Registered number: 10023274

# ASSURA FINANCING PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

WEDNESDAY
*A9DQ6XWZ*
A19 16/09/2020 #255
COMPANIES HOUSE

# ASSURA FINANCING PLC

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Orla Ball<br>Jonathan Murphy<br>Jayne Cottam |
| **Registered number** | 10023274 |
| **Registered office** | The Brew House<br>Greenalls Avenue<br>Warrington<br>WA4 6HL |
| **Independent auditor** | Deloitte LLP<br>Statutory Auditor<br>2 Hardman Street<br>Manchester<br>United Kingdom |

ASSURA FINANCING PLC

## CONTENTS


| | Page |
|---|---|
| **Strategic Report** | 1 – 4 |
| **Directors' Report** | 5 – 7 |
| **Independent Auditor's Report** | 8 – 15 |
| **Consolidated Statement of Comprehensive Income** | 16 |
| **Consolidated Balance Sheet** | 17 |
| **Company Balance Sheet** | 17 |
| **Consolidated Statement of Changes in Equity** | 19 |
| **Company Statement of Changes in Equity** | 20 |
| **Consolidated Statement of Cash Flows** | 21 – 22 |
| **Notes to the Financial Statements** | 22 – 37 |

# STRATEGIC REPORT
# FOR THE YEAR ENDED 31 MARCH 2020

## Introduction

The directors present their strategic report for year ended 31 March 2020.

## Business review

In the year to 31 March 2020, the Assura Financing plc Group (The Group) recorded profit of £68.8m (2019: £75.3m) which included property revaluation gains of £7.7m (2019: £18.9m). Turnover for the year to 31 March 2020 increased to £92.9m (2019: £83.7m) as a result of portfolio additions contributing more to passing rent roll than the disposals removed, leading to an operating profit of £89.6m (2019: £92.3m) including revaluation gains. Interest cost in the year to 31 March 2020 was £20.7m (2019: £17.0m).

The Group currently owns 522 (2019: 520) medical centres with a value of £1,901.5m (2019: £1,765.5m) and a passing rent roll of £95.4m (2019: £89.6m). The Group grows its portfolio through acquisitions of completed medical centres, developing its own medical centres, forward funding other developer's medical centres or jointly developing facilities with other developers. Net assets at 31 March 2020 total £279.9m (2019: £247.1m).

During the year, a subsidiary of the Group acquired the pipeline and team of primary care developer GPI. The acquisition added four experienced development surveyors to our team (albeit they are employed by an Assura entity not in the Assura Financing plc structure) and an initial £92m to our immediate and extended development pipeline.

All of these activities are undertaken for long-term retention of the properties by the Group. The Group's policy is to only undertake medical centre developments that are substantially pre-let with fixed price build contracts or those subject to a price ceiling and funding agreement in advance and where the Board is confident of achieving regular development gains going forward.

In respect of the COVID-19 outbreak, a number of mitigating business operation actions were taken by the Group, full details of which can be found in the Assura plc Group financial statements for the year ended 31 March 2020. Demand for large modern, purpose built premises has been driven by the move from secondary (hospitals) care to primary and community care as encouraged by Government policy over recent years; and remains strong despite the COVID-19 outbreak.

Assura Financing plc (the company) acts as solely a holding company. The financial position of the company is shown in the statement of changes in equity and the balance sheet.

## Internal controls and risk management

The Board accepts and acknowledges that it is both accountable and responsible for ensuring that the Company 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.

The Board regularly reviews all of the major existing risks; and newly identified risks, and the mitigation action for each major review.

## Price risk

Price risk arises on rental values because of changes in property market prices. Valuations and yields are regularly benchmarked against comparable portfolios.

**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 incur additional costs, including legal expenses in maintaining, insuring and re-letting the property. The Groups credit risk is well spread across its 522 properties and most property is let on a long lease basis to NHS backed tenants and hence the risk of default is minimal.

**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 desirable properties that are let to GPs and NHS Property Services and ensuring that available borrowing facilities include adequate headroom and maturity dates that are spread rather than clustered. 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 diversity of its property portfolio. To counteract this risk a letter of support has been obtained from Assura plc given that the group financing is managed centrally.

The Group manages its liquidity risk by ensuring that it has a spread of sources and maturities. The current £300 million revolving credit facility is due to mature in May 2021 and post year end the term has been extended to November 2024.

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 11.7 years.

**Cash flow risk**

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest repayments on any variable rate debt. The majority of the Groups' long-term facilities are at fixed rates of interest. See note 16 to the accounts for more details.

**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 obligation. The Group's policy is to manage its interest cost using long-term debt and regularly monitoring and managing its refinancing profile and cash requirements. Where possible the Group chooses to take fixed interest rates and as a result the majority of the Group's long-term facilities are at fixed rates of interest.

At 31 March 2020, 90% of the debt drawn by the Group is subject to fixed interest rates. A 0.25% movement in interest rates (deemed a reasonable approximation of possible changes in interest rates) would cause profit to increase/decrease by £0.2m (2019: £0.1m), based on the amount of variable debt drawn at the period end.

**Principal activity**

The principal activity of the Company is a holding company of subsidiaries that act as property development and property development companies, investing in medical centres in the UK. The holding company is the primary borrower of the unsecured bond, revolving credit facility and private placement facilities which are unsecured facilities drawn against the value of properties in subsidiaries.

**S172 Statement**

The Board is required to understand the views of the Group's key stakeholders and describe in the annual report how their interests and the matters set out in s172 of the Companies Act 2006 have been considered in Board discussions and decision making. The Board considers that throughout the year, it has acted in a way and made decisions that would most likely promote the success of the Group for the benefit of its members as a whole, with particular regard to:

| S172 factor | How factor is brought into Board decision making |
|---|---|
| a) the likely consequences of any decision in the long term | The very nature of what we do makes it necessary for us to consider all decisions for the long term.<br><br>We adopt a long-term approach to holding our assets – the average length of our leases is 21 years. Our investment decisions consider how crucial an asset is to the local health economy for the long term, our developments are designed to incorporate future proof technology and we seek to improve and enhance existing assets so they remain fit for purpose.<br><br>We strive to build lasting relationships with our occupiers and work hard to safeguard employee retention.<br><br>We maintain a conservative funding structure and our dividend policy is based on paying out a proportion of recurring earnings. |
| b) the interests of the Company's employees | N/A the Company has no employees |
| c) the need to foster the Company's business relationships with suppliers, customers and others | The Board factors stakeholders in all our decisions and follows the strategy implemented by the Assura plc Group more details of which can be found in the Groups financial statements. |
| d) the impact of the Company's operations on the community and the environment | As a member of the Assura plc Group, Assura Financing plc, is committed to the Groups social impact strategy where the Group has committed to meeting six pledges by 2026 to maximise our contribution to society and minimise our impact on the environment. Further details can be obtained from the Assura plc Group financial statements. |
| e) the desirability of the Company maintaining a reputation for high standards of business conduct | We have a clear purpose to create outstanding spaces for health services in our communities through our values of innovation, expertise being genuine, collaboration and passion.<br><br>We believe good governance is key to the way we run our business and we comply with all legal and regulatory standards.<br><br>We maintain high standards for health and safety, and we treat our suppliers fairly. |
| f) the need to act fairly as between members of the Company | N/A This is a wholly owned group. The ultimate controlling party of Assura Financing plc is Assura plc who effectively manages the relationship between members of the company. |

## STRATEGIC REPORT
## FOR THE YEAR ENDED 31 MARCH 2020

### Key performance indicators

The Directors discharge their responsibilities to manage the properties owned by the Company alongside the other property owning, wholly-owned subsidiaries of Assura plc. The following are the KPIs of the company which is managed as part of the overall Group, with the overall Group KPIs also provided:

| | Assura plc Group | | Assura Financing plc | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Weighted average unexpired lease term | 11.7 years | 12 years | 12 years | 12.4 years |
| Rent roll derived from NHS bodies | 85% | 85% | 86% | 87% |

Weighted average unexpired lease term ("WAULT") provides a measure of the average time remaining on the leases currently in place in the portfolio. The passage of time would see this figure reduce each year. However, through portfolio additions and asset enhancement activities, this natural decline has been offset such that the WAULT has only decreased by 0.4 years (Assura Group plc 0.3 years).

The proportion of the rent roll that is paid directly by GP's or NHS bodies provides an indication of the security the rental income stream. The figure has remained virtually static at 86% (2019: 87%), reflecting that portfolio additions have a tenant mix that is consistent with the existing portfolio.

### Engagement with customers

We engage with our customers through regular communication, whether that's the one-to-one service of our portfolio, investment and development managers or via our occupier ezine, annual occupier survey, online maintenance portal or instant feedback links. We also maintain relationships with sector bodies such as the British Medical Association and the National Association of Primary Care (NAPC) and chair the British Property Federation's Healthcare Committee.

### Results and financial position

The results for the year ended 31 March 2020 and the financial position of the group are shown in the statement of comprehensive income and the balance sheet.

This report was approved by the board on 9 September 2020 and signed on its behalf.

**Jayne Cottam**
Director

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated 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 have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 the Group and to 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 the Group 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.

**Results and dividends**

The Group profit for the year, after taxation, amounted to £68,832,758 *(2019: £75,276,747).*

The Company profit for the year, after taxation, amounted to £36,051,851 *(2019: £25,065,461).*

The directors have declared a dividend for the year ended 31 March 2020 of £36.0m which was paid to the parent company, Assura IH Ltd (2019: £25.0m). This was following the receipt of £36.0m of dividends from subsidiaries. No further dividends have been proposed.

**Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 MARCH 2020

## Directors

The directors who served during the year and thereafter were:

Orla Ball
Jayne Cottam
Jonathan Murphy

## Future developments

The directors aim to continue to expand and develop the company's portfolio of letting properties to the National Health Service.

## Post balance sheet events

On 20 May 2020, the term on the revolving credit facility was extended to November 2024. From May 2021, the facility will reduce to £225 million.

## Going concern

After making enquiries, and on the basis set out in note 1, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. The Group's properties are substantially let with rent paid or reimbursed by the NHS and, in addition to the external committed borrowing facilities available, it is also supported by the Assura plc Group. In reaching its conclusion, the Directors have considered the specific impact in respect of Brexit and Covid-19, neither of which, in themselves, are considered significant risks to the business based on the current position. Although the Group has a net current liability position, the majority of the liabilities are amounts owed to the immediate parent company and the Company has the continued support of the Assura plc Group. The directors continue to monitor these, and any other emerging risks, as appropriate. 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.

## Matters covered in the Strategic Report

The information that fulfils the requirements of the directors report can be found in the Strategic Report on pages 1 to 4, which are incorporated in this report by reference.

## Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

**Auditor**

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 September 2020 and signed on its behalf.

**Jayne Cottam**
Director

**ASSURA FINANCING PLC**

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF ASSURA FINANCING PLC**

# Report on the audit of the financial statements

## Opinion

In our opinion the financial statements of Assura Financing 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 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of total comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

## 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF ASSURA FINANCING PLC**

## Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matter that we identified in the current year was:<br>• Valuation of completed investment property (excluding properties under development).<br>Within this report, key audit matters are identified as follows: |
| | Similar level of risk |
| **Materiality** | The materiality applied in the current year was £5.5 million which was determined on the basis of 2% of net assets. |
| **Scoping** | The Group audit team performed full scope audit procedures giving a coverage of 100% of the Group's profit and net assets. |
| **Significant changes in our approach** | There were no significant changes in our approach in the current year. |

## Conclusions relating to going concern

| | |
|---|---|
| We are required by ISAs (UK) to report in respect of the following matters where:<br>• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or<br>• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. | We have nothing to report 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 completed investment property excluding properties under development**

| | |
|---|---|
| **Key audit matter description** | The Group owns and manages a portfolio of 522 (2019: 570) modern primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £1,902 million as at 31 March 2020 (2019: £1,766 million) and comprises the majority of the assets in the Group balance sheet.<br><br>The Group uses professionally qualified external Valuers, (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.<br><br>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.<br><br>The estimation of yields and ERVs in the property valuation is a significant judgement area, underpinned by a number of assumptions relating to the size and location of the property as well as certain attributes of the lease. Given the high level of judgement involved, we determined that there was a potential for fraud through possible manipulation of these key inputs to the valuation. The inherent subjectivity in relation to estimation of yields and ERVs, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement on the Statement of Comprehensive Income and the Statement of Financial Position, warrants specific audit focus in this area.<br><br>Valuation of property represents a key source of estimation uncertainty for the Group, as described in the Group's accounting policies in note 3 to the financial statements. Further details are disclosed in note 10 to the financial statements. The evaluation and impacts of COVID-19 and the valuations being reported on the basis of 'material valuation uncertainty', including the impacts upon sensitivities of future sources of estimation uncertainty, are described in the respective sections as referenced. |
| **How the scope of our audit responded to the key audit matter** | Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions, and the technicalities of a valuation methodology, we involved our internal valuation specialists (qualified chartered surveyors) in addressing the key audit matter.<br><br>We obtained an understanding of the relevant controls over the valuation process, including assessing 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. |

| | |
|---|---|
| | We read the valuation reports for all properties and attended meetings with each of the Valuers. We assessed whether the valuation approach for each was in accordance with RICS guidance and suitable for use in determining the carrying value in the Group balance sheet. We also obtained explanations from the Valuers and management, relating to specific considerations regarding to the COVID-19 pandemic, and any events subsequent to 31 March 2020 of relevance to the market and associated valuation trends.<br><br>We assessed the competence, capabilities and objectivity of the external Valuers 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 on their work.<br><br>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.<br><br>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. 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 and impacts upon the valuations.<br><br>We specifically evaluated and challenged, taking into account the nature of the industry in which the Group operates and wider market trends observed, management's and the Valuers' conclusions in respect of the valuations at the valuation date in reference to the COVID-19 pandemic and the valuations being reported on the basis of 'material valuation uncertainty'.<br><br>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, including the impact of the COVID-19 pandemic. |
| **Key observations** | We found that the valuations and their underlying assumptions were supportable in light of available and comparable market evidence. We found the disclosures included within the financial statements were appropriate. |

# Our application of materiality

**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** | £5.5m million (2019: £4.9 million) | £1.78 million (2019: £1.78 million) |
| **Basis for determining materiality** | 2% (2019: 2%) of net assets | The parent company materiality represents 2% (2019: 2%) of net assets which is capped at 90% (2019: 90%) of 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 arriving at this judgement we had regard to the carrying value of the company's assets, acknowledging that the primary performance measure of the company is the carrying value of investment property. |

**Performance materiality**

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered factors including our risk assessment, our assessment of the Group's overall control environment, and our past experience of the audit, which has indicated a low number of uncorrected and corrected misstatements identified in prior periods.

**Error reporting threshold**

We agreed with the directors that we would report to them on all audit differences in excess of £275,000 (2019: £245,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors 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.

Audit work to respond to the risks of material misstatement was performed directly by the group engagement 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 £0.06 million and £2.9 million (2019: £0.05 million and £4.4 million). This results in full scope audit procedures performed on 100% (2019: 100%) of the Group's profit and net assets. At the Group 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 specified audit procedures.

# Other information

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

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

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

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

We have nothing to report in respect of these matters.

# 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.

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.

# Report on other legal and regulatory requirements

# Opinions on other matters prescribed by the Companies Act 2006

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

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

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

# Matters on which we are required to report by exception

**Adequacy of explanations received and accounting records**

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

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

We have nothing to report in respect of these matters.

**Directors' remuneration**

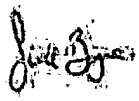
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF ASSURA FINANCING PLC**

# 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.



**Scott Bayne, FCA (senior statutory auditor)**
**For and on behalf of Deloitte LLP**
Statutory Auditor
Manchester, United Kingdom
9 September 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2020

| | Note | 2020 £ | *2019 £* |
|---|---|---|---|
| Turnover | 2.4 | **92,929,754** | 83,716,307 |
| Cost of sales | | **(3,193,696)** | (3,245,024) |
| **Gross profit** | | **89,736,058** | 80,471,283 |
| Administrative expenses | | **(9,004,206)** | (7,069,160) |
| Revaluation gain | 10 | **7,739,178** | 18,946,687 |
| Profit / (loss) on sale of investment properties | | **1,099,433** | (48,995) |
| **Operating profit** | | **89,570,463** | 92,299,815 |
| Finance cost - net | 6 | **(20,737,704)** | (17,023,068) |
| **Profit before taxation** | | **68,832,759** | 75,276,747 |
| Tax on profit | 7 | **-** | - |
| **Profit for the financial year** | | **68,832,759** | 75,276,747 |

All income is from continuing operations. The company has no recognised income or expenses for the years stated above. Accordingly, no separate statement of comprehensive income has been prepared.

ASSURA FINANCING PLC
REGISTERED NUMBER: 10023274

## CONSOLIDATED BALANCE SHEET
## AS AT 31 MARCH 2020

| | Note | | 2020 £ | | *2019 restated £* |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investment property | 10 | | **1,901,476,844** | | 1;765,522,002 |
| Property costs work in progress | 11 | | **11,296,446** | | - |
| | | | **1,912,773,290** | | 1,765,522,002 |
| **Current assets** | | | | | |
| Property costs work in progress | 11 | - | | **1,039,677** | |
| Debtors | 12 | **14,513,955** | | **11,214,862** | |
| Cash at bank and in hand | 13 | **14,024,077** | | **15,141,932** | |
| | | **28,538,032** | | 27,396,471 | |
| Creditors: amounts falling due in one year | 14 | **(924,938,273)** | | (966,920,677) | |
| Net current liabilities | | | **(896,400,241)** | | (939,524,206) |
| **Total assets less current liabilities** | | | **1,016,373,049** | | 825,997,796 |
| **Creditors: amounts falling due after more than one year** | 15 | | **(736,437,794)** | | **(578,895,300)** |
| Net assets | | | **279,935,255** | | 247,102,496 |
| **Capital and reserves** | | | | | |
| **Called up share capital** | 18 | | **87,489,373** | | **87,489,37** |
| Profit and loss account | | | **192,445,882** | | **159,613,123** |
| **Total shareholder funds** | | | **279,935,255** | | 247,102,496 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 September 2020

Jayne Cottam

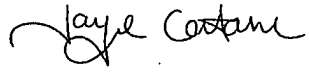
**Jayne Cottam**
Director
The notes on pages 23 to 37 form part of these financial statements.

ASSURA FINANCING PLC
REGISTERED NUMBER: 10023274

## COMPANY BALANCE SHEET
## AS AT 31 MARCH 2020

| | Note | | 2020 £ | | 2019 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | 9 | | **327,932,081** | | 327,932,081 |
| | | | **327,932,081** | | 327,932,081 |
| **Current assets** | | | | | |
| Debtors | 12 | **1,368,223,315** | | 1,241,473,197 | |
| Cash at bank and in hand | 13 | **721,061** | | 8,206,208 | |
| | | **1,368,944,376** | | 1,249,679,405 | |
| Creditors: amounts falling due within one year | 14 | **(875,884,091)** | | (914,672,925) | |
| **Net current assets** | | | **493,060,285** | | 335,006,480 |
| **Total assets less current liabilities** | | | **820,992,366** | | 662,938,561 |
| Creditors: amounts falling due after more than one year | 15 | | **(731,780,366)** | | (573,778,412) |
| **Net assets** | | | **89,212,000** | | 89,160,149 |
| **Capital and reserves** | | | | | |
| Called up share capital | 18 | | **87,489,373** | | 87,489,373 |
| Profit and loss account | | | **1,722,627** | | 1,670,776 |
| **Total shareholder funds** | | | **89,212,000** | | 89,160,149 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 September 2020



**Jayne Cottam**
Director

The profit for the financial period dealt with in the financial statements of the parent Company was £36,051,851 (2019: £25,065,461).

ASSURA FINANCING PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2020

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| **At 1 April 2018** | 87,489,373 | 109,336,376 | 196,825,749 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 75,276,747 | 75,276,747 |
| **Total comprehensive income for the year** | | 75,276,747 | 75,276,747 |
| Dividends paid | - | (25,000,000) | (25,000,000) |
| **At 31 March 2019** | 87,489,373 | 159,613,123 | 247,102,496 |
| **At 1 April 2019** | 87,489,373 | 159,613,123 | 247,102,496 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 68,832,759 | 68,832,759 |
| **Total comprehensive income for the year** | - | 68,832,759 | 68,832,759 |
| Dividends paid | - | (36,000,000) | (36,000,000) |
| **At 31 March 2020** | 87,489,373 | 192,445,882 | 279,935,255 |

ASSURA FINANCING PLC

## COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2020

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| **At 1 April 2018** | 87,489,373 | 1,605,315 | 89,094,688 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 25,065,461 | 25,065,461 |
| **Total comprehensive income for the year** | | 25,062,461 | 25,065,461 |
| Dividends paid | - | (25,000,000) | (25,000,000) |
| **At 31 March 2018** | 87,489,373 | 1,670,776 | 89,160,149 |
| **At 1 April 2019** | 87,489,373 | 1,670,776 | 89,160,149 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 36,051,851 | 36,051,851 |
| **Total comprehensive income for the year** | | 36,051,851 | 36,051,851 |
| Dividends paid | - | (36,000,000) | (36,000,000) |
| **At 31 March 2020** | 87,489,373 | 1,722,627 | 89,212,000 |

ASSURA FINANCING PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2020

| | 2020<br>£ | *2019*<br>*£* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial year | **68,832,759** | 75,276,747 |
| **Adjustments for:** | | |
| Amortisation of loan issue costs | **1,106,813** | 996,046 |
| Surplus on revaluation of investment property | **(7,739,178)** | (18,946,687) |
| Interest capitalised on developments | **(902,386)** | (473,003) |
| Profit on disposal of properties | **(1,099,433)** | - |
| **Operating cash flow before movements in working capital** | **60,198,575** | 56,853,103 |
| Increase in debtors | **(3,299,093)** | (1,276,553) |
| Decrease in creditors | **(72,621,523)** | (124,715,676) |
| **Net cash used in operating activities** | **(15,722,041)** | (69,139,126) |
| **Cash flows from investing activities** | | |
| Proceeds from sale of investment property | **15,028,585** | 6,482,000 |
| Purchase of investment properties | **(109,655,718)** | (125,116,156) |
| Development expenditure | **(47,663,822)** | (18,326,014) |
| **Net cash used in investing activities** | **(142,290,955)** | (136,960,170) |
| **Cash flows from financing activities** | | |
| Repayment of loans | **-** | (130,000,000) |
| Long term loans drawn | **157,000,000** | 328,367,136 |
| Loan issue costs | **(104,859)** | (2,598,642) |
| **Net cash generated from financing activities** | **156,895,141** | 195,768,494 |

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2020

| | | |
|---|---|---|
| Net decrease in cash and cash equivalents | **(1,117,855)** | (10,330,802) |
| *Cash and cash equivalents at beginning of year* | **15,141,932** | 25,472,734 |
| **Cash and cash equivalents at the end of year** | **14,024,077** | 15,141,932 |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | **14,024,077** | 15,141,932 |
| | **14,024,077** | 15,141,932 |

## 1. Going concern

The directors have received confirmation that Assura plc ("Assura"), the company's holding company, will continue to provide the necessary level of support to enable it to continue to operate for the foreseeable future. As stated in the Directors' Report, in considering the ability of Assura to provide any necessary support in the context of the uncertainties it faces as a result of the current economic climate including the impact of COVID 19 and Brexit, the directors have obtained an up to date understanding of Assura's forecasts, the continuing availability of its facilities and its strategic and contingent plans. Additional details surrounding these uncertainties and mitigating actions can be found in the Assura plc financial statements for the year ended 31 March 2020.

Taking all these factors into account the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis in preparing the financial statements.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

Assura Financing plc (the Company) is a company incorporated in the United Kingdom under the Companies Act. The Company is a public company limited by shares and is registered in England and Wales, and the address of the registered office is given on the company information page.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3). The Group has one operating segment.

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.

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of Comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d)
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Section 33 Related Party Disclosures paragraph 33.7

This information is included in the consolidated financial statements of Assura plc as at 31 March 2020 and these financial statements may be obtained from www.assuraplc.com.

### 2.3 Basis of consolidation

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

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

Where properties are acquired through the purchase of a corporate entity but the transaction does not meet the definition of a business combination, 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.

### 2.4 Revenue

Turnover relates primarily to rental income and is solely generated in the United Kingdom. Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease and is shown net of VAT.

### 2.5 Investment property

Properties are externally valued on an open market basis as at the balance sheet date and are recorded at valuation which the Directors believe is equivalent to fair value.

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.

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 liability.

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.

Costs incurred prior to a development being legally committed ("on site") are recorded as property work in progress and held at cost, being transferred to investment property under construction when legally committed.

### 2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.7 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably.
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

### 2.8 Taxation

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 Statement of Comprehensive Income because it excludes items of income or expense that are not taxable (or tax deductible).

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reverted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

### 2.9 Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### 2.10 Prior year restatement

In the prior period assets held for sale were incorrectly disclosed as a current asset. A restatement to the prior period balance sheet has been made to reclassify assets held for sale from a current asset to a fixed asset. As a result, £12,525,000 has been moved to fixed assets as at 31 March 2019 recorded as freehold investment property. As at 1 April 2018, the value of assets misclassified was £7,545,000. There is no impact on the profit and loss or net asset position as at 31 March 2019.

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

**Property valuations**

The key source of estimation and uncertainty relates to the valuation of investment property, where a valuation is obtained twice a year from professionally qualified external valuers. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis.

However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. The key judgements relate to the equivalent yield and the Estimated Rental Value (ERV) applied to each property. Further details are provided in Note 10.

As a result of the COVID-19 outbreak and the consequential impact upon global financial markets, the Group's external Valuers have taken into account latest guidelines from RICS and reported the Group's investment property valuations on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. The Directors have evaluated the basis, and meaning, of such preparation. Although uncertainty is present within the wider real estate sector, with varying impacts being observed, the Directors consider the sector in which the Group operates to be less impacted by adverse events seen across sectors. In addition, market evidence relating to completed transactions and those in progress within our sector do not indicate a lack of evidence or impact upon the valuations determined as at the balance sheet date. The basis of preparation primarily highlights future uncertainty and a higher degree of caution. The Directors have considered this also in respect of key sources of estimation uncertainty and have concluded based upon the sector and market trends observed, relative to the wider real estate, that the events of COVID-19 do not give rise to new course of key estimation uncertainty, nor do they impact the potential sensitivity level of a reasonable and possible change that may occur within the next 12 months.

The directors do not consider any additional judgements, estimates or assumptions to be "key" warranting disclosure.

## 4. Auditor's remuneration

The audit fee for the year has been borne by a fellow group undertaking. No non-audit fees have been incurred during the current year (2019: same).

## 5. Employees and directors' remuneration

The Group and Company have no employees other than the directors, who did not receive any remuneration *(2019 - £ nil)*.

The Directors have been remunerated from a combination of Assura plc and Assura Property Management Ltd during the year, but it is not practicable to allocate this between their services as executives of Assura plc and Assura Property Management Ltd and their services as Directors of Assura Financing plc and its subsidiaries.

## 6. Finance cost - net

| | **2020** | *2019* |
|---|---|---|
| | **£** | £ |
| Bank loans and private debt placement | **20,533,277** | 16,527,783 |
| Interest capitalised | **(902,386)** | (473,003) |
| Amortisation of loan issue costs | **1,106,813** | 996,046 |
| Bank interest receivable | **-** | 27,758 |
| | **20,737,704** | 17,023,068 |

## 7. Dividends

During the year a dividend of £36,000,000 was declared and paid to the parent company Assura IH Limited (2019: £25,000,000).

## 8. Taxation

| | **2020** | *2019* |
|---|---|---|
| | **£** | *£* |
| **Corporation tax** | | |
| Current tax on profits for the year | **-** | - |
| | **-** | - |
| **Total current tax** | **-** | - |

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than *(2019 - lower than)* the standard rate of corporation tax in the UK of 19% *(2019 - 19%)*. The differences are explained below:

| | **2020** | *2019* |
|---|---|---|
| | **£** | *£* |
| Profit before tax | **68,832,759** | 75,276,747 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | **13,078,224** | 14,302,582 |
| **Effects of:** | | |
| Non-taxable income (REIT income) | **(13,078,224)** | (14,302,582) |
| **Total tax charge for the year** | **-** | - |

**Factors that may affect future tax charges**

**UK REIT election**
The Group companies as part of the Assura plc Group have elected to be treated as a UK REIT. The UK REIT rules exempt the profits of companies of the Group 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. All other gains and profits will be subject to UK corporation tax.

## 9. Fixed asset investments

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding | Principal activity |
|---|---|---|---|
| Assura Aspire Limited | Ordinary | 100% | Property investment |
| Assura Aspire UK Limited | Ordinary | 100% | Property investment |
| Trinity Medical Properties Limited | Ordinary | 100% | Property investment |
| Malmesbury Medical Enterprises Limited | Ordinary | 100% | Property investment |
| Assura Primary Care Properties Limited | Ordinary | 100% | Property investment |
| Assura PCP UK Limited | Ordinary | 100% | Dormant company |
| Assura CVSK Limited | Ordinary | 100% | Dormant company |
| Metro MRM Limited | Ordinary | 100% | Property investment |
| Metro MRH Limited | Ordinary | 100% | Property investment |
| Park Medical Services Limited | Ordinary | 100% | Property investment |
| Assura Trellech Limited | Ordinary | 100% | Property investment |
| Assura HC Limited | Ordinary | 100% | Property investment |
| Assura HC UK Limited | Ordinary | 100% | Property investment |
| Assura Health Investments Limited | Ordinary | 100% | Property investment |
| Newton Healthcare Limited | Ordinary | 100% | Property investment |
| Pentagon HS Limited | Ordinary | 100% | Property investment |
| Donnington Healthcare Limited | Ordinary | 100% | Property investment |
| Abbey Healthcare Property Investments Limited | Ordinary | 100% | Dormant company |
| Abbey Healthcare Group Limited | Ordinary | 100% | Dormant company |
| General Practice Investment Corporation Limited | Ordinary | 100% | Dormant company |

| | | | |
|---|---|---|---|
| Assura (GHC) Limited | Ordinary | 100% | Property investment |
| Assura Medical Centres Limited | Ordinary | 100% | Property investment |
| Medical Properties Limited | Ordinary | 100% | Property investment |
| Metro MRI Limited | Ordinary | 100% | Property investment |
| Assura (SC1) Limited | Ordinary | 100% | Property investment |
| Assura (SC2) Limited | Ordinary | 100% | Property investment |
| SJM Developments Limited | Ordinary | 100% | Property investment |

The registered office of all subsidiaries is The Brew House, Greenalls Avenue, Warrington, WA4 6HL.

| **Company** | **Investments in subsidiaries** |
|---|---|
| | **£** |
| As at 1 April 2019 | **327,932,081** |
| Additions | **-** |
| As at 31 March 2020 | **327,932,081** |

## 10. Investment property

**Group**

| | Investment property 2020 £ | Investment property under construction 2020 £ | Assets held for sale 2020 £ | Total 2020 £ |
|---|---|---|---|---|
| As at 1 April 2019 (restated) | 1,733,272,470 | 19,724,532 | 12,525,000 | 1,765,522,002 |
| Additions | 101,436,225 | 37,407,053 | - | 138,843,278 |
| Interest capitalised | - | 902,386 | - | 902,386 |
| Disposals | | - | (13,990,000) | (13,990,000) |
| Surplus on revaluation | 6,807,976 | 931,202 | - | 7,739,178 |
| Transfers intra group | 2,460,000 | - | - | 2,460,000 |
| Transfer between classes | (6,070,248) | (15,094,752) | 21,165,000 | - |
| As at 31 March 2020 | 1,837,906,423 | 43,870,421 | 19,700,000 | 1,901,476,844 |

The total value of investment property is £1,858m which is completed investment property of £1,838m plus £19.7m of assets held for sale. At 31 March 2020, 22 assets are held as available for sale (2019: 21). These properties have a negotiated sale agreed which is currently in legal hands.

During the year, 15 properties were disposed of which were considered to have lower growth prospects than the remainder of the portfolio, generating proceeds of £15m at a premium over book value of £1m

The Group also held investment property under construction valued at £43.9m at 31 March 2020. During the year 4 developments were competed resulting in a transfer of £15m from property under construction to investment property.

The 2020 valuations were made by Savills Commercial Limited and Jones Lang LaSalle, on an open market value for existing use basis (equivalent to fair value).

The investment property was valued in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The key unobservable inputs in the property valuation are the equivalent yield and the ERV, which are explained in more detail below. It is also worth noting that the properties are subject to physical inspection by the valuers on a rotational basis (at least once every three years).

The equivalent yield ranges from 3.9% to 8.3% in respect of 96% 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 3.9% to 4.65%. Higher yields (range 5.6% to 8.0%) 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 £100 million impact on the investment property valuation.

The ERV ranges from £100 to £427 per sq.m in respect of 97% 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 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.

The historical cost of the property included at valuation was £1,734m (2019: £1,609m).

Interest was capitalised at the appropriate cost of finance at commencement ranging between 4% and 5%.

## 11. Property costs work in progress

| | **Group 2020 £** | *Group 2019 £* | **Company 2020 £** | *Company 2019 £* |
|---|---|---|---|---|
| Property costs work in progress | **11,296,446** | 1,039,677 | - | - |
| | **11,296,446** | 1,039,677 | - | - |

Costs incurred prior to a development being legally committed ("on site") are recorded as property work in progress and held at cost, being transferred to investment property under construction when legally committed. With the increase in value of the acquisition, development and asset enhancement pipelines, the Group has deemed it appropriate to present property work in progress as a separate line item on the face of the balance sheet. Given the immaterial nature of these balances previously, the comparative at March 2019 (£1.0 million) was presented in current assets and the balance sheet at March 2019 has not been restated.

## 12. Debtors

| | **Group 2020 £** | *Group 2019 £* | **Company 2020 £** | *Company 2019 £* |
|---|---|---|---|---|
| Trade debtors | **10,637,158** | 7,400,857 | - | - |
| Amounts owed by fellow subsidiary undertakings | - | - | **1,368,221,975** | 1,241,460,758 |
| Other debtors | **448,401** | 674,927 | - | 12,439 |
| Prepayments and accrued income | **3,428,396** | 3,139,078 | **1,340** | - |
| | **14,513,955** | 11,214,862 | **1,368,223,315** | 1,241,473,197 |

The balance owed by group undertakings is unsecured, interest free and repayable on demand.

Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost less loss allowance for expected credit losses.

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.

At 31 March 2020 the Group has not recognised a loss allowance for any debts that were past due but not impaired as historical experience has indicated that the risk profile of trade receivables is deemed low and the bulk of the Group's income derives from the NHS or is reimbursed by the NHS; the risk of default is not considered significant (2019: same).

## 13. Cash and cash equivalents

| | **Group 2020 £** | *Group 2019 £* | **Company 2020 £** | *Company 2019 £* |
|---|---|---|---|---|
| Cash at bank and in hand | **13,932,927** | 12,158,190 | **721,061** | 8,206,208 |
| Restricted cash | **91,150** | 2,983,742 | - | - |
| | **14,024,077** | 15,141,932 | **721,061** | 8,206,208 |

Restricted cash arises where there are rent deposits, interest payments 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.

## 14. Creditors: amounts falling due within one year

| | **Group** | *Group* | **Company** | *Company* |
|---|---|---|---|---|
| | **2020** | *2019* | **2020** | *2019* |
| | **£** | *£* | **£** | *£* |
| Trade creditors | **3,269,624** | 1,495,842 | **-** | 11,093 |
| Amounts owed to parent | **879,759,745** | 916,527,993 | **864,962,814** | 901,652,139 |
| Amounts owed to subsidiaries | **-** | - | **331,151** | 3,213,531 |
| Amounts owed to other group companies | **-** | - | **-** | 12,627 |
| Other taxation and social security | **2,211,863** | 2,830,382 | **-** | - |
| Other creditors | **1,238,006** | 9,517,578 | **-** | - |
| Accruals | **18,352,856** | 17,704,508 | **10,590,126** | 9,783,535 |
| Deferred income | **20,106,179** | 18,844,302 | | |
| | **924,938,273** | 966,920,677 | **875,884,091** | 914,672,925 |

## 15. Creditors: amounts falling due after more than one year

| | **Group** | *Group* | **Company** | *Company* |
|---|---|---|---|---|
| | **2020** | *2019* | **2020** | *2019* |
| | **£** | *£* | **£** | *£* |
| Bank loans and private debt placement | **735,367,136** | 578,367,136 | **735,367,136** | 578,367,136 |
| Loan facility fees | **(3,586,770)** | (4,588,724) | **(3,586,770)** | (4,588,724) |
| Deferred income | **4,657,428** | 5,116,888 | **-** | - |
| | **736,437,794** | 578,895,300 | **731,780,366** | 573,778,412 |

## 16. Bank loans

| | **Group 2020 £** | *Group 2019 £* | **Company 2020 £** | *Company 2019 £* |
|---|---|---|---|---|
| Amounts falling between one and five years | **80,000,000** | 30,000,000 | **80,000,000** | 30,000,000 |
| After five years | **651,780,366** | 543,778,412 | **651,780,366** | 543,778,412 |
| | **731,780,366** | 573,778,412 | **731,780,366** | 573,778,412 |

The Group has the following bank facilities:

1. Five-year club revolving credit facility with Lloyds, 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 2020, £80 million of this facility was drawn (2019: £30m drawn). Post year end, the facility has been extended to November 2024. From May 2021, the facility will reduce to £225 million.

2.10-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 in full on 13 October 2016. During the year, an additional £107 million of notes were issued in two series, £47 million in August 2019 and £60 million in October 2019, with maturities of 10 and 15 years respectively and a weighted average fixed interest rate of 2.30%. The facilities are subject to a historical interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years.

3. £150 million of unsecured privately placed notes in two tranches with maturities of 8 and 10 years drawn on 20 October 2018. 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.

4. 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 period.

## 17. Net debt

| | **Group 2020 £** | *Group 2019 £* | **Company 2020 £** | *Company 2019 £* |
|---|---|---|---|---|
| Total debt at 1 April | **573,778,412** | 377,013,872 | **573,778,412** | 377,013,872 |
| Amount drawn in year | **157,000,000** | 328,367,136 | **157,000,000** | 328,367,136 |
| Amount repaid in year | **-** | (130,000,000) | **-** | (130,000,000) |
| Loan issue costs | **(104,859)** | (2,598,642) | **(104,859)** | (2,598,6425) |
| Amortisation of loan issue costs | **1,106,813** | 996,046 | **1,106,813** | 996,046 |
| Total debt at 31 March | **731,780,366** | 573,778,412 | **731,780,366** | 573,778,412 |
| Cash | **(14,024,077)** | (15,141,932) | **(721,061)** | (8,206,208) |
| Net debt at 31 March | **717,856,289** | 558,636,480 | **731,059,305** | 565,572,204 |

## 18. Share capital

| | **2020 £** | *2019 £* |
|---|---|---|
| **Shares classified as equity** | | |
| **Allotted, called up and fully paid** | | |
| 87,489,373- Ordinary shares of £1 each | **87,489,373** | *87,489,373* |

One class of shares with no rights to fixed income.

## 19. Related party transactions

The company has taken advantage of the exemption conferred by section 33.1A of FRS 102 "Related Party Disclosures" not to disclose related party transactions on the grounds that 100% of the company's voting rights are controlled within the Assura Group, and consolidated financial statements in which the company is included, are publicly available.

## 20. Controlling party

The ultimate controlling party is Assura plc, a company incorporated in England. This is the smallest group in which the results of the Company are consolidated. Copies of the group financial statements are available from Assura plc's registered office, The Brew House, Greenalls Avenue, Warrington, Cheshire, WA4 6HL and also from the Group's Website www.assuraplc.com.

At the date these financial statements were approved, the immediate parent was Assura IH Limited, a company incorporated in England.