our strategic priorities and form the basis for how our executive management team is judged and rewarded: firstly, the financial performance of the business which measures the returns we generate

for shareholders; secondly, the portfolio metrics which measure the quality of the portfolio and our development activities; and lastly, our non-financial metrics which measure our impact on stakeholders of our business.

These KPIs are reflected in both the short term (annual bonus details on page 73) and long-term management incentive schemes (linked to TSR and growth in EPRA EPS over a three-year period, further details on page 74). Certain of these measures are considered Alternative Performance Measures, with further details provided in the CFO review.

Key

	Leveraging our financial strength
	Quality of buildings
	Quality of service
	People
	Long-term relationships

Financial

KPI and benchmark

EPRA EPS	
2.7p	
↑ 2018: 2.5p	
DILUTED EPRA NAV	
53.3p	
↑ 2018: 52.4p	
EPRA COST RATIO	
12.5%	
↓ 2018: 13.0%	
TOTAL PROPERTY RETURN	
5.9%	
↓ 2018: 9.7%	
TOTAL ACCOUNTING RETURN	
6.8%	
↓ 2018: 11.0%	
TOTAL SHAREHOLDER RETURN	
1.3%	
↓ 2018: 6.8%	

Explanation

The EPRA EPS, EPRA NAV and EPRA Cost Ratio are key components of our financial statements which drive the three returns defined below, measuring the recurring profit, efficiency and scale benefits of our operating model and the net accounting value of our assets and liabilities respectively. Total Property Return measures our success in choosing the right investments and managing these over time. Total Accounting Return measures the returns we have delivered to shareholders in the form of dividends paid and the growth in NAV. Total Shareholder Return reflects the value of dividends paid and the relative movement of the share price over the year.

Performance

Our EPRA EPS and diluted EPRA NAV show increases compared with March 2018 and our economies of scale and careful cost management show an improvement in our EPRA cost ratio.

Our Total Property and Total Accounting Returns reflect the rental yield of the portfolio and dividend delivered to shareholders respectively, in addition to the valuation gains on the portfolio during the year. Our Total Shareholder Return reflects the movement in the share price over the year. As at 31 March 2019, the share price of 57.4 pence represents a premium of 7.7% to diluted EPRA NAV.

Portfolio metrics

KPI and benchmark

GROWTH IN CONTRACTED RENT ROLL

£11.7m

↓ 2018: £16.6m



RENTAL GROWTH FROM RENT REVIEWS

2.2%

↑ 2018: 1.7%



WAULT

12.0 years

↓ 2018: 12.6 years



% OF TENANT COVENANT NHS/GPs

85%

↑ 2018: 84%



DEVELOPMENTS COMPLETED

3, £18.7m

↓ 2018: 6 sites, £31.3m



DEVELOPMENTS ON SITE

11, £48.6m

↑ 2018: 5 sites, £23.6m



Explanation

Growth in contracted rent roll and the rental growth from rent reviews (being the weighted average annualised uplift on reviews settled during the year) are measures of how we are growing our income which in turn should support our dividend policy.

Weighted Average Unexpired Lease Term ("WAULT") is the average period until the next available break clause in our leases weighted by rent. NHS percentage is the proportion of our rent roll that is paid directly by GPs or NHS bodies. The figures quoted represent the total cost of the schemes.

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. The figures quoted represent the total cost of the schemes.

Performance

Our contracted rent roll has continued to grow during the year, through both portfolio additions and rental growth of 2.2% from settled rent reviews. This increase against the 1.7% achieved in 2018 is a combination of open market and reviews linked to inflation.

Our portfolio WAULT of 12.0 years and effective NHS backing of rent of 85% remain strong, reflecting the quality of additions during the year.

Development activity has been strong, with three completions and 11 schemes on site at year end in addition to our immediate pipeline of 11 schemes (development cost of approximately £52 million).

Non-financial

KPI and benchmark

BREEAM RATING ON COMPLETED DEVELOPMENTS

100%

"Very Good" or better

← 2018: 100%



AVERAGE EPC RATING ON COMPLETED DEVELOPMENTS

A

↑ 2018: B



TENANT SATISFACTION SURVEY

95%

↓ 96%



Explanation

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

The satisfaction of the tenants in our buildings is a crucial benchmark of the quality of service that we provide. The KPI measures the proportion of respondents that would consider recommending us to others.

Performance

All in-house developments completed during the year achieved our target of a BREEAM rating of "Very Good" and an average EPC rating of A. Our on site schemes incorporate a range of environmentally friendly features and are on track to hit our BREEAM and EPC targets.

The results of our tenant satisfaction survey are used to drive improvements in our portfolio management team offering, and indicate that the significant majority of our tenants would recommend us as a landlord.

Working with all of our stakeholders



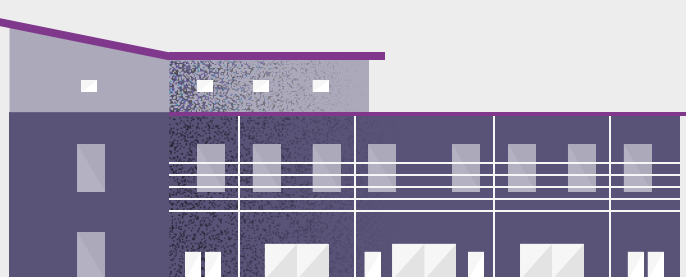
WEST GORTON MEDICAL CENTRE

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, 95% of tenants who responded said they would consider recommending us as potential landlords to other GPs.

 **GPs/NHS p28**



THE SURGERY @ WHEATBRIDGE

Sustainability

We continue to innovate in the design of our buildings, incorporating the latest sustainability standards and measuring ourselves against BREEAM standards.

 **Sustainability p35**



Suppliers

Our relationships with suppliers are crucial to ensuring we provide the highest quality of buildings and services.

We encourage the use of local suppliers to support local economies. Our suppliers must confirm adherence to our "zero tolerance" modern slavery and anti-bribery policies, and we also require compliance with the SafeContractor scheme.

 **Suppliers p29**





GPs/NHS

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

 **GPs/NHS p28**

Shareholders

We aim to engage with shareholders in an open and transparent way. The Executive Directors participate in a year-round investor relations programme and the Board receives regular feedback to understand shareholder views.

 **Investor relations activity p29**

 **Board relations with shareholders p52**

Communities

How buildings are used to serve their local community is central to our purpose. We have supported a number of projects as part of our Healthy Communities Programme and supported our main charity Dementia UK.

 **Communities p32**

Employees

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

 **Employees p30**

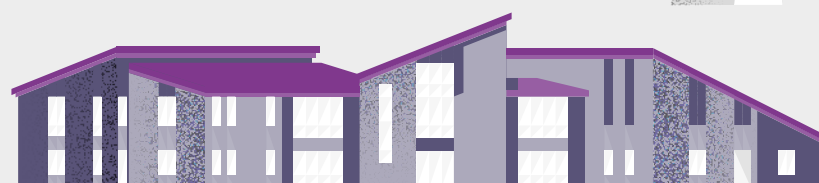


Lender relationships

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

We have received an A- investment grade rating from Fitch Ratings Limited and issued our first unsecured listed bond.

 **Note 16 to the accounts on p102**



CINDERFORD DEVELOPMENT

GPs/NHS

This year, our work with MPs and other influencers has focused on the patient experience – and the need to build the evidence of how primary care infrastructure can contribute to the way we engage with and use health services in the community. At the heart of this was a piece of national research to explore how patients currently experience primary care buildings, and what they would like to see in the future.

We supported the Patients Association charity to run a series of focus groups and a national survey of members to better understand their experiences of the buildings where they access general practice. It flagged a wide variety of challenges for the primary care estate, including confidentiality due to waiting area layout and design, difficulties with access and navigation in some premises for people with disabilities or limited mobility, and poor décor and lighting adding to feelings of stress and anxiety.

Launched in Parliament and covered by national publications including The Telegraph, Daily Mail and Pulse, the research also provided inspiration on how future buildings can better serve patients, with comments around the potential for space to support the integration of health and social care, design to be more influenced by the patient experience, energy-efficient buildings and the ability to incorporate future technology.

Primary care estates challenges continue to be the focus of a range of events for MPs, academics and other influencers and we have been pleased to speak at a range of conferences this year. Away from Westminster, Chris Heaton-Harris MP cut the ribbon on our new development at Brixworth, and the Duchess of Cornwall paid a visit to Frome Medical Centre's site to see its enhanced primary care model in action in a building which has enabled a huge mix of community groups and health professionals to come together under one roof.

We have supported the creation of the new All-Party Parliamentary Group for Healthcare Infrastructure ("APPG") and provide secretariat services to the group. Its work is currently focused on raising awareness of the priorities for NHS estates, technology and facilities management to support the Long Term Plan.

As chair of the British Property Federation's ("BPF") Healthcare Committee, we have continued work to champion the role of the property sector in supporting the NHS.

Jayne Cottam was elected to the North West Regional Council of the Confederation of British Industry, whilst Jonathan Murphy joined the North West Business Leadership Team tackling some of the core challenges for the regional economy.

Grant Thornton's report "REITs as a force for good" profiled our work as an example of how our sector is helping to bridge the gap between the NHS capital available, and the need for more modern premises for primary care.

"It's essential, particularly as patient demand grows, that these issues are rectified with better investment in general practice; issues that can have almost as much impact on patient care as ensuring surgeries are equipped with the right clinicians, medicines, and follow-up services."

Professor Helen Stokes Lampard
Royal College of GPs

"It's clear that patients value the NHS and seek high quality care as a first priority when they visit their GP. Funding should primarily go into improving standards of care – and patients agree that this should be the case – but it should not be ignored that many buildings housing general practice are often old and in need of serious investment."

Rachel Power, Chief Executive
Patients Association



 Durham Diagnostics and Treatment Centre

Investor relations and suppliers

Investor relations

As detailed in the Governance section on page 52, the Board is committed to maintaining an appropriate level of communication with shareholders. The Executive Directors and investor relations manager are available throughout the year for investor meetings, and work with advisors to give investors the opportunity to engage with management at a range of forums.

The adjacent timeline shows the activity over the last 12 months, and we expect to visit a greater number of cities and conferences in the coming year. In addition, sector analysts are invited to results presentations and offered meetings with management to ensure they are well informed on the latest Company developments.

Key materials and contact information

Regular financial updates are provided to investors and the market via regulatory news and the Company website. The key materials are the Annual and Interim Reports, along with accompanying investor presentations, and quarterly trading updates. All documents are available on our corporate website (www.assura plc.com) and are supplemented by videos and webcasts giving further information.

**NUMBER OF MEETINGS
HELD DURING THE YEAR**

108

**OF THE REGISTER
SEEN**

71%

Suppliers

Relationships with our suppliers are important to our business – in particular to maintaining our reputation with customers.

The strength of our relationships with key specialists in our sector, such as our partnership with high quality architects, West Hart Partnership, is essential to the strength of our proposition to our GP tenants in developing, investing in and managing our portfolio. We develop buildings that allow the tenants to operate high quality services for the benefit of the communities that they serve, and our whole supply chain plays a part in this high quality delivery. We endeavour to use local contractors for work on our buildings, where the appropriate expertise for the work exists.

We have a number of policies and initiatives that we operate to ensure suppliers are suitably qualified and compliant with relevant regulations as well as our expectations of operating a responsible business.

SafeContractor scheme

We require that all suppliers we use at our properties are SafeContractor verified, whether for a large repair or for small routine maintenance on a building. The SafeContractor scheme tracks the suitability of health and safety procedures and insurance in relation

May

- Year end results presentation
- Kempen European Seminar
- Results roadshow – London, Edinburgh

July

- Trading statement

October

- Private wealth manager roadshow

December

- Jefferies Healthcare Conference

February

- Glasgow & Edinburgh roadshow

June

- New York, Boston, Chicago and Toronto roadshow
- Unsecured bond roadshow

September

- EPRA Conference

November

- Interim results presentation
- Results roadshow – London, Amsterdam, Liverpool
- Investor property tour

January

- Trading statement

to the work they are set to complete. If adequate procedures and insurance are not in place, then we will not work with the supplier.

Modern slavery and anti-bribery

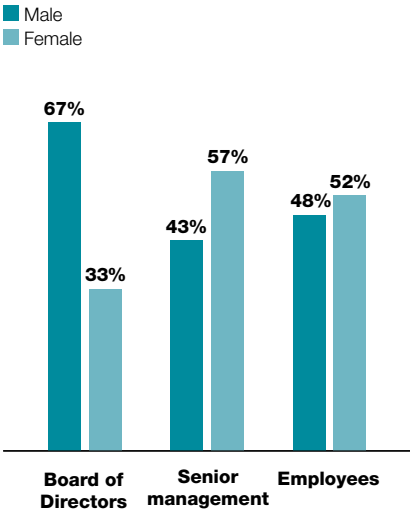
We require all of our suppliers to adhere to our Modern Slavery and Anti-Bribery and Corruption Policies, both of which are available to view on our website.

We also communicate our Quality and Environmental policies (as part of our procedures in relation to our ISO 9001 and ISO 14001 accreditation) to suppliers as well as making clear our policies in respect of whistleblowing and the prevention of tax evasion. We are currently improving our processes for tracking and auditing compliance by our suppliers.

Employees



Percentage breakdown



This year, our whole team came together to explore the values and ways of working which are important to us: the things which make Assura the company it is today. This framework now underpins our ongoing focus on providing a great place to work whilst also supporting our hugely knowledgeable team to reach its full potential.

Quality of service remains vital to us and we have achieved and maintained ISO 9001 Quality Management System certification.

Learning and development

We currently have eight members of staff training for professional qualifications, including accountancy and chartered surveyor. We have recruited our first apprentice within the finance team and will be maximising the benefits of the Apprenticeship Levy to support our longer-term development needs across the organisation. We take a continuous professional development approach to our training and have undertaken detailed competency and skills mapping of all our employees to ensure we invest in the development of our employees to meet our long-term needs. To extend this, we are now giving employees the option of working with their line manager to create a personal development plan, looking at wider skill development beyond the 12-month cycle of objectives. We also seek to promote from within and there have been several internal promotions over the past 12 months.



Team day
October 2019

Employee gender diversity

	Male	Female
Board of Directors	4	2
Senior management	3	4
Employees	30	32
Total no. of employees (including NEDs)	62	

Employee engagement and voice

The employee opinion survey conducted during 2018 highlighted the high levels of commitment and employee satisfaction at Assura. Highly effective leadership and people management skills were seen as fundamental to our ongoing success. To further strengthen this, we established our employee forum "The Voice" consisting of six employees representing all levels and functions across the organisation. During 2018, The Voice worked collaboratively to develop the core principles of our employee wellbeing strategy, to be launched in 2019 and met with David Richardson, our Senior Independent Director to discuss employee views. Our desire to be an employer of choice, both internally and externally, continues to shape our approach to employee engagement. This is a primary focus for our newly appointed Head of HR.

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

Away from work, we continued our personal development grant offering staff help to build new skills which support personal health and wellbeing. This year, team members tried everything from flying lessons to glass blowing for beginners.

Family friendly benefits

We are proud to put family and social values at the heart of our employee offering and have seen an increase in the number of flexible working requests this year. As part of our exceptional employee benefits, we offer all employees access to an Employee Assistance Programme for direct support to a range of professional guidance and online tools.

Equality and diversity

Our core policies outline our commitment to equality and human rights across all equality strands and promote best practice at all times.

All employment decisions are made on the basis of attitude and merit alone. Equality Impact Assessments of all core policies have also been positively concluded.

According to the Association of Women in Property, women represent only 15% of the property and construction workforce. We are proud to have such strong female representation in our team, as highlighted by the Hampton-Alexander Review published in November 2018 placing Assura fourth within the FTSE 250 in terms of female representation in Combined Executive Committees and their Direct Reports. The positive impact of this approach was echoed by our female employees who indicated a high level of equality in all aspects of working life in the employee survey this year.

Employees

Developing our team

Portfolio manager Jessica Malone achieved her chartered surveyor status this year – further building her experience and skills to underpin her work across our premises in the North of England. Jess also joins George Coulson from our investment team as part of the BPF's Futures Network. This specialist group for junior professionals working in all areas of UK real estate offers development and networking opportunities to those with less than 10 years experience in the industry – as well as exposure to BPF's unique expertise on government decisions, thinking and policy affecting our sector.

"To thrive as an industry, we need to be doing everything we can to attract and retain talent – and BPF Futures will be committed to achieving this by providing real estate's junior professionals with opportunities to engage with the industry at large and better understand their potential contribution to our shared goals." Melanie Leech, BPF CEO, on the launch of BPF Futures in 2017



Communities

From the inside out: supporting the communities using our buildings

Our test for our community work is how it makes a difference to the health of people using our buildings. This year, we:

...helped to fund Dementia UK's Admiral Nurse Helpline, giving families of people struggling with the condition a source of expert advice on Sundays – when other professional help can be hard to reach. Over the year, the helpline recorded more than 17,000 contacts from families of people with dementia, an increase in volume of 42% on the same period in the previous year. We also ran a Dementia UK Time for a Cuppa event at Warrington Hospital, raising further funds for the charity's work and giving dementia patients and families the chance to talk with an Admiral Nurse.



...volunteered to landscape a tired part of Warrington Hospital's grounds, making the site more pleasant for patients and visitors.



Adrian Down
@Soarev8

Following

@assurapl #Big7tea thank you so much to all at Assura for the very kind gift of a tea party to celebrate the NHS' 70th birthday at Ancaster Surgery. Amazing support as ever from Assura.



...helped practices in our buildings to mark the NHS's 70th anniversary, donating afternoon tea packs to staff to celebrate the milestone.



...worked with local people in Tonbridge who asked us to revisit the potential to retain a tree next to the site of a new medical centre. We commissioned national experts to further review the tree's health and advise on measures to give it the strongest potential to cope with the stresses of construction.



LILLIPUT SURGERY, POOLE

...funded four projects which improve health for people in our home town of Warrington: helping vulnerable homeless people get to medical appointments; helping to create a new playground for the youngest patients at Warrington Hospital; improving the hospital environment for bereaved parents after stillbirth; and supporting relaxation therapies for people having chemotherapy.



...worked through our developments to support local initiatives which improve health in the community – helping to raise funds for an accessible toilet in a community allotment, giving young people and adults with a range of physical and mental health needs the chance to enjoy the pleasures of growing fruit and vegetables.



We funded 28 local social prescribing schemes
nominated by the practices in our buildings around the country – from community cafés and gardening projects, to volunteer drivers to get elderly patients to medical appointments.

GPs from Westcroft Health Centre in Milton Keynes won a share of funding for a pop-up health café – where anyone can come for a cuppa, a bite to eat, information and tips on a range of issues which can impact on mental health. “We’ve looked to other health centres where health cafés have created an extra level of support for their patients.”



GPs in our Tong Medical Practice building nominated a scheme which trains volunteers to support people after the death of a loved one. “We have patients who want to give back to their community as volunteer befrienders – some who have also been bereaved and really care about others who are going through this.”



Musical activities are proven to have an impact for both people living with dementia and their carers. Singing can reduce agitation and anxiety while improving concentration and conversation, sleep quality, mood and memory – which is why GPs in our Lanchester Medical Centre building nominated Lanchester Dementia Friendly Communities for a share of our funding to buy materials and instruments to run music sessions in local care homes and community venues.

Sustainability

Our environmental policy

Our purpose is to create outstanding spaces for health services in our communities, and to achieve this it is essential that we are aware of the impact our buildings have on the environment. We take our environmental responsibilities seriously, and it is factored into decision making in respect of developments.

We have in place an environmental policy (full copy available in the Corporate Governance section of our website) which is reviewed on an annual basis by the Board. The policy sets out the commitment we make in addressing environmental risks in the work we carry out, working with suppliers and partners to promote environmentally friendly behaviours, and maintaining our ISO 14001 Environmental Management System certification.

Our environmental impact – developments

As a developer of buildings, we are focused on ensuring our buildings are designed with sustainability in mind. See the Sustainable Development example included on page 36 for details of how we do this.

During the year we completed three developments which achieved an average EPC rating of A and the two in-house developments assessed under BREEAM both achieved the target of “Very Good”, with the development in Porthcawl being rated “Excellent”.

Our environmental impact – portfolio management

For the majority of our portfolio, the consumption of energy is at the discretion of the tenants who directly purchase this from the utility companies. For these properties, our portfolio management team meets regularly with the tenants to understand any ways in which we could help our tenants, including ways in which the energy consumption in the building could be improved.

In respect of 41 properties, we purchase utilities on behalf of the tenants which are recharged, generally through a service charge. In these buildings, energy consumption is at the discretion of the tenant but we are generally in more frequent discussion with these tenants, and we are currently looking at what areas of our provision for tenants we can improve with a view to reducing the environmental impact of our portfolio.

We have Energy Performance Certificates (“EPC”) in place for 82% of our portfolio by number. Of those assessed, 66% have a rating of A–C and only a small number are currently rated as F or G. We are currently developing plans for properties where works are required.



Ardudwy Health Centre, Harlech

See our website for detailed energy disclosures in respect of our portfolio: www.assurapl.com

Our environmental impact – employees

The greenhouse gas emission data below relates to the environmental impact of Assura employees – specifically electricity consumed at the head office and fuel usage from travelling to visit our properties.

We are conscious of the impact our employees have and regularly encourage calls instead of travel where possible. We have also recently employed two portfolio managers who are based in Kent and Dorset to manage the properties in those particular areas.

Greenhouse gas emissions

The table below shows the Scope 1 and Scope 2 emissions directly within the operational control of the group. Scope 1 relates to business vehicles, and Scope 2 relates to grid electricity consumed at the Company head office, both of which have been converted using government published conversion factors.

	2019	2018	Change
Scope 1 – mt CO ₂ e	48.6	60.5	(20%)
mt CO ₂ e per employee	0.95	0.71	(25%)
Scope 2 – mt CO ₂ e	27.5	33.6	(18%)
mt CO ₂ e per employee	0.54	0.71	(24%)
Total (Scope 1 plus Scope 2) – mt CO ₂ e	76.1	94.1	(19%)
mt CO ₂ e per employee	1.49	2.00	(26%)

We consider the most appropriate intensity factor to be the average number of employees. Our greenhouse gas emissions have reduced year on year, partly as a result of our employees driving 18% fewer miles during the year and partly as a result of the change in government published conversion factors reflecting a general reduction in electricity produced from coal.

↓
Ardudwy Health Centre, Harlech



Sustainable development

The environmental impact of a new building is something that we consider from the initial design phase and maintain focus on throughout the project. We measure this against the renowned Building Research Establishment Environmental Assessment Method (“BREEAM”) for which we target a score of “Very Good” or “Excellent” on all our in-house developments.

BREEAM is a methodology for assessing the environmental, social and economic sustainability performance of an asset. It measures sustainable value in a range of categories (such as energy, innovation, materials, pollution, waste and water), assessing factors such as carbon emissions reduction, design durability, adaptation to climate change and protection of ecology and biodiversity.

In practice, this means that we need to select the materials in the right way (BRE produces a Green Guide to Specification from which materials are chosen), we commission environmental and ecological reports from which the actions are incorporated into our plans, and we work with the tenants to ensure that the energy systems installed are both environmentally friendly and cost effective. All of this needs to be completed to a high standard and is independently assessed.

Our development in Brixworth was completed during the year and achieved a BREEAM rating of “Very Good”. The building scored well against the BREEAM methodology in the areas of materials chosen (all being from the BRE Green Guide to Specification), boilers on site being low nitrous oxide emitting, photovoltaic panels being included on the roof and energy submetering being installed throughout the building. In addition, we commissioned an impact assessment on the local ecology from which we amended the designs to include bird boxes and bat boxes.

Our development in Stow-on-the-Wold is currently on site and due for completion early in 2019/20, being on track to achieve a BREEAM rating of “Excellent”. This surgery has been designed to include photovoltaic panels and air source heat pumps (which remove the need for a boiler to be installed and are expected to have an estimated electricity saving of 40% compared with an electric boiler). The site chosen has been assessed as having a low ecological impact and the build phase has incorporated a site waste minimisation plan in which it is expected that 85% of waste will be diverted from landfill.

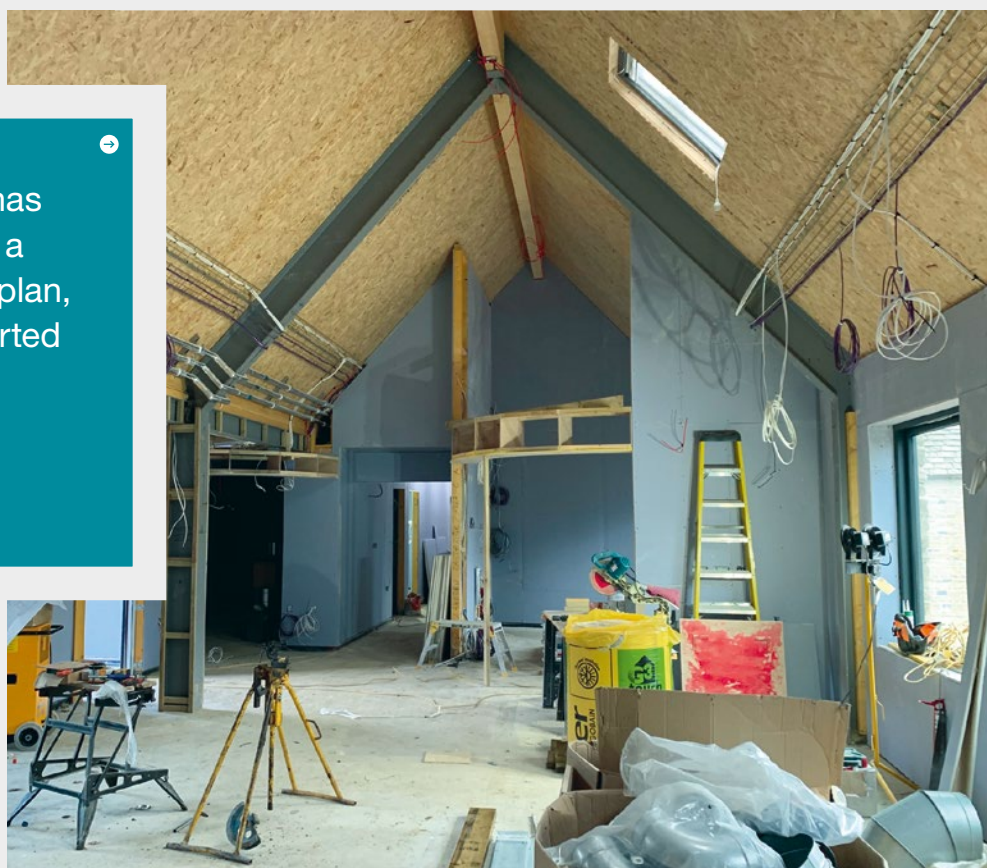
100%

**IN-HOUSE DEVELOPMENTS SINCE
2012 ACHIEVING “VERY GOOD” OR
“EXCELLENT” BREEAM RATINGS**



↑ Our development in Brixworth includes low NOx emitting boilers, PV panels and energy submetering throughout the building.

→ Our development in Stow-on-the-Wold has been designed with a waste minimisation plan, with 85% to be diverted from landfill.



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.



WOODVILLE SURGERY, DERBYSHIRE

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 in line with our LTV policy. However, we seek to avoid, trap or heavily mitigate risks in all other areas of the business, including:

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

Risks – how they map to 2019 strategic priorities

		Financial strength	Quality buildings	Quality service	People	Long-term relationships
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	●	●	●		●

The Risk Committee includes staff from all areas of the business; together with the CEO and CFO it met five times in the year, to review the risk register, identify emerging risks and conduct “deep dives” into individual risks to ensure that sound assurance is in place. Risk Committee projects in the year included a review of standard leases and potential breaches of covenants by tenants, a review of technology risks (and opportunities) for the business, a review of disaster recovery risks, IT penetration testing and cyber awareness training. The Risk Committee reports to the Audit Committee, which regularly monitors risk management and internal control systems and reports to the Board. We have appointed KPMG as internal auditor to provide the Company with appropriate independent advice and reviews of relevant processes.

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 40 to 43.

The Board has also considered which of the Group’s strategic objectives may be affected by these risks and its findings are set out in the table on page 38.

As during the previous financial year, the Risk Committee, the Audit Committee and the Board considered the impact of Brexit on the business and again concluded, on the basis that the Group is a wholly UK-based operation with no reliance on exports, that Brexit did not, in itself, constitute a significant risk to the business. The review examined a number of potential areas where business operations could be impacted, including property valuations, interest rates and the supply chain, with the conclusion being that the impact from the specific risk factor was not material or that there was no certainty whether the impact would be positive or negative on the business. Cyber security was also kept under review and, given the upgrade to the IT systems the previous year and with continuing improvements to security and processes during the year, it was considered that an appropriate level of risk mitigation was in place.

With the majority of our 50+ staff based and working collaboratively at our head office in Warrington, risks are quickly and easily identified.

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 prospects.

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

The Company’s prospects are assessed primarily through the strategic and financial reporting process, including periodic detailed reviews of the ongoing plan. Company forecasts are prepared using a comprehensive financial model which projects the income statement, balance sheet, cash flows and key performance indicators over the relevant timeframe. The model allows various assumptions to be applied and altered in respect of factors such as level of investment, investment yield, availability and cost of finance, rental growth, and potential movements of interest rates and property valuations.

Having made reference to the principal risks facing the Company, as laid out on pages 40 to 43, 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 have been applied on an amalgamated basis including increases in interest rates (0.5% per annum), a prolonged downturn in property investment valuations (initially 25 basis points, followed by further negative movements), an increased risk of tenant default and a sustained absence of rent review growth. We assume that debt facilities (the secured bond and RCF mature in the forecast period) can be refinanced as required, although on a variable rate and with a margin above LIBOR in excess of what we currently pay. All models showed compliance with covenants throughout the forecast period.

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

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.

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.

Principal risks and uncertainties

Key

—	No change
L	Low
M	Medium
H	High

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.	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.		—
A change to the reimbursement mechanism for GPs could lead to a change in the risk profile of our underlying tenants.				
Net risk rating				M

Comment

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

The reimbursement mechanism is not currently under review.

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

Competitor threat

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

Comment

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

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

Reduction in investor demand

Risk	Avoid	Trap	Mitigate	Movement in year
Reduced investor demand for UK primary care property could lead to a reduction in asset valuations and a fall in future profits.	We are open in communicating our strategy to investors and maintain an LTV range which is acceptable to the market.	The overall economy and its impact on the Group's operations are regularly assessed and considered in reviewing the Group's strategy.	The dividend yield and the underlying strength of the cash flows supporting it remain attractive relative to other asset classes.	—
This could arise from:		The Board receives regular reports on investor relations and the development of our share register.		
<ul style="list-style-type: none"> Changes in NHS policy Health of the UK economy Availability of finance Relative attractiveness of other asset classes. 				
Net risk rating				M

Comment

The fundamentals for our sector remain very strong and the longevity and security of our cash flows have continued to generate strong investor demand for our shares in the past year.

Key

— No change

L Low

M Medium

H 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 M

Comment

108 meetings have been held during the year.

We commissioned an investor study by KPMG Makinson Cowell, which provided valuable insight into investors attitudes, values and concerns.

Financial risks**Reduction in availability and/or increase in cost of finance**

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

Comment

The current appetite for lending into the sector is very strong, given the quality of the underlying cash flows and, during the year, the Group achieved an investment grade rating of A- from Fitch Ratings Limited and issued its first sterling denominated senior unsecured bond of £300 million at a fixed rate of 3%.

Failure to maintain capital structure and gearing

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

Comment

LTV is currently at 34% and this provides generous covenant headroom.

Principal risks and uncertainties

continued

Key

— No change

L Low

M Medium

H High

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 strengthened its dedicated and experienced development 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 in 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>	<p>—</p> <p>Net risk rating</p> <p>M</p>

Comment

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

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

Key staff dependency

Risk	Avoid	Trap	Mitigate	Movement in year
Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in underperformance.	<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 three-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>		<p>—</p> <p>Net risk rating</p> <p>M</p>

Comment

The average number of employees in the year was 51 (2018: 47).

Eight members of staff are currently working towards professional qualifications.

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

Key

— No change

L Low

M Medium

H 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 any new leases with a tenant right to trigger a downward rent review.	The Group targets Retail Price Index ("RPI") reviews for new leases but if this is unachievable then open market upwards only reviews or open market landlord trigger only reviews are accepted.	— Net risk rating M
Loss of income could arise from failing practices handing back GP contracts, losing the right to rent reimbursement and becoming unable to meet their financial obligations under the lease.	The strategic importance of a practice to its location is a key investment decision.	We are in regular contact with GPs to ensure there are no financial issues.	We liaise with GPs and NHS commissioning bodies to ensure continuing provision of services from that practice. GPs remain personally liable as named individuals under the lease. We review financial information provided by the NHS on our tenants and as part of the acquisition due diligence.	— Net risk rating M

Comment

Approximately 29% of leases have fixed uplifts or are linked to RPI.

Less than 5% of leases have tenant ability to trigger a downward rent review.

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

A strong performance in the year



Jayne Cottam
CFO

Portfolio as at 31 March 2019 £1,978.8 million (31 March 2018: £1,732.7 million)

Our business is based on our investment portfolio of 563 properties. This has a passing rent roll of £102.7 million (March 2018: £91.0 million), 85% of which is underpinned by the NHS. The WAULT is 12.0 years and 69% of the rent roll will still be contracted in 2029.

At 31 March 2019 our portfolio of completed investment properties was valued at a total of £1,960.5 million, including investment properties held for sale of £17.2 million (March 2018: £1,709.6 million and £7.4 million), which produced a net initial yield ("NIY", see glossary for definition) of 4.74% (March 2018: 4.80%). Taking account of potential lettings of unoccupied space and any uplift to current market rents on review, our valuers assess the net equivalent yield to be 4.77% (March 2018: 4.98%). Adjusting this Royal Institution of Chartered Surveyors ("RICS") standard measure to reflect the advanced payment of rents, the true equivalent yield is 4.91% (March 2018: 5.15%).

Our EPRA NIY, based on our passing rent roll and latest annual direct property costs, was 4.73% (March 2018: 4.77%).

	2019 £m	2018 £m
Net rental income	95.2	80.2
Valuation movement	20.2	79.4
Total Property Return	115.4	159.6

Expressed as a percentage of opening investment property plus additions, Total Property Return for the year was 5.9%, which is lower than the 9.7% return achieved in 2018 due to greater yield compression in the prior year.

Our annualised Total Return over the five years to 31 December 2018 as calculated by MSCI was 9.9% compared with the MSCI All Healthcare Benchmark of 9.1% over the same period.

The net valuation gain in the year of £20.2 million comprises a 1.53% uplift on a like-for-like basis net of movements relating to properties acquired in the period. The valuation increase, whilst lower than the previous two years, reflects yield compression in the period as competition for property in our sector remains high. Despite the downward pressure, the NIY on our assets continues to represent a substantial premium over the 15-year UK gilt which traded at 1.337% at 31 March 2019.

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:

	2019 £m
Acquisition of completed medical centres	218.3
Developments/forward funding arrangements	21.1
Like-for-like portfolio (improvements)	2.2
Total capital expenditure	241.6

The majority of the growth in our investment portfolio has come from the acquisition of 54 properties for £218.3 million during the period in addition to our three completed developments.

These were at a combined total cost of £240 million with a combined passing rent of £11.4 million (yield on cost of 4.8%) and a WAULT of 14.5 years.

We continue to source properties that meet our investment criteria for future acquisition. The acquisition pipeline stands at £41 million, being opportunities that are currently in solicitors' hands and which we would hope to complete within three to six months, subject to satisfactory due diligence.

Our development team has had a successful year converting schemes from our pipeline to on site, as well as replenishing the pipeline. At the half year we reported 14 schemes in our immediate pipeline, and eight of these moved to on site in the second half, meaning a total of 11 schemes were on site at year end.

Of the 11 developments on site at 31 March 2019, seven are under forward funding agreements and four are in-house developments. These have a combined development cost of £48.6 million of which we had spent £15.4 million as at the year end.

In addition to the 11 developments currently on site, we have an immediate pipeline of 11 properties (estimated cost £52 million) which we would hope to be on site within 12 months. This takes the total development pipeline to £101 million, which includes an increasing proportion that are directly sourced and developed by our in-house team (as opposed to being forward funded).

We recorded a revaluation gain of £1.1 million in respect of investment property under construction (2018: £6.2 million).

Live developments and forward funding arrangements

	Estimated completion date	Development costs	Costs to date	Size
Cinderford	Apr-20	£5.5m	£0.4m	1,491 sq.m
Darley Dale	Apr-19	£2.3m	£2.1m	773 sq.m
Great Barr	Jun-20	£4.6m	£1.1m	1,170 sq.m
Knebworth	Jan-20	£3.1m	£0.1m	859 sq.m
Netherfield	Feb-20	£4.7m	£1.1m	1,247 sq.m
Newtown	Jul-20	£4.7m	£0.9m	1,317 sq.m
South Woodham Ferrers	Jul-19	£6.3m	£3.8m	1,357 sq.m
Stafford	Mar-20	£7.2m	£1.7m	2,800 sq.m
Stow-on-the-Wold	Aug-19	£2.7m	£2.7m	742 sq.m
Timperley	May-20	£2.0m	£0.2m	424 sq.m
Tonbridge	May-20	£5.6m	£1.3m	1,405 sq.m

	2019 £m
Net rental income	95.2
Valuation movement	20.2
Total Property Return	115.4

TOTAL PROPERTY RETURN

5.9%



LILLIPUT SURGERY, POOLE

Portfolio management

During the year we have disposed of 12 properties where we believed there was no further growth, generating proceeds of £7.1 million.

Our rent roll grew by £11.7 million during the year to £102.7 million. £1.0 million of this growth was from rent reviews. We successfully concluded 178 rent reviews during the year to generate a weighted average annual rent increase of 2.18% (2018: 1.70%) on those properties, which is a figure that includes 27 reviews we chose not to instigate in the year. These reviews covered £18.5 million of our rent roll at the start of the year and the absolute increase of £1.0 million is a 5.5% increase on this rent. Our portfolio benefits from a 29% weighting in fixed, RPI and other uplifts which generated an average uplift of 3.17% during the period. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 1.10% during the period.

We have secured 13 new tenancies with an annual rent roll of £0.2 million in addition to 6 lease re-gears (rent of £0.6 million). We currently have a pipeline in legal hands of 12 new tenancies (rent £0.1 million) and 11 regears (rent £1.0 million), in addition to a pipeline of 13 asset enhancement opportunities (expenditure £7.5 million).

Our EPRA Vacancy Rate was 1.5% (2018: 1.8%).

Our current rent roll is £102.7 million and, on a proforma basis, would increase to in excess of £120 million once the acquisition pipeline and extended development pipeline (including GPI) are completed plus rent reviews and asset enhancements identified.

Administrative expenses

The Group analyses cost performance by reference to our EPRA Cost Ratios (including and excluding direct vacancy costs) which were 12.5% and 11.4% respectively (2018: 13.0% and 12.0%).

We also measure our operating efficiency as the ratio of administrative costs to the average gross investment property value. This ratio during the period equated to 0.47% (2018: 0.51%) and administrative costs stood at £8.7 million (2018: £7.9 million).

Financing

As we continue to grow through both acquisitions and developments, we have obtained additional lending during the period on an unsecured basis, in line with our financing strategy.

In July 2018, we were assigned an investment grade corporate rating of A- (stable outlook) by Fitch Ratings Limited. As noted in the press release issued by Fitch, the key sensitivities that may lead to a negative impact on the rating include LTV increasing to above 40% on a sustained basis, the net debt to EBITDA ratio being above nine times on a sustained basis, increasing usage of secured debt and the EBITDA net interest cover dropping below two times. As a result, we have included these measures within our financing statistics included in the table below.

Immediately following the rating being issued, on 12 July 2018, we priced a £300 million unsecured bond with a tenor of 10 years at an interest rate of 3% per annum.

As announced in our trading update at the start of July, we had temporarily increased the revolving credit facility ("RCF") to £400 million to support our acquisition pipeline prior to the bond being launched. The facility has now returned to £300 million and £30 million is drawn as at the end of March.

Financing statistics	2019	2018
Net debt (see Note 22)	£667.8m	£460.4m
Weighted average debt maturity	7.3 yrs	6.0 yrs
Weighted average interest rate	3.24%	3.12%
% of debt at fixed/capped rates	96%	73%
EBITDA to net interest cover	3.8x	3.3x
Net debt to EBITDA	7.7x	6.4x
LTV	34%	26%

Our current LTV is 34% and will increase in the short term as we draw down on available facilities to fund the pipeline of acquisitions and development opportunities. Our policy allows us to reach the range of 40% to 50% should the need arise.

At 31 March 2019, 96% of our facilities are at fixed interest rates, although this will change as we draw on the RCF which is at a variable rate. The weighted average debt maturity is 7.3 years.

As at 31 March 2019, we had undrawn facilities and cash totalling £287 million. Details of the outstanding facilities and their covenants are set out in Note 16 to the accounts.

Net finance costs presented through EPRA earnings in the year amounted to £22.4 million (2018: £22.0 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, in particular in respect of EPRA measures which are designed to aid comparability across real estate companies. Calculations of the measures, with reconciliations back to reported IFRS measures, are included where possible.

Profit before tax

Profit before tax for the period was £84.0 million (2018: £71.8 million). The increase reflects the higher net rental income following additions to the portfolio, as highlighted by the EPRA earnings table below.

EPRA earnings

	2019 £m	2018 £m
Net rental income	95.2	80.2
Administrative expenses	(8.7)	(7.9)
Net finance costs	(22.4)	(22.0)
Share-based payments and taxation	(0.3)	(0.3)
EPRA earnings	63.8	50.0

The movement in EPRA earnings can be summarised as follows:

	£m
Year ended 31 March 2018	50.0
Net rental income	15.0
Administrative expenses	(0.8)
Net finance costs	(0.4)
Year ended 31 March 2019	63.8

EPRA earnings has grown 28% to £63.8 million in the year to 31 March 2019 reflecting the property acquisitions and developments completed as well as the impact of our asset management activity with rent reviews and new lettings. This has been offset by increases in administrative expenses and financing costs.

Earnings per share

The basic earnings per share ("EPS") on profit for the period was 3.5 pence (2018: 3.7 pence).

EPRA EPS, which excludes the net impact of valuation movements, was 2.7 pence (2018: 2.5 pence).

Based on calculations completed in accordance with IAS 33, share-based payment schemes are currently expected to be dilutive to EPS, with 0.5 million new shares expected to be issued. The dilution is not material as illustrated in the table below:

EPS measure	Basic	Diluted
Profit for year	3.5	3.5
EPRA	2.7	2.7

Dividends

Total dividends settled in the year to 31 March 2019 were £63.3 million or 2.65 pence per share (2018: 2.455 pence per share). £8.3 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. Three of the four dividends paid during the year were normal dividends (non-PID), as a result of brought forward tax losses and available capital allowances. The October 2018 dividend was paid as a PID and future dividends will be a mix of PID and normal dividends as required.

The table below illustrates our cash flows over the period:

	2019 £m	2018 £m
Opening cash	28.7	23.5
Net cash flow from operations	72.9	49.9
Dividends paid	(55.0)	(36.7)
Investment:		
Property acquisitions	(210.1)	(282.3)
Development expenditure	(21.2)	(31.7)
Sale of properties	7.1	0.9
Financing:		
Net proceeds from equity issuance	—	397.1
Net borrowings movement	195.9	(92.0)
Closing cash	18.3	28.7

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

Diluted EPRA NAV movement

	£m	Pence per share
Diluted EPRA NAV at 31 March 2018	1,249.9	52.4
EPRA earnings	63.8	2.7
Capital (revaluations and capital losses)	20.2	0.9
Dividends	(63.3)	(2.7)
Other	8.8	—
Diluted EPRA NAV at 31 March 2019	1,279.4	53.3

Our Total Accounting Return per share for the year ended 31 March 2019 is 6.8% of which 2.65 pence per share (5.1%) has been distributed to shareholders and 0.9 pence per share (1.7%) is the movement on EPRA NAV.

Non-financial information statement

As required under the Companies Act 2006, sections 414CA and 414CB, this strategic report includes certain non-financial information as necessary to give an understanding of the activities of the Company. Below we have included cross-references to the relevant information, much of which is already reported under existing regulatory frameworks, including descriptions of policies and due diligence procedures implemented where relevant.

Environmental matters – see pages 35 to 37

Employees – see pages 30 and 31

Social matters – see pages 32 to 34

Respect for human rights – included within the employees (pages 30 and 31) and supplier (page 29) sections

Anti-corruption and anti-bribery matters – included within the employees (pages 30 and 31) and supplier (page 29) sections

Company business model – see pages 14 and 15

Principal risks – see pages 40 and 43

Key performance indicators – see pages 24 and 25, which include both financial and non-financial KPIs.

Jayne Cottam

CFO

20 May 2019

Portfolio analysis by capital value

	Number of properties	Total value £m	Total value %
>£10m	35	558.5	29
£5–10m	71	474.1	24
£1–5m	348	859.7	44
<£1m	109	68.2	3
	563	1,960.5	100

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	182	756.9	38
South	216	662.4	34
Midlands	85	350.6	18
Scotland	23	54.6	3
Wales	57	136.0	7
	563	1,960.5	100

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	69.4	68
NHS body	17.8	17
Pharmacy	8.2	8
Other	7.3	7
	102.7	100

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 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

	2019	2018
EPRA EPS (p)	2.7	2.5
EPRA Cost Ratio (including direct vacancy costs) (%)	12.5	13.0
EPRA Cost Ratio (excluding direct vacancy costs) (%)	11.4	12.0
	2019	2018
EPRA NAV (p)	53.3	52.4
EPRA NNNAV (p)	52.5	51.8
EPRA NIY (%)	4.73	4.77
EPRA “topped-up” NIY (%)	4.78	4.81
EPRA Vacancy Rate (%)	1.5	1.8

EPRA EPS

2.7p

↑ 2018: 2.5p

Diluted EPRA EPS (p)

2.7p

↑ 2018: 2.5p

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.

DILUTED EPRA NAV

53.3p

↑ 2018: 52.4p

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

52.5p

↑ 2018: 51.8p

Definition

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

Purpose

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

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

EPRA NIY**4.73%**

↓ 2018: 4.77%

EPRA “topped-up” NIY**4.78%**

↓ 2018: 4.81%

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.

	2019 £m	2018 £m
Investment property	1,978.8	1,732.7
Less developments	(23.1)	(22.2)
Completed investment property portfolio	1,955.7	1,710.5
Allowance for estimated purchasers' costs	128.3	111.0
Gross up completed investment property – B	2,084.0	1,821.5
Annualised cash passing rental income	102.7	90.1
Annualised property outgoings	(4.1)	(3.3)
Annualised net rents – A	98.6	86.8
Notional rent expiration of rent-free periods or other incentives	0.9	0.9
Topped-up annualised rent – C	99.5	87.7
EPRA NIY – A/B (%)	4.73%	4.77
EPRA “topped-up” NIY – C/B (%)	4.78%	4.81

EPRA Cost Ratio (including direct vacancy costs)**12.5%**

↓ 2018: 13.0%

EPRA Cost Ratio (excluding direct vacancy costs)**11.4%**

↓ 2018: 12.0%

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.

	2019 £m	2018 £m
Direct property costs	4.1	3.3
Administrative expenses	8.7	7.9
Share-based payment costs	0.3	0.3
Net service charge costs/fees	(0.3)	(0.3)
Exclude:		
Ground rent costs	(0.4)	(0.4)
EPRA Costs (including direct vacancy costs) – A	12.4	10.8
Direct vacancy costs	(1.1)	(0.8)
EPRA Costs (excluding direct vacancy costs) – B	11.3	10.0
Gross rental income less ground rent costs (per IFRS)	98.9	83.1
Gross rental income – C	98.9	83.1
EPRA Cost Ratio (including direct vacancy costs) – A/C	12.5%	13.0%
EPRA Cost Ratio (excluding direct vacancy costs) – B/C	11.4%	12.0%

EPRA Vacancy Rate**1.5%**

↓ 2018: 1.8%

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.

	2019	2018
ERV of vacant space (£m)	1.6	1.7
ERV of completed property portfolio (£m)	104.0	93.8
EPRA Vacancy Rate (%)	1.5	1.8

Our strong culture underpins our purpose and supports our strategy

Ed Smith, CBE
Non-Executive Chairman



Dear Shareholder

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

Governance

As a Board we believe that good governance is key to the way we run our business. We welcome the changes to Corporate Governance embodied in the new Corporate Governance Code ("New Code") and, whilst the New Code does not apply to this reporting period, we have closely monitored the proposed changes and adopted them in advance where possible, for example in clearly articulating our culture and in our engagement with our employees as referred to below.

In accordance with the Listing Rules, I am very pleased to confirm that throughout the year ended 31 March 2019, the Company was compliant with all the relevant provisions as set out in the Code.

Culture

Assura's clear strategic and social purpose is to create outstanding spaces for health services in our communities. Our strong culture supports our strategic priorities and promotes employee engagement, retention and productivity. We are genuine and passionate about what we do, working collaboratively and using our expertise to find innovative quality solutions for our tenants and the people who use our buildings. The Board leads by example, focusing on our purpose and values in all decision making and demonstrating the behaviours we encourage and support in everyone at Assura.

People

The New Code calls for boards to establish a method for gathering the views of the workforce and this has been facilitated by our Non-Executive Director David Richardson taking Board responsibility for workforce engagement. David met with the employee representative group "The Voice" in January 2019 and discussed their comments with the Board. The Board has also considered the feedback from the employee survey carried out in the summer of 2018 and several measures are being implemented as part of a "You said – we did" initiative.

Engagement is also achieved through staff accompanying Board members on site visits and new Directors gain valuable insight into the business divisions through one on ones with employees as part of their induction. Board meetings are regularly held at our head office in Warrington where the majority of our 58 staff are based and employees gain exposure to the Board through presenting their papers where possible, while Board members take time to meet with staff before and after these meetings.

“As a Board we believe that good governance is key to the way we run our business. We welcome the changes to Corporate Governance embodied in the New Code.”

Strategy

A key focus for management this year was the creation of the Five-Year Plan. The Board was closely involved in this process, challenging management on its targets and assumptions in order to develop a robust plan capable of delivering the Group's strategic objectives and serving stakeholder interests in the long term.

Performance evaluation

We commissioned an independent, external review of Board effectiveness from Weva Ltd – a specialist Board and leadership consultancy – with particular emphasis on the guidance set out in the New Code. The review was based on interviews with all members of the Board and Executive Board plus some external advisors. The areas covered by the review included: Board leadership; the Board's effectiveness as a team; and Board ways of working. The review did not include an appraisal of the Chair or the Non-Executive Directors.

The review highlighted areas of particular strength including: the culture of trust and openness at the Board; the effectiveness of the recent strategic review and development of the Five-Year Plan; and balance of support and challenge in performance oversight. It also highlighted priority areas for further Board development which the Board has agreed to action: an increased focus on the Company's social purpose and ESG impact; increased stakeholder engagement in support of the Five-Year Plan; continuing staff engagement around the Company's purpose and Five-Year Plan; and continuing work to build the Board as a high performing team.

The Board has agreed an action plan based on the review which will help support continuous improvement in the Board's performance and will review its progress against the action plan towards the end of 2019.

Remuneration

We received over 98% of votes in favour of our Remuneration Report at the 2018 AGM and I am grateful to shareholders for the level of engagement and support during the year. We consulted with our major shareholders on changes to our Remuneration Policy and are grateful for all the feedback provided.

Leadership

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

We welcomed Jonathan Davies as Non-Executive Director in June 2018 to provide succession for the Audit Chair and Senior Independent Director as David Richardson intends to retire at the conclusion of this year's AGM.

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 54 and 55, which enable them to challenge, motivate and support the business. Jonathan Davies brings excellent financial expertise and experience, both operational and corporate, together with strategic thinking and personal commitment to the NHS.

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

Gender diversity

The Board is committed to ensuring that the Group is free from discrimination and equitable to all employees. We have strengthened our Executive Board with the appointment of Belinda Lewis as Head of HR and Claire Rick as Head of Public Affairs and were delighted to be ranked 4th in the Hampton-Alexander Report 2018 for FTSE 250 combined Executive Committees and their Direct Reports. With 33% female representation on our main Board, this shows our commitment to greater gender diversity throughout the organisation.

Ed Smith, CBE

Non-Executive Chairman
20 May 2019



FLEETWOOD HEALTH AND WELLBEING CENTRE

July 2018 AGM – key highlights

- All resolutions passed.
- 1,709 to 1,734 million votes cast for each resolution.
- All Directors retired and, save for Simon Laffin who stepped down from the Board, 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. Through constructive challenge and debate the Board shaped the development of the Five-Year Plan and is monitoring progress and delivery.

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 programme for the Board and Committee meetings is regularly reviewed so that members are aware of upcoming matters for discussion in advance.

The Board is committed to promoting the long-term success of the Group for the benefit of all stakeholders and so when making its decisions the Board considers:

- The interests and wellbeing of our employees
- Our impact on the environment
- The needs of our tenants and local healthcare communities
- Our relationships with key contractors and suppliers.

The Board meets at least six times per year for scheduled meetings. It also meets as required to consider any important or urgent business such as debt or equity raises. The relevant Board Committees are shown below.

Relations with shareholders

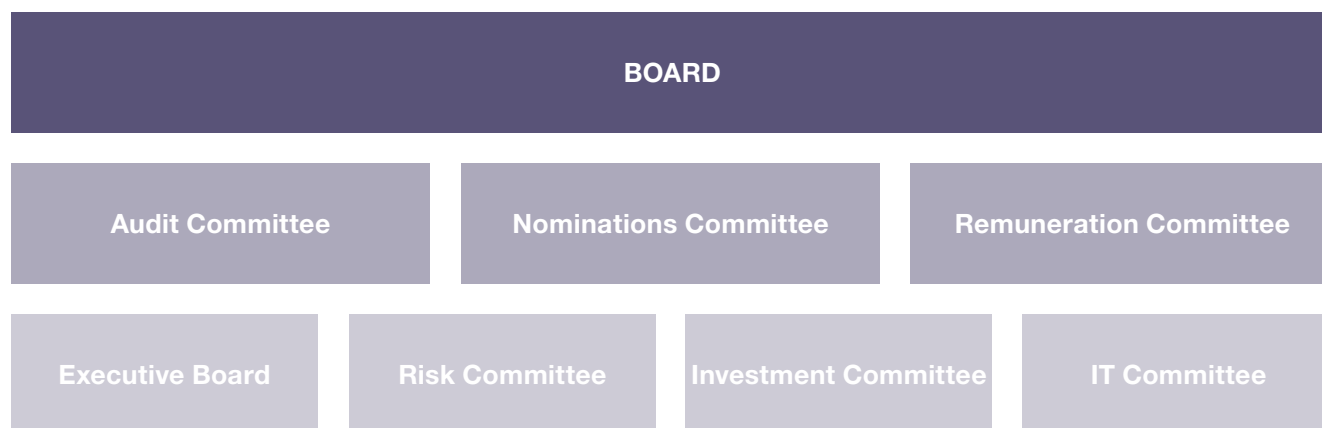
The Board welcomes open communication with its shareholders and works with its stockbrokers Stifel and JP Morgan Cazenove to ensure that an appropriate level of communication is maintained. The dialogue with shareholders is facilitated by a series of investor relations activities, including regular meetings between the Executive Directors, institutional investors, sales teams and industry/sector analysts, as well as regular advice from KPMG Makinson Cowell. Details of the investor relations programme over the year is shown on page 29.

Feedback from these meetings is regularly discussed with 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.

At the end of 2018, the Board commissioned Makinson Cowell to undertake an investor study for Assura. This resulted in a quantitative assessment of the business based on past performance and sell-side forecasts of future performance, together with a qualitative assessment based on interviews with 14 leading institutional investors spread across the UK, Europe and North America controlling an estimated 36% of the equity between them or approaching 50% of the shares held by active institutional investors.

The study provided valuable insight into investors' attitudes towards the Company, clarity on what they value and an independent voice for their concerns. The Board is extremely grateful to all investors who provided feedback. Recommendations from the study are being followed up and dialogue with all relevant shareholders will continue through ongoing investor meetings.

Governance framework



The Remuneration Committee also carried out a detailed review and an extensive consultation exercise with our major shareholders and the main representative bodies on the proposed changes to the Remuneration Policy. Feedback was collated and considered by the Remuneration Committee and this resulted in modifications to certain of the proposals of which the shareholders and main representative bodies were then notified. The revised Policy is on pages 66 to 72 of this report and the Board would like to thank all shareholders and representative bodies who engaged with the Company and provided their constructive comments.

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

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

Accountability

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

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 day to day operations. – Implementing the business strategy and culture. – Regularly updating the Board on progress against approved plans. – Providing effective leadership of the Executive Board to achieve agreed strategies and objectives.
CFO	<ul style="list-style-type: none"> – Responsible for the preparation and integrity of financial information. – Operating effective systems of risk management and control. – Developing and implementing financial strategy and policies.
Non-Executive Directors	<ul style="list-style-type: none"> – Challenging and helping to develop proposals on strategy. – Satisfying themselves as to the integrity of the financial information and that there are effective systems of risk management and financial control. – Chairing and/or serving on relevant Committees.
Senior Independent Director	<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
Ed Smith, CBE	6/6	2/2	5/5	4/4
Jonathan Murphy	6/6	2/2	5/5	4/4
David Richardson	6/6	2/2	5/5	4/4
Jenefer Greenwood, OBE	6/6	2/2	5/5	4/4
Jayne Cottam	6/6	n/a	n/a	4/4
Jonathan Davies*	5/5	2/2	4/4	3/3
Simon Laffin**	2/2	n/a	2/2	1/1

* Full Board and relevant Committee attendance after appointment.

** Full Board and relevant Committee attendance until retirement.

The right mix of skills and experience



Name

Ed Smith, CBE

Position

Non-Executive Chairman

Skills and experience

Ed is an experienced Chairman with significant business, health service and public sector experience. He was Chairman of NHS Improvement for two years and Deputy Chairman of NHS England for the previous three years. He is a Non-Executive Director of HS2 Ltd and chairs the Advisory Board of HCA Healthcare UK and Push Doctor.

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

Ed is a Chartered Accountant.



Jonathan Murphy

CEO

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. Jonathan sits on the Advisory Board for the European Public Real Estate Association ("EPRA") and is Chair of the Healthcare Committee for the British Property Federation.

Jonathan was previously Finance Director for the fund management business of Brooks Macdonald and Braemar Group plc. His earlier career included commercial and strategic roles at Spirit Group and Vodafone.

Jonathan qualified as a Chartered Accountant with PwC, holding management roles in both the UK and Asia. He holds an MBA from IESE and a degree in English Literature from the University of Durham.



Jayne Cottam

CFO

Jayne is a CIMA qualified accountant, with skills including finance, debt strategy and risk management. She joined Assura from Morris Homes, one of the UK's largest private national housing developers where she was the Finance Director for Operations, heading up the operational finance team across the Group and providing financial and strategic support as a member of the Board for each of the three operating regions.

Jayne was previously Director of Finance for the Continental Europe Division of European Metal Recycling Limited, one of the world's largest metal recyclers, and before that held a number of other senior finance positions.

Appointed

October 2017

February 2017

September 2017



David Richardson

Senior Independent Director

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

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

David chairs the Audit Committee. He has announced his intention to retire at the conclusion of the AGM.

January 2012



Jenefer Greenwood, OBE

Non-Executive Director

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

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

Jenefer chairs the Remuneration Committee.

May 2012



Jonathan Davies

Non-Executive Director

Jonathan is Chief Financial Officer of SSP Group plc and has extensive experience of finance, mergers and acquisitions and Corporate Governance. He has been CFO of SSP since 2004, taking it private in 2006 and listing it on the London Stock Exchange in 2014.

Jonathan began his career in Unilever plc's management development programme before joining OC&C, the strategic management consultancy, as a start-up in 1987, where he was part of its rapid growth to become a leading international consulting firm. From 1995 to 2004 Jonathan worked for Safeway plc, where he was Finance Director on its Executive Board between 1999 and 2004.

It is intended that Jonathan will be appointed chairman of the Audit committee and Senior Independent Director following David Richardson's retirement at the conclusion of the AGM.

June 2018



Orla Ball

Company Secretary

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

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

She is a qualified Chartered Secretary and an Associate of ICSA.

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

April 2015

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 the issue of the Group's first sterling denominated senior unsecured bond of £300 million following the securing of an investment grade rating of A- from Fitch Ratings Limited.
- Consideration of future funding requirements.
- Challenge and debate shaping and refining the Five-Year Plan.

Internal controls and risk management

- Setting the Group's risk appetite.
- Adopting the risk register and regular reviews of internal controls following Audit Committee recommendations.
- Review of IT systems and capital expenditure requirements.
- Appointment of internal auditors.

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 Non-Executive Directors following Nominations Committee recommendation.
- Setting the Group's culture and leading by example.

Governance, stakeholders and shareholders

- Regular review of NHS developments.
- Regular review of shareholder register.
- Consultation with shareholders on the Remuneration Policy and commissioning of an investor study.
- Investor roadshow feedback.
- Governance updates, particularly on the New Code.

Board Committees

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

Information flow

The Board and its Committees 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. Board and committee papers are accessed securely through an electronic platform and are designed to share relevant information in sufficient depth to ensure debate without being too unwieldy.

Time commitments and independence

Other directorships of the Board members are set out on pages 54 and 55. Executive Directors would be permitted to serve on one other Board if this would not interfere with their time commitment to the Company. At present, neither of the Executive Directors holds any Non-Executive Director positions.

The Board regularly considers the independence of our Non-Executive Directors and all Directors are required to declare any relationships or interests which may constitute a conflict of interest at the commencement of each Board meeting.

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 2019 AGM. Jonathan Davies, having been appointed during the year, will submit himself for election.

Non-Executive Director induction process

Following Jonathan Davies' appointment as Non-Executive Director, the following induction was carried out:

Meetings with the Chairman and other Board members

Meetings with the CEO, CFO and Executive Board members

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

A full support pack of relevant reading materials

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

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

Visits to premises

Induction and professional development

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

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

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

Board composition

Chairman	1
Executive Directors	2
Non-Executive Directors	3
	6

Board tenure (in current role)

0–4 years	4 (67%)
4–7 years	2 (33%)
	6

Board gender balance

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

Executive Board

Female	4 (57%)
Male	3 (43%)
	7

Board strengths

Composition of the Board

Ed Smith, CBE
Non-Executive Chairman

- Experienced Chairman
- Public sector
- NHS
- Finance

Jonathan Murphy
CEO

- Corporate Finance
- Capital Markets
- Strategy

Jayne Cottam
CFO

- Finance & Accounting
- Corporate Finance
- Risk Management

David Richardson
Senior Independent Director

- Finance & Accounting
- Mergers & Acquisitions
- Corporate Governance

Jenefer Greenwood, OBE
Non-Executive Director

- Real Estate including development and maximising value
- Customer Focus
- Marketing

Jonathan Davies
Non-Executive Director

- Finance & Accounting
- Corporate Finance
- Strategy

Key:

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

Maintaining the right skills and experience to deliver our strategy



Nominations Committee members

- Ed Smith, CBE (Committee Chair)
- Jenefer Greenwood, OBE
- Jonathan Davies
- David Richardson

Number of meetings in the year

- Two

Additional attendees – as appropriate

- Orla Ball – Company Secretary
- Jonathan Murphy – CEO

Responsibilities

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

Key issues

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

Key activities of the Committee

Board and Committee changes

The Nominations Committee ("the Committee") met two times during the year.

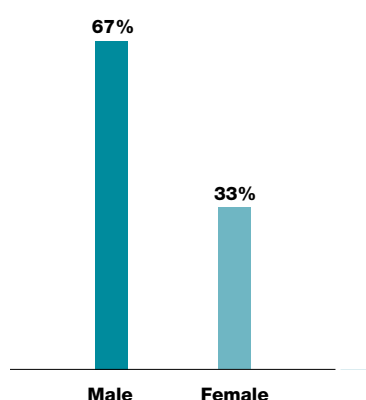
A key process for the Committee was to select a Non-Executive Director, with strong commercial and financial expertise, to further strengthen the Board and who could provide possible Audit Chair succession. The Committee selected recruitment firm Russell Reynolds Associates (which has no other connection with Assura) to assist with the search process. A long list of potential candidates was reviewed by the Committee and, from this, a short list selected. The Committee then interviewed a number of candidates.

In June 2018, the Board appointed Jonathan Davies on the Committee's recommendation. The Committee has recommended to the Board that Jonathan is appointed as Chair of the Audit Committee and Senior Independent Director following David Richardson's planned retirement at the AGM.

The Board is planning to recruit another Non-Executive Director with complementary skills and expertise to further the Board's strength and the Committee has selected Russell Reynolds Associates to assist with the process.

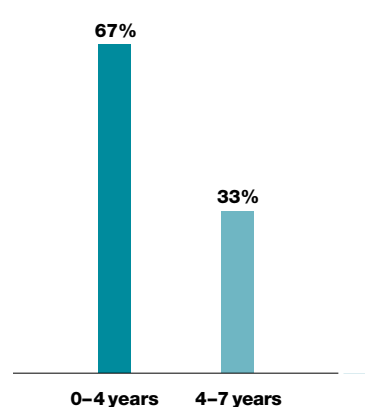
Diversity overview

All directors



Board tenure

Non-executive Directors including Chairman



Commitments of the Chairman

I am currently Non-Executive Director of HS2, Pro-Chancellor and Chairman of Council at the University of Birmingham and Chairman of the Advisory Boards of HCA Healthcare UK and Push Doctor. The Committee considers that I manage my time effectively in order to allocate sufficient time to each of my roles.

Diversity

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

Female representation on the Board has remained at 33%. The Group moved from 33rd to 43rd in the Hampton-Alexander Review - FTSE 250 Rankings Women on Boards and in Leadership, but we were delighted to be ranked 4th for FTSE 250 combined Executive Committees and their Direct Reports.

The Committee will continue to consider gender and wider aspects of diversity such as industry 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.

Further details of our employee policies in respect of matters including training, development and diversity can be found on pages 30 and 31.

Succession planning

Succession planning remained a focus of the Committee during 2018/19.

The Committee considered and approved the external Board appointments as well as the development of talent within the business to fill more senior roles over the medium and long term and to support the delivery of the Five-Year Plan.

Ed Smith, CBE

Chair of the Nominations Committee
20 May 2019

Maintaining a rigorous approach to financial reporting



Audit Committee members

- David Richardson (Committee Chair)
- Jenefer Greenwood, OBE
- Ed Smith, CBE (until July 2018)
- Jonathan Davies (from June 2018)

Number of meetings in the year

- Four

Additional attendees – as appropriate

- Deloitte LLP
- Savills Commercial Limited and Jones Lang LaSalle
- Ed Smith, CBE – Non-Executive Chairman
- Jonathan Murphy – CEO
- Jayne Cottam – CFO
- Orla Ball – Company Secretary
- Paul Carroll – Financial Controller
- David Purcell – Head of Financial Reporting
- Owen Roach – Group Financial Accountant

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 half year review and final audit.
- To monitor and review annually the auditor's independence, objectivity and effectiveness.
- To develop and implement the policy for provision of non-audit services by the external auditor.
- To make recommendations to the Board in relation to the selection process for the appointment of the external auditor.

Key activities of the Committee

Financial statements and reports

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

Review of external audit

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

Review of external valuers

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

Review of Committee

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

Review of risk management and internal controls

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

Other matters

- Monitored compliance with the REIT rules.
- Reviewed the requirement for an internal audit function.
- Reviewed the viability statement and supporting evidence.
- Reviewed the approved treasury counterparties.

Dear Shareholder

As Chair 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 2019.

The Committee is aware of the Code’s requirements in relation to risk and the monitoring of internal control systems. During the year the Committee received minutes from the meetings of the Risk Committee, reviewed the risk register, monitored the Group’s risk management and internal control systems and was kept 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 performed a detailed review of the content and tone of the Annual Report and half year results and has satisfied itself that there are robust controls over the accuracy and consistency of the information presented. Accordingly, the Committee has advised the Board that the Annual Report taken as a whole is “fair, balanced and understandable” and provides the information necessary for the shareholders to assess the Company’s position and performance, business model and strategy.

Significant financial reporting matters

- Valuation of investment properties, including those under construction – valuations and yields are discussed with management and benchmarked against comparable portfolios. The two external valuers present and discuss their findings with the Committee.
- Validity of the going concern basis and the availability of finance going forward – the Committee considers the financing requirements of the Group in the context of committed facilities and evaluates management’s assessment of going concern and the assumptions made. The external auditor also reports to the Committee following its review.
- Viability statement – the Committee considered the viability statement proposed for inclusion in the Annual Report and the supporting analysis produced by management. The statement was approved for inclusion in the 2019 report and appears on page 39.

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:

- Presentation of changes as a result of IFRS 15.
- Consideration of alternative performance measures presented.

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

Internal controls

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

Internal audit

The Committee is satisfied that the correct level of control and risk management within the business adequately meets the Group’s current needs. Specific pieces of internal work are commissioned by the Committee to examine particular processes and controls as deemed necessary. The Committee has appointed KPMG to complete these reviews going forward to ensure an appropriate level of independence exists in concluding on the effectiveness of the control environment.

Financial Reporting Council (“FRC”)

The Company received a letter from the FRC during the year. Following a response from the Company, all queries were resolved and no restatement of the accounts was required.

Audit/non-audit fees payable to external auditor

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 2019 AGM.

Deloitte was appointed following a competitive tender in March 2012 and the latest date by which the Company is required to tender and appoint a new auditor is for the financial year beginning 1 April 2022. The Committee wishes to express its thanks to Rachel Argyle who served as lead auditor from March 2015 to March 2019 and welcomes Scott Bayne as current lead auditor. There are no current intentions to conduct an audit tender in the next 12 months.

David Richardson

Chair of the Audit Committee
20 May 2019

Ensuring fair remuneration relative to Company performance



Committee members

- Jenefer Greenwood, OBE (Committee Chair)
- Ed Smith, CBE
- Jonathan Davies
- David Richardson

Number of meetings in the year

- Five

Additional attendees – as appropriate

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

Annual Statement

Dear Shareholder

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2019. I have served as an independent Non-Executive Director and Remuneration Committee member since 8 May 2012, becoming Chair of the Committee on 23 May 2012. Accordingly, I have been closely involved with the evolution of our Remuneration Policies and their implementation over this period. We are now proposing a revised Remuneration Policy which follows a detailed review and an extensive consultation exercise with our major shareholders and the main representative bodies.

This report is split into two parts:

- The **Directors' Remuneration Policy** – which presents our proposed Remuneration Policy given that our current Policy, originally approved by shareholders at the 2016 AGM, will shortly reach the end of its three year life.
- The **Annual Report on Remuneration** – which details the link between Company performance and remuneration and presents payments and awards made to the Directors for 2018/19 and how the Remuneration Policy will be implemented for 2019/20.

The proposed Directors' Remuneration Policy will be subject to a binding vote at the AGM on 2 July 2019. This new Policy, if approved by shareholders, will last for three years from the forthcoming AGM or until another Policy is approved in a general meeting. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the same meeting.

Company performance and remuneration outcomes for 2018/19

As can be seen in the CFO review on pages 44 to 49, the Company has performed strongly during the year and this has been taken into account in setting Director remuneration.

Strategy alignment

In setting Director remuneration, performance measures are set relative to the strategic priorities of the business. Details of these, and which KPIs are linked to Director remuneration, are shown on pages 24 and 25.

Shareholder engagement

Assura continues to seek an open dialogue with our shareholders and, as part of the Policy review, consulted with its major shareholders and the main representative bodies on the Policy proposals.

The Committee would like to thank shareholders for the constructive feedback, which enabled it to re-assess its proposals and refine them where appropriate (demonstrating that this was a genuine consultation exercise given the amendments made to the original proposals).

New Remuneration Policy

The Committee's view on our existing Remuneration Policy is that it is easily understood and has a strong link between the strategy, corporate performance and the rewards delivered to our Executive Directors but remains uncompetitive against the market in which we compete for executive talent, primarily due to the low salary levels. This reflects both the Committee's conservative approach in appointing Directors on below market salaries and then moving them slowly towards the market level over time as their experience increases (albeit highlighting the increases well in advance) and the Company's previous long-term incentive arrangements (the 2013 Value Creation Plan, "VCP") which resulted in low fixed and higher variable pay potential as the Company sought to incentivise a recovery in the share price at that time.

The aim of the Policy review has therefore been to build upon and enhance our existing approach rather than to redesign the fundamental basis upon which the Executive Directors are compensated. Our focus during the review has been to ensure that the new Policy supports the Company's strategy and, in particular, incentivises the Executive Directors, who are becoming increasingly established in their roles, to deliver an enhanced performance for the benefit of our shareholders. We have also sought to keep our remuneration structures simple and to update our policies so that they reflect evolving best practice.

The key conclusions and outputs from the Committee's review were as follows:

Fixed pay

Fixed pay (e.g. base salary, pension and benefits) is conservatively positioned against companies of a comparable size and complexity.

Jonathan Murphy was appointed as Chief Executive Officer on 27 January 2017 on a salary of £335,000. While this salary was materially below the market rate, the Committee felt that this was appropriate until he became established in the role (an approach set out in our current Policy). As reported in the last Directors' Remuneration Report, he received a 9% increase from April 2018 (taking his salary to £365,000) in recognition of his growing experience and performance in his circa 12 months in the role. On the basis that this salary level remains very conservatively positioned against companies of a comparable size in the FTSE 250 Real Estate sector and as his experience leading Assura continues to grow, the Committee wishes to continue to move the CEO's salary towards market levels in order to provide a fair package and reduce the risk of departure for remuneration motives. He was therefore awarded an 8.2% salary increase to £395,000 from 1 April 2019.

Noting that Jayne Cottam was recruited as CFO on a base salary that was significantly below market levels for a FTSE 250 Real Estate company (£180,000) and noting the commitment given previously in the Directors' Remuneration Report to review the salary after 12 months in the role, the Committee awarded a 20% salary increase to take her salary to £222,000, effective 1 October 2018. Her next salary review date will be 1 April 2020.

However, going forward, future base salary increases during the Policy period will be no greater than 7% above the general workforce increase (likely to be influenced by prevailing inflation rates) and will be dependent upon the Committee's assessment of both Company and individual performance in the 12 months prior to the review date. As such, noting the 1 April 2019 increase for the CEO and assuming two more salary increases, with average workforce increases of 2.5% per annum, the CEO's and CFO's maximum salary levels during the Policy period are circa £474,000 and circa £266,000 respectively, both of which would still remain relatively modest by FTSE 250 Real Estate levels.

Pension

The Committee is proposing to reduce the maximum pension provision for Executive Directors from 20% to 13.5% of salary (which is aligned to the pension or salary supplement offered to the current CEO and CFO, which will remain unchanged). However, for new Executive Director appointments to the Board, the Committee will look to align pension provision to general workforce levels and therefore Company contributions will be subject to a current maximum of 7.5% of salary.

Annual bonus

To ensure that the annual bonus sufficiently incentivises and rewards the delivery of above target performance, annual bonus potential will be increased from 100% to 125% of salary for the CEO and from 75% to 100% of salary for the CFO. However, while the maximum potential is being increased, there will be no change to on-target bonus levels, which will remain at 75% of salary for the CEO and 56.25% of salary for the CFO, with an appropriate degree of stretch above target to reflect the additional potential. While the revised bonus potentials bring the bonus more closely in line with market levels from a percentage of salary perspective, it should be noted that the increases are less than those originally outlined as part of the shareholder consultation and the maximum value of the bonus in absolute terms remains well below market given that the Executive Directors' salaries are significantly below the median of the FTSE 250 and FTSE 250 Real Estate constituents (they are currently positioned within the lower quartile).

The current approach to bonus deferral, whereby 50% of any bonus is deferred into Assura plc shares for two years where the shareholding guideline has not been met, is considered to work well and will therefore be retained. However, once the guideline is met, it is proposed that any bonus above 100% of salary will be deferred into Assura plc shares for two years on a compulsory basis. There is currently no bonus deferral where an Executive Director has met the shareholding guidelines.

Long-term incentives

The Committee believes that the PSP continues to work well and that the best approach in respect of measuring performance is to continue to use absolute growth targets. The Committee does not believe that there are sufficient listed comparators against which it would be meaningful to compare Assura's TSR performance and the Committee noted that the use of absolute targets in the previous VCP provided the management team with a simple, transparent long-term incentive opportunity that was directly aligned with value creation for shareholders. Although a target growth range of 5% p.a. to 15% p.a. will continue to be used for both the EPS and TSR performance conditions, the threshold vesting will be increased from 0% to 10% for both measures to ensure that the Long-term Incentive Plan ("LTIP") continues to remain competitive. In addition, the 300% of salary exceptional limit will be removed.

Shareholding guidelines

While the 300% of salary shareholding guideline will be retained for any Executive Director who participated in the VCP (introduced in 2013 and fully vested in 2017), shareholding guidelines for Executive Directors joining after the VCP will be reduced from 300% of salary to a more market consistent 200% of salary. This change reflects the Committee's view that while a 300% of salary shareholding guideline remains appropriate for the current CEO, this is considered excessive for new joiners who have not benefited from the vesting of VCP awards (e.g. the CFO).

In addition, a compulsory two-year post vesting holding period will be introduced on PSP awards granted to Executive Directors after the 2019 AGM. This will apply irrespective of whether the shareholding guideline has been met (currently, a two-year post vesting holding period only applies where an Executive Director's shareholding is below the guideline).

Regulatory changes

In carrying out the Remuneration Policy review, the Committee has reviewed the various changes to the regulatory environment and in particular the New Code and the new legislation requiring companies to make additional pay disclosures.

Notwithstanding that these changes are not technically applicable to Assura until the financial year ending 31 March 2020, the Committee has sought to align practice and disclosures to the new requirements. This includes:

- Ensuring that the annual bonus plan and PSP permit the necessary Committee discretion to override formulaic outcomes (a New Code provision);
- Introducing a formal post vesting holding period, independent of shareholding guidelines;
- Reviewing the recovery provisions in the annual bonus plan and PSP to ensure that they remain fit for purpose;
- Aligning pension provision for new Executive Directors to the workforce; and
- Updating the Committee's Terms of Reference to reflect the expanded scope required by the New Code – i.e. (i) responsibility for setting remuneration for the Board and senior management, and (ii) taking account of Group-wide remuneration and policies when setting executive pay.

In addition, the Committee has ensured that the new Policy and practices are consistent with the six factors set out in Provision 40 of the New Code:

- **Clarity** – our Policy is well understood by our management team and has been clearly articulated to our shareholders and representative bodies.
- **Simplicity** – the Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.
- **Risk** – our Remuneration Policy is designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both short and LTIPs which employ a blend

of financial, non-financial and shareholder return targets, (ii) the significant role played by equity in our incentive plans (together with shareholding guidelines) and (iii) malus/clawback provisions.

- **Predictability** – our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits.
- **Proportionality** – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.
- **Alignment to culture** – our executive pay policies are fully aligned to Assura's culture through the use of metrics in both the annual bonus and PSP that measure how we perform against our KPIs that directly underpin the delivery of our strategy.

In addition, we have included some of the new disclosure requirements prescribed by recent legislation, e.g. how share price appreciation impacts executive pay in the 'scenario charts'.

Remuneration in 2019/20

As explained above, the implementation of the new Policy for 2019/20 will be as follows:

- **Base salaries** – Jonathan Murphy's and Jayne Cottam's base salaries are £395,000 and £222,000 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) and financial targets. Subject to shareholder approval, Jonathan Murphy's maximum bonus will be 125% of salary and Jayne Cottam's maximum bonus will be 100% of salary. Up to 50% of any bonus earned by an Executive Director is deferred into shares for two years to the extent that the Executive Director does not meet their shareholding guideline. Once the guideline is met, any bonus above 100% of salary will be deferred for two years.
- **Long-term incentives** – A further grant of awards will be made under the PSP to Jonathan Murphy and Jayne Cottam over shares worth 150% of salary which will vest subject to the extent to which three-year performance targets are satisfied as follows:

50% of awards		50% of awards	
Absolute average annual compound TSR	Vesting schedule (% of the TSR part which vest)	EPRA EPS Growth	Vesting schedule (% of the EPS part which vest)
<5% p.a.	0%	<5% p.a.	0%
5% p.a.	10%	5% p.a.	10%
Between 5% and 15% p.a.	Pro-rata between 10% and 100%	Between 5% and 15% p.a.	Pro-rata between 10% and 100%
15% p.a. or more	100%	15% p.a. or more	100%

In conclusion

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

Jenefer Greenwood, OBE

Chair of the Remuneration Committee

20 May 2019

At a glance

What our Executive Directors earned during 2018/19

The following table provides a summary single total figure of remuneration for 2018/19. Further details are set out in the Annual Report on Remuneration.

	Salary	Benefits	Bonus	Pension	Long-term incentives	Total
Jonathan Murphy	365	14	223	49	109	760
Jayne Cottam	202	13	102	27	–	344

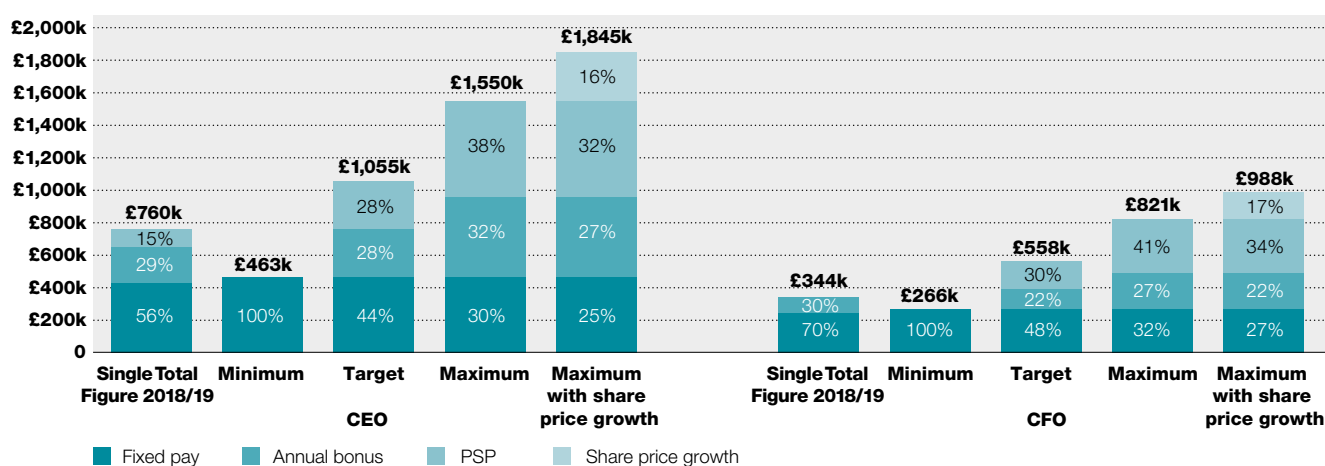
How our Executive Directors will be paid in 2019/20

A summary of how the Committee intends to operate the Remuneration Policy for 2019/20 is as follows:

Component	Changes from previous Policy	Jonathan Murphy	Jayne Cottam
Base salary	Cap on increases equal to 7% above the general workforce increase	£395,000 (Increased by 8.2% from 1 April 2019)	£222,000 (Increased by 20% from 1 October 2018)
Pension allowance (% of salary)	Policy maximum reduced from 20% to 13.5%		13.5%
Annual bonus maximum (% of salary)	Policy maximum increased to 125% from 100% (but on-target levels unchanged)	125% (increased from 100%)	100% (increased from 75%)
Annual bonus deferral	Introduced compulsory deferral irrespective of shareholding guideline	Any bonus payable over 100% of salary deferred into shares for 2 years	50% of any bonus deferred for 2 years until shareholding guideline is met
PSP (% of salary)	Normal maximum unchanged. 300% exceptional limit removed		150%
PSP performance conditions	Threshold vesting increased from 0% to 10%		50% TSR and 50% EPS
Post vesting holding period	Now formally incorporated into policy		Two years
Shareholding guidelines (% of salary)	Level of 200% of salary introduced for non-VCP participants	300%	200%

Remuneration scenarios for 2019/20

The chart below, shows actual pay received for 2018/19 and how total pay for the Executive Directors varies under four different performance scenarios for 2019/20: minimum; target; maximum; and maximum with share price growth.



Directors' Remuneration Policy

Policy scope

The Policy applies to the Chairman, Executive Directors and Non-Executive Directors.

Policy duration

The current Remuneration Policy was passed by a binding shareholder vote at the Company's 2016 AGM and became effective from the date of that meeting. For the reasons set out in the Annual Statement a new policy, as set out below, will be proposed as a resolution subject to a binding shareholder vote at the Company's 2019 AGM.

The new policy takes into account the provisions of the New Code, which is effective for financial years starting after 1 January 2019, and other good practice guidelines from institutional shareholders and shareholder bodies. Subject to approval by shareholders, it will become effective from the 2019 AGM date and shall be in place for the next three-year period unless a new Policy is presented to shareholders before then. All payments to Directors during the Policy period will be consistent with the approved Policy.

Overview of Remuneration Policy

The Committee considers that the Group's Remuneration Policies should align to Assura's values and behaviours, encourage a strong performance culture and emphasise long-term shareholder value creation in order to be aligned with its shareholders' interests.

The Policy, developed following a comprehensive remuneration review and consultation exercise, has the following objectives:

- To develop a remuneration structure which supports the Company's strong performance culture and our key objective of creating long-term shareholder value.
- To enable the Company to recruit and retain executives with the capability to lead the Company on its ambitious growth path.
- To reflect principles of best practice.
- To ensure our remuneration structures are transparent and easily understood both internally and externally.

A summary of the key changes from the policy approved by shareholders in 2016 is follows:

- An increase to the annual bonus maximum from 100% of salary to 125% of salary for the CEO and from 75% of salary to 100% of salary for the CFO. The on-target levels will be maintained at the current level.
- Bonus deferral will be made compulsory for all bonus payments in excess of 100% of salary (irrespective of an individual's shareholding).
- The exceptional award limit which permits PSP awards of up to 300% of salary has been removed.
- The threshold level of vesting under the PSP will be set at 10% of the award.
- The two-year post vesting holding period on PSP awards has been formalised within the policy.
- The shareholding guidelines for Executive Directors that did not participate in the VCP has been set at 200% of salary (shareholding guidelines for the current CEO will remain at 300% of salary).
- Malus and clawback provisions in the bonus and LTIP have been reviewed and enhanced where necessary.

Based on the above, the new Policy is set out below:

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
Fixed remuneration			
Base salary Core element of remuneration set at a level that recognises the size and complexity of the Company and, when combined with the performance based variable remuneration potential, can attract and retain Executive Directors of the quality required to execute the strategy.	<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.</p> <p>Any changes normally take effect from 1 April each year.</p> <p>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 the Company's peers.</p> <p>It should be noted that 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; and – The economic environment. <p>No recovery provisions apply to base salary.</p>	<p>Any increase in salary for Executive Directors will take into account salary levels of comparable FTSE Real Estate companies and companies of comparable size and complexity.</p> <p>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 although the maximum increase in any year will be 7% above the general workforce increase.</p>	None.
Benefits The Company provides benefits in line with market practice.	<p>Executive Directors may receive a benefit package which includes:</p> <ul style="list-style-type: none"> – Health insurance. – Death in service benefits. – Company car allowance; and – Other benefits as provided from time to time. <p>Benefits are reviewed periodically to ensure that they remain market competitive.</p> <p>The payments are not included in salary for the purposes of calculating any benefit or level of participation in incentive arrangements.</p> <p>No recovery provisions apply to benefits.</p>	<p>Benefit values vary year on year depending on premiums and the maximum value is the cost of the provision of these benefits. The Committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than the Committee considers appropriate in all the circumstances.</p>	None.
Pension The Company provides a level of pension contribution in order to be competitive and to ensure that it has the ability to recruit and retain Executive Directors	<p>Executive Directors may receive pension contributions to personal pension arrangements or a cash supplement. Pension-related payments are not included for the purposes of calculating any benefit or level of participation in incentive arrangements.</p> <p>No recovery provisions apply.</p>	<p>The maximum employer's contribution is 13.5% of base salary for the current Executive Directors.</p> <p>For any new Executive Director appointments to the Board, the Committee will look to align pension provision to general workforce levels.</p>	None.

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
Performance-based variable remuneration			
Bonus Incentivises the achievement of a range of key performance targets that are key to the success of the Company	<p>Awards may be made annually.</p> <p>The performance period is one financial year. 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.</p> <p>Where an element of bonus is payable as deferred shares, individuals may be able to receive a dividend equivalent in cash or shares equal to the value of dividends which would have accrued during the vesting period.</p> <p>50% of any bonus is deferred into shares for two years where the shareholding guideline has not been met. Additionally any bonus payment above 100% of salary will be deferred into shares for two years.</p> <p>Bonus payments are not pensionable, but are subject to malus and clawback provisions.</p>	<p>The maximum annual bonus for Executive Directors is 125% of salary. At threshold performance 0% of maximum can be earned.</p> <p>The CEO has a maximum bonus opportunity of 125% of salary and an on-target level of 75% of salary.</p> <p>The CFO has a maximum bonus opportunity of 100% of salary and an on-target level of 56.25% of salary.</p>	<p>Performance measures are set annually based on a number of financial and strategic measures which may include (but are not limited to) for example:</p> <ul style="list-style-type: none"> – Delivering specific added value activities. – Delivering financial goals. – Improving operational performance; and – Developing the performance capability of the team. <p>The Committee has the discretion to vary the performance targets depending on economic conditions and Company-specific circumstances that may occur during the year.</p> <p>At the end of each financial year the Committee takes into account the Company's financial performance and achievement against key short-term objectives established at the beginning of the year. This involves establishing in advance what constitutes success for good, strong or outstanding performance. 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.</p>
Long-term incentives To motivate and incentivise delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Company intends to operate the Performance Share Plan ("PSP").	<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 two year post vesting holding period also applying. In exceptional circumstances, vested awards may also be settled in cash.</p> <p>PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any ex-dividend dates falling between the grant of awards, and the expiry of the vesting period and any holding period.</p> <p>Clawback and malus provisions apply to PSP awards.</p>	<p>The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year.</p>	<p>The Committee may set such performance conditions on PSP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual).</p> <p>Performance periods may be over such periods as the Committee selects at grant, which will not be less than (but may be longer than) three years.</p> <p>No more than 10% of awards vest for attaining the threshold level of performance conditions.</p> <p>In addition, while performance measures and targets used in the PSP will generally remain unaltered, if, in the Committee's opinion, circumstances are such that a different or amended target would be a fairer measure of performance, such amended or different target can be set provided that it is not materially more or less difficult to satisfy than the original target was at the time it was set.</p>
Shareholding requirement To ensure alignment between Executive Directors and shareholders' interests over a longer time horizon.	<p>The Committee operates shareholder guidelines to encourage long-term share ownership by the Executive Directors.</p> <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>200% of salary.</p> <p>Where an Executive Director has participated in the former VCP the requirement is 300% of salary.</p>	

Notes to the future Policy for Executive Directors

Performance measures and targets

The annual bonus plan measures are selected to provide direct alignment with the short-term operational targets of the Company. Care is taken to ensure that the short-term performance measures are always supportive of the long-term objectives. This is especially important in a business which has a long-term investment horizon. Short-term targets are stretching and geared to encourage outstanding performance, which if delivered can earn the Executive up to the maximum under the plan.

The PSP targets are selected to ensure that the executives are encouraged in, and appropriately rewarded for, delivering against the Company's key long-term strategic goals so as to ensure a clear and transparent alignment of interests between executives and shareholders and the generation of sustainable long-term returns.

Discretion

The Committee has discretion in several areas of the Policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders. In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval. In addition, for the avoidance of doubt, in approving this Policy, authority is given to the Company to honour any commitments entered into with current or former Directors prior to the adoption of this Policy.

Differences in Remuneration Policy for all employees

Any differences in the types of rewards between Directors and staff reflect common practice. All employees are entitled to base salary, benefits and defined contribution pension payments and are eligible for annual bonuses and to participate in the PSP (although actual participation in the PSP will be limited to the most senior executives within the Company). The bonus targets for staff are more focused on specific personal goals that further the Company's interests. The maximum bonus opportunity available is based on the seniority and responsibility of the role.

Travel and hospitality

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors and in exceptional circumstances their families may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Clawback

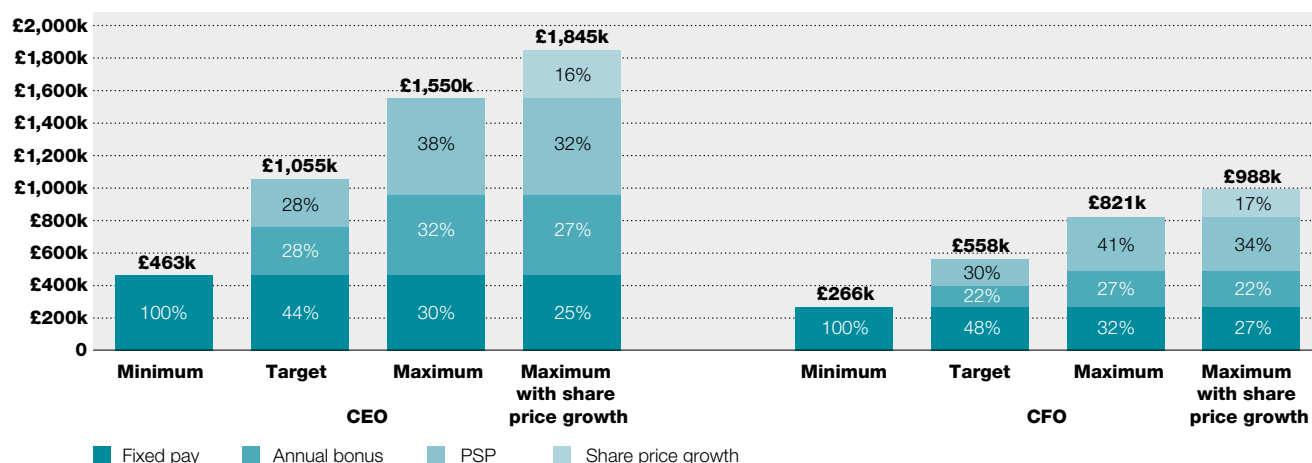
The Committee retains the power to reduce the annual bonus or potential vesting of unvested deferred bonus/PSP awards, (including to zero) (often referred to as malus) or to recoup the value of previously paid or vested awards from an individual within two years of vesting if it considers it appropriate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

- A material misstatement of financial results for any period.
- An error or the use of inaccurate information in assessing the extent to which any performance condition was satisfied.
- Circumstances warranting the summary dismissal of an individual.

Illustrations of application of Remuneration Policy

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

The composition and total value of the Executive Directors' remuneration package for the financial year 2019/20 at minimum, on-target, maximum performance and maximum with share price growth scenarios are set out in the charts below:



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

Minimum – base salary at 1 April 2019, estimated 2019/20 benefits and 13.5% of salary for pension provision (or cash allowance).

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

- Annual bonus: consists of the on-target bonus (75% of salary for Jonathan Murphy and 56.25% of salary for Jayne Cottam).
- 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 125% of salary for Jonathan Murphy and 100% of salary for Jayne Cottam.
- Long-term incentive: consists of the face value of awards (at 150% of salary).

Maximum with share price growth – as per maximum but with a 50% share price growth assumed on PSP awards.

Approach to recruitment remuneration and promotions

The remuneration package for any new recruit would be assessed following the same principles as for the Executive Directors, as set out in the Remuneration Policy table. The Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to existing incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

The table below summarises our key policies with respect to recruitment remuneration:

Element	Policy
Fixed remuneration	<p>The salary level, benefits and pension entitlement will be set taking into account a number of factors including market practice, the individual's experience and responsibilities and the policies for salary, benefits and pensions for existing Executive Directors as set out in the Remuneration Policy table.</p> <p>In certain circumstances the Committee may choose to recruit Executive Directors at a salary below the market rate with a view to providing above average increases in salary until an appropriate salary positioning is achieved, subject to performance, experience and the individual proving themselves in the role.</p>
Performance-based variable remuneration	<p>The recruited Executive Director will be eligible to participate in the annual bonus plan and the PSP as set out in the Remuneration Policy table.</p> <p>The maximum annual variable remuneration that an Executive Director can receive is limited to 275% of salary (i.e. the annual bonus plan maximum of 125% of salary plus the long-term incentive maximum of 150%).</p>
Share buyouts/ replacement awards	<p>The Committee's policy is not to provide buyouts as a matter of course. However, should the Committee determine that the individual circumstances of a recruitment justified the provision of a buyout, the value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following:</p> <ul style="list-style-type: none"> – The proportion of the performance period completed on the date of the Director's cessation of employment. – The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied. – Any other terms and conditions having a material effect on their value ("lapsed value"). <p>The Committee may then grant up to the estimated equivalent value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used to grant up to the estimated equivalent value.</p>
Relocation policies	<p>In instances where the new Executive is relocated from one work base to another, the Company may provide compensation to reflect the cost of relocation for the Executive at the discretion of the Committee.</p> <p>The level of the relocation package will be assessed on a case by case basis but will take into consideration any incremental cost of living differences and/or housing and schooling costs.</p>

Non-Executive Directors would be recruited on the terms set out herein in respect of the main Policy for such Directors.

Approach to service contracts and cessation of employment

Service contracts

Each of the Executive Directors has a service contract with the Company which is terminable by the Company on six months' notice and by the Director on six months' notice. Jonathan Murphy's contract is dated April 2017 and Jayne Cottam's contract is dated August 2017.

The Company's practice is to appoint the Non-Executive Directors, including the Chairman, under letters of appointment. Their appointment is usually for a term of three years subject to annual re-election by the shareholders at the Company's AGM. When setting notice periods, the Committee has regard for market practice and Corporate Governance best practice.

All service contracts and letters of appointment are available for viewing at the Company's registered office.

When determining any loss of office payment for a departing Director, the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Good leaver status

The Committee has discretion to determine whether an individual is a “good leaver” under the Company’s incentive plans. Where the Committee uses its general discretion to determine that an Executive Director is a good leaver, it will provide a full explanation to shareholders of the basis for its determination. The table below sets out, for each element of total remuneration, the Company’s policy on payment for loss of office in respect of Executive Directors and any additional discretion available to the Committee:

Element	Cessation of employment	Change of control
Base salary, benefits, pension	There will be no compensation for normal resignation or in the event of termination by the Company due to gross misconduct. In other circumstances, Executive Directors will be entitled to receive payment in lieu of notice. Salary, benefits and pension contributions/salary supplement will normally be paid over the notice period. The Company has discretion to make a lump sum payment on termination for the salary, value of benefits and pension amounts payable during the notice period. In all cases the Company will seek to mitigate any payments due.	No special provisions.
Bonus plan	Where an Executive Director’s employment is terminated after the end of a performance year but before the payment is made, the Executive may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. Where an Executive Director’s employment is terminated during a performance year and provided the individual is a “good leaver”, a pro-rata annual bonus award for the period worked in that performance year may be payable at the Committee’s discretion subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct.	On a change of control triggering the Executive’s termination of contract, the extent to which the performance requirements are satisfied will determine the annual bonus which is earned. Note that this excludes a reorganisation or reconstruction where ownership does not materially change. The Committee will take into account such factors as it consider relevant in relation to the bonus plan payment for the year in which the event occurs.
PSP The treatment of awards granted under the PSP will be governed by the rules, as approved by shareholders.	Normally, on termination of employment before the end of the performance period, awards lapse in full. However, in good leaver situations (e.g. death, injury, ill-health, disability, retirement with agreement of employer, sale of business/subsidiary, or otherwise in the Committee’s discretion), awards will not lapse but will instead continue and will vest at the normal vesting date or on cessation, subject in both cases to satisfaction of the performance conditions and a pro-rata reduction as the Committee determines to reflect the shortened length of service. In addition, reflecting standard practice, the Committee can waive pro-rating in its discretion.	On a change of control (takeover, reconstruction, amalgamation, winding up or demerger), unvested awards will vest subject to the application of the performance conditions and subject to time pro-rating. The Committee will also retain a standard discretion to vary/waive time pro-rating on a takeover. There will be compulsory roll-over of awards on an internal reconstruction.

Future policy table – Non-Executive Directors

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
The Company sets fee levels necessary to attract and retain experienced and skilled Non-Executive Directors to advise and assist with establishing and monitoring the strategic objectives of the Company.	Fee levels are sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors are paid a base fee and additional fees for Chairmanship of Committees and/or acting as the Senior Independent Director. Fees are reviewed periodically with any changes generally effective from 1 April. In exceptional circumstances, fees may also be paid for additional time spent on the Company’s business outside of the normal duties. Non-Executive Directors do not receive a bonus, do not participate in awards under the Company’s share plans and are not eligible to join the Company’s pension scheme. The Company reserves the right to provide benefits (including travel and office support) to the Non-Executive Directors.	Fees will take account of fee levels of comparable companies within the FTSE Real Estate Investment Trusts and FTSE Real Estate Investment Services sectors, and companies of comparable size and complexity. The aggregate fees and any benefits of Non-Executive Directors will not exceed the limit from time to time prescribed within the Company’s Articles of Association for such fees (currently £700,000 p.a. in aggregate).	None.

Consideration of employment conditions elsewhere in Assura when developing the Policy

In setting the Remuneration Policy for Directors, the pay and conditions of other employees of Assura are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for all staff and uses this information to ensure consistency of approach throughout the Company.

The Company applies the same broad policy in relation to incentive compensation throughout the organisation. All employees are eligible for annual bonuses and to participate in the PSP (although, in practice, participation in the PSP will be limited to senior executives).

Although the Committee takes into account the pay and conditions of other employees, the Company did not consult with employees when drawing up the Policy report.

Consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping Remuneration Policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Remuneration Policy (as has been the case in relation to the recent Policy changes).

External appointments

The Company's policy is to permit an Executive Director to serve as a Non-Executive Director elsewhere when this does not conflict with the individual's duties to the Company, and where an Executive Director takes such a role they may be entitled to retain any fees which they earn from that appointment.

Annual Report on Remuneration

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 2019. 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 2019 AGM.

Consideration by the Committee of matters relating to Directors' remuneration

The members of the Committee during 2018/19 were Jenefer Greenwood (Committee Chair), Ed Smith, David Richardson, Jonathan Davies (from 1 June 2018) and Simon Laffin (to 10 July 2018). The members of the Committee have no personal financial interest, other than as shareholders, in matters to be decided, and no potential conflicts of interest arising from cross-directorships. The Non-Executives have no day to day involvement in running the business.

The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors and for setting the remuneration packages for each Executive Director and the executive tier directly below Board. 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 five meetings during the year. Its activities during and relating to the financial year 2018/19 included:

- Consideration of objectives and targets for annual bonuses
- Consideration of annual pay awards and bonuses
- Consideration of targets and awards under the PSP
- Oversight of the Executive Board's remuneration structures and levels
- Considering appropriate changes to the Directors' Remuneration Policy
- Consider final proposed Directors' Remuneration Policy in light of shareholder feedback received
- Preparing this report.

Advisors to the Committee

During 2018/19 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 £45,000 (ex. VAT). Fees were determined based on the scope and nature of the projects undertaken for the Committee.

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

Single total figure of remuneration – Executive Directors (audited)

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

Executive Director (£'000)	Year	Salary	Pensions	Taxable benefits	Bonus ³	Long-term incentives ⁴	Total
Jonathan Murphy	2018/19	365	49	14	223	109	760
	2017/18	335	45	14	281	838	1,513
Jayne Cottam ¹	2018/19	202	27	13	102	–	344
	2017/18	93	13	7	56	–	169
Andrew Darke ²	2017/18	229	30	14	128	958	1,359

Notes

1. Jayne Cottam joined the Company on 25 September 2017. The 2017/18 figures above relate to the part year from appointment.
2. Andrew Darke stepped down from the Board on 31 March 2018.
3. A portion of bonus is deferred as explained on page 73.
4. The outturn for the 2016 PSP which vests in 2019 will vest at 31.7% and the vesting share price has been estimated at 56.87 pence, based on the three-month average share price ended 31 March 2019. Further details are set out on page 74.

Total pension entitlements

The Executive Directors received payments in lieu of pension contributions equivalent to 13.5% of salary respectively for 2018/19.

Benefits

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

2018/19 annual bonus plan outcome

In determining the award for 2018/19, the Committee took into account the Company's financial performance and achievements against key short-term objectives established at the beginning of the year.

This involved establishing in advance what would constitute success for good, strong or outstanding performance. The performance targets and performance are summarised below. These accounted for 80% of the bonus potential. The remaining 20% was based on an assessment of personal performance against individual objectives set at the beginning of the year.

It is the Committee's approach to view the performance in the round at the end of the year, taking into account extraneous events and changing priorities, where relevant. The key success factors for the year were identified as continuing to increase the investment portfolio and to raise capital to support further growth. For 2018/19 the maximum potential bonus awards were 100% of salary for Jonathan Murphy as CEO and 75% of salary for Jayne Cottam as CFO.

Value added activity

Performance measures	Actual targets set at the beginning of the year	Actual performance outcome	Potential (% of max)	Payout (% of max)
Grow the portfolio through income producing property additions	Good £160 million, Strong £190 million, Outstanding £230 million	Outstanding £240 million acquisition spend	12	12
Increase the community assets within the portfolio	Good £25 million, Strong £50 million, Outstanding £75 million	Partially met	8	2
Increase the number of developments	Good £32 million, Strong £35 million, Outstanding £40 million	Outstanding £43.7 million developments commenced during the year	8	8
Achieve unconditional sign off of new developments in year	Good 10 schemes, Strong 11 schemes, Outstanding 12 schemes	Partially met	8	2
Grow rent through physical extensions	Good 5, Strong 6, Outstanding 7	Not met	4	–
Rental growth to be achieved	Good 1.8%, Strong 1.9%, Outstanding 2.0%	Outstanding 2.18%	4	4
Let vacant space	Good £400,000, Strong £500,000, Outstanding £600,000	Partially met	4	1
Add value through lease re-gears and increase WAULT	Good 11, Strong 13, Outstanding 15	Not met	4	–

Operations and finance

Deliver EPRA profit budget	Good £63.5 million, Strong 64.5 million, Outstanding £65.5 million	Good £63.8 million	20	10
Obtain new debt at lower margins than previous	Good 15bps, Strong 20bps, Outstanding 25bps	Good 18bps	8	4

Personal objectives

Both Jonathan Murphy and Jayne Cottam	20	18
Total	100	61

The Committee reviewed the performance of Jonathan Murphy. His financial targets were as above, overall being rated Good. His individual targets were to continue to strengthen the public affairs strategy, develop a strategy for developing strategic alliances with key NHS entities, establish the newly formed Executive Board as a high performing team and deliver innovation in technology and/or sustainability. The Committee concluded that Jonathan had performed strongly on all of these objectives, resulting in an assessment of 18 out of 20 for this part of the bonus.

As a result the Committee decided to award Jonathan a bonus of £222,650 equating to 61% (61% of maximum bonus) of his total salary.

The Committee reviewed the performance of Jayne Cottam. Her financial targets were as above overall being rated Good. Her individual targets were to evaluate and implement a debt capital funding strategy, develop external relationships particularly investor relations, work with the property team to create efficiencies in processes, develop a mentoring programme and Group-wide equality and diversity policy and develop the Head of Financial Reporting and Investor Relations.

The Committee concluded that Jayne had performed strongly on all of these objectives, resulting in an assessment of 18 out of 20 for this part of the bonus. As a result the Committee decided to award Jayne a bonus of £101,565 equating to 45.75% (61% of maximum bonus) of her total salary, of which 50% will be deferred into shares for two years in accordance with the shareholding guidelines.

Directors' Remuneration Report

continued

Vesting of long-term incentive awards based on performance to 31 March 2019

The LTIP value included in the single figure relates to awards granted to Jonathan Murphy in 2016 which will vest in August 2019 dependent on TSR and NAV performance.

Under the TSR performance target (50% of awards) which uses a sliding scale, 0% of this part of an award vests for TSR of 5% p.a. increasing pro-rata to full vesting for TSR of 15% p.a., measured over the three years to 31 March 2019:

Performance target	Threshold TSR	Maximum TSR	Actual TSR	Vesting % (max 100%)
TSR (50% of awards)	5% p.a.	15% p.a.	6.51% p.a.	15.1%

Under the NAV performance target (50% of awards) which uses a sliding scale, 0% of this part of an award vests for NAV per share growth of 5% p.a. increasing pro-rata to full vesting for NAV per share growth of 15% p.a., measured over the three years to 31 March 2019:

Performance target	Threshold NAV growth	Maximum NAV growth	Actual NAV growth	Vesting % (max 100%)
NAV (50% of awards)	5% p.a.	15% p.a.	9.82% p.a.	48.2%

As a result of TSR (15.1% of awards vest) and NAV per share (48.2% of awards vest) performance, the total vesting percentage is 31.7% and the gross value of LTIP share awards expected to vest in 2019 are as follows:

	Share price at 31 March 2019 ¹	Proportion to vest	Shares to vest ²	Total £'000
Jonathan Murphy	56.87p	31.7%	192,356	109

Notes

- The share price at 31 March 2019 is based on a three-month average to 31 March 2019.
- Additional shares will be awarded in respect of dividend equivalents accrued over the vesting period.

Performance Share Plan

The following awards were made under the PSP to the Executive Directors during the year:

Executive	Date of grant	Basis of award	Face value of award £	Number of shares	End of performance period
Jonathan Murphy	3 July 2018 ¹	150% of salary	£547,341	951,897	31 March 2021
Jayne Cottam	3 July 2018 ¹	150% of salary	£276,670	481,165	31 March 2021

Notes

- The awards made on 3 July 2018 were granted using the average mid-market share price on the three dealing days prior to the date of grant (57.5 pence). The exercise price is nil.

Details of the outstanding PSP awards are:

Executive	Date of grant	Awards outstanding at 01/04/18	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Interests outstanding at 31/03/19	Normal vesting/ exercise date ¹
Jonathan Murphy	8 August 2016	607,759	–	–	–	607,759	From 8 August 2019
	18 July 2017	803,781	–	–	–	803,781	From 18 July 2020
	3 July 2018	–	951,897	–	–	951,897	From 3 July 2021
Andrew Darke	8 August 2016	530,172	–	–	(239,183)	290,989	From 8 August 2019
	18 July 2017	539,853	–	–	(413,264)	126,589	From 18 July 2020
Jayne Cottam	9 February 2018	230,967	–	–	–	230,967	From 9 February 2021
	3 July 2018	–	481,165	–	–	481,165	From 3 July 2021

Notes

- 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 for the CEO and 200% for the CFO).

For PSP awards granted after the 2019 AGM, a post vesting holding period will apply irrespective of shareholdings.

The minimum share price in 2018/19 was 52.4 pence and the maximum share price was 60.4 pence. The closing share price on 31 March 2019 was 57.4 pence.

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

2016 and 2017 LTIP awards:

50% of awards		50% of awards	
Absolute average annual compound TSR	Vesting schedule (% of the TSR part which vest)	NAV growth	Vesting schedule (% of the NAV part which vest)
<5% p.a.	0%	<5% p.a.	0%
5% p.a.	0%	5% p.a.	0%
Between 5% and 15% p.a.	Pro-rata between 0% and 100%	Between 5% and 15% p.a.	Pro-rata between 0% and 100%
15% p.a. or more	100%	15% p.a. or more	100%

2018 LTIP awards:

50% of awards		50% of awards	
Absolute average annual compound TSR	Vesting schedule (% of the TSR part which vest)	EPRA EPS growth	Vesting schedule (% of the EPS part which vest)
<5% p.a.	0%	<5% p.a.	0%
5% p.a.	0%	5% p.a.	0%
Between 5% and 15% p.a.	Pro-rata between 0% and 100%	Between 5% and 15% p.a.	Pro-rata between 0% and 100%
15% p.a. or more	100%	15% p.a. or more	100%

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 ⁴	Total fees
Ed Smith ¹ , CBE	2018/19	119.6	–	119.6
	2017/18	17.4	–	17.4
David Richardson	2018/19	38.6	17.4	56.0
	2017/18	37.7	17.0	54.7
Jenefer Greenwood, OBE	2018/19	38.6	8.7	47.3
	2017/18	37.7	8.5	46.2
Jonathan Davies ²	2018/19	32.2	–	32.2
Simon Laffin ³	2018/19	41.5	–	41.5
	2017/18	133.4	–	133.4

Notes

1. Ed Smith was appointed to the Board on 10 October 2017 and as Chairman on 10 July 2018.
2. Jonathan Davies was appointed to the Board on 1 June 2018.
3. Simon Laffin retired from the Board on 10 July 2018.
4. Additional fees represent Senior Independent Director and Chair of Board Committee fees.

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 if they participated in the former VCP or 200% of salary for other Executive Directors.

Shareholding and other interests at 31 March 2019

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 2019	Total interests held at 1 April 2018	Shareholding requirement met?
Jonathan Murphy	300	1,907,666	2,393,349	2,393,349	2,393,349	Yes
Jayne Cottam	200	773,519	43,543	43,543	17,543	No
Ed Smith, CBE	–	–	90,779	90,779	87,719	n/a
David Richardson	–	–	485,010	485,010	485,010	n/a
Jenefer Greenwood, OBE	–	–	117,256	117,256	117,256	n/a
Jonathan Davies	–	–	–	–	–	n/a

Notes

1. Shareholding requirement calculation is based on the share price at the end of the year (57.4 pence at 31 March 2019).
2. Beneficial interests include shares held directly or indirectly by connected persons.

Directors' Remuneration Report

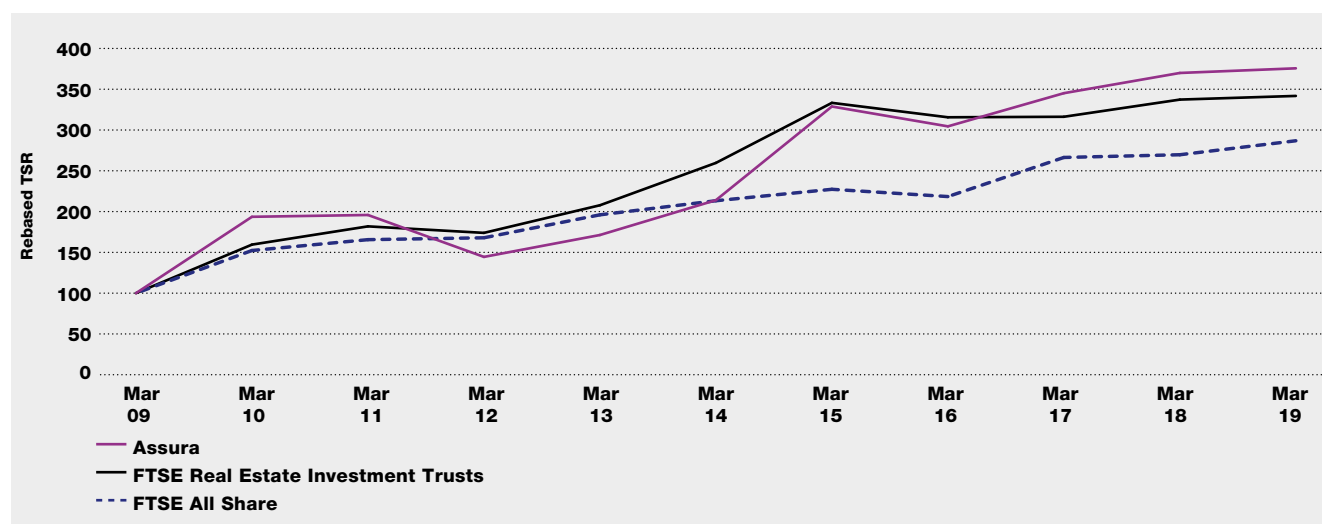
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The Company funds its share incentives through a combination of new issue and market purchased shares. The Company monitors the levels of share grants and the impact of these on the ongoing requirement for shares. In accordance with guidelines set 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, other than in respect of Ed Smith who received 1,077 shares through the scrip dividend scheme in lieu of the April 2019 payment. The small holdings of Independent Directors is highlighted to shareholders and is not considered to impact their independence.

Performance graph and table

The Committee believes that the Executive Directors' Remuneration Policy and the supporting reward structure provide clear alignment with the Company's performance. The Committee believes it is appropriate to monitor the Company's performance against the FTSE All Share Real Estate Investment Trusts index for these purposes. The graph below sets out the TSR performance of the Company compared to the FTSE All Share Real Estate Investment Trusts index and, for comparison, the FTSE All Share index over a 10-year period as required by the Regulations:



The table below shows the CEOs' remuneration packages over the past 10 years:

Year	Name	Single figure £'000 ²	Bonus (% of max)	Long-term incentives (% of max)
2018/19	Jonathan Murphy	760	61	32
2017/18	Jonathan Murphy	1,513	84	100
2016/17 ¹	Jonathan Murphy	1,232	93	100
2016/17 ¹	Graham Roberts	3,489	–	100
2015/16	Graham Roberts	3,747	71	100
2014/15	Graham Roberts	677	90	–
2013/14	Graham Roberts	680	95	–
2012/13	Graham Roberts	674	100	–
2011/12	Nigel Rawlings ³	395	85	–
2010/11	Nigel Rawlings	314	75	–
2009/10	Nigel Rawlings (from 16/03/10)	11	–	–
2009/10	Richard Burrell ^{4,5} (until 15/03/10)	487	–	–

Notes

- 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 CEO from 1 April 2009 until 15 March 2010 when Nigel Rawlings assumed the position. The amounts above are therefore reflective of the relative lengths of service.

Percentage change in the CEO's remuneration

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

	Salary % change	Taxable benefits % change	Bonus % change
CEO	9.0	–	(20.6)
Total employee pay	6.9	4.5	(0.8)
Average employee pay	7.2	4.5	0.5

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	2018/19 £m	2017/18 £m	% change
Overall spend on pay for employees, including Executive Directors	4.8	4.4	9.1
Distributions to shareholders by way of dividends	63.3	46.4	36.4

Payments to past Directors or for loss of office

No Executive Director left the Company during the year. No payments for compensation for loss of office were paid to, or receivable by, any Director for that or any earlier year.

Statement of shareholder voting

The table below shows the advisory vote on the 2017/18 Directors' Remuneration Report at the AGM held on 7 June 2018 and the binding vote on the Remuneration Policy at the AGM held on 14 June 2016:

AGM resolution	Votes for	%	Votes against	%	Votes withheld
Annual Report on Remuneration (2018 AGM)	1,703,887,576	98.26	30,135,838	1.74	104,156
Remuneration Policy (2016 AGM)	1,322,798,958	99.25	10,029,694	0.75	8,359

Statement of implementation of Remuneration Policy for 2019/20

Executive Directors

Salary

In setting salary levels for 2019/20 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 2019/20 and the relative increases are set out below:

Executive Director	1 April 2018 salary £'000	1 October 2018 salary £'000	1 April 2019 salary £'000	1 April 2018 to 1 April 2019 % change
Jonathan Murphy	365	365	395	8.2
Jayne Cottam	184.5	222	222	20.3

Noting the commitment given in last year's Directors' Remuneration Report to review the CFO's salary after 12 months in the role, the Committee awarded a salary increase to take her salary to £222,000, effective 1 October 2018. Her next review date will be 1 April 2020.

The CEO received a salary increase of 8.2% (from £365,000 to £395,000) in recognition of his growing experience and performance in the role (noting that he has now served two complete financial years as CEO, in addition to his time as interim CEO). While this increase is above that awarded to the general workforce, the Committee has adopted this approach given the size and responsibility of the role and noting that it still remains very conservatively positioned against companies of a comparable size in the FTSE 250 Real Estate sector.

Pension and benefits

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

Annual bonus

In line with the new Remuneration Policy, albeit subject to shareholder approval, the maximum bonus opportunity for 2019/20 will be 125% of salary for Jonathan Murphy and 100% of salary for Jayne Cottam. The on-target levels will remain at the current levels of 75% of salary for Jonathan and 56.25% of salary for Jayne.

The performance objectives under the annual bonus plan for 2019/20 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.

Directors' Remuneration Report

continued

As was the case with the 2018/19 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 equal to the relevant shareholding guideline (300% of salary for the CEO and 200% of salary for the CFO). In addition, any bonus earned above 100% of salary will be similarly deferred (regardless of shareholding).

Long-term incentives

A further grant of awards will be made under the PSP to Jonathan Murphy and Jayne Cottam over shares worth 150% of salary which will vest subject to the extent to which three-year TSR and EPRA EPS performance targets are satisfied. No changes will be made to the required growth ranges but as outlined in the Chair's Annual Statement the threshold vesting percentage will be increased from 0% to 10%. As such, the performance targets for the 2019 PSP awards, which are expected to be granted in July 2019, will be as follows:

50% of awards		50% of awards	
Absolute average annual compound TSR	Vesting schedule (% of the TSR part which vest)	EPRA EPS growth	Vesting schedule (% of the EPS part which vest)
<5% p.a.	0%	<5% p.a.	0%
5% p.a.	10%	5% p.a.	10%
Between 5% and 15% p.a.	Pro-rata between 10% and 100%	Between 5% and 15% p.a.	Pro-rata between 10% and 100%
15% p.a. or more	100%	15% p.a. or more	100%

A two-year 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. For awards made following the introduction of the new Policy at the 2019 AGM the two-year holding period will apply to all awards.

Non-Executive Directors

The following table sets out the fee rates for the Non-Executive Directors from 1 April 2019:

	2019/20 £'000	2018/19 £'000	% change
Chairman fee	153.0	150.0	2%
Non-Executive Director base fee	39.4	38.6	2%
Additional fee for Chairing Audit and Remuneration Committees	8.9	8.7	2%
Additional fee for Senior Independent Director	8.9	8.7	2%

Fee rates for Non-Executive Directors have been increased by 2%, in line with the inflationary increase applied to all employees.

By order of the Board

Jenefer Greenwood, OBE

Chair of the Remuneration Committee
20 May 2019

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 2019. The Corporate Governance Statement set out on page 50 forms part of this report.

The Directors' Report and the other sections of this Annual Report contain forward-looking statements. The extent to which the Company's shareholders or anyone may rely on these forward-looking statements is set out on page 119.

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.

CFO 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 in the CFO Review on pages 44 to 47, which are incorporated in this report by reference.

Future developments

Details of future developments are discussed on pages 44 to 47 in the CFO Review.

Going concern

Assura's business activities together with factors likely to affect its future performance are set out in the CFO review on pages 44 to 47. In addition, Note 22 to the accounts includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Group has facilities from a number of financial institutions, none of which are repayable before May 2021 other than modest annual amortisation. In addition to surplus available cash of £16.5 million at 31 March 2019 (2018: £26.7 million), the Group has undrawn facilities of £270 million at the balance sheet date, with commitments as at year end of £32.5 million (see Note 23).

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 WAULT of 12.0 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 regarding 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 39.

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.

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

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

Dividends

Details of the dividend can be found in Note 18 to the accounts. The Group benefits from brought forward tax losses, which resulted in three of the four dividends paid during the year being paid as ordinary dividends. The October 2018 dividend was paid as a PID.

Details of the Group's dividend policy can be found in the CFO review on page 46.

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 2019, the average number of days taken by the Group to pay its suppliers was 15 days (2018: 12 days). Further details of supplier policies can be found on page 29.

Donations

In the year to 31 March 2019, Assura donated £85,000 to charities (2018: £23,000), all of which were UK registered charities, and no contributions were made for political purposes (2018: nil). More details of our chosen charities can be found on our website and pages 11 and 32.

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

Directors' Report

continued

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. Further details are provided on page 31.

Share capital

Assura has a single class of share capital which is divided into Ordinary Shares of nominal value 10 pence each ranking *pari passu*. No other securities have been issued by the Company. At 31 March 2019, there were 2,398,371,795 Ordinary Shares in issue and fully paid, none of which are held in treasury. No shares were bought back during the year. Further details relating to share capital, including movements during the year, are set out in Note 17 to the financial statements.

The Board manages the business of Assura under the powers set out in the Articles of Association. These powers include the Directors' ability to issue or buy back shares. Shareholders' authority to empower the Directors to make market purchases of up to 10% of its own Ordinary Shares is sought at the AGM each year.

All the issued and outstanding Ordinary Shares of Assura have equal voting rights with one vote per share. There are no special control rights attaching to them save that the control rights of Ordinary Shares held in the Employee Benefit Trust ("EBT") can be directed by the Company to satisfy the vesting of outstanding awards under the PSP.

The rights, including full details relating to voting of shareholders and any restrictions on transfer relating to Assura's Ordinary Shares, are set out in the Articles and in the explanatory notes that accompany the Notice of the 2018 AGM. These documents are available on Assura's website at: www.assurapl.com. Assura is not aware of any agreements or control rights between existing shareholders that may result in restrictions on the transfer of securities or on voting rights.

The EBT is used to act as a vehicle for the issue of new shares under the PSP. As at 31 March 2019, the EBT did not hold any Ordinary Shares. A dividend waiver is in place from the Trustee in respect of all dividends payable by Assura on shares which it holds in trust.

Interests in voting rights

As at 17 May 2019, the Company had been notified of the following interests in accordance with Disclosure Guidance and Transparency rules 5:

	31 March 2019	17 May 2019
Name of shareholder	Percentage of Ordinary Shares	Percentage of Ordinary Shares
Invesco Limited	9.85	<5%
BlackRock Inc.	9.45	no change
Artemis Investment Management	8.71	no change
Standard Life Aberdeen	7.12	no change
Resolution Capital Limited	6.29	no change
Schroders plc	5.04	no change
Legal & General Group plc	3.01	no change

Directors

The appointment and replacement of Directors is governed by Assura's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 ("The Act") and related legislation. The Board may appoint a Director either to fill a casual vacancy or as an addition to the Board so long as the total number of Directors does not exceed the limit prescribed in the Articles. An appointed Director must retire and seek election to office at the next AGM. In addition to any power of removal conferred by the Act, Assura may by ordinary resolution remove any Director before the expiry of their period of office and may, subject to the Articles, by ordinary resolution appoint another person who is willing to act as a Director in their place. In line with the Code and the Board's policy, all Directors are required to stand for re-election at each AGM.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment or otherwise that occurs specifically because of a takeover.

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

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

Details of greenhouse gas emissions from employee and head office activities can be found on page 36.

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 Act.

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 2020.

Amendments to the Articles of Association

The Articles can only be amended, or new Articles adapted, by a resolution passed by shareholders in general meeting and being approved by at least three quarters of the votes cast.

Change of control

The Group's financing agreements afford the lender a right to mandatory repayment on change of control following a takeover. The Company's PSP contains provisions that take effect in such an event but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant plan.

Annual General Meeting

The AGM of the Company will be held at the offices of CMS, Cannon Place, 78 Cannon Street, London EC4N 6AF on 2 July 2019 at 11am.

Both the Directors' Report on pages 79 to 80 and the Strategic Report on pages 1 to 49 were approved by the Board and signed on its behalf.

Orla Ball

Company Secretary
20 May 2019

Directors' Responsibility Statement

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

By order of the Board

Orla Ball
Company Secretary
20 May 2019

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Assura plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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.

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matter

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

Within this report, any new key audit matters are identified with ^ and any key audit matters which are the same as the prior year identified with >.

Materiality

The materiality applied for the group financial statements was £25.5 million which was determined on the basis of 2% of net assets and specific materiality applied was £3.1 million which was determined on the basis of <5% of EPRA earnings (as defined in Note 7).

Scoping

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

Significant changes in our approach

Our approach is consistent with the previous year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

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

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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

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

Principal risks and viability statement

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

- the disclosures on pages 38-43 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 39 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 39 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 are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

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

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

Valuation of property portfolio excluding properties under development

Key audit matter description	<p>The Group owns and manages a portfolio of 563 (2018: 515) modern primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £1,955.7 million as at 31 March 2019 (2018: £1,710.5 million) and comprises the majority of the assets in the Group balance sheet.</p> <p>The Group uses professionally qualified external valuers, Savills and Jones Lang LaSalle (the "Valuers"), to fair value the Group's portfolio at half-yearly intervals. The Valuers are engaged by the Directors and perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The Valuers used by the Group are well-known firms and have considerable experience in the markets in which the Group operates.</p> <p>The valuation of the portfolio is inherently subjective and is underpinned by a number of assumptions, therefore we have identified a potential fraud risk in this area. The existence of significant estimation uncertainty coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement on the income statement and balance sheet, warrants specific audit focus in this area.</p> <p>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. The key input into the valuation exercise is yield, which is influenced by prevailing market yields, comparable market transactions and the specific characteristics of each property in the portfolio.</p> <p>Valuation of property represents a key source of estimation uncertainty for the Group, as described in the Group's accounting policies in note 2, and a significant financial reporting matter considered by the Audit Committee, as described in page 61. Further details are disclosed in note 10 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>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 experts (qualified chartered surveyors) to assist us in our audit of this key audit matter. We also considered any potential effect of Brexit.</p> <p>We read the valuation reports for all properties and attended meetings with each of the Valuers. We assessed whether the valuation approach for each was in accordance with RICS guidance and suitable for use in determining the carrying value in the Group balance sheet.</p> <p>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.</p> <p>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.</p> <p>We assessed management's process and control 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.</p> <p>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, where necessary, held further discussions with management and the Valuers in order to challenge the assumptions.</p> <p>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 notes 2 and 10.</p>
Key observations	<p>We found that the valuations and their underlying assumptions were supportable in light of available and comparable market evidence, and the disclosures were appropriate.</p>

Our application of materiality

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

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

	Group financial statements		Parent company financial statements
Materiality	Overall Group materiality £25.5 million (2018: £25 million)	Specific Group materiality £3.1 million (2018: £2.5 million) Applied to EPRA earnings impacting balances	£2.8 million (2018: £2.2 million)
Basis for determining materiality	2% (2018: 2%) of net assets	< 5% (2018: < 5%) of EPRA earnings	The parent company materiality represents 2% (2018: 2%) of equity which is capped at 90% (2018: 90%) of Specific Group materiality.
Rationale for the benchmark applied	In arriving at this judgement we had regard to the carrying value of the Group's assets, acknowledging that the primary performance measure of the Group is the carrying value of investment property.	In addition to net assets, we consider EPRA earnings to be a critical financial performance measure for the Group and we applied a lower threshold of £3.1 million based on 5% of that measure for testing of all impacted balances, classes of transactions and disclosures.	As a non-trading parent company, equity is the key driver of the company. The cap is applied against the Specific Group materiality due to the EPRA earnings impacting transactions within the company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1,280,000 (2018: £1,250,000), or £159,500 (2018: £124,000) for differences impacting EPRA earnings, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

The Group is audited in its entirety by the Group audit team. Our audit work on the individual subsidiary entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality, and ranged between £0.2 million and £7.4 million. This results in full scope audit procedures performed on 100% (2018: 100%) of the Group's net assets. At the parent entity level we also tested the consolidation process and carried out analytical procedures to conclude that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Other information

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

We have nothing to report in respect of these matters.

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

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

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

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

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: valuation of investment property (excluding properties under development); and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and REIT and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified valuation of investment property (excluding development properties) as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

<p>Adequacy of explanations received and accounting records</p> <p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> – 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. 	<p>We have nothing to report in respect of these matters.</p>
<p>Directors' remuneration</p> <p>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.</p>	<p>We have nothing to report in respect of these matters.</p>

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ending 31 March 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 March 2012 to 31 March 2019.

Consistency of the audit report with the additional report to the audit committee

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

Use of our report

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

Rachel Argyle (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
20 May 2019

Consolidated income statement

For the year ended 31 March 2019

	Note	2019 EPRA £m	2019 Capital and non- EPRA £m	2019 Total £m	2018* EPRA £m	2018* Capital and non- EPRA £m	2018* Total £m
Gross rental and related income		99.3	3.1	102.4	83.5	2.6	86.1
Property operating expenses		(4.1)	(3.1)	(7.2)	(3.3)	(2.6)	(5.9)
Net rental income	3	95.2	–	95.2	80.2	–	80.2
Administrative expenses	4	(8.7)	–	(8.7)	(7.9)	–	(7.9)
Revaluation gains	10	–	20.2	20.2	–	79.4	79.4
Loss on sale of property		–	–	–	–	(0.3)	(0.3)
Share-based payment charge	19	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Finance revenue	3	0.1	–	0.1	0.1	–	0.1
Finance costs	5	(22.5)	–	(22.5)	(22.1)	(0.9)	(23.0)
Early repayment costs	5	–	–	–	–	(56.4)	(56.4)
Profit before taxation		63.8	20.2	84.0	50.0	21.8	71.8
Taxation	6	–	–	–	–	–	–
Profit for the year attributable to equity holders of the parent		63.8	20.2	84.0	50.0	21.8	71.8
EPRA EPS – basic & diluted	7	2.7p			2.5p		
EPS – basic & diluted	7			3.5p			3.7p

There were no items of other comprehensive income or expense and therefore the profit for the year also reflects the Group's total comprehensive income. All income arises from continuing operations. See Note 2 for definition of income statement columns.

*2018 restated to include comparative IFRS 15 disclosures (see Note 2), with no impact on net rental income or profit for the year.

Consolidated balance sheet

As at 31 March 2019

	Note	2019 £m	2018 £m
Non-current assets			
Investment property	10	1,978.8	1,732.7
Property, plant and equipment	11	0.2	0.4
Deferred tax asset	21	0.5	0.5
		1,979.5	1,733.6
Current assets			
Cash, cash equivalents and restricted cash	12	18.3	28.7
Trade and other receivables	13	14.7	13.7
Property assets held for sale	10	17.6	8.4
		50.6	50.8
Total assets		2,030.1	1,784.4
Current liabilities			
Trade and other payables	14	37.5	20.2
Borrowings	16	11.0	–
Deferred revenue	15	21.3	19.0
		69.8	39.2
Non-current liabilities			
Borrowings	16	672.3	486.3
Obligations due under finance leases	14	2.8	2.8
Deferred revenue	15	5.3	5.7
		680.4	494.8
Total liabilities		750.2	534.0
Net assets		1,279.9	1,250.4
Capital and reserves			
Share capital	17	239.8	238.3
Share premium		587.4	580.4
Merger reserve	17	231.2	231.2
Retained earnings		221.5	200.5
Total equity		1,279.9	1,250.4
NAV per Ordinary Share – basic & diluted	8	53.4p	52.5p
EPRA NAV per Ordinary Share – basic & diluted	8	53.3p	52.4p

The financial statements were approved at a meeting of the Board of Directors held on 20 May 2019 and signed on its behalf by:

Jonathan Murphy
CEO

Jayne Cottam
CFO

Consolidated statement of changes in equity

For the year ended 31 March 2019

	Note	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
1 April 2017		165.5	246.1	231.2	175.2	818.0
Profit attributable to equity holders		–	–	–	71.8	71.8
Total comprehensive income		–	–	–	71.8	71.8
Issue of Ordinary Shares	17	70.9	338.2	–	–	409.1
Issue costs		–	(12.0)	–	–	(12.0)
Dividends	18	1.6	8.1	–	(46.4)	(36.7)
Employee share-based incentives		0.3	–	–	(0.1)	0.2
31 March 2018		238.3	580.4	231.2	200.5	1,250.4
Profit attributable to equity holders		–	–	–	84.0	84.0
Total comprehensive income		–	–	–	84.0	84.0
Issue of Ordinary Shares	17	–	0.2	–	–	0.2
Dividends	18	1.5	6.8	–	(63.3)	(55.0)
Employee share-based incentives		–	–	–	0.3	0.3
31 March 2019		239.8	587.4	231.2	221.5	1,279.9

Consolidated cash flow statement

For the year ended 31 March 2019

	Note	2019 £m	2018 £m
Operating activities			
Rent received		100.8	81.0
Interest paid and similar charges		(16.7)	(22.8)
Fees received		0.9	0.8
Interest received		0.1	0.1
Cash paid to suppliers and employees		(12.2)	(9.2)
Net cash inflow from operating activities	20	72.9	49.9
Investing activities			
Purchase of investment property		(210.1)	(282.3)
Development expenditure		(21.2)	(31.7)
Proceeds from sale of property and investments		7.1	0.9
Net cash outflow from investing activities		(224.2)	(313.1)
Financing activities			
Issue of Ordinary Shares		–	409.1
Issue costs paid on issuance of Ordinary Shares		–	(12.0)
Dividends paid	18	(55.0)	(36.7)
Repayment of loans	16	(100.0)	(213.8)
Long-term loans drawdown	16	298.4	180.0
Early repayment costs		–	(56.4)
Loan issue costs	16	(2.5)	(1.8)
Net cash inflow from financing activities		140.9	268.4
(Decrease)/increase in cash and cash equivalents		(10.4)	5.2
Opening cash and cash equivalents		28.7	23.5
Closing cash and cash equivalents	12	18.3	28.7

Notes to the accounts

For the year ended 31 March 2019

1. Corporate information and operations

The Company is a public limited company, limited by shares, incorporated and domiciled in England and Wales, whose shares are publicly traded on the main market of the London Stock Exchange.

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

2. Significant accounting policies

Basis of preparation

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

The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 79 and are presented in pounds sterling.

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

Standards affecting the financial statements

The following standards and amendments became effective for the Company in the year ended 31 March 2019. The pronouncements either had no material impact on the financial statements or resulted in changes in presentation and disclosure only (effective for periods beginning on or after the date in brackets):

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

IFRS 15 Revenue from Contracts with Customers (1 January 2018)

This standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Group's income is from tenant leases and is outside the scope of the new standard. The remaining, non-material, income streams have been assessed under the new standard and the only impact has been to show service charge income gross within rental income and service charge expense gross within property operating expenses. The cumulative impact of the standard is £nil, although there has been an equal increase in gross rental and related income and property operating expenses of £3.1 million (2018: £2.6 million). This has been presented in the capital and non-EPRA column of the income statement in accordance with EPRA guidelines, and the 2018 figures have been restated. The Group has elected to apply to the practical expedient in respect over time constraints which have a duration of less than one year.

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).

- Annual Improvements to IFRS Standards 2015–2017 Cycle (1 January 2019)
- Amendments to long-term interests in associates and joint ventures (1 January 2019)
- Amendments regarding the definition of materiality (1 January 2020)

IFRS 16 Leases (1 January 2019)

The standard does not impact the Group's financial position as a lessor or the Group's rental income from its investment properties. The standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in the income statement, replacing the current operating lease charge. Having reviewed the Group's current operating leases and head leases, it is estimated that the Group will recognise a right-of-use asset and corresponding lease liability which would not be material and is estimated to be in the range £3.5 million to £4.5 million. The net impact on the income statement will also not be material.

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

Key sources of estimation uncertainty

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

2. Significant accounting policies continued

Property valuations

The key source of estimation 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 arms-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 and details of the accounting policies applied in respect of valuation are set out below. Note 10 includes details of the key unobservable inputs relating to the valuations, and a sensitivity analysis in respect of a movement in the equivalent yield or Estimated Rental Value ("ERV"), which are considered to be the two key assumptions with the highest risk of causing a material movement in the next financial year.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described below, the Directors do not consider there to be significant judgements applied with regard to the policies adopted, other than in respect of property valuations as described above.

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 power over the entity, exposure to variable returns and the ability to use its power over the entity to affect the amount of returns.

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

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

Property portfolio

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

Any surplus or deficit arising on revaluing investment property 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. Properties classified as assets held for sale are recorded at fair value less costs to sell.

Net rental income

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

Notes to the accounts continued

For the year ended 31 March 2019

2. Significant accounting policies continued

Gains on sale of properties

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

Financial assets and liabilities

Trade receivables and payables are initially recognised at transaction value and subsequently measured at amortised cost and discounted as appropriate. Appropriate provisions are made for expected credit losses considering historical credit losses incurred and future expected losses.

Other investments are shown at amortised cost and held as loans and receivables. Loans and receivables are initially valued at fair value less directly attributable transaction costs. After recognition, 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 amount of the change in fair value will be recognised in other comprehensive income as attributable to changes in credit risk.

Cash equivalents are limited to instruments with a maturity of less than three months measured at amortised cost.

Tax

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

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

Income statement definitions

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

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

Employee costs

Defined contribution pension plans

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

Share-based employee remuneration

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

Segmental information

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

3. Net rental income

	2019 £m	2018 £m
Rental revenue	98.4	82.7
Service charge income	3.1	2.6
Other related income	0.9	0.8
Gross rental and related income	102.4	86.1
Finance revenue		
Bank and other interest	0.1	0.1
	0.1	0.1
Total revenue	102.5	86.2

	2019 £m	2018 £m
Gross rental and related income	102.4	86.1
Direct property expenses	(4.1)	(3.3)
Service charge expenses	(3.1)	(2.6)
Net rental income	95.2	80.2

Following the adoption of IFRS 15, gross rental and related income and direct property expenses have been restated and are now shown gross of service charge income and expenses. There has been no impact on net rental income or any measure of profit as a result of this change. See note 2 for further explanation.

4. Administrative expenses

	Note	2019 £m	2018 £m
Wages and salaries		3.4	2.6
Social security costs		0.5	0.5
Auditor's remuneration	4a	3.9	3.1
Directors' remuneration and fees		0.3	0.3
Other administrative expenses		1.3	1.5
		3.2	3.0
		8.7	7.9

a) Auditor's remuneration

	2019 £m	2018 £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
Other assurance services (total non-audit fees) – half year review and reporting accountant services	0.1	0.1
	0.3	0.3

	2019 £m	2018 £m
Key management staff (Executive Board)		
Salaries, pension, holiday pay, payments in lieu of notice and bonus	1.7	1.8
Cost of employee share-based incentives (including related social security costs)	0.3	0.3
Social security costs	0.3	0.3
	2.3	2.4

The average number of employees in the year was 51 (2018: 47).

Notes to the accounts continued

For the year ended 31 March 2019

5. Finance costs

	2019 £m	2018 £m
Interest payable	21.8	21.9
Interest capitalised on developments	(0.5)	(0.7)
Amortisation of loan issue costs	1.2	0.9
Finance costs presented through EPRA profit	22.5	22.1
Write off of loan issue costs	–	0.9
Early repayment costs	–	56.4
Total finance costs	22.5	79.4

Interest was capitalised on property developments at the appropriate cost of finance at commencement. During the year this ranged from 4% to 5% (2018: 4% to 5%).

Loan costs written off related to facilities terminated prior to their maturity, and early repayment costs were amounts paid in the prior year to terminate the Aviva facilities.

6. Taxation

	2019 £m	2018 £m
Consolidated income tax		
Deferred tax		
Relating to origination and reversal of temporary differences	–	–
Income tax charge/(credit) reported in consolidated income statement	–	–

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

	2019 £m	2018 £m
Profit before taxation	84.0	71.8
UK income tax at rate of 19% (2018: 19%)	16.0	13.6
Effects of:		
Non-taxable income (including REIT exempt income)	(16.0)	(13.5)
Movement in unrecognised deferred tax	–	(0.1)
	–	–

The Group elected to be treated as a UK REIT with effect from 1 April 2013. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 19% in 2019/20 (2018/19: 19%).

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

As a REIT, the Group is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's rental profit calculated by reference to tax rules rather than accounting standards. During the year the Group paid a PID as part of the October 2018 dividend. Future dividends will be a mix of PID and normal dividends as required.

To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of business. The Group remains compliant at 31 March 2019.

Further reductions in the main rate of corporation tax have been substantively enacted; the rate reduced to 19% from 1 April 2018 and will reduce to 17% from 1 April 2020. These changes have been reflected in the calculation of deferred tax.

7. Earnings per Ordinary Share

	Earnings 2019 £m	EPRA earnings 2019 £m	Earnings 2018 £m	EPRA earnings 2018 £m
Profit for the year	84.0	84.0	71.8	71.8
Early repayment costs		–		56.4
Revaluation gains		(20.2)		(79.4)
Loss on sale of property		–		0.3
Write off of loan issue costs		–		0.9
EPRA earnings		63.8		50.0
Weighted average number of shares in issue – basic	2,391,704,889	2,391,704,889	1,963,754,891	1,963,754,891
Potential dilutive impact of share options	560,853	560,853	210,307	210,307
Weighted average number of shares in issue – diluted	2,392,265,742	2,392,265,742	1,963,965,198	1,963,965,198
Earnings per Ordinary Share – basic & diluted	3.5p	2.7p	3.7p	2.5p

8. NAV per Ordinary Share

	NAV 2019 £m	EPRA NAV 2019 £m	NAV 2018 £m	EPRA NAV 2018 £m
Net assets	1,279.9	1,279.9	1,250.4	1,250.4
Deferred tax		(0.5)		(0.5)
EPRA NAV		1,279.4		1,249.9
Number of shares in issue	2,398,371,795	2,398,371,795	2,383,122,112	2,383,122,112
Potential dilutive impact of PSP (Note 19)	560,853	560,853	210,307	210,307
Diluted number of shares in issue	2,398,932,648	2,398,932,648	2,383,332,419	2,383,332,419
NAV per Ordinary Share – basic & diluted	53.4p	53.3p	52.5p	52.4p

	EPRA NNNAV 2019 £m	EPRA NNNAV 2018 £m
EPRA NAV	1,279.4	1,249.9
Mark to market of fixed rate debt	(19.2)	(14.4)
EPRA NNNNAV	1,260.2	1,235.5
EPRA NNNNAV per Ordinary Share – basic	52.5p	51.8p

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 2019

9. Investments

Below is a listing of all subsidiaries of Assura plc:

Property investment companies		
Assura (SC1) Ltd*	Assura Properties UK Ltd*	Metro MRH Ltd*
Assura (SC2) Ltd*	Assura Trellech Ltd*	Metro MRI Ltd*
Assura Aspire Ltd*	BHE (Heartlands) Ltd*	Metro MRM Ltd*
Assura Aspire UK Ltd*	BHE (St James) Ltd*	Newton Healthcare Ltd*
Assura GHC Ltd*	Community Ventures Hartlepool Ltd*	Park Medical Services Ltd*
Assura HC Ltd*	Donnington Healthcare Ltd*	PCD Pembrokeshire Ltd*
Assura HC UK Ltd*	GP Premises Holdings Ltd*	Pentagon HS Ltd*
Assura Health Investments Ltd*	GP Premises Ltd*	SJM Developments Ltd*
Assura Medical Centres Ltd*	Malmesbury Medical Enterprise Ltd*	Surgery Developments Ltd*
Assura Primary Care Properties Ltd*	Medical Properties Limited*	Trinity Medical Properties Ltd*
Assura Properties plc*	Meridian Medical Services Ltd*	
Holding or dormant companies		
Abbey Healthcare Group Ltd*	Assura Pharmacy Holdings Ltd* (Guernsey)	PH Investment (No. 1) Ltd*
Abbey Healthcare Property Investments Ltd*	Assura Pharminvest Ltd*	Primary Care Initiatives (Macclesfield) Ltd*
AH Medical Properties Ltd*	Assura Property Ltd* (Guernsey)	PVR Investments Ltd*
Ashdeane Investments Ltd*	Assura Property Management Ltd*	Riddings Pharmco Ltd*
Assura (AHL) Ltd*	Assura Retail York Ltd*	SHC Holdings Ltd* (Jersey)
Assura Aylesham Ltd*	Assura Services Ltd*	South Kirkby Property Ltd*
Assura Banbury Ltd*	Assura Southampton Ltd*	SPCD (Balsall Common) Ltd*
Assura Beeston Ltd*	Assura Stanwell Ltd*	SPCD (Crawcrook) Ltd*
Assura CS Ltd*	Assura Todmorden Ltd*	SPCD (Davyhulme) Ltd*
Assura CVSK Ltd*	Assura Tunbridge Wells Ltd*	SPCD (Didcot) Ltd*
Assura Financing Ltd*	Birchdale Investments Ltd*	SPCD (Kincaidston) Ltd*
Assura Grimsby Ltd*	Broadfield Surgery Ltd*	SPCD (Rugeley) Ltd*
Assura Group Ltd (Guernsey)	Cae Court Developments Ltd*	SPCD (Silsden) Ltd*
Assura HC Holdings Ltd*	Cloverleaf Investments Ltd*	SPCD (Sutton in Ashfield) Ltd*
Assura IH Ltd	Community Ventures Hartlepool Midco Ltd*	Stonebrites Ltd*
Assura Investments Ltd*	Destra Hartlepool Ltd*	Stratford Healthcare Ltd*
Assura Kensington Ltd*	F.P. Projects Ltd*	The 3P Development Ltd*
Assura Management Services Ltd*	MP Realty Holdings Ltd*	The Third Party Development Corporation*
Assura PCP UK Ltd*	PCI Management 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. All companies registered in England have a registered address of The Brew House, Greenalls Avenue, Warrington, WA4 6HL. The companies registered in Guernsey have a registered address of PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey and the Jersey company has a registered address of 44 Esplanade, St Helier, Jersey. Taking into consideration the facts of each transaction, acquisitions of companies owning property completed during the years ended 31 March 2019 and 31 March 2018 have been accounted for as asset purchases as opposed to business combinations.

The Group also holds an investment in Virgin Healthcare Holdings Limited, a healthcare service provider, made up of a 0.7% equity holding (book value £nil) and a £4 million loan note receivable (book value £nil, 2018: £nil). The registered address is Lynton House, 7-12 Tavistock Square, London, WC1H 9LT.

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 2019. The properties have been valued individually and on the basis of open market value in accordance with RICS Valuation – Professional Standards 2017 ("the Red Book"). Valuers are paid on the basis of a fixed fee arrangement, subject to the number of properties valued.

	Investment 2019 £m	IPUC 2019 £m	Total 2019 £m	Investment 2018 £m	IPUC 2018 £m	Total 2018 £m
Opening market value	1,707.7	22.2	1,729.9	1,321.7	20.2	1,341.9
Additions:						
– acquisitions	218.3	–	218.3	278.9	–	278.9
– improvements	2.2	–	2.2	6.0	–	6.0
	220.5	–	220.5	284.9	–	284.9
Development costs	–	21.1	21.1	–	31.7	31.7
Transfers	22.0	(22.0)	–	35.5	(35.5)	–
Transfer (to)/from assets held for sale	(9.3)	0.2	(9.1)	(7.4)	(0.2)	(7.6)
Capitalised interest	–	0.5	0.5	–	0.7	0.7
Disposals	(7.1)	–	(7.1)	(0.2)	(0.9)	(1.1)
Unrealised surplus on revaluation	19.1	1.1	20.2	73.2	6.2	79.4
Closing market value	1,952.9	23.1	1,976.0	1,707.7	22.2	1,729.9
Add finance lease obligations recognised separately	2.8	–	2.8	2.8	–	2.8
Closing fair value of investment property	1,955.7	23.1	1,978.8	1,710.5	22.2	1,732.7

	2019 £m	2018 £m
Market value of investment property as estimated by valuer	1,943.3	1,702.2
Add IPUC	23.1	22.2
Add capitalised lease premiums and rental payments	9.6	5.5
Add finance lease obligations recognised separately	2.8	2.8
Fair value for financial reporting purposes	1,978.8	1,732.7
Completed investment property held for sale	17.2	7.4
Land held for sale	0.4	1.0
Total property assets	1,996.4	1,741.1

At March 2019, 19 assets are held as available for sale (2018: 15 assets).

The total value of investment property is £1,960.5 million, which is completed investment property of £1,943.3 million plus £17.2 million of investment properties held for sale. Disposals during the year of £7.1 million include properties that were classified as held for sale at March 2018.

Notes to the accounts continued

For the year ended 31 March 2019

10. Property assets continued

Fair value hierarchy

The fair value measurement hierarchy for all investment property and IPUC as at 31 March 2019 was Level 3 – Significant unobservable inputs (2018: Level 3). There were no transfers between Levels 1, 2 or 3 during the year.

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

Valuation techniques used to derive Level 3 fair values

The valuations have been prepared on the basis of fair market value which is defined in the Red Book as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Unobservable inputs

The key unobservable inputs in the property valuation are the equivalent yield and the ERV.

The equivalent yield ranges from 4.00% to 8.00% (2018: 4.10% to 8.00%), in respect of 97% of the portfolio by value. A decrease in the equivalent yield applied to a property would increase the market value. Factors that affect the equivalent yield applied to a property include the weighted average unexpired lease term, the estimated future increases in rent, the strength of the tenant covenant and the physical condition of the property. Lower yields generally represent properties with index-linked reviews, 100% NHS tenancies and longer unexpired lease terms, ranging from 4.00% to 4.65%. Higher yields (range 5.60% to 8.00%) are applied for a weaker tenant mix and leases approaching expiry. Our properties have a range of tenant mixes, rent review basis and unexpired terms. A 0.25% shift of equivalent yield would have approximately a £108.5 million (2018: £90.3 million) impact on the investment property valuation.

The ERV ranges from £100 to £425 per sq.m (2018: £100 to £405 per sq.m), in respect of 98% of the portfolio by value. An increase in the ERV of a property would increase the market value. A 1% increase in the ERV would have approximately a £19.6 million (2018: £17.1 million) increase in the investment property valuation. The nature of the sector we operate in, with long unexpired lease terms, low void rates, low tenant turnover and upward only rent review clauses, means that a significant fall in the ERV is considered unlikely.

11. Property, plant and equipment

The Group holds computer and other equipment assets with cost of £1.0 million (2018: £1.2 million) and accumulated depreciation of £0.8 million (2018: £0.8 million), giving a net book value of £0.2 million (2018: £0.4 million).

There were no additions during the year (2018: £0.2 million) and depreciation charged to the income statement was £0.2 million (2018: £0.2 million).

12. Cash, cash equivalents and restricted cash

	2019 £m	2018 £m
Cash held in current account	16.5	26.7
Restricted cash	1.8	2.0
	18.3	28.7

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

	2019 £m	2018 £m
Trade receivables	8.9	9.1
Prepayments and accrued income	3.8	2.0
Other debtors	2.0	2.6
	14.7	13.7

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 (2018: £nil).

13. Trade and other receivables continued

As at 31 March 2019 and 31 March 2018, 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
2019	8.9	7.6	0.5	0.2	0.6
2018	9.1	6.9	1.1	0.6	0.5

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

14. Trade and other payables

	2019 £m	2018 £m
Trade creditors	2.2	2.3
Other creditors and accruals	32.1	15.1
VAT creditor	3.2	2.8
	37.5	20.2

Finance lease arrangements are amounts payable in respect of leasehold investment property held by the Group. The amounts due after more than one year, which total £2.8 million (2018: £2.8 million), have been disclosed in non-current liabilities on the consolidated balance sheet. The maturity of trade and other payables and the minimum payments due under finance leases are disclosed in Note 22. The fair value of the Group's lease obligations is approximately equal to their carrying value. Other creditors and accruals includes £5.0 million in respect of deferred consideration for a property acquisition. The amount is contingent on a lease being signed, and has been recognised in full as it is considered highly probable the full amount will be paid.

15. Deferred revenue

	2019 £m	2018 £m
Arising from rental received in advance	20.9	18.5
Arising from pharmacy lease premiums received in advance	5.7	6.2
	26.6	24.7
Current	21.3	19.0
Non-current	5.3	5.7
	26.6	24.7

Notes to the accounts continued

For the year ended 31 March 2019

16. Borrowings

	2019 £m	2018 £m
At 1 April	486.3	520.1
Amount drawn down in year	298.4	180.0
Amount repaid in year	(100.0)	(213.8)
Loan issue costs	(2.5)	(1.8)
Amortisation of loan issue costs	1.1	0.9
Write off of loan issue costs	–	0.9
At 31 March	683.3	486.3
Due within one year	11.0	–
Due after more than one year	672.3	486.3
At 31 March	683.3	486.3

The Group has the following bank facilities:

1. 10-year senior secured bond for £110 million at a fixed interest rate of 4.75% maturing in December 2021. The secured bond carries a loan to value (“LTV”) covenant of 75% (70% at the point of substitution of an investment property or cash) and an interest cover requirement of 1.15 times (1.5 times at the point of substitution). In addition, the bond is subject to a WAULT test of 10 years which, if not met, gives the bondholder the option to request repayment of £5.5 million every six months. The WAULT of the charged properties is below 10 years at 31 March 2019 and £11.0 million has therefore been shown as due within one year, at the option of the bondholder. At the date of this report, the option has not been taken up.
2. Five-year club revolving credit facility with RBS, HSBC, Santander and Barclays for £300 million on an unsecured basis at an initial margin of 1.50% above LIBOR, expiring in May 2021. The margin increases based on the LTV of the subsidiaries to which the facility relates, up to 2.0% where the LTV is in excess of 50%. The facility is subject to a historical interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years. As at 31 March 2019, £30 million of this facility was drawn.
3. 10-year notes in the US private placement market for a total of £100 million. The notes are unsecured, have a fixed interest rate of 2.65% and were drawn on 13 October 2016. The facility is subject to a historical interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years.
4. £150 million of privately placed notes in two tranches with maturities of eight and 10 years drawn on 20 October 2017. The weighted average coupon is 3.04%. The facility is subject to a historical cost interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years.
5. 10-year senior unsecured bond of £300 million at a fixed rate of 3% maturing July 2028. The facility is subject to an interest cover requirement of at least 150%, maximum LTV of 65% and priority debt not exceeding 0.25:1. In accordance with pricing convention on the bond market, the coupon and quantum of the facility are set to round figures with the proceeds adjusted based on market rates on the day of pricing.

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

17. Share capital

	Number of shares 2019	Share capital 2019 £m	Number of shares 2018	Share capital 2018 £m
Ordinary Shares issued and fully paid				
At 1 April	2,383,122,112	238.3	1,655,040,993	165.5
Issued 19 April 2017 – scrip	–	–	1,514,247	0.2
Issued 23 June 2017	–	–	163,999,820	16.4
Issued 19 July 2017 – scrip	–	–	3,861,017	0.4
Issued 30 August 2017	–	–	3,226,687	0.3
Issued 18 October 2017 – scrip	–	–	3,061,389	0.3
Issued 6 December 2017	–	–	545,124,813	54.5
Issued 17 January 2018 – scrip	–	–	7,293,146	0.7
Issued 18 April 2018 – scrip	2,355,911	0.2	–	–
Issued 19 July 2018 – scrip	6,467,532	0.7	–	–
Issued 17 October 2018 – scrip	1,945,311	0.2	–	–
Issued 16 January 2019 – scrip	4,195,055	0.4	–	–
Issued 14 February 2019	285,874	–	–	–
At 31 March	2,398,371,795	239.8	2,383,122,112	238.3
Own shares held	–	–	–	–
Total share capital	2,398,371,795	239.8	2,383,122,112	238.3

The Ordinary Shares issued in April 2017, July 2017, October 2017, January 2018, April 2018, July 2018, October 2018 and January 2019 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, 3,226,687 Ordinary Shares were issued following employees exercising nil-cost options awarded under the Value Creation Plan, which was a long-term incentive plan that is now completed. Full details of amounts paid can be found in the 2018 accounts.

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

On 14 February 2019, 285,874 Ordinary Shares were issued as part consideration for the acquisition of a medical centre.

The merger reserve relates to the capital restructuring in January 2015 whereby Assura plc replaced Assura Group Limited as the top company in the Group and was accounted for under merger accounting principles.

Notes to the accounts continued

For the year ended 31 March 2019

18. Dividends paid on Ordinary Shares

Payment date	Pence per share	Number of Ordinary Shares	2019 £m	2018 £m
19 April 2017	0.60	1,656,555,240	–	9.9
19 July 2017	0.60	1,656,555,240	–	9.9
18 October 2017	0.60	1,827,642,764	–	11.0
17 January 2018	0.655	2,383,122,112	–	15.6
18 April 2018	0.655	2,383,122,112	15.6	–
18 July 2018	0.655	2,385,478,023	15.6	–
17 October 2018	0.655	2,391,945,555	15.7	–
16 January 2019	0.685	2,393,890,866	16.4	–
			63.3	46.4

The April dividend for 2019/20 of 0.685 pence per share was paid on 17 April 2019 and the July dividend for 2019/20 of 0.685 pence per share is currently planned to be paid on 17 July 2019 with a record date of 14 June 2019.

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

The October 2017 and October 2018 dividends were PIDs as defined under the REIT regime. Future dividends will be a mix of PID and normal dividends as required.

19. Share-based payments

As at 31 March 2019, the Group had one long-term incentive scheme in place – the Performance Share Plan (“PSP”). Further details in respect of the PSP can be found in the Remuneration Committee Report on pages 74 and 75.

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 2019, the Employee Benefit Trust did not hold any (2018: nil) Ordinary Shares of 10 pence each in Assura plc. The Trust remains in place to act as a vehicle for the issuance of new shares under the PSP.

Performance Share Plan

During the year, 1,836,919 nil-cost options were awarded to senior management under the PSP. Participants’ awards will vest if certain targets relating to TSR and growth in EPS are met, as detailed in the Remuneration Committee Report.

The following table illustrates the movement in options outstanding:

Options outstanding at 1 April 2018	2,060,085
Options issued during the year	1,836,919
Options outstanding at 31 March 2019	3,897,004

19. Share-based payments continued

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

	2019	2018
Expected share price volatility (%)	22	22
Risk free interest rate (%)	0.70	0.26–0.88
Expected life units (years)	3	3

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

The fair value of the awards granted in 2019 was £639,155 based on the market price at the date the units were granted. This cost is allocated over the vesting period. The cost allocation for all outstanding units in the period was a charge of £0.3 million (2018: £0.3 million).

20. Note to the consolidated cash flow statement

	2019 £m	2018 £m
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net profit before taxation	84.0	71.8
Adjustments for:		
Increase in debtors	(0.8)	(4.3)
Increase in creditors	8.7	3.8
Revaluation gain	(20.2)	(79.4)
Interest capitalised on developments	(0.5)	(0.7)
Loss on disposal of properties	–	0.3
Depreciation	0.2	–
Early repayment costs	–	56.4
Employee share-based incentive costs	0.3	0.2
Amortisation of loan issue costs	1.2	0.9
Write off of loan issue costs	–	0.9
Net cash inflow from operating activities	72.9	49.9

Notes to the accounts continued

For the year ended 31 March 2019

21. Deferred tax

Deferred tax consists of the following:

	2019 £m	2018 £m
At 1 April	0.5	0.5
Income statement movement	–	–
At 31 March	0.5	0.5

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

	2019 £m	2018 £m
Tax losses	212.8	214.0
Other timing differences	1.4	2.1
	214.2	216.1

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:

	2019 £m	2018 £m
Tax losses	36.2	36.4
Other temporary differences	0.2	0.4
	36.4	36.8

22. Derivatives and other financial instruments

The Group and subsidiaries (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 £25 million; however, this amount derives from all the tenants in the portfolio and such a scenario is hypothetical. The Group's credit risk is well spread across circa 1,100 tenants at any one time. Furthermore the bulk of the Group's property income derives from the NHS or is reimbursed by the NHS, which has an obligation to ensure that patients can be seen and treated and steps in when GPs are unable to practise, hence the risk of default is minimal.

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

22. Derivatives and other financial instruments continued

Liquidity risk

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

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

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining terms of up to 30 years and have a WAULT of 12.0 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:

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
31 March 2019						
Non-cancellable leases	–	25.5	76.5	408.5	841.0	1,351.5
Trade and other receivables	–	14.8	–	–	–	14.8
	–	40.3	76.5	408.5	841.0	1,366.3
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
31 March 2018						
Non-cancellable leases	–	22.5	67.5	357.3	767.8	1,215.1
Trade and other receivables	–	13.7	–	–	–	13.7
	–	36.2	67.5	357.3	767.8	1,228.8

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2019 and 31 March 2018 based on contractual undiscounted payments at the earliest date on which the Group can be required to pay.

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

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
Payables as at 31 March 2019						
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	–	5.5	27.5	204.3	597.5	834.8
Trade and other payables	–	31.6	6.1	0.3	2.5	40.5
Total financial liabilities	–	37.1	33.6	204.6	600.0	875.3
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
Payables as at 31 March 2018						
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	–	3.8	11.3	291.5	266.5	573.1
Trade and other payables	–	16.5	3.7	0.3	2.5	23.0
Total financial liabilities	–	20.3	15.0	291.8	269.0	596.1

Notes to the accounts continued

For the year ended 31 March 2019

22. Derivatives and other financial instruments continued

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and, as debt is utilised, long-term debt obligations. The Group's policy is to manage its interest cost using fixed rate debt, or by interest rate swaps, for the majority of loans and borrowings although the Group will accept some exposure to variable rates where deemed appropriate and restricted to one third of the loan book. Any swaps (there are none at March 2019) 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 2019 was as follows:

	Within 1 year £m	1 to 5 years £m	>5 years £m	Total £m
Floating rate asset				
Cash	18.3	–	–	18.3
Liabilities (fixed rate unless stated)				
Long-term loans:				
Revolving credit facility (variable rate)	–	(30.0)	–	(30.0)
Private placements	–	–	(250.0)	(250.0)
Secured bond	(11.0)	(99.0)	–	(110.0)
Unsecured bond	–	–	(300.0)	(300.0)
Payments due under finance leases	–	(0.3)	(2.5)	(2.8)

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

The Group has a revolving credit facility of £300 million which expires in 2021. Interest is charged at an initial rate of LIBOR plus 1.5%, subject to LTV.

On 3 October 2016, the Group agreed new 10-year notes in the US private placement market for a total of £100 million. The notes are unsecured and have a fixed interest rate of 2.65%.

On 20 October 2017, the Group agreed £150 million of privately placed notes in two tranches with maturities of eight and 10 years. The weighted average coupon is 3.04%.

On 12 July 2018, the Group agreed £300 million in a 10-year unsecured bond. The bond bears interest at 3.00%.

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2018 was as follows:

	Within 1 year £m	1 to 5 years £m	>5 years £m	Total £m
Floating rate asset				
Cash	28.7	–	–	28.7
Liabilities (fixed rate unless stated)				
Long-term loans:				
Revolving credit facility (variable rate)	–	(130.0)	–	(130.0)
Private placements	–	–	(250.0)	(250.0)
Bond	–	(110.0)	–	(110.0)
Payments due under finance leases	–	(0.3)	(2.5)	(2.8)

22. Derivatives and other financial instruments continued

Sensitivity analysis

The table below shows the book and fair value of financial instruments. As at 31 March 2019, 96% of debt drawn by the Group is subject to fixed interest rates. A 0.25% movement in interest rates would change profit by £0.1 million, based on the amount of variable rate debt drawn at the period end.

	Book value		Fair value	
	2019 £m	2018 £m	2019 £m	2018 £m
Long-term loans				
– fair value hierarchy Level 1	408.4	110.0	424.3	125.4
– fair value hierarchy Level 2	250.0	250.0	253.3	249.0
– Other	30.0	130.0	30.0	130.0
Cash	18.3	28.7	18.3	28.7
Payments due under finance leases	2.8	2.8	2.8	2.8

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. The fair value of long-term loans has been included by reference to either quoted prices in active markets (Level 1), calculated by reference to observable estimates of interest rates (Level 2), or book value is determined to be approximately equal to fair value for variable rate debt (other).

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 34% at 31 March 2019 (26% at 31 March 2018).

	2019 £m	2018 £m
Investment property	1,955.7	1,710.5
Investment property under construction	23.1	22.2
Held for sale	17.6	8.4
Total property	1,996.4	1,741.1
	2019 £m	2018 £m
Loans	683.3	486.3
Finance lease	2.8	2.8
Cash	(18.3)	(28.7)
Net debt	667.8	460.4
LTV	34%	26%

23. Commitments

At the year end the Group had 11 (2018: five) committed developments which were all on site with a contracted total expenditure of £48.7 million (2018: £23.6 million) of which £15.3 million (2018: £13.9 million) had been expended.

24. Related party transactions

Details of transactions during the year and outstanding balances at 31 March 2019 in respect of investments held are detailed in Note 9.

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

Company income statement

For the year ended 31 March 2019

	2019 £m	2018 £m
Revenue		
Dividends received from subsidiary companies	75.0	50.0
Group management charge	2.6	2.5
Total revenue	77.6	52.5
Administrative expenses	(2.9)	(3.1)
Share-based payment charge	(0.3)	(0.3)
Impairment of investment in subsidiary	(39.0)	(36.5)
Operating profit	35.4	12.6
Profit before taxation	35.4	12.6
Taxation	–	–
Profit attributable to equity holders	35.4	12.6

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 2019

	Note	2019 £m	2018 £m
Non-current assets			
Investments in subsidiary companies	B	297.0	336.0
		297.0	336.0
Current assets			
Cash and cash equivalents	C	0.1	0.3
Other receivables		0.1	0.1
Amounts owed by subsidiary companies	D	810.3	790.3
		810.5	790.7
Current liabilities			
Trade and other payables		(1.1)	(1.2)
		(1.1)	(1.2)
Net assets		1,106.4	1,125.5
Capital and reserves			
Share capital	17	239.8	238.3
Share premium		587.4	580.4
Merger reserve	B	108.2	147.2
Retained earnings		171.0	159.6
Total equity		1,106.4	1,125.5

The financial statements were approved at a meeting of the Board of Directors held on 20 May 2019 and signed on its behalf by:

Jonathan Murphy
CEO

Jayne Cottam
CFO

Company registered number: 9349441

Company statement of changes in equity

For the year ended 31 March 2019

	Note	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
1 April 2017		165.5	246.1	183.7	157.0	752.3
Profit attributable to equity holders		–	–	–	12.6	12.6
Total comprehensive income		–	–	–	12.6	12.6
Merger reserve release		–	–	(36.5)	36.5	–
Issue of Ordinary Shares	17	70.9	338.2	–	–	409.1
Issue costs		–	(12.0)	–	–	(12.0)
Dividends	18	1.6	8.1	–	(46.4)	(36.7)
Employee share-based incentives		0.3	–	–	(0.1)	0.2
31 March 2018		238.3	580.4	147.2	159.6	1,125.5
Profit attributable to equity holders		–	–	–	35.4	35.4
Total comprehensive income		–	–	–	35.4	35.4
Merger reserve release	13	–	–	(39.0)	39.0	–
Issue of Ordinary Shares	17	–	0.2	–	–	0.2
Dividends	18	1.5	6.8	–	(63.3)	(55.0)
Employee share-based incentives		–	–	–	0.3	0.3
31 March 2019		239.8	587.4	108.2	171.0	1,106.4

Company cash flow statement

For the year ended 31 March 2019

	Note	2019 £m	2018 £m
Operating activities			
Charges received from subsidiaries		2.6	2.5
Amounts paid to suppliers and employees		(2.8)	(2.0)
Net cash (outflow)/inflow from operating activities		(0.2)	0.5
Investing activities			
Net balances received/(advanced) to subsidiaries		55.0	(360.6)
Net cash inflow/(outflow) from investing activities		55.0	(360.6)
Financing activities			
Issue of Ordinary Shares		–	409.1
Issue costs paid on issuance of Ordinary Shares		–	(12.0)
Dividends paid		(55.0)	(36.7)
Net cash (outflow)/inflow from financing activities		(55.0)	360.4
(Decrease)/increase in cash and cash equivalents		(0.2)	0.3
Cash and cash equivalents at start of period		0.3	–
Cash and cash equivalents at end of period	C	0.1	0.3

Notes to the Company accounts

For the year ended 31 March 2019

A. Accounting policies and corporate information

The accounts of the Company are separate to those of the Group.

The accounting policies of the Company are consistent with those of the Group which can be found in Note 2 to the Group accounts.

The auditor's remuneration for audit and other services is disclosed in Note 4 to the Group accounts. Disclosure of each Director's remuneration, share interests, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those specified for audit by the Listing Rules of the Financial Conduct Authority are shown in the Remuneration Report on pages 72 to 77 and form part of these accounts.

B. Investments in subsidiary companies

	2019 £m	2018 £m
Cost	484.2	484.2
Provision for diminution in value	(187.2)	(148.2)
	297.0	336.0

Details of all subsidiaries as at 31 March 2019 are shown in Note 9 to the Group accounts.

The Company directly holds investments in Assura Group Limited and Assura IH Limited, which are both intermediate holding companies for the property owning subsidiaries in the Assura plc group.

During the period the Company received a dividend of £50 million (2018: £50 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 £39.0 million (2018: £36.5 million) was recorded, which was determined by reference to the net assets of subsidiaries which is considered to be equivalent to the fair value less costs to sell. The net assets are driven by the investment property valuations, in addition to intragroup dividends, and sensitivities in respect of property valuations and appropriate Level 3 unobservable input disclosures are provided in Note 10 to the Group accounts. A corresponding amount has been transferred from the merger reserve to retained earnings which is considered distributable.

C. Cash and cash equivalents

	2019 £m	2018 £m
Cash held in current account	0.1	0.3

D. Amounts owed by subsidiary companies – current

	2019 £m	2018 £m
Amounts owed by Group undertakings	810.3	790.3

The above amounts are unsecured, non-interest bearing and repayable upon demand.

The recoverable amount of amounts 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 amount 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 2019	2.6	75.0	810.3	–
31 March 2018	2.5	50.0	790.3	–

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 £1.1 million at 31 March 2019 (31 March 2018: £1.2 million).

There are no differences between the book value of cash and trade payables, nor is there any meaningful interest rate sensitivity.

Medical centres valued over £10 million

Building official name	Town	Build date	Sq.m	List size	NHS rent %
Ashfields Health Centre	Sandbach	2004	2,759	25,384	88%
Aspen Centre	Gloucester	2014	3,481	29,689	83%
Birkenhead Medical Building	Birkenhead	2010	2,636	16,327	92%
Bonnyrigg Medical Centre	Bonnyrigg	2005	4,083	22,168	97%
Church View Medical Centre	South Kirkby	2013	2,812	14,447	90%
Church View Primary Care Centre	Nantwich	2008	3,271	24,234	88%
Crompton Health Centre	Bolton	2007	2,964	12,440	86%
Dene Drive Primary Care Centre	Winsford	2007	2,793	24,361	87%
Dickson House	Basingstoke	2007	2,316	37,596	66%
Durham Diagnostic Treatment Centre	Durham	2018	2,069	–	100%
Eagle Bridge Health and Wellbeing Centre	Crewe	2007	6,809	56,979	90%
Fleetwood Health and Wellbeing Centre	Fleetwood	2012	5,204	11,911	91%
Freshney Green Primary Care Centre	Grimsby	2009	7,170	27,904	85%
Frome Medical Centre	Frome	2012	4,062	29,125	83%
Hall Green Health Centre	Birmingham	2003	2,409	25,424	86%
Heysham Primary Care Centre	Heysham	2012	3,077	59,968	93%
Malmesbury Primary Care Centre	Malmesbury	2008	3,205	15,840	90%
Market Drayton Primary Care Centre	Market Drayton	2005	3,589	17,545	90%
Moor Park Medical Centre	Blackpool	2011	4,964	28,852	94%
Northgate Health Centre	Bridgnorth	2007	3,589	16,466	90%
North Ormesby Health Village	North Ormesby	2005	7,652	22,384	66%
One Life Building	Middlesbrough	2005	3,327	10,148	94%
Parkshot Medical Centre	Richmond	2014	1,221	12,753	100%
Severn Fields Health Village	Shrewsbury	2012	6,003	17,008	94%
South Bar House	Banbury	2009	3,691	33,253	89%
St Annes Health Centre	Lytham St Annes	2009	3,393	12,478	96%
Stratford Healthcare Centre	Stratford-upon-Avon	2006	5,988	18,215	98%
Sudbury Community Health Centre	Sudbury	2014	2,937	10,061	100%
Tees Valley Treatment Centre	Middlesbrough	2018	4,389	–	n/a
The Montefiore Medical Centre	Ramsgate	2006	2,632	27,698	85%
The Surgery @ Wheatbridge	Chesterfield	2008	2,943	15,269	83%
Todmorden Medical Centre	Todmorden	2008	4,166	13,520	91%
Turnpike House Medical Centre	Worcester	2006	4,132	28,542	91%
Waters Green Medical Centre	Macclesfield	2006	6,018	61,450	93%

Portfolio statistics

Portfolio statistics	Number	Rent (£m)	WAULT (years)	Total floor area (m2)	Value	<£1m	£1-5m	£5-10m	>£10m
North East	124	23.9	12.7	125,369	440.2	9.3	207.8	100.2	122.9
Midlands	85	17.6	13.1	97,938	350.4	9.4	136.8	102.3	101.9
North West	58	15.8	12.5	81,751	317.1	10.0	68.2	33.1	205.8
South East	105	17.0	9.0	88,402	309.2	13.8	160.1	89.5	45.9
London	62	10.4	11.5	47,245	204.4	3.8	120.6	56.5	23.6
South West	49	7.8	13.0	48,953	148.8	9.3	60.3	36.2	43.0
Wales	57	7.2	12.0	48,872	135.8	8.6	77.0	50.2	–
Scotland	23	3.0	11.6	18,537	54.6	3.6	29.0	6.1	16.0
563	102.7	12.0	557,067	1,960.5	67.8	859.7	474.1	558.9	

AGM is Annual General Meeting.

Average Debt Maturity is each tranche of Group debt multiplied by the remaining period to its maturity and the result divided by total Group debt in issue at the year end.

Average Interest Rate is the Group loan interest and derivative costs per annum at the year end, divided by total Group debt in issue at the year end.

BMA is the British Medical Association.

British Property Federation is the membership organisation, and the voice, of the UK real estate industry.

Building Research Establishment Environmental Assessment Method ("BREEAM") assesses the sustainability of buildings against a range of criteria.

Clinical Commissioning Groups ("CCGs") are the groups of GPs and other healthcare professionals that took over commissioning of primary and secondary healthcare from PCTs in England with effect 1 April 2013.

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

Company is Assura plc.

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. It provides professional property advice across the public sector and in respect of primary healthcare represents NHS bodies on matters of valuation, rent reviews and initial rents on new developments.

Earnings per Ordinary Share from Continuing Operations ("EPS") is the profit attributable to equity holders of the parent divided by the weighted average number of shares in issue during the period.

European Public Real Estate Association ("EPRA") is the industry body for European REITs. EPRA is a registered trade mark of the European Public Real Estate Association.

EPRA Net Asset Value ("EPRA NAV") is the balance sheet net assets excluding own shares held, mark to market derivative financial instruments (including associates) and deferred taxation.

EPRA NNAV is the EPRA NAV adjusted to reflect the fair value of debt and derivatives.

Equivalent Yield is a weighted average of the Net Initial Yield and Reversionary Yield and represents the return a property will produce based upon the timing of the income received. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent assumes rents are received annually in arrears.

Estimated Rental Value ("ERV") is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

GMS is General Medical Services.

Gross Rental Income is the gross accounting rent receivable.

Group is Assura plc and its subsidiaries.

IFRS is International Financial Reporting Standards as adopted by the European Union.

Integrated Care Systems ("ICSs") are collaborations, evolved from STPs, where NHS organisations work with local councils and others to take collective responsibility for managing resources, delivering NHS standards, and improving the health of the population they serve.

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

Interest Rate Swap is a contract to exchange fixed payments for floating payments linked to an interest rate, and is generally used to manage exposure to fluctuations in interest rates.

KPI is a Key Performance Indicator.

Like-for-like represents amounts calculated based on properties owned at the previous year end.

Loan to Value ("LTV") is the ratio of net debt to the total value of property assets. See calculation in Note 22.

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

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

MSCI provides performance analysis for most types of real estate and produces an independent benchmark of property returns.

MSCI All Healthcare Index is MSCI's UK Annual Healthcare Property Index.

MSCI 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 MSCI.

NAV is Net Asset Value.

Net Initial Yield ("NIY") is the annualised rents generated by an asset, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the asset valuation (after notional purchasers' costs). Development properties are not included.

Net Rental Income is the rental income receivable in the period after payment of direct property costs. Net rental income is quoted on an accounting basis.

New Code is the UK Corporate Governance Code 2018, a full copy of which is available on the website of the Financial Reporting Council.

NHS Property Services Limited ("NHS PropCo") is the company, wholly owned and funded by the Department of Health, which, as of 1 April 2013, has taken on all property obligations formerly borne by the Primary Care Trusts.

Primary Care Property is the property occupied by health services providers who act as the principal point of consultation for patients such as GP practices, dental practices, community pharmacies and high street optometrists.

Property Income Distribution ("PID") is the required distribution of income as dividends under the REIT regime. It is calculated as 90% of exempted net income.

PSP is Performance Share Plan.

Real Estate Investment Trust (“REIT”) is a listed property company which qualifies for and has elected into a tax regime which exempts qualifying UK profits, arising from property rental income and gains on investment property disposals, from corporation tax, but requires the distribution of a PID.

Rent Reviews take place at intervals agreed in the lease (typically every three years) and their purpose is usually to adjust the rent to the current market level at the review date.

Rent Roll is the passing rent being the total of all the contracted rents reserved under the leases.

Retail Price Index (“RPI”) is an official measure of the general level of inflation as reflected in the retail price of a basket of goods and services such as energy, food, petrol, housing, household goods, travelling fares, etc. RPI is commonly computed on a monthly and annual basis.

Reversionary Yield is the anticipated yield which the initial yield will rise to once the rent reaches the ERV and when the property is fully let. It is calculated by dividing the ERV by the valuation.

RPI Linked Leases are those leases which have rent reviews which are linked to changes in the RPI.

Sustainability and Transformation Partnerships (“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 contracted rent roll is the total amount of rent to be received over the remaining term of leases currently contracted.

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. The share price at 31 March 2019 was 57.4 pence (2018: 59.3 pence).

VCP is Value Creation Plan.

Weighted Average Unexpired Lease Term (“WAULT”) is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income.

Yield on cost is the estimated annual rent of a completed development divided by the total cost of development including site value and finance costs expressed as a percentage return.

Yield shift is a movement (usually expressed in basis points) in the yield of a property asset or like-for-like portfolio over a given period. Yield compression is a commonly used term for a reduction in yields.

Corporate information

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Bankers:	Barclays Bank plc
	HSBC plc
	Lloyds Bank plc
	Santander UK plc

Forward-looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond Assura's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Assura does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

Notes

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