Innovating and building for the future of healthcare

Interim Report 2016

Highlights of the six months

Investment property

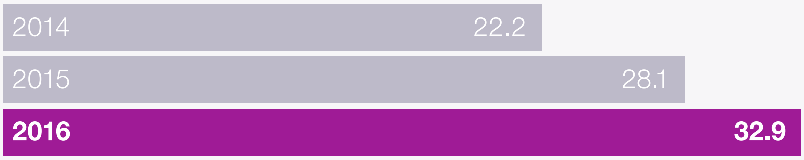
£1,226.8m

▲ 10.6%

Diluted EPRA NAV

47.2p

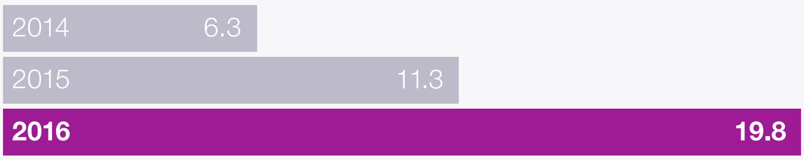
▲ 3.1%



Net rental income

£32.9m

▲ 17.1%



Underlying profit

£19.8m

▲ 75.2%

Continued growth of portfolio, rents and profit

- 75.2% increase in underlying profit[1] before tax to £19.8 million (2015: £11.3 million)
- 10.6% increase in investment property to £1.2 billion (March 2016: £1.1 billion)
- 3.1% growth in diluted EPRA NAV per share to 47.2 pence (March 2016: 45.8 pence)
- 9.9% increase in rent roll to £70.1 million (March 2016: £63.8 million)
- £41.7 million profit before tax (2015: £35.4 million)

Strong balance sheet and cost of debt reducing

- £200 million new unsecured revolving credit facility signed at initial margin of 150bps
- Weighted average cost of debt reduced by 56bps to 4.28% (March 2016: 4.84%)
- Post period end, £100 million US private placement agreed at 2.65% fixed for 10 years

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

- Growing consensus that primary care must play a bigger role in health provision
- Significant historical underinvestment in primary care space, many GP premises not currently fit for purpose
- NHS England's "General Practice Forward View", announced in April 2016, further emphasises need for appropriate primary care infrastructure and premises

Well positioned to help alleviate the pressures on primary care infrastructure

- Strong pipeline with £131 million of acquisitions and developments
- Current LTV of 34% provides £235 million of investment capacity before reaching the mid-point of our LTV range of 40%-50%, allowing Assura to move quickly as the right investment opportunities arise
- Scalable, internally managed operating model, with in-house development capability
- Group operates in fragmented market: portfolio of 363 medical centres compares to a total UK market of close to 9,000 buildings

Dividend

- 9% increase in quarterly dividend from January 2017 to 0.60 pence per share

[1]. Stated before revaluation gains, share-based payments and other non-recurring items.

Interim CEO's statement

This has been a further period of significant growth for Assura. The value of our investment property is now £1.2 billion, after an increase of £118 million since 31 March 2016. In the six months to 30 September 2016, we completed £95 million of property additions, acquiring and developing assets in line with the plan outlined at the time of our equity fundraising a year ago.

We have also continued to strengthen our financial position, reducing our financing costs and improving the financial structure to make it more appropriate to support our business. In May, we negotiated a new £200 million unsecured revolving credit facility, with a lower initial margin than that of the facility it replaced. Since the period end we have issued unsecured ten-year notes, at a fixed rate of 2.65%, for a total of £100 million; this was our first issue in the US private placement market. The unsecured funding increases operational flexibility and reduces transaction costs associated with financing properties.

With gearing still below our medium-term loan-to-value range of 40% to 50%, our strong financial position together with the longevity and security of our property cash flows underpins our progressive dividend policy and leaves us well placed to take advantage of our good pipeline of further investment opportunities.

Highlights

Net rental income increased 17% to £32.9 million in the period, underlying profits increased 75% to £19.8 million and diluted EPRA net asset value grew 3% to 47.2 pence per share at the period-end. The growth in underlying profits reflects the benefit of completed developments and acquisitions, reduced financing costs and efficiencies from our internally managed model driving down our EPRA Cost Ratio.

This financial performance has enabled us to announce an increase of 9% in our dividend from January 2017, to 0.60 pence per share on a quarterly basis.

Market opportunity

The policy announcement from the NHS in April 2016, entitled General Practice Forward View, acknowledged that there remains considerable underinvestment in primary care infrastructure in the UK. We have also seen a number of area Sustainability and Transformation Plans ("STPs") published, which are supportive of the shift in service provision from the acute hospital sector into the community.

The NHS has announced funds totalling £900 million over four years to support the investment in primary care infrastructure that this shift in service provision will require, through the Estates and Technology Transformation Fund ("ETTF"). The first schemes to be selected for this funding have now been published and we are working with a large number of the GP practices identified. The scale of the required investment is significantly more than the announced funding and so the full implementation of this investment plan remains subject to uncertainty. We continue to make the case for further funding being made available to secure the future savings for the NHS that could be achieved through the greater provision of services from the more cost effective and convenient primary care setting.

Our established track record in providing state of the art primary care premises, adapted to each local community in which they operate, means we are well placed to serve these changing needs, subject to the funding and NHS approvals being forthcoming. In addition to developments, we retain a strategy to target completed buildings for acquisition. The market remains highly fragmented and so we continue to see many opportunities available to us.

Outlook

The recent US private placement has strengthened our financial position and improved our flexibility through the further use of unsecured funding. This leaves us well placed to take advantage of the £83 million of targeted acquisition opportunities currently in solicitors' hands and to secure development opportunities, beyond the eight schemes in the immediate pipeline, as they become available. The underlying business continues to provide a very stable and long-term income return and our confidence in the business is reflected in the announced 9% increase in the quarterly dividend from January 2017.

JONATHAN MURPHY
INTERIM CEO
21 November 2016

Business review

For the six months ended 30 September 2016

At 30 September 2016 our portfolio of completed investment properties was valued at a total of £1,207.7 million (see Note 9, March 2016: £1,088.0 million), which produced a net initial yield ("NIY") of 5.22% (March 2016: 5.29%). Taking account of potential lettings of unoccupied space and any uplift to current market rents on review, our valuers assess the net equivalent yield to be 5.42% (March 2016: 5.52%). Adjusting this Royal Institution of Chartered Surveyors standard measure to reflect the advanced payment of rents, the true equivalent yield is 5.61% (March 2016: 5.72%).

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Net rental income	**32.9**	28.1
Valuation movement	**23.4**	25.7
Total Property Return	**56.3**	53.8

Expressed as a percentage of opening investment property plus additions, Total Property Return for the six months was 4.7% compared with 5.4% in 2015.

Our annualised Total Return over the five years to 31 December 2015 as calculated by IPD was 8.8% compared with the IPD All Healthcare Benchmark of 6.9% over the same period.

The valuation gain in the six months of £23.4 million represents a 2.56% uplift on a like-for-like basis and movements relating to properties acquired in the period. The uplift has arisen due to the downward pressure on yields with increased demand for assets in the sector. Despite the downward pressure, the NIY on our assets continues to represent a substantial premium over the 15-year gilt which traded at 1.16% at 30 September 2016.

Investment and development activity

We have invested substantially during the period, with this expenditure split between investments in completed properties, developments, forward funding projects, extensions and fit-out costs enabling vacant space to be let as follows:

	Six months ended 30 September 2016 £m
Acquisition of completed medical centres	**81.2**
Developments/forward funding arrangements	**11.5**
Like-for-like portfolio (improvements)	**1.4**
Total capital expenditure	**94.1**

The bulk of the growth in our investment portfolio has come from the acquisition of 41 properties, seeing us invest £81.2 million during the period.

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

During this period we recorded a revaluation gain of £0.4 million in respect of investment property under construction and a deficit of £0.7 million in respect of land held for sale. This resulted in a net deficit of £0.3 million (2015: £0.5 million).

As at 30 September 2016, we had one development on site under a forward funding agreement, with a total committed investment value of £3.5 million, and a further eight which we would hope to be on site shortly (estimated cost of £43.9 million).

Portfolio as at 30 September 2016 £1,207.7 million (31 March 2016: £1,088.0 million)

Our business is based on our investment portfolio of 363 properties. This has a passing rent roll of £70.1 million (March 2016: £63.8 million), 86% of which is underpinned by the NHS. The WAULT is 13.5 years and 84% of the rent roll will still be contracted in 2026.

Portfolio analysis by capital value

	Number of properties	Total value £m	Total value %
>£10m	18	269.6	22
£5–10m	49	336.6	28
£1–5m	220	553.6	46
<£1m	76	47.9	4
	363	1,207.7	100

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	132	495.5	41
South	114	350.0	29
Midlands	73	259.8	22
Scotland	20	42.6	3
Wales	24	59.8	5
	363	1,207.7	100

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	47.2	67
NHS body	13.0	19
Pharmacy	5.2	7
Other	4.7	7
	70.1	100

Business review continued

For the six months ended 30 September 2016

Live developments and forward funding arrangements

	Estimated completion date	% NHS	Development costs	Costs to date	Size
West Gorton	July 2017	74	£3.5m	£0.8m	1,191sqm

Portfolio management

We have continued to deliver rental growth and have successfully concluded on 64 rent reviews during the six months to generate a weighted average annual rent increase of 1.60% (year to March 2016: 1.20%) on those properties. Our portfolio benefits from a 28% weighting in fixed, Retail Price Index ("RPI") and other uplifts which generated an average uplift of 2.48% during the period. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 1.11% during the period.

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

During the period we have secured seven new tenancies with an annual rent roll of £0.1 million covering 1,021 square metres. Our EPRA Vacancy Rate was 2.4% (March 2016: 3.0%).

Administrative expenses

The Group measures its operating efficiency as the proportion of administrative costs to the average gross investment property value. This ratio during the period was 0.29% (2015: 0.31%) and administrative costs stood at £3.4 million (2015: £3.0 million).

We also analyse cost performance by reference to our EPRA Cost Ratios (including and excluding direct vacancy costs) which were 13.5% and 12.3% respectively (2015: 19.2% and 18.2%).

Financing

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

On 3 October 2016, we announced that the Group had signed agreements in the US private placement market for new unsecured, ten-year notes totalling £100 million. These have a fixed interest rate of 2.65% and were drawn in full on 13 October 2016.

At 30 September 2016, we had undrawn facilities and cash of £102.7 million, before taking into account the new £100 million notes.

Financing statistics	**30/09/2016**	31/03/2016
Net debt	**£422.4m**	£327.9m
Weighted average debt maturity	**8.7 years**	10.2 years
Weighted average interest rate	**4.28%**	4.84%
% of debt at fixed/capped rates	**72%**	88%
Interest cover[2]	**304%**	218%
Loan to value	**34%**	30%

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

Our loan to value ("LTV") ratio currently stands at 34%, which is lower than our target range of 40%-50% and will increase as we invest in our pipeline in the short term. 72% of the debt facilities are fixed with a weighted average debt maturity of 8.7 years compared with a WAULT of 13.5 years, which highlights the security of the cash flows of the business. Upon drawing the new £100 million notes on 13 October 2016, the weighted average debt maturity increased to 10.1 years.

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

Net finance costs presented through underlying profit in the six-month period amounted to £9.7 million (2015: £13.8 million). In addition, £1.5 million of loan issue costs were written off following the change in revolving credit facility.

Business review continued

For the six months ended 30 September 2016

Underlying profit

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Net rental income	**32.9**	28.1
Administrative expenses	**(3.4)**	(3.0)
Net finance costs	**(9.7)**	(13.8)
Underlying profit	**19.8**	11.3

The movement in underlying profit can be summarised as follows:

	£m
Six months ended 30 September 2015	11.3
Net rental income	4.8
Administrative expenses	(0.4)
Net finance costs	4.1
Six months ended 30 September 2016	19.8

Underlying profit has grown 75.2% to £19.8 million in the six months to 30 September 2016 reflecting the property acquisitions completed and the reduced finance costs from reducing our LTV.

Earnings per share

The basic earnings per share ("EPS") on profit for the period was 2.5 pence (2015: 3.5 pence).

EPRA EPS, which excludes the net impact of valuation movements and gains on disposal, was 1.2 pence (2015: 0.9 pence).

Underlying profit per share omits accounting adjustments and certain exceptional items as referenced earlier and has increased to 1.2 pence (2015: 1.1 pence).

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

EPS measure	Basic	Diluted
Profit for six months	2.5p	2.5p
EPRA	1.2p	1.2p
Underlying	1.2p	1.2p

Dividends

Total dividends paid in the six months to 30 September 2016 were £18.0 million or 1.1 pence per share (2015: 1.0 pence per share). £2.2 million of this was satisfied through the issuance of shares via scrip.

As a result of brought forward tax losses all dividends paid during the year were normal dividends (non-PID) with an associated tax credit.

The table below illustrates our cash flows over the period:

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Opening cash	**44.3**	66.5
Net cash flow from operations	**15.6**	9.5
Dividends paid	**(15.8)**	(10.0)
Investment:		
Property acquisitions	**(82.7)**	(63.1)
Development expenditure	**(10.5)**	(7.5)
Sale of properties	**1.1**	0.6
Other	**(0.4)**	–
Financing:		
Net borrowings movement	**76.1**	29.7
Closing cash	**27.7**	25.7

Net cash flow from operations differs from underlying profit due to movements in working capital balances.

Net assets

EPRA NAV movement

	£m	Pence per share
EPRA NAV at 31 March 2016	754.5	46.1
Underlying profit	19.8	1.2
Capital (revaluations and capital gains)	23.4	1.4
Dividends	(18.0)	(1.1)
Shares issued	3.0	(0.1)
Other	(2.6)	(0.2)
EPRA NAV at 30 September 2016	**780.1**	**47.3**

Our Total Accounting Return per share for the six months ended 30 September 2016 is 5.0% of which 1.1 pence per share (2.4%) has been distributed to shareholders and 1.2 pence per share (2.6%) is the movement on EPRA NAV.

Business review continued

For the six months ended 30 September 2016

EPRA performance measures

The European Public Real Estate Association ("EPRA") has published Best Practices Recommendations with the aim of improving the transparency, comparability and relevance of financial reporting with the real estate sector across Europe.

This section details the rationale for each performance measure as well as our performance against each measure.

Summary table

	Six months ended 30 September 2016	Six months ended 30 September 2015
EPRA EPS (p)	**1.2**	0.9
EPRA Cost Ratio (including direct vacancy costs) (%)	**13.5**	19.2
EPRA Cost Ratio (excluding direct vacancy costs) (%)	**12.3**	18.2

	30/09/2016	31/03/2016
EPRA NAV (p)	**47.3**	46.1
EPRA NNNAV (p)	**41.6**	42.4
EPRA NIY (%)	**5.18**	5.23
EPRA "topped-up" NIY (%)	**5.18**	5.23
EPRA Vacancy Rate (%)	**2.4**	3.0

EPRA EPS

	Six months ended 30 September 2016	Six months ended 30 September 2015
EPRA EPS (p)	**1.2**	0.9
Diluted EPRA EPS (p)	**1.2**	0.9

Definition

Earnings from operational activities.

Purpose

A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

The calculation of EPRA EPS and diluted EPRA EPS are shown in Note 7 to the accounts.

EPRA NAV

	30/09/2016	31/03/2016
EPRA NAV (p)	**47.3**	46.1

Definition

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

Purpose

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

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

EPRA NNNAV

	30/09/2016	31/03/2016
EPRA NNNAV (p)	**41.6**	42.4

Definition

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

Purpose

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

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

EPRA NIY and EPRA "topped-up" NIY

	30/09/2016	31/03/2016
EPRA NIY (%)	**5.18**	5.23
EPRA "topped-up" NIY (%)	**5.18**	5.23

Definition – EPRA NIY

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

Definition – EPRA "topped-up" NIY

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

Purpose

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

Business review continued

For the six months ended 30 September 2016

	30/09/2016 £m	31/03/2016 £m
Investment property	**1,226.8**	1,109.4
Less developments	**(9.5)**	(11.5)
Completed investment property portfolio	**1,217.3**	1,097.9
Allowance for estimated purchasers' costs	**78.4**	71.7
Gross up completed investment property – B	**1,295.7**	1,169.6
Annualised cash passing rental income	**70.1**	63.8
Property outgoings	**(3.0)**	(2.6)
Annualised net rents – A	**67.1**	61.2
Notional rent expiration of rent-free periods or other incentives	**–**	–
Topped-up annualised rent – C	**67.1**	61.2
EPRA NIY – A/B (%)	**5.18**	5.23
EPRA "topped-up" NIY – C/B (%)	**5.18**	5.23

EPRA Vacancy Rate

	30/09/2016	31/03/2016
EPRA Vacancy Rate (%)	**2.4**	3.0

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

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

	30/09/2016	31/03/2016
ERV of vacant space (£m)	**1.7**	2.0
ERV of completed property portfolio (£m)	**72.2**	66.5
EPRA Vacancy Rate (%)	**2.4**	3.0

EPRA Cost Ratios

	Six months ended 30 September 2016	Six months ended 30 September 2015
EPRA Costs (including direct vacancy costs) (%)	**13.5**	19.2
EPRA Costs (excluding direct vacancy costs) (%)	**12.3**	18.2

Definition
Administrative and operating costs (including and excluding direct vacancy costs) divided by gross rental income.

Purpose
A key measure to enable meaningful measurement of the changes in a company's operating costs.

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Direct property costs	**1.5**	1.3
Administrative expenses	**3.4**	3.0
Share-based payment costs	**–**	1.6
Net service charge costs/fees	**(0.1)**	(0.1)
Exclude:		
Ground rent costs	**(0.2)**	(0.2)
EPRA Costs (including direct vacancy costs) – A	**4.6**	5.6
Direct vacancy costs	**(0.4)**	(0.3)
EPRA Costs (excluding direct vacancy costs) – B	**4.2**	5.3
Gross rental income less ground rent costs (per IFRS)	**34.2**	29.2
Gross rental income – C	**34.2**	29.2
EPRA Cost Ratio (including direct vacancy costs) – A/C	**13.5**	19.2
EPRA Cost Ratio (excluding direct vacancy costs) – B/C	**12.3**	18.2

Interim condensed consolidated income statement

For the six months ended 30 September 2016

		Six months ended 30 September 2016 Unaudited			Six months ended 30 September 2015 Unaudited		
	Note	Underlying £m	Capital and other £m	Total £m	Underlying £m	Capital and other £m	Total £m
Gross rental and related income		**34.4**	**–**	**34.4**	29.4	–	29.4
Property operating expenses		**(1.5)**	**–**	**(1.5)**	(1.3)	–	(1.3)
Net rental income		**32.9**	**–**	**32.9**	28.1	–	28.1
Administrative expenses		**(3.4)**	**–**	**(3.4)**	(3.0)	–	(3.0)
Revaluation gains	9	**–**	**23.4**	**23.4**	–	25.7	25.7
Share-based payment charge		**–**	**–**	**–**	–	(1.6)	(1.6)
Finance revenue		**0.1**	**–**	**0.1**	0.1	–	0.1
Finance costs	5	**(9.8)**	**(1.5)**	**(11.3)**	(13.9)	–	(13.9)
Profit before taxation		**19.8**	**21.9**	**41.7**	11.3	24.1	35.4
Taxation	6			**–**			(0.2)
Profit for the period attributable to equity holders of the parent				**41.7**			35.2

Earnings per share						
from underlying profit	– basic	7	**1.2p**		1.1p	
on profit for year	– basic	7		**2.5p**		3.5p
	– diluted	7		**2.5p**		3.4p

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

Interim condensed consolidated balance sheet

As at 30 September 2016

	Note	30 September 2016 Unaudited £m	31 March 2016 Audited £m
Non-current assets			
Investment property	9	**1,226.8**	1,109.4
Investments		**0.4**	0.4
Property, plant and equipment		**0.5**	0.2
Deferred tax asset		**0.4**	0.4
		1,228.1	1,110.4
Current assets			
Cash, cash equivalents and restricted cash		**27.7**	44.3
Trade and other receivables		**8.7**	7.5
Property assets held for sale	9	**0.9**	1.7
		37.3	53.5
Total assets		**1,265.4**	1,163.9
Current liabilities			
Trade and other payables		**13.0**	16.5
Borrowings	11	**4.1**	4.0
Deferred revenue	10	**15.4**	14.2
Provisions		**0.2**	0.3
		32.7	35.0
Non-current liabilities			
Borrowings	11	**443.0**	365.2
Obligations due under finance leases		**3.0**	3.0
Deferred revenue	10	**6.2**	6.4
		452.2	374.6
Total liabilities		**484.9**	409.6
Net assets		**780.5**	754.3
Capital and reserves			
Share capital	12	**165.0**	163.8
Own shares held		**–**	(0.6)
Share premium		**243.7**	241.9
Merger reserve		**231.2**	231.2
Reserves		**140.6**	118.0
Total equity		**780.5**	754.3

Net asset value per Ordinary Share	**– basic**	8	**47.3p**	46.1p
	– diluted	8	**47.2p**	45.7p
Adjusted (EPRA) net asset value per Ordinary Share	**– basic**	8	**47.3p**	46.1p
	– diluted	8	**47.2p**	45.8p

The interim condensed consolidated financial statements were approved at a meeting of the Board of Directors held on 21 November 2016 and signed on its behalf by:

SIMON LAFFIN
NON-EXECUTIVE CHAIRMAN

JONATHAN MURPHY
INTERIM CEO

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2016

	Note	Share capital £m	Own shares held £m	Share premium £m	Merger reserve £m	Reserves £m	Total equity £m
1 April 2015		100.7	(1.8)	–	231.2	121.8	451.9
Profit attributable to equity holders		–	–	–	–	35.2	35.2
Total comprehensive income		–	–	–	–	35.2	35.2
Dividend	14	–	–	–	–	(10.0)	(10.0)
Issue of Ordinary Shares	12	0.4	–	2.1	–	–	2.5
Employee share-based incentives		0.4	1.4	–	–	(4.7)	(2.9)
30 September 2015 (Unaudited)		101.5	(0.4)	2.1	231.2	142.5	476.7
Loss attributable to equity holders		–	–	–	–	(7.3)	(7.3)
Total comprehensive loss		–	–	–	–	(7.3)	(7.3)
Dividend	14	0.2	–	0.7	–	(17.2)	(16.3)
Issue of Ordinary Shares	12	62.1	(0.3)	248.6	–	–	310.4
Issue costs		–	–	(9.5)	–	–	(9.5)
Employee share-based incentives		–	0.1	–	–	0.2	0.3
31 March 2016 (Audited)		163.8	(0.6)	241.9	231.2	118.0	754.3
Profit attributable to equity holders		–	–	–	–	41.7	41.7
Total comprehensive income		–	–	–	–	41.7	41.7
Dividend	14	0.4	–	1.8	–	(18.0)	(15.8)
Employee share-based incentives		0.8	0.6	–	–	(1.1)	(0.3)
30 September 2016 (Unaudited)		165.0	–	243.7	231.2	140.6	780.5

Interim condensed consolidated statement of cash flow

For the six months ended 30 September 2016

	Six months ended 30 September 2016 Unaudited £m	Six months ended 30 September 2015 Unaudited £m
Operating activities		
Rent received	33.2	30.5
Interest paid and similar charges	(9.6)	(13.8)
Fees received	0.4	0.4
Interest received	0.1	0.1
Cash paid to suppliers and employees	(8.5)	(7.7)
Net cash inflow from operating activities	15.6	9.5
Investing activities		
Purchase of investment property	(82.7)	(63.1)
Development spend	(10.5)	(7.5)
Investment in property, plant and equipment	(0.4)	–
Proceeds from sale of property	1.1	0.6
Net cash outflow from investing activities	(92.5)	(70.0)
Financing activities		
Dividends paid	(15.8)	(10.0)
Repayment of loan	(57.0)	(3.9)
Long-term loans drawn down	135.0	35.0
Loan issue costs	(1.9)	(1.4)
Net cash inflow from financing activities	60.3	19.7
Decrease in cash and cash equivalents	(16.6)	(40.8)
Opening cash and cash equivalents	44.3	66.5
Closing cash and cash equivalents	27.7	25.7

Notes to the interim condensed consolidated accounts

For the six months ended 30 September 2016

1. Corporate information

The Interim Condensed Consolidated Accounts of the Group for the six months ended 30 September 2016 were authorised for issue in accordance with a resolution of the Directors on 21 November 2016.

Assura plc ("Assura") is incorporated in England and Wales and the Company's Ordinary Shares are listed on the London Stock Exchange.

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

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

2. Basis of preparation

The Interim Condensed Consolidated Accounts for the six months ended 30 September 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. These accounts cover the six-month accounting period from 1 April 2016 to 30 September 2016 with comparatives for the six-month accounting period from 1 April 2015 to 30 September 2015, or 31 March 2016 for balance sheet amounts.

The Interim Condensed Consolidated Accounts do not include all the information and disclosures required in the Annual Report, and should be read in conjunction with those in the Group's Annual Report as at 31 March 2016 which are prepared in accordance with IFRSs as adopted by the European Union.

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

The accounts are prepared on a going concern basis.

3. Accounts

The results for the six months to 30 September 2016 and to 30 September 2015 are unaudited. The interim accounts do not constitute statutory accounts. The balance sheet as at 31 March 2016 has been extracted from the Group's 2016 Annual Report, on which the auditor has reported and the report was unqualified.

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

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Accounts are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 March 2016, except for the adoption of new standards and interpretations as of 1 April 2016, noted below, none of which have a material impact on the financial position or performance of the Group:

— Annual Improvements 2012-2014 Cycle
— Disclosure Initiative (Amendments to IAS 1)

5. Finance costs

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Interest payable	**9.7**	13.8
Interest capitalised on developments	**(0.2)**	(0.2)
Amortisation of loan issue costs	**0.3**	0.3
Finance costs presented through underlying profit	**9.8**	13.9
Write off of loan issue costs	**1.5**	–
Total finance costs	**11.3**	13.9

Loan issue costs associated with the previous revolving credit facility have been written off in the period. These have been excluded from underlying profit as it is a non-recurring, non-cash adjustment that is not reflective of the underlying business.

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2016

6. Taxation on profit on ordinary activities

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Tax charged in the income statement		
Deferred tax:		
Origination and reversal of temporary differences	**–**	0.2
Total tax charge	**–**	0.2

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

Group tax charges relate to its non-property income. As the Group has sufficient brought forward losses no tax is due and so the charge represents the movement in deferred tax, being utilisation of the brought forward losses.

As a REIT, the Group is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's exempted net income. To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of business.

7. Earnings per Ordinary Share

	Earnings 2016 £m	**Adjusted (EPRA) earnings 2016 £m**	Earnings 2015 £m	Adjusted (EPRA) earnings 2015 £m
Profit for the year from continuing operations	**41.7**	**41.7**	35.2	35.2
Revaluation gains		**(23.4)**		(25.7)
Write off of loan issue costs		**1.5**		–
Adjusted (EPRA) earnings		**19.8**		9.5
Weighted average number of shares in issue – basic	**1,641,793,597**	**1,641,793,597**	1,008,829,551	1,008,829,551
Potential dilutive impact of VCP	**3,243,291**	**3,243,291**	11,709,952	11,709,952
Weighted average number of shares in issue – diluted	**1,645,036,888**	**1,645,036,888**	1,020,539,503	1,020,539,503
Earnings per Ordinary Share – basic	**2.5p**	**1.2p**	3.5p	0.9p
Earnings per Ordinary Share – diluted	**2.5p**	**1.2p**	3.4p	0.9p

Underlying profit per share of 1.2 pence (2015: 1.1 pence) has been calculated as underlying profit for the year as presented on the income statement of £19.8 million (2015: £11.3 million) divided by the weighted average number of shares in issue of 1,640,438,406 (2015: 1,008,829,551). Based on the diluted weighted average shares, underlying profit per share is 1.2 pence (2015: 1.1 pence).

The current estimated number of shares over which nil-cost options may be issued to participants is 3.3 million. After allowing for shares held by the Employee Benefit Trust, this would amount to a potential issuance of a further 3.2 million shares at the third measurement date in 2017.

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2016

8. Net asset value per Ordinary Share

	Net asset value 30/09/2016 £m	**Adjusted (EPRA) net asset value 30/09/2016 £m**	Net asset value 31/03/2016 £m	Adjusted (EPRA) net asset value 31/03/2016 £m
Net assets	**780.5**	**780.5**	754.3	754.3
Own shares held		**–**		0.6
Deferred tax		**(0.4)**		(0.4)
NAV in accordance with EPRA		**780.1**		754.5
Number of shares in issue	**1,649,878,316**	**1,649,878,316**	1,637,706,738	1,637,706,738
Potential dilutive impact of VCP (Note 7)	**3,243,291**	**3,243,291**	11,243,261	11,243,261
Diluted number of shares in issue	**1,653,121,607**	**1,653,121,607**	1,648,949,999	1,648,949,999
NAV per Ordinary Share – basic	**47.3p**	**47.3p**	46.1p	46.1p
NAV per Ordinary Share – diluted	**47.2p**	**47.2p**	45.7p	45.8p

	Adjusted net asset value 30/09/2016 £m	Adjusted net asset value 31/03/2016 £m
EPRA NAV	**780.0**	754.5
Mark to market of fixed rate debt	**(94.2)**	(60.2)
EPRA NNNAV	**685.8**	694.3
EPRA NNNAV per Ordinary Share	**41.6p**	42.4p

The EPRA measures set out above are in accordance with the Best Practices Recommendations of the European Property Real Estate Association dated December 2014.

Mark to market adjustments have been provided by third party valuers or the counterparty as appropriate.

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2016

9. Property assets

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

Investment properties are stated at fair value, as determined for the Company by Savills Commercial Limited and Jones Lang LaSalle as at 30 September 2016. The properties have been valued individually and on the basis of open market value in accordance with RICS valuation – Professional Standards 2014 ("the Red Book").

Initial yields mainly range from 4.5% to 5.0% (March 2016: 4.65% to 5.25%) for prime units, increasing up to 5.75% (March 2016: 6.15%) for older units with shorter unexpired lease terms. For properties with weaker tenants and poorer units, the yields range from 5.75% to over 8.0% (March 2016: 6.15% to over 8.0%) and higher for those very close to lease expiry or those approaching obsolescence.

	Investment 30/09/16 £m	**IPUC 30/09/16 £m**	**Total 30/09/16 £m**	Investment 31/03/2016 £m	IPUC 31/03/2016 £m	Total 31/03/2016 £m
Opening fair value	**1,094.9**	**11.5**	**1,106.4**	915.6	6.7	922.3
Additions:						
– acquisitions	**81.2**	**–**	**81.2**	124.5	–	124.5
– improvements	**1.4**	**–**	**1.4**	2.7	–	2.7
	82.6	**–**	**82.6**	127.2	–	127.2
Development costs	**–**	**11.5**	**11.5**	–	17.7	17.7
Transfers	**14.0**	**(14.0)**	**–**	16.4	(16.4)	–
Transfer from assets held for sale	**–**	**0.8**	**0.8**	0.6	3.1	3.7
Capitalised interest	**–**	**0.2**	**0.2**	–	0.5	0.5
Disposals	**(0.9)**	**(0.2)**	**(1.1)**	(0.6)	(0.8)	(1.4)
Unrealised surplus/(deficit) on revaluation	**23.7**	**(0.3)**	**23.4**	35.7	0.7	36.4
Closing market value	**1,214.3**	**9.5**	**1,223.8**	1,094.9	11.5	1,106.4
Add finance lease obligations recognised separately	**3.0**	**–**	**3.0**	3.0	–	3.0
Closing fair value of investment property	**1,217.3**	**9.5**	**1,226.8**	1,097.9	11.5	1,109.4

	30/09/2016 £m	31/03/16 £m
Market value of investment property as estimated by valuer	**1,207.7**	1,088.0
Add IPUC	**9.5**	11.5
Add pharmacy lease premiums	**6.6**	6.9
Add finance lease obligations recognised separately	**3.0**	3.0
Fair value for financial reporting purposes	**1,226.8**	1,109.4
Land held for sale	**0.9**	1.7
Total property assets	**1,227.7**	1,111.1

Two land sites are held as available for sale (31 March 2016: three land sites).

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2016

10. Deferred revenue

	30/09/2016 £m	31/03/2016 £m
Arising from rental received in advance	**15.0**	13.7
Arising from pharmacy lease premiums received in advance	**6.6**	6.9
	21.6	20.6

Current	**15.4**	14.2
Non-current	**6.2**	6.4
	21.6	20.6

11. Borrowings

	30/09/2016 £m	31/03/2016 £m
At 1 April	**369.2**	513.5
Amount issued or drawn down in period/year	**80.0**	45.0
Amount repaid in period/year	**(2.0)**	(188.5)
Loan issue costs	**(1.9)**	(1.4)
Amortisation of loan issue costs	**0.3**	0.6
Write off of loan issue costs	**1.5**	–
At the end of the period/year	**447.1**	369.2

Due within one year	**4.1**	4.0
Due after more than one year	**443.0**	365.2
At the end of the period/year	**447.1**	369.2

The Group has the following bank facilities:

1. 10-year senior secured bond for £110 million at a fixed interest rate of 4.75% maturing in December 2021. The secured bond carries a loan to value covenant of 75% (70% at the point of substitution of an investment property or cash) and an interest cover requirement of 1.15 times (1.5 times at the point of substitution).

2. Loans from Aviva Commercial Finance with an aggregate balance of £215.8 million at 30 September 2016 (31 March 2016: £217.8 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2024 and 2044 with a weighted average term of 13.5 years to maturity; £4.1 million is due within a year. These loans are secured by way of charges over specific medical centre investment properties with cross-collateralisation between the loans and security. The loans are subject to fixed all-in interest rates ranging between 4.11% and 6.66% and have a weighted average of 5.43%. The loans carry a debt service cover covenant of 1.05 times and a loan to value covenant of 70%, calculated across all loans and secured properties.

3. Five-year club revolving credit facility with RBS, HSBC, Santander and Barclays for £200 million on an unsecured basis at an initial margin of 1.50% above LIBOR, expiring in May 2021. The margin increases based on the LTV of the subsidiaries to which the facility relates, up to 2.0% where the LTV is in excess of 50%. The facility is subject to a historical interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years. As at 30 September 2016, £125 million of this facility was drawn. This facility replaced the previous £120 million secured revolving credit facility.

On 3 October 2016, the Group announced it had agreed new ten-year notes in the US private placement market for a total of £100 million. The notes are unsecured, have a fixed interest rate of 2.65% and were drawn on 13 October 2016.

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

Notes to the interim condensed consolidated accounts continued

For the six months ended 30 September 2016

12. Share capital

	Number of shares 30/09/2016	**Share capital 30/09/2016 £m**	Number of shares 31/03/2016	Share capital 31/03/2016 £m
Ordinary Shares of 10 pence each issued and fully paid				
At 1 April	**1,637,706,738**	**163.8**	1,006,900,141	100.7
Issued 20 July 2015	**–**	**–**	4,545,455	0.4
Issued 25 September 2015	**–**	**–**	3,543,975	0.4
Issued 14 October 2015	**–**	**–**	618,000,000	61.8
Issued 4 November 2015	**–**	**–**	2,229,072	0.2
Issued 20 January 2016	**–**	**–**	1,611,873	0.2
Issued 27 January 2016	**–**	**–**	876,222	0.1
Issued 18 April 2016	**2,291,541**	**0.2**	–	–
Issued 25 July 2016	**1,880,037**	**0.2**	–	–
Issued 26 August 2016	**8,000,000**	**0.8**	–	–
Total at 30 September/31 March	**1,649,878,316**	**165.0**	1,637,706,738	163.8
Own shares held	**(61,898)**	**–**	(1,256,714)	(0.6)
Total share capital	**1,649,816,418**	**165.0**	1,636,450,024	163.2

The Ordinary Shares issued on 18 April 2016 and 25 July 2016 represent those issued to shareholders who elected to receive Ordinary Shares in lieu of a cash dividend under the Company scrip dividend alternative. On 26 August 2016, 8,000,000 Ordinary Shares were issued to the Employee Benefit Trust to satisfy amounts owed to participants of the Value Creation Plan ("VCP") following the completion of the second measurement period. In addition, 1,194,816 Ordinary Shares were transferred from the Employee Benefit Trust to participants. The VCP has one remaining measurement period in 2017.

13. Commitments

At the period end the Group had one forward funding purchase on site (31 March 2016: two developments) with a contracted total expenditure of £3.8 million (31 March 2016: £13.5 million) of which £0.8 million (31 March 2016: £8.5 million) had been expended.

14. Dividends paid on Ordinary Shares

Payment date	Pence per share	Number of Ordinary Shares	**Six months ended 30 September 2016 £m**	Six months ended 30 September 2015 £m
30 April 2015	0.5	1,006,900,141	**–**	5.0
22 July 2015	0.5	1,006,900,141	**–**	5.0
20 April 2016	0.55	1,637,706,738	**9.0**	–
27 July 2016	0.55	1,639,998,279	**9.0**	–
			18.0	10.0

A dividend of 0.55 pence per share was paid to shareholders on 19 October 2016.

Directors' responsibilities statement

Principal risks and uncertainties

The factors identified by the Board as having the potential to affect the Group's operating results, financial control and/or the trading price of its shares were set out in detail in the Annual Report for the year ended 31 March 2016.

An update on certain key risks as they relate to the second half of the year is set out below:

External risk – government policy: there remains a lack of clarity on the future approval mechanism for new developments. This risk is mitigated by the fact that recent policy announcements in the NHS England Five Year Forward View are very supportive of further investment in the greater provision of healthcare in a primary care setting. We continue to monitor this closely and are actively engaged with both the commissioning bodies and the policy influencers in the NHS to try to minimise any risks from any potential future changes.

External risk – Brexit: as a wholly UK focused business, the Board does not expect any negative impact following the June referendum. However, the Board will continue to monitor macro-economic factors for evidence of potential negative consequences.

Going concern

The Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Group's properties are substantially let with the majority of rent paid or reimbursed by the NHS and they benefit from a weighted average lease length on the portfolio of 13.5 years. The Group has facilities from two lenders with modest annual amortisation, in addition to the secured bond, and has remained in compliance with all covenants throughout the period. In making the assessment, and having considered the continuing economic uncertainty, the Directors have reviewed the Group's financial forecasts which cover a period of 18 months beyond the balance sheet date, showing that borrowing facilities are adequate and the business can operate within these facilities and meet its obligations when they fall due for the foreseeable future. There have been no material changes in assumptions in the forecast from the basis adopted in making the assessment at the previous year end.

Directors' responsibilities statement

The Board confirms to the best of their knowledge:

— that the Interim Condensed Consolidated Accounts for the six months to 30 September 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union; and
— that the Half Year Management Report comprising the Business Review and the principal risks and uncertainties includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules.

The above Directors' Responsibilities Statement was approved by the Board on 21 November 2016.

SIMON LAFFIN
NON-EXECUTIVE CHAIRMAN
21 November 2016

JONATHAN MURPHY
INTERIM CEO

Independent review report to Assura plc

For the six months ended 30 September 2016

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 which comprise the Interim Condensed Consolidated Income Statement, the Interim Condensed Consolidated Balance Sheet, the Interim Condensed Consolidated Statement of Changes in Equity, the Interim Condensed Consolidated Statement of Cash Flow and the related Notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP – Chartered Accountants and Statutory Auditor
Manchester, UK
21 November 2016

Corporate information

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