
ASSURA FINANCING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



ASSURA FINANCING PLC

COMPANY INFORMATION

Directors	Orla Ball Jonathan Murphy Jayne Cottam
Secretary	Orla Ball
Registered number	10023274
Registered office	The Brew House Greenalls Avenue Warrington WA4 6HL
Independent auditor	Deloitte LLP Statutory Auditor The Hanover Building Corporation Street Manchester M4 4AH United Kingdom

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

Introduction

The directors present their strategic report for year ended 31 March 2021.

Business review

In the year to 31 March 2021, Assura Financing plc recorded profit of £111.0m (2020: £68.8m) which included property revaluation gains of £42.1m (2020: £7.7m). Turnover for the year to 31 March 2021 increased to £104.8m (2020: £92.9m) as a result of portfolio additions contributing more to passing rent roll than the disposals removed, leading to an operating profit of £133.5m (2020: £89.6m) including revaluation gains. Net finance costs in the year to 31 March 2021 were £22.6m (2020: £20.7m).

The Group currently owns 594 (2020: 522) medical centres with a value of £2,338.9m (2020: £1,901.5m) and a passing rent roll of £116.6m (2020: £95.4m). 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 2021 total £320.9m (2020: £279.9m).

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 2021. 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.

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.

Future developments

Details of future developments can be found in the Directors' Report on page 6 and form part of this report by cross-reference.

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.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

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

Principle risks and uncertainties

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 594 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 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 11.6 years (2020: 12 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 2021, 100% (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 no change to profit (2020: increase or decrease of £0.2m), based on the amount of variable debt drawn at the period end.

ASSURA FINANCING PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

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	<p>The very nature of what we do makes it necessary for us to consider all decisions for the long term.</p> <p>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.</p> <p>We strive to build lasting relationships with our occupiers and work hard to safeguard employee retention.</p> <p>We maintain a conservative funding structure and our dividend policy is based on paying out a proportion of recurring earnings.</p>
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	<p>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.</p> <p>We believe good governance is key to the way we run our business and we comply with all legal and regulatory standards.</p> <p>We maintain high standards for health and safety, and we treat our suppliers fairly.</p>
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.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

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	
	2021	2020	2021	2020
Weighted average unexpired lease term	11.9 years	11.7 years	11.6 years	12 years
Rent roll derived from NHS bodies	84%	85%	84%	86%
ESG linked financing	25%		25%	

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 instead decreased by only 0.4 years (Assura Group plc increase by 0.2 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 84% (2020: 86%), reflecting that portfolio additions have a tenant mix that is consistent with the existing portfolio.

The proportion of available financing facilities certified as being linked to social or green objectives. Reflecting the positive social impact that is ingrained within the business model and the plans to minimise the environmental impact of the portfolio. During the year the group successfully launched its first Social Bond and since the year end the group has raised £300m from its Sustainability Bond.

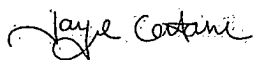
Engagement with customers

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 2021 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 23 September 2021 and signed on its behalf.



Jayne Cottam
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their annual report and the audited financial statements for the year ended 31 March 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 £110,979,939 (2020: £68,832,759).

The Company profit for the year, after taxation, amounted to £64,340,185 (2020: £36,051,851).

The directors have declared a dividend for the year ended 31 March 2021 of £64.5m which was paid to the parent company, Assura IH Ltd (2020: £36.0m). This was following the receipt of £64.5m 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 2021**

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.

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, both of which are considered to have a low potential impact to the business based on the current position. The directors continue to monitor these, and any other emerging risks such as climate change, as appropriate. 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. 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.

Political donations

No contributions were made for political purposes (2020: nil).

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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

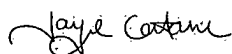
Post balance sheet events

On 23 June 2021 the Assura Financing plc raised £300m senior unsecured bond (sustainability bond) with a tenor of 12 years. The bond bears an interest rate of 1.625%. The company has also given notice under its Revolving Credit Facility ("RCF") agreement to voluntarily cancel £100m of the existing £225m facility which runs to November 2024. Following the cancellation, the RCF will stand at £125m and is currently undrawn.

Auditor

In accordance with Section 487 of the Companies Act 2006, Deloitte LLP has not been reappointed as the Company's Auditor. Following a competitive tender process, EY LLP have confirmed their willingness to be appointed as the Company's Auditor for the year ending 31 March 2022.

This report was approved by the board on 23 September 2021 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

1. 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 2021 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 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 21.

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).

2. 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 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.

3. Summary of our audit approach

Key audit matters

The key audit matter that we identified in the current year was:

- Valuation of the completed investment property (excluding properties under development)

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

Within this report, key audit matter is identified as follows:

⌂ Similar level of risk

Materiality	The materiality applied in the current year was £6.4 million, which was determined on the basis of 2% of net assets.
Scoping	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 £0.01 million and £1.6 million. This resulted in full scope audit procedures performed on 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.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls related to management's process for evaluating the group's ability to continue as a going concern, including the identification and evaluation of the relevant business risks and the method, model and assumptions applied by management;
 - obtaining management's approved going concern model, including the sensitivities performed;
 - performing a retrospective review of management's historical accuracy of forecasting;
 - challenging the assumptions and sensitivities used in management's going concern model with reference to analyst reports, market data and other external information;
 - assessing the appropriateness of the scenario analysis, including the 'additional stress-testing' performed by management with reference to analyst reports and forecasts, historical performance and other external data;
 - assessing the ability of wider Assura Group to provide support based on the level of facilities available;
 - assessing the group's position in relation to its debt facilities and respective covenants at the period end date and throughout the going concern period using forecast performance with management's going concern model; and
 - evaluating the appropriateness of management's disclosures in the financial statements on going concern.
- Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

5. 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.

5.1. Valuation of completed investment properties (excluding properties under development)

Key audit matter description

The Group owns and manages a portfolio of 594 (2020: 522) modern primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £2,339 million as at 31 March 2021 (2020: £1,902 million) and comprises the majority of the assets in the Group balance sheet.

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. The Valuers used by the group are independent and have considerable experience in the markets in which the group operates.

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 fair value of the Group's property portfolio is primarily derived by Net initial yield ("NIY") with the Valuers and Assura looking to market based factors such as equivalent yield ("EY") and estimated rental value ("ERV") to support the valuation number.

The estimation of the property valuations, by reference to net initial yield adopted, is a significant judgement area, underpinned by a number of assumptions relating to the volume of transactional evidence in the sector and the characteristics of the individual property and lease like current tenancy agreements, rental income, condition and location of the property and future rental prospects. Further, the judgemental nature of the yields used in the valuation process is compounded by the uncertainty caused by COVID-19 and Brexit, which has resulted in fluctuations in the investment and occupier markets. Recent market information supports that the primary healthcare market has shown resilience however there remains judgement in the estimations made.

We considered a variety of factors and inputs to focus our key audit matter on those investment properties within the portfolio that carry the highest level of risk. This involved identifying a common range for NIY across the portfolio of 4% - 6.5%,

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

through reference to market reports and data. This in combination with other factors such as weighted average unexpired lease terms (WAULTs), unusual market value changes, NIY and net equivalent yield (NEY) changes year on year informed our determination of the assets that had the greatest characteristics of risk associated with them.

Given the high level of judgement involved, we determined that there was a potential for fraud through manipulation of the net initial yield year on year to result in optimistic valuations on an asset level. The inherent subjectivity in relation to estimation of yields, 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.

Valuation of property represents a key source of estimation uncertainty for the Group, as described in the Group's accounting policies in note 2 to the financial statements. Further details are disclosed in note 11 to the financial statements.

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 detailed 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.

In conjunction with our internal valuation specialists, the following procedures were performed on those assets in the portfolio having the highest level of risk:

- We obtained an understanding of management's and the Valuers controls over data, model and assumptions, including assessing management's process and control for reviewing and challenging the work of the external Valuers as well as management's experience and knowledge to undertake this activity. We observed discussions between Assura's portfolio managers and the Valuers, which demonstrated appropriate challenge before final valuations were determined.
- We assessed the accuracy and completeness of information provided to the Valuers by agreeing (on a sample basis) to underlying leases and other supporting documents for observable inputs.
- We compared the portfolio of assets used by the Valuers to an estimated range of expected yields, determined via reference to published benchmarks, and to recent transactions. 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.
- We reviewed the valuation reports prepared by the Valuers and in order to assess whether the valuations are based on RICS valuation standards. We

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

obtained explanations directly from the Valuers and management, relating to specific considerations with regards to COVID-19 and Brexit, and any events subsequent to 31 March of relevance to the market and associated valuation trend.

- We assessed NIY movements on an asset-by-asset basis against the prior year to understand whether any lease events have occurred to justify the movement in NIY and therefore the valuation itself.
- We assessed the assumptions adopted by the Valuer within the valuations and review of responses provided by the Valuers and liaised with the Assura in-house property team and the Valuers to challenge the appropriateness of the explanations and evidence provided.
- We evaluated variances between NEY and NIY to determine whether any assets present a risk of being overvalued or undervalued due to rentals currently achieved not being in line with Estimated Rental Value (ERV).
- We assessed the competence, capabilities, independence 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.

We also assessed the appropriateness 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 and Brexit.

Key observations	We concluded that the assumptions applied in relation to NIY, and any supporting judgements relating to NEY and ERV, in arriving at the fair value of the group's property portfolio were appropriate and reasonably disclosed.
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6. Our application of materiality

6.1. 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.

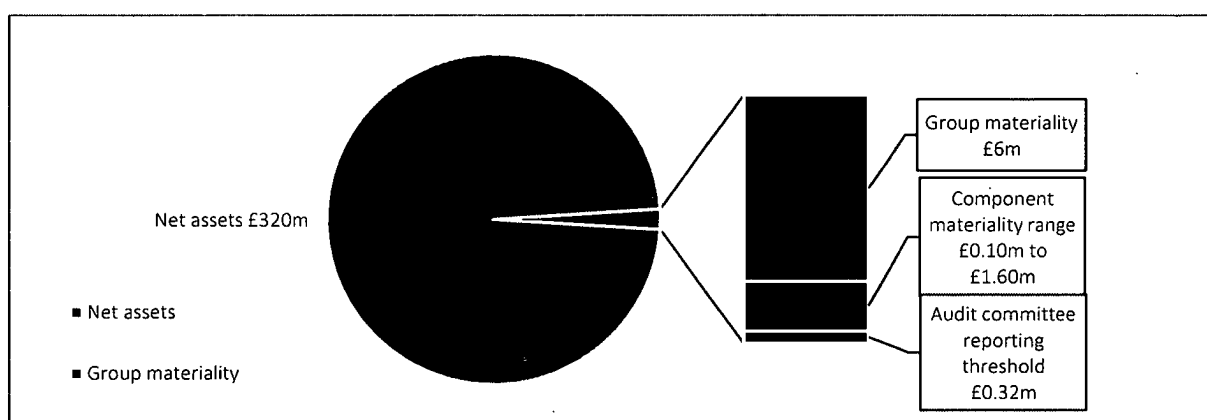
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£6.42 million (2020: £4.90 million)	£1.64 million (2020: £1.78 million)
Basis for determining materiality	2% (2020: 2%) of net assets	The parent company materiality represents 2% (2020: 2%) of net assets, which is capped at 50% (2020: 90%) of Group materiality.

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Rationale for the benchmark applied	In arriving at this judgement, we considered the primary performance measure of the Group is the carrying value of property investments and therefore set the overall Group materiality level based on net assets.	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.
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6.2. 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 financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	<p>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.</p> <p>In determining performance materiality, we considered factors including:</p> <ul style="list-style-type: none"> • our assessment of the group's overall control environment; and • our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods. 	

6.3. Error reporting threshold

We agreed with the directors that we would report to them all audit differences in excess of [£321,000] (2020: £275,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative

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

grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its internal and external environment, including group-wide controls and assessing the risks of material misstatement at the Group level. This also involved 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 and led the Senior Statutory Auditor.

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 [£0.01 million and £1.6 million] (2020: £0.06 million and £2.9 million). This result in full scope audit procedures performed on 100% (2020: 100%) of the Group's profit and net assets. 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.

7.2. Our consideration of the control environment

We have also obtained an understanding of the processes and controls operated by the Group in relation to certain key business cycles including the property valuations and revenue processes.

8. Other information

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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

9. 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.

10. 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. 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, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

ASSURA FINANCING PLC

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

- 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 of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud through the manipulation of the net initial yield year on year to result in optimistic valuations on an asset level in respect of completed investment property (excluding properties under development). In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, REIT and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of completed investment property (excluding properties under development) as a key audit matter related to the potential risk of fraud. 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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- 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, reviewing internal audit reports and reviewing correspondence with HMRC; 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 specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

ASSURA FINANCING PLC

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

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. 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.

13.2. 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.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 21 January 2012 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 10 years, covering the years ending 31 March 2012 to 31 March 2021.

ASSURA FINANCING PLC

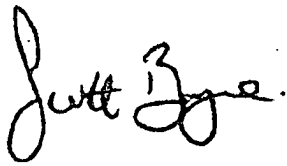
**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ASSURA FINANCING PLC**

14.2. 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).

15. 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

23 September 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Turnover	2.4	104,829,952	92,929,754
Cost of sales		(4,325,857)	(3,193,696)
Gross profit		100,504,095	89,736,058
Administrative expenses		(10,030,794)	(9,004,206)
Revaluation gain	11	42,099,172	7,739,178
Profit on sale of investment properties		963,425	1,099,433
Operating profit		133,535,898	89,570,463
Finance cost - net	6	(22,555,959)	(20,737,704)
Profit before taxation		110,979,939	68,832,759
Tax on profit	8	-	-
Profit for the financial year		<u>110,979,939</u>	<u>68,832,759</u>

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 2021

		2021	2020
	Note	£	£
Fixed assets			
Investment property	11	2,338,851,032	1,901,476,844
Property costs work in progress	12	9,108,171	11,296,44
		<u>2,347,959,203</u>	<u>1,912,773,290</u>
Current assets			
Debtors	13	32,628,218	14,513,955
Cash at bank and in hand	14	36,289,553	14,024,077
		<u>68,917,771</u>	<u>28,538,032</u>
Creditors: amounts falling due in one year	15	(1,135,330,607)	(924,938,273)
		<u>(1,066,412,836)</u>	<u>(896,400,241)</u>
Net current liabilities		<u>(1,066,412,836)</u>	<u>(896,400,241)</u>
Total assets less current liabilities		<u>1,281,546,367</u>	<u>1,016,373,049</u>
Creditors: amounts falling due after more than one year	16	(955,131,173)	(736,437,794)
Net assets		<u>326,415,194</u>	<u>279,935,255</u>
Capital and reserves			
Called up share capital	19	87,489,373	87,489,373
Profit and loss account		238,925,821	192,445,882
Total shareholder funds		<u>326,415,194</u>	<u>279,935,255</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2021



Jayne Cottam

Director

The notes on pages 26 to 41 form part of these financial statements.

ASSURA FINANCING PLC
REGISTERED NUMBER: 10023274

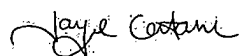
COMPANY BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £	2020 restated £
Fixed assets			
Investments	9	448,611,950	327,932,081
Amounts owed by subsidiary companies	10	<u>1,617,813,669</u>	<u>1,368,221,975</u>
		2,066,425,619	1,696,154,056
Current assets			
Debtors	13	-	1,340
Cash at bank and in hand	14	<u>9,422,860</u>	<u>721,061</u>
		9,422,860	722,401
Creditors: amounts falling due within one year	15	<u>(1,038,073,239)</u>	<u>(875,884,091)</u>
Net current liabilities		(1,028,650,379)	(875,161,690)
Total assets less current liabilities		<u>1,037,775,240</u>	<u>820,992,366</u>
Creditors: amounts falling due after more than one year	16	<u>(948,723,055)</u>	<u>(731,780,366)</u>
Net assets		<u><u>89,052,185</u></u>	<u><u>89,212,000</u></u>
Capital and reserves			
Called up share capital	19	87,489,373	87,489,373
Profit and loss account		<u>1,562,812</u>	<u>1,722,627</u>
Total shareholder funds		<u><u>89,052,185</u></u>	<u><u>89,212,000</u></u>

The profit for the financial period dealt with in the financial statements of the parent Company was 64,340,185 (2020: £36,051,851).

Amounts owed by subsidiary companies of £1,368,221,975 were previously presented within debtors in 2020. As explained in Note 2.11, these have been reclassified as fixed assets.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2021



Jayne Cottam
Director

ASSURA FINANCING PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2019	<u>87,489,373</u>	<u>159,613,123</u>	<u>247,102,496</u>
Comprehensive income for the year			
Profit for the year	-	68,832,759	68,832,759
Total comprehensive income for the year	<u>-</u>	<u>68,832,759</u>	<u>68,832,759</u>
Dividends paid	-	(36,000,000)	(36,000,000)
At 31 March 2020	<u>87,489,373</u>	<u>192,445,882</u>	<u>279,935,255</u>
At 1 April 2020	<u>87,489,373</u>	<u>192,445,882</u>	<u>279,935,255</u>
Comprehensive income for the year			
Profit for the year	-	110,979,939	110,979,939
Total comprehensive income for the year	<u>-</u>	<u>110,979,939</u>	<u>110,979,939</u>
Dividends paid	-	(64,500,000)	(64,500,000)
At 31 March 2021	<u>87,489,373</u>	<u>238,925,821</u>	<u>326,415,194</u>

ASSURA FINANCING PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2019	<u>87,489,373</u>	<u>1,670,776</u>	<u>89,160,149</u>
Comprehensive income for the year			
Profit for the year	-	36,051,851	36,051,851
	-	36,051,851	36,051,851
Total comprehensive income for the year			
Dividends paid	-	(36,000,000)	(36,000,000)
At 31 March 2020	<u>87,489,373</u>	<u>1,722,627</u>	<u>89,212,000</u>
At 1 April 2020	<u>87,489,373</u>	<u>1,722,627</u>	<u>89,212,000</u>
Comprehensive income for the year			
Profit for the year	-	64,340,185	64,340,185
	-	64,340,185	64,340,185
Total comprehensive income for the year			
Dividends paid	-	(64,500,000)	(64,500,000)
At 31 March 2021	<u>87,489,373</u>	<u>1,562,812</u>	<u>89,052,185</u>

ASSURA FINANCING PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £	2020 <i>Restated</i> £
Cash flows from operating activities		
Operating profit	133,535,898	89,570,463
Adjustments for:		
Surplus on revaluation of investment property	(42,099,171)	(7,739,178)
Profit on disposal of properties	(963,425)	(1,099,433)
Operating cash flow before movements in working capital and interest paid	90,473,302	80,731,852
Increase in debtors	(8,417,095)	(3,299,093)
Increase (decrease) in creditors	8,933,941	(6,510,956)
Interest paid	(19,353,403)	(18,793,551)
Net cash used in operating activities	71,636,745	52,128,252
Cash flows from investing activities		
Proceeds from sale of investment property	25,876,920	15,028,585
Purchase of investment properties	(131,694,962)	(109,655,718)
Development expenditure	(36,178,794)	(47,663,822)
Interest capitalised	(1,392,800)	(902,386)
Interest received	126,155	-
Advances of funds to group companies	(9,697,168)	-
Net cash used in investing activities	(152,960,649)	(143,193,341)

ASSURA FINANCING PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

Cash flows from financing activities

Repayment of loans	(80,000,000)	-
Long term loans drawn	298,338,530	157,000,000
Loan issue costs	(3,180,461)	(104,859)
Dividend paid	(64,500,000)	(36,000,000)
Repayment of funds from group companies	(47,068,689)	(30,947,907)
Net cash generated from financing activities	<u>103,589,380</u>	<u>89,947,234</u>

Net decrease/(increase) in cash and cash equivalents	22,265,476	(1,117,855)
Cash and cash equivalents at beginning of year	14,024,077	15,141,932
Cash and cash equivalents at the end of year	<u>36,289,553</u>	<u>14,024,077</u>

Cash and cash equivalents at the end of year comprise:

Cash at bank and in hand	36,289,553	14,024,077
	<u>36,289,553</u>	<u>14,024,077</u>

ASSURA FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021.

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 principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 1-4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102), issued by the Financial Reporting Council.

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.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2.2 Financial reporting standard 102 - reduced disclosure exemptions

Assura Financing plc meets the definition of a qualifying entity under FRS 102 and has therefore 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 2021 and these financial statements may be obtained from www.assurapl.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 Tangible assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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.

Fixed assets include intercompany receivable amounts which are intended for use on a continuing basis in the subsidiary entity to support its activities.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2.11 Prior year restatement

Amounts owed by subsidiary companies of £1,623,813,669 (2020: £1,368,221,975) were previously presented within debtors in 2020. The amounts are expected to be utilised within the borrowing subsidiaries on a continuing basis and they have therefore been presented as fixed asset. Accordingly amounts presented in debtors in 2020 have been reclassified to fixed assets.

To comply with FRS 102 the cash flow statement has been restated to:

- reconcile cash movements from operating profit rather than profit for the year and to separately identify interest paid of £19,353,403 (2020: £18,793,551) in operating activities.
- include dividends paid of £64,500,000 (2020: 36,000,000) in financing activities in line with the group's accounting policy. These amounts had previously been included in working capital movements

In addition, interest capitalised has been reclassified from operating activities to investing activities in the cashflow as this better represents the utilisation of the funds in development projects. Similarly, cash flows on long term intercompany financing which was previously represented in working capital movements in operating activities has been reclassified as a financing activity.

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

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

Property valuations

The key source of estimation and uncertainty relates to the valuation of the property portfolio, where a valuation is obtained twice a year from professionally qualified external valuers. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Property valuations are one of the principal uncertainties of the Group and details of the accounting policies applied in respect of valuation are set out below. The valuation is most subjective to the inputs of net initial yield, equivalent yield and Estimated Rental Value ("ERV"), which are considered by the Group to be the assumptions with the highest risk of causing a material movement in the next financial year. Note 11 includes details and sensitivities of these outputs.

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In the process of applying the Group's accounting policies, which are described in Note 2, 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.

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 (2020: same).

5. Employees and directors' remuneration

The Group and Company have no employees other than the directors, who did not receive any remuneration (2020 - £ 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 costs - net

	2021 £	2020 £
Bank loans and private debt placement	23,295,647	20,533,277
Interest capitalised	(1,392,800)	(902,386)
Amortisation of loan issue costs	1,784,619	1,106,813
Bank interest receivable	(126,155)	-
Intra group interest	(1,005,352)	-
	<u>22,555,959</u>	<u>20,737,704</u>

7. Dividends

During the year a dividend of £64,500,000 was declared and paid to the parent company Assura IH Limited (2020: £36,000,000).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8. Taxation

	2021 £	2020 £
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 (2020 - *lower than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit before tax	<u>110,979,939</u>	<u>68,832,759</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	21,086,188	13,078,224
Effects of:		
Non-taxable income (REIT income)	(21,086,188)	(13,078,224)
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.

UK main rate of corporation tax

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. It is not anticipated that the change of tax rate will have any impact on the company's tax charge due to its status as a UK REIT.

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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%	Dormant company
Assura PCP UK Limited	Ordinary	100%	Dormant company
Assura CVSK Limited	Ordinary	100%	Property investment
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
Meridian Medical Services Limited	Ordinary	100%	Property Investment
Prospect Medical (Malvern) Limited	Ordinary	100%	Property Investment
General Practice Investment Corporation Limited	Ordinary	100%	Dormant company Property investment
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

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Assura Properties Limited	Ordinary	100%	Property Investment
Assura Properties UK Limited	Ordinary	100%	Property Investment
BHE (Heartlands) Limited	Ordinary	100%	Property Investment
BHE (St James) 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 2020	327,932,081
Additions	120,679,869
As at 31 March 2021	<u>448,611,950</u>

10. Amounts owed by subsidiary companies – fixed assets

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts owed by subsidiary companies	-	-	1,617,813,669	1,368,221,975
	<u>-</u>	<u>-</u>	<u>1,617,813,669</u>	<u>1,368,221,975</u>

The above amounts are unsecured, non-interest bearing and repayable on demand. As explained in Note 2.11, the amounts have been included as fixed assets on the basis that the amounts are intended for use on a continuing basis in the borrowing companies activities.

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 included to the extent the amount is not recoverable. No provision has been deemed necessary.

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FOR THE YEAR ENDED 31 MARCH 2021**

11. Tangible assets

Group

	Investment property 2021 £	Investment property under construction 2021 £	Assets held for sale 2021 £	Total 2021 £
As at 1 April 2020	1,837,906,423	43,870,421	19,700,000	1,901,476,844
Transfers intra group	247,993,681	340,000	400,000	248,733,681
Additions	131,694,962	38,317,069	-	170,012,031
Interest capitalised	-	1,392,800	-	1,392,800
Disposals	(5,163,496)	-	(19,700,000)	(24,863,496)
Surplus on revaluation	38,399,924	3,699,248	-	42,099,172
Transfer between classes	44,032,837	(58,342,837)	14,310,000	-
As at 31 March 2021	<u>2,294,864,331</u>	<u>29,276,701</u>	<u>14,710,000</u>	<u>2,338,851,032</u>

The value of investment property is £2,310m which is comprised of completed investment property of £2,295m plus £14.7m of assets held for sale. At 31 March 2021, 20 assets are held as available for sale (2020: 22). These properties have a negotiated sale agreed which is currently in legal hands.

During the year, 29 properties were disposed of which were considered to have lower growth prospects than the remainder of the portfolio, generating proceeds of £26m at a premium over book value of £1m

The Group also held investment property under construction valued at £29.3m at 31 March 2021. During the year 10 developments were completed resulting in a transfer of 58m from property under construction to investment property.

The 2021 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 net equivalent yield ranges from 3.8% to 8.1% (2020: 3.9% to 8.3%) in respect of 95% of the portfolio by value. A decrease in the net equivalent yield applied to a property would increase the market value. Factors that affect the 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

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property. Lower yields generally represent properties with index-linked reviews, 100% NHS tenancies and longer unexpired lease terms, ranging from 3.80% to 4.65%. Higher yields (range 5.15% to 8.0%) are applied for a weaker tenant mix and leases approaching expiry. The Groups properties have a range of tenant mixes, rent review basis and unexpired terms. A 0.25% shift of net equivalent yield would have approximately a £132m (2020: £110m) 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 2% increase in the ERV would have approximately a £48.3m (2020: £41.9m) increase in the investment property valuation. The nature of the sector the Group operates 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 £2,114m (2020: £1,734m).

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

12. Property costs work in progress

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Property costs work in progress	9,108,171	11,296,446	-	-
	<u>9,108,171</u>	<u>11,296,446</u>	<u>-</u>	<u>-</u>

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.

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FOR THE YEAR ENDED 31 MARCH 2021

13. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	15,875,683	10,637,158	-	-
Amounts owed by other group companies	9,697,168	-	-	-
Other debtors	1,320,016	448,401	-	-
Prepayments and accrued income	5,735,351	3,428,396	-	1,340
	<u>32,628,218</u>	<u>14,513,955</u>	<u>-</u>	<u>1,340</u>

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 2021 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 (2020: same).

14. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	35,951,024	13,932,927	9,408,516	721,061
Restricted cash	338,529	91,150	14,344	-
	<u>36,289,553</u>	<u>14,024,077</u>	<u>9,422,860</u>	<u>721,061</u>

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.

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15. Creditors: amounts falling due within one year

	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	3,048,594	3,269,624	-	-
Amounts owed to parent	1,043,857,575	879,759,745	1,024,415,920	864,962,814
Amounts owed to subsidiaries	-	-	625,264	331,151
Amounts owed to other group companies	36,561,810	-	-	-
Other taxation and social security	3,723,983	2,211,863	-	-
Other creditors	1,403,729	1,238,006	2,297	-
Accruals	21,966,453	18,352,856	13,029,758	10,590,126
Deferred income	24,768,465	20,106,179	-	-
	<u>1,135,330,607</u>	<u>924,938,273</u>	<u>1,038,073,239</u>	<u>875,884,091</u>

16. Creditors: amounts falling due after more than one year

	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Bank loans and private debt placement	953,862,886	735,367,136	953,862,886	735,367,136
Loan facility fees	(5,139,832)	(3,586,770)	(5,139,831)	(3,586,770)
Deferred income	6,408,119	4,657,428	-	-
	<u>955,131,173</u>	<u>736,437,794</u>	<u>948,723,055</u>	<u>731,780,366</u>

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17. Bank loans

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling between one and five years	-	80,000,000	-	80,000,000
After five years	948,723,054	651,780,366	948,723,054	651,780,366
	<u>948,723,054</u>	<u>731,780,366</u>	<u>948,723,054</u>	<u>731,780,366</u>

The Group has the following bank facilities:

1. 10-year senior unsecured bond of £300 million at a fixed rate of 3% maturing July 2028 and 10-year senior unsecured Social Bond of £300 million at a fixed interest rate of 1.5% maturing September 2030. The Social Bond was launched in accordance with Assura's Social Finance Framework to be used for eligible investment in the acquisition, development and refurbishment of publicly accessible primary care and community healthcare centres. The bonds are 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.

2. Five-year club revolving credit facility with Barclays, HSBC, NatWest and Santander for £225 million on an unsecured basis at an initial margin of 1.60% above LIBOR, expiring in November 2024. The margin increases based on the LTV of the subsidiaries to which the facility relates, up to 1.95% where the LTV is in excess of 45%. The facility is subject to a historical interest cover requirement of at least 175% and maximum LTV of 60%. As at 31 March 2021, the facility was undrawn (2020: £80 million 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 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.

4. £150 million of unsecured privately placed notes in two tranches with maturities of 8 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.

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

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18. Net debt

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Total debt at 1 April	1,611,540,111	1,490,306,405	1,597,074,331	1,478,656,709
Amount drawn in year	298,338,530	157,000,000	298,338,530	157,000,000
Amount repaid in year	(80,000,000)	-	(80,000,000)	-
Loan issue costs	(3,180,461)	(104,859)	(3,180,461)	(104,859)
Amortisation of loan issue costs	1,784,619	1,106,813	1,784,619	1,106,813
Intercompany movement	200,659,640	(36,768,248)	159,747,219	(39,584,332)
Total debt at 31 March	<u>2,029,142,439</u>	<u>1,611,540,111</u>	<u>1,973,764,238</u>	<u>1,597,074,331</u>
Third party debt	948,723,048	731,780,366	948,723,054	731,059,305
Intercompany debt	1,080,419,385	879,759,745	1,025,041,184	865,293,965
Total debt at 31 March	<u>2,029,142,439</u>	<u>1,611,540,111</u>	<u>1,973,764,238</u>	<u>1,597,074,331</u>
Cash	(36,289,553)	(14,024,077)	(9,422,860)	(721,061)
Net debt at 31 March	<u>1,992,852,886</u>	<u>1,597,516,034</u>	<u>1,964,341,378</u>	<u>1,596,353,270</u>

19. Share capital

	2021 £	2020 £
Shares classified as equity		
Allotted, called up and fully paid		
87,489,373- Ordinary shares of £1 each	<u>87,489,373</u>	<u>87,489,373</u>

One class of shares with no rights to fixed income.

20. Commitments

At the year end the Group had 13 committed developments which were all on site with a contracted total expenditure of £57.1 million of which £26.4 million had been expended.

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20. 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.

21. 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.assurapl.com.

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