



ANNUAL REPORT
& ACCOUNTS

20
13

INVESTING IN THE FUTURE
OF PRIMARY CARE PROPERTY

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We believe patients and health professionals deserve modern primary care property which promotes **wellbeing** at the heart of the community.

TRANSFORMING PATIENT CARE

Assura Group is the leading investor
and developer of primary care property

Primary care property building health and wellness.

TRANSFORMING LOCAL COMMUNITIES

BUSINESS HIGHLIGHTS

for the year ended 31 March 2013

Adjusted EPRA NAV¹ per share up 6.3% to

36.3p

38.6p (2012: 36.3 p)

Net rental income up 9.1% to

£30.9m

£33.7 million (2012: £30.9 million)

Underlying profit from continuing operations up 44% to

£7.1m

£10.2 million (2012: £7.1 million)

STRONG RESULTS OUTPERFORMING THE MARKET, DRIVEN BY MANAGEMENT ACTION

- Total property assets of £569 million (2012: £549 million)
- Valuation uplift of £6.0 million (2012: £1.5 million)
- Profit for the year of £14.1 million (2012: loss £60.7 million)
- Long weighted average lease length on core portfolio of 15.1 years (2012: 15.8 years)
- Dividend 160% covered². The Board targets a progressive dividend policy as evidenced by the 6% increase in quarterly dividend from April 2013
- Substantial progress made in realising non-core assets. Two-thirds³ sold or contracts exchanged
- Total Property Return of 7.2% (2012: 6.2%)

ASSURA OPERATES IN A LARGE, GROWING MARKET

- Health spending is non-discretionary, with ever increasing pressure on primary care infrastructure from an ageing and more demanding population
- Tenants are private businesses underwritten by Government, with the majority of rent reimbursed by the NHS
- Two-thirds of GP premises are not suitable for future needs. Regulation of GPs by Care Quality Commission started in 2013, meaning primary healthcare facilities are required to meet their standards
- GPs engaged in commissioning decisions since April 2013

ASSURA IS WELL POSITIONED TO CONTINUE OUTPERFORMING THE MARKET

- Deep understanding of GP issues and specialist building requirements; strong relationships with key stakeholders including GPs and communities
- Strong development capability; development is demand-led
- 5 new developments completed for a 7.1% yield on cost. 9 projects on site and a further 40 potential schemes identified with an aggregate value exceeding £100 million
- Converted to REIT status from 1 April 2013, enabling the Group to compete with other tax efficient investors and access a global specialist investor base

¹ Net Asset Value – note 12

² Dividend cover calculated on an annual basis and related to underlying profit

³ Two-thirds of those identified as non-core and held for sale in June 2012

CHAIRMAN'S STATEMENT

for the year ended 31 March 2013

This has been the year that Assura has started once again to deliver value to our shareholders by developing, owning and managing primary care properties. We completed the formation of a totally new Board with two appointments, Jenefer Greenwood as a Non-Executive Director, and Jonathan Murphy as Finance Director. This is on top of the appointment of Graham Roberts as Chief Executive right at the start of the financial year.

The turnaround of Assura has been based on a number of steps. Firstly, on appointment as Chairman in September 2011, I led the refinancing, Rights Issue and clear out of a historical derivative, as well as the completion of the refocusing of the business back to a pure primary care property group and the assembling of a 'FTSE 100 quality' Board. The appointment of Graham Roberts in March 2012 has since enabled him to take the business forward; building the strongest management team in the sector, investing in new properties for growth, selling non-core assets, and rebuilding Assura's reputation with investors.

Your Board believes that the primary care property market remains a highly attractive one with excellent risk-adjusted returns. Our business model, with internal management, means that we are, by some way, the lowest cost operator in the sector. It also means that we can capture more of the development opportunity and profits by providing an integrated 'develop, own & manage' service. It also means that as we grow, all of the benefits and scale gains accrue directly to our shareholders, and thence drive a progressive dividend. Everyone at Assura works for the benefit of our shareholders.

Finally we believe in being open and straightforward. We pay dividends out of earnings, not debt nor equity. We fully disclose our key metrics and operate a transparent balance sheet.

The performance of Assura has indeed reflected the success of this strategy, and we continue to lead the sector in delivering long-term property returns. Underlying profits were up 44% to £10.2 million, and EPRA net assets per share were up 6.3%, to 38.6 pence per share. We have also commenced quarterly dividends, already increasing them once and they are currently 1.21 pence per share on an annual basis. Investors have noticed this turnaround, with our share price finishing the year at 35.5 pence, up 16% on last year.

BUILDING THE STRONGEST MANAGEMENT TEAM IN THE SECTOR

We have a strong Board, with Jenefer Greenwood now adding extra property expertise from 25 years in private practice, 10 years at Grosvenor and as a Non-Executive Director at The Crown Estate. Jonathan Murphy brings extensive financial control and financing experience. Graham Roberts has shown himself to be a dynamic and inspiring Chief Executive. Andrew Darke, who is our long-serving Property Director, has continued to ensure that we outperform the market in property returns as well as find new investments for the future.

We have only 26 employees in Assura, and I would like to thank each and every one for their hard work and contribution to this business.

INVESTING FOR GROWTH AND DIVESTING NON-CORE ASSETS

In the year, we invested £22 million in new GP surgeries, as well as maintain a pipeline of £64 million in new planned developments. Developments have contributed £3.5 million development profits, equivalent to 15.3% profit on costs. £6.5 million of non-core assets held for sale at 30 September 2012 have been divested, amounting to 37% of the total identified with a further 34% under contract.

WE CONTINUE TO **LEAD THE SECTOR**
IN DELIVERING LONG-TERM PROPERTY RETURNS

BUILDING ASSURA'S REPUTATION WITH INVESTORS

The company held 80 meetings with investors and attracted several large new institutions to the share register. We converted to REIT status allowing us to invest and divest without distortions caused by historical tax valuations.

We recognise the needs of investors to see sustainable long-term capital and dividend growth. Our principles are;

1. We set the standard for financial transparency. We began this last summer with disclosing a level of additional information on current rent review settlements that is still unmatched by competitors.
2. We only pay dividends out of free cash flow. This gives us the ability to grow the dividend in line with real rental growth and provide the confidence that it is sustainable.
3. We aim to deliver superior returns relative to risk. This year we delivered an 8.7% Total Accounting Return (or £16.7 million value created) from a portfolio which retains 15 years income unexpired and financed with 11 year average debt, all at fixed rate. The inflation proof characteristics of our balance sheet are compelling.

The Board looks forward to another year of progress, as the NHS reorganisation settles down and the overwhelming need for better quality primary care health facilities, funded by private sector capital, continues to reassert itself.

Simon Laffin
Chairman



CHIEF EXECUTIVE'S STATEMENT

for the year ended 31 March 2013

I am pleased to be reporting to you on a year of excellent progress, where our focus has been on building the business for the future. We have achieved this whilst delivering an increase in underlying profits to £10.2 million, up 44%, and an increase in EPRA net assets of £12.2 million, up 6.3%, an increase of 2.3 pence per share to 38.6 pence per share. We commenced quarterly dividends. We will usually review once a year and did so recently with effect from the April payment with an increase of 6%. The current quarterly payment is equivalent to 1.21 pence per share on an annual basis.

HIGHLIGHTS

The REIT conversion in April 2013 was an important milestone for the company. This is an important favourable government-backed tax regime that enables us to compete effectively with other tax efficient investors. It also confirms our commitment to remain property investors.

Our development pipeline continues to add value with a profit of £3.5 million in the year mainly from five completions. We have nine schemes now on site, with eleven new projects in the immediate future including four extensions. The flow of new projects in the market has slowed, as we forecast last year, so this pipeline is a positive reflection on the Assura brand and a credit to our team.

We made progress with selling non-core assets with two thirds of those assets identified for sale now either sold or under contract. The non-core portfolio has already become insignificant in size.

Our re-launched investor communication programme has attracted greater interest in our business from a wider audience.

MARKET OPPORTUNITY

There remains a considerable backlog of underinvestment in primary care infrastructure. We estimate in excess of £10 billion and the current NHS infrastructure is under severe pressure as acute hospitals and Accident and Emergency wards bear too much of the burden of ailments that are neither acute nor emergencies.

Our leadership position in providing state of the art primary care premises, adapted to each local community that it serves, means we are ideally placed to exploit this growing demand. The current market is however in somewhat of a hiatus due to the recent NHS reorganisation, which has led to a temporary slowing of the development pipeline over the short term. Market fundamentals nonetheless indicate this should continue to be one of the best performing sectors in the UK real estate market over the medium and long term.

NEXT STEPS

Executing our strategy requires continuous improvement from our property team pursuing asset management and development opportunities. We will increase our marketing efforts to ensure we are best placed to capture new projects.

Going forward we will be engaging more fully with the new commissioning bodies giving our input into the strategic thinking about estates planning. This was not adequately dealt with in the Health and Social Care Act 2012 and we have a contribution to make to ensure it gets the priority it deserves. It is clear from recent ministerial and NHS comments that the fundamental structural shift of service provision from hospitals into the community has to become a reality soon. The process of getting there is challenging but the technical and financial wherewithal to provide the right premises exists. Low cost private sector capital is readily available for the NHS.

We are looking to expand even faster. Our internally managed business model is highly scalable, with only marginal additional costs as we add to our portfolio, leaving more for shareholders by way of a progressive dividend. In addition, by developing properties ourselves we consistently achieve 7% yields taking a profit on development, whereas our rivals who buy only developed premises achieve 1% lower yields.

We shall continue to set the standard for transparency. We began this last summer with new additional information on current rent review settlements from industry practice. We will also continue to target superior returns, paying progressive dividends from our secure cash flows.

MARKET OUTLOOK

Over the short term we consider that open market rental growth will remain subdued. In the meantime we benefit from our RPI linked and stepped leases. Capital growth will be modest although there remains a possibility of some favourable yield shift given the yield gap between property yields and the cost of finance.

There are encouraging signs that local area teams in NHS England are beginning to address the backlog of schemes, however this varies on a regional basis. We expect a pick up during the year although the long lead times from approvals to development starts, mean that competition for schemes in the current year will remain intense.

In the medium term, the dynamics of the sector are that healthcare, delivered by primary carers, is both preferred by patients and cheaper for the NHS. This however requires better GP premises, and we stand ready not only to provide the capital, but also the expertise and the ambition, to enable this. These strong market dynamics will, we believe, deliver healthy growth opportunities for Assura.

Graham Roberts

Chief Executive



THE ASSURA PORTFOLIO

ASSURA LOCATIONS



Freshney Green Primary Care Centre, Grimsby



Freshney Green Primary Care Centre, Grimsby



Ireland Wood Surgery, Leeds



Ireland Wood Surgery, Leeds



Weston Lane Centre for Healthy Living, Southampton



Weston Lane Centre for Healthy Living, Southampton



CASE STUDIES



ST HILARY GROUP PRACTICE, WALLASEY

New surgery bringing two branch surgeries under one roof with an on-site pharmacy.

Assura originally acquired both former surgery premises for St Hilary Brow Group Practice back in 2004, by way of a sale and leaseback arrangement. A plot of land adjacent to St Hilary's Church was later identified and acquired by Assura and planning permission gained for a new surgery development. In conjunction with development partner LSP Developments, proposals were developed and works started in 2011, with the centre being completed ahead of schedule in June 2012.

The development provides state of the art facilities for St Hilary Brow Group Practice, including a minor surgery suite and additional diagnostic services such as ultrasound and x ray, together with an on-site pharmacy operated by J. Cubbins & Son.

The building has been constructed with sustainability in mind and has a BREEAM rating of Very Good. It was officially opened in July 2012 by Sir David Nicholson, Chief Executive of the NHS.

DEVELOPMENT TEAM

Assura: Funder and long term landlord
LSP Developments: Development Partner
West Hart Partnership: Architect
Pochins: Building Contractor

SIZE

1,050 SQM

value

£2.5 million

completed

June 2012

TESTIMONIAL

DR. JAMES KINGSLAND OBE
SENIOR PARTNER
ST HILARY GROUP PRACTICE

"The practice has been completed to an extremely high standard. The extended services offered at the new centre will allow us to make speedier diagnoses, make more specific use of hospital resources and allows us to complete the cycle of care in one location."



MANCHESTER SQUARE HEALTH CENTRE, MILFORD HAVEN

New surgery co-locating two GP practices under one roof with an on-site pharmacy.

Assura, together with development partner LSP developments, were appointed by the GP practices and Local Health Board to deliver this much needed new facility for Milford Haven. A former supermarket site was identified as the ideal location to relocate the Robert Street and Barlow House practices and was quickly secured for the development.

Completed in November 2012, the new primary care centre extends to just over 2,000m² and provides state of the art facilities for the two practices and the Local Health Board, including modern treatment and minor operation suites. The building also boasts an integrated pharmacy and additional expansion space to support patient list and clinical service growth.

DEVELOPMENT TEAM

Assura: Funder and long term landlord
LSP Developments: Development Partner
West Hart Partnership: Architect
Opco Construction: Building Contractor

TESTIMONIAL

DR. MACKINTOSH
LEAD GP AT ROBERT STREET SURGERY
MILFORD HAVEN

"Our team is delighted with the new facilities – it's a major step forward for patients and the local community to have a large and up to date health centre with many trustees under one roof."

SIZE

2,066 SQM

value

£4.8 million

completed

November 2012

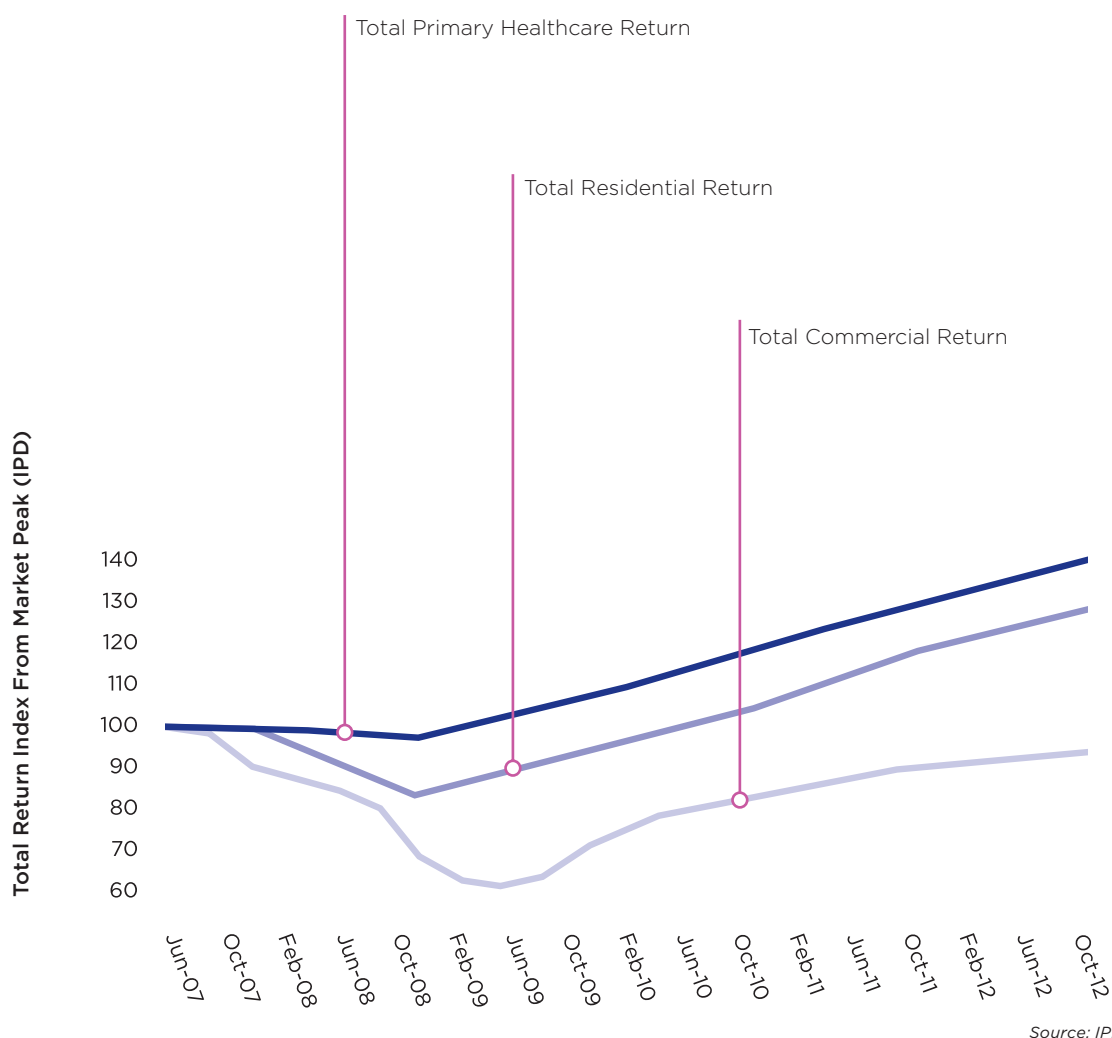


A CHANGE FOR THE BETTER

OUR MARKET

In a period of uncertainty in the wider property market the primary care property sector continues to provide investors with excellent risk adjusted returns.

The distinctive features of the sector provide the combination of long-term secure income, underpinned by the NHS, and continued rental growth. The attractiveness of the sector can clearly be seen in the stability of the returns it has delivered throughout the more challenging economic backdrop of the past few years:



The demand of the NHS on our primary care infrastructure is increasing as the broad trend for the migration of services away from acute hospitals into community based facilities continues. This is a policy that is supported by all of the major political parties. The combination of increasing demands (and costs) on the NHS and the national priority to reduce the budget deficit means that the more cost effective provision of medical care at the primary level is imperative. This underpins the demand for our properties.

The current primary care estate is in need of major investment in order to meet these increasing clinical demands. It is estimated that over 40% of the current 7,500 GP practices are not compliant with the requirements of the NHS. From 1 April 2013 all GPs premises are required to be registered and compliant with the requirements of the Care Quality Commission ("CQC"). The CQC is the regulatory body that monitors and regulates health organisations and health premises to ensure they meet certain minimum standards. We anticipate that there will be a significant number of GPs premises that will not be able to comply with the required standards from their current premises. We are already discussing these changes with GPs and we believe this will further increase the demand for modern purpose built premises across the sector.

Government policy is highly unlikely to support the required level of investment directly from the public purse. As a result, significant investment and involvement from the private sector is going to be required. It is likely that the majority of the investment will have to come from the GPs themselves or specialist sector investors such as Assura. We believe we are well placed to meet this demand.

The supply of premises has been suppressed as this is a sector where no speculative development occurs and premises are only ever built for an identified and agreed need by the health sector. In addition there is reduced residual risk as a purpose built medical centre providing services to a local community is unlikely to be relocated by the local GPs at the end of their lease. The level of disruption this would involve materially increases the likelihood of leases being renewed on expiry, which acts as a key differentiator in the sector to the office or retail property market.

STRUCTURAL CHANGES IN THE NHS

On 1 April 2013 the changes enacted by the Health and Social Care Act (the "Act") came into force resulting in a fundamental reorganisation of the NHS and the way it commissions services. The key change is to place a large part of the NHS budget within the control of GPs under the auspices of the Clinical Commissioning Groups ("CCGs"). The CCGs replace the Primary Care Trusts ("PCTs"), which were abolished on the same day.

The changes have altered the way the NHS administers its property estate. NHS Property Services Limited ("NHS PropCo") a company wholly owned and funded by the Department of Health, was created in the year. NHS PropCo has taken on all of the premises previously leased to the PCTs and now represents 17% of our rent roll. The transfers have all now been completed and the risk profile of the business remains unchanged by the transfer of the estate from one Government entity to another. The majority of our premises are leased directly to GPs and the previous arrangements whereby GP's rent is reimbursed directly by the NHS remains unaffected.

The philosophy behind the changes is that the people closest to the patients and the ultimate service delivery are the ones best placed to make decisions on which services are to be provided and from which suppliers. This places GPs at the heart of commissioning services and can only accelerate the trend of a gradual increase in the range and volume of services provided at local primary care premises. In order to meet these needs the provision of purpose built specialist primary care premises will be essential.

The recent structural changes in the NHS have resulted in a slow-down in the commissioning of new premises as the bodies earmarked for abolition focused more on the proposed structural changes than commissioning new premises. The underlying requirement for investment in UK primary care health infrastructure remains unchanged. We remain well placed to support this essential investment and we anticipate sustained demand for this investment going forward.

NEW RENT REVIEW PROCESS

In April 2013 NHS England published new guidelines covering the agreement of rent reviews subject to GP rent reimbursement. Previously the negotiation of the rent review settlement was between the landlord and the District Valuer, acting for the NHS. Under the new arrangement the GP must negotiate directly with the landlord and reach a settlement, which is then subject to the approval of the District Valuer. This increases the costs and the risks for the GP. Overall rent settlement levels should be unaffected, though this is likely to lead to increased delays in agreeing rent review settlement.

DEVELOPMENT TRENDS

In addition to higher demand for new premises the required standard of specification for these premises continues to increase. One of the key objectives of Government policy is to ensure environmental responsibility throughout the NHS. Assura has long been involved in promoting the green building standards as measured by the Building Research Establishment Environmental Assessment Method ("BREEAM") and since the Department of Health introduced their guidelines in 2008 we continue to target a performance of "Excellent" for all of our new build schemes.

All of our current developments on-site are set to achieve an "Excellent" rating and incorporate a variety of sustainable technologies including passive design, ground/air source heat pumps and photovoltaic panels. In addition significant emphasis is given to high quality landscaping that adds to the ecological value of the site, with Sustainable Urban Drainage Systems ("SUDS"), biodiverse roofs and living walls, all features of current schemes.

To meet these standards and specifications there is an additional capital cost, which will lead to an upward pressure on market rents over time.

OUR MARKET (continued)

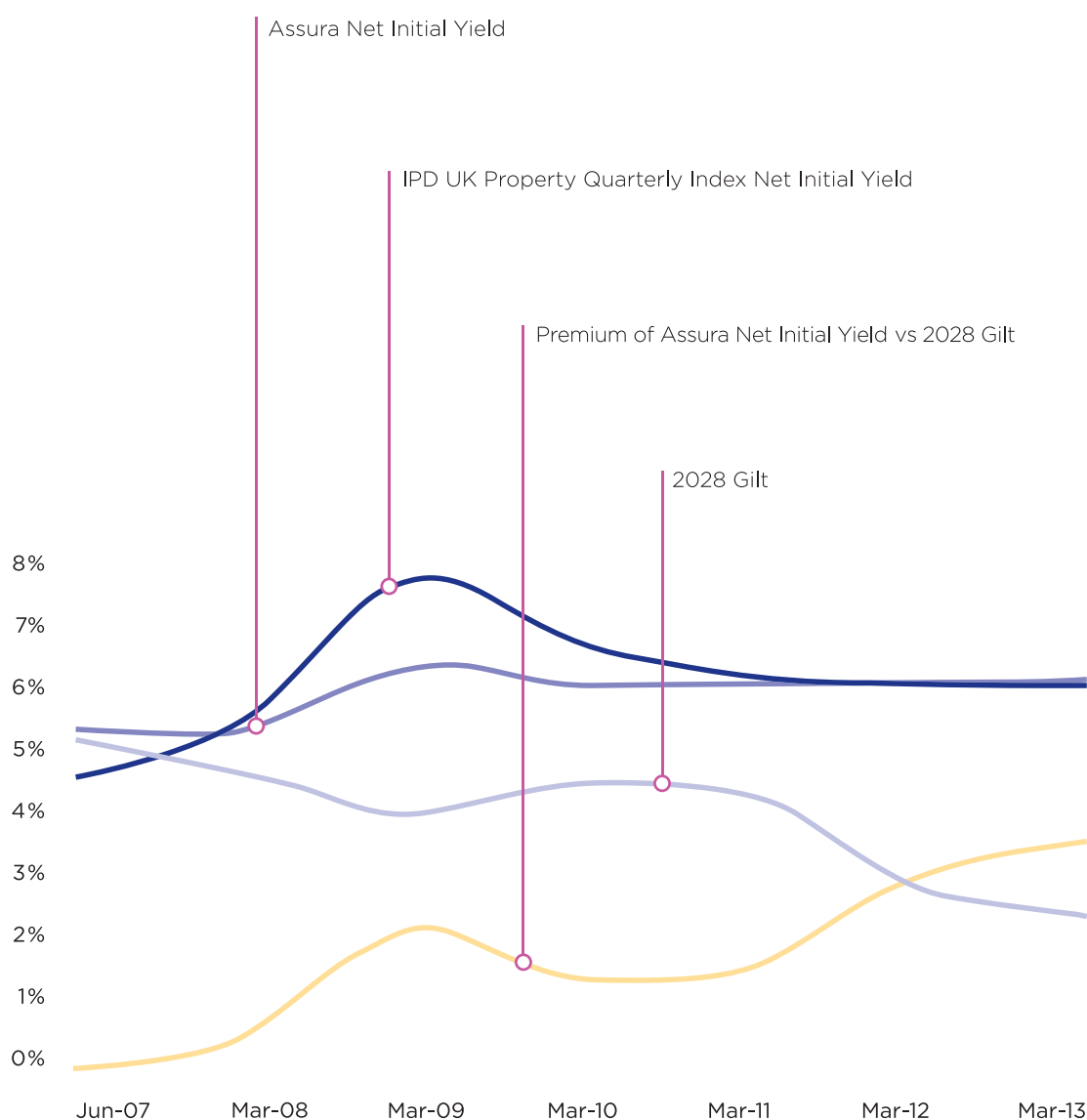
RENTAL REVIEWS

The primary care property sector has continued to enjoy rental growth in contrast to many other property sectors. In our sector rent reviews are agreed with the District Valuers, effectively acting for the NHS. However, the twin pressures of slower economic growth and government austerity measures have reduced the overall rate of rental growth.

A key driver of rental growth is the volume and increasing quality of new developments which “raises the bar” for rental settlements across the whole sector. As the number of new developments has been reduced as a result of the organisation changes in the NHS this has dampened this inflationary effect. We anticipate that once the new structures are bedded in and the development pipeline builds across the whole sector this inflationary pressure on rents should begin to build again. These impacts are unlikely to be in the current financial year.

MARKET OUTLOOK

The demand for primary care property remains strong and unaffected by any short term reduction in supply caused by NHS restructuring. The sector continues to deliver rental growth underpinned by excellent lease length and a strong covenant. The yield spread over long dated gilts has increased to some 355 bps on the core portfolio. This spread provides support for capital growth in the future and the prospects for the sector are strong.





NURTURING GROWTH

KEY PERFORMANCE INDICATORS

Our vision is to be the UK's leading owner-manager and developer of primary care property. In order to be the leading player we need to demonstrate that we can consistently outperform over time. In order to measure ourselves against this objective we have a wide range of key performance indicators, but these can be distilled into three key areas.

Firstly Total Property Return, which measures our success in choosing the right investments and managing these over time. Secondly Total Accounting Return, which measures the returns we have delivered to our shareholders in the form of dividends paid and our growth in net asset value. Lastly, we consider Total Shareholder Return as measured by the stock market, which reflects the value of dividends paid and the relative movement in our share price over the period.


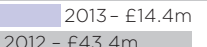



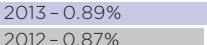
These measures are complementary and should build on each other although the share price movement is also affected by other external factors outside of our control. By managing the property and accounting

return over the medium term we should be able to deliver a superior Total Shareholder Return to our investors. This overriding objective is reflected in the long-term management incentive scheme, which was approved by shareholders this year. The Value Creation Plan ("VCP") provides incentives to management based on the Total Shareholder Return delivered to investors over a five-year time horizon. This is explained in more detail in the Remuneration Committee Report on pages 48 to 62.

In order to achieve these objectives we have established three strategic priorities and how we monitor ourselves against them is outlined below:

Strategic priority	KPI and benchmarks	Explanation	Performance
Focused: Maintaining strategic focus on a highly attractive market	Current and prior year	All property KPIs are for the total portfolio including both Core and Non-Core	
Assura has been a developer and owner-manager of primary care property for almost ten years. It is a sector where we have deep expertise and knowledge.	Rental growth: 2013 - 2.4% 2012 - 3.4%	Rental growth is the weighted average annualised uplift in rent reviews settled in the year.	We have delivered strong rental growth of 2.4% against a backdrop of very slow growth in the property sector as a whole. The rate of growth is on a reducing trend though this represents a strong result.
The sector provides an attractive combination of long-term, secure income and by building on our strengths we believe we can generate superior Total Property Return from this sector.	Total Property Return: 2013 - 7.2% 2012 - 6.2%	Total Property Return measures the overall return generated by our properties on a debt free basis. It is calculated as the net rental income generated by the portfolio plus the change in our market values, divided by opening property assets plus additions.	We have continued to deliver a Total Property Return in excess of our net initial yield as a result of a positive valuation result.
	IPD 5 Year Total Return: Assura - 6.4% IPD - 4.0%	We measure our performance against the All Healthcare Benchmark as calculated by IPD.	Over the last 5 years, our Total Return of 6.4% compares to the All Healthcare Benchmark of 4.0%.
	Lease length: 2013 - 14.8 yrs 2012 - 15.2 yrs	The weighted average unexpired lease term ("WAULT") provides the average period until the first available break in our underlying property leases calculated on the basis of the weighted average of the underlying rent.	Our lease length of 14.8 years provides an exceptional level of income certainty to underpin investor returns.
	% of Tenant covenant NHS/GP: 2013 - 85.0% 2012 - 83.5%	The proportion of our rent roll that is paid directly by GPs or NHS PropCo.	An effective Government backing for 85% of our income provides exceptional security for our income at a healthy premium to the equivalent gilt rates.

KEY PERFORMANCE INDICATORS (continued)

Strategic priority	KPI and benchmarks	Explanation	Performance
Customer oriented: Adopting a broad and flexible approach to our customers	Current and prior year		
At the heart of our strategy is our customer and our willingness to work flexibly in delivering the property solutions to enable the delivery of a wider range of health services at primary care premises in the community.	Number and value of developments completed:  	The number and valuation on completion of completed developments during the year.	The NHS reorganisation has inevitably led to a slowdown in development activity and so the number of schemes we have been able to deliver has reduced. Despite this we have continued to work with the NHS on future developments and we currently have an indicative pipeline in excess of 40 schemes and £100 million.
We work with a range of suppliers to optimise the solution in each case. We also engage with our customer at the policy level both directly and indirectly through our trade bodies to ensure we are collaborating on the vision of the future of the health services provision in the primary care estate.	Number and value of developments on site:  	The number and estimated valuation on completion of developments currently commenced at the year end.	We believe the needs of the modern NHS require a significant increase in investment over the medium term and we remain confident of securing an increasing level of development opportunities as a result.
Investor aligned: Delivering transparent reporting and returns for investors	Current and prior year		
In addition to delivering excellent property level returns we must ensure that this is converted into returns for our shareholders as efficiently as possible. We work across a whole range of debt providers to ensure we source capital as efficiently as possible to enable us to fund our investments over the longer-term at the optimal pricing point appropriate for the longevity of our income streams.	Total Accounting Return: 	Total Accounting Return is the overall return generated by the Group including the impact of debt. It is the combination of net income distributed to shareholders in the form of dividends and the growth in EPRA net asset value (EPRA NAV). It is calculated as the movement on EPRA NAV for the year plus the dividends paid, divided by the opening EPRA NAV for the year and is expressed as a percentage. Over time we would expect our Total Accounting Return to be a good proxy for our Total Shareholder Return.	Our Total Accounting Return is in excess of our Total Property Return of 7.2%, which reflects the net positive impact of our borrowings and our efficient cost base. This level of return is a strong inflation-beating return for investors and is in line with our estimated cost of equity.
Our internally managed structure enables us to increase the scale of our operations with only a relatively modest increase in our cost base and enables us to retain all our development profits for shareholders.	Admin costs as % of average portfolio value: 	This is measured as the total administrative costs for the year divided by the average investment property value for the year. It is expressed as a percentage.	Our internally managed model enables us to ensure the maximum efficiency in converting our rental receipts into net returns for investors. This efficiency is magnified with a larger portfolio as our property management costs would increase only marginally despite a much higher rent roll. In the short-term we are intending to make further investments in our marketing efforts and so anticipate that this metric will decline slightly before rebounding strongly once the benefits of future growth are realised.

KEY PERFORMANCE INDICATORS (continued)

Strategic priority	KPI and benchmarks	Explanation	Performance
Investor aligned: Delivering transparent reporting and returns for investors	Current and prior year		
As well as delivering these efficiencies it is essential that we communicate our strategy and our performance transparently and consistently to our shareholders.	<p>Total Shareholder Return:</p> <p>2013 - 18.6% </p> <p>2012 - (25.6%) </p>	<p>Total Shareholder Return is the combination of dividends paid to shareholders and the net movement in the share price during the year. It is calculated as the movement in the share price for the period plus the dividends paid, divided by the opening share price for the year expressed as a percentage.</p>	<p>To further increase this efficiency we have converted to a REIT on 1 April 2013, which means we shall no longer suffer corporation tax on our property related business.</p> <p>Total Shareholder Return will differ to Total Accounting Return to the extent that there has also been a movement during the period of the ratio of the share price to the EPRA NAV. During the year we have successfully increased the average median daily volume of shares traded from an average of 45,000 in the first half of the year to an average of 145,000 in the second half of the year. The opening discount to EPRA NAV was some 15.6% and at 31 March 2013 was 8.1%.</p>
Finally, the incentives for management are aligned with investors by the VCP being driven entirely by Total Shareholder Return over a five year period.	<p>Underlying profit per share:</p> <p>2013 - 1.9p </p> <p>2012 - 1.5p </p> <p>Dividend per share:</p> <p>2013 - 0.855p </p> <p>2012 - 1.25p </p>	<p>The underlying profit per share is calculated as the underlying profit (see Income Statement definitions on page 72 for more detail on this definition) divided by the average number of shares in issue during the year.</p>	<p>The prior year return was impacted by the realisation of a swap loss at £52.7 million and the Rights Issue.</p> <p>We have successfully increased underlying profits by 44% from £7.1 million to £10.2 million and on a per share basis by 26% from 1.5 pence per share to 1.9 pence per share.</p> <p>During the year the dividend policy was amended to be paid quarterly. We will usually review once a year and did so recently with effect from the April payment with an increase of 6%. The current quarterly payment is equivalent to 1.21 pence per share on an annual basis.</p>

DELIVERED A **TOTAL SHAREHOLDER RETURN**
FOR THE YEAR OF
18.6%



A YEAR OF FOCUS

BUSINESS REVIEW

For the period under review the refreshed management team has been focused on the core expertise and knowledge that has been built up over almost ten year's experience in the primary care sector.

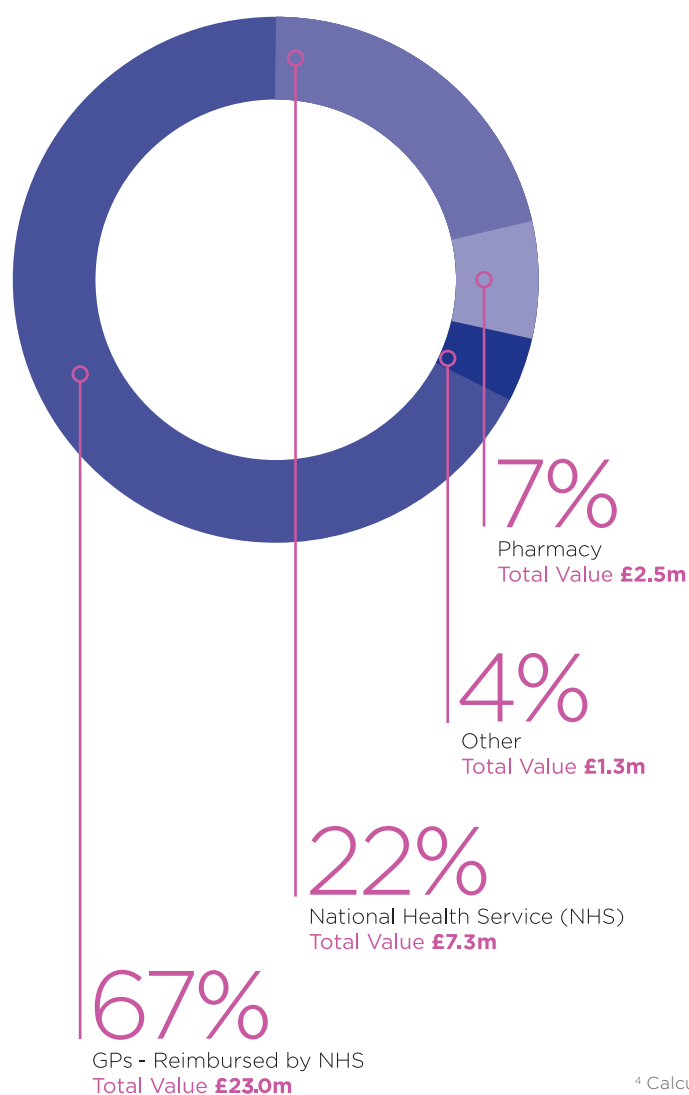
OVERVIEW OF STRATEGY

We have established three strategic priorities:

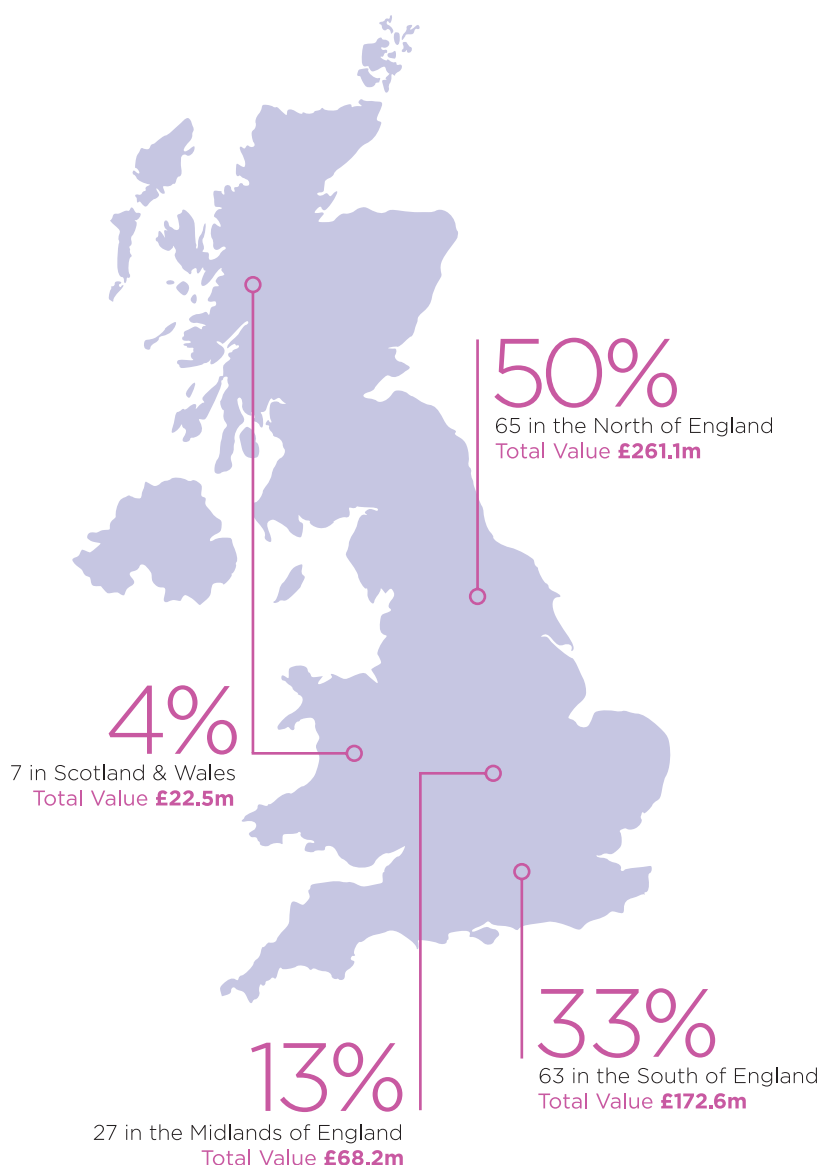
- **Focused:** maintaining strategic focus on a highly attractive market
- **Customer oriented:** adopting a broad and flexible approach to our customers
- **Investor aligned:** delivering transparent reporting and returns for investors

CORE PORTFOLIO £524.4 MILLION⁴ (2012: £505.7 MILLION)

Our business is built on our core investment portfolio of 162 medical centres. This has a passing rent roll of £34.1 million (2012: £32.2 million), which provides an excellent base for future shareholder returns with 89% of its income underpinned by the NHS and a weighted average unexpired lease term ("WAULT") of 15.1 years. The portfolio is diversified both geographically and by size.



⁴ Calculated as investment property (£523.6 million), plus investment property held for sale (£0.8 million)



We have continued to deliver rental growth despite the backdrop of the wider economic uncertainty and have successfully concluded on 118 rent reviews during the year to generate a weighted average annual rent increase of 2.4% (2012: 3.4%) on those properties.

Our portfolio benefits from a 20% weighting in fixed and RPI uplifts which generated an average uplift of 3.2% during the year. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 2% during the year. In common with the wider sector we have experienced a reduction in the rate of growth in open market reviews and we anticipate this trend will continue.

At 31 March 2013 our core portfolio was valued at a total of £524.4 million (2012: £505.7 million), which produced a net initial yield of 5.95% (2012: 5.89%) and a net equivalent yield of 6.15% (2012: 6.11%). Consistent with prior years our valuations have remained largely stable with an increase of 0.5% despite significant movements in the gilt markets.

Being customer oriented is one of our three strategic priorities and this is essential for sustaining and building our development pipeline. We work very hard at developing and maintaining customer relationships and this approach is carried across the range of services we provide both during development and on completion as an asset manager.

We have a dedicated team of asset managers that are in regular communication with our customers and we monitor progress through regular customer satisfaction surveys. All asset managers are appraised on their success in a continuous improvement on tenant interaction.

Our approach to development sourcing, which includes direct development, partnering with other developers and sale and leasebacks, means that we are able to meet a wide range of our potential customers' needs. In addition we offer potential customers a long-term commitment as development partner, landlord and asset manager. Our flexible approach, long track record and commitment as a long-term owner and asset manager of the sites we develop provides us with a distinctive position in the sector.

We have completed five developments during the year with a valuation at completion of £14.4 million. This has added £0.9 million to our annual rent roll and generated a 7.1% yield on cost and a 15.3% return on cost. We are currently on site with a further 9 developments with an estimated valuation on completion of £34.9 million.

Leading GPs recognise the operational improvements that can be achieved through investing in their premises' infrastructure enabling them to deliver more community-based services. This represents a clear alignment of GPs' interests and the policy developments of the NHS. In this context we are confident that renewed attention will be given to approvals for new primary care centre developments, reversing an observable decline over the last 18 months as the commissioning bodies within the NHS have been reorganised.

We have a strong track record in identifying opportunities and our focus on our customers will position us well to benefit from the pickup in development activity in due course.

BUSINESS REVIEW (continued)



Our asset management team is in constant contact with our GP tenants. This enables us to screen for value enhancing asset management opportunities such as lease extensions and redevelopment opportunities within our existing estate.

During the year we have successfully concluded on the renegotiation of five leases with an annual rent roll of £0.3 million. Negotiations are on-going with a further 12 tenants for new leases with an annual rent roll of some £1.2 million.

The core portfolio contributed to earnings before interest and exceptional items in the year as follows:

	2013	2012
	£m	£m
Net rental income	32.1	29.6
Valuation movement	5.4	8.5
Total Property Return	37.5	38.1

OVER THE LAST 5 YEARS, OUR TOTAL RETURN IS 2.4% ABOVE THE ALL HEALTHCARE BENCHMARK

MUCH OF THIS OUTPERFORMANCE DERIVES FROM THE PERFORMANCE OF THE NEW ADDITIONS AND OUR FOCUS ON RENT REVIEWS.

LIFT: £9.0 MILLION LOAN NOTES AND £2.2 MILLION EQUITY STAKES IN PUBLIC-PRIVATE CONSORTIA

We have investments in 7 LIFT companies, comprising loan notes and equity.

Local Improvement Finance Trusts ("LIFTs") are companies held by the public and private sector to develop and own medical centres predominantly let on long term inflation linked leases to NHS Commissioning Boards. The Group receives most of its current returns through its £9.0 million of loan stock. The carrying value of the LIFT investments at 31 March 2013 is £2.2 million, interest received was £1.0 million and our share of the profit in the consortia companies was £0.4 million contributing £1.4 million to underlying profit.

Our strategy is to provide flexible solutions for our customer in addressing their property needs. Further evidence of our flexibility is in our on-going support for LIFT schemes. We invested £0.7 million this year in MerseyCare Development Company to support the £28 million redevelopment of a mental health facility in Walton. Although not significant this is a further way we can support our customer base and assist the NHS as it continues to modernise its estate. LIFT companies have priority for funding developments in their local areas and offer us the opportunity for adding value through development funding.

NON-CORE: £20.5 MILLION (2012: £26.3 MILLION) (COMPRISING £11.2 MILLION ASSETS HELD FOR SALE AND £9.3 MILLION OF INVESTMENT PROPERTY)

We have prioritised the disposal of our surplus land and properties during the year and we have made excellent progress in selling 14 non-income producing properties, our former head office in Daresbury and surplus plots of land. These have resulted in proceeds of £8.4 million during the year and a further £1.7 million has been realised post year-end.

The valuation of our non-core portfolio produced a net initial yield of 13.6%.

The non-core portfolio contributed to earnings in the year as follows:

	2013	2012
	£m	£m
Net rental income	1.6	1.3
Valuation movement	0.6	(7.0)
Total Property Return	2.2	(5.7)

The non-core portfolio includes three retail malls (valued at £5.1 million) in hospitals which are held on short leases which expire on average in 16 years. These are challenging retail assets and have high direct property costs due to vacancies. Their valuation yields at 31 March 2013 were initial 16.11% (2012: 15.97%) and equivalent 12.44% (2012: 13.16%).

Other properties within non-core comprise surplus land of £9.7 million (2012: £9.1 million). Following the successful disposals in the year the largest asset available for sale is a plot of land in Scarborough, which is the subject of a conditional sale contract to a national supermarket chain. The land is valued at £6.25 million.

An analysis of the total property assets can be found in note 14 on page 82.

BUSINESS REVIEW (continued)

UNDERLYING PROFIT

	2013	2012
	£m	£m
Net rental income		
Core	32.1	29.6
Non-Core	1.6	1.3
	33.7	30.9
LIFT		
Interest receivable	1.0	0.9
Share of profits	0.4	0.6
	1.4	1.5
Administration	(4.9)	(4.5)
Other finance revenue	0.5	0.4
Finance costs	(20.5)	(21.2)
Underlying profit	10.2	7.1

The movement in underlying profit can be summarised as follows:

	£m
Year ended 31 March 2012	7.1
Net rental income	2.8
Administrative expenses	(0.4)
Share of profits of associates	(0.2)
Finance revenue	0.2
Finance costs	0.7
Year ended 31 March 2013	10.2

Underlying profit has grown 44% to £10.2 million in the year to 31 March 2013. The majority of this growth has been generated from underlying rental growth and the successful completion of developments. The result for 2013 includes £0.5 million of net underlying profit from rental income net of financing costs that relates to the former head office building in Daresbury, which was sold in December 2012 and therefore will not recur in 2014.

**UNDERLYING PROFIT
HAS GROWN 44% TO £10.2 MILLION
IN THE YEAR TO MARCH 2013**

BUSINESS REVIEW (continued)

ADMINISTRATIVE COSTS

The Group measures its operating efficiency as the proportion of administrative costs to the average gross investment property value. This ratio during the year was 0.89% (2012: 0.87%) and administrative costs stood at £4.9 million (2012: £4.5 million). In order to maximise the opportunities in the sector the Group is considering further investment in the marketing area over the coming year.

The management structure of the Group means that it is able to manage increases in the number of properties under management with relatively modest increases in employee numbers. This should enable the Group to reduce the cost ratio as the portfolio expands, to the benefit of overall returns for shareholders.

TAXATION

On 1 April 2013 the Company elected to join the REIT regime. Following this date the Group will be free from taxes on rental income and capital gains from investment property disposals. Non-property related income will continue to be subject to corporation tax, though the Group currently has brought forward losses, which should minimise this liability from a cash perspective.

The charge for taxation recorded in the accounts relates to a movement on the deferred tax asset during the year. At the year-end the deferred tax asset was £1.1 million (2012: £1.3 million).

EARNINGS PER SHARE

The adjusted (EPRA) basic and diluted earnings per share from continuing operations for the year was 3.1 pence (2012: 2.5 pence).

DIVIDENDS

The Company has adopted a progressive dividend policy, payable on a quarterly payment cycle in line with the timing of its rental receipts.

Total dividends paid in the year to 31 March 2013 were £4.5 million or 0.855 pence per share (2012: 1.25 pence per share). The Board has announced an increase in the quarterly dividend for the year to 31 March 2014 of 6% to 0.3025 pence per share or 1.21 pence per share on an annual basis.

The increase in the quarterly dividend reflects the Board's confidence in the quality of the assets and in particular the underlying rental growth and the quality and longevity of the underlying tenant covenant. The level of dividend cover is consistent with the Group's policy of delivering sustained dividend growth over the medium term.

BUSINESS REVIEW (continued)

CASH FLOW

	2013	2012
	£m	£m
Net cash from operations	12.9	13.4
Cash flows from investing activities:		
Investment acquisitions	(3.6)	(5.1)
Development expenditure	(18.1)	(18.9)
Sale of properties	8.4	2.6
Sale of businesses	3.6	22.3
Other	(0.3)	(0.9)
Cash flows from financing activities:		
Proceeds from share issues	-	33.5
Dividend paid	(4.5)	(5.1)
Net borrowings movement	15.9	(59.3)
Net increase/(decrease) in cash	14.3	(17.5)

Net cash inflow from operating activities was £12.9 million (2012: £13.4 million), which represents a slight reduction from the prior year following the sale of the Pharmacy and LIFT consulting divisions in 2012. Development expenditure was £18.1 million (2012: £18.9 million) which was largely debt financed with facilities from both Aviva and Santander. Proceeds from the sale of properties were £8.4 million (2012: £2.6 million), which primarily represented the sale of the head office at Daresbury and were used to repay the associated loan with RBS at £4 million. Dividends paid were £4.5 million. Cash and cash equivalents increased by £14.3 million (2012: reduced by £17.5 million).

BALANCE SHEET

At 31 March 2013 the EPRA NAV per share was 38.6 pence per share, an increase of 6.3% compared with the prior year. The growth has predominantly been driven by the continued successful delivery of our development pipeline and the growth in rental values achieved in the year and interest savings. This has been achieved from the activities and expertise of our development and asset management teams rather than a general re-rating of the sector. The cost effective provision of these value-enhancing services ensures the maximum efficiency in the conversion of rental receipts into investor returns.

BUSINESS REVIEW (continued)

EPRA NAV MOVEMENT

	£m	Pence per share
EPRA NAV at 31 March 2012	192.2	36.3
Underlying profit	10.2	1.9
Capital (revaluations and capital gains)	5.9	1.1
Dividend	(4.5)	(0.9)
Other	0.6	0.2
EPRA NAV at 31 March 2013	204.4	38.6

Our Total Accounting Return for the year ended 31 March 2013 of 8.7% comprises an income return of 0.855 pence per share (2.4%) that has been distributed to shareholders and a movement on EPRA NAV of 2.3 pence per share (6.3%).

FINANCE

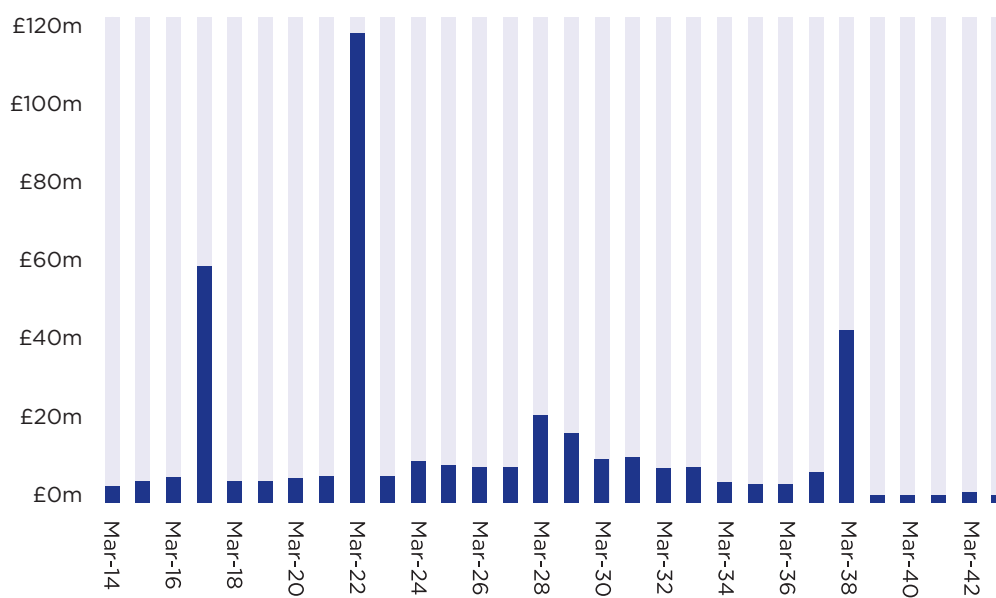
	2013	2012
Financing statistics		
Net debt	£359.5m	£357.3m
Weighted average debt maturity	11.3 years	12.3 years
Weighted average interest rate	5.25%	5.26%
% of debt at fixed/capped rates	99%	99%
Interest cover ⁵	154%	136%
Loan to value	62%	64%

Lending volumes to commercial property companies remains subdued. In these circumstances we are pleased that our existing lenders remain supportive including funding developments. We believe it is beneficial to broaden the base of lenders into the primary care sector and we are entering into discussions with a range of new possible lenders and investors. The security and longevity of our cash flows means that our assets can comfortably support the current level of borrowings. Over time we will seek to reduce the level of gearing.

⁵ Interest cover is the number of times net interest payable is covered by underlying profit before net interest.

BUSINESS REVIEW (continued)

The weighted average debt maturity of 11.3 years compares to a weighted average lease length of 14.8 years, which highlights the security of the cash flows of the business. The maturity of the facilities is spread over a significant number of years, as is highlighted below:



Details of the facilities and their covenants are set out in note 22 to the accounts.

Net finance costs in the year amounted to £19.0 million (2012: £19.9 million) including £1.0 million receivable on LIFT loan notes (2012: £0.9 million). The reduction is attributable to the impact of the settlement of the swap in December 2011 and replacing it with lower fixed rate debt from the bond which carries an interest rate of 4.75% and runs to December 2021. These savings of £2.7 million have been affected by a drawdown of new facilities to fund the on-going development pipeline.

TRANSFORMING LOCAL COMMUNITIES





RISK MANAGEMENT

Risk management is integral to the way we operate. With a small head office team with a flat structure and detailed day to day engagement of Executive Directors, emerging risks are identified and existing risks monitored constantly. It is inherent in the nature of risk that it is not possible to eliminate all risk. In fact it is not desirable as assuming manageable risk is key to enhancing profits and returns to investors. The level and type of risk assumed is regularly monitored by the Board and key to this is having an appropriate internal controls and risk management process, which is subject to regular review by the Board.

Many of the key external risks are areas where we have limited control, such as government policy towards the NHS and the strength of the economy. Although these cannot be controlled we regularly review their potential impact on our business and consider how our strategy and its implementation can be adjusted to mitigate any potential impact.

A summary of the more critical risks identified through that review and identified by the Board as having potential to affect the Group's operating results, financial control and its reputation are summarised below:

EXTERNAL RISKS

Risks and impacts	Change from last year	Key mitigating factors
Government policy		
Changes in NHS procurement and funding could adversely affect the Group.		The increased provision of health care services in the community is a stated policy objective of all three major political parties and so a reduction in funding to this sector is considered unlikely.
Reduced funding for premises expenses in the primary care sector of the NHS could lead to a reduction in our development pipeline and growth prospects.		The recent changes under the Health & Social Care Act have now been implemented and so the risk profile to the Group has been reduced slightly, though we are at an early stage in implementation.
A change to the reimbursement mechanism for GPs could lead to a change in the risk profile of our underlying tenants.		The covenant for property directly let to the former PCTs has improved as the leases have transferred to NHS PropCo with an indemnity from the Department of Health.
		The Group actively engages with the Government over policy that could impact the business, both directly and through the relevant trade bodies.
		The reimbursement mechanism is not currently under review. Any change would probably result in an increased cost in the future supply of primary care properties, which could reduce the opportunities to increase healthcare provision in the community.
Availability and cost of finance		
Reduced availability of Real Estate financing could adversely affect the Group's ability to source new funding and refinance existing facilities.		The Group predominantly has long-term facilities, which reduces the refinancing risk both in terms of availability and potential rate increases.
Reduced availability of new financing could delay or prevent the development of new premises.		The Group has a policy of active engagement in capital and banking markets and engages with a range of funders to ensure a breadth of financing options.
Increasing financing costs could increase the overall cost of debt to the Group and so reduce underlying profits.		The Group regularly monitors and manages its re-financing profile.
		99% of current debt is fixed on a long-term basis.

RISK MANAGEMENT (continued)

EXTERNAL RISKS (continued)

Investor demand	
<p>Reduction in investor demand for UK primary care real estate may result in falls in asset valuations, which could reduce the Group's future profits and net asset values and could arise from:</p> <ul style="list-style-type: none"> • Changes in NHS policy • Health of the UK economy • Availability of finance • Relative attractiveness of other asset classes 	<p>The overall economic position and its impact on the Group's operations is regularly assessed and is considered in reviewing the Group's strategy.</p> <p>The Group's focus on the primary care sector provides a strong covenant and long-term income, which reduces the impact of the wider economy.</p> <p>Future strategy is to remain focused on this attractive market segment.</p>

INTERNAL RISKS

Risks and impacts	Change from last year	Key mitigating factors
Development		
<p>Development risk could adversely impact the performance of the Group including:</p> <ul style="list-style-type: none"> • Cost overruns and delays on new projects • Delays in letting parts of premises 		<p>The Group has a dedicated and experienced development management team to manage this exposure.</p> <p>The Group's policy is to engage in developments that are substantially pre-let with fixed price or capped price build contracts.</p> <p>The Group has a long experience of developments in the sector and has strong relationships with suppliers.</p>
Capital structure – gearing		
<p>A fall in property values or income could adversely affect the covenants on facilities with lenders.</p> <p>If covenants were breached this could lead to forced asset disposals which could reduce the Group's net assets and profitability.</p>		<p>All financial forecasting, including scenario analysis of prospective transactions, incorporates consideration of the impact on gearing and covenant headroom.</p> <p>Covenant headroom and gearing is monitored with reference to possible valuation movements and future expenditure.</p>

CORPORATE AND COMPLIANCE RISKS

Risks and impacts	Change from last year	Key mitigating factors
Communication		
<p>Failure to adequately communicate the Company's strategy and explain performance in respect of this may result in an increased disconnect between investors' perceptions of value and actual performance.</p>		<p>Strategic priorities in corporate communications, including the Annual Report, are clearly articulated and reiterated.</p> <p>The Group reports performance transparently and communicates regularly with investors and analysts.</p>
People		
<p>Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in underperformance.</p>		<p>Succession planning is regularly evaluated.</p> <p>Director and employee remuneration and incentives are aligned with an appropriate peer group and regularly benchmarked.</p> <p>The Group has a regular performance appraisal process with a focus on continuous personal development and an employee engagement programme, which promotes its corporate values and culture.</p>



Chellaston
Medical
Centre

TRANSFORMING HEALTH & WELLBEING

THE BOARD



SIMON LAFFIN
Non-Executive Chairman

Simon Laffin (aged 54 and appointed in August 2011) is a Non-Executive Director of Quintain Estates & Development plc and an advisor to CVC Capital Partners. Previously he has served as Chairman of Hozelock Group and Mitchells & Butlers plc and as a Director of Aegis Group plc and Northern Rock plc (as part of the rescue team). Between 1995 and 2004 he was Group CFO of UK grocery retailer Safeway plc, latterly also responsible for property, which he joined in 1990. Prior to that, Simon held a variety of finance and management roles in Mars Confectionery, Rank Xerox and BP. He is a qualified accountant.



GRAHAM ROBERTS
Chief Executive

Graham Roberts (aged 55 and appointed in March 2012) was Finance Director at The British Land Company PLC from 2002 to 2011, and before that was Senior Partner for Real Estate at Arthur Andersen, where he also headed up the public sector assurance practice, which included clients such as NHS Estates and a number of NHS trusts. His early career was at Binder Hamlyn. He is currently Non-Executive Director and Chairman of the Audit Committee at Balfour Beatty plc.



JONATHAN MURPHY
Finance Director

Jonathan Murphy (aged 41 and appointed in January 2013) was previously Finance Director of the fund management business of Brooks Macdonald Group plc, having joined through the acquisition of Braemar Group plc in 2010, where he was Finance Director for 4 years. Jonathan has extensive experience in the creation and management of property funds and was previously Managing Director for the property management business of Brooks Macdonald. His earlier career included commercial and strategic roles at Spirit Group and Vodafone. Jonathan qualified as a Chartered Accountant with PricewaterhouseCoopers, holding management roles in both the UK and Asia, and holds an MBA from IESE, the leading European Business School in Barcelona.



JENEFER GREENWOOD
Non-Executive Director

Jenefer Greenwood (aged 55 and appointed in May 2012) was appointed to the Board of The Crown Estate in 2004, and chairs its Remuneration Committee. Jenefer is a Chartered Surveyor and has spent a 35 year career in the commercial property sector starting at Hillier Parker and ultimately reaching the position of Executive Director, Head of Retail division following the merger with CBRE. She worked for Grosvenor from 2003 until 2012, having also been Chair of the National Skills Academy for Retail and President of the British Council of Shopping Centres.



DAVID RICHARDSON
Non-Executive Director

David Richardson (aged 62 and appointed in January 2012) is currently, Chairman of Bilfinger Berger Global Infrastructure SICAV SA and a Board member of Worldhotels AG. Previously he spent 22 years at Whitbread PLC where he was the Strategic Planning Director for eight years and the Finance Director for four years. At Whitbread he played a pivotal role in transforming the Group from a brewing and pubs company into a market leader in hotels, restaurants and leisure clubs. Following this he has held a number of non-executive roles in FTSE listed companies including Serco Group plc, Forth Ports PLC, Tomkins plc, Dairy Crest plc and De Vere Group plc. He is a Chartered Accountant.

CORPORATE GOVERNANCE

DIRECTORS

The Directors who served during the year and thereafter were:

- Simon Laffin
- Graham Roberts
- David Richardson
- Jenefer Greenwood (appointed 8 May 2012 and appointed Chair of the Remuneration Committee on 22 May 2012)
- Jonathan Murphy (appointed 2 January 2013)
- Clare Hollingsworth (resigned 22 May 2012)

Other than Mr Roberts and Mr Murphy, all of the Directors were Non-Executive Directors throughout their period of tenure.

BOARD COMMITTEES

To assist in the proper discharge of its corporate governance responsibilities, the Board has established standing committees. In the year under review the committees comprised the following members:

• Audit Committee

- David Richardson (Chair of the Committee)
- Simon Laffin
- Jenefer Greenwood (appointed 8 May 2012)
- Clare Hollingsworth (resigned 22 May 2012)

• Nominations Committee

- Simon Laffin (Chair of the Committee)
- David Richardson
- Jenefer Greenwood (appointed 8 May 2012)
- Clare Hollingsworth (resigned 22 May 2012)

• Remuneration Committee

- Jenefer Greenwood (Chair of the Committee from 22 May 2012)
- Simon Laffin
- David Richardson
- Clare Hollingsworth (Chair of the Committee until 22 May 2012)

In relation to these committees non-executive members now serve on all committees. This is appropriate given the relatively small size of the Board.

CORPORATE GOVERNANCE (continued)

BOARD AND BOARD COMMITTEE ATTENDANCE

The table below shows the number of meetings of the Board and of each of its standing committees during the year covered by this report and the number of such meetings attended by each Director.

Name	Board (9 meetings)	Remuneration Committee (4 meetings)	Audit Committee (7 meetings)	Nominations Committee (3 meetings)
Simon Laffin	9/9	4/4	7/7	3/3
Graham Roberts	9/9	n/a	n/a	3/3
Jonathan Murphy	2/2	n/a	n/a	n/a
David Richardson	8/9	4/4	7/7	3/3
Jenefer Greenwood	7/7	4/4	7/7	2/2
Clare Hollingsworth	1/2	1/1	1/1	1/1

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code ("the Code") aims to provide shareholders with an understanding of how the Company has applied the principles and the provisions of the Code. The Company has completed a thorough review of the Code and can confirm that there are no areas of non-compliance which are required to be brought to the attention of the shareholders. The Board has taken account of the flexibility in the Code in its application to smaller companies.

The Company has applied the main principles of the Code as follows:

Leadership

Operation of the Board

The Company has an effective Board which is collectively responsible for the long-term success of the Company. The Board meets six times per annum for scheduled Board meetings. The Board also meets as required to consider any important additional or urgent business.

The Board has approved a schedule of matters reserved for decision by the Board. This includes all corporate acquisitions or corporate disposals, debt raising above £50 million, remuneration policy, annual budget approval and amendments to delegated authorities.

Roles of the Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are distinct. Mr Laffin is the Non-Executive Chairman, and Mr Roberts is the Chief Executive. Mr Laffin is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. Mr Laffin promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensures constructive relations between the Executive and Non-Executive Directors. He is also responsible for ensuring that the Directors receive accurate, timely and clear information.

Senior Independent Director

Mr Richardson is the Senior Independent Director and, if requested, is available for discussions with shareholders independently of other Directors or management.

Non-Executive Directors

The Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing and, where necessary, removing Executive Directors, and in succession planning.

CORPORATE GOVERNANCE (continued)

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (continued)

Delegations of Authority

To facilitate efficient and where necessary, swift operational management decisions without the necessity of convening a meeting of the full Board, the Board has granted delegated authority (within clearly described parameters) to the Executive Board in relation to day to day operational matters.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring Board procedures and internal authorisations are complied with and for the correct application of delegated authorities. In addition, and to ensure efficient and effective discharge of the administrative affairs of the Group, the Board has formally delegated authority to the Company Secretary in relation to a series of administrative matters.

Executive Board

The Executive Board comprises the Chief Executive, the Finance Director and the Managing Director of Property. The Executive Board considers a number of differing issues including the day to day operational matters for the running of the business. These include the performance of the Group's assets and development programme, financings, cost control and risk management. Scheduled meetings are held monthly with ad-hoc meetings as required.

Effectiveness

Appointments to the Board

Under the Articles of Incorporation of the Company, Directors may be appointed, either to fill a vacancy or as an additional Director, either by the Company by way of ordinary resolution, or by the Board, subject, in each case, to any maximum number of Directors. Any Director appointed by the Board shall retire and offer themselves for re-election at the next Annual General Meeting.

The Company's Articles of Incorporation include provisions whereby Directors are, to the extent permitted by Guernsey Company Law, indemnified against liabilities to third parties as a result of any act or omission in carrying out their duties or in any other way in connection with their duties, powers or posts.

The Company has made one appointment since the date of the last Annual Report being Mr Murphy as Finance Director.

Training and induction for Board members

On appointment, new Directors receive a full briefing on the role, duties and responsibilities of a Director of a listed company and on the Company and its Board and an induction pack with important information is provided. Training needs are reviewed annually as part of the Board evaluation.

Board performance evaluation

The Board has recently been refreshed and its members have been working together for only a few months. It has reviewed its performance based on an internal evaluation and concluded that its access to relevant information is good, discussions are carried out in an appropriate manner, the strategy and goals of the Company have been clarified and the Board is appraised promptly and fully of investor views. There were no major changes adopted in the way the Board operates.

Independent advice

The Board has an agreed policy to permit Directors to take professional advice on any matter which relates to their position, role and responsibilities as a Director (but not on personal matters) at the cost of the Group.

Accountability

Going concern

The Group's business activities together with factors likely to affect its future performance are set out in the Business Review on pages 21 to 29. In addition, note 32 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Group has facilities from two financial institutions, neither of which is repayable before November 2016 other than modest annual amortisation and much of the debt is not repayable before 2021. In addition to surplus available cash of £15.6 million at 31 March 2013 (2012: £12.2 million), the Group has surplus security comprising un-mortgaged property assets totalling £3.3 million at that date (2012: £2.8 million).

The Group's medical centre property developments in progress are all substantially pre-let and in the main have funding in place.

The Group has benefitted from periodic sales of non-core assets which included the former head office building in the year under review. Non-core assets represent marketable properties which can be readily sold if cash constraints necessitate sales.

The Group has adequate headroom in its banking covenants. The Group has been in compliance with all financial covenants on its loans throughout the year.

The Group's properties are substantially let with rent paid or reimbursed by the NHS and they benefit from a weighted average lease length of 14.8 years. They are also diverse both geographically and by lot size and therefore represent excellent security.

CORPORATE GOVERNANCE (continued)

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (continued)

The Group's financial forecasts show that borrowing facilities are adequate and the business can operate within these facilities and meet its obligations when they fall due for the foreseeable future. The Directors believe that the business is well placed to manage its current and reasonably possible future risks successfully despite the current economic climate.

Accordingly, the Financial Statements have been prepared on a going concern basis.

Internal control and risk management

The Board accepts and acknowledges that it is both accountable and responsible for ensuring that the Group has in place appropriate and effective systems, procedures, policies and processes for internal controls.

In relation to internal controls:

- there is in place a comprehensive set of internal procedures reviewed and approved by the Audit Committee and communicated across the Group;
- the Board has implemented a formal budget preparation process which leads to the adoption of an annual budget;
- a clear definition of authority levels and segregation of responsibilities between relevant individuals and managers exists;
- management accounts and key performance indicators are prepared on a monthly basis, distributed internally and reviewed at Board meetings;
- detailed sales and forecasting policies and procedures are in place;
- general ledger and management reporting systems are in place;
- a process for consolidating the accounts which ensures that information is collated and presented in a consistent way, and facilitating regular financial reporting has been adopted;
- a comprehensive property management system which integrates with the general ledger system is in place; and
- an electronic document filing system is operated.

The Group requires all employees and other stakeholders to operate professionally and honestly in all their dealings with or on behalf of the Company and to report any concerns which they may feel should be brought to the attention of management.

The Group has adopted a whistle blowing policy and a fraud and theft reporting policy. These policies are reviewed on an annual basis. The Group's equal opportunities policy is described on page 39.

The whistle blowing policy and fraud and theft reporting policy are available within the Group's internal policies and procedures enabling any such matters to be raised through appropriate channels. In addition the Company Secretary is available to provide advice to any member of staff on any matter which may give rise to cause for concern. Responsibility for the implementation of the Group's internal controls and risk management policies has been delegated by the Board to the Executive Board.

The Executive Board consider risk management at each of its regular meetings according to an assurance framework which is summarised below.

Risks are mapped into key categories and given scores by reference to their impact and likelihood. Controls are identified to mitigate each risk, or the risk is identified as one which is outside of the control of the Group, and the sources of assurance are noted which can demonstrate the effectiveness of the controls that are in place. In this way any gaps in controls are identified with action plans agreed and monitored to reduce the risks.

This involves:

- regularly reviewing, monitoring and evaluating the nature and extent of the risks to which the Group is exposed;
- reviewing the overall and detailed corporate risk profile of the Group;
- identifying emerging risks as the nature and scope of the Group's activities evolves;
- recommending appropriate risk management strategies to the Board and managing their implementation;
- supervising the effectiveness of those risk strategies; and
- reporting to the Board major risks and mitigating action in place to minimise their impact.

The Board regularly reviews all of the major risks, those newly identified risks, and the mitigation action for each major risk.

Throughout the period covered by this report and up to the date of this report the Board believes that there have been appropriate internal controls and risk management processes in place which have been reviewed and updated as outlined in this report.

This process ensures that the Company and the Group complies with the relevant corporate governance requirements and best practice on risk management including the Turnbull Guidance.

CORPORATE GOVERNANCE (continued)

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (continued)

Corporate responsibility

The Group plays an important role in the community. It takes seriously its corporate responsibilities and in particular the requirement to maintain high standards of governance and probity in all of its dealings with Government, the public, its workforce and its customers.

Employees

Assura is not a large employer of staff, but it relies heavily on the experience, skills and capabilities of its employees to operate its business successfully.

Staff are encouraged to maximise their individual contribution to the Group. In addition to competitive remuneration packages, they participate in an annual bonus scheme which links personal contribution to the goals of the business. Outperformance against the annual targets can result in a bonus of up to 20% for all staff below the Executive Board. Employees are provided with information regarding progress against the budget, financial and economic factors affecting the business's performance and other matters of concern to them regularly. In addition staff are eligible to participate in a defined contribution pension scheme and the Value Creation Plan. Both schemes have been introduced in the current period. The views of employees are taken into account when making decisions that might affect their interests. Assura encourages openness and transparency, with staff having regular access to the Chief Executive and being given the opportunity to express views and opinions.

The Group has a pro-active approach to the promotion of equal opportunities, supported by its equal opportunity and valuing diversity policy. The policy reflects both current legislation and best practice. It highlights the Group's obligations to race, gender and disability equality. Full and fair consideration is given to applications for employment from disabled persons and appropriate training and career development is provided.

Environmental policy

The Group is committed to minimising the environmental impact of its activities and achieving continual improvement in its environmental performance by:

- openly addressing the environmental risks of the work carried out and identifying and managing the environmental risks associated with the business on an on-going basis;
- setting and reviewing annual environmental objectives and targets, and monitoring performance;
- complying with applicable environmental legislation and other requirements relevant to the Group's operations;
- gaining certification to the ISO14001: 2004 management standard and carrying out regular internal and external audits to ensure good performance and identify opportunities for improvement;

- working with partners, sub-contractors and suppliers to promote good environmental management and performance;
- reducing the environmental impacts of new developments by achieving a Building Research Establishment Environmental Assessment Method ('BREEAM') excellent rating where possible;
- reducing the environmental impacts of all owned and leased premises by adopting or promoting reasonable controls for preventing pollution, improving resource efficiency, reducing waste and reducing the Group's carbon footprint; and
- training employees appropriately and promoting environmental awareness and commitment amongst all staff.

This policy is reviewed and updated annually by the Board and is available to the public.

The Group gained ISO14001: 2004 accreditation in February 2013.

Health and safety

The Group is committed to maintain safe working environments, and regularly undertakes programmes to identify, evaluate and eliminate risk in the work place and on-site. Risk reviews, supported by executive management reporting are presented to the Board on a regular basis.

Social and community matters

Assura Group aspires to operate in a responsible, professional, ethical and reliable manner and is trusted as a provider of services and facilities. Reflecting the nature of the Group's customer base, Assura intends to align itself increasingly with the wider corporate and social responsibility interests of the NHS. Accordingly, the Group has a formal Environmental Management System and has gained accreditation of ISO14001: 2004 standard.

The Group's role in developing new medical facilities in the community, thereby bringing services closer to the patient, helps to improve quality of life.

In developing a new medical centre, the Group enters into consultation with local communities. Many of the Group's developments are part of regeneration schemes that enhance the facilities for local communities.

Responsibility for reporting to the Board on environmental, social and community matters sits with the Chief Executive, who has a responsibility to maintain attention on policy and ensure implementation. Current examples of work in this area include the soon to be completed developments at Leicester, Chapel House & Maidstone, which are all due to achieve BREEAM excellent rating.

CORPORATE GOVERNANCE (continued)

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (continued)

Social and community matters (continued)

A new health centre being developed in Leicester will incorporate a 'Biodiversity Roof' and wetlands Sustainable Urban Drainage System area, with the aim of creating a habitat which encourages local wildlife. Similarly in Maidstone the new health centre there will feature a combined heat and power plant, photovoltaic cells and a "green wall" to enhance biodiversity. Assura supports a charity close to its Head Office which is heavily involved with the local communities.

Conduct of business

The Group is committed to maintaining the highest standards of integrity and corporate governance practices, and conducts its business in an honest and ethical manner. The Group has adopted policies on:

- The Bribery Act;
- Share dealing;
- Whistle blowing;
- Fraud and theft reporting; and
- Equal opportunities.

Key contractual relationships include those with the Group's principal developer partners, contractors and professional firms. As the Group works with several such firms, no particular relationship or contract is critical to the business.

Remuneration

Details of the remuneration policy and structure can be found in the Remuneration Committee Report on pages 48 to 62.

Relations with shareholders

The Board welcomes open communication with its shareholders and works with its stockbrokers Espirito Santo Investment Bank and Oriel Securities to ensure an appropriate level of communication is maintained. The dialogue with shareholders is facilitated by a series of investor relations mechanisms including regular meetings between senior members of the Company's executive management with institutional investors and sales teams and industry/sector analysts. Feedback from these meetings is regularly relayed to the Board in order to ensure that all Board members and Non-Executive Directors in particular, develop an understanding of the views of major shareholders. This process augments the regular dissemination of annual and quarterly interim management statements. Copies of these announcements and any accompanying presentational materials are available on the Company's website at www.assuragroup.co.uk

The Board responds to ad-hoc requests for information from shareholders and all shareholders have access to the Board and senior management, with an opportunity to raise questions, at the Annual General Meeting and other shareholder meetings.

During the period under review both Executive and Non-Executive Directors, including the Chairman and the Chief Executive have held meetings with a number of the Company's institutional and private shareholders.

AUDIT COMMITTEE REPORT

The Board is satisfied that Mr Richardson has the requisite recent and relevant financial experience to be Chairman of the Audit Committee and is an independent Non-Executive Director. Mr Laffin, who is company Chairman, sits on the Committee, under the smaller company rule, and brings a wealth of financial experience. Ms Greenwood is also a member of the Committee. The Board is satisfied that each Non-Executive Director has appropriate experience, understanding and knowledge of financial, risk and accounting matters to contribute effectively and appropriately to the work of the Committee.

On a regular basis, the Chief Executive and Finance Director are invited to attend the meetings of the Committee.

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the UK Corporate Governance Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

CORPORATE GOVERNANCE (continued)

AUDIT COMMITTEE REPORT (continued)

The Audit Committee is responsible for:

- monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems;
- making recommendations to the Board on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

Two members constitute a quorum.

Numbers of meetings

The Terms of Reference require there to be at least four meetings of the Committee a year. During the year under review, the Committee met seven times.

At those meetings of the Committee at which the external auditor presents their findings, members of the Committee meet with the external auditor without management being present. The Committee uses these opportunities to discuss any issues that the auditor has identified that reflect on the conduct of the business or financial reporting by management. Any relevant issues are then reported to the full Board.

Overview of the actions taken by the Audit Committee to discharge its duties

Since the beginning of the year the Audit Committee has:

- reviewed the Annual Report and Financial Statements and the half-yearly financial report. As part of these reviews the Committee received a report from the external auditor on their audit of the Annual Report and Financial Statements and review of the half-yearly financial report;
- reviewed the effectiveness of the Group's internal controls, processes and disclosures made in the Annual Report and Financial Statements on this matter;

- reviewed and agreed the scope of the audit work to be undertaken by the auditor;
- agreed the fees to be paid to the external auditor for the audit of the Financial Statements and September half-yearly financial report;
- following the appointment of a new Finance Director the Committee reviewed the appropriateness of the accounting policies and the design and operation of the internal controls;
- reviewed its own effectiveness;
- reviewed the effectiveness, performance and fees of the external auditor;
- reviewed the effectiveness, performance and fees of the external valuer;
- reviewed the requirement for an internal audit function; and
- reviewed the approved treasury counterparties.

Terms of Reference

The Terms of Reference include all matters that an audit committee is recommended to address by the FRC's "Guidance for Audit Committees", dated September 2012.

Furthermore at the meeting which considers the Annual Report and Accounts the Company Secretary sets out for the Committee the way in which the terms of reference have been met over the course of the year.

Internal audit

The Committee does not consider that there are any trends or current factors relevant to the Group's activities, markets or other aspects of its external environment that have increased, or are expected to increase, the risks faced by the Group.

The Audit Committee is satisfied that the current level of control and risk management within the business adequately meets the Group's current needs and that therefore there is no economic case for having an internal audit department.

Policy for non-audit services

The Committee has developed and adopted a policy for the provision of non-audit services by its external auditor and approves, before any significant non-audit services are commissioned from its external auditor, the fees payable for such services. This process is in accordance with the Committee's agreed policy of ensuring that the independence and objectivity of the external auditor is not impaired by such non-audit services or fees but recognises that, in certain circumstances, it is in the Group's interests to use the firm's particular skills or knowledge.



Reception

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OF
CHOICE



CORPORATE GOVERNANCE (continued)

AUDIT COMMITTEE REPORT (continued)

In relation to non-audit work, the Group's auditor is not permitted to carry out certain types of work for the Group which could impair their objectivity and independence including:

- Bookkeeping
- Financial information system design or implementation
- Appraisals or valuations
- Internal audit outsourcing
- Management functions
- Executive recruitment services
- Legal services

Level of fees for non-audit work

All audit fees and any material non-audit services fees require approval from the Audit Committee. For this purpose, materiality is set at cost, before VAT and expenses, in excess of £25,000 or 20% of the audit fee, whichever is the lower. The threshold for large consultancy contracts to be considered for specific procurement review is set at cost in excess of £50,000 before VAT and expenses.

Audit/non-audit fees payable to external auditor

An analysis of the fees earned by the Group's external auditor (divided between audit and non-audit services) is disclosed in note 6(a) to the audited accounts on page 77.

During the year under review Deloitte LLP has undertaken two pieces of tax consultancy work. The first relates to a capital allowances review which commenced in November 2011 prior to Deloitte's appointment as external auditors. The fees paid in the year in relation to this piece of work totalled £0.1 million. The second engagement relates to the preparation for REIT conversion in April 2013. The fees paid to date for this piece of work total £0.1 million. The external auditor was engaged on an exceptional basis to provide these services since they are widely recognised as the market leader in this area. Both engagements were commissioned on an arm's length basis.

The Audit Committee carefully considered the level of total non-audit fees in the current year and satisfied itself that they were elevated due to the REIT conversion and would revert to normal levels from 2013. The Audit Committee was able to satisfy itself that Deloitte's independence was not prejudiced.

Whistle blowing

The Committee reviewed the arrangements for individuals to report matters confidentially to the Group and was satisfied that they were effective.

Significant financial reporting matters

In considering the Financial Statements for the year ended 31 March 2013, the Committee paid particular attention to and discussed with both management and the auditors, Deloitte, the key judgment areas as follows:

1. Valuation of investment properties including those under construction
2. The basis of revenue recognition and the effectiveness of the cut off procedures
3. The validity of the going concern basis and the availability of finance going forward

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

Re-appointment of auditor

The Committee considers that Deloitte is independent and will review the quality of their audit annually. The Committee has recommended to the Board that Deloitte LLP is re-appointed as auditor.

CORPORATE GOVERNANCE (continued)

NOMINATIONS COMMITTEE REPORT

The Committee is chaired by Mr Laffin. The other members of the Committee are Mr Richardson and Ms Greenwood.

Terms of Reference

The Committee's Terms of Reference are reviewed annually.

Appointments

During the period there were two appointments to the Board being the Finance Director, Jonathan Murphy and the Non-Executive Director, Jenefer Greenwood.

Numbers of meetings

The Terms of Reference require there to be at least one meeting of the Committee a year. During the year under review, the Committee met three times.

Two members constitute a quorum.

Role of the Committee

The principal roles of the Committee are to:

- review prospective candidates for appointment to the Board;
- ensure that prospective candidates are of a sufficient calibre and have the correct level of experience and understanding of the Group's activities and market place;
- review the structure and composition of the Board to ensure planned and progressive refreshing of the Board; and
- review the structure and composition of the Executive Board.

In accordance with the Code all Directors will submit themselves for re-election at the 2013 AGM. The Nomination Committee has confirmed that the Directors continue to perform effectively and demonstrate commitment to their respective roles.

ADDITIONAL DISCLOSURES

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and auditor's report, for the year ended 31 March 2013. The Corporate Governance Report set out on pages 35 to 46 forms part of this report.

Principal activities

Assura Group is the UK's leading primary care property investor and developer. It owns and procures good quality primary healthcare properties across the UK.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 13 to the Financial Statements.

Business review

The Group is required to include a business review in this report. The information that fulfils the requirements of the business review can be found on pages 21 to 29, which are incorporated in this report by reference.

Dividends

Details of the dividends can be found in note 25.

CORPORATE GOVERNANCE (continued)

ADDITIONAL DISCLOSURES (continued)

Supplier payment policy

The Group has not signed up to any specific supplier payment code; it is Assura's policy to comply with the terms of payment agreed with its suppliers. Where specific payment terms are not agreed, the Group endeavours to adhere to the suppliers' standard payment terms. As at 31 March 2013, the average number of days taken by the Group to pay its suppliers was 36 days (2012: 15 days).

Events after the balance sheet date

There were no reportable events after the balance sheet date.

Directors' liability insurance

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

Major shareholder notifications

As at 1 July 2013 the Company had been notified of the following interests representing 5% or more of its issued Ordinary Share capital.

Name of shareholder	31 March 2013		1 July 2013	
	Number of shares	% of ordinary shares	Number of shares	% of ordinary shares
Somerston Investments Limited	157,499,999	29.74	157,499,999	29.74
INVESCO Asset Management	96,783,097	18.28	96,783,097	18.28
Aviva Investors	45,239,606	8.54	44,396,994	8.38
Artemis Investment Management	44,915,063	8.48	45,259,184	8.55

Company share schemes

The Assura Group Employee Benefit Trust holds 4,218,219 (0.8%) of the issued share capital of the Company on trust for the benefit of employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustees who will take into account any recommendation made to them by the Board of Assura Group Limited.

Political and charitable donations

We recognise the importance and benefits of supporting charities and local communities. During the period the Company supported two charities. The first of these was St Rocco's Hospice, a Warrington based charity which provides specialist care for patients with cancer and other life threatening illnesses. The second charity was Medecins Sans Frontieres which is an independent international medical humanitarian organisation that delivers emergency aid in more than 60 countries to people affected by armed conflict, epidemics, natural or man-made disasters or exclusion from healthcare. In the year to 31 March 2013 we donated £23,451 to charities (2012: £10,000), all of which were UK registered charities, and no contributions were made for political purpose (2012: nil). More details of our chosen charities can be found on page 114.

CORPORATE GOVERNANCE (continued)

ADDITIONAL DISCLOSURES (continued)

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors, on recommendation from the Audit Committee, intend to place a resolution before the Annual General Meeting to re-appoint Deloitte LLP as auditor for the year ending 31 March 2014.

Amendments to the Articles of Incorporation

The Articles of Incorporation of the Company may be amended by special resolution of the Company.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Addleshaw Goddard, 60 Chiswell Street, London EC1Y 4AG on 19 September 2013 at 10am.

By order of the Board

Jonathan Murphy

Company Secretary
19 July 2013



INVESTING IN THE FUTURE

REMUNERATION COMMITTEE REPORT

CHAIRMAN'S SUMMARY REPORT

Overview of 2012/13

The financial year saw the important stabilisation of the Company, the rebuilding of the management team and a significant repositioning of the Company in the market.

The Chief Executive, Graham Roberts, joined the Company on 29 March 2012 replacing his predecessor who left shortly thereafter. His tasks, as the only Executive Director, were identified at the outset as improving the market perception of the Company, its operations and the team.

His appointment followed the Rights Issue in November 2011, supported by shareholders, which enabled the Company to settle a swap liability of some £69 million. In the course of 2012 the Board was entirely refreshed, led by Chairman Simon Laffin, who had joined the Board in August 2011.

This situation posed obvious challenges to the Remuneration Committee on day one, not least the understandable lack of knowledge at Board level about the business, its people, its portfolio, its customers and the absence of a business strategy.

The prime focus for the year for the Remuneration Committee was to put in place an appropriate long-term incentive plan for the Chief Executive and the team he would build. However this could not be decided ahead of establishing the right strategy for the business and the consultation process was planned for the second half year allowing a properly developed strategy to be formulated, for the Board to gain sufficient knowledge of the business to assess the strategy and its risks and for this to be fully debated by the Board.

Following this, we developed proposals for a long term incentive plan which rewards outstanding achievement but not excessive risk taking. Key principles include: a 5 year time horizon reflecting the long-term nature of the business; a Total Shareholder Return basis; alignment of shareholder and management interests; a cap; no early crystallisation until year 3 and potential for clawback on unvested rewards; inclusion of all staff.

We undertook an extensive consultation exercise with principal shareholders and the main shareholder representative bodies. We would like to thank shareholders for their constructive engagement during this process. The culmination of this exercise was the adoption of the remuneration policy set out in this report and the approval of a new long-term incentive plan, the Assura Group Value Creation Plan ("VCP"), by shareholders at a general meeting on 15 February 2013. Full details of the awards made under the new VCP were set out in the Circular issued to shareholders and the Circular is summarised in this report.

By the end of the financial year the Committee considered the Company had been repositioned substantially and this underlies the decision to award the maximum potential bonus to the Chief Executive of 100% and a proportionately full award of 12.5% to the Finance Director, who joined in January 2013.

At the end of the year:

- Total Shareholder Return was 18.6% with a threefold increase in median share trading in Q4 compared to the Q4 in the prior year
- 54 institutions had held meetings with the Company for the first time
- The Board believes that the Company now leads its sector in transparency
- The Board targets a sustainable and progressive dividend policy
- Underlying profit from continuing operations up 44% to £10.2 million (2012: £7.1 million)
- Valuation uplift of £6.0 million (2012: £1.5 million)
- Adjusted EPRA NAV per share up 6.3% to 38.6 pence (2012: 36.3 pence)
- Following unanimous shareholder support the Company has achieved REIT status
- Substantial progress made in realising non-core assets: two thirds sold or contracts exchanged
- The team has been bolstered by the recruitment of a talented Finance Director
- The Board has greater clarity on performance with detailed, timely financial analyses
- A leading practitioner, Dr James Kingsland OBE, has been appointed to advise on developments in the medical arena enabling the Company to target its legitimate lobbying efforts to contribute to enhancing healthcare in the UK

REMUNERATION COMMITTEE REPORT (continued)

CHAIRMAN'S SUMMARY REPORT (continued)

2013/2014

The Remuneration Committee has made the following decisions in relation to the Executive Directors' remuneration for 2013/14:

Salary	CEO +3%, FD + 2%	Inflation adjustment.
Benefits/Pension	No change.	
Bonus plan	No change in operation. Types of stretch targets have been modified to reflect new requirements.	The Remuneration Committee feels that these types of performance condition remain appropriate for the Company for 2013/14 (see Policy section of the Report for details).
Assura Value Creation Plan	No change.	The Executive Directors were granted an award on the adoption of the Plan.

General activities

In addition to the specific projects set out above the Committee's programme of work included:

- Agreeing the remuneration package of the Finance Director
- Assessing pay policies of other employees and considering the context of the wider economic/social environment in all decisions
- Reviewing salaries in the context of inflation but not with regard to any external benchmarking

I trust you find this report helpful and informative.

Jenefer Greenwood
Non-Executive Director

POLICY REPORT

Introduction

This report has been prepared in accordance with the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance relating to Directors' remuneration as set out in the UK Corporate Governance Code. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the Financial Statements will be approved. The report has been divided into separate sections for audited and unaudited information. This report has been prepared by the Committee having regard to the proposed regulations put forward by the UK Government Department of Business, Innovation and Skills (BIS) but does not fully adopt them, as the regulations are expected to apply to the Company's financial year ending March 2014.

Remuneration Committee policy

Unaudited information

The Company's remuneration policy continues to be based on 5 key principles:

1. the interests of shareholders and management should be aligned;
2. excessive risk taking should be discouraged and effective risk management is given due consideration;
3. it should retain and motivate, based on selection and interpretation of appropriate benchmarks;
4. poor performance should not be rewarded; and
5. the long term interests of the Company should be promoted.

The Committee has reviewed the policy for the year ahead and has concluded it remains appropriate. The policy considers the wider economic conditions and pay and reward packages elsewhere. No benchmarking against the real estate sector has been performed this year. The Terms of Reference for the Committee include the responsibility for setting the policy on incentive reward for senior employees, including those who could have a material impact on the risk profile of the Group.

REMUNERATION COMMITTEE REPORT (continued)

POLICY REPORT (continued)

Future policy

Fixed remuneration

Purpose and how it supports the strategy	Operation	Opportunity	Performance measures and period	Changes for 2013/14 (if any)
<p>Base Salary</p> <p>Policy: Lower Quartile – Median Base salaries are set at the lower quartile to median of an appropriate comparator group.</p> <p>The Committee wishes to ensure that fixed costs are minimised and that an above median level of total remuneration is only provided where the annual bonus and VCP pays out.</p> <p>The performance elements are directly linked to the achievement of the Company's strategy (see below).</p>	<p>An Executive Director's basic salary is considered by the Committee on their appointment and then reviewed periodically or when an individual changes position or responsibility.</p> <p>When making a determination as to the appropriate remuneration, the Committee considers firstly remuneration practices within the Group as a whole and, where considered relevant, conducts objective research on companies within the Company's peers.</p> <p>It should be noted that, as is currently the case, the results of the benchmarking will only be one of many factors taken into account by the Remuneration Committee, other factors include:</p> <ul style="list-style-type: none"> the individual performance and experience of the Executive Director; pay and conditions for employees across the Group; the general performance of the Company; and the economic environment. 	<p>The Remuneration Committee policy in relation to salary is:</p> <ul style="list-style-type: none"> up to median salary on appointment depending on the experience and background of the new Executive Director; and on promotion up to the lower quartile salary for the new role. <p>The annual salaries for the Executive Directors for 2013/14 are: Graham Roberts: £309,000 Jonathan Murphy: £153,000</p> <p>The Committee is satisfied that the salaries conform to its strategy. No comparison has been made against similar roles within the relevant peer group in the period.</p>	<p>There are no performance conditions attached to the payment of salary although there are a number of performance based factors, both at the individual and Company level that influence the level of salaries provided to Executive Directors.</p>	<p>CEO 3% increase.</p> <p>FD 2% increase.</p>
<p>Benefits</p> <p>Policy: Market Practice The Company provides a benefits package in line with standard market practice.</p>	<p>Executive Directors receive a benefit package which includes:</p> <ul style="list-style-type: none"> health insurance; death in service benefits; and company car allowance. <p>The payments are not included in salary for the purposes of calculating any benefit or level of participation in incentive arrangements.</p>	<p>The following table sets out the annual cost of benefits provided to the Directors:</p> <p>Value of benefits Graham Roberts £13,856 Jonathan Murphy £11,908</p>	<p>None.</p>	<p>No change.</p>

REMUNERATION COMMITTEE REPORT (continued)

POLICY REPORT (continued)

Purpose and how it supports the strategy	Operation	Opportunity	Performance measures and period	Changes for 2013/14 (if any)
Pension Policy: Median The Company provides a level of pension contribution in order to be competitive and to ensure it has the ability to recruit and retain Executive Directors.	The Executive Directors receive payments in lieu of pension payments. The payments are not included in salary for the purposes of calculating any benefit or level of participation in incentive arrangements.	The payments in lieu of pension payments for the Executive Directors are the following percentages of salary: <ul style="list-style-type: none"> • CEO: 20%; being £61,800 • FD: 12.5%; being £19,125 	There are no performance conditions attached to the payment of pension contributions.	No change.
Non-Executive Directors' Fees Policy: Median The Company sets fee levels necessary to attract and retain experienced and skilled Non-Executive Directors to advise and assist with establishing and monitoring the strategic objectives of the Company. Fees also reflect the time commitment and responsibilities of the roles. An additional fee is paid for Chairmanship of a Board Committee.	Non-Executive Directors have specific terms of engagement provided in formal letters of appointment, and their remuneration is determined by the Board within the limits set by the Articles of Incorporation and based on equivalent roles in the same comparators as are used for the Executive Directors. The fees for Non-Executive Directors are considered periodically. The Non-Executive Directors are appointed for a three year term, subject to annual re-election by the shareholders, at the Company's Annual General Meeting. Non-Executive Directors do not receive any bonus, do not participate in awards under the Company's share plans, and are not eligible to join the Company's pension scheme.	The Company's policy in relation to fees is: <ul style="list-style-type: none"> • up to median level fees on appointment depending on the experience and background of the new Non-Executive Director. The Non-Executive Director fees for 2013/14 are: <ul style="list-style-type: none"> • basic fee £35,500 p.a. • Senior Independent Director fee £8,000 p.a. • Chairman of Board Committee fee of £8,000 p.a. The fees for the Non-Executive Directors for 2013/14 are: Simon Laffin: £126,000 David Richardson: £51,500 Jenefer Greenwood: £43,500	None.	Non-Executive Directors £1,500 increase. Chairman 5% increase. (First increase since appointment in August 2011).

REMUNERATION COMMITTEE REPORT (continued)

POLICY REPORT (continued)

Performance based variable remuneration

Purpose and how it supports the strategy	Operation	Opportunity	Performance measures and period	Changes for 2013/14 (if any)										
Bonus Plan Policy: Median Performance Conditions The targets for the Executive Directors are based on: <ul style="list-style-type: none">• Delivering the budget• Delivering development surpluses• Growing the dividend capacity• Embedding a continuous improvement culture.		The maximum annual bonus level for the CEO is 100% of salary and 50% of salary for the FD. Bonuses are paid in cash.		No change.										
Assura Value Creation Plan Policy: Upper Quartile The long-term incentive arrangements are structured so as to align the incentives of relevant participants with the long-term performance of the business and to motivate and retain key members of staff. The Company obtained shareholder approval for a new plan, the Assura Value Creation Plan on 15 February 2013. The rationale behind the design of the Assura Value Creation Plan is set out in Note 1 to this table.	<p>The VCP operates by granting the Executive Directors, and other eligible employees, an award of units that have no value to the Executive Directors on grant, but which may convert into nil-cost options over shares with a value calculated to be a proportion of the total shareholder return created for shareholders. This will be measured on three separate dates over a five year performance period.</p> <p>The overall effect of the VCP is that the Executive Directors and other eligible employees will be able to earn shares equivalent to 10% of any total shareholder return created above an 8% p.a. compound threshold. In other words, until shareholders receive an 8% p.a. return, the VCP will not pay out. Beyond that, broadly participants may receive 10% of any further value created subject to a cap of 25 million shares. The base price is 30.25p.</p>	<p>The number of units granted to the Executive Directors is set out in the following table:</p> <table><tr><th>Role</th><th>Number of units granted</th></tr><tr><td>Graham Roberts</td><td>400,000</td></tr><tr><td>Jonathan Murphy</td><td>175,000</td></tr><tr><td>Other Participants and Unallocated</td><td>425,000</td></tr><tr><td>Total Units</td><td>1,000,000</td></tr></table>	Role	Number of units granted	Graham Roberts	400,000	Jonathan Murphy	175,000	Other Participants and Unallocated	425,000	Total Units	1,000,000	The performance condition is based on the absolute total shareholder return performance of the Company over a five year period. Participants will be able to earn shares equivalent to 10% of any total shareholder return created above an 8% p.a. threshold.	No changes.
Role	Number of units granted													
Graham Roberts	400,000													
Jonathan Murphy	175,000													
Other Participants and Unallocated	425,000													
Total Units	1,000,000													
Funding of Share Plans The Company can fund its share incentives through a combination of new issue and market purchased shares. The Company monitors the levels of share grants and the impact of these on the ongoing requirements for shares. In accordance with the guidelines set out by the Association of British Insurers (“ABI”) the Company can issue a maximum of 10 per cent of its issued share capital in a rolling ten year period to employees under all its share plans.														

REMUNERATION COMMITTEE REPORT (continued)

POLICY REPORT (continued)

Notes

1. Rationale for the Assura Value Creation Plan ("VCP")

Alignment with the strategic aims

- The Company's annual bonus arrangements are focused on the achievement of short-term operational measures. The new VCP is intended to directly support the achievement of the key long-term performance indicator of the Company, Total Shareholder Return.
- Growth in Total Shareholder Return is the key measure demonstrating the successful execution of a number of the Company's financial objectives including:
 - capital returns and growth in net asset value per share;
 - growth in income returns and earnings per share; and
 - the reduction of costs and improvement in recovery rates.
- Further, maximising Total Shareholder Returns supports sustainable growth and a progressive dividend policy.

Alignment of interests with shareholders

- One of the main criteria of success by which shareholders will judge the executive team is the long-term sustainable increase in absolute Total Shareholder Return. The VCP provides a direct relationship between returns to shareholders and value delivered to participants.
- Total Shareholder Return is easy to communicate to shareholders and participants and also to explain the basis of the value received by participants as a proportion of the value delivered to shareholders.

Risk adjustment

- Payout under the VCP is capped. This ensures that participants do not share in a disproportionate amount of the value created for shareholders.
- Before any awards vest and become exercisable at each measurement date a minimum level of Total Shareholder Return must have been achieved (i.e. 8% p.a. compound growth from the base price). This ensures that participants are focused on sustaining and growing long-term Total Shareholder Returns.

The detailed conditions and calculations attached to the VCP awards are attached in the Circular to shareholders dated 28 January 2013, which is available on the Company's website www.assuragroup.co.uk.

Long Term Incentive Plan

Prior to the inception of the VCP an existing Long Term Incentive Plan was in operation. In respect of this scheme no awards were made and no awards vested in the year.

Following expiry of awards issued in February 2011 only 400,000 units in the existing scheme remain outstanding as at 31 March 2013. These relate to a grant on 29 July 2011 which has a performance period ending on 31 March 2014.

No Executive Director had an interest in these units as at 31 March 2013. Key management personnel had interests in 400,000 units at 31 March 2013. The vesting conditions require Total Shareholder Return over 3 years to exceed 25%.

Loss of office payment policy

Service contracts do not contain liquidated damages clauses. If a contract is to be terminated the Committee will determine such mitigation as it considers fair and reasonable in each case. In determining any compensation it will take into account the best practice provisions of the UK Corporate Governance Code and published guidance from recognised institutional investor bodies and will take legal advice on the Company's liability to pay compensation and the appropriate amount. The Committee periodically considers what compensation commitments the Executive Directors' contracts would entail in the event of early termination. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors, or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

REMUNERATION COMMITTEE REPORT (continued)

POLICY REPORT (continued)

Remuneration element	Treatment on exit
Base Salary	Salary will be paid over the notice period. The Company has discretion to make a lump sum payment on termination of the salary payable during the notice period. In all cases the Company will seek to mitigate any payments due.
Benefits	Benefits will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period. In all cases the Company will seek to mitigate any payments due.
Pension/Salary Supplement	Company pension contributions/salary supplement will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the Company pension contributions/salary supplement during the notice period. In all cases the Company will seek to mitigate any payments due.

Remuneration element

Bonus plan

Normal Cessation	Good Leaver	Change of Control
No entitlement for year of cessation.	Pro-rated bonus to time and performance for year of cessation.	The extent to which the performance requirements are satisfied will determine the bonus which is earned.
Cessation of employment where the Executive is not a good leaver.	Cessation of employment for one or the following reasons: <ul style="list-style-type: none"> • death; • injury or disability, • retirement; • redundancy; and • at the discretion of the Committee (if exercised a full explanation will be provided to shareholders). 	Excludes a reorganisation or reconstruction where ownership does not materially change.

Value Creation Plan

Normal Cessation	Good Leaver	Change of Control
All awards lapse.	The Committee will have discretion, if it decides it is appropriate, to allow some or all of the awards to vest by deeming there to be: <ul style="list-style-type: none"> • a new Measurement Date at the date of cessation and the number of nil-cost options to be accrued will be calculated as at any other Measurement Date; or • the nearest normal Measurement Date to the date of cessation of employment can be used. 	On a change of control there will be a new Measurement Date deemed to be the date of the change of control. In determining the value created, the Measurement Price will be the offer price for the Company's shares. The calculation of the number of Company shares to be allocated to a participant will be as at any other Measurement Date. All accrued nil-cost options will vest on a change of control and be exercisable together with any other vested nil-cost options immediately for a set period of up to six months.
Cessation of employment where the Executive is not a good leaver.	Cessation of employment for one or the following reasons: <ul style="list-style-type: none"> • death; • injury or disability, • retirement; • redundancy; and • at the discretion of the Committee (if exercised a full explanation will be provided to shareholders). 	Excludes a reorganisation or reconstruction where ownership does not materially change.

REMUNERATION COMMITTEE REPORT (continued)

POLICY REPORT (continued)

Service contracts

Each of the Executive Directors has a service contract with the Company which is terminable by the Company on not more than six months' notice and by the Director on six months' notice. The Company's practice is to appoint the Non-Executive Directors, including the Chairman, under letters of appointment. Their appointment is usually for a term of three years. Either the Company or the Non-Executive Director may terminate the appointment before the end of the current term on six months' notice. In the event that the Company terminated the Non-Executive Directors' appointment, the maximum compensation payable would be the fees due for the notice period.

In an appropriate case, the Company would have regard to the departing Director's duty to mitigate against costs to the Company. The following table summarises the main contractual terms of the Directors' service agreements:

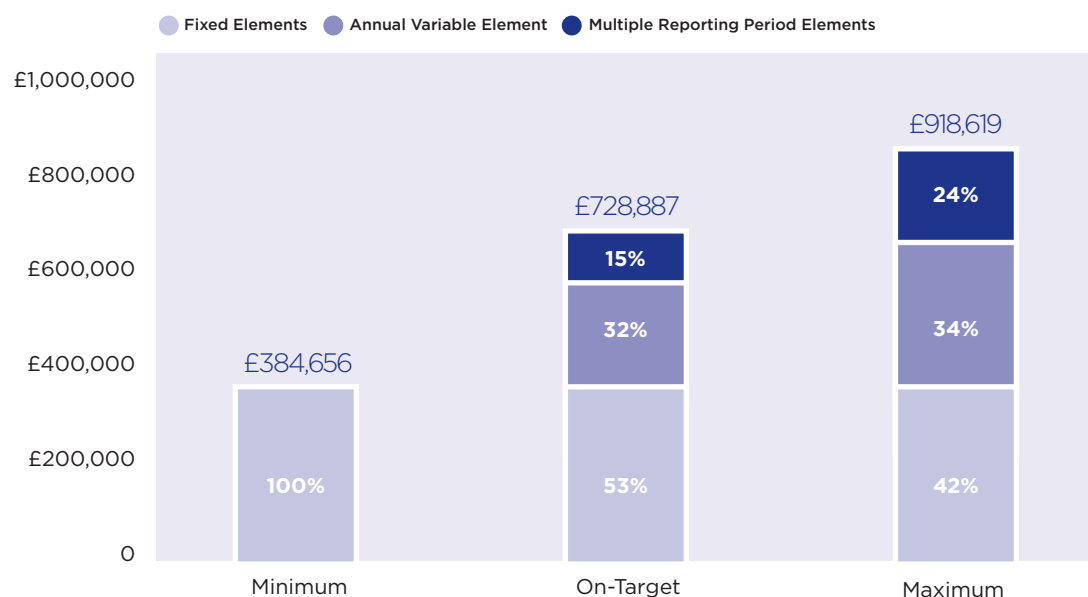
	Date of contract/ appointment	Notice period in months	Maximum entitlement on termination				
			Salary/fees	Benefits	Pension	Annual bonus	Value Creation Plan
Graham Roberts	29 March 2012	6	£154,500	£6,928	£30,900	See exit payments	See exit payments
Jonathan Murphy	2 January 2013	6	£76,500	£5,954	£9,563	See exit payments	See exit payments

Remuneration scenarios

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

The composition and total value of the Executive Directors' remuneration package for the financial year 2013/14 at minimum, on-target and maximum performance scenarios are set out in the charts below.

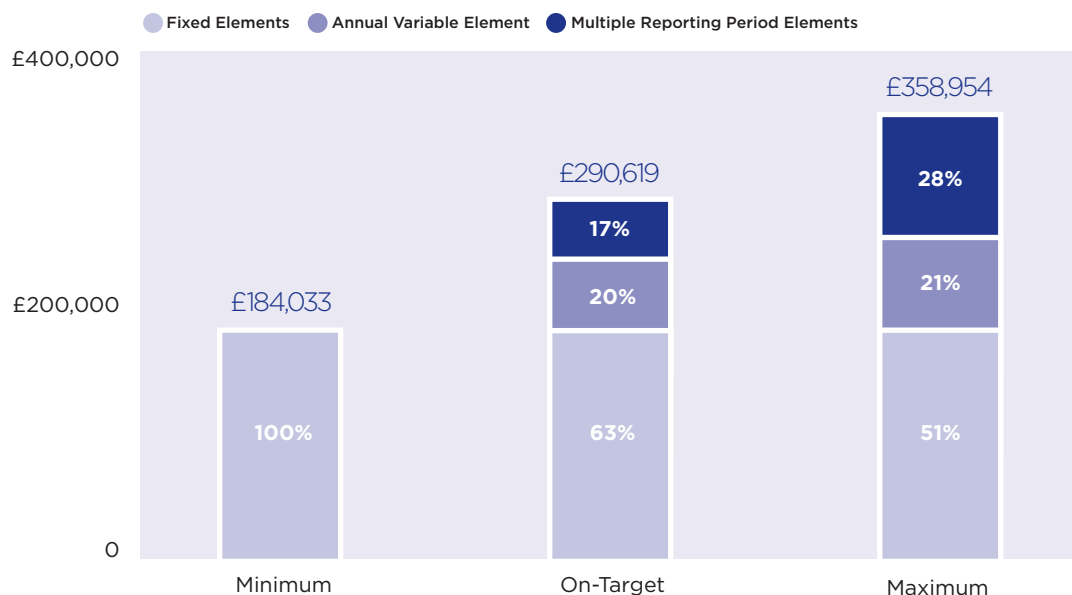
Chief Executive



REMUNERATION COMMITTEE REPORT (continued)

POLICY REPORT (continued)

Finance Director



Notes:

Element	Minimum	On-Target	Maximum
Fixed element (salary)	Base Salary.	Base Salary.	Base Salary.
Fixed element (benefits)	Value of Benefits paid in the Year.	Value of Benefits paid in the Year.	Value of Benefits paid in the Year.
Annual Variable Element (Bonus Plan)	0%	75% of maximum entitlement.	100% of maximum entitlement.
Multiple Reporting Period Elements (Value Creation Plan)	0%	50% of IFRS2 annual value of the award.	100% of the IFRS2 annual value of the award.

Non-Executive Directors do not receive performance related pay.

Consideration of conditions elsewhere in the Group

The Company has a small number of employees and applies the same policy in relation to incentive compensation throughout the organisation. All employees are eligible for annual bonuses and to participate in the Value Creation Plan. No formal consultation has been undertaken with employees as the views of the employees are openly and regularly communicated to the Board. The general rise in salaries was 3% for 2013/14 with the CEO receiving a 3% increase and the FD 2%.

Consideration of shareholder views

The Committee extensively consulted with shareholders on its executive remuneration policy in 2012/13 and obtained broad support for its proposals which was demonstrated by the positive vote by shareholders on the approval of the Assura Value Creation Plan and associated remuneration policy.

TRANSFORMING PRIMARY CARE PROPERTY



REMUNERATION COMMITTEE REPORT (continued)

IMPLEMENTATION REPORT

Introduction

This report has been prepared by the Committee having regard to the proposed regulations put forward by the UK Government Department of Business, Innovation and Skills (BIS) but does not fully adopt them, as the regulations are expected to apply to the Company's financial year ending March 2014.

Total shareholdings of Directors

In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain a personal shareholding equal to 100% of their basic salary in the Company.

Director	Unconditional holdings	% Salary/fees	Conditional holdings	Total holdings
	Number of shares		Number of shares	
Executive				
Graham Roberts	1,500,000	168	-	1,500,000
Jonathan Murphy	-	-	460,002	460,002
Non-Executive				
Simon Laffin	2,104,095	N/A	-	2,104,095
David Richardson	253,616	N/A	-	253,616
Jenefer Greenwood	-	N/A	-	-

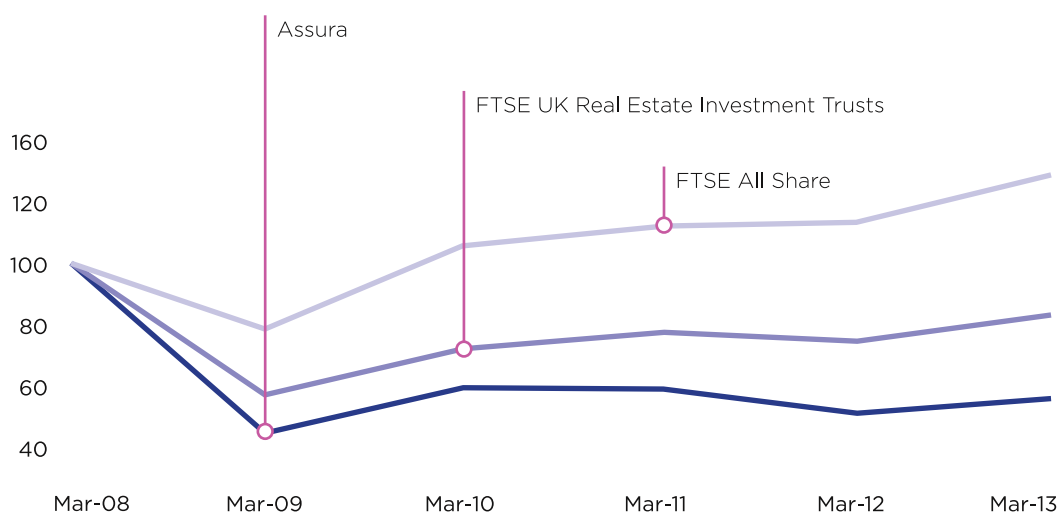
Notes

- Value of shares is based on the three month average share price finishing on 31 March 2013.
- Conditional shares were granted to Jonathan Murphy under the Executive Recruitment Plan. Awards granted under the ERP to Jonathan Murphy will vest in three equal instalments on the first, second and third anniversary of their award.

Pay for performance at Assura Group Limited

The Committee believes that the current executive remuneration policy and the supporting reward structure provide clear alignment with the Company's performance. Following the sale of the Company's pharmacy business in 2011 and conversion to a REIT in April 2013, the Committee believe it is appropriate to monitor the Company's performance against the FTSE All Share Real Estate Investment Trusts index. The graph below sets out the TSR performance of the Company compared to the FTSE All Share Real Estate Investment Trusts index and for comparison the FTSE All Share index over a five year period.

It should be noted that over the past 18 months the entire Board has been replaced following a period of under-performance.



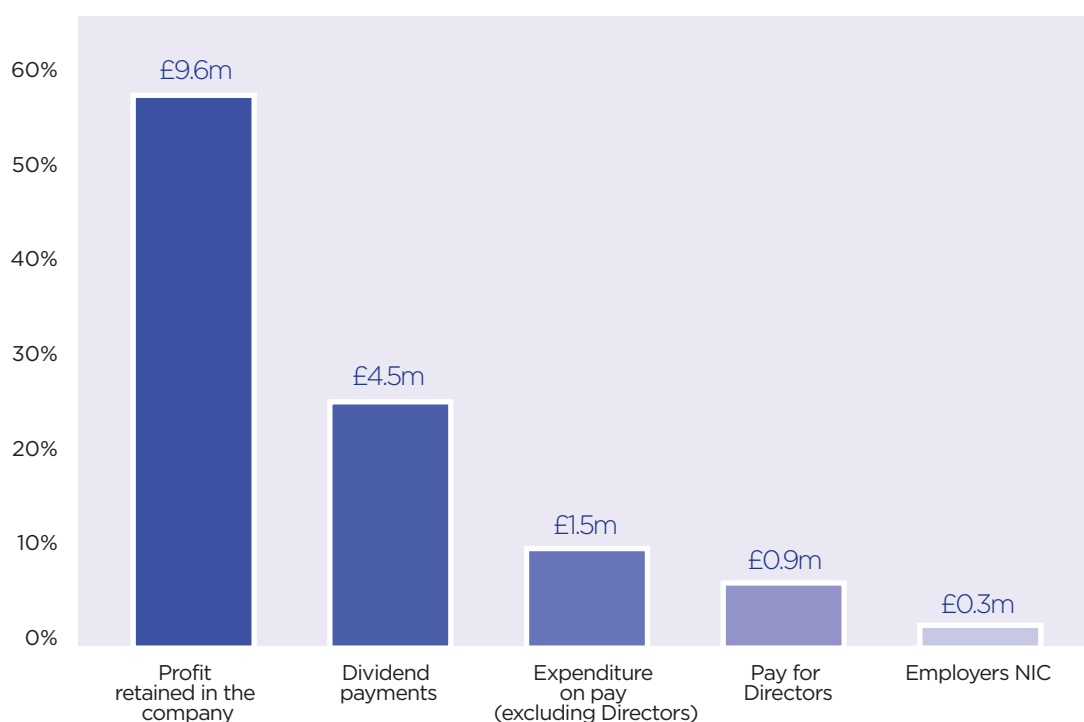
REMUNERATION COMMITTEE REPORT (continued)

IMPLEMENTATION REPORT (continued)

Relative importance of spend on pay

The graph below sets out the relative importance of pay; specifically setting out the percentage spend on:

1. profit retained in the Company;
2. profit as distributed by way of dividend;
3. overall expenditure on pay, identifying within that figure the overall spend on pay for Directors, being the aggregate of the single figure for the financial year; and
4. employment tax paid in the financial year.



The Committee and its advisors

Role of the Remuneration Committee ("Committee")

The Remuneration Committee is responsible for determining the pay and benefits and contractual arrangements for the senior management team, which comprises the Chief Executive, the Finance Director and other senior Executives. The Committee's aims are to develop remuneration policy and recommend remuneration strategies that drive performance and reward it appropriately. The Committee operates under the delegated authority of the Board and its Terms of Reference are reviewed annually.

REMUNERATION COMMITTEE REPORT (continued)

IMPLEMENTATION REPORT (continued)

Committee members

The Committee members are Jenefer Greenwood (Chairman), Simon Laffin and David Richardson, all of whom were independent Non-Executive Directors within the definition of the Code on appointment and did not participate in discussions in respect of matters relating directly to their own remuneration. Representatives of PricewaterhouseCoopers LLP ("PwC") attend meetings of the Committee by invitation, as do the Executive Directors and members of the senior management team where this is pertinent to matters under consideration.

None of the members of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from other directorships or day-to-day involvement in running the business of the Company.

Further information on meetings and attendance by the Committee members is disclosed in the Corporate Governance Report on pages 35 to 46.

External advice

The Committee received external advice in 2012/13 from PwC, who were appointed by the Committee and are considered objective and independent. PwC's fees were agreed for the projects carried out during the year and were not contingent on any remuneration outcome or incurred on a time and disbursements basis.

Statement of Shareholder voting

The table below shows the voting outcome at the September 2012 AGM for the approval of the 2011/12 Remuneration Report and for the approval of the VCP scheme in February 2013.

	For	For as a % of votes cast	Against	Against as a % of votes cast	Abstain
AGM Votes	287,379,666	98.27%	5,063,362	1.73%	4,165
EGM Votes	346,064,477	80.40%	84,509,520	19.60%	23,672,207

Table of Directors' interests

The beneficial interests of the Directors and their immediate families in the shares of the Company are as follows:

Name of Director	31 March 2013	31 March 2012
Graham Roberts	1,500,000	-
Jonathan Murphy	-	N/A
Simon Laffin	2,104,095	986,096
David Richardson	253,616	167,805
Jenefer Greenwood	-	N/A

REMUNERATION COMMITTEE REPORT (continued)

IMPLEMENTATION REPORT (continued)

Audited information

Single total figure of remuneration for each Director

The table below sets out the single figure and breakdown for each Director for 2012/13. An explanation of how the figures are calculated follows the table.

Name	Base salary/fees	Benefits	Pension	Bonus	VCP	2012/2013 total	2011/2012 total
Executive Directors' remuneration £'000s							
Graham Roberts	300	14	60	300	-	674	3
Jonathan Murphy	38	3	5	19	-	65	-
Nigel Rawlings	-	-	-	-	-	-	613
	338	17	65	319	-	739	616
Non-Executive Directors' remuneration £'000s							
Simon Laffin ¹	120	-	-	-	-	120	79
David Richardson	50	-	-	-	-	50	11
Jenefer Greenwood	34	-	-	-	-	34	-
Clare Hollingsworth	6	-	-	-	-	6	54
Peter Pichler	-	-	-	-	-	-	47
Rodney Baker-Bates	-	-	-	-	-	-	30
	548	17	65	319	-	949	837

¹ Mr Laffin's fees are paid to Simon Laffin Business Services Limited

Notes

In view of the achievements set out in the Chairman's Summary Report on page 48 bonuses were awarded as a proportion of salary of 100% for the Chief Executive and a proportionately full award of 12.5% for the Finance Director.

Exit payments made in year

No Executives departed the business during the year and therefore no exit payments were made to Executives during the 2012/13 financial year. Nigel Rawlings left the business on 30 April 2012 though the costs relating to his departure were fully provided for in the prior year, given his resignation on 28 March 2012.

Detail on variable pay awarded in the year

Graham Roberts and Jonathan Murphy were granted 400,000 and 175,000 units respectively under the Assura Value Creation Plan ("VCP") during the year. The Non-Executive Directors are not eligible to participate in the VCP.

REMUNERATION COMMITTEE REPORT (continued)

IMPLEMENTATION REPORT (continued)

Executive Recruitment Plan (“ERP”)

Name	ERP awards				Market price at date of award	Date of award	Date of vesting
	Held at 1 April 2012	Granted	Lapsed	Held at 31 March 2013			
Jonathan Murphy	-	460,002	-	460,002	£0.34	29/01/2013	29/01/2014 29/01/2015 29/01/2016

Notes to the ERP table

During the year the Group recruited Jonathan Murphy as Finance Director. To facilitate his recruitment an award was made under the ERP at a proportion of the fair value of awards foregone from his previous employer. The awards are 460,002 nil cost options, have no performance criteria and vest in three equal instalments on the first, second and third anniversary of their award.

Pension benefits

No Director nor any member of staff is entitled to a defined benefit pension arrangement.

Graham Roberts was entitled to receive payments in lieu of pension contributions equivalent to 20% of his salary, and Jonathan Murphy was entitled to receive payments in lieu of pension contributions equivalent to 12.5% of his salary.

All other employees are entitled to participate in the defined contribution Company pension scheme.



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors in office at the date of approval of this report has confirmed that:

- the Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and its undertakings included in the consolidation taken as a whole; and
- the Management Report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Group and its undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors acknowledge their responsibilities for the accuracy of this Report. All sections of this Annual Report, including the Chairman's Statement, Chief Executive's Statement and Business and Financial Review, Corporate Governance Report and Remuneration Committee Report, are regarded as forming one and the same Directors' Report which is the Management Report for the purpose of DTR 4.1.8R.

By order of the Board

Jonathan Murphy
Company Secretary
19 July 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Assura Group Limited

We have audited the Group Financial Statements of Assura Group Limited ("The Group") for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related Notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. 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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Group Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Group Financial Statements sufficient to give reasonable assurance that the Group Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group; or
- the Group's Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the listing rules we are required to review:

- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Other matters

We have also reviewed:

- the directors' statement, contained within the Governance Report, in relation to going concern; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

We have reported separately on the Parent Company Financial Statements of Assura Group Limited for the year ended 31 March 2013.

Alan Fendall

Senior Statutory Auditor

For and on behalf of
Deloitte LLP,
Chartered Accountants and Recognised Auditor
Manchester
19 July 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2013

		2013			2012		
		Underlying	Capital and other	Total	Underlying	Capital and other	Total
	Note	£m	£m	£m	£m	£m	£m
Continuing operations							
Gross rental and related income	4	37.1	-	37.1	34.1	-	34.1
Property operating expenses	5	(3.4)	-	(3.4)	(3.2)	-	(3.2)
Net rental income		33.7	-	33.7	30.9	-	30.9
Administrative expenses	6	(4.9)	-	(4.9)	(4.5)	-	(4.5)
Revaluation gains	14	-	6.0	6.0	-	1.5	1.5
(Loss)/gain on sale of property		-	(0.1)	(0.1)	-	0.1	0.1
Share of profits of associates and joint ventures	15	0.4	-	0.4	0.6	3.0	3.6
Share-based payment charge	27	-	(0.6)	(0.6)	-	-	-
Exceptional items	9	-	-	-	-	(20.3)	(20.3)
Finance revenue	7	1.5	-	1.5	1.3	-	1.3
Finance costs	8	(20.5)	-	(20.5)	(21.2)	-	(21.2)
Loss on derivative financial instruments	8	-	(1.2)	(1.2)	-	(54.7)	(54.7)
Profit/(loss) before taxation		10.2	4.1	14.3	7.1	(70.4)	(63.3)
Taxation	10			(0.2)			1.0
Profit/(loss) for the year from continuing operations				14.1			(62.3)
Discontinued operations							
Profit for the year from discontinued operations	31			-			1.6
Profit/(loss) for the year attributable to equity holders of the parent				14.1			(60.7)
Earnings/(loss) per share							
From underlying profit	11	1.9p			1.5p		
From continuing operations – basic and diluted	11			2.7p			(13.5)p
From continuing operations – adjusted (EPRA) basic and diluted	11			3.1p			2.5p
On profit/(loss) for year – basic and diluted	11			2.7p			(13.2)p
On profit/(loss) for year – adjusted (EPRA) basic and diluted	11			3.1p			2.8p

There were no items of other comprehensive income or expense and therefore the profit/(loss) for the year also reflects the Group's total comprehensive income.

CONSOLIDATED BALANCE SHEET

as at 31 March 2013

		2013	2012
	Note	£m	£m
Non-current assets			
Investment property	14	557.3	537.8
LIFT investments and associates	15	11.2	10.5
Property, plant and equipment	16	0.1	0.2
Deferred tax asset	29	1.1	1.3
		569.7	549.8
Current assets			
Cash, cash equivalents and restricted cash	17	35.7	21.4
Trade and other receivables	18	9.6	13.8
Property assets held for sale	14	12.0	11.4
		57.3	46.6
Total assets		627.0	596.4
Current liabilities			
Trade and other payables	19	14.3	13.0
Borrowings	22	3.9	6.9
Derivative financial instruments at fair value	23	-	0.2
Deferred revenue	20	8.2	7.8
Provisions	21	0.1	0.1
		26.5	28.0
Non-current liabilities			
Borrowings	22	388.2	368.7
Obligations due under finance leases	19	3.1	3.1
Derivative financial instruments at fair value	23	3.6	2.3
Deferred revenue	20	6.6	5.5
Provisions	21	0.9	0.9
		402.4	380.5
Total liabilities		428.9	408.5
Net assets		198.1	187.9
Capital and reserves			
Share capital	24	53.0	53.0
Own shares held	24	(1.9)	(1.9)
Share premium		77.1	77.1
Reserves		69.9	59.7
Total equity		198.1	187.9
Basic and diluted net asset value per Ordinary Share	12	37.4p	35.5p
Adjusted basic and diluted net asset value per Ordinary Share	12	38.6p	36.3p

The Financial Statements were approved at a meeting of the Board of Directors held on 19 July 2013 and signed on its behalf by:

Graham Roberts
Chief Executive

Jonathan Murphy
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Share capital	Own shares held	Share premium	Distributable reserve	Revaluation reserve	Retained earnings	Reserves	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2011	41.2	(2.0)	55.4	210.6	3.9	(89.0)	125.5	220.1
Loss attributable to equity holders	-	-	-	-	-	(60.7)	(60.7)	(60.7)
Total comprehensive income	-	-	-	-	-	(60.7)	(60.7)	(60.7)
Dividend (note 25)	-	-	-	(5.1)	-	-	(5.1)	(5.1)
Issue of Ordinary Shares	11.8	-	23.5	-	-	-	-	35.3
Issue costs	-	-	(1.8)	-	-	-	-	(1.8)
Sale of own shares held	-	0.1	-	-	-	-	-	0.1
31 March 2012	53.0	(1.9)	77.1	205.5	3.9	(149.7)	59.7	187.9
Profit attributable to equity holders	-	-	-	-	-	14.1	14.1	14.1
Total comprehensive income	-	-	-	-	-	14.1	14.1	14.1
Transfer/realisation of reserves (note 26)	-	-	-	(205.5)	(3.9)	209.4	-	-
Dividend (note 25)	-	-	-	-	-	(4.5)	(4.5)	(4.5)
Cost of employee share-based incentives	-	-	-	-	-	0.6	0.6	0.6
31 March 2013	53.0	(1.9)	77.1	-	-	69.9	69.9	198.1

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2013

		2013	2012
	Note	£m	£m
Operating activities			
Rent received		37.7	36.8
Interest paid and similar charges		(20.6)	(20.0)
Fees received		0.8	0.8
LIFT and bank interest received		1.5	1.6
Cash paid to suppliers and employees		(6.5)	(10.8)
Acquisition costs		-	(0.3)
LIFT fees received		-	2.0
Revenue from pharmacies		-	10.2
Purchases by pharmacies		-	(6.9)
Net cash inflow from operating activities	28	12.9	13.4
Investing activities			
Purchase of investment property		(3.6)	(5.1)
Development spend		(18.1)	(18.9)
Proceeds from sale of property		8.4	2.6
Proceeds from sale of businesses		3.6	22.3
Investment in property, plant and equipment		-	(0.3)
Proceeds from sale of other fixed assets		-	0.5
Net loans advanced to associated companies		(0.3)	(0.5)
Loans advanced to joint ventures		-	(0.1)
Subsidiaries acquired	30	-	(0.5)
Net cash outflow from investing activities		(10.0)	-
Financing activities			
Issue of Ordinary Shares		-	35.3
Issue costs paid on issuance of Ordinary Shares		-	(1.8)
Own shares sold		-	0.1
Dividends paid		(4.5)	(5.1)
Repayment of loan		(7.0)	(146.1)
Long-term loans and bond drawdown		23.2	159.0
Swap cash settlement		(0.1)	(69.5)
Loan issue costs		(0.2)	(2.8)
Net cash inflow/(outflow) from financing activities		11.4	(30.9)
Increase/(decrease) in cash and cash equivalents		14.3	(17.5)
Opening cash and cash equivalents		21.4	38.9
Closing cash and cash equivalents	17	35.7	21.4

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013

1. CORPORATE INFORMATION AND OPERATIONS

Assura Group Limited ("Assura") was incorporated in Guernsey as a closed-ended investment company with its investment objective to achieve capital growth and rising rental income from the ownership and development of a diversified portfolio of primary care properties.

The Company's Ordinary Shares are traded on the London Stock Exchange. The Company is domiciled in England & Wales for taxation purposes. As of 1 April 2013, the Company has elected to be treated as a UK REIT. See note 10 for further details.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated Financial Statements have been prepared on a historical cost basis, except for investment properties, including investment properties under construction and land, and derivative financial instruments. The Financial Statements have also been prepared in accordance with IFRS and interpretations adopted by the European Union and in accordance with The Companies (Guernsey) Law, 2008.

Standards affecting the Financial Statements

The following standards and amendments became effective for the Company in the year ended 31 March 2013. The pronouncements either had no material impact on the Financial Statements or resulted in changes in presentation and disclosure only:

- Amendments to IFRS 7 Financial Instruments: Disclosures – Transfer of Financial Assets; effective for periods beginning on or after 1 July 2011.
- Amendments to IAS 12 Deferred Tax – Recovery of Underlying Assets; effective for periods beginning on or after 1 January 2012.

Standards in issue not yet effective

The following standards and amendments are in issue as at the date of the approval of these Financial Statements, but are not yet effective for the Company. The Directors do not expect that the adoption of the standards listed below will have a material impact on the Financial Statements of the Company in future periods.

- IAS 27 Separate Financial Statements; effective for periods beginning on or after 1 January 2013.
- IAS 28 Investments in Associates and Joint Ventures; effective for periods beginning on or after 1 January 2013.
- IFRS 9 Financial Instruments; effective for periods beginning on or after 1 January 2015.
- IFRS 10 Consolidated Financial Statements; effective for periods beginning on or after 1 January 2013.
- IFRS 11 Joint Arrangements; effective for periods beginning on or after 1 January 2013.
- IFRS 12 Disclosure of Interests in Other Entities; effective for periods beginning on or after 1 January 2013.
- IFRS 13 Fair Value Measurement; effective for periods beginning on or after 1 January 2013.
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income; effective for periods beginning on or after 1 July 2012.
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities; effective for periods beginning on or after 1 January 2013.
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities; effective for periods beginning on or after 1 January 2014.

The Financial Statements are prepared on a going concern basis as explained in the Directors' Report on page 37 and are presented in sterling.

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

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant judgments and key estimates

The preparation of the Financial Statements requires management to make judgments, 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 the property portfolio, where a valuation is obtained twice a year by professionally qualified external valuers. The evidence to support these valuations is primarily based on recent, comparable market transactions on an arms-length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Property valuations are one of the principal uncertainties of the Group.

Accounting for LIFT investments and associates

Accounting for LIFT investments and associates requires an assessment of the degree of management influence and control that is exercised over the entities. Investments in the LIFT companies are governed by complex shareholder agreements that effectively prevent the Group from exercising control irrespective of the level of shareholding. As a result these are accounted for on the equity basis, which incorporates the Group's share of the net assets of the entities.

Basis of consolidation

Subsidiaries

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

LIFT investments and associates

LIFT investments and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of the entities. The income statement incorporates the Group's share of LIFT investment and associates profits after tax.

Interests in LIFT investments and associates include long term loans receivable, which are held at amortised cost less provision for any impairment.

Property portfolio

Properties are externally valued on an open market basis as at the balance sheet date and are recorded at valuation.

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.

In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Leasehold properties that are leased out to tenants under operating leases are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value.

Where an investment property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

The market value of investment property as estimated by an external valuer is increased for the unamortised pharmacy lease premium held at the balance sheet date.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net rental income

Rental income is recognised on an accruals basis and recognised on a straight line basis over the lease term. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Pharmacy lease premiums received from tenants are spread over the lease term, even if the receipts are not received on such a basis. The lease term is the non-cancellable period of the lease.

Property operating expenses are expensed as incurred and property operating expenditure not recovered from tenants through service charges is charged to the income statement.

Gains on sale of properties

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

Financial assets and liabilities

Trade receivables and payables are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

Other investments are shown at amortised cost and held as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption at a constant rate on the carrying amount of the liability.

Financial Instruments

Where the Group uses derivative financial instruments, in the form of interest rate swaps, to hedge its risks associated with interest rate fluctuations they are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value by reference to market values for similar instruments. The resulting gains or losses are recognised through the income statement.

Cash equivalents are limited to instruments with a maturity of less than three months.

Tax

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

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

Income statement definitions

Underlying profit represents adjusted EPRA earnings, with further company adjustments to exclude items such as property revaluations and share-based payment charges. These adjustments have been made on the basis they are non-cash fair value adjustments, which are not reflective of the underlying performance of the business.

Capital and other represents all other statutory income statement items that are not considered underlying.

Employee costs

Defined contribution pension plans

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

Share-based employee remuneration

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

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

3. SEGMENTAL INFORMATION

The Group's operating segments are Core, LIFT and Non-Core, and are all located in the UK.

The Core segment invests in, manages and develops primary care premises.

LIFT companies develop and invest in medical centres in partnership between the public and private sectors. The Group's investments in LIFT companies are held through associated companies which have financial investments in the underlying LIFT companies. In addition to equity accounted profits, interest is receivable on loans made to the LIFT companies.

The Non-Core segment actively manages the assets to realise maximum value through both income and capital receipts from sales.

The discontinued segment in 2012 includes the results of the Pharmacy and LIFT consultancy divisions and the formerly equity accounted interest in Virgin Healthcare Holdings Limited.

The following table presents revenue, profit and certain assets and liability information regarding the Group's business segments:

Year ended 31 March 2013

	Core £m	LIFT £m	Non-Core £m	Total continuing £m
Gross rental income	34.0	-	2.3	36.3
Other related income	0.8	-	-	0.8
Property operating expenses	(2.7)	-	(0.7)	(3.4)
Net rental income	32.1	-	1.6	33.7
Administration costs	(4.9)	-	-	(4.9)
Share of profits of associates and joint ventures	-	0.4	-	0.4
Underlying operating profit	27.2	0.4	1.6	29.2
Net finance (cost)/revenue	(19.1)	1.0	(0.9)	(19.0)
Underlying profit	8.1	1.4	0.7	10.2
Revaluation gains	5.4	-	0.6	6.0
Loss on sale of property	-	-	(0.1)	(0.1)
Share based payment charge	(0.6)	-	-	(0.6)
Segment result	12.9	1.4	1.2	15.5
Revaluation of derivative financial instruments				(1.2)
Taxation				(0.2)
Profit for the year				14.1

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

3. SEGMENTAL INFORMATION (continued)

Year ended 31 March 2012

	Core £m	LIFT £m	Non-Core £m	Continuing £m	Discontinued £m	Total £m
Gross rental income	30.9	-	2.5	33.4	-	33.4
Other related income	0.7	-	-	0.7	12.1	12.8
Property operating expenses	(2.0)	-	(1.2)	(3.2)	-	(3.2)
Other cost of sales	-	-	-	-	(7.4)	(7.4)
Net rental income	29.6	-	1.3	30.9	4.7	35.6
Administration costs	(4.5)	-	-	(4.5)	(3.5)	(8.0)
Share of profits/(losses) of associates and joint ventures	-	0.7	(0.1)	0.6	(3.1)	(2.5)
Underlying operating profit	25.1	0.7	1.2	27.0	(1.9)	25.1
Net finance (cost)/revenue	(19.8)	0.9	(1.0)	(19.9)	-	(19.9)
Underlying profit	5.3	1.6	0.2	7.1	(1.9)	5.2
Revaluation gains/(losses)	8.5	-	(7.0)	1.5	-	1.5
Gain on sale of property	-	-	0.1	0.1	-	0.1
Release of provision against associates	-	3.1	-	3.1	-	3.1
Revaluation of derivative in associates	-	(0.1)	-	(0.1)	-	(0.1)
Exceptional items (note 9)	(20.3)	-	-	(20.3)	3.1	(17.2)
Segmental result	(6.5)	4.6	(6.7)	(8.6)	1.2	(7.4)
Revaluation of derivative financial instruments				(54.7)	-	(54.7)
Taxation				1.0	0.4	1.4
(Loss)/profit for the year				(62.3)	1.6	(60.7)

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

3. SEGMENTAL INFORMATION (continued)

Assets and liabilities at 31 March 2013

	Core £m	LIFT £m	Non-Core £m	Total £m
Segment assets				
Property assets	546.7	-	22.6	569.3
LIFT investments and associates	-	11.2	-	11.2
Current assets	45.1	-	0.3	45.4
Segment assets	591.8	11.2	22.9	625.9
Deferred tax asset				1.1
Total assets				627.0
Segment liabilities				
Current liabilities	(26.3)	-	(0.2)	(26.5)
Derivative financial instruments				(3.6)
Non-current liabilities				(398.8)
Total liabilities				(428.9)
Other segmental information				
Capital expenditure:				
Property, plant and equipment	0.1	-	-	0.1
Depreciation	0.1	-	-	0.1

Assets and liabilities at 31 March 2012

	Core £m	LIFT £m	Non-Core £m	Total £m
Segment assets				
Property assets	520.8	-	28.4	549.2
LIFT investments and associates	-	10.5	-	10.5
Current assets	34.4	-	1.0	35.4
Segment assets	555.2	10.5	29.4	595.1
Deferred tax asset				1.3
Total assets				596.4
Segment liabilities				
Current liabilities	(29.0)	-	(4.3)	(33.3)
Derivative financial instruments				(2.5)
Non-current liabilities				(372.7)
Total liabilities				(408.5)
Other segmental information				
Depreciation	0.1	-	-	0.1

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

4. REVENUE

	2013		2012	
	Total	Continuing	Discontinued	Total
	£m	operations	operations	£m
		£m	£m	
Rental revenue – core	34.0	30.9	-	30.9
Rental revenue – non-core	2.3	2.5	-	2.5
Pharmacy sales	-	-	10.0	10.0
LIFT consultancy fees	-	-	2.1	2.1
Other related income	0.8	0.7	-	0.7
Gross rental and related income	37.1	34.1	12.1	46.2
LIFT interest	1.0	0.9	-	0.9
Bank and other interest	0.5	0.4	-	0.4
	1.5	1.3	-	1.3
Total revenue	38.6	35.4	12.1	47.5

5. PROPERTY OPERATING EXPENSES

	2013		2012	
	Total	Continuing	Discontinued	Total
	£m	operations	operations	£m
		£m	£m	
Property expenses arising				
• from core portfolio	2.7	2.0	-	2.0
• from non-core portfolio	0.7	1.2	-	1.2
Purchases by pharmacies	-	-	6.9	6.9
LIFT consultancy costs	-	-	0.5	0.5
	3.4	3.2	7.4	10.6

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

6. ADMINISTRATIVE EXPENSES

	2013		2012	
	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m
Wages and salaries	1.5	1.0	2.3	3.3
Social security costs	0.3	0.2	0.2	0.4
	1.8	1.2	2.5	3.7
Auditor's remuneration (note 6(a))	0.4	0.3	-	0.3
Directors' fees (see page 61)	0.9	0.8	-	0.8
Other admin expenses	1.7	2.1	0.9	3.0
Depreciation	0.1	0.1	0.1	0.2
	4.9	4.5	3.5	8.0
a) Auditor's remuneration				
Group audit including interim	0.1	0.1	-	0.1
Statutory audit	0.1	0.1	-	0.1
Total audit fees	0.2	0.2	-	0.2
Tax services – advisory	0.2	0.1	-	0.1
	0.4	0.3	-	0.3

The Group's policy on non-audit fees is discussed in detail in the Audit Committee Report on pages 41 to 43.

The average monthly number of employees during the year was made up as follows:

	Number	Number	Number	Number
Property	28	28	-	28
Pharmacy	-	-	77	77
LIFT consultancy	-	-	16	16
	28	28	93	121

Key management are the Executive Directors and other key management personnel.

	2013	2012
	£m	£m
Key management staff		
Salaries, pension, holiday pay, payments in lieu of notice and bonus	1.4	0.9
Post-employment benefits	-	0.1
Cost of employee share-based incentives	0.6	-
Social security costs	0.2	0.1
	2.2	1.1

In the prior year, there was also an additional £0.2 million of salaries, pension, holiday pay, payments in lieu of notice and bonus related to discontinued operations.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

7. FINANCE REVENUE

	2013	2012
	£m	£m
LIFT interest	1.0	0.9
Bank and other interest	0.5	0.4
	1.5	1.3

8. FINANCE COSTS

	2013	2012
	£m	£m
Interest payable	20.4	21.9
Interest capitalised on developments	(0.4)	(1.0)
Amortisation of loan issue costs	0.5	0.3
	20.5	21.2
Change in fair value of interest rate swaps	1.2	54.7
	21.7	75.9

Interest was capitalised on property developments at 5% (2012: 5-6%).

9. EXCEPTIONAL ITEMS - YEAR TO 31 MARCH 2012

		2012	Total
		Continuing operations	Discontinued operations
Note	£m	£m	£m
Goodwill impairment		(20.0)	-
Surplus on disposal of pharmacy business	31	-	3.4
Loss on disposal of LIFT consultancy business	31	-	(0.3)
Acquisition costs		(0.3)	-
		(20.3)	3.1
			(17.2)

Goodwill impairment

Goodwill related to businesses acquired in previous years. Following changes to commissioning arrangements in the NHS and strategic changes implemented by the Board, the Group is now purely an investment property company. In a period when the market for new developments is tighter, the Group has adapted and many current projects have been sourced and built out in partnership with development partners who introduce projects to us. In addition, the volume of deals in the near term entirely derived from in-house development is uncertain. These factors led to the conclusion that the carrying value of goodwill should be fully impaired as at 31 March 2012. This impairment charge was recorded in full in the year to 31 March 2012.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

10. TAXATION

Consolidated income tax

	2013	2012
	£m	£m
Current tax		
Current income tax charge	-	-
Deferred tax		
Relating to origination and reversal of temporary differences	0.2	(1.0)
Income tax charge/(credit) reported in consolidated income statement	0.2	(1.0)

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

	2013	2012
	£m	£m
Profit/(loss) from continuing operations before taxation	14.3	(63.3)
Profit from discontinued operations before taxation	-	1.2
Net profit/(loss) before taxation	14.3	(62.1)
UK income tax at rate of 24% (2012: 26%)	3.4	(16.1)
Effects of:		
Capital losses	-	(26.8)
Non-taxable income	(0.9)	(1.4)
Expenses not deductible for tax purposes	-	5.7
Utilisation of losses brought forward	(1.3)	(0.7)
Gain on disposal of investments/assets	-	(0.9)
Movement in unrecognised deferred tax	(1.0)	38.9
Adjustment in respect of prior years	-	0.3
	0.2	(1.0)

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 23% (2013:24%).

As a REIT, the Group is required to pay Property Income Distributions 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.

In his Budget of 20 March 2013, the Chancellor of the Exchequer announced a reduction of the corporation tax rate to 23% from 1 April 2013. Further changes, which are expected to be enacted separately each year, propose to reduce the tax rate to 21% on 1 April 2014 and 20% on 1 April 2015. Neither the 21% rate nor the 20% rate were substantively enacted at the year end and are therefore not reflected in the Financial Statements.

Based on a closing deferred tax asset of £1.1 million at the balance sheet date, the proposed reduction to 20% would reduce the deferred tax asset by £0.1 million.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

11. EARNINGS/(LOSS) PER ORDINARY SHARE

	2013		2012	
	Basic & diluted EPS per ordinary share from continuing operations	Adjusted (EPRA) basic & diluted EPS per ordinary share from continuing operations	Basic & diluted EPS per ordinary share from continuing operations	Adjusted (EPRA) basic & diluted EPS per ordinary share from continuing operations
	£m	£m	£m	£m
Profit/(loss) attributable to equity holders of the parent	14.1	14.1	(62.3)	(62.3)
Goodwill impairment		-		20.0
Revaluation of derivative financial instrument of:				
Parent		1.2		54.7
Associates		0.7		0.1
Deferred tax		0.2		(1.0)
Adjusted (EPRA) earnings		16.2		11.5
Weighted average number of shares in issue – basic and diluted	529,548,924	529,548,924	462,801,601	462,801,601
Earnings/(loss) per ordinary share from continuing operations	2.7p	3.1p	(13.5)p	2.5p
Earnings per ordinary share from discontinued operations	-	-	0.3p	0.3p
Earnings/(loss) per ordinary share	2.7p	3.1p	(13.2)p	2.8p

Underlying profit per share of 1.9 pence (2012: 1.5 pence) has been calculated as underlying profit for the year as presented on the income statement of £10.2 million (2012: £7.1 million) divided by the weighted average number of shares in issue of 529,548,924 (2012: 462,801,601).

Share options schemes in operation were not considered dilutive as at the balance sheet date based on calculations completed in accordance with IAS 33 Earnings per share.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

12. NET ASSET VALUE PER ORDINARY SHARE

	2013		2012	
	Basic & diluted NAV per ordinary share	Adjusted basic & diluted NAV per ordinary share	Basic & NAV per ordinary share	Adjusted basic & diluted NAV per ordinary share
	£m	£m	£m	£m
Net assets	198.1	198.1	187.9	187.9
Own shares held		1.9		1.9
Derivative financial instruments of:				
Parent		3.6		2.5
Associates		1.9		1.2
Deferred tax		(1.1)		(1.3)
NAV in accordance with EPRA		204.4		192.2
Number of shares in issue	529,548,924	529,548,924	529,548,924	529,548,924
Net asset value per share	37.4p	38.6p	35.5p	36.3p

	2013	2012
	Adjusted basic & diluted NAV per ordinary share	Adjusted basic & diluted NAV per ordinary share
	£m	£m
EPRA NAV	204.4	192.2
Mark to market of derivative financial instrument	(5.5)	(3.7)
Mark to market of fixed rate debt	(48.2)	(29.6)
EPRA NNNNAV	150.7	158.9
EPRA NNNNAV per share	28.5p	30.0p

The EPRA measures set out above are in accordance with the guidance of the European Property Real Estate Association dated August 2011.

13. INVESTMENTS IN SUBSIDIARIES

A table listing all the principal subsidiaries of Assura Group Limited is below:

Name of subsidiary	Place of incorporation	Share-holding	Business activity
Assura Properties plc	England	100%	Property Investment
Assura Properties UK Limited	England	100%	Property Investment
Assura Medical Centres Limited	England	100%	Property Investment
Assura Health Investments Limited	England	100%	Property Investment
Medical Properties Limited	England	100%	Property Investment

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

14. PROPERTY ASSETS

Investment property and investment property under construction (IPUC)

Properties are stated at fair value, which has been determined for the Group by Savills Commercial Limited and Jones Lang LaSalle as at 31 March 2013. The properties have been valued individually and on the basis of open market value in accordance with RICS valuation – Professional Standards 2012 (the “Red Book”).

Initial yields mainly range from 5.70% to 6.00% (2012: 5.75% and 6.25%) for prime units. For properties with weaker tenants and poorer units, the yields range between 6.50% and 17.00% (2012: 6.25% and 16.00%). The higher yields are in the non-core portfolio.

A 0.25% shift of valuation yield would have approximately a £21.2 million (2012: £20.5 million) impact on the investment property valuation.

	2013			2012		
	Investment	IPUC	Total	Investment	IPUC	Total
	£m	£m	£m	£m	£m	£m
Opening fair value	526.3	8.4	534.7	463.8	35.0	498.8
Additions:						
• directly acquired	2.8	-	2.8	4.6	-	4.6
• business combination	-	-	-	4.5	-	4.5
• improvements	0.8	-	0.8	0.5	-	0.5
	3.6	-	3.6	9.6	-	9.6
Development costs	-	18.6	18.6	-	18.8	18.8
Transfers	15.6	(15.6)	-	45.9	(45.9)	-
Transfer from land & buildings (note 16)	-	-	-	9.2	-	9.2
Transfer (to)/from assets held for sale	-	(0.6)	(0.6)	0.6	(2.2)	(1.6)
Capitalised interest	-	0.4	0.4	-	1.0	1.0
Disposals	(8.1)	(0.4)	(8.5)	(2.1)	(0.5)	(2.6)
Unrealised surplus/(deficit) on revaluation	2.5	3.5	6.0	(0.7)	2.2	1.5
Closing market value	539.9	14.3	554.2	526.3	8.4	534.7
Add finance lease obligations recognised separately	3.1	-	3.1	3.1	-	3.1
Closing fair value of investment property	543.0	14.3	557.3	529.4	8.4	537.8

Investment property occupied by the Pharmacy business prior to disposal in July 2011 were classified as land and buildings.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

14. PROPERTY ASSETS (continued)

	2013			2012		
	Core £m	Non-Core £m	Total £m	Core £m	Non-Core £m	Total £m
Market value of investment property as estimated by valuer	523.6	9.3	532.9	505.7	14.9	520.6
Add IPUC	14.3	-	14.3	8.4	-	8.4
Add pharmacy lease premiums	7.0	-	7.0	5.7	-	5.7
Add finance lease obligations recognised separately	1.0	2.1	3.1	1.0	2.1	3.1
Fair value for financial reporting purposes	545.9	11.4	557.3	520.8	17.0	537.8
Investment property held for sale	0.8	1.3	2.1	-	-	-
Vacant property held for sale	-	0.2	0.2	-	2.3	2.3
Land held for sale	-	9.7	9.7	-	9.1	9.1
Total property assets held for sale	0.8	11.2	12.0	-	11.4	11.4
Total property assets	546.7	22.6	569.3	520.8	28.4	549.2

1 core and 3 non-core property investments and 10 land sites are held as available for sale (2012: 13 non-core property investments and 10 land sites).

15. LIFT INVESTMENTS AND JOINT VENTURES

The Group has the following investments in associated entities under the LIFT initiative:

Name of Associate	% held	Investment
GBConsortium 1 Limited	35%	Holds 60% of the share capital in the Barnet, Enfield and Haringey, and Liverpool and Sefton LIFT companies
GBConsortium 2 Limited	39%	Holds 60% of the share capital in the Coventry LIFT Company
GB Primary Care Limited	67%	Holds 60% of the share capital in the South East Essex LIFT Company
GB Primary Care (SWH) Limited	71%	Holds 60% of the share capital in the South West Hampshire LIFT Company
Infracare (Midlands) Limited	43%	Holds 60% of the share capital in the Dudley South LIFT Company
MerseyCare Development Company 1 Limited	39%	Holds 49% of the share capital in the Merseyside LIFT Company

Infracare (Midlands) Limited has a financial year ended 30 September, all others are 31 March. All of these companies are incorporated in England. Despite in some cases owning levels exceeding 50% these companies are treated as associate entities rather than subsidiaries due to certain restrictions on exercising control in the shareholder agreement. All transfers of funds and distributions from the associated LIFT companies, including non-scheduled loan repayments and dividends, require approval by all shareholders.

In addition, the Group holds an investment in Virgin Healthcare Holdings Limited made up of a 6% equity holding (book value £nil) and a £4 million loan note receivable (book value £nil).

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

15. LIFT INVESTMENTS AND JOINT VENTURES (continued)

The investments underlying the Group's interest in its associates can be summarised as follows:

	2013 Group share £m	2012 Group share £m
Equity in LIFT companies:		
Financial investments in medical centres	84.1	79.4
Current assets	7.9	7.2
Share of gross assets	92.0	86.6
Current liabilities	(5.4)	(5.6)
Non-current liabilities	(84.4)	(79.2)
Share of gross liabilities	(89.8)	(84.8)
Share of net assets of LIFT companies	2.2	1.8
LIFT loan stock	9.0	8.7
Total LIFT interests	11.2	10.5
Loan receivable from Virgin Healthcare Holdings Limited	-	-
Carrying amount of associates	11.2	10.5

The Group's share of the gross revenue of associates was £13.3 million (2012: £18.1 million).

	2013 Total £m	Continuing operations £m	2012 Discontinued operations £m	Total £m
Associates:				
Share of profits of associated LIFT companies	1.1	0.7	-	0.7
Release of provision against associates	-	3.1	-	3.1
Unrealised loss on revaluation of derivative financial instrument of associated LIFT companies	(0.7)	(0.1)	-	(0.1)
Virgin Healthcare Holdings Limited	-	-	(3.1)	(3.1)
Share of post-tax profits/(losses) of associates	0.4	3.7	(3.1)	0.6
Joint ventures:				
AH Scarborough Health Park Limited	-	(0.1)	-	(0.1)
Share of post-tax losses/of joint ventures	-	(0.1)	-	(0.1)
Share of profits/(losses) of associates and joint ventures	0.4	3.6	(3.1)	0.5

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

15. LIFT INVESTMENTS AND JOINT VENTURES (continued)

The movement on investments in associates during the year was as follows:

	2013 Group £m	2012 Group £m
Opening balance	10.5	9.9
Investments disposed of in year	-	(0.5)
Net loans advanced	0.3	0.5
Share of profits of continuing associates (before derivative movements)	1.1	0.7
Share of losses of discontinued activities	-	(3.1)
Release of provision against associates	-	3.1
Share of derivative movements in continuing associates	(0.7)	(0.1)
Closing balance	11.2	10.5

Joint ventures

The Group had a 50% interest in a joint venture during the year, AH Scarborough Health Park Limited ("AHSHPL"), a property investment company incorporated in England, which it sold in April 2012 for £1. The joint venture was carried in the balance sheet at nil value and no profit or loss arose on the disposal.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

16. PROPERTY, PLANT AND EQUIPMENT

2013				
	Land and buildings	Computer and other equipment	Fixtures, fittings and furniture	Total
	£m	£m	£m	£m
Cost or valuation:				
At 1 April	-	0.4	0.1	0.5
Additions at cost	-	0.1	-	0.1
Disposal	-	(0.1)	-	(0.1)
At 31 March	-	0.4	0.1	0.5
Depreciation:				
At 1 April	-	0.3	-	0.3
Depreciation for the year	-	-	0.1	0.1
At 31 March	-	0.3	0.1	0.4
Net book value at 31 March 2013	-	0.1	-	0.1

2012				
	Land and buildings	Computer and other equipment	Fixtures, fittings and furniture	Total
	£m	£m	£m	£m
Cost or valuation:				
At 1 April	9.8	1.0	3.9	14.7
Transfer to investment property (note 14)	(9.2)	-	-	(9.2)
Additions at cost	-	0.1	0.3	0.4
Disposals on sale of business	(0.6)	(0.7)	(4.1)	(5.4)
At 31 March	-	0.4	0.1	0.5
Depreciation:				
At 1 April	-	0.8	0.7	1.5
Depreciation for the year	-	0.1	0.1	0.2
Disposals on sale of business	-	(0.6)	(0.8)	(1.4)
At 31 March	-	0.3	-	0.3
Net book value at 31 March 2012	-	0.1	0.1	0.2

Land and buildings comprised interests in pharmacy premises used by group companies until the pharmacy business disposal in July 2011. They are now included as investment properties.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

17. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	2013	2012
	£m	£m
Cash held in current account	15.6	12.2
Restricted cash	20.1	9.2
	35.7	21.4

Restricted cash arises where there are interest payment guarantees, cash is ring-fenced for committed property development expenditure, which is released to pay contractors invoices directly, or under the terms of security arrangements under the Group's banking facilities or its bond.

18. TRADE AND OTHER RECEIVABLES

	2013	2012
	£m	£m
Trade receivables	2.3	2.2
Prepayments and accrued income	1.1	1.2
Deferred consideration	-	2.6
Loan note	3.0	1.0
Other debtors	0.2	0.8
	6.6	7.8
Loan note due after more than 1 year	3.0	6.0
	9.6	13.8

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The loan note is an interest bearing loan of £6.0 million granted to the purchaser of the pharmacy business upon completion of the sale. Interest is charged on the loan at a rate of 6.5% and is payable quarterly. The loan is repayable in two stage payments. £3.0 million is due by 30 June 2013 with the balance to be settled on 30 June 2014.

The Group's principal customers are invoiced and pay quarterly in advance, usually on the English quarter days. Other debtors are generally on 30-60 days' terms. No bad debt provision was required (2012: £nil).

As at 31 March 2013 and 31 March 2012, the analysis of trade debtors that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	> 30 days	Past due but not impaired		
	£m	£m	£m	> 60 days £m	> 90 days £m	> 120 days £m
2013	2.3	1.9	0.2	0.1	-	0.1
2012	2.2	1.9	0.1	0.1	-	0.1

The bulk of the Group's income derives from the NHS or is reimbursed by the NHS, hence the risk of default is minimal.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

19. TRADE AND OTHER PAYABLES

	2013	2012
	£m	£m
Trade creditors	2.4	1.8
Other creditors and accruals	11.1	10.2
VAT creditor	0.8	0.9
Payments due under finance leases	-	0.1
	14.3	13.0

Finance lease arrangements are in respect of investment property held by the Group on leasehold property. The amounts due after more than one year, which total £3.1 million (2012: £3.1 million), have been disclosed in non-current liabilities on the consolidated balance sheet. The maturity of trade and other payables and the minimum payments due under finance leases is disclosed in note 32.

The fair value of the Group's lease obligations is approximately equal to their carrying value.

20. DEFERRED REVENUE

	2013	2012
	£m	£m
Arising from rental received in advance	7.8	7.5
Arising from pharmacy lease premiums received in advance	7.0	5.8
	14.8	13.3
Current	8.2	7.8
Non-current	6.6	5.5
	14.8	13.3

21. PROVISIONS

	2013	2012
	£m	£m
At 1 April	1.0	1.3
Utilisation of provision	-	(0.3)
At 31 March	1.0	1.0
Analysed as:		
Current	0.1	0.1
Non-current	0.9	0.9
	1.0	1.0

Provisions relate to the onerous property lease on the former Pall Mall office and represent management's best estimate of the Group's liability.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

22. BORROWINGS

	2013	2012
	£m	£m
Secured bank loans		
At 1 April	375.6	361.8
Amount issued or drawn down in year	23.2	159.0
Amount repaid in year	(7.0)	(146.1)
Acquired with acquisition of subsidiaries	-	3.4
Loan issue costs	(0.2)	(2.8)
Amortisation of loan issue costs	0.5	0.3
At 31 March	392.1	375.6
Due within one year	3.9	6.9
Due after more than one year	388.2	368.7
At 31 March	392.1	375.6

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 with an aggregate balance of £230.5 million at 31 March 2013 (2012: £213.1 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2021 and 2041 with a weighted average term of 14.5 years to maturity, £3.9 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 a weighted average of 5.68% and do not have loan to value covenants. Debt service cover required typically ranges between 1.00 times to 1.05 times.
3. Loans from Santander with an aggregate balance of £55.2 million at 31 March 2013 (2012: £52.4 million). This comprises a £50 million investment facility available until November 2016 and carries interest at 1.95% above LIBOR and a £10 million development facility available until November 2014 and carries interest at 2.75% above LIBOR. On practical completion of the development property, the development facility is converted and added to the investment facility. A £50 million interest rate swap at a rate of 2.575% has been taken out to hedge the interest on the existing investment facility. The loan must not exceed 75% of the value of the security, interest cover must be above 1.7 times and debt service cover must be above 1.05 times.
4. Term loan with Royal Bank of Scotland PLC (RBS) secured on the Group's former head office building in Daresbury. The balance on this loan was £nil at 31 March 2013 (2012: £4.0 million) having been repaid in December when the property was sold. The loan carried interest at 1.2% above LIBOR and the associated SWAP was settled at the same point.

The NAB loan of £120 million was repaid in full in December 2011 along with the associated SWAP.

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

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

23. DERIVATIVE FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Interest rate swap (RBS) £m	Interest rate swaps (Santander) £m	Total derivative financial instruments of the Group £m
Liability at 1 April 2012	0.2	2.3	2.5
Movement in year	(0.1)	1.3	1.2
Cash settlement	(0.1)	-	(0.1)
Liability at 31 March 2013	-	3.6	3.6

The table above includes the net position of derivative financial instruments at the balance sheet date. These are presented under the following captions on the Consolidated Balance Sheet:

	2013 £m	2012 £m
Current liabilities	-	0.2
Non-current liabilities	3.6	2.3
	3.6	2.5

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 March 2013 and 31 March 2012 and throughout the two year period the financial liabilities measured have been determined and valued as level 2.

During the reporting years ending 31 March 2013 and 31 March 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of the Level 3 fair value measurements.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

24. SHARE CAPITAL

	2013		2012	
	Number of shares	£m	Number of shares	£m
Authorised				
Ordinary Shares of 10p each	3,000,000,000	300.0	3,000,000,000	300.0
Preference Shares of 10p each	20,000,000	2.0	20,000,000	2.0
		302.0		302.0
Ordinary Shares issued and fully paid				
At 1 April	529,548,924	53.0	411,871,386	41.2
Issued during the year	-	-	117,677,538	11.8
At 31 March	529,548,924	53.0	529,548,924	53.0
Own shares held	(4,218,219)	(1.9)	(4,218,219)	(1.9)
Total Share Capital	525,330,705	51.1	525,330,705	51.1

Own shares held comprise shares held by the Employee Benefit Trust ("EBT").

In the year to 31 March 2012, £33.5 million (net of expenses) was raised through a 2 for 7 Rights Issue of 117,677,538 new shares at 30.0 pence per share.

25. DIVIDENDS PAID ON ORDINARY SHARES

			2013	2012
Payment date	Pence per share	Number of ordinary shares	£m	£m
23/01/2013	0.285	529,548,924	1.5	-
24/10/2012	0.285	529,548,924	1.5	-
25/07/2012	0.285	529,548,924	1.5	-
26/07/2011	1.25	411,871,386	-	5.1
			4.5	5.1

A dividend of 0.3025 pence per share was paid to shareholders on 24 April 2013.

An approved quarterly dividend for 2013/14 of 0.3025 pence per share is to be paid on 24 July 2013 to shareholders on the share register at 12 July 2013. This equates to a total cash payment of £1.6 million.

26. DISTRIBUTION RESERVE

Under Guernsey Law, companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed under Companies (Guernsey) Law 2008. The solvency test considers whether a company is able to pay its debts when they fall due; and whether the value of a company's assets is greater than its liabilities. As a consequence, the Group has deemed it appropriate to merge the distribution reserve and retained earnings as separate reserves are no longer required. Refer to the Consolidated Statement of Changes in Equity for the current period.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

27. SHARE-BASED PAYMENTS

As at 31 March 2013, the Group had three long-term incentive schemes in place – the Value Creation Plan (“VCP”), the Executive Recruitment Plan (“ERP”) and the Long Term Incentive Plan (“LTIP”).

The long-term incentive arrangements are structured so as to align the incentives of relevant executives with the long-term performance of the business and to motivate and retain key members of staff. To the extent practicable long-term incentives are provided through the use of share-based (or share-fulfilled) remuneration to provide alignment of objectives with the Group’s shareholders. Long-term incentive awards are granted by the Remuneration Committee who review award levels on a case by case basis.

As at 31 March 2013 the Employee Benefit Trust (“EBT”) held a total of 4,218,219 (2012: 4,218,219) Ordinary Shares of 10p each in Assura Group Limited. Previous long-term incentive plans have lapsed without vesting.

Value Creation Plan

As at 31 March 2013, a total of 791,700 performance units had been granted to employees (including 575,000 units granted to Executive Directors as detailed in the Remuneration Committee Report). No payment has been made for the grant of these awards and the performance units have no value at grant.

Participants have the opportunity to receive 10% of the total value created for shareholders above a threshold price determined at three measurement dates in a five year measurement period. Before any awards vest, which are granted as nil-cost options on conversion of any value created, a minimum level of Total Shareholder Return of 8% per annum compound growth from the base price at each measurement date must be achieved.

Further details in respect of the VCP are provided in the Remuneration Committee Report on pages 52 to 53.

Executive Recruitment Plan

During the year, a nil-cost contingent award of 460,002 ordinary shares was made under the ERP. The scheme is in respect of one Executive Director and full details are provided in the Remuneration Committee Report on page 62.

Long Term Incentive Plan

The units (equivalent to one ordinary share) outstanding in respect of the LTIP are as follows:

	2013	2012
	Units	Units
Outstanding as at the start of the year	725,000	1,580,000
Granted during the year	-	750,000
Exercised during the year	-	(155,000)
Expired during the year	(325,000)	-
Forfeited during the year in respect of leavers	-	(1,450,000)
Outstanding as at the end of the year	400,000	725,000
Units exercisable at the end of the year	-	-

No Executive Directors hold shares under the scheme and key management personnel had 400,000 units at 31 March 2013 (2012: 725,000 units). These relate to grants on 29 July 2011 which have a performance period ending on 31 March 2014.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

27. SHARE-BASED PAYMENTS (continued)

Three distinct performance conditions apply to the units outstanding. 50% of an award will be subject to a performance condition measuring the Group's annual earnings per share growth (excluding revaluation surpluses or deficits arising on investment property) over a three year period ending on 31 March 2014. The remaining 50% of an award will be subject to a performance condition measuring (over the same three year period) the cumulative growth in the Group's annual percentage total primary care property return as calculated by IPD measured against the IPD Primary Healthcare Index. In addition, the vesting conditions further require Total Shareholder Return ("TSR") over the 3 years ending 31 March 2014 to exceed 25%.

All schemes

The fair value of equity settled units granted during 2013 is estimated as at the date of grant using a Monte-Carlo model (2012: Black-Scholes), taking into account the terms and conditions upon which units were granted. The following table lists the inputs to the models used for the year ended 31 March 2013 and the year ended 31 March 2012.

	2013	2012
Dividend yield (%)	3.5	-
Expected share price volatility (%)	20.7	n/a
Risk-free interest rate (%)	0.74	0.78
Expected life of units (years)	4.5	2.7

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The fair value of the units granted in the period, is £2,475,000 (2012: £160,400) based on the market price at the date the units were granted. This cost is allocated over the vesting period. The cost allocation for all outstanding units in the period was a charge of £575,000 (2012: charge of £16,000).

For share options outstanding as at 31 March 2013, the weighted average remaining contractual life is 1.98 years (2012: 1.55 years). The weighted average fair value of share options granted during the period was £0.34 (2012: £0.21).

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	2013	2012
	£m	£m
Reconciliation of net profit/(loss) before taxation to net cash inflow from operating activities:		
Net profit/(loss) before taxation		
Profit/(loss) from continuing activities	14.3	(63.3)
Profit from discontinued activities	-	1.2
	14.3	(62.1)
Adjustment for non-cash items:		
Depreciation	0.1	0.2
Decrease in debtors	0.1	4.2
Increase in creditors	2.8	3.1
Decrease in provisions	-	(0.3)
Increase in pharmacy inventories	-	(0.1)
Revaluation gain	(6.0)	(1.5)
Interest capitalised on developments	(0.4)	(1.0)
Loss on revaluation of financial instrument	1.2	54.7
Loss on disposal of properties	0.1	-
Profit on disposal of pharmacy business	-	(3.4)
Loss on disposal of LIFT business	-	0.3
Profit on disposal of assets	-	(0.5)
Goodwill impairment	-	20.0
Share of (profits) of associates and joint ventures	(0.4)	(3.6)
Impairment of investments - discontinued	-	3.1
Employee share-based incentive costs	0.6	-
Amortisation of loan issue costs	0.5	0.3
Net cash inflow from operating activities	12.9	13.4

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

29. DEFERRED TAX

Deferred tax consists of the following:

	2013	2012
	£m	£m
At 1 April	1.3	1.8
Capital allowances in excess of depreciation	-	(0.3)
Trading losses carried forward	(0.2)	1.3
Disposals	-	(1.5)
At 31 March	1.1	1.3

The amount of deductible temporary differences and unused tax losses are as follows:

Consolidated balance sheet:

	2013	2012
	£m	£m
Tax losses	227.4	250.7
Other timing differences	35.2	(11.9)
Deficit on revaluation of investment properties in the UK	35.9	57.7
	298.5	296.5

The majority of tax losses carried forward relate to capital losses generated on the disposal of former divisions of the Group.

The following deferred tax assets have not been recognised due to uncertainties around future recoverability:

The tax effect of these unrecognised assets is as follows:

Consolidated balance sheet:

	2013	2012
	£m	£m
Tax losses	52.3	60.2
Other timing differences	8.1	(2.9)
Deficit on revaluation of investment properties in the UK	8.3	13.9
	68.7	71.2

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

30. BUSINESS COMBINATIONS - YEAR TO 31 MARCH 2012

On 18 August 2011, the Group acquired 100% of the Ordinary Share Capital of PH Investments (No. 1) Limited and its subsidiary company Riddings Pharmco Limited, private companies based in England. The companies are involved in property investment and development and the acquisition has enlarged the existing investment portfolio of the group. The consideration of £522,000 was satisfied by cash as shown below.

The fair values of identifiable assets and liabilities of PH Investments (No. 1) Limited & its subsidiary as at the date of acquisition were:

	Fair value £m
Investment properties	4.5
Current liabilities	(0.5)
Long term loans	(3.4)
Total identifiable net assets at fair value	0.6
Negative goodwill arising on acquisition	(0.1)
Total purchase consideration transferred	0.5
Purchase consideration:	
Cash	0.5
Total purchase consideration	0.5
Analysis of cash flows on acquisition:	
Cash paid as consideration (included within cash flows from investing activities)	(0.5)
Net cash flow on acquisition	(0.5)

The fair value of the trade receivables amounts to £15,000. The gross amount of trade receivables is £15,000. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

Total transaction costs of £46,000 have been expensed and are included within exceptional items. Negative goodwill of £58,000 has been taken to the Consolidated Income Statement and is shown within exceptional items.

The fair value of assets acquired is considered to be final.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

31. DISCONTINUED OPERATIONS

During the prior year the Group discontinued operating its Pharmacy division, LIFT consultancy business and its effective interest in Virgin Healthcare Holdings Limited.

	Period to 12 July 2011
	£m
Pharmacy division	4.4
LIFT consultancy division	-
Losses in connection with Virgin Healthcare Holdings Limited (note 15)	(3.1)
Deferred tax	0.3
Profit for the year from discontinued operations	1.6

Pharmacy disposal

On 12 July 2011 the Group completed the sale of the Pharmacy division to Gorgemead Limited, part of the Cohens Group.

The accounting policies applicable to the Pharmacy division are as follows:

Pharmacy sales – revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on the date of sale.

Pharmacy inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is defined as average purchase price.

The results of the Pharmacy division which have been included in the consolidated income statement are presented below:

	Period to 12 July 2011
	£m
Revenue	10.0
Cost of sales	(6.9)
Administrative expenses	(2.1)
Operating profit	1.0
Profit on disposal of discontinued operations	3.4
Profit for the period from discontinued operations	4.4

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

31. DISCONTINUED OPERATIONS (continued)

The net cash flows attributable to the Pharmacy division were as follows:

	Period to 12 July 2011 £m
Operating activities	0.5
Investing activities	21.7
Net cash inflow	22.2

The total disposal consideration and major classes of assets and liabilities sold are analysed as follows:

	As at 12 July 2011 £m
Assets and liabilities disposed of other than cash	
Pharmacy licences and goodwill	23.7
Property, plant and equipment	4.0
Deferred tax asset	1.5
Inventories	2.3
Debtors	5.0
Cash and cash equivalents	3.3
Creditors	(7.6)
Net assets	32.2
Net assets sold – 100%	32.2
Fair value of proceeds	36.8
Costs	(1.2)
Net proceeds	35.6
Profit on disposal	3.4
Fair value of proceeds	
Cash	24.5
Deferred consideration (received on completion)	1.4
Loan notes (note 18)	7.0
Deferred consideration – pipeline	3.5
Deferred consideration – net assets adjustment	0.4
	36.8

As at 31 March 2013, all deferred consideration has been received in full.

LIFT disposal

On 26 October 2011 the Group completed the sale of the LIFT consultancy business to GB Partnerships Investments Limited. At the same time the Group made a 15% investment in GB Partnerships Limited and loaned that company £0.2 million via a loan note which pays interest at 5%.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

31. DISCONTINUED OPERATIONS (continued)

The results of the LIFT consultancy business for the period to its date of sale are presented below:

	Period to 26 October 2011
	£m
Revenue	2.1
Cost of sales	(0.4)
Administrative expenses	(1.4)
Operating profit	0.3
Loss on disposal of discontinued operations	(0.3)
Profit for the period from discontinued operations	-

At the date of disposal the net assets of the LIFT consultancy business were £1.0 million. The net cash flows attributable to the LIFT consultancy business were as follows:

	Period to 26 October 2011
	£m
Operating activities	0.3
Net cash inflow	0.3

The total disposal consideration and major classes of assets and liabilities sold are analysed as follows:

	As at 26 October 2011
	£m
Assets and liabilities disposed of other than cash	
Goodwill	0.8
Debtors	0.6
Cash and cash equivalents	0.3
Creditors	(1.1)
Net assets	0.6
Net assets sold – 85%	0.5
LIFT investments sold	0.5
	1.0
Fair value of proceeds - cash	0.8
Costs	(0.1)
Net proceeds	0.7
Loss on disposal	(0.3)

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

32. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments and properties are credit risk, liquidity risk, interest rate risk and equity price risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

In the event of a default by an occupational tenant, the Group will suffer a rental income shortfall and may incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. Given the nature of the Company's tenants and enhanced rights of landlords who can issue proceedings and enforcement by bailiffs, defaults are rare and potential defaults are managed carefully by the credit control department. The maximum credit exposure in aggregate is one quarter's rent of circa £9 million, however this amount derives from all the tenants in the portfolio and such a scenario is hypothetical. The Group's credit risk is well spread across circa 350 tenants at any one time. Furthermore the bulk of the Group's property income derives from the NHS or is reimbursed by the NHS, who have an obligation to ensure that patients can be seen and treated and step in when GPs are unable to practice, hence the risk of default is minimal.

The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. Investments in property are relatively illiquid however the Group has tried to mitigate this risk by investing in modern purpose built medical centres which are well let to GPs and PCTs. In order to progress its property investment and development programme, the Group needs access to bank and equity finance, both of which may be difficult to raise notwithstanding the quality, long lease length, NHS backing and geographical and lot size diversity of its property portfolio.

The Group manages its liquidity risk by ensuring it has a spread of sources and maturities.

The Group has entered into commercial property leases on its core investment property portfolio. These non-cancellable leases have remaining terms of up to 28 years and have a weighted average lease length of 15.1 years. All leases are subject to revision of rents according to various rent review clauses. Future minimum rentals receivable under non-cancellable operating leases along with trade and other receivable as at 31 March are as follows:

Receivables as at 31 March 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£m	£m	£m	£m	£m	£m
Non-cancellable leases	-	8.9	26.9	149.1	426.9	611.8
Trade and other receivables	-	6.6	-	3.0	-	9.6
	-	15.5	26.9	152.1	426.9	621.4

Receivables as at 31 March 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£m	£m	£m	£m	£m	£m
Non-cancellable leases	-	8.7	26.2	137.1	398.4	570.4
Trade and other receivables	-	3.6	1.6	9.2	-	14.4
	-	12.3	27.8	146.3	398.4	584.8

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

32. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2013 and 31 March 2012 based on contractual undiscounted payments at the earliest date which the Group can be required to pay.

The total contracted discounted payments is higher than the total minimum rentals receivable due to the rent receivable not including any residual values on properties at the end of the lease contract.

Payables as at 31 March 2013

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	-	5.0	9.9	121.0	531.4	667.3
Trade and other payables	-	11.3	3.0	0.1	3.0	17.4
	-	16.3	12.9	121.1	534.4	684.7
Derivative financial liabilities:						
Interest rate swap	-	0.2	0.7	6.0	-	6.9
	-	0.2	0.7	6.0	-	6.9
Total financial liabilities	-	16.5	13.6	127.1	534.4	691.6

Payables as at 31 March 2012

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	-	7.1	19.3	142.5	449.4	618.3
Trade and other payables	-	12.9	0.1	0.1	2.9	16.0
	-	20.0	19.4	142.6	452.3	634.3
Derivative financial liabilities:						
Interest rate swap	-	0.3	0.9	5.2	-	6.4
	-	0.3	0.9	5.2	-	6.4
Total financial liabilities	-	20.3	20.3	147.8	452.3	640.7

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and, as debt is utilised, long term, debt obligations. The Group's policy is to manage its interest cost using fixed rate debt or by interest rate swaps (see below). The swaps are revalued to their market value by reference to market interest rates at each balance sheet date.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

32. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2013 was as follows:

	Within 1 year £m	1 to 5 years £m	> 5 years £m	Total £m
Floating rate asset/(liability)				
Cash	35.7	-	-	35.7
Santander - investment facility	-	(50.0)	-	(50.0)
Santander - development facility	-	(5.2)	-	(5.2)
Interest rate swap	-	(3.6)	-	(3.6)
Fixed rate (all liabilities)				
Long-term loans:				
Bond	-	-	(110.0)	(110.0)
Aviva	(3.9)	(20.5)	(206.1)	(230.5)
Payments due under finance leases	-	(0.1)	(3.0)	(3.1)

In November 2011 the Group issued a £110.0 million 10 year senior secured bond at 4.75%.

Aviva loans were increased during the period to £230.5 million (2012: £213.1 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2021 and 2041. £3.9 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%.

In November 2011 the Group entered into an interest rate swap with Santander for a principal of £50.0 million at 2.575% plus 1.95% margin for five years. This replaced the previous swap held with Santander.

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2012 was as follows:

	Within 1 year £m	1 to 5 years £m	> 5 years £m	Total £m
Floating rate asset/(liability)				
Cash	21.4	-	-	21.4
Santander - investment facility	-	(50.0)	-	(50.0)
Santander - development facility	-	(2.4)	-	(2.4)
RBS	(4.0)	-	-	(4.0)
Interest rate swap	(0.2)	(2.3)	-	(2.5)
Fixed rate (all liabilities)				
Long-term loans:				
Bond	-	-	(110.0)	(110.0)
Aviva	(2.9)	(14.9)	(195.3)	(213.1)
Payments due under finance leases	(0.1)	(0.1)	(2.9)	(3.1)

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

32. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The Group has largely eliminated its exposure to interest rate movements affecting income by the use of fixed rate debt and interest rate swaps. The Group is 99% fixed such that a 0.25% movement in interest rate has a negligible impact on underlying profits.

	2013 Book value £m	2012 Book value £m	2013 Fair value £m	2012 Fair value £m
Cash	35.7	21.4	35.7	21.4
Interest rate swap	(3.6)	(2.5)	(3.6)	(2.5)
Long term loan	(392.1)	(375.6)	(440.3)	(405.2)
Payments due under finance leases	(3.1)	(3.1)	(3.1)	(3.1)

The Group is exposed to the valuation impact on investor sentiment of long term interest rate expectations, which can impact transactions in the market and increase or decrease valuations accordingly.

Capital risk

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may make disposals, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital structure with reference to loan to value (LTV), which is calculated as net debt divided by total property and LIFT value. The LTV percentage on this basis is 62% at 31 March 2013 (64% at 31 March 2012).

	2013 £m	2012 £m
Investment property	543.0	529.4
Investment property under construction	14.3	8.4
Held for sale - Investment property	2.3	2.3
Held for sale - Land	9.7	9.1
LIFT	11.2	10.5
Total property and LIFT	580.5	559.7

	2013 £m	2012 £m
Loans	392.1	375.6
Finance lease	3.1	3.1
Cash	(35.7)	(21.4)
Net debt	359.5	357.3
LTV	62%	64%

NOTES TO THE ACCOUNTS

for the year ended 31 March 2013 (continued)

33. COMMITMENTS

At the year end the Group had 9 (2012: 6) developments on-site with a contracted total expenditure of £33.1 million (2012: £16.2 million) of which £13.9 million (2012: £7.7 million) had been expended.

34. RELATED PARTIES

Details of transactions during the year and outstanding balances at 31 March 2013 in respect of associates and joint ventures are detailed in note 15.

Details of payments to key management personnel are provided in note 6.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2013

To the Members of Assura Group Limited

We have audited the Parent Company Financial Statements of Assura Group Limited for the year ended 31 March 2013 which comprise the Company Income Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes A to K. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of the Company Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Company Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Company Financial Statements sufficient to give reasonable assurance that the Company Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Company Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group Financial Statements of Assura Group Limited for the year ended 31 March 2013.

Alan Fendall

Senior Statutory Auditor

For and on behalf of

Deloitte LLP,
Chartered Accountants and Recognised Auditor
Manchester

19 July 2013

COMPANY INCOME STATEMENT

for the year ended 31 March 2013

		2013	2012
	Note	£m	£m
Revenue			
Dividends received from subsidiary companies		3.7	-
Interest receivable from subsidiary companies		-	4.0
Bank and other interest receivable		0.1	0.1
Total revenue		3.8	4.1
Administration costs		0.8	2.0
Share-based payment charge		0.6	-
Loss on sale of businesses		-	8.6
Total operating expenses		1.4	10.6
Operating profit/(loss)		2.4	(6.5)
Provision for diminution in value of investments in subsidiaries	B	(16.2)	(21.1)
Reversal of provision/(provision) against subsidiary loan balances	F	27.9	(30.8)
Profit/(loss) before taxation		14.1	(58.4)
Taxation		-	-
Profit/(loss) attributable to equity holders		14.1	(58.4)

All amounts relate to continuing activities. There were no items of other comprehensive income or expense and therefore the profit for the period also reflects the Company's total comprehensive income.

COMPANY BALANCE SHEET

as at 31 March 2013

		2013	2012
	Note	£m	£m
Non-current assets			
Investments in subsidiary companies	B	154.1	87.3
Loans to subsidiary companies	C	68.1	-
		222.2	87.3
Current assets			
Cash and cash equivalents	D	3.4	2.2
Other receivables	E	-	0.4
Loans to subsidiary companies	F	0.4	111.2
		3.8	113.8
Total assets		226.0	201.1
Current liabilities			
Other payables	G	1.0	0.7
Loans from subsidiary companies	H	26.9	12.5
Total liabilities		27.9	13.2
Net assets		198.1	187.9
Capital and reserves			
Share capital	24	53.0	53.0
Own shares held		(1.9)	(1.9)
Share premium		77.1	77.1
Reserves		69.9	59.7
Total equity		198.1	187.9

The Financial Statements were approved at a meeting of the Board of Directors held on 19 July 2013 and signed on its behalf by:

Graham Roberts
Chief Executive

Jonathan Murphy
Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Share capital	Own shares held	Share premium	Distributable reserve	Retained earnings	Reserves	Total
	£m	£m	£m	£m	£m	£m	£m
1 April 2011	41.2	(2.0)	55.4	210.6	(87.4)	123.2	217.8
Loss attributable to equity holders	-	-	-	-	(58.4)	(58.4)	(58.4)
Total comprehensive income	-	-	-	-	(58.4)	(58.4)	(58.4)
Issue of ordinary shares	11.8	-	23.5	-	-	-	35.3
Issue costs	-	-	(1.8)	-	-	-	(1.8)
Sale of own shares held	-	0.1	-	-	-	-	0.1
Dividends paid	-	-	-	(5.1)	-	(5.1)	(5.1)
31 March 2012	53.0	(1.9)	77.1	205.5	(145.8)	59.7	187.9
Profit attributable to equity holders	-	-	-	-	14.1	14.1	14.1
Total comprehensive income	-	-	-	-	14.1	14.1	14.1
Transfer of reserves (note 26 to the Group accounts)	-	-	-	(205.5)	205.5	-	-
Dividends paid (note 25 to the Group accounts)	-	-	-	-	(4.5)	(4.5)	(4.5)
Cost of employee share base incentives	-	-	-	-	0.6	0.6	0.6
31 March 2013	53.0	(1.9)	77.1	-	69.9	69.9	198.1

COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2013

		2013	2012
	Note	£m	£m
Operating activities			
Net cash inflow from operating activities	I	3.7	2.0
Investing activities			
Increase in share capital of subsidiaries		(83.0)	(55.7)
Proceeds from disposal of subsidiary		-	0.5
Net loans received from subsidiaries		85.0	20.8
Net cash inflow/(outflow) from investing activities		2.0	(34.4)
Financing activities			
Issue of Ordinary Shares for cash		-	35.3
Issue costs paid on issuance of Ordinary Shares		-	(1.8)
Dividends paid		(4.5)	(5.1)
Net cash (outflow)/inflow from financing activities		(4.5)	28.4
Increase/(decrease) in cash and cash equivalents		1.2	(4.0)
Opening cash and cash equivalents		2.2	6.2
Closing cash and cash equivalents	D	3.4	2.2

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2013

A. ACCOUNTING POLICIES

The accounts of the Company are separate to those of the Group.

The accounting policies of the Company are consistent with those of the Group which can be found in note 2.

B. INVESTMENTS IN SUBSIDIARY COMPANIES

	2013	2012
	£m	£m
Cost	290.5	207.5
Provision for diminution in value	(136.4)	(120.2)
	154.1	87.3

During the year to 31 March 2013, the Company has increased its investment in certain subsidiaries.

The investment carrying values are reviewed annually by reference to the net assets of the subsidiary companies and any required provision for impairment is provided for as a diminution in value. An additional provision of £16.2 million has been recognised in the year (2012: additional provision of £21.1 million).

Details of principal subsidiaries as at 31 March 2013 are shown in note 13 to the Group accounts.

C. LOANS TO SUBSIDIARY COMPANIES - NON-CURRENT

	2013	2012
	£m	£m
Interest bearing	15.0	-
Non-interest bearing	53.1	-
Amounts owed by group undertakings	68.1	-

Interest bearing loans comprise unsecured subordinated loans with interest charged at 5%.

Non-interest bearing loans are unsecured subordinated loans.

D. CASH AND CASH EQUIVALENTS

	2013	2012
	£m	£m
Cash held in current account	3.4	2.2

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

E. OTHER RECEIVABLES

	2013	2012
	£m	£m
Prepayments and other debtors	-	0.4

F. LOANS TO SUBSIDIARY COMPANIES - CURRENT

	2013	2012
	£m	£m
Amounts owed by group undertakings	3.3	142.0
Provisions	(2.9)	(30.8)
	0.4	111.2

The above loans are unsecured, non-interest bearing and repayable upon demand.

The recoverable amount of loans receivable from subsidiaries is reviewed annually by reference to the subsidiary balance sheet and expected future activities, with a provision recorded to the extent the loan is not considered recoverable. In the year to 31 March 2013, a reversal of the provision of £27.9 million has been recorded (2012: provision of £30.8 million).

G. OTHER PAYABLES

	2013	2012
	£m	£m
Trade creditors	0.2	0.2
Other creditors & accruals	0.8	0.5
	1.0	0.7

H. LOANS FROM GROUP UNDERTAKINGS

	2013	2012
	£m	£m
Amounts owed to group undertakings	26.9	12.5

The above loans are unsecured, non-interest bearing and repayable upon demand.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

I. NOTE TO THE CASH FLOW STATEMENT

	2013	2012
	£m	£m
Reconciliation of net profit/(loss) before taxation to net cash inflow from operating activities:		
Net profit/(loss) before taxation	14.1	(58.4)
Adjustment for non-cash items:		
Decrease in receivables	0.4	0.2
Increase/(decrease) in payables	0.3	(0.1)
(Release of)/provision for impairment of investments and loan from a subsidiary	(11.7)	51.7
Loss on sale of subsidiary	-	8.6
Employee share-based incentives cost	0.6	-
Net cash inflow from operating activities	3.7	2.0

J. RELATED PARTY TRANSACTIONS

	Interest receivable	Dividends received	Amounts owed by	Amounts owed to
	£m	£m	£m	£m
Group undertakings				
2013	-	3.7	68.5	26.9
2012	4.0	-	111.2	12.5

The above transactions are with subsidiaries.

K. RISK MANAGEMENT

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

Credit risks within the Company derive from non-payment of loan balances. However as the balances are receivable from a subsidiary companies the risk of default is considered minimal.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

The company balance sheet largely comprises illiquid assets in the form of investments in subsidiaries and loans to subsidiaries, which have been used to finance property investment and development activities. Accordingly the realisation of these assets may take time and may not achieve the values at which they are carried in the balance sheet.

The company's other assets are cash of £3.4 million (2012: £2.2 million). Its trade and other payables amount to £1.0 million at 31 March 2013 (2012: £0.7 million) all of which are due within 3 months.

There are no differences between the book value of cash and trade payables, nor is there any meaningful interest rate sensitivity.

CORPORATE INFORMATION

**Head Office and Principal
Place of Business:**

The Brew House
Greenalls Avenue
Warrington
Cheshire
WA4 6HL

Company Secretary:

Jonathan Murphy

Registered Office:

Old Bank Chambers
La Grande Rue
St Martin's
Guernsey
GY4 6RT

Auditor:

Deloitte LLP
2 Hardman Street
Manchester
M3 3HF

Legal Advisers:

Addleshaw Goddard LLP
100 Barbirolli Square
Manchester
M2 3AB

Stockbrokers:

Oriel Securities Limited
150 Cheapside
London
EC2V 6ET

Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9AR

Bankers:

Aviva Group plc

Santander Global Banking

Royal Bank of Scotland plc

NOMINATED CHARITIES

Assura Group is proud to support two charities, St Rocco's Hospice and Medecins Sans Frontieres, by working with them as our nominated charities for the forthcoming year.



St Rocco's Hospice has been established in Warrington for over 25 years and provides specialist care for patients with cancer and other life threatening illnesses. Their aim is to help everyone have the best quality of life by providing care and support in a friendly, relaxed environment.

The hospice helps hundreds of patients and their families each year, providing clinical treatment, emotional and spiritual support, symptom control, nursing care and complementary therapies all in a purpose-built environment. St Rocco's relies on the much valued support of the local community and organisations for funding to continue providing its vital care for patients and their families. Assura is delighted to be both sponsoring and participating in a local Corporate Challenge event in support of St Rocco's Hospice.

Each of the 40+ companies involved has been given £50, donated by Assura, to kick-start their fundraising efforts. The challenge is to see how much money for St Rocco's each company can turn their £50 into over the course of a year, running from 1 February 2013 to 31 January 2014. Assura will also be taking part in the St Rocco's Dragon Boat Race, taking place on the River Mersey on Sunday 4 August 2013.

For further information, please go to www.stroccos.org.uk



Medecins Sans Frontieres/Doctors Without Borders (MSF) is an independent international medical humanitarian organisation that delivers emergency aid in more than 60 countries to people affected by armed conflict, epidemics, natural or man-made disasters or exclusion from healthcare.

In emergencies and their aftermath, MSF rehabilitates and runs hospitals and clinics, performs surgery, battles epidemics, carries out vaccination campaigns, operates feeding centres for malnourished children and offers mental healthcare. Through longer term programmes, MSF treats patients with infectious diseases such as tuberculosis, sleeping sickness and HIV/AIDS and provides medical and psychological care to marginalised groups, such as street children.

Founded by doctors and journalists in 1971, MSF is now a worldwide movement with offices in 19 countries and an international coordination office in Geneva, Switzerland. Assura is proud to support the Urumuri Centre in Burundi. The Centre was built to offer free treatment to women suffering from obstetric fistulas; this disease continues to devastate lives in sub-Saharan Africa.

For further information, please go to www.msf.org.uk

Assura



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