

Registered number: 10023274

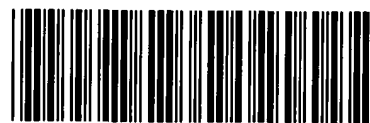
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**ASSURA FINANCING LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**ASSURA FINANCING LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Orla Ball Paul Carroll Spencer Kenyon Jayne Cottam Patrick Lowther Simon Gould Assura CS Limited
<b>Company secretary</b>	Orla Ball
<b>Registered number</b>	10023274
<b>Registered office</b>	The Brew House Greenalls Avenue Warrington WA4 6HL
<b>Independent auditor</b>	Deloitte LLP Statutory Auditor 2 Hardman Street Manchester United Kingdom

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**ASSURA FINANCING LIMITED**

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## **ASSURA FINANCING LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018**

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#### **Introduction**

The directors present their strategic report for year ended 31 March 2018.

#### **Business review**

In the year to 31 March 2018, the Group recorded profit of £62.8m (2017: £46.5m) as a result of property revaluation gains of £26.7m (2017: £21.8m). Turnover for the year to 31 March 2018 was £51.7m (2017: £31.2m) leading, once revaluation gains have been added, to an operating profit of £71.7m (2017: £49.8m).

The Group currently owns medical centres with a value of £1,525.2m (2017: £727.3m). 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. In the current period the company acquired interests in fellow group undertakings.

All of these activities are undertaken for long-term retention of the properties by the company. 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.

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 for the past five years.

#### **Principal risks and uncertainties**

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

##### **Price risk**

Price risk arises on rental values because of changes in property market prices.

##### **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.

##### **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. 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.

##### **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.

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## ASSURA FINANCING LIMITED

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### 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.

### Principal activity

The principal activity of the group is to act as a property development and investment group and also as a holding company. The holding company is primary borrower of the revolving credit facility and private placement facilities which are unsecured facilities drawn against the value of properties in subsidiaries.

### Results and financial position

The results for the year ended 31 March 2018 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 26/6/18 and signed on its behalf.

  
Paul Carroll  
Director

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## **ASSURA FINANCING LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018**

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The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 profit for the year, after taxation, amounted to £62,791,355 (2017: £46,545,021).

The directors have not declared a dividend for the year ended 31 March 2018.

#### **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**

The directors who served during the year were:

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**ASSURA FINANCING LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2018**

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Orla Ball  
Paul Carroll  
Spencer Kenyon  
Jayne Cottam (appointed 30 October 2017)  
Patrick Lowther (appointed 8 January 2018)  
Simon Gould (appointed 8 January 2018)  
Assura CS Limited (appointed 8 January 2018)  
Andrew Darke (resigned 31 March 2018)  
Carolyn Jones (resigned 22 October 2017)  
Jonathan Murphy (resigned 8 January 2018)

**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. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**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

**Auditor**

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

This report was approved by the board on 26/6/18 and signed on its behalf.



**Paul Carroll**  
Director

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## **ASSURA FINANCING LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ASSURA FINANCING LIMITED**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 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 of Assura Financing Limited (the 'parent company') and its subsidiaries (the 'group') 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;
- the related notes 1 to 19.

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

##### **Basis for opinion**

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

##### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

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## ASSURA FINANCING LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ASSURA FINANCING LIMITED

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doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

##### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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**ASSURA FINANCING LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ASSURA FINANCING LIMITED**

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- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

*Rachel Argyle*

Rachel Argyle (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester  
United Kingdom

27 June 2018

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**ASSURA FINANCING LIMITED**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

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	Note	2018 £	2017 £
Turnover		51,734,772	31,223,542
Cost of sales		(1,838,434)	(1,001,767)
Gross profit		49,896,338	30,221,775
Administrative expenses		(4,855,564)	(2,207,820)
Revaluation gain		26,664,109	21,757,598
Operating profit		71,704,883	49,771,553
(Loss)/gain on sale of investment property		-	16,331
Interest receivable and similar income	6	38,105	19,599
Interest payable and expenses	7	(8,951,633)	(3,262,462)
Profit before taxation		62,791,355	46,545,021
Tax on profit	8	-	-
Profit for the financial year		<u>62,791,355</u>	<u>46,545,021</u>
Total comprehensive income for the year		<u>62,791,355</u>	<u>46,545,021</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.

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**ASSURA FINANCING LIMITED**  
**REGISTERED NUMBER: 10023274**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investment property	10	1,517,617,142	727,287,277
		<u>1,517,617,142</u>	<u>727,287,277</u>
<b>Current assets</b>			
Property costs work in progress	11	1,675,291	1,508,268
Assets held for sale	10	7,545,000	-
Debtors	12	9,132,694	3,064,563
Cash at bank and in hand	13	25,472,734	20,788,569
		<u>43,825,719</u>	<u>25,361,400</u>
Creditors: Amounts falling due in one year	14	(987,603,240)	(420,513,511)
<b>Net current liabilities</b>		<u>(943,777,521)</u>	<u>(395,152,111)</u>
<b>Total assets less current liabilities</b>		<u>573,839,621</u>	<u>322,135,166</u>
Creditors: amounts falling due after more than one year	15	(377,013,872)	(198,100,772)
<b>Net assets</b>		<u><u>196,825,749</u></u>	<u><u>134,034,394</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	87,489,373	87,489,373
Profit and loss account		109,336,376	46,545,021
		<u><u>196,825,749</u></u>	<u><u>134,034,394</u></u>

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

26/4/18.....



**Paul Carroll**  
**Director**

The notes on pages 14 to 26 form part of these financial statements.

**ASSURA FINANCING LIMITED**  
**REGISTERED NUMBER: 10023274**

**COMPANY BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	9	327,923,318	170,891,625
		<u>327,923,318</u>	<u>170,891,625</u>
<b>Current assets</b>			
Debtors	12	131,958,260	98,219,522
Cash at bank and in hand	13	9,767,086	18,319,551
		<u>141,725,346</u>	<u>116,539,073</u>
Creditors: amounts falling due within one year	14	(3,540,104)	(1,386,625)
<b>Net current assets</b>		<u>138,185,242</u>	<u>115,152,448</u>
<b>Total assets less current liabilities</b>		<u>466,108,560</u>	<u>286,044,073</u>
Creditors: amounts falling due after more than one year	15	(377,013,872)	(198,100,772)
<b>Net assets</b>		<u><u>89,094,688</u></u>	<u><u>87,943,301</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	87,489,373	87,489,373
Profit and loss account		1,605,315	453,928
		<u><u>89,094,688</u></u>	<u><u>87,943,301</u></u>

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

26/6/18

Paul Carroll  
Director

The profit for the financial period dealt with in the financial statements of the parent Company was £1,151,387 (2017: £453,928).

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**ASSURA FINANCING LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 24 February 2016	-	-	-
Comprehensive income for the year			
Profit for the year	-	46,545,021	46,545,021
Shares issued during the year	87,489,373	-	87,489,373
At 1 April 2017	<u>87,489,373</u>	<u>46,545,021</u>	<u>134,034,394</u>
Comprehensive income for the year			
Profit for the year	-	62,791,355	62,791,355
At 31 March 2018	<u>87,489,373</u>	<u>109,336,376</u>	<u>196,825,749</u>

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**ASSURA FINANCING LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 24 February 2016	-	-	-
Comprehensive income for the year			
Profit for the year	-	453,928	453,928
	<hr/>	<hr/>	<hr/>
Shares issued during the year	87,489,373	-	87,489,373
	<hr/>	<hr/>	<hr/>
At 1 April 2017	<u>87,489,373</u>	<u>453,928</u>	<u>87,943,301</u>
Comprehensive income for the year			
Profit for the year	-	1,151,387	1,151,387
	<hr/>	<hr/>	<hr/>
At 31 March 2018	<u>87,489,373</u>	<u>1,605,315</u>	<u>89,094,688</u>

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**ASSURA FINANCING LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

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	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	62,791,355	46,545,021
<b>Adjustments for:</b>		
Amortisation of loan issue costs	661,577	355,439
Interest capitalised on developments	(749,678)	(445,492)
Gain on disposal of investment properties	-	(16,331)
(Increase) in debtors	(6,235,156)	(4,572,829)
Increase in creditors	20,549,769	16,693,720
Surplus on revaluation of investment property	(26,664,109)	(21,757,598)
<b>Net cash generated from operating activities</b>	<u>50,353,758</u>	<u>36,801,930</u>
<b>Cash flows from investing activities</b>		
Purchase of investment properties	(195,660,811)	(128,055,618)
Carrying value of investment property sold	-	915,000
Gain on sale of investment property	-	16,331
Development expenditure	(28,260,305)	(19,853,822)
<b>Net cash from investing activities</b>	<u>(223,921,116)</u>	<u>(146,978,109)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	87,489,373
Movement in loans to group undertaking	-	(154,269,958)
New loans	180,000,000	200,000,000
Loan issue costs	(1,748,477)	(2,254,667)
<b>Net cash used in financing activities</b>	<u>178,251,523</u>	<u>130,964,748</u>
<b>Net increase in cash and cash equivalents</b>	<u>4,684,165</u>	<u>20,788,569</u>

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**ASSURA FINANCING LIMITED**

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Cash and cash equivalents at beginning of year	20,788,569	-
Cash and cash equivalents at the end of year	<u>25,472,734</u>	<u>20,788,569</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	25,472,734	20,788,569
	<u>25,472,734</u>	<u>20,788,569</u>

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## **ASSURA FINANCING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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#### **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. 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, the directors have obtained an 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 2018.

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

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

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

##### **Parent Company disclosure exemptions**

The following principal accounting policies have been applied:

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

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

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

This information is included in the consolidated financial statements of Assura plc as at 31 March 2018 and these financial statements may be obtained from [www.assurapl.com](http://www.assurapl.com).

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## ASSURA FINANCING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 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. Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease and is shown net of VAT.

##### 2.5 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

Any surplus or deficit arising on revaluing investment properties 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.

##### 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.

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## **ASSURA FINANCING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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#### **2. Accounting policies (continued)**

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

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

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

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

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

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

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

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

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## **ASSURA FINANCING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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#### **2.8 Property costs work in progress**

Costs includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Property work in progress comprises costs incurred on property pre-acquisition and investment opportunities, including bid costs, which are capitalised when the transaction is virtually certain. Costs are written off to the statement of comprehensive income if the project becomes abortive. Costs are transferred to investment property if the opportunity results in the purchase of an income generating property. Costs are transferred to development property on acquisition of the land or development site.

#### **2.9 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 income statement 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.

#### **2.10 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.

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

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

#### **Property valuations**

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

However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty.

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**ASSURA FINANCING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**4. Auditor's remuneration**

The audit fee for the period has been borne by a fellow group undertaking. No non-audit fees have been incurred during the current period.

**5. Employees**

The Group and Company have no employees other than the directors, who did not receive any remuneration (2017 - *£NIL*).

**6. Interest receivable**

	2018 £	2017 £
Bank interest receivable	38,105	19,599
	<u>38,105</u>	<u>19,599</u>

**7. Interest payable and similar charges**

	2018 £	2017 £
Bank loans and private debt placement	8,289,528	2,907,023
Amortisation of loan issue costs	662,105	355,439
	<u>8,951,633</u>	<u>3,262,462</u>

**8. Taxation**

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>
Factors affecting tax charge for the year/period		

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## ASSURA FINANCING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

The tax assessed for the year/period is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>62,791,355</u>	<u>46,545,021</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	11,930,357	9,309,004
Effects of:		
Non-taxable income (REIT income)	(11,930,357)	(9,309,004)
Total tax charge for the year/period	<u>-</u>	<u>-</u>

#### Factors that may affect future tax charges

Finance Act 2016 which was substantively enacted in September 2016 included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020, and Finance Act 2015 (No.2) which was substantively enacted in October 2015 included provisions to reduce the rate of corporation tax to 17% with effect to 1 April 2020.

#### UK REIT election

The Group companies as part of the Assura plc Group have elected to be treated as a UK REIT. The UK REIT rules exempt the profits of companies of the Group from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. All other gains and profits will be subject to UK corporation tax.

## 9. Fixed asset investments

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Assura Aspire Limited	Ordinary	100%	Property Investment
Assura Aspire UK Limited	Ordinary	100%	Property Investment
Trinity Medical Properties Limited	Ordinary	100%	Property investment

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## ASSURA FINANCING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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Malmesbury Medical Enterprises Limited	Ordinary	100%	Property investment
Assura Primary Care Properties Limited	Ordinary	100%	Property investment
Assura PCP UK Limited	Ordinary	100%	Dormant company
Assura CVSK Limited	Ordinary	100%	Dormant company
Metro MRM Limited	Ordinary	100%	Property investment
Metro MRH Limited	Ordinary	100%	Property investment
Park Medical Services Limited	Ordinary	100%	Property investment
Assura Trellech Limited	Ordinary	100%	Property investment
Assura HC Limited	Ordinary	100%	Property investment
Assura HC UK Limited	Ordinary	100%	Property investment
Assura Health Investments Limited	Ordinary	100%	Property investment
Newton Healthcare Limited	Ordinary	100%	Property investment
Pentagon HS Limited	Ordinary	100%	Property investment
Donnington Healthcare Limited	Ordinary	100%	Property investment
Abbey Healthcare Property Investments Limited	Ordinary	100%	Dormant company
Abbey Healthcare Group Limited	Ordinary	100%	Dormant company
SPCD Silsden Limited	Ordinary	100%	Dormant company
Assura (GHC) Limited	Ordinary	100%	Property investment
Assura Medical Centres Limited	Ordinary	100%	Property investment
Medical Properties Limited	Ordinary	100%	Property investment
Metro MRI Limited	Ordinary	100%	Property investment
Assura (SC1) Limited	Ordinary	100%	Property investment
Assura (SC2) Limited	Ordinary	100%	Property investment
SJM Developments Limited	Ordinary	100%	Property investment

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

On 23 February 2018 the company acquired from fellow group undertakings 100% of the issued share capital of the following:

- Assura Medical Centres Limited
  - SJM Developments Limited
  - Assura (GHC) Limited
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**ASSURA FINANCING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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- Assura (SC1) Limited
- Assura (SC2) Limited

The consideration paid was £159,496,755 which was equivalent to the net assets of the acquired companies at that date. The movement in investment in subsidiaries is shown below.

Company	Investments in subsidiaries
	£
As at 1 April 2017	170,891,625
Additions	159,496,755
Impairment of subsidiaries	(2,465,062)
As at 31 March 2018	<u>327,923,318</u>

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**ASSURA FINANCING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**10. Investment property**

**Group**

	Investment property 2018 £	Investment property under construction 2018 £	Assets held for sale 2018 £	Total 2018 £
As at 1 April 2017	709,601,510	17,685,767	-	727,287,277
Additions	197,264,646	29,009,986	-	226,274,632
Surplus on revaluation	20,349,324	6,314,785	-	26,664,109
Transfers intra group	540,801,124	4,135,000	-	544,936,124
Transfer between classes	28,140,000	(35,685,000)	7,545,000	-
As at 31 March 2018	<u>1,496,156,604</u>	<u>21,460,538</u>	<u>7,545,000</u>	<u>1,525,162,142</u>

The total value of investment property is £1,525,162,142, which is completed investment property of £1,517,617,142 plus £7,545,000 of assets held for sale.

The 2018 valuations were made by Savills Commercial Limited and Jones Lang LaSalle, on an open market value for existing use basis.

The investment property were valued in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The historical cost of the property included at valuation was £1,462,219,565 (2017: £705,529,679).

**11. Property costs work in progress**

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Property costs work in progress	1,675,291	1,508,268	-	-
	<u>1,675,291</u>	<u>1,508,268</u>	<u>-</u>	<u>-</u>

**ASSURA FINANCING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**12. Debtors**

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	6,975,928	2,325,771	-	-
Amounts owed by fellow subsidiary undertakings	-	-	131,953,706	98,219,522
Other debtors	586,784	109,312	4,554	-
Prepayments and accrued income	1,569,982	629,480	-	-
	<u>9,132,694</u>	<u>3,064,563</u>	<u>131,958,260</u>	<u>98,219,522</u>

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

**13. Cash and cash equivalents**

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	23,559,786	20,788,569	9,767,086	18,319,551
Restricted cash	1,912,948	-	-	-
	<u>25,472,734</u>	<u>20,788,569</u>	<u>9,767,086</u>	<u>18,319,551</u>

**14. Creditors: Amounts falling due within one year**

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	1,121,308	403,676	-	-
Amounts owed to fellow subsidiary undertakings	951,538,356	403,819,791	-	-
Other taxation and social security	2,607,408	801,857	-	-
Other creditors	2,244,376	93,604	-	-
Accruals and deferred income	30,091,792	15,394,583	3,540,104	1,386,625
	<u>987,603,240</u>	<u>420,513,511</u>	<u>3,540,104</u>	<u>1,386,625</u>

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**ASSURA FINANCING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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

**15. Creditors: Amounts falling due after more than one year**

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans and private debt placement	380,000,000	200,000,000	380,000,000	200,000,000
Loan facility fees	(2,986,128)	(1,899,228)	(2,986,128)	(1,899,228)
	<u>377,013,872</u>	<u>198,100,772</u>	<u>377,013,872</u>	<u>198,100,772</u>

**16. Loans**

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
<b>Amounts falling due 2-5 years</b>				
Bank loans	130,000,000	100,000,000	130,000,000	100,000,000
	<u>130,000,000</u>	<u>100,000,000</u>	<u>130,000,000</u>	<u>100,000,000</u>
<b>Amounts falling due after more than 5 years</b>				
Private debt placement	250,000,000	100,000,000	250,000,000	100,000,000
Loan facility fees	(2,986,128)	(1,899,228)	(2,986,128)	(1,899,228)
	<u>247,013,872</u>	<u>98,100,772</u>	<u>247,013,872</u>	<u>98,100,772</u>
	<u>377,013,872</u>	<u>198,100,772</u>	<u>377,013,872</u>	<u>198,100,772</u>

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## ASSURA FINANCING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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The Group has the following bank facilities:

1. Five-year club revolving credit facility with RBS, HSBC, Santander and Barclays for £300 million on an unsecured basis at an initial margin of 1.50% above LIBOR, expiring in May 2021. The margin increases based on the LTV of the subsidiaries to which the facility relates, up to 2.0% where the LTV is in excess of 50%. The facility is subject to a historical interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years. As at 31 March 2018, £130 million of this facility was drawn.

2. 10-year notes in the US private placement market for a total of £100 million. The notes are unsecured, have a fixed interest rate of 2.65% and were drawn in full on 13 October 2016. 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.

3. £150 million of privately placed notes in two tranches with maturities of eight and 10 years drawn on 20 October 2017. The weighted average coupon is 3.04%. The facility is subject to a historical cost interest cover requirement of at least 175%, maximum LTV of 60% and a weighted average lease length of seven years.

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

#### 17. Share capital

	2018 £	2017 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
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.

#### 18.

##### Related party transactions

The company has taken advantage of the exemption conferred by section 33.10 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.

#### 19. 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 The Brew House, Greenalls Avenue, Warrington, Cheshire, WA4 6HL and also from the Group's Website [www.assurapl.com](http://www.assurapl.com).

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

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