Innovating and building for the future of healthcare

Annual Report 2016

Who we are

Assura is a leading UK healthcare REIT and our vision is to be the UK's best developer and owner-manager of primary care property

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Our strategies

To achieve our vision we have four strategic priorities:

Focus

Maintaining a strategic focus on a highly attractive market

Read more on p20

Expertise

Responding to the NHS agenda

Read more on p22

Culture

Investing in our people

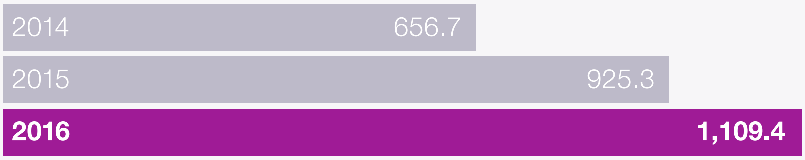
Read more on p24

Effectiveness

Leveraging our team's skills to maximum advantage

Read more on p26

Financial highlights



Investment property

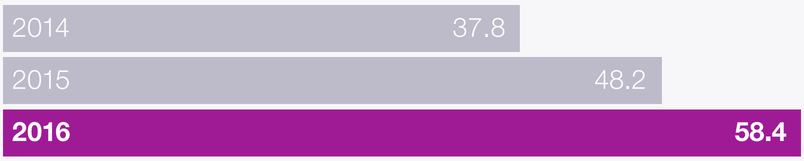
£1,109.4m

▲ 19.9%

Adjusted EPRA NAV

46.1p

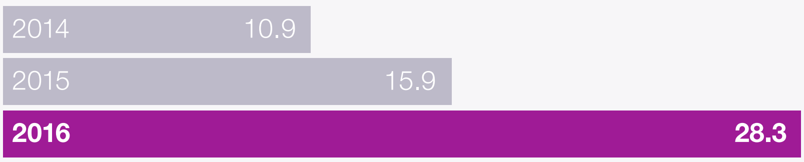
▲ 2.7%



Net rental income

£58.4m

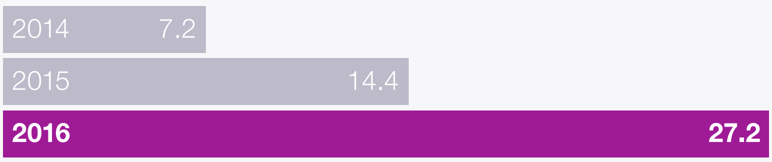
▲ 21.2%



Underlying profit

£28.3m

▲ 78.0%



Total dividends paid

£27.2m

▲ 88.9%

Our investment case

By following our strategies we can deliver long-term shareholder value through:

- Low volatility of property returns
- Low default risk
- Linkage to cost inflation
- Scalable, internally managed model
- Covered, progressive dividends
- Excellent risk adjusted returns.

Read more on p14

Property portfolio

Expanding our portfolio to support the primary healthcare infrastructure

A

Alwoodley Medical Centre,
Leeds
Completed in March 2016 to accommodate the former Moorcroft and Nursery Lane surgeries. The premises provide an excellent range of primary care services as well as a new X-ray unit on behalf of NHS Harrogate.

B

Fleetwood Health and Wellbeing Centre,
Fleetwood
Acquired in March 2016 this 5,857 square metre modern purpose built premises offers multiple services and treats a list size of over 12,000 patients.

C

Frome Medical Practice,
Frome
This 4,087 square metre building is an example of the latest design in primary care premises. Together with 61 consulting rooms, the centre contains an education room, tutorial room and fully furnished operating theatre with the highest grade air extraction plant.

D

Claremont Medical Centre,
Surbiton
Acquired as part of Abbey Healthcare Group, the practice offers extensive primary care services and has a list size of over 10,000 patients.

E

Malmesbury Primary Care Centre,
Malmesbury
The recently acquired centre opened by His Royal Highness The Prince of Wales in 2008 includes an integrated pharmacy and makes up part of a primary care village which includes sheltered housing.

F

Urmston Group Practice,
Urmston
Completed in February 2016, this mixed use scheme provides 1,048 square metres of high quality healthcare space and resources to the local community. The building includes a minor operation suite and multi-purpose clinical rooms as well as additional retail units and residential accommodation for Trafford Housing Trust.

Portfolio analysis by capital value

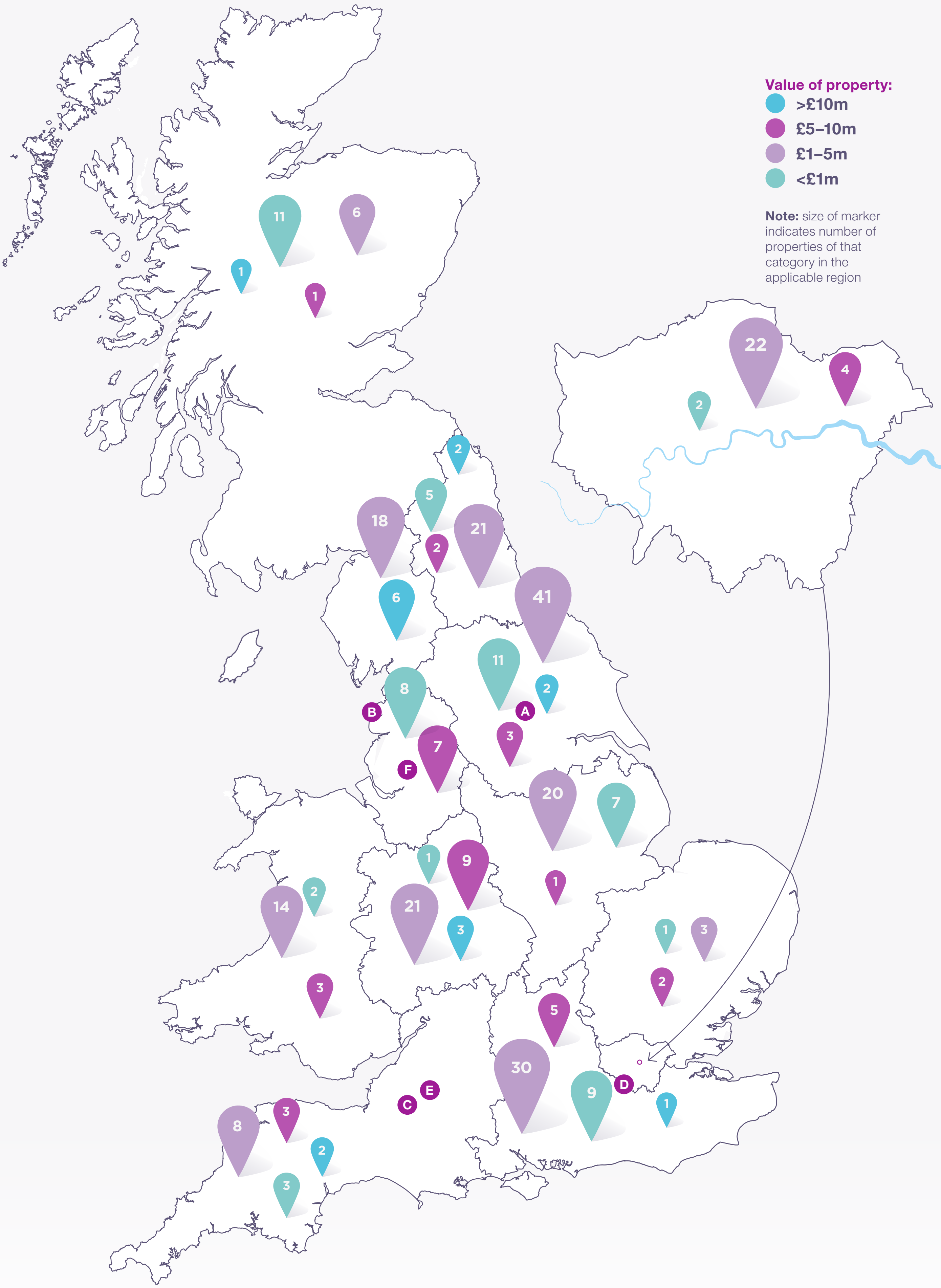
	Number of properties	Total value £m	Total value %
<£1m	60	39.7	4
£1–5m	204	515.5	47
£5–10m	40	281.4	26
>£10m	17	251.4	23
	321	**1,088.0**	**100**

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	126	466.0	43
South	95	309.4	29
Midlands	62	220.9	20
Scotland	19	37.2	3
Wales	19	54.5	5
	321	**1,088.0**	**100**

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	44.1	69
NHS body	11.6	18
Pharmacy	4.8	8
Other	3.3	5
	63.8	**100**



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Our milestones of the year

Developing and maintaining customer relationships

JUNE 2015

Property Developer of the Year
In June Assura was awarded Property Developer of the Year at the prestigious Health Investor awards. Property Director Andrew Darke collected the award.

JULY 2015

Media City rugby event
July saw the first event of the Assura Challenge take place at The Pitch at Media City UK. Assura's charities, Salford Red Devils Foundation and the Warrington Wolves Foundation, joined forces in an excellent "Play Touch Rugby" league tournament including Assura and seven other local businesses.

Read more on p46

JULY 2015

Frome Medical Practice acquisition
In July we acquired Frome Medical Practice. The practice, located in Somerset, is adjacent to the community hospital and offers over 23 additional services including physiotherapy and minor surgery.

Read more at www.assuraplc.com

JANUARY 2016

Malmesbury Primary Care Centre acquisition
In January we acquired Malmesbury Primary Care Centre. The centre, located in Wiltshire, offers over 21 additional services and makes up part of a primary care village which includes a pharmacy and sheltered housing.

FEBRUARY 2016

Completion of Urmston development
In February we completed the forward funded mixed use scheme for Urmston Group Practice. The new development provides 1,048 square metres of high quality healthcare space and resource to the local community. The building includes a minor operation suite and multi-purpose clinical rooms that enable the delivery of GP services and GP training facilities, as well as additional retail units and residential accommodation for Trafford Housing Trust.

NOVEMBER 2015

Abbey Healthcare Group acquisition
November saw us acquire Abbey Healthcare Group Limited and Abbey Healthcare Property Investments Limited, owner companies of three primary care premises. The premises, located in Surbiton, Milton Keynes and Kilmeny, provide GP services for over 30,000 patients.

NOVEMBER 2015

£300 million equity raise
In November we successfully completed an equity raise of £300 million, net of expenses. The equity raise financed multiple acquisitions and enabled us to repay £181 million of long-term debt and reduce our overall debt by 36% since 31 March 2015.

Read more on p9

DECEMBER 2015

Assura enters the FTSE 250 Index
December saw us join the London Stock Exchange's FTSE 250 Index following three years of significant growth.

FEBRUARY 2016

Acquisition of Well Street Surgery, Hackney
In February we completed the acquisition of Well Street Surgery, Hackney. The centre delivers a multitude of services including antenatal, diabetes clinic, drug misuse and dermatology. The ground floor includes a large community room and provides modern kitchen facilities to run classes for the local population, providing food education courses on how, and where, to shop for food in the locality and, subsequently, cooking classes.

MARCH 2016

Completion of Ashby de la Zouch development
In March we completed the forward funded development for Castle Medical Group. The development, called Ascebi House, includes modern compliant general practice rooms, space for staff training, a patient records room and an integrated pharmacy. The site even includes an environmentally friendly bat box.

Chairman's statement

We have a unique proposition in our sector as developer, landlord and asset manager

"The overwhelming need in this country for improved primary care premises underpins the future of Assura"

SIMON LAFFIN
EXECUTIVE CHAIRMAN

DEAR SHAREHOLDER

It has been another busy and successful year for Assura, and a year in which we have continued the Group's strong growth. We have significantly grown our property portfolio this year both through acquisitions and new developments. Thanks to the continued support of our shareholders, we were able to raise £300 million, net of expenses, in an equity raise this year to fund our investment programme. We are well advanced in implementing our plan to use these proceeds. Since the fund raise, we have made property additions of £79 million, reduced net debt by £193 million and we have a pipeline of further property acquisitions and developments of £134 million. Our gearing is now at 30%, well within our reduced target range. We are now the UK's largest developer and owner-manager of primary healthcare property, and entered the FTSE 250 in December last year and have a market cap of £950 million.

As we announced in March this year, Graham Roberts, our Chief Executive since 2012, is currently on a leave of absence, receiving treatment for cancer and so, for the time being, I have assumed the role of Executive Chairman. This will ensure that we continue to exercise our agreed strategy and drive superior risk adjusted returns for our shareholders.

A key part of this strategy is our unique proposition of offering all of the elements of the property service for GPs, which enables us to offer GPs a long-term partner approach throughout the lifecycle of a medical centre. Our ability to "develop, invest and manage" gives us a crucial advantage when securing new development opportunities and other asset management initiatives. Moreover, it provides a highly scalable model that means as we grow, the benefits of scale accrue to shareholders, and drive our progressive dividend policy.

The efficacy of this model has been illustrated in the year as we have increased our rent roll by 15% to £63.8 million, our underlying profit by 78% to £28.3 million and our dividends paid during the year by 89% to £27.2 million.

Rent roll

£63.8m

▲ up 15%

Quarterly dividend per share

0.55p

▲ up 10%

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Market developments

We continued to engage widely with the NHS and the Government throughout the course of the year to make the case for further investment in primary care infrastructure, primarily through the British Property Federation's Healthcare Committee. The recognition of the importance of this investment by the NHS can be seen in its recent publication of the General Practice Forward View, which announced increased funding for "staff, technology and premises".

Everyone accepts that the increasing health needs of a growing and ageing population are putting a strain on the public purse. There is a shortage of GPs, and secondary health (i.e. hospital) resources are both expensive and overstretched. According to a recent report from the think tank Reform, a GP appointment each costs £21. If that patient chooses instead to go to a hospital A&E department, that visit costs almost six times more, an average of £124. Patients prefer to access health treatment from their primary practitioner and the primary care treatment costs the NHS significantly less as well. The Government needs to take a long-term view of health service provision in the UK. This would require recruiting more GPs, and funding modern flexible properties for those GPs to work in. Scarce GP resources can be leveraged by providing additional co-located services across a wide range of health and social care professionals, such as diagnostics, self-help and outpatient services which improve the care pathway. This will help to reduce the pressures and financial burdens elsewhere in the NHS and improve the patient experience. The benefits of this model are explicitly recognised in the General Practice Forward View report. Replacing some expensive secondary care with enhanced primary care would save the NHS large sums of money, and improve the patient experience.

It is clear that excellent primary care requires modern buildings and fit-out. Doctors need hygienic, warm and sound-proof facilities, as demanded by the Care Quality Commission. About half of all GP surgeries cannot provide this in their current premises, and so require redevelopment. Such redevelopment gives Clinical Commissioning Groups the opportunity to bring a variety of community care services under one roof and so offer a more complete service. Property management is an essential part of the NHS provision for the future.

The UK has a unique model for primary care property. All new developments have to be approved by the NHS. Completed properties are then valued and rents agreed with the District Valuer, an HMRC employee. The Government therefore can ensure value for money from any private investment. In turn, the NHS commissioning body offers developers a long (typically 21 or 25 year) contract, which is set at a rent that takes account of both the lease length and the strength of the ultimate Government backstop.

Loan to value

30%

Capital invested in past four years

£500m

"Excellent primary care requires modern buildings"

Chairman's statement continued

The result is that GPs, and ultimately the NHS, pay a very competitive rent that is lower than it otherwise would be. The system enables the NHS to call on private money for new developments, avoiding any need for Government capital investment. It is a highly efficient and cost effective model for the private sector funding of state medical infrastructure.

Shareholders

We are committed to the highest standards of financial transparency and believe a significant investment in investor relations activity is a key responsibility for any public company. We have held 119 meetings with investors during the year and I am delighted to welcome a number of new shareholders onto our register. We are very grateful to our shareholders for the level of support demonstrated during the year which enabled us to increase our equity base by 60%. We successfully met the criteria for inclusion in the FTSE 250 Index in December 2015 and this provides further exposure for the Company to an enlarged group of investors.

Dividends

We are committed to providing our shareholders with superior risk adjusted returns and a key component of this return is a growing, covered dividend. In January 2016 we increased our quarterly dividend payment by 10% to 0.55 pence per share or 2.2 pence per share on an annualised basis. We also took the opportunity in January to provide our shareholders with the flexibility of receiving their dividends in shares through a scrip alternative share scheme. This has been taken up by 13% of our shareholders, which underlines the value of the scheme.

Our people and the Board

We have 34 people in Assura and, on behalf of the Board, I would like to thank them all for their hard work, dedication and contribution to the success of the business over such a busy year for the Company.

The future

Over the past four years we have invested £500 million capital and £3.3 million in the maintenance of the UK's primary care estate. Thanks to the support of our shareholders, we have built the strongest balance sheet in the sector and we plan to continue deploying this capital in UK primary care. Our in-house management team intends to continue delivering excellent customer service and operational excellence for the nation's GPs, while maximising the value of our portfolio through asset management initiatives.

Rent review increases have been relatively low in the last few years, due to both low general inflation and the scarcity of comparative new developments. However, yields have strengthened somewhat over that period, reflecting the long-term attractiveness of the sector to investors. The Board believes that when the NHS steps up its approvals for new developments, as surely it must, rental growth will accelerate. The overwhelming need in this country for improved primary care premises underpins the future of Assura.

SIMON LAFFIN
EXECUTIVE CHAIRMAN
17 May 2016

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Strategic review

We have delivered growth in our investment portfolio of 20%

"Our portfolio is well placed to capture rental growth once new developments recommence"

JONATHAN MURPHY
FINANCE DIRECTOR

Building scale

Assura continues to grow profitably. In the year we completed £141 million of property additions, which was the largest contributor to the £184 million increase in investment property in the year. This has enabled our rent roll to grow by 15% to £63.8 million. In turn, this has been passed on to a 78% growth in underlying profit to £28.3 million and 89% growth in dividends paid in the year to £27.2 million.

The attractiveness of our sector is becoming more widely understood and as such Assura's portfolio expansion has been achieved against a backdrop of an increasingly competitive market. Our strong brand recognition, substantial experience in the sector and our reputation in the GP community have allowed us to successfully secure these opportunities. The primary care property market remains highly fragmented. Our portfolio of 321 medical centres compares with a total UK market of close to 9,000 buildings. A large number of these buildings would not meet our exacting investment criteria, although there remains a significant number of potential individual asset acquisition opportunities.

This year, our growth has been achieved predominantly through single asset purchases and without the benefit of large scale portfolio acquisitions as in prior years. This has been achieved through targeted marketing and promotional activities that focused on those medical centres that represent the key premises in their local health economy.

Driving investment in primary care property

The equity fund raise of £300 million, net of expenses, in October 2015 was key to delivering this substantial investment. We are grateful to our shareholders for their support and the level of investor demand enabled us to secure an increase in our equity base of 60%.

Since the fund raise we have been focused on the stated twin objectives of making further additions to our property portfolio and reducing our borrowings. Since October we have secured further property additions of £79 million at a yield on cost of 5.1% and a weighted average unexpired lease term of 20.3 years. In addition to the

Underlying profit

£28.3m

▲ up 78%

Dividends paid

£27.2m

▲ up 89%

completed transactions we also have a further pipeline of individual development opportunities and acquisitions of more than £134 million.

Our second key objective was to reduce our borrowings and we revised our target loan to value range to between 40% and 50%. Since we closed the year at 30%, this provides us with the financial flexibility to take advantage of future acquisition and development opportunities. We plan to maintain this target range over the medium term.

In November 2015 we negotiated the redemption of £181 million of long-term, fixed rate loans with Aviva, with an average interest rate of 5.4%. This was achieved with associated break costs of £34 million, which were significantly below our initial estimated costs of £40 million. At the year end we had borrowings of £373 million with an average interest rate of 4.8% and a weighted maturity of 10.2 years.

One of our stated intentions from the fund raise was to enable improvements in both terms and pricing for future funding. The increased scale and balance sheet strength of the business makes us more attractive to capital markets and to a broader range of both bank and non-bank funders.

After the year end, we secured a new £200 million unsecured revolving credit facility with a club of four banks. This unsecured facility replaces our existing £120 million facility and will provide us with the maximum operational flexibility together with a significant saving on transaction costs in financing properties. This has been achieved at an initial margin of 150 basis points, at a rate of 2.09%, significantly below that of the Aviva debt that it partially replaces.

Delivering long-term outperformance in property returns

The enlarged property portfolio has delivered a Total Property Return of 8.9%. Assura is a constituent of the IPD All Healthcare Index and over the last five years we have delivered a return of 8.8% against the index of 6.9%. This level of consistent outperformance over a long period is a testament to the skills and dedication of our property team and to the specialist knowledge we have in our sector.

Our 321 medical centres have a rent roll of £63.8 million with a geographically diverse portfolio serving in excess of 3 million patients. Our investment approach is to identify those assets we believe are best in class in their local catchment areas. By acquiring those assets that provide a broad range of services to their local communities, we believe these will provide greater prospects for lease renewal on expiry and so drive greater property returns over the long term.

A good example of this approach can be seen in our acquisition of Frome Medical Practice. This centre serves 30,000 patients and contains 61 consulting rooms, an education suite and fully furnished operating theatre. This infrastructure supports a broad range of services including pharmacy, opticians and mental health services in addition to the GP practices.

For key properties, we are not afraid to acquire shorter leases, and use our property skills to redevelop or enhance the premises, whilst seeking to regear the lease to a longer period.

Rental income

The key driver of our property return is the income from our long-term leases, and in the year, rental growth was 1.2% from settled rent reviews, ahead of CPI inflation at 0.6%. Most of our rent reviews are on an open market basis, set by reference to rental awards agreed with the District Valuer on new schemes. This means that they are influenced by land and construction cost inflation over the medium term. Over recent years there has been significant inflation in these costs, but this increased cost is not yet fully reflected in our passing rents as the slowdown in new schemes has reduced the evidence of that inflation.

Our portfolio is well placed to capture this rental growth once new developments recommence and this gives us confidence for the medium term prospects for rental growth in our sector.

Capital growth

The balance of the return is generated from capital growth, which has seen a like-for-like valuation growth of 4.8% in the past year. This increase has primarily come from a movement in yields with our net equivalent yield moving by 25 basis points in the past year. This relatively moderate repricing over the past year still leaves our yields maintaining a premium over fixed return gilts in excess of 330 basis points.

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We also add value through developing properties ourselves rather than relying solely on third party developers and managers. We completed one development during the year at a total development cost of £3.8 million. This has added £0.3 million to our annual rent roll. Our in-house development capability gives us the opportunity to source new premises at levels significantly cheaper than we could achieve through purchasing completed properties from developers. On a typical scheme we are able to source a development at a 1% higher yield on cost than for an equivalent property acquired in the investment market. In addition, by being involved as a developer, long-term landlord and asset manager we are able to build effective long-term relationships with our GPs and this provides us with a unique positioning and market insight in our sector.

The level of development expenditure in the year is significantly below the levels we would normally expect. This reflects the reduced level of developments across the sector, although we have sourced three new developments under forward funding agreements bringing the value of completions during the year to £16.4 million. We remain positive that the substantial requirement for investment in primary care infrastructure will lead to an increase in developments in the future.

Maximising operational efficiency

The £141 million of property additions have been incorporated by our in-house property management team whilst maintaining our continued focus on tenant satisfaction. In our annual tenant satisfaction survey over 90% of our tenants said they would recommend us as potential landlords to other GPs. Our GPs remain our greatest source of referrals for new business. We remain focused on understanding their evolving needs and demands, so we can be at the forefront of the significant investment required in improving premises in the future.

Our team of portfolio and investment managers has responsibility for identifying value enhancing asset management opportunities, such as lease extensions and redevelopments within our existing estate, as well as new acquisition opportunities.

This structure enables us to ensure that we can maximise the efficiency with which we can translate increased rental income into underlying profit and hence dividends. In the year we have delivered 78% growth in underlying profit to £28.3 million. This has been achieved from 20% growth in our investment property value and a reduction in our EPRA Cost Ratio from 17.7% to 16.5%.

The overall impact of all of these factors has enabled us to increase our dividends paid by 89% from £14.4 million to £27.2 million.

Developing our people

One of our core strategic priorities is enhancing our business culture and we are committed to the development and training of our people. We have a small head office team of 34 people and crucial to our success is developing the skills of our team. We have eight people currently undergoing formal training. We have strengthened the team in the year through the recruitment of Orla Ball as Company Secretary and In-House Counsel.

EPRA cost ratio

16.5%

Total Property Return

8.9%

Our business model

A simple business model to deliver superior risk adjusted returns

What we need

Customer relationships
Knowledge of GPs' evolving requirements through our involvement in the design and management of medical centres gives us a unique insight into their property needs.

Assets
Our bespoke medical centres are constructed in locations that are crucial to the local health economy and to the highest sustainability standards.

People
Our small team of 34 people covers the key skills of real estate ownership and includes asset and property management, development, investment, marketing and financing.

Partners
We maintain strategic partnerships with the leading architectural practice in the sector and a number of specialist healthcare developers to complement our in-house expertise.

Capital
The support of our shareholders, banking partners and bondholders is crucial to sustaining our investment in the UK's health infrastructure.

What we do

Develop

Invest

Manage

Our strategic priorities

Focus
Read more on p20

Maintaining a strategic focus on a highly attractive market

Expertise
Read more on p22

Responding to the NHS agenda

We develop, invest and manage a portfolio of primary care medical centres across the UK

We aim to generate attractive financial and social returns for our shareholders and wider stakeholders by investing in high quality, sustainable medical centres that provide crucial infrastructure for their local health economy

Develop
Our team of development managers work with our design and development partners to provide bespoke, community-led property solutions for each of our healthcare partners. We monitor and manage the process from design through to delivery of the completed building.

Invest
As a long-term investor we are committed to any new development being constructed to the highest possible standards and to its ongoing efficient operation and maintenance. We support the evolving requirements of the GPs through lease renewals, property extensions or co-locating appropriate partners such as pharmacies.

Manage
Our team of property surveyors manage the medical centres and their efficient operation through frequent liaison with our tenants. This integrated approach enables us to capture more development and other added value opportunities. Our internally managed structure provides a highly scalable model that means as we grow the benefits of scale accrue to shareholders and help drive our progressive dividend policy.

The value we create

Key beneficiaries of our value creation:

GP customers
Our purpose built medical centres provide the essential infrastructure to allow GPs to provide a broader range of healthcare services in the community.

Communities
£29,520 plus employee time donated to our local charity partners. Our medical centres provide a crucial community resource to aid improved health outcomes in their locations.

Employees
Over £2.6 million paid to our employees. In addition Assura actively promotes training and development for our staff.

Shareholders
£27.2 million paid as dividends to shareholders during the year.
Dividends per share of 2.05 pence.
Earnings per share of 2.2 pence.

Suppliers
Over £47.9 million paid to suppliers of materials and services. Our construction and management contracts are often with local suppliers to promote sustainability.

Government
Over £5.5 million paid in taxes to UK Government.

Culture
Read more on p24

Investing in our people

Effectiveness
Read more on p26

Leveraging our team's skills to maximum advantage

Strategy

Four key priorities to sustain performance for the long term

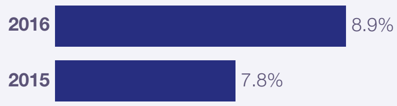
Strategic priority	Performance in 2016	Priorities for 2017
Focus Assura has a deep understanding of the economic dynamics of healthcare real estate. By building on the knowledge and expertise of our team and engagement with our healthcare partners we believe we can generate superior Total Property Return through a strategic focus on a highly attractive market. Read more on p20	■ Delivered rental growth of 1.2% from settled rent reviews. ■ 20% growth in investment property to £1,109 million. ■ Total Property Return of 8.9%. ■ Outperformed the IPD All Healthcare Index by 1.9%.	■ Drive development opportunities to support rental growth evidence. ■ Investment managers to focus on asset enhancement opportunities. ■ Continue to seek growth opportunities through acquisitions and purchase and leasebacks.
Expertise The Assura brand has a strong reputation for innovation derived from our bespoke designs for our medical centres. Our designs have an emphasis on flexibility and adaptability to ensure that the buildings can adapt to the changing NHS agenda. Read more on p22	■ Engaged with senior NHS leaders and politicians to support transforming primary care property. ■ Delivered four newly constructed bespoke GP-led medical centres.	■ Promote benefits of investment in primary care infrastructure for the NHS. ■ Build on a strong brand with GPs to be at the forefront of new development planning.
Culture We pride ourselves on our commitment to the highest possible standards in everything we do, our commitment to the sustainability agenda, the personal development of our teams and our role in spearheading investment in social infrastructure. Read more on p24	■ One of our four newly constructed medical centres achieved BREEAM Excellent, with the remainder achieving Very Good.	■ Develop zero carbon medical centre of the future for the NHS. ■ Further investment in our team's development.
Effectiveness We are committed to supporting the NHS in tackling the major underinvestment in UK primary care property and utilising our skills and capital in achieving this. We have the right team to source and manage these opportunities and the right plans to leverage our team's skills to maximum advantage. Read more on p26	■ Property additions of 56 medical centres (£141 million). ■ EPRA Cost Ratio reduced from 17.7% to 16.5%. ■ Accounting return has fallen to 7.2%, which reflects one-off costs from restructuring debt and new equity issuance.	■ Seek further opportunities to expand the portfolio. ■ Continue to promote the Company to a wide shareholder base and a diverse group of debt funders. ■ Achieve further scale benefits, particularly through reduced cost of debt.

Key risks

- The development pipeline remains subdued and continued uncertainty over NHS approval processes for new developments could lead to further delays in re-building this pipeline.
- The market is becoming increasingly competitive but our strong brand and reputation as a long-term investor in the sector means we are well placed to secure further attractive opportunities.

KPIs

Property return



- Further changes to the organisational structures or policies of the NHS could lead to delays to further investment in primary care infrastructure. However, the current Government remains committed to increased funding for the NHS and an increasing role for primary care service provision.

% NHS tenant covenant

- Sustainable development and building design is an area of constant change and we are required to ensure that we are fully up to date with the latest technologies and innovations.

Average EPC rating

- Maintaining cost discipline as the business expands will be crucial in ensuring that we continue to reduce our overall EPRA Cost Ratio. Included within this metric is the cost of vacant space and so letting this available space will improve this cost metric.
- We have been successful in securing both equity and debt capital for supporting the expansion of the business although there is no certainty that future expansion will be supported in the same way. We believe the fundamentals of the business remain very strong and attractive to both equity and debt funders.

Accounting return

Market

Long-term track record and strong relationships with the NHS and GPs

"A secure and predictable income stream, with an underpinning of inflation linkage, is a highly attractive proposition"

ANDREW DARKE
PROPERTY DIRECTOR

Market outlook

The primary care sector is characterised by strong real estate fundamentals: secure occupier covenants, minimal development risk, restricted supply with no speculative development and long leases without breaks. In addition, the underlying open market rent review mechanism most common in the sector has provided inflation tracking returns over the medium term.

A secure and predictable income stream, with an underpinning of inflation linkage, is a highly attractive proposition for an investor who is looking for an alternative investment in real estate, with different characteristics to mainstream sectors, such as residential, retail or office. The relative stability and quality of the underlying income stream are particularly relevant at a time of macro-economic uncertainties in the global economy and in the UK's relationship with Europe. In addition, the sector is experiencing increasing demand at a time when supply has been heavily restricted by the approval processes of the NHS. There are increasing signs that this latter situation is improving and the unblocking of the significant investment required in primary care property will become more likely.

The relative attractiveness of our asset class is shown in the chart (see page 17) from IPD that shows the overall return and the level of volatility of that return since its inception to 2015. Primary healthcare provides both the second highest level of return and the lowest level of volatility over that period. If you put those two factors together, then primary healthcare provides the best risk adjusted return over a nine-year time horizon.

Increasing demand

Assura as a developer and investor in primary care property provides bespoke, purpose built premises that meet the evolving needs of GPs as they look to meet the increasing health requirements of the UK population.

GPs are the cornerstone of the UK health model and provide consultations with over 1.3 million patients every day. Many of these consultations take place in outdated and unsuitable premises that are not able to provide the broad range of additional services that are available in our modern purpose built premises. In the 2014 BMA Survey of GP practices 40% of GPs stated that their premises were not fit for purpose.

The demands on our health service are increasing with a greater requirement for treatment of patients with long-term conditions, now accounting for 50% of GP appointments. Across the system, such patients consume 70% of health and social care spending. This is a rising trend. By 2018, the number of people with multiple long-term health conditions will rise to 2.9 million – an increase of 1 million since 2008.

The Office for National Statistics has recently updated its population forecasts for the next 25 years. These highlight both a growth in overall population and significant changes in age profile.

The demographic profile forecast for the country in 2039 represents a considerable national challenge. The number of people aged 75 or over is expected to be 90% higher at 9.9 million people and the number of people over 85 is set to more than double to 3.6 million. This elderly age group have many chronic conditions that force them to be major consumers of healthcare resources. On average the over 85s visit their GP 13 times a year.

The population is also expected to continue to grow with one of Western Europe's highest birth rates, and more children will add to the demands on primary care. These demographic trends highlight the challenges faced by the NHS and point to the need for a sustained investment programme. GPs need fit for purpose buildings to deliver more and better services to a growing and more demanding patient population.

The increasing role of the primary care sector and the importance of greater service provision in the community are well recognised by the NHS as highlighted in the NHS England "General Practice Forward View" report. The report commits to increased funding for GP services of £2.4 billion annually by 2021. This report from the NHS explicitly recognises the need for investment in staff, technology and premises. As part of its proposals this replaces the £1 billion Primary Care Transformation Fund, which provides capital for GP premises to support the greater provision of services, extended opening hours and new ways of working, with an Estates and Technology Transformation Fund (Primary Care). This revised fund has a further £250 million and an extension in its duration of two years, though the detailed guidelines and criteria for project selection are still being clarified. However, the need for investment is clear and the desire for this to transform the delivery of primary care is also evident across the GP community. The delivery of these projects and their

1.3m

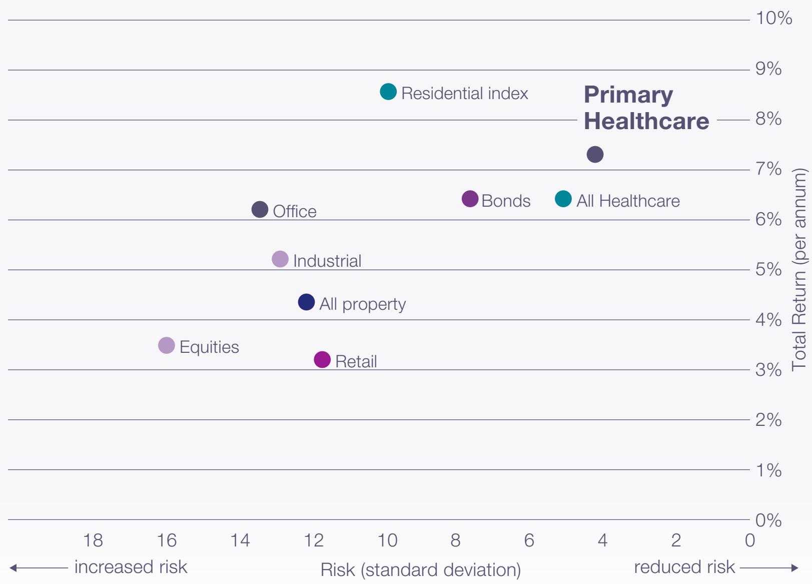
In 2039 the number of people aged 75 or over is expected to be 90% higher at 9.9 million people

2.9m

On average the over 85s visit their GP 13 times a year

Risk reward spectrum

Nine-year Total Return vs standard deviation 2007–2015
(since the inception of the IPD Healthcare Index)



SOURCE: IPD UK Annual Property Index; MSCI; J. P. Morgan 7-10yr

Market continued

timing remains uncertain though we continue to work with GPs across the country on submissions to secure approval for relevant projects.

A further development is the increasing coordination of health and social care and the greater involvement of GPs in this service provision, as evidenced by the recent announcement of the devolved healthcare budget for Greater Manchester, so-called “Devo Manc”. This provides a unified funding model for primary care, secondary care and social care and has seen the £6 billion budget devolved to Greater Manchester. The Greater Manchester Health and Social Care Devolution Strategic Plan (December 2015) identifies the need for greater provision of community-based and preventative services outside of the hospital sector and places a strong emphasis on the role of GPs in delivering these services. However, this will require significant investment in primary care infrastructure to enable this greater range of services to be provided in the community setting.

The NHS recognises that it needs to meet the increasing health needs of a larger and ageing population through a more efficient model than is currently practised. Devo Manc represents one possible way of tackling the issues. There are also a large number of other models of service delivery being trialed across the country and these are approaching the same issues from a number of different angles. Some initiatives are looking at grouping GPs together in Federations, others at GPs working under NHS Foundation Trusts and working more cooperatively with the hospital sector.

Whatever model or range of models is ultimately selected for service delivery, modern fit for purpose premises will be needed to enable a wider range of services to be provided by a broader range of medical practitioners. A recent study highlighted how a primary care-led urgent care service was able to offer urgent care at a third of the cost of the local A&E services. It is also highlighted that some commentators believe as much as 50% of the current appointments fulfilled by GPs could be handled by alternative medical practitioners such as pharmacists and nurses. Co-located practices in larger, modern buildings are best placed to facilitate this shift in the model of service delivery.

These market dynamics make for a very attractive long-term opportunity and as the largest investor developer of primary care infrastructure we stand ready to play an even larger role in supporting the NHS.

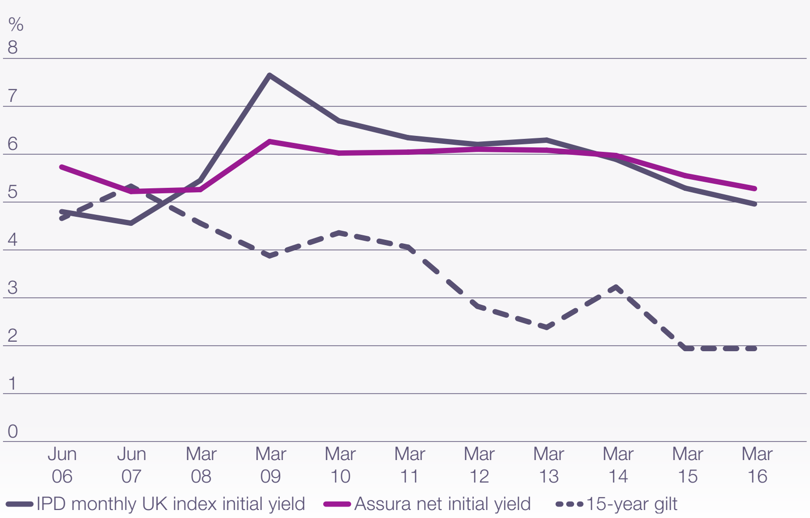
Market overview

The continuing attractiveness of our sector for its security and longevity of income has seen yields tightened with a movement of 27 basis points on a net initial basis and 25 basis points on our net equivalent yield.

The chart on the left illustrates the movement in our net initial yield as against the IPD monthly UK index and the 15-year gilt.

Our sector is distinct from the wider commercial property market and returns are not subject to the same cyclicality. This chart highlights that yields have been extremely stable and have not moved as much as the wider market, despite the fact that the quality and longevity of our cash flows are arguably significantly more attractive than a UK-wide benchmark index. It is notable that the recent volatility in the wider commercial property market has not impacted our valuations. We continue to see value in this market and are actively looking for investment opportunities at the current pricing levels.

Net initial yield movement



Valued over £10 million

Building	Town	Build date	Square metres	List size	NHS %
Aspen Centre, The 2	Gloucester	2014	3,481	21,182	93%
Beam Street Medical Centre	Nantwich	2008	3,322	24,050	89%
Bonnyrigg Medical Centre	Bonnyrigg	2005	4,074	21,535	98%
Church View Medical Centre	South Kirkby	2013	2,812	13,587	90%
Eaglebridge Health and Wellbeing Centre 1	Crewe	2007	6,261	42,367	91%
Fleetwood Health and Wellbeing Centre	Fleetwood	2012	5,857	12,048	91%
Freshney Green Primary Care Centre 4	Grimsby	2009	6,796	29,926	86%
Frome Medical Centre	Frome	2012	4,087	29,115	83%
Market Drayton Primary Care Centre	Market Drayton	2005	3,667	17,470	91%
Moor Park Health Leisure Centre 6	Blackpool	2011	5,217	26,679	96%
North Ormesby Health Village	North Ormesby	2005	7,652	21,854	65%
One Life Building 3	Middlesbrough	2005	3,327	9,630	94%
Severn Fields Health Village 5	Shrewsbury	2012	6,086	16,883	94%
South Bar House	Banbury	2009	3,691	34,458	89%
Todmorden Medical Centre	Todmorden	2008	4,467	13,480	92%
Turnpike House Medical Centre	Worcester	2006	4,257	26,721	91%
Waters Green Medical Centre	Macclesfield	2006	6,007	61,016	94%

Focus

Maintaining a strategic focus on a highly attractive market

Focus

Assura's investment team
The availability of fewer portfolios of medical centres has resulted in an increase in individual asset purchases during the year. This has required a greater level of investment manager time. As a result, the investment team was strengthened at the outset of the year with the addition of two specialist investment managers. All four individuals have specific territories to cover across the UK and work closely with the marketing team to identify and target properties which would enhance the existing portfolio.

Additions to the portfolio
The investment team has added some key properties to the portfolio during the year. These include standing investments in Ardrossan, North Ayrshire for £3.4 million and Frome (pictured below), Wiltshire for £15.5 million and a purchase and leaseback in Kington, Herefordshire for £6.7 million.

Close working relationships
The knowledge and expertise of the investment team is vital in satisfying GPs looking to sell their premises that Assura is the preferred partner as landlord for the practice. By building close working relationships with GPs, Assura is able to secure investment opportunities on competitive terms.

Assura's investment team:
Adam Lowe, Robert Lawton, Amanda Roddy, Alexander Taylor

"Our knowledge and experience ensures that we create a positive and long-lasting relationship with GPs and meet their current and future premises aspirations"

ROBERT LAWTON
INVESTMENT MANAGER

Expertise

Responding to the NHS agenda

> "It is widely acknowledged that sustainable development must address climate change issues and reduce the amount of carbon produced in construction"

PAUL WARWICK
DEVELOPMENT MANAGER

The concept

As the leading primary care property developer in the healthcare sector, Assura has been working to develop the concept of zero energy healthcare premises. Bringing together existing sustainable design practices and construction techniques, the concept aims to deliver premises with negligible energy use, aiming to reduce running costs for our tenants.

Why it is needed

It is widely acknowledged that sustainable development must address climate change issues and reduce the amount of carbon produced in construction.

The Energy Performance of Buildings Directive set a target for all newly built premises to achieve nearly zero carbon status by 2020 and although the deadline is subject to fluctuation it is inevitable that such a target must be achieved in the medium term. As a responsible developer Assura aims to be proactive in exceeding this target and in doing so provide added value to our tenants and shareholders.

What we have done so far

The team has set about designing exemplar healthcare premises with a commitment to sustainability with the aim of creating bespoke premises that offer minimal running costs, flexibility to meet the changing demands of primary healthcare and offering users the ability to control and maintain environmental comfort within their building.

Our implementation

Having demonstrated the feasibility of the concept we have taken this a step further and have now begun to incorporate these principles into new schemes in our development programme. NHS sign off is awaited for the first of these schemes, which is expected to be on site in July 2016.

Ardudwy Health Centre, Harlech
Assura's most sustainable property to date with an EPC rating of A+

Culture

Investing in our people

Assura's culture

Assura is committed to nurturing and developing our talent, creating a sustainable workforce with the right mix of capabilities and providing a great place to work. As a result staff turnover is exceptionally low with only one resignation in the last three years.

We focus on employee wellbeing and benefits include private medical insurance, half price gym membership and a Group Income Protection Plan. Assura also operates a cycle to work scheme which several staff members participate in.

We encourage all members of staff to reach their full potential. We support those staff who wish to undertake relevant training via study support and paid study leave and currently have eight members training for professional qualifications including accountancy, chartered secretarial, chartered surveyor and marketing. We also seek to promote from within and there have been several internal promotions during the past few years.

"I joined Assura in 2012 and was promoted into the marketing function in 2014 where I am undertaking a Chartered Institute of Marketing qualification"

FRANCESCA HARRIS
MARKETING COORDINATOR

Gender diversity is important and the structure and gender makeup of the Board, senior leadership team and employee workforce is shown on page 87.

All of the above help us to attract, engage and grow our people to enable the effective delivery of the Group's strategy over the long term.

Our members currently in training:
Zoe Roberts, Demi Clarke, Kirsty Brady, Anna Meredith, Guy Redman, Orla Ball, Francesca Harris, Hannah Winstanley

Effectiveness

Leveraging our team's skills to maximum advantage

Effectiveness

Internal management structure
Assura's in-house team of property professionals has the skills to identify and maximise the opportunities in our sector.

A specialist dedicated team is on hand to deal efficiently and effectively with all matters, whether it be a day to day matter, a new acquisition as a result of purchase and leaseback or a development.

Our service
Our culture of providing first class service to GPs and health professionals is at the forefront of our business and we constantly review the property team to deliver a service worthy of recommendation.

Improving team structure
This year we have continued to invest in the professional development of the property team. It is structured into North and South with each regional team having all three disciplines of portfolio/ property manager, investment and development surveyors.

Having a regional focus provides greater continuity of care to our tenants in all aspects of their premises' needs.

The improved structure promotes more efficient team working whilst ensuring our occupiers, patients and local communities reap the benefits.

> "Assura undertakes active tenant relationship management and as a specialist healthcare provider, we are able to understand the needs and requirements of our GP customers"

ROGER THOMPSON MRICS
SENIOR PORTFOLIO MANAGER

Roger Thompson MRICS
Senior Portfolio Manager

Key performance indicators

Our vision is to be the UK's best developer and owner-manager of primary care property

Strategic priority	KPI and benchmark
Focus Maintaining a strategic focus on a highly attractive market Read more on p20	**Rental growth from rent reviews** 1.2% ▼ 2015: 1.3% **IPD five-year Total Return** 8.8% ▲ IPD: 6.9% **Total Property Return** 8.9% ▲ 2015: 7.8%
Expertise Responding to the NHS agenda Read more on p22	**Lease length** 14.0 years ▼ 2015: 14.4 years **Complete developments** £16.4m 4 sites ▼ 2015: £22.8m 4 sites **% of tenant covenant NHS/GP** 87% ▶ 2015: 87% **Developments on site** £13.5m 2 sites ▼ 2015: £22.2m 5 sites
Culture Investing in our people Read more on p24	**BREEAM rating achieved on developments – Very Good or better** 100% ▶ 2015: 100% **Average EPC rating** B ▶ 2015: B
Effectiveness Leveraging our team's skills to maximum advantage Read more on p26	**Total Accounting Return** 7.2% ▼ 2015: 7.7% **Total Shareholder Return** (11.4)% ▼ 2015: 49.9% **EPRA Cost Ratio** 16.5% ▼ 2015: 17.7% **Underlying profit per share** 2.2p ▲ 2015: 2.1p

In order to be the best, 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 ("KPIs"). 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 ("NAV"). Lastly, we consider Total Shareholder Return ("TSR") 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 Return and Accounting Return over the medium term we should be able to deliver a superior TSR to our investors.

This overriding objective is reflected in the long-term management incentive scheme, the Value Creation Plan ("VCP"), which provides incentives to management based on the TSR delivered to investors over a five-year time horizon. This is explained in more detail in the Remuneration Committee report on pages 58 to 85.

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

Explanation	Performance
Rental growth is the weighted average annualised uplift in rent reviews settled in the year. 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 measure our performance against the All Healthcare Benchmark as calculated by IPD.	We have delivered rental growth of 1.2% which is ahead of CPI inflation over the period. The rate of growth has been slowing, though with construction cost inflation returning we believe medium-term prospects will recover. Over the last five years, our Total Return of 8.8% per annum has outperformed the All Healthcare Benchmark of 6.9%. This has been achieved with low volatility of returns and is ahead of our estimated cost of equity. We have continued to deliver a Total Property Return in excess of our net initial yield from delivering capital growth from our investment portfolio.
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. Complete developments are the number and valuation on completion of completed developments during the year. Tenant covenant is the proportion of our rent roll that is paid directly by GPs or NHS bodies. Developments on site are the number and estimated valuation on completion of developments currently commenced at the year end.	Our lease length of 14.0 years provides a high level of income certainty to underpin investor returns. An effective NHS backing for 87% of our income provides low default risk at a premium to the equivalent gilt rates. The value of completed schemes has decreased during the year to £16.4 million. This reflects the reduced level of activity across the sector. The slowdown in development activity across the sector has reduced the number of schemes on site. We currently have a pipeline in excess of 11 schemes and £41 million.
BREEAM is the world's foremost environmental assessment method and ratings for buildings, and sets the standard for best practice in sustainable building design, construction and operation. It has become one of the most comprehensive and widely recognised measures of a building's environmental performance. An Energy Performance Certificate ("EPC") is an assessment based on the construction and type of property and relevant fittings such as heating systems, insulation or double glazing.	One of our developments achieved a rating of Excellent in the current year with the remaining three achieving a Very Good rating. The average EPC rating was a B, which is our target for new developments.
Total Accounting Return is the movement on EPRA NAV for the year plus the dividends paid, divided by the opening EPRA NAV for the year. TSR is the movement in the share price for the period plus the dividends paid, divided by the opening share price for the year. EPRA Cost Ratio is the total administrative costs for the year divided by gross rental income. Underlying profit per share is underlying profit divided by the average number of shares in issue.	Our Total Accounting Return has fallen slightly in the year reflecting the one-off costs of equity issuance and debt restructuring. TSR has fallen in the year reflecting the movement in the ratio of the share price to EPRA NAV. At 31 March 2016 our premium to EPRA NAV was 15% (2015: 38.5%). The integration of the 56 property additions has been achieved efficiently, which has contributed to a reduction in the EPRA cost ratio to 16.5%. Underlying profit per share has increased to 2.2 pence per share despite a 60% increase in our issued shares.

Risk management

Effective risk management is crucial in delivering our strategic objectives

Risk management is the responsibility of the Board which sets the risk appetite and tolerances for the business, determines the natures and extent of the principal risks the Company is willing to take in achieving its strategic objectives and ensures that risk management and internal controls are embedded in the business's operations.

We target above market, risk adjusted returns in our chosen healthcare real estate assets, by developing assets ourselves (as opposed to purchasing only completed developments) and using debt to gear returns up to 50% loan to value. However, we seek to avoid, trap or heavily mitigate risks in all other areas of the business including:

- Property event risk – by full insurance cover, full due diligence and committed funds for acquisitions
- Development risk – by only undertaking developments where there is already an agreement for lease in place
- Control risk – by clear management controls and Board reporting
- Gearing risk – we maintain an appropriate range of lenders and debt maturities with variable rate debt being restricted to one third of our loan book, on gearing up to 50% loan to value
- Political risk – which could limit future growth but does not affect the current business assets.

A formal Risk Committee was established during the year and all staff were interviewed to check that every risk was captured. The materiality and severity of each risk were assessed as to their likelihood of happening in the next 12 months and likely financial impact. Key risk indicators (how we trap risks) and assurance that effective controls were in place were noted for each risk.

The Risk Committee meets at least four times a year, to review the risk register, identify emerging risks and conduct "deep dives" into individual risks to ensure that sound assurance is in place. The Risk Committee reports to the Audit Committee, which regularly monitors risk management and internal control systems and reports to the Board.

The Board has carried out a robust assessment of the principal risks facing the business. These are the risks which would threaten its business model, future performance, solvency or liquidity and are summarised on pages 33 to 37.

The Board has also considered which of the Group's strategic objectives may be affected by these risks and their findings are set out in the table below.

			Strategic objective			
			Focus	Expertise	Culture	Effectiveness
Principal risk	Strategic	Changes to government policy	●	●		●
		Competitor threat	●			●
		Reduction in investor demand	●			●
		Failure to deploy capital	●			●
		Failure to communicate	●		●	●
	Financial	Reduction in availability and/or increase in cost of finance	●	●		●
		Failure to maintain capital structure and gearing	●	●		●
	Operational	Development overspend	●	●		●
		Key staff dependency	●	●	●	●
		Underperformance of assets	●			●

TOP-DOWN Strategic risk management		BOTTOM-UP Operational risk management
Review external environment Set risk appetite and parameters Determine strategic action points	**BOARD AND AUDIT COMMITTEE**	Assess effectiveness of risk management systems Report principal risks
Direct delivery of strategic actions Monitor key risk indicators	**SENIOR LEADERSHIP TEAM**	Consider completeness of identified risks and adequacy of mitigating actions Consider aggregation of risk exposures across the business
Execute strategic actions Report on key risk indicators	**RISK COMMITTEE**	Report priority and emerging risks Identify, evaluate, prioritise, mitigate and monitor operational risks recorded in risk register

Risk management continued

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Board has conducted a review of the Company's current position and principal risks to assess the Company's longer-term viability.

A five-year period is considered appropriate for this review as this corresponds with the Company's strategic planning timeframe. In addition, the long-term nature of leases and debt facilities supports an assessment over this period.

Company forecasts are prepared using a comprehensive financial model which projects the income statement, balance sheet, cash flows and key performance indicators over the relevant timeframe. The model allows various assumptions to be applied and altered in respect of factors such as level of investment, investment yield, availability and cost of finance, rental growth and potential movements in interest rates and property valuations.

Having made reference to the principal risks facing the Company, as laid out on pages 33 to 37, sensitivities which are considered severe but within the realms of possibility have been applied to the assumptions to review the potential impact on the Company results and financial position. Specific sensitivities applied include increases in interest rates, a prolonged downturn in property investment valuations, an increased risk of tenant default and a sustained absence of rent review growth. This assessment has not assumed any significant changes to government policy with respect to NHS Estates strategy or the GP reimbursement model.

Based on this consideration of principal risks and the forecasting exercise completed, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period assessed. The Board considers that the long-term nature of the leases and financing arrangements in place means that the business model would remain viable in the event that further growth of the business was not achieved.

New
No change
Low
Medium
High

Strategic risks

Changes to government policy

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Reduced funding for primary care premises' expenditure could lead to a reduction in our development pipeline and growth prospects. A change to the reimbursement mechanism for GPs could lead to a change in the risk profile of our underlying tenants.	The Group proactively engages with the Government over policy that could impact the business, both directly and through the Healthcare Committee of the British Property Federation.	The Board monitors changes in government policy and management reports to the Board at every meeting.		No change Medium

Comment

The increased provision of healthcare services in the community is a stated policy objective of the current Government and so a reduction in funding to this sector is considered unlikely.

The reimbursement mechanism is not currently under review. Any change would probably result in an increased cost to the NHS in the future supply of primary care properties, reducing healthcare opportunities in the community.

Competitor threat

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Increased competition from new purchasers could lead to a reduction in our ability to acquire new properties and a general increase in prices across the sector.	We maintain our specialist knowledge, team structure and strong brand recognition with GPs.	The Board receives regular property reports, highlighting where we have lost out to competitors and when new entrants are identified.	The market is increasingly competitive and every proposed transaction is reviewed by our Investment Committee to ensure that the prospective returns are adequate.	No change Medium

Comment

A further significant increase in asset prices increases the risk of these returns not achieving our required level and our rate of acquisitions slowing significantly.

We have made substantial additions to our portfolio during the year and we remain confident in our ability to continue to do so.

Risk management continued

Strategic risks continued

Reduction in investor demand

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Reduced investor demand for UK primary care property could lead to a reduction in asset valuations and a fall in future profits. This could arise from: ▪ Changes in NHS policy ▪ Health of the UK economy ▪ Availability of finance ▪ Relative attractiveness of other asset classes.	We are open in communicating our strategy to investors and maintain a loan to value range which is acceptable to the market.	The overall economy and its impact on the Group's operations are regularly assessed and considered in reviewing the Group's strategy. The Board receives regular reports on investor relations and the development of our share register.	We successfully raised £300 million, net of expenses, in the market during the year. The dividend yield and the underlying strength of the cash flows supporting it remain attractive relative to other asset classes.	No change Medium

Comment

The fundamentals for our sector remain very strong and the longevity and security of our cash flows has continued to generate strong investor demand for our shares in the past year.

Failure to deploy capital

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
A shortage of development or acquisition opportunities could result in a drag on operating cash and reduced investor confidence.	Our specialist knowledge, team structure and strong brand recognition with GPs reduce this overall risk.	The Board reviews the development and acquisition pipeline at every Board meeting.	Management bonus schemes reward successful new developments and acquisitions.	New Low

Comment

We have made substantial additions to our portfolio during the year and we remain confident in our ability to continue to do so.

We are well advanced in implementing our plan to use the proceeds from the recent fund raise.

New
No change
Low
Medium
High

Failure to communicate

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Failure to adequately communicate the Company's strategy and explain performance may result in an increased disconnect between investors' perceptions of value and actual performance.	Strategic priorities are clearly articulated in corporate communications and the Group's performance is transparently reported. We communicate regularly with investors and analysts.	The Board receives regular reports on investor attitudes and the market. The Group maintains close links with its two brokers, who communicate investor thoughts and concerns.	Investor communication, particularly through face to face meetings, remains a key priority.	No change Low

Comment
Some 119 meetings have been held during the year, including 19 meetings with potential investors.

Financial risks

Reduction in availability and/or increase in cost of finance

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
A reduction in available financing could adversely affect the Group's ability to source new funding and refinance existing facilities. This could delay or prevent the development of new premises. Increasing financing costs could increase the overall cost of debt to the Group and so reduce underlying profits.	The Group has predominantly long-term facilities which reduce these refinancing risks.	The Group regularly monitors and manages its refinancing profile and cash requirements.	The Group actively engages with a range of funders to ensure a breadth of funder and maturity profiles. We continue to explore financing options with other lenders as well as maintaining strong relationships with existing lenders.	No change Low

Comment
The current appetite for lending into the sector is very strong, given the quality of the underlying cash flows.

Risk management continued

Financial risks continued

Failure to maintain capital structure and gearing

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Property valuations are inherently uncertain and subject to significant judgement. A fall in property values or income could adversely affect bank covenants. Breach of covenants could lead to forced asset disposals which could reduce the Group's net assets and profitability.	Valuations and yields are regularly benchmarked against comparable portfolios. The Board has established a target range for a net loan to value ratio over the medium term of 40% to 50%. The current position of 30% is lower than our target range and will increase as we invest in our short-term pipeline. All financial forecasting, including for new acquisitions, considers gearing and covenant headroom.	The Group engages two external valuers to review property valuations. The valuations are formally reviewed by the Board twice a year. Covenant headroom and gearing are regularly monitored with reference to possible valuation movements and future expenditure. The Board regularly reviews the capital structure of the Group.		No change Low

Comment

Following the successful equity fund raising last year the level of gearing has reduced significantly and thus improved covenant headroom.

Operational risks

Development overspend

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Development risk could adversely impact the performance of the Group as a result of cost overruns and delays on new projects.	The Group has a dedicated and experienced development management team. The Group's policy is to engage in developments that are substantially pre-let with fixed price or capped price build contracts.	A high level of due diligence is undertaken before works commence and detailed designs are negotiated to prevent variations. Regular reviews are conducted of latest cost estimates as each project progresses.	We remain confident of our ability to manage this risk through our experienced team of development surveyors and reduce the potential risk through the use of fixed price contracts and the use of performance bonds. A performance bond insures against the risk of the main contractor becoming insolvent.	No change Medium

Comment

The potential impact of this has not changed during the year as the number of developments remains at a historically low level.

New
No change
Low
Medium
High

Key staff dependency

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in underperformance.	Competitive salary and benefit packages are aligned with appropriate peer groups and periodically benchmarked. Professional development and training are encouraged and costs are met by the Group. Succession plans are in place for each department. Long-term incentive plans span five-year periods to encourage retention of key staff.	Succession planning, team structure and skill set are regularly evaluated and planned. An enhanced performance appraisal process was successfully implemented during the year and this two way discussion forum identifies employee aspirations and any dissatisfaction. All employee resignations are reported to each Board meeting.		No change Medium

Comment
Eight members of staff are currently working towards a professional qualification.

Staff turnover is very low, currently running at 3%.

Underperformance of assets

Risk	Avoid	Trap	Mitigate	Movement in year and net risk rating
Not all rent reviews are upwards only and challenges to reviews and appeals could lead to lack of rental growth.	The Group engages experienced third parties to conduct rent reviews.	Leases are carefully reviewed on acquisition and the Group does not acquire leases with a tenant right to trigger a downward rent review.	The Group targets RPI reviews for new leases but if this is unachievable then open market upwards only reviews or open market landlord trigger only reviews are accepted.	New Medium

Comment
Approximately 26% of leases have fixed uplifts or are linked to RPI.

Proceeds from equity raise substantially invested and we are well positioned for further growth

At 31 March 2016 our portfolio of completed investment properties was valued at a total of £1,088 million (2015: £908 million), which produced a net initial yield ("NIY") of 5.29% (2015: 5.56%). Taking account of potential lettings of unoccupied space and any uplift to current market rents on review, our valuers assess the net equivalent yield to be 5.52% (2015: 5.77%). Adjusting this Royal Institution of Chartered Surveyors standard measure to reflect the advanced payment of rents, the true equivalent yield is 5.72% (2015: 5.98%).

Our EPRA NIY, based on our passing rent roll and latest annual direct property costs, was 5.23% (2015: 5.43%).

	2016 £m	2015 £m
Net rental income	**58.4**	48.2
Valuation movement	**36.4**	21.4
Total Property Return	**94.8**	69.6

Expressed as a percentage of opening investment property plus additions, Total Property Return was 8.9% compared with 7.8% in 2015.

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

The valuation gain in the year of £36.4 million represents a 4.8% uplift on a like-for-like basis and has arisen as a result of the downward pressure on yields with increased competition for acquiring assets in the sector. Despite the downward pressure, the NIY on our assets continues to represent a substantial premium over the 15-year gilt which traded at 1.96% at 31 March 2016.

Investment and development activity

Despite the recent hiatus in NHS development approvals we have invested substantially during the year, with this expenditure split between investments in completed properties, developments, forward funding projects, extensions and fit-out costs enabling vacant space to be let as follows:

	2016 £m
Acquisition of completed medical centres	**124.5**
Developments/forward funding arrangements	**17.7**
Like-for-like portfolio (improvements)	**2.7**
Total capital expenditure	**144.9**

The bulk of the growth in our investment portfolio has come from the acquisition of 52 properties, seeing us invest £124.5 million during the year. The two largest acquisitions were the Fleetwood Health and Wellbeing Centre for £16.7 million and the Frome Medical Practice for £15.5 million. Further information on properties valued over £10 million is provided on page 19.

Despite the continued delay in NHS approval of new developments, we have completed four developments during the year (three under forward funding agreements) with a total development cost of £15.5 million. This has added £0.9 million to our annual rent roll and generated a 5.7% yield on cost.

We recorded an unrealised revaluation surplus of £0.7 million during the year in respect of investment property under construction (2015: deficit of £0.9 million).

As at 31 March 2016, we had two developments on site under forward funding agreements, with a total committed investment value of £13.5 million, and a further five which we would hope to be on site shortly (estimated cost of £17.1 million).

Portfolio as at 31 March 2016: £1,088 million (2015: £908 million)

Our business is based on our investment portfolio of 321 properties. This has a passing rent roll of £63.8 million (2015: £55.6 million), 87% of which is underpinned by the NHS. The WAULT is 14.0 years and 87% of the rent roll will still be contracted in 2026.

Portfolio analysis by capital value

	Number of properties	Total value £m	Total value %
<£1m	60	39.7	4
£1–5m	204	515.5	47
£5–10m	40	281.4	26
>£10m	17	251.4	23
	321	**1,088.0**	**100**

Live developments

	Estimated completion date	% NHS	Development costs	Costs to date	Size
Kidderminster	August 2016	86%	£6.6m	£4.2m	2,203 sqm
Bewdley	November 2016	90%	£6.9m	£4.3m	2,014 sqm

Portfolio management

We have continued to deliver rental growth and have successfully concluded 133 rent reviews during the year to generate a weighted average annual rent increase of 1.20% (2015: 1.27%) on those properties. Our portfolio benefits from a 26% weighting in fixed and RPI uplifts which generated an average uplift of 1.93% during the year. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 0.69% during the year.

We work very hard at developing and maintaining customer relationships. This approach is carried across the range of services we provide both during development and after completion, as a portfolio manager. We have a dedicated team of portfolio managers who are in regular communication with our customers and we monitor progress through regular customer satisfaction surveys.

During the year we have successfully secured 13 new tenancies with an annual rent roll of £0.5 million covering 4,430 square metres. In addition we have significantly extended the lease on eight properties.

Our EPRA Vacancy Rate was 3.0% (2015: 3.2%) which has decreased during the year reflecting the team's success with letting initiatives during the year. Our vacancy rate is extremely low due to the long nature of our leases and only developing buildings that are substantially pre-let. All of our vacant space, where not reserved as potential expansion space for the GP tenants, relates to areas of buildings for complementary services and letting this space remains a key focus for the current year.

Growth in completed investment property portfolio

£180m

Growth in EPRA NAV per share

2.7%

Net profit for the year

£27.9m

Portfolio analysis by region

	Number of properties	Total value £m	Total value %
North	126	466.0	43
South	95	309.4	29
Midlands	62	220.9	20
Scotland	19	37.2	3
Wales	19	54.5	5
	321	**1,088.0**	**100**

Portfolio analysis by tenant covenant

	Total rent roll £m	Total rent roll %
GPs	44.1	69
NHS body	11.6	18
Pharmacy	4.8	8
Other	3.3	5
	63.8	**100**

Business review continued

Administrative expenses

The Group measures its operating efficiency as the proportion of administrative costs to the average gross investment property value. This ratio during the year was 0.60% (2015: 0.72%) and administrative costs stood at £6.1 million (2015: £5.7 million).

We also analyse cost performance by reference to our EPRA Cost Ratios (including and excluding direct vacancy costs) which were 16.5% and 16.0% respectively (2015: 17.7% and 16.3%). This is now our key KPI as reported on page 28.

Financing

From a financing perspective, the highlight of the year was the successful equity issuance in October 2015, which raised proceeds of £300 million, net of expenses.

Our focus since then has been on investing the proceeds in primary care property but we have also made some adjustments to our lending arrangements to increase flexibility and take advantage of attractive interest rates which remain at historically low levels.

In November 2015 we repaid £181 million of long-term debt held by Aviva Commercial Finance along with the associated early repayment costs of £34.1 million.

Further to this we announce today that the Group has signed a new £200 million revolving credit facility on an unsecured basis to replace the existing facility. The initial margin is 150 basis points and the facility increases operational flexibility and reduces transaction costs associated with financing properties.

We continue to hold discussions with lenders to broaden our base of lenders, who have maintained their appetite to lend into our sector, and to ensure facilities are in place to support future acquisitions. At 31 March 2016, we had undrawn facilities and cash of £118.7 million.

Financing statistics	**2016**	2015
Net debt	**£327.9m**	£450.0m
Weighted average debt maturity	**10.2 years**	11.9 years
Weighted average interest rate	**4.84%**	5.28%
% of debt at fixed/capped rates	**88%**	100%
Interest cover[1]	**218%**	160%
Loan to value	**30%**	48%

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

Our loan to value ratio currently stands at 30%, which is lower than our target range of 40%-50% and will increase as we invest in our pipeline in the short term. 88% of the debt facilities are fixed with a weighted average debt maturity of 10.2 years compared with a WAULT of 14.0 years, which highlights the security of the cash flows of the business.

Details of the facilities and their covenants are set out in Note 17 to the accounts.

Net finance costs in the year amounted to £24.0 million (2015: £26.6 million) before early repayment costs.

Underlying profit

	2016 £m	2015 £m
Net rental income	**58.4**	48.2
Administrative expenses	**(6.1)**	(5.7)
Net finance costs	**(24.0)**	(26.6)
Underlying profit	**28.3**	15.9

The movement in underlying profit can be summarised as follows:

	£m
Year ended 31 March 2015	15.9
Net rental income	10.2
Administrative expenses	(0.4)
Net finance costs	2.6
Year ended 31 March 2016	28.3

Underlying profit has grown 78% to £28.3 million in the year to 31 March 2016 following the property acquisitions completed during the year.

Underlying profit differs from EPRA earnings as it excludes accounting adjustments such as IFRS 2 charges for share-based payments and one-off expenses that we consider to be exceptional and not reflective of continuing underlying performance.

Earnings per share

The basic earnings per share (“EPS”) on profit for the year was 2.2 pence (2015: 4.9 pence).

EPRA EPS, which excludes the net impact of valuation movements and gains on disposal, was 2.0 pence (2015: 2.1 pence).

Underlying profit per share omits accounting adjustments and certain exceptional items and has increased to 2.2 pence (2015: 2.1 pence). The key variable is the cost of the long-term incentive plan which vested in full during the year, which reflected the strong performance of the business over the past four years.

Based on calculations completed in accordance with IAS 33, share-based payment schemes are currently expected to be dilutive to EPS, with 11.2 million new shares expected to be issued based on the average share price for the three months to 31 March 2016. The following illustration is an extraction. Further details to the accounts are provided in Note 7.

EPS measure	Basic	Diluted
Profit for year	2.2p	2.1p
EPRA	2.0p	2.0p
Underlying	2.2p	2.2p

Dividends

Total dividends paid in the year to 31 March 2016 were £27.2 million or 2.05 pence per share (2015: 1.85 pence per share). In January 2016 we introduced a scrip dividend alternative for shareholders, an option that was exercised by 9.9% of shareholders at the first opportunity and 13.3% for the April 2016 dividend.

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

We remain committed to maintaining a covered dividend that is progressive broadly in line with underlying rental growth.

The table below illustrates our cash flows over the period:

	2016 £m	2015 £m
Opening cash	**66.5**	38.6
Net cash flow from operations	**22.9**	16.9
Dividends paid	**(26.3)**	(14.4)
Investment:		
Property and business acquisitions	**(122.5)**	(64.3)
Development expenditure	**(17.7)**	(14.0)
Sale of properties	**1.5**	4.2
Other	**(0.2)**	0.1
Financing:		
Net proceeds from equity issuance	**299.1**	173.5
Net borrowings movement	**(179.0)**	(74.1)
Closing cash	**44.3**	66.5

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

Property additions during the year were £127.2 million, although the cash outflow was only £122.5 million after taking into account shares issued as consideration (£4.2 million), and net working capital assumed (£0.5 million).

Net assets

EPRA NAV movement

	£m	Pence per share
EPRA NAV at 31 March 2015	452.4	44.9
Underlying profit	28.3	2.2
Capital (revaluations and capital gains)	36.5	2.8
Dividends	(27.2)	(2.1)
Equity issuance	305.7	0.6
Early repayment costs	(34.1)	(2.6)
Other	(7.1)	0.3
EPRA NAV at 31 March 2016	**754.5**	**46.1**

Our Total Accounting Return per share for the year ended 31 March 2016 is 7.2% of which 2.05 pence per share (4.6%) has been distributed to shareholders and 1.2 pence per share (2.7%) is the movement on EPRA NAV including an element of dilution associated with the equity issuance in October 2015.

The equity issuance saw the Company raise proceeds of £300 million, net of issuance expenses. In addition, the Company issued a total of 7,650,749 shares split between three corporate acquisitions over the course of the year. These shares issued as part consideration were priced based on the market value of the Company shares at the time of completion.

EPRA performance measures

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

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

Summary table

	2016	2015
EPRA EPS (p)	**2.0p**	2.1p
EPRA NAV (p)	**46.1p**	44.9p
EPRA NNNAV (p)	**42.4p**	35.9p
EPRA NIY (%)	**5.23%**	5.43%
EPRA "topped-up" NIY (%)	**5.23%**	5.43%
EPRA Vacancy Rate	**3.0%**	3.2%
EPRA Cost Ratio (including direct vacancy costs) (%)	**16.5%**	17.7%
EPRA Cost Ratio (excluding direct vacancy costs) (%)	**16.0%**	16.3%

EPRA EPS

2.0p

2015: 2.1p

Diluted EPRA EPS

2.0p

2015: 2.0p

Definition
Earnings from operational activities.

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

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

EPRA NAV

46.1p

2015: 44.9p

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

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

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

EPRA NNNAV

42.4p

2015: 35.9p

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

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

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

EPRA NIY

5.23%

2015: 5.43%

EPRA "topped-up" NIY

5.23%

2015: 5.43%

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

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

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

	2016 £m	2015 £m
Investment property	**1,107.6**	925.3
Less developments	**(9.7)**	(6.7)
Completed investment property portfolio	**1,097.9**	918.6
Allowance for estimated purchasers' costs	**71.7**	52.7
Gross up completed investment property – B	**1,169.6**	971.3
Annualised cash passing rental income	**63.8**	55.6
Property outgoings	**(2.6)**	(2.9)
Annualised net rents – A	**61.2**	52.7
Notional rent expiration of rent free periods or other incentives	**–**	–
Topped up annualised rent – C	**61.2**	52.7
EPRA NIY – A/B (%)	**5.23**	5.43
EPRA "topped up" NIY – C/B (%)	**5.23**	5.43

EPRA Vacancy Rate

3.0%

2015: 3.2%

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

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

	2016	2015
ERV of vacant space (£m)	**2.0**	1.9
ERV of completed property portfolio (£m)	**66.5**	57.9
EPRA Vacancy Rate (%)	**3.0**	3.2

EPRA Cost Ratio (Including direct vacancy costs)

16.5%

2015: 17.7%

EPRA Cost Ratio Excluding direct vacancy costs

16.0%

2015: 16.3%

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

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

	2016 £m	2015 £m
Direct property costs	**2.6**	2.9
Administrative expenses	**6.1**	5.7
Share-based payment costs	**1.9**	0.7
Net service charge costs/fees	**(0.2)**	(0.2)
Exclude:		
Ground rent costs	**(0.4)**	(0.3)
EPRA costs (inc direct vacancy costs) – A	**10.0**	8.8
Direct vacancy costs	**(0.3)**	(0.7)
EPRA costs (exc direct vacancy costs) – B	**9.7**	8.1
Gross rental income less ground rent costs (per IFRS)	**60.6**	49.8
Gross rental income – C	**60.6**	49.8
EPRA Cost Ratio (inc direct vacancy costs) – A/C	**16.5%**	17.7%
EPRA Cost Ratio (exc direct vacancy costs) – B/C	**16.0%**	16.3%

Sustainability

As part of our strategic priority of culture we pride ourselves on our commitment to the sustainability agenda and the personal development of our team.

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 ongoing 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 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
- 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, on our website www.assuraplc.com.

Castle Medical Group, Ashby de la Zouch
Bat box

Social and community matters

Assura operates in a responsible, professional, ethical and reliable manner and is trusted as a provider of services and facilities. Reflecting our commitment to the sustainability agenda, Assura has aligned itself with the wider corporate and social responsibility interests of the NHS. Accordingly, the Group has a formal Environmental Management System and has gained accreditation to the 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 also enhance the non-medical facilities for local communities.

A current example of work in this area is the recently completed development at Ashby de la Zouch which achieved a BREEAM Very Good rating. This development has a habitat improvement scheme and photovoltaic panels.

Assura supports charities close to its Warrington head office which are heavily involved with local communities.

Assura is a founder member of the Social Stock Exchange ("SSE").

The SSE showcases Social Impact Businesses that have taken the step to evidence their impact via the publication of an Impact Report. A Social Impact Business is one that uses commercial models to organise, mobilise and manage a for-profit business that delivers social and environmental change.

The aim of the SSE is to provide stakeholders with the information they need to identify and compare organisations that deliver value to society and the environment.

Health and safety

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

100% BREEAM®

of developments in the year achieved a BREEAM rating of Very Good or Excellent

8

members of staff training to gain professional qualifications

Victoria Park Health Centre, Leicester
Landscaped sustainable drainage wetland area

Charities

In April Assura commenced its support of the Warrington Wolves Charitable Foundation and the Salford Red Devils Foundation.

Warrington Wolves and Salford Red Devils Foundation

The Warrington Wolves Charitable Foundation is the community arm of the Rugby League club. By using the power of sport it is able to engage and change lives. The Foundation delivers sports, lifestyle, education, training, arts and inclusion activities. Salford Red Devils Foundation is a registered charity with a remit to deliver sport, health and education-based activities for the benefit of all, regardless of background and ability, across Greater Manchester and beyond. Based at the AJ Bell Stadium, Salford Red Devils Foundation uses the vehicle of professional sport to engage thousands of people each year in community clubs, classrooms, school playing fields and businesses through a delivery team of teachers, healthcare professionals and sports coaches.

To kick off the support of these two charities the Assura Challenge commenced. This divided Assura's staff members into two teams, half supporting Warrington and the other half Salford, with the aim to raise the most amount of money possible. Several events were organised during the year by Assura in a bid to raise money. The first of these was the Touch Rugby event in July. This event brought together touch rugby teams from Assura's corporate advisors in a fiercely competitive battle. The second event was held in September when Assura organised a rugby themed charity lunch in Manchester on the eve of the Rugby Union World Cup. Angela Powers from Sky Sports presented a Q&A session with several personalities from the world of Rugby League and Rugby Union.

Finally, two members of staff ran the Warrington half marathon in September for the foundations. In total £13,300 was raised during 2015/16 for the charities with more events planned for 2016/17.

For further information, please go to www.wolvesfoundation.com www.salfordreddevilsfoundation.co.uk

Assura Challenge Touch Rugby event
Held at Media City Salford in July 2015

Brainwave

Brainwave is a charity that exists to help children with disabilities and developmental delay achieve their full potential. The children they work with have a range of conditions including autism, brain injuries such as cerebral palsy and genetic conditions such as Down's syndrome. The centre we are supporting is in Birchwood, Warrington.

Thanks to its supporters and dedicated therapy teams, Brainwave now impacts on the lives of over 600 children with additional needs. Brainwave's growth and regional outreach have been driven by the commitment to bring measurable improvements to the lives of children with physical, sensory, learning, cognitive and behavioural difficulties.

Key to ongoing success of the three centres is the ability for the charity to raise funds. As well as providing a financial donation, Assura has supported several of Brainwave's events during the last 12 months.

For further information, please go to www.brainwave.org

Our charities for 2016/17

During the forthcoming year all of our chosen charities will be local. We will continue to support the Warrington Wolves Charitable Foundation and Salford Red Devils Foundation and in addition the Warrington Hospital branch of Life after Loss which was chosen by our staff to be our next charity.

Life After Loss is a charity which supports those affected by pregnancy or infant loss.

The organisation was founded in 2006. Our support will fund much needed equipment such as a fetal cardiotocography monitor.

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

Chairman's introduction to governance

The Board has an effective, well-balanced structure, which draws on a wealth and variety of experience

SIMON LAFFIN
EXECUTIVE CHAIRMAN

DEAR SHAREHOLDER

The Board is committed to maintaining the highest standards of Corporate Governance.

This year, we have enhanced our approach to risk management and have adopted the revised statement of going concern and statement of longer-term viability, as discussed elsewhere in this report.

The Board continues to believe that it has an effective, well-balanced structure, which includes a group of Non-Executives who collectively draw on a wealth and variety of skills and experience as shown on pages 50 and 51, thus providing for effective decision making.

An internal evaluation was carried out during the year. A questionnaire was circulated to the Board, Company Secretary and Executive Committee members, asking a range of questions about how each perceived the Board to be operating and how individuals were contributing. I collated the results and spoke to individuals separately, reporting back the findings to both the Board and the executive committee. The feedback was almost universally positive, more so than the previous year. The only significant points to arise were:

- An opportunity for enhanced non-financial performance measures
- The need for further succession planning for all roles at the appropriate time.

The Board was content, given the small size of the Board and its perceived successful nature that this year's review was conducted internally and at no cost. We shall however review in the new year whether to employ an independent external agency to assist the process.

The Board culture is one of openness, mutual respect and constructive debate. Comprehensive Board papers are circulated in advance to allow members to consider fully. Quality of papers had been raised in the previous year's Board review, and this was addressed this year to the satisfaction of Directors. I consider that all the Directors continue to devote sufficient time to discharging their duties to a high standard and remain committed to their roles.

In March 2016, our Chief Executive, Graham Roberts, was given a leave of absence as he received treatment for cancer. I therefore took on temporarily the role of Executive Chairman, pending a resolution of Graham's health. The Board then reviewed and approved the relevant roles of the executives and myself in order that responsibilities remained clear and unambiguous, with appropriate checks and balances. In particular, we instituted a formal fortnightly Executive Board meeting, consisting of our Finance Director (Jonathan Murphy), Property Director (Andrew Darke), and chaired by me, with our Company Secretary (Orla Ball) providing legal counsel and minutes. This Executive Board issues its minutes and also verbally reports to the main Board. The independent Non-Executive Directors are content that satisfactory governance procedures and controls are being maintained during this period of absence.

In accordance with Corporate Governance best practice, it is the Company's policy that all Directors will submit themselves for re-election at the 2016 Annual General Meeting ("AGM").

The Board has engaged widely with shareholders during the year. We are delighted to welcome so many new shareholders to our register and are grateful for the significant support we received during our fund raising in October 2015. Effective communication with investors is a key strategic priority and no fewer than 119 investor meetings have been held during the year. All shareholders are encouraged to attend the AGM in July where the Directors and executive team will be available to meet shareholders directly and to discuss any matters of importance.

Board strengths

SIMON LAFFIN
EXECUTIVE CHAIRMAN

- Experienced Chairman
- Strategy
- Finance

GRAHAM ROBERTS
CHIEF EXECUTIVE

- Real Estate
- Capital Markets
- Investment

JONATHAN MURPHY
FINANCE DIRECTOR

- Corporate Finance
- Accounting and Reporting
- Risk Management

COMPOSITION OF THE BOARD

JENEFER GREENWOOD
NON-EXECUTIVE DIRECTOR

- Real Estate
- Customer Focus
- Marketing

DAVID RICHARDSON
SENIOR INDEPENDENT DIRECTOR

- Finance and Accounting
- Mergers and Acquisitions
- Corporate Governance

Executive Chairman
Executive Director
Non-Executive Director

Composition of the Board	
Chairman	1
Executive	2
Independent Non-Executive	2

Length of tenure of Directors	
One year	–
Two years	–
Three years	1
Four years	4

Chairman's responsibilities

- The effective running of the Board, ensuring that the Directors receive accurate and timely information to enable debate and high quality decision making
- Promoting high standards of Corporate Governance
- Ensuring that the Board agendas take full account of the important issues facing the Company and the concerns of all Board members
- Ensuring, as Chairman of the Nominations Committee, that there are Board succession plans in place in order to retain and build an effective and complementary Board.

Chief Executive's responsibilities

- Running the Company's business
- Implementing the business strategy
- Regularly updating the Board on progress against approved plans
- Providing effective leadership of the Executive Board to achieve the agreed strategies and objectives.

Board of Directors

SIMON LAFFIN
EXECUTIVE CHAIRMAN

Simon Laffin is the Chairman of Assura. Simon is also Non-Executive Chairman of Flybe Group plc and a Non-Executive Director of Watkin Jones plc. Previously he served as Chairman of Hozelock Group and a Non-Executive Director of Quintain Estates and Development plc, Mitchells & Butlers plc, Aegis Group plc and Northern Rock plc (as part of the rescue team).

Between 1995 and 2004 he was Group Chief Financial Officer of UK grocery retailer Safeway plc (which he joined in 1990) and was latterly also responsible for property. Prior to that, he held a variety of finance and management roles in Mars Confectionery, Rank Xerox and BP. He is a qualified accountant.

Appointed
August 2011

Board meetings and attendance

Board meeting	11/11
Audit Committee	5/5
Remuneration Committee	5/5
Nominations Committee (Chair)	2/2

Independent
Not applicable

GRAHAM ROBERTS
CHIEF EXECUTIVE

Graham Roberts is Chief Executive of Assura. Graham 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 led 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 a Non-Executive Director at Balfour Beatty plc and is Chairman of its Audit Committee.

Graham is currently taking a leave of absence due to illness.

Appointed
March 2012

Board meetings and attendance

Board meeting	10/11
Nominations Committee	2/2

Independent
Not applicable

JONATHAN MURPHY
FINANCE DIRECTOR

Jonathan Murphy is the Finance Director of Assura. Jonathan was previously Finance Director of the fund management business of Brooks Macdonald Group plc, having joined as a result of the acquisition of Braemar Group plc in 2010, where he was Finance Director for four years. Jonathan 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. Jonathan holds an MBA from IESE, the leading European Business School in Barcelona.

Appointed
January 2013

Board meetings and attendance

Board meeting	11/11

Independent
Not applicable

JENEFER GREENWOOD
NON-EXECUTIVE DIRECTOR

Jenefer Greenwood is a Chartered Surveyor who started her career at Hillier Parker in 1978, becoming Executive Director and Head of Retail on merger with CBRE. Jenefer worked for Grosvenor Estate from 2003 until 2012.

Jenefer sits on fund supervisory boards of INTERNOS Global Investors and was appointed to the Board of DCH Group in August 2014 and chairs the Remuneration Committee.

She has previously served on the Board of The Crown Estate and chaired its Remuneration Committee. She has held positions as Chair of the National Skills Academy for Retail and President of the British Council of Shopping Centres.

Appointed
May 2012

Board meetings and attendance

Board meeting	11/11
Audit Committee	5/5
Remuneration Committee (Chair)	5/5
Nominations Committee	2/2

Independent
Yes

DAVID RICHARDSON
SENIOR INDEPENDENT DIRECTOR

David is currently Chairman of BBGI SICAV SA and a Board member of The Edrington Group. 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 (now called Forth Ports Ltd), Tomkins plc (now called Gates Worldwide Limited), Dairy Crest plc and De Vere Group plc. He is a Chartered Accountant.

Appointed
January 2012

Board meetings and attendance

Board meeting	11/11
Audit Committee (Chair)	5/5
Remuneration Committee	5/5
Nominations Committee	2/2

Independent
Yes

Corporate Governance

Statement of compliance with the UK Corporate Governance Code

In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the year ended 31 March 2016 and as at the date of this Annual Report it was compliant with all the relevant provisions as set out in the UK Corporate Governance Code published in September 2014 ("the Code") save as referred to in the Chairman's Statement on page 48 where Mr Laffin became Executive Chairman during Mr Roberts' period of leave due to illness.

Role of the Board

The Company has an effective Board which is collectively responsible for the long-term success of the Company by directing and supervising the activity of the Company. 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, the Remuneration Policy, the annual budget approval and amendments to delegated authorities. The Board meets at least six times per year for scheduled meetings. It also meets as required to consider any important or urgent business.

The Directors acknowledge their responsibility for preparing the Annual Report and Accounts and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides shareholders with the necessary information to assess the Company's position and performance, business model and strategy.

The Board considers that Jenefer Greenwood and David Richardson are independent having regard to their character and judgement and the fact that there are no relationships or circumstances which could affect their judgement.

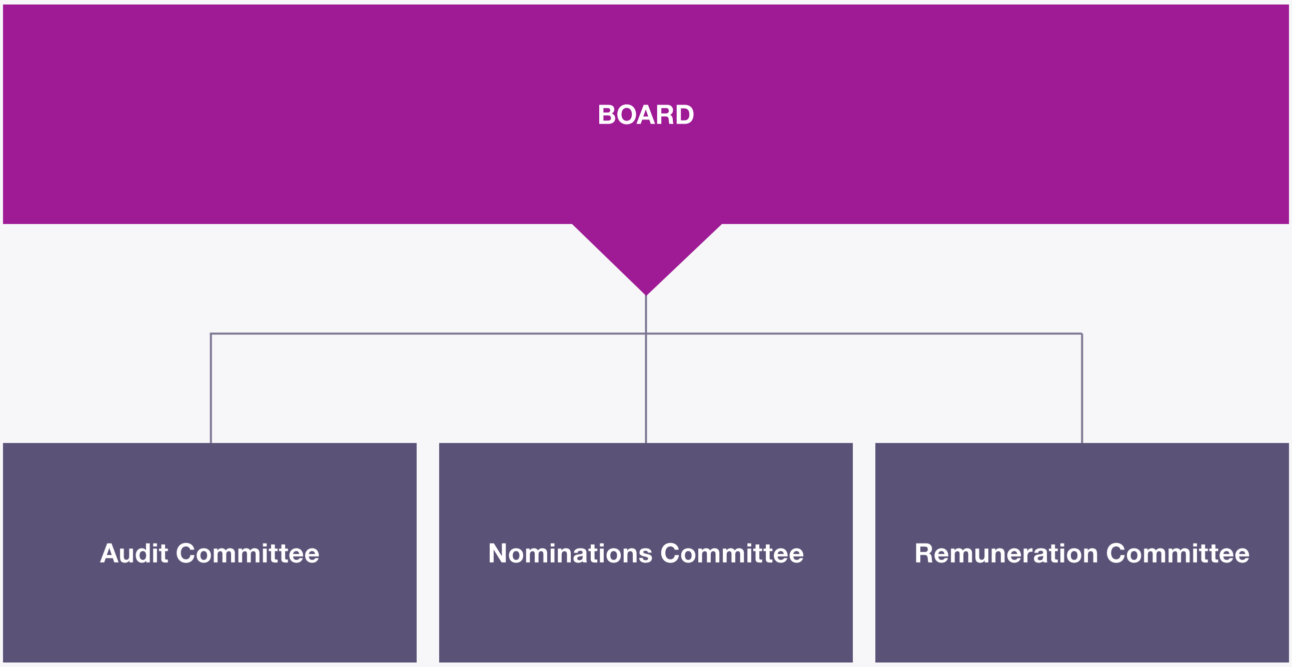
Shareholder relations

The Board welcomes open communication with its shareholders and works with its stockbrokers Liberum Capital and Stifel to ensure that 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 reports and other market updates. Copies of these announcements and any accompanying presentational materials are available on the Company's website at www.assuraplc.com.

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 AGM and other shareholder meetings.

July 2015 AGM – key highlights

- All resolutions passed.
- Full Director attendance.
- 751 million to 756 million votes cast for each resolution.
- All Directors retired and were re-elected to the Board.
- Remuneration report resolution passed with 99.45% of votes cast in favour.



Read more on p54
Read more on p57
Read more on p58

To assist in its Corporate Governance responsibilities, the Board has established standing Committees. All Non-Executive Directors and the Chairman served on all Committees. This was appropriate given the relatively small size of the Board. Each Committee follows Terms of Reference which are reviewed annually and are available on the Company's website. Simon Laffin stepped down from the Audit Committee on becoming Executive Chairman.

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. An induction pack with important information is provided. Training needs are reviewed annually as part of the Board evaluation.

Each Board member is permitted to take professional advice on any matter which relates to their position, role and responsibilities as a Director at the cost of the Company and have access to the advice and services of the Company Secretary who advises the Board on Corporate Governance matters.

Audit Committee Report

Audit Committee members

- David Richardson (Chairman)
- Simon Laffin[1]
- Jenefer Greenwood

Number of meetings in the year: five

1. Stepped down on becoming Executive Chairman

Additional attendees – as appropriate

Deloitte LLP
PwC LLP
Savills LLP and Jones Lang LaSalle
Graham Roberts – Chief Executive
Jonathan Murphy – Finance Director
Paul Carroll – Financial Controller
David Purcell – Group Finance Manager
Andrew Darke – Property Director
Orla Ball – Company Secretary

Responsibilities

Financial statements and reports

- To monitor the integrity of the half year and annual financial statements before submission to the Board, reviewing significant financial reporting matters and judgements focusing particularly on matters of material financial impact.
- To review the effectiveness of the Company's system of internal control.
- To conduct an annual review of the need to establish an internal audit function.
- To discuss the issues arising from the interim and final audits.
- To monitor and review annually the auditor's independence, objectivity and effectiveness.
- To develop and implement the policy for provision of non-audit services by the external auditor.
- To make recommendations to the Board in relation to the selection process for the appointment of the external auditor.

Key activities of the Committee

Financial statements and reports

- Reviewed the Annual Report and financial statements and half year financial report and made recommendations to the Board regarding the approval of these documents.

Prospectus and working capital reports

- Reviewed the prospectus published during the year with particular emphasis on reviewing the work undertaken by PwC to review the assessment of the Board that the Group's working capital was sufficient to support the business at the date of the prospectus.

Review of external audit

- Reviewed, considered and agreed the scope and fees for the audit work to be undertaken by the external auditor.
- Reviewed the effectiveness, performance and fees of the external auditor.

Review of external valuers

- Received presentations from both valuers and raised queries on these.
- Reviewed the effectiveness, performance and fees of the external valuers.
- Received a recommendation from the Property Director on the appointment of the firms to carry out the valuation in 2016 following a review.

Review of risk management and internal controls

- Reviewed the effectiveness of the Company's internal controls and risk management processes and the disclosures made in the Annual Report.
- Received the minutes from the Risk Committee and reviewed the principal risks derived from the risk register along with any movement in those risks in the year.
- Reviewed the appropriateness of the accounting policies and the design and operation of the internal controls.

Others

- Monitored compliance with the REIT rules.
- Reviewed the effectiveness of the Committee.
- Reviewed the requirement for an internal audit function.
- Reviewed the viability statement and supporting evidence.
- Reviewed the approved treasury counterparties.

DEAR SHAREHOLDER

As Chairman of the Audit Committee, I have pleasure in setting out below the formal report on its activities for the year ended 31 March 2016.

The Company is mindful of the UK Corporate Governance Code's new requirements in relation to risk and the monitoring of internal control systems. During 2015 the Committee and the Board reviewed the Group's risk management framework and approved the establishment of and Terms of Reference for a new Risk Committee reporting to the Audit Committee. Having monitored the Group's risk management and internal control systems, the Committee has not identified any significant failings or weakness in these control systems during the year.

You will also note from the report that the Company engaged PwC during the year to undertake the role of reporting accountant in association with the prospectus published during the year in accordance with UK Listing Authority requirements.

The Committee performs a detailed review of the content and tone of the Annual Report and half year results and has satisfied itself that there are robust controls over the accuracy and consistency of the information presented. Accordingly the Committee has advised the Board that the Annual Report taken as a whole is "fair, balanced and understandable" and provides the information necessary for the shareholders to assess the Company's position and performance, business model and strategy.

Significant financial reporting matters

- Valuation of investment properties including those under construction – valuations and yields are discussed with management and benchmarked against comparable portfolios. The two external valuers present to and are challenged by the Committee on their valuations.
- Validity of the going concern basis and the availability of finance going forward – the Committee considers the financing requirements of the Group in the context of committed facilities and evaluates management's assessment of going concern and the assumptions made. The external auditor also reports to the Committee following its review.
- Accounting for the corporate property acquisitions completed during the year – the Group made four property acquisitions through corporate vehicles during the year and each one has been categorised as a property acquisition as they involved acquiring income producing property assets without associated employees or ancillary income streams. This accounting treatment and their inclusion in the Group's property portfolio valuation is key to an understanding of the financial statements for the year. We discussed the accounting treatments with Deloitte LLP, both before and after its audit work, and the valuations with Messrs Jones Lang LaSalle and Savills LLP at the conclusion of their work. We satisfied ourselves that all aspects were properly treated.
- Viability statement – the Committee considered the proposed draft Viability Statement and the supporting analysis produced by management and approved the statement for inclusion in the 2016 report. The statement appears on page 32.

Audit Committee Report continued

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

Internal controls

The Group's internal control systems include a detailed authorisation process, formal documentation of all transactions, a robust system of financial planning (including cash flow forecasting and scenario testing) and a robust appraisal process for all property investments.

Internal audit

The Audit Committee is satisfied that the current level of control and risk management within the business adequately meets the Group's current needs. The Committee considers that the additional cost of an internal audit department is not currently justified.

Audit/non-audit fees payable to external auditor

The external auditor did not carry out any non-audit services this year. The fees paid to the external auditor are disclosed in Note 4(a) to the audited accounts.

Effectiveness of external audit process

The Committee assessed the effectiveness of the external audit process, initially reviewing and challenging the audit planning memorandum prepared by Deloitte and then monitoring fulfilment of this plan. The Committee received regular feedback from management on the service and support provided by Deloitte and concluded that the external audit was carried out efficiently and effectively with objective, independent challenge. Accordingly the Committee recommends Deloitte's re-appointment at the 2016 AGM.

The FRC's Audit Quality Review Team reviewed Deloitte's audit of the 2015 financial statements as part of their annual inspection of audit firms. Their review focused on identifying areas for improvements rather than highlighting areas performed to or above the expected level. The Committee received a full copy of the findings of the Audit Quality Review Team and discussed these with Deloitte. Some matters were identified as requiring improvement and we have agreed an action plan with Deloitte to ensure the matters identified by the AQR have been addressed in the audit of the Company's 31 March 2016 financial statements. The Audit Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

Deloitte was appointed following a competitive tender in March 2012 and pursuant to the Competition and Markets Authority Order, the latest date by which the Company is required to tender and appoint an external auditor is for the financial year beginning 1 April 2022. We will make a statement on future audit plans in the Annual Report for the financial year ended 31 March 2017.

DAVID RICHARDSON
CHAIRMAN OF THE AUDIT COMMITTEE

Nominations Committee Report

Nominations Committee members

- Simon Laffin (Chairman)
- David Richardson
- Jenefer Greenwood
- Graham Roberts

Number of meetings in the year: two

Attendees

Orla Ball – Company Secretary

Responsibilities

The Terms of Reference, which are reviewed annually (and are available to view on the Company website), require the Committee to meet at least once per year.

Key issues

- Re-election of all Directors at the July 2015 AGM.
- Review of succession planning.
- Review of Board composition, Committee composition and Committee Chairmanship.
- Consideration of training needs and skills updating.
- Board performance evaluation.
- Considered and confirmed that the Non-Executive Directors were independent.

Key activities of the Committee

Board and Committee changes

There have been no appointments to the Board or Board Committees during the year.

Board performance evaluation

The Board has reviewed its performance, and the performance of its Committees and individual Directors based on an internal evaluation carried out by the Chairman in November 2015 where Board and Executive Board members and the Company Secretary completed a detailed questionnaire. The Board concluded that its access to relevant information is good, discussions are carried out in an appropriate manner, the strategy and goals of the Company are clear and the Board is appraised promptly and fully of investor views. The Board continues to have an appropriate mix of skills and experience and discussions around the boardroom table are constructive and challenging. The Nominations Committee also met in the absence of the Chairman to appraise the Chairman's performance. There were no major changes adopted in the way the Board operates. The Board also concluded that no further appointments were necessary at this time.

Commitments of the Chairman

Simon Laffin is also Non-Executive Chairman of Flybe Group plc and Non-Executive Director at Watkins Jones plc. Mr Laffin manages his time effectively in order to allocate sufficient time to each of his roles.

Policies

The Board believes that a diverse workforce and management team improve the culture of the organisation and add value to the business as a whole.

The Board targeted having at least 20% female representation which was achieved in 2012.

The Committee will continue to consider gender and wider aspects of diversity such as experience, nationality, disability and age when recommending any future Board appointments. Final appointments will always be made on merit.

Succession planning

Succession planning was a focus of the Committee during 2015 and a formal report on succession plans for the Board, Executive Directors and senior members of staff was prepared and reviewed. Consideration was given to short-term cover as well as development of talent within the business to fill more senior roles over the medium and long term, acknowledging that given the size of the workforce there will not be successors for every senior role. The Committee will continue to monitor this area in 2016.

SIMON LAFFIN
CHAIRMAN OF THE NOMINATIONS COMMITTEE

Remuneration Report

Remuneration Committee members

- Jenefer Greenwood (Chairman)
- Simon Laffin
- David Richardson

Number of meetings in the year: five

Additional attendees – as appropriate

Graham Roberts – Chief Executive
Orla Ball – Company Secretary
FIT Remuneration Consultants LLP
PwC LLP

Responsibilities

The Terms of Reference, which are reviewed annually (and are available to view on the Company website), require the Committee to meet at least once per year.

The Committee's activities during the year included:

- Consideration of objectives and targets for annual bonuses
- Consideration of annual pay awards and bonuses
- Approval of increase in staff pension contributions (company and personal)
- Review and agreement of changes to allocation basis for the staff bonus pool
- Confirmation of third and final vesting of Executive Recruitment Plan ("ERP")
- Review of the Directors' Remuneration Policy
- Design of new Performance Share Plan
- Review and allocation of staff awards under the VCP.

DEAR SHAREHOLDER

Introduction

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2016. This report has been prepared by the Remuneration Committee ("the Committee") and approved by the Board. The report is split into two parts:

- The **Annual Report on Remuneration** – which sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the 2015/16 financial year.
- The **Directors' Remuneration Policy** – which sets out a new remuneration policy which we propose applies for 2016/17 and the subsequent two years.

The proposed Directors' Remuneration Policy will be subject to a binding vote at the AGM on 19 July 2016. This new Policy, if approved by shareholders, will last for a period of three years from the forthcoming AGM or until another Policy is approved in a general meeting. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the forthcoming AGM.

New Policy

Shareholder approval was obtained at the 2014 AGM for our existing Remuneration Policy, the main features of which are as follows:

Element of pay	Policy/Positioning	2015/16
Fixed pay (e.g. salary, pension)	Conservatively positioned (salary set at lower quartile to median)	Graham Roberts: ■ Base salary: £321,500 ■ Pension: 20% Jonathan Murphy: ■ Base salary: £215,000 ■ Pension: 13.5%
Annual bonus	Median	Graham Roberts – 100% salary max Jonathan Murphy – 50% salary max
Long-term incentives	Remuneration is geared towards long-term performance – upper quartile	Value Creation Plan – page 79

Remuneration Report continued

Since its establishment in 2012, the VCP has been the vehicle through which the link between long-term performance and remuneration has been delivered. The structure of the VCP is explained later in this report but, in essence, involved a one-off award of units that convert into nil-cost options based on performance against an absolute TSR-based condition. This plan was shaped to a large extent by the circumstances that prevailed at its launch in 2012, at which point there was a need to incentivise Assura's then new management team – headed by Graham Roberts – to implement successfully the Company's new business strategy.

The VCP has achieved this primary purpose and has, therefore, served the Company and shareholders well. Reflecting Assura's impressive performance over recent years, at the first VCP Measurement Date (20 August 2015), it was determined that Assura's absolute TSR had grown by approximately 100% from the first trading day of the 2012/13 financial year, which resulted in all units effectively converting in full into nil-cost options over virtually the maximum 25 million shares allowed under the VCP. More particularly, Graham Roberts' units converted into nil-cost options over 11.8 million shares, with Jonathan Murphy's equivalent being 5.2 million shares. Under the terms of the VCP, 50% of these nil-cost options became exercisable immediately, with 25% becoming exercisable three months after the announcement of the 2016 results and the remaining 25% three months after the announcement of the 2017 results (provided in both cases that the relevant minimum TSR thresholds are still achieved at those dates).

The vesting of VCP awards has led the Remuneration Committee to consider how best to continue to link remuneration to Assura's long-term performance and, indeed, whether the underlying principles that have shaped Assura's approach to executive remuneration remain appropriate as the Company moves into the next stage of its development.

As a result, the Committee has conducted a review of its Executive Director remuneration policy and practices. This review was undertaken in the context of continued strong performance at Assura. As a result of various capital raises, we believe we have the strongest balance sheet in the sector, making us attractive to both our potential property partners amongst GPs and the NHS and our equity and debt funders. In addition, this strengthened balance sheet together with the longevity and security of our property cash flows underpins our progressive dividend policy and leaves us well placed to take advantage of further investment opportunities. As set out on page 1, key financial highlights in the year include:

- Investment property up 19.9% to £1,109.4 million
- Adjusted EPRA NAV up 2.7% to 46.1 pence
- Net rental income up 21.2% to £58.4 million
- Underlying profit up 78.0% to £28.3 million

The key outputs from the Committee's review were as follows:

Fixed pay

Fixed pay (e.g. base salary, pension and benefits) was very conservatively positioned against companies of a comparable size. It is considered appropriate to retain this below median positioning for now. Consequently, for 2016/17 Graham Roberts' salary will be increased by 1.5% to £326,400, with Jonathan Murphy's salary increased by 9.3% to £235,000.

Jonathan's higher increase reflects the fact that, despite increases made over recent years, his salary remained significantly below the average commanded by similar post-holders. The Committee is entirely comfortable that this increase is appropriate, given Jonathan's continued strong performance, together with the fact that even his new salary remains in line only with lower quartile comparators, and is, therefore, consistent with the existing policy. Pension/benefits will remain unchanged.

Annual bonus

Our current policy is to offer a median level of bonus opportunity. This policy will continue. However, our review clearly showed that Jonathan Murphy's current bonus opportunity of 50% of salary does not accord with our policy, being substantially below median. Consequently, his bonus opportunity will be increased to 75% of salary. Other outputs from the review relating to annual bonus were as follows:

- We will retain the current approach to bonus target setting and assessment. Therefore, as stated in last year's DRR, the performance objectives set under the annual bonus will continue to relate to matters such as value-added opportunities (within the portfolio and from market activity), financial targets, customer satisfaction, etc.
- Noting best/market practice, a deferred share element will be introduced into the annual bonus plan, under which up to 50% of any bonus earned by an Executive Director will be deferred into shares for two years to the extent that the Executive Director does not already hold shares worth at least 300% of salary.
- Clawback/malus provisions should continue to apply.

Long-term incentives

Mindful of the fact that the VCP is expected to vest in full in August 2017 (assuming satisfaction of the threshold return hurdle at that time), the Committee believes it important that a new long-term incentive opportunity is created for the Company's well-regarded, highly performing management team. However, rather than adopting another one-off/end-to-end plan such as the VCP, the Committee considers it appropriate to adopt a more market standard approach to long-term incentive provision going forward, under which more modest regular annual awards are made which vest subject to performance over rolling three-year periods.

Therefore, the Committee is seeking shareholder approval at the 2016 AGM to establish a new Assura Performance Share Plan ("PSP"). The PSP will be of fairly standard design, in that awards of free shares can (in the normal course) be made worth up to 150% of salary each year which vest three years later subject to (i) continued employment, (ii) the satisfaction of performance conditions and (iii) a two-year post vesting holding period (unless shares worth 300% of salary are already held). Malus/clawback provisions will also apply to the new PSP which will be established in tandem with the adoption of an enhanced share ownership guideline (increasing from 100% to 300% of salary).

Remuneration Report continued

When considering which performance conditions should be used to determine vesting of PSP awards, the Committee noted that the use of absolute targets in the VCP provided the management team with a simple, transparent long-term incentive opportunity that was directly aligned with value creation for shareholders. Consequently, the Committee wishes to retain the use of absolute targets in the new PSP. We are aware of the preference of some shareholders for relative targets (e.g. relative TSR, relative TPR/NAV performance versus an IPD Index). However, the Committee does not believe that, in its niche asset class, there are sufficient listed comparators against which it would be meaningful to compare Assura's TSR performance. Other property companies, outside of primary care, have different characteristics that make it inappropriate to use them as a benchmark. Investors will often buy Assura precisely to tap into this non-conforming asset class. The IPD All Healthcare Index, which could be potentially the most relevant benchmark to use for a relative Total Property Return context, is somewhat dominated by Assura itself making up some 25% of the index. This index also includes significant non-related asset classes, such as care homes, which again renders it a rather crude relative performance measure.

As a result, the Committee believes that the best approach would be to continue to use absolute targets for the PSP. However, rather than solely using absolute TSR targets (as was the case with the VCP), the Committee intends to use a blend of absolute TSR and NAV per share growth targets, thereby providing a more rounded assessment of overall performance in a simple, transparent fashion. Further details of these targets can be found on page 85, with a full summary of the PSP as a whole found in the Notice of AGM.

Other Policy features

No other substantive changes are to be made to the existing Policy.

Other Committee activities during the year

In addition to conducting the Policy review, the other key decisions made by the Committee during and in relation to the 2015/16 financial year include:

- Reflecting another year of strong performance, the Executive Directors earned a bonus equal to 71% and 100% respectively of the maximum for 2015/16 (71% of salary for the Chief Executive and 50% for the Finance Director). Further details of how this bonus outturn was calculated can be found on page 78.
- As described above, performance against the targets applying to the VCP awards was calculated at the first Measurement Date, resulting in effectively full provisional vesting of awards and, therefore, full conversion of units into nil-cost options.
- Confirming of third and final vesting of the ERP for Jonathan Murphy in January 2016.

In conclusion

I trust you find this report helpful and informative, and agree that the changes we are proposing to our Policy, which have been the subject of a prior consultation with some of our major shareholders, are appropriate and very much in the long-term interests of our shareholders. I look forward to receiving your support for the three remuneration-related resolutions (i.e. the vote on the new Policy, new PSP and Implementation Report) which will be tabled at our forthcoming AGM.

JENEFER GREENWOOD
CHAIRMAN OF THE REMUNERATION COMMITTEE

INTRODUCTION

This report contains the material required to be set out as the Directors' Remuneration Report for the purposes of Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations").

Part A represents the Directors' Remuneration Policy. This is a new Policy for which shareholder approval is being sought at the 2016 AGM and will, if approved, take effect immediately after the 2016 AGM.

Part B constitutes the implementation sections of the Remuneration Report ("Implementation Report"). The auditor has reported on certain parts of the Implementation Report and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those parts of the Implementation Report which have been subject to audit are clearly indicated.

PART A: DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy as set out in this section of the Remuneration Report will replace the existing Policy which was approved by shareholders at the 2014 AGM and will take effect for all payments made to Directors from the date of the 2016 AGM. The Policy has been developed with regard to the UK Corporate Governance Code and is felt to be appropriate to support the long-term success of the Company while ensuring that it does not promote inappropriate risk taking. More particularly, the Policy is framed to support the Company's strategic drivers, which are set out on pages 14 and 15. The Committee aims for the Policy and its use of performance metrics to support shareholder value creation by incentivising sustainable performance consistent with the strategic drivers and appropriate risk management, and that:

- The interests of shareholders and management should be aligned
- Excessive risk taking should be discouraged and effective risk management given due consideration
- It should retain and motivate, based on selection and interpretation of appropriate benchmarks
- Poor performance should not be rewarded
- The long-term interests of the Company should be promoted.

Our goal is to maximise returns for shareholders over the long term. Our success is measured by three KPIs:

- Total Property Return – measuring income and capital appreciation generated from the portfolio.
- Total Accounting Return – measuring total reported returns for the Company after all overheads and including the effect of leverage.
- Total Shareholder Return – the dividend and capital appreciation experienced by shareholders.

Our remuneration arrangements either directly or indirectly encourage delivery of outstanding performance against these KPIs. The table below shows progress on the three KPIs over the period since inception of the VCP:

Measure	Since 1 April 2012
Total Property Return	**24.7%**
Total Accounting Return	**44.9%**
Total Shareholder Return	**94.1%**

Remuneration Report continued

Based on the above, the new Policy is set out below:

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
Fixed remuneration			
Base salary Core element of remuneration set at a level that recognises the size and complexity of the Company and when combined with the performance-based variable remuneration potential can attract and retain Executive Directors of the quality to execute the strategy.	An Executive Director's base salary is considered by the Committee on appointment and then reviewed periodically or when an individual changes position or responsibility. Any changes normally take effect from 1 April each year. When making a determination as to the appropriate salary level, the Committee first considers remuneration practices within the Group as a whole and, where considered relevant, conducts objective research on companies within the Company's peer group. It should be noted that the results of any benchmarking will only be one of many factors taken into account by the Committee. Other factors include: ▪ Individual performance and experience ▪ Pay and conditions for employees across the Group ▪ The general performance of the Company ▪ The economic environment. No recovery provisions apply to base salary.	Any increase in salary for Executive Directors will take into account salary levels of comparable companies within the FTSE Real Estate Investment Trusts and FTSE Real Estate Investment Services sectors, and companies of comparable size and complexity. In the normal course of events, increases in the Executive Directors' salaries will not exceed the average increase for employees, save where there is a clear misalignment with market levels. However, individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	None.

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
Benefits The Company provides benefits in line with market practice.	Executive Directors may receive a benefit package which includes: ■ Health insurance ■ Death in service benefits ■ Company car allowance ■ Other benefits as provided from time to time. Benefits are reviewed periodically to ensure that they remain market competitive. The payments are not included in salary for the purposes of calculating any benefit or level of participation in incentive arrangements. No recovery provisions apply to benefits.	Benefit values vary year on year depending on premiums and the maximum value is the cost of the provision of these benefits. The Committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than the Committee considers appropriate given all the circumstances.	None.
Pension The Company provides a level of pension contribution in order to be competitive and to ensure that it has the ability to recruit and retain Executive Directors.	Executive Directors can receive pension contributions to personal pension arrangements or, if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance (or all) can be paid as a cash supplement. Pension related payments are not included for the purposes of calculating any benefit or level of participation in incentive arrangements. No recovery provisions apply.	The maximum employer's contribution is 20% of base salary for the Chief Executive and 13.5% for the Finance Director.	None.

Remuneration Report continued

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
Performance-based variable remuneration			
Bonus Incentivises the achievement of a range of performance targets that are key to the success of the Company.	Awards may be made annually. The performance period is one financial year. Payouts may be made in a mix of cash and deferred shares determined by the Committee following the financial year end, based on achievement against a range of financial and strategic targets. Where an element of bonus is payable as deferred shares, individuals may be able to receive a dividend equivalent in cash or shares equal to the value of dividends which would have accrued during the vesting period. The Committee views the performance targets for the bonus plan as commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Appropriate details of the targets will be disclosed after the end of the relevant financial year in that year's Remuneration Report, except where their disclosure remains commercially sensitive. Bonus payments are not pensionable, but are subject to clawback provisions.	The maximum annual bonus for Executive Directors is 100% of salary. At threshold performance 0% of maximum can be earned. At target up to 75% of maximum can be earned.	Performance measures are set annually based on a number of financial and strategic measures which may include (but are not limited to): ■ Delivering specific added value activities ■ Delivering financial goals ■ Improving operational performance ■ Developing the performance capability of the team. The Committee has the discretion to vary the performance targets depending on economic conditions and Company specific circumstances that may occur during the year. At the end of each financial year the Committee takes into account the Company's financial performance and achievement against key short-term objectives established at the beginning of the year. This involves establishing in advance what constitutes success for good, strong or outstanding performance. It is the Committee's approach to view the performance in the round at the end of the year, taking into account extraneous events and changing priorities, where relevant.

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
Long-term incentives To motivate and incentivise delivery of sustained performance over the long term, and to promote alignment with shareholders' interests, the Company intends to operate the Performance Share Plan ("PSP").	Awards under the PSP may be granted as nil/nominal cost options or conditional awards which vest to the extent performance conditions are satisfied over a period of at least three years, with a post vesting holding period also potentially applying. Vested awards may also be settled in cash. The PSP rules allow that the number of shares subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any ex-dividend dates falling between the grant of awards and the expiry of any vesting period (or applicable holding period). Clawback and malus provisions apply to PSP awards.	In the normal course, the PSP allows for awards over shares with a maximum value of 150% of base salary per financial year. However, the Committee retains the flexibility to grant awards in excess of this amount, up to 300% of salary, if the Committee considers that it is in shareholders' interests to do so (e.g. if exceptional circumstances exist relating to a recruitment).	The Committee may set such performance conditions on PSP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual). Performance periods may be over such periods as the Committee selects at grant, which will not be less than (but may be longer than) three years. No more than 25% of awards vest for attaining the threshold level of performance conditions. In addition, while performance measures and targets used in the PSP will generally remain unaltered, if in the Committee's opinion, circumstances are such that a different or amended target would be a fairer measure of performance, such amended or different target can be set provided that it is not materially more or less difficult to satisfy than was the original target at the time it was set.
Shareholding requirement To ensure alignment between Executive Directors and shareholders' interests over a longer time horizon.	The Committee operates a system of shareholder guidelines to encourage long-term share ownership by the Executive Directors. Executive Directors may not sell any shares acquired via any share-based incentive plan if the sale would take their shareholding below the shareholding requirement.	The Executive Directors are expected to acquire shares equal to at least 300% of their salary. At the Committee's discretion this may be acquired over a timeframe determined by the Committee.	

Notes to the future policy for Executive Directors

Performance measures and targets

The annual bonus plan measures are selected to provide direct alignment with the short-term operational targets of the Company. Care is taken to ensure that short-term targets are always supportive of the long-term objectives. This is especially important in a business which has a long-term investment horizon. Short-term targets are stretching and geared to encourage outstanding performance, which if delivered can earn the Executive up to the maximum under the plan.

The PSP targets are selected to ensure that the Executives are encouraged to, and appropriately rewarded for, delivering against the Company's key long-term strategic goals so as to ensure a clear and transparent alignment of interests between Executives and shareholders and the generation of sustainable long-term returns.

Discretion

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval. In addition, for the avoidance of doubt, in approving this Policy, authority is given to the Company to honour any commitments entered into with current or former Directors prior to the adoption of this Policy.

Differences in Remuneration Policy for all employees

Any differences in the types of reward between Directors and staff reflect common practice. All employees are entitled to base salary, benefits and defined contribution pension payments and are eligible for annual bonuses and to participate in the PSP (although actual participation in the PSP will be limited to the most senior executives within the Company). The bonus targets for staff are more focused on specific personal goals that further the Company's interests. The maximum bonus opportunity available is based on the seniority and responsibility of the role.

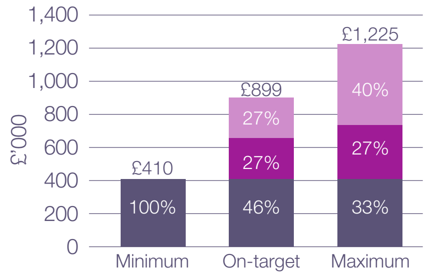
Travel and hospitality

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors and in exceptional circumstances their families may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Illustrations of application of Remuneration Policy

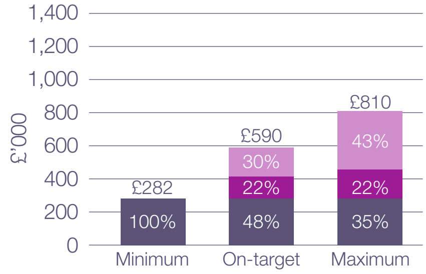
The policy of the Committee is to align Executive Directors' interests with those of shareholders and to give the Executive Directors incentives to perform at the highest levels. To achieve this, the Committee seeks to ensure that a significant proportion of the remuneration package varies with the performance 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 2016/17 at minimum, on-target and maximum performance scenarios are set out in the charts below.



Chief Executive – Graham Roberts

- Multiple reporting periods
- Annual variable
- Fixed elements



Financial Director – Jonathan Murphy

- Multiple reporting periods
- Annual variable
- Fixed elements

Assumptions used in determining the level of pay-out under given scenarios are as follows:

Minimum
- Consists of base salary, benefits and pension.
- Base salary is the salary to be paid in 2016/17.
- Benefits measured as benefits paid in the year ended 31 March 2016.
- Pension measured as the defined contribution or cash allowance in lieu of Company contributions of 20% – 13.5% of salary.

2016/17	Base salary £'000	Benefits £'000	Pension £'000	Total fixed £'000
Graham Roberts	326	19	65	410
Jonathan Murphy	235	15	32	282

On-target
Based on what the Director would receive if performance was on-target (excluding share price appreciation and dividends):

- Annual bonus: consists of the on-target bonus (75% of maximum opportunity used for illustrative purposes).
- Long-term incentive: consists of the midpoint level of vesting (50% vesting) under the PSP.

Maximum
Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: consists of maximum bonus of 100% of base salary for Graham Roberts and 75% for Jonathan Murphy.
- Long-term incentive: consists of the face value of awards (at 150% of salary for Messrs Roberts and Murphy) under the PSP.

Approach to recruitment remuneration and promotions

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the Executive Directors, as set out in the remuneration Policy table. The Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to existing incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

The table below summarises our key policies with respect to recruitment remuneration:

Element	Policy
Fixed remuneration	The salary level, benefits and pension entitlement will be set taking into account a number of factors including market practice, the individual's experience and responsibilities and the policies for salary, benefits and pensions for existing Executive Directors as set out in the Remuneration Policy table. In certain circumstances the Committee may choose to recruit unproven Executive Directors at a salary below the market rate with a view to providing above average increases in salary until an appropriate salary positioning is achieved, subject to performance, experience and the individual proving themselves in the role.
Performance-based variable remuneration	The recruited Executive Director will be eligible to participate in the annual bonus plan and the PSP as set out in the Remuneration Policy table. The maximum annual variable remuneration that an Executive Director can receive is limited to 400% of salary (i.e. the annual bonus plan maximum of 100% of salary plus the overriding PSP maximum of 300%).
Share buyouts/replacement awards	The Committee's policy is not to provide buyouts as a matter of course. However, should the Committee determine that the individual circumstances of a recruitment justified the provision of a buyout, the value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: ■ The proportion of the performance period completed on the date of the Director's cessation of employment. ■ The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied. ■ Any other terms and conditions having a material effect on their value ("lapsed value"). The Committee may then grant up to the estimated equivalent value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used to grant up to the estimated equivalent value.
Relocation policies	In instances where the new Executive is relocated from one work-base to another, the Company may provide compensation to reflect the cost of relocation for the Executive at the discretion of the Committee. The level of the relocation package will be assessed on a case by case basis but will take into consideration any incremental cost of living differences and/or housing and schooling costs.

Non-Executive Directors would be recruited on the terms set out herein in respect of the main Policy for such Directors.

Approach to service contracts and cessation of employment

Service contracts

Each of the Executive Directors has a service contract with the Company which is terminable by the Company on 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 subject to annual re-election by the shareholders at the Company's AGM. When setting notice periods, the Committee has regard for market practice and Corporate Governance best practice.

Executive Director	Date of contract	Unexpired term	Notice period by Company or Director
Graham Roberts	29 March 2012	Rolling contract	6 months
Jonathan Murphy	2 January 2013	Rolling contract	6 months

Non-Executive Director	Date of letter of appointment	Unexpired term as at 31 March 2016
David Richardson	28 January 2015	22 months
Jenefer Greenwood	28 January 2015	22 months

Executive Chairman	Date of letter of appointment	Unexpired term as at 31 March 2016
Simon Laffin	28 January 2015	22 months

All service contracts and letters of appointment are available for viewing at the Company's registered office.

When determining any loss of office payment for a departing Director, the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Good leaver status

The Committee has discretion to determine whether an individual is a "good leaver" under the Company's incentive plans. Where the Committee uses its general discretion to determine that an Executive Director is a good leaver, it will provide a full explanation to shareholders of the basis for its determination. The table below sets out, for each element of total remuneration, the Company's policy on payment for loss of office in respect of Executive Directors and any additional discretion available to the Committee:

Remuneration Report continued

Element	Cessation of employment	Change of control
Base salary, benefits, pension	There will be no compensation for normal resignation or in the event of termination by the Company due to misconduct. In other circumstances, Executive Directors will be entitled to receive payment in lieu of notice. Salary, benefits and pension contributions/ salary supplement will normally be paid over the notice period. The Company has discretion to make a lump sum payment on termination for the salary, value of benefits and pension amounts payable during the notice period. In all cases the Company will seek to mitigate any payments due.	No special provisions.
Bonus plan	Where an Executive Director's employment is terminated after the end of a performance year but before the payment is made, the Executive may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. Where an Executive Director's employment is terminated during a performance year and provided the individual is a "good leaver", a pro-rata annual bonus award for the period worked in that performance year may be payable at the Committee's discretion subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct.	On a change of control triggering the Executive's termination of contract, the extent to which the performance requirements are satisfied will determine the annual bonus which is earned. Note that this excludes a reorganisation or reconstruction where ownership does not materially change. The Committee will take into account such factors as it consider relevant in relation to the bonus plan payment for the year in which the event occurs.
PSP The treatment of awards granted under the PSP will be governed by the rules, as approved by shareholders.	Normally, on termination of employment before the end of the performance period, awards lapse in full. However, in good leaver situations (e.g. death, injury, ill-health, disability, retirement with agreement of employer, sale of business/subsidiary, or otherwise in the Committee's discretion), awards will not lapse but will instead continue and will vest at the normal vesting date or on cessation, subject in both cases to satisfaction of the performance conditions and a pro-rata reduction as the Committee determines to reflect the shortened length of service. In addition, reflecting standard practice, the Committee can waive pro-rating in its discretion. Any awards subject to a post vesting holding period will vest on cessation, save in a case of summary dismissal.	On a change of control (takeover, reconstruction, amalgamation, winding-up or demerger), unvested awards will vest subject to the application of the performance conditions and subject to time pro-rating. The Committee will also retain a standard discretion to vary/waive time pro-rating on a takeover. There will be compulsory roll-over of awards on an internal reconstruction.

Element	Cessation of employment	Change of control
VCP[1] The treatment of awards granted under the VCP is governed by the rules, as approved by shareholders.	On termination of employment before a Measurement Date ("MD"), all unvested awards will lapse, unless the following circumstances apply: ■ Death, injury, ill-health or disability. ■ Retirement or redundancy. ■ Any other circumstances if the Committee decides in any particular case. Where an Executive Director is deemed a good leaver prior to the MD, the Committee will have discretion to allow some or all of the awards to vest by deeming: ■ There to be a new MD at the date of cessation and the number of nil-cost options to be accrued will be calculated as at any other MD; or ■ That the nearest normal MD to the date of cessation of employment can be used. All accrued nil-cost options will then vest and be immediately exercisable (including any other vested nil-cost options) for a period of six months. Anyone who is not a good leaver will be a bad leaver. Where a bad leaver ceases to be employed prior to the awards becoming exercisable all awards will lapse (including accrued unvested nil-cost options).	On a change of control (takeover, reconstruction, amalgamation, winding-up or demerger before the MD) there will be a new MD 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 MD. 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.

Note
1. No futher awards are to be made under the VCP. Therefore the above summary solely relates to the treatment of VCP awards already made.

Remuneration Report continued

Future policy table – Non-Executive Directors

Objective and link to strategy	Operation	Maximum opportunity	Performance measurement and assessment
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.	Fee levels are sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors are paid a base fee and additional fees for Chairmanship of Committees and/or acting as the Senior Independent Director. Fees are reviewed periodically with any changes generally effective from 1 April. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of the normal duties. Non-Executive Directors do not receive a 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 reserves the right to provide benefits (including travel and office support) to the Non-Executive Directors.	Fees will take account of fee levels of comparable companies within the FTSE Real Estate Investment Trusts and FTSE Real Estate Investment Services sectors, and companies of comparable size and complexity. The aggregate fees and any benefits of Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees (currently £700,000 p.a. in aggregate).	None.

Consideration of employment conditions elsewhere in Assura when developing the Policy

In setting the Remuneration Policy for Directors, the pay and conditions of other employees of Assura are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for all staff and uses this information to ensure consistency of approach throughout the Company.

The Company has a small number of employees and applies the same broad policy in relation to incentive compensation throughout the organisation. All employees are eligible for annual bonuses and to participate in the PSP (although, in practice, participation in the PSP is likely to be limited to senior management).

Although the Committee takes into account the pay and conditions of other employees, the Company did not consult with employees when drawing up the Policy report.

Consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping Remuneration Policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Remuneration Policy (as has been the case in relation to the establishment of the new PSP and related Policy changes).

External appointments

The Company's policy is to permit an Executive Director to serve as a Non-Executive Director elsewhere when this does not conflict with the individual's duties to the Company, and where an Executive Director takes such a role they may be entitled to retain any fees which they earn from that appointment.

Total equity exposure of Executives at 31 March 2016

The Chief Executive and Finance Director together owned 4,957,517 million shares as at 31 March 2016 (31 March 2015: 3,788,281 million) representing 0.3% of the Company's share capital. A table summarising their interests is included in the Annual Report on Remuneration (Part B below) on page 82.

During the year Graham Roberts sold 2,500,000 shares at 52.33 pence per share and Jonathan Murphy sold 1,064,354 shares at 55.0 pence per share.

Key reward decisions relating to incentive pay in 2015/16

2015/16 annual bonus outturn

A table showing the full details on the 2015/16 bonus assessment is set out on page 78.

First vesting under the VCP

As reported last year, to take account of three significant capital raising events, certain adjustments were made to the VCP pay-out algorithm to ensure the potential VCP benefit created at each Measurement Date is:

- Attributable to management's performance/achievement of the VCP performance conditions (i.e. an 8% p.a. return to shareholders must be achieved before any value is created for participants)
- Aligned with the value created for shareholders during the relevant measurement period.

Full details of the actual adjustments made can be found on page 80.

The first Measurement Date under the VCP occurred on 20 August 2015. As a consequence of the Company's strong performance, the VCP units converted effectively in full into nil-cost options over 24,999,950 shares (out of the total 25 million pool). This resulted in Graham Roberts' units converting into 11,779,255 nil-cost options, and Jonathan Murphy's units into 5,153,423 nil-cost options.

Under the rules, 50% of any shares that accrued at the first Measurement Date (in the form of nil-cost options) became exercisable at that date, 50% become exercisable at the second Measurement Date and 100% of accrued nil-cost options at the third Measurement Date provided the minimum return thresholds for each Tranche are achieved at each Measurement Date. On 25 September 2015 Messrs Roberts and Murphy exercised the first 50% of their nil-cost options resulting in them receiving (after the payment of income tax and NICs) 3,121,503 and 1,365,657 shares respectively.

PART B: ANNUAL REPORT ON REMUNERATION – UNAUDITED UNLESS STATED

This Annual Report on Remuneration contains details of how the Company's Remuneration Policy for Directors was implemented during the financial year ended 31 March 2016. This report has been prepared in accordance with the provisions of the Companies Act 2006 and the Regulations. An advisory resolution to approve this report will be put to shareholders at the AGM.

Consideration by the Committee of matters relating to Directors' remuneration

The members of the Committee during 2015/16 were Jenefer Greenwood (Committee Chairman), Simon Laffin and David Richardson. The members of the Committee have no personal financial interest, other than as shareholders, in matters to be decided, and no potential conflicts of interest arising from cross-directorships. Other than Mr Laffin, the Non-Executives have no day to day involvement in running the business.

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the senior management and for setting the remuneration packages for each Executive Director. The Committee sets the fees of the Chairman and the fees for the Non-Executive Directors are set by the Chairman in conjunction with the Chief Executive. The Committee also has oversight of the remuneration policy and packages for other senior members of staff. The written Terms of Reference of the Committee are available on the Company's website and from the Company on request.

The Committee held five meetings during the year. Its activities during and for the financial year 2015/16 included:

- Reviewing salary levels for the Executive Directors and Chairman
- Considering objectives and targets for 2015/16 annual bonus payments and determining the bonus payments at year end
- Calculating vesting of VCP awards at the first Measurement Date in August 2015
- Confirming the third and final vesting of the ERP for Jonathan Murphy in January 2016
- Conducting a full review of the existing Remuneration Policy
- Preparing this report.

Advisors to the Committee

During 2015/16 the Committee received external advice initially from PwC, which had previously been appointed by the Committee and was considered objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of the services provided by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services. The total fees paid to PwC in respect of services to the Committee during the year were £58,000. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

Also during 2015/16 the Committee appointed FIT Remuneration Consultants LLP ("FIT") as its new independent advisors. FIT is also a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of the services provided by FIT and was satisfied that no conflict of interest exists or existed in the provision of these services. The total fees paid to FIT in respect of services to the Committee during the year were £30,000. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

The Committee also sought the views of the Chief Executive, Graham Roberts, during the year. The Chief Executive is given notice of all meetings and, at the request of the Chairman of the Committee, attends part of the meetings. The Chief Executive may request that he attends and speaks at Committee meetings. In normal circumstances, the Chief Executive will be consulted on general policy matters and matters concerning the other Executive Director and employees.

Single total figure of remuneration – Executive Directors (audited)

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior year is shown below. Figures provided have been calculated in accordance with the Regulations:

Executive Director (£'000)	Year	Salary	Taxable benefits	Bonus	Pensions	Long-term incentives[1]	Total
Graham Roberts	**2015/16**	**322**	**19**	**228**	**64**	**3,114**	**3,747**
	2014/15	315	15	284	63	–	677
Jonathan Murphy[2]	**2015/16**	**215**	**15**	**108**	**29**	**1,445**	**1,812**
	2014/15	180	11	84	24	84	383

Notes
1. The long-term incentives column includes the value of the VCP awards that vested during the year as described more fully below.
2. Jonathan Murphy's long-term incentive figure includes the value of vested ERP awards.

Benefits

Taxable benefits comprised health insurance, death in service benefits, critical illness, Group Income Protection and company car allowance.

2015/16 annual bonus plan outcome

In determining the award for 2015/16, the Committee took into account the Company's financial performance and achievements against key short-term objectives established at the beginning of the year.

This involved establishing in advance what would constitute success for good, strong or outstanding performance. The performance targets and performance are summarised on page 78.

It is the Committee's approach to view the performance in the round at the end of the year, taking into account extraneous events and changing priorities, where relevant.

The requirement to achieve a step change in scale and to reduce leverage at the same time were identified as the key critical success factors.

Remuneration Report continued

For 2015/16 the maximum potential bonus awards were 100% of salary for the Chief Executive and 50% of salary for the Finance Director.

Performance measures	Actual targets set at the beginning of the year	Actual performance outcome
Grow the scale of the portfolio	Good £90 million additions, Strong £135 million, Outstanding £180 million	Strong £141 million
Grow income through extensions (annualised)	Good £100,000 additional rent, Strong £150,000, Outstanding £200,000	Nil
Let vacant space	Good 15%, Strong 20%, Outstanding 25%	Outstanding 34%
Deliver underlying budget	Good 100%, Strong 105%, Outstanding 110%	Strong 106%
Reduce average cost of debt	Good 30 basis points reduction, Strong 40 basis points, Outstanding 50 basis points	Strong 44 basis points
Increase the percentage of tenants asserting they would recommend Assura to others	Good 75%, Strong 80%, Outstanding 85%	Outstanding 90%

In addition to the above financial targets, the Committee agreed personal objectives for both Executive Directors at the start of the year. The Chief Executive was asked to pursue all possible lobbying activities; to secure the British Property Federation's status as a strong policy contributor to both the NHS and the Government on primary care issues; and to open development opportunities in London. He was expected to keep the Board fully appraised of the lobbying programme, its successes and failures.

The Committee reviewed performance against the above targets and took into consideration that the overall performance on financial targets was Strong. The Chief Executive has contributed greatly to the BPF's growing status. The Board had felt fully informed, although progress on opening up the London market was limited. The Committee also took account of the success of the equity issue in the year that has transformed Assura's balance sheet. Overall, it was felt that great progress had been achieved by the Chief Executive, despite being unwell, culminating in a leave of absence towards the end of the year. Accordingly, taking all factors into account, the Committee awarded 71% of the maximum award, equivalent to 71% of annual base salary.

The Committee also reviewed the performance of the Finance Director. His financial targets were as above, overall being rated Strong. His individual targets were to: enhance his own understanding of current capital market conditions and macro-economic influences; identify opportunities and formulate a comprehensive medium-term financing strategy; review funding alternatives; identify alternatives and opportunities; and keep the Board fully appraised. The Committee concluded that the Finance Director had performed in an outstanding manner on all these objectives, culminating in the equity issuance and subsequent repayment of debt. It also noted that the Finance Director had played a growing role in leading communications with shareholders, not least in the equity raise. When the Chief Executive became unwell, the Finance Director took on more responsibility and helped to ensure that the business continued to operate effectively. As a result, the Committee decided to award the Finance Director 100% of his bonus, equivalent to 50% of annual base salary.

Total pension entitlements

No Executive Director or any member of staff is entitled to a defined benefit pension arrangement. Graham Roberts and Jonathan Murphy received payments in lieu of pension contributions equivalent to 20.0% and 13.5% of salary respectively for 2015/16.

Vesting of long-term incentive awards (audited)

Value Creation Plan

Description of adjustments

As reported last year, to take account of three significant capital raising events, certain adjustments were made to the VCP pay-out algorithm to ensure the potential VCP benefit created at each Measurement Date is:

- Attributable to management's performance/achievement of the VCP performance conditions (i.e. an 8% p.a. return to shareholders must be achieved before any value is created for participants
- Aligned with the value created for shareholders during the relevant measurement period.

More particularly, the Committee amended the Threshold Price applicable to the first Measurement Date (i.e. 20 August 2015), whereby, for each capital raising event (to be known as "Tranches"), a Threshold Price was set which must be exceeded before any value could be earned by participants. The paragraphs below summarise the alterations.

The Threshold Price applicable to each Tranche of shares at the first Measurement Date was set as follows:

	Tranche	Shares (m)	Original Threshold Price (pence)	New Threshold Price (pence)
Share capital at the start of the VCP	1	529.5	39.37	39.37
Capital issued for MP Reality Holdings Ltd acquisition	2	44.3	39.37	44.95
Capital issued following placing/offer to shareholders	3	414.3	39.37	45.06
Capital issued for Metro MRI Ltd acquisition	4	18.8	39.37	51.29

The Threshold Price for each new capital event (i.e. Tranches 2–4) was calculated by using the price at which new capital was raised (i.e. the Offer Price for Tranche 3) or the price on the day of issue (Tranches 2 and 4) and increasing this by the 8% p.a. compound threshold return rate from the date of the event to the first Measurement Date. The original Threshold Price of 39.37 pence would continue to apply to Tranche 1 ("Base Price").

Each Tranche under the VCP was tested on the first Measurement Date and was subject to the original terms and conditions of the VCP, except that as above each Tranche had its own Threshold Price.

At subsequent Measurement Dates (i.e. one and two years after the first Measurement Date), it was determined that the methodology for determining the Threshold Price for each Tranche will be the same whereby the Threshold Price for each Tranche will be the higher of:

- The highest return achieved at any previous Measurement Date (treated as separate Tranches); or
- 8% p.a. TSR from the Base Price for Tranche 1 or the capital raising price/price on the day of issue for Tranches 2, 3 and 4 (and others if further capital raising events occur).

Remuneration Report continued

Each Tranche has its own minimum return threshold which must be achieved before any awards earned and deferred at previous Measurement Dates vest at the second or third Measurement Dates. This means that awards rolled over (i.e. accrued but not vested) from previous Measurement Dates must sustain an 8% p.a. TSR from the Base Price for Tranche 1 or the capital raising price/price on the day of issue for Tranches 2, 3 and 4.

It was the Committee's view that these adjustments:

- Were in the best interests of our shareholders on the basis that they ensured that shareholders were protected from any immediate value transfer as a result of the capital raising events
- Would provide participants with the opportunity to share in any value created for shareholders on the new capital, in line with the rules of the VCP, provided the minimum level of return on all new shares (i.e. the 8% p.a. return threshold) is achieved.

The maximum aggregate number of shares that can be issued to satisfy awards under the VCP to all participants remained limited to 25 million. Therefore, no adjustments were made to the cap on the number of shares that could be earned under the VCP as a result of the changes to the share capital.

Vesting at first Measurement Date

As noted above, the first Measurement Date occurred on 20 August 2015. The table below sets out the actual value creation under the VCP as calculated at the first Measurement Date, using (as prescribed in the plan rules) the average share price over three months following the announcement of the Company's financial results for the 2014/15 financial year plus dividends paid on shares in issue:

		Tranche 1 (pence per share)	Tranche 2 (pence per share)	Tranche 3 (pence per share)	Tranche 4 (pence per share)
Average share price at first Measurement Date	A	56.27	56.27	56.27	56.27
Dividends paid per share in issue	B	5.0625	2.40	1.95	1.50
Measurement Price	C=A+B	61.3325	58.67	58.22	57.77
Threshold Price	T	39.37	44.95	45.06	51.29
Value created	C-T	21.9625	13.72	13.16	6.48

As per the VCP performance condition, the total participant benefit available was 10% of the above value created for each Tranche multiplied by the number of shares in each Tranche, which amounts in total to £17.8 million. As a consequence of the Company's strong performance up to the first Measurement Date, the VCP units converted virtually in full into nil-cost options over 24,999,950 shares (out of the total 25 million pool). This resulted in Graham Roberts' units converting into 11,779,255 nil-cost options, and Jonathan Murphy's into 5,153,423 options.

Under the rules, 50% of any shares that accrued at the first Measurement Date (in the form of nil-cost options) became exercisable at the first Measurement Date, 50% of the remainder become exercisable at the second and 100% of accrued nil-cost options at the third Measurement Date provided the minimum return thresholds for each Tranche are achieved at each Measurement Date. On 25 September 2015 Messrs Roberts and Murphy exercised the first 50% of their nil-cost options resulting in them receiving (after the payment of income tax and NICs) 3,121,503 and 1,365,657 shares respectively.

Strategic report

Governance

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The impact of the conversion of Messrs Roberts' and Murphy's units into nil-cost options and the above exercises is set out in the table below:

Name	Year of grant	Awards outstanding at 31/3/15	Granted during the year	Lapsed during the year	Exercised during the year	Awards outstanding at 31/3/16	Exercise price	Exercisable between
Graham Roberts	2015	–	5,889,628	–	5,889,628	–	Nil-cost	Aug '15–23
Graham Roberts	2015	–	2,944,814	–	–	2,944,814	Nil-cost	Aug '16–23
Graham Roberts	2015	–	2,944,813	–	–	2,944,813	Nil-cost	Aug '17–23
Jonathan Murphy	2015	–	2,576,712	–	2,576,712	–	Nil-cost	Aug '15–23
Jonathan Murphy	2015	–	1,288,356	–	–	1,288,356	Nil-cost	Aug '16–23
Jonathan Murphy	2015	–	1,288,355	–	–	1,288,355	Nil-cost	Aug '17–23

Jonathan Murphy's ERP

As previously reported, awards were made under the ERP to Jonathan Murphy in 2013 to facilitate his recruitment. The awards have no performance criteria and vest in three equal instalments on the first, second and third anniversary of their award. The final instalment vested in January 2016:

Award	Performance measures	Number of nil-cost options vested	Value of vested awards £'000[1]
ERP awards	None	153,334	83.5

Note
1. The value of nil-cost options is calculated using the closing middle market share price on 29 January 2016 of 54.5 pence per share, the date the final instalment of awards became exercisable.

Single total figure of remuneration – Non-Executives (audited)

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations:

Non-Executive Director (£'000)		Basic fees	Additional fees[1]	Total fees
Simon Laffin	**2015/16**	**128.5**	**–**	**128.5**
	2014/15	126.0	–	126.0
David Richardson	**2015/16**	**36.1**	**16.4**	**52.5**
	2014/15	35.5	16.0	51.5
Jenefer Greenwood	**2015/16**	**36.1**	**8.2**	**44.3**
	2014/15	36.0	8.0	44.0

Note
1. Additional fees represent Senior Independent Director and Chairman of Board Committee fees.

Remuneration Report continued

Statement of Directors' shareholding and share interests (audited)

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. 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. It is proposed that this threshold be increased to 300% in the revised Remuneration Policy to be presented at this year's AGM.

Shareholding and other interests at 31 March 2016

Director	Shares required to be held (percentage of salary)	Number of shares required to hold[1]	Number of beneficially owned shares[2]	Total interests held at 31 March 2016	Shareholding requirement met?
Executive					
Graham Roberts	100	605,461	4,000,000	4,000,000	Yes
Jonathan Murphy	100	404,896	957,517	957,517	Yes
Non-Executive					
Simon Laffin	–	–	3,338,578	3,338,578	n/a
David Richardson	–	–	414,835	414,835	n/a
Jenefer Greenwood	–	–	117,256	117,256	n/a

Notes
1. Shareholding requirement calculation is based on the share price at the end of the year (53.1 pence at 31 March 2016).
2. Beneficial interests include shares held directly or indirectly by connected persons.

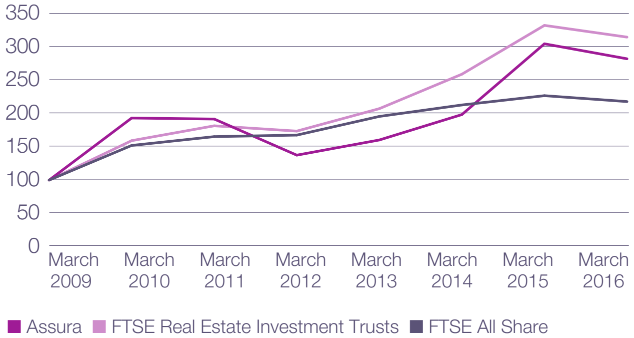
The Company funds its share incentives through a combination of new issue and market purchased shares. The Company monitors the levels of share grants and the impact of these on the ongoing requirement for shares. In accordance with guidelines set out by the Investment Association the Company can issue a maximum of 10% of its issued share capital in a rolling 10-year period to employees under all its share plans, with an inner 5% limit applying to discretionary plans.

Other than the Executive Chairman Simon Laffin, who was allocated 33,803 Ordinary Shares via the scrip dividend alternative, there has been no movement in Directors' shareholdings since the year end.

Performance graph and table

The Committee believes that the Executive Directors' Remuneration Policy and the supporting reward structure provide clear alignment with the Company's performance. The Committee believes it is appropriate to monitor the Company's performance against the FTSE All Share Real Estate Investment Trusts index for these purposes.

The graph below sets out the TSR performance of the Company compared to the FTSE Real Estate Investment Trusts index and for comparison, the FTSE All Share index over a seven-year period as required by the Regulations:



The table below shows the Chief Executives' remuneration packages over the past seven years:

Year	Name	Single figure of total remuneration (£'000)[1]	Bonus pay-out (as percentage maximum opportunity)	Long-term incentive vesting rates (as percentage maximum opportunity)
2015/16	Graham Roberts	3,747	71	100
2014/15	Graham Roberts	677	90	–
2013/14	Graham Roberts	680	95	–
2012/13	Graham Roberts	674	100	–
2011/12	Nigel Rawlings[2]	395	85	–
2010/11	Nigel Rawlings	314	75	–
2009/10	Nigel Rawlings (from 16/03/10)	11	–	–
2009/10	Richard Burrell[3, 4] (until 15/03/10)	487	–	–

Notes
1. Includes base salary, taxable benefits, bonus payments for the relevant financial year, long-term incentive awards that vested for performance related to the financial year and cash in lieu of pension.
2. Nigel Rawlings ceased to be a Director with effect from 30 April 2012. The bonus of £100,000 was a one-off award reflecting his contribution to selling the Pharmacy business.
3. Richard Burrell ceased to be a Director on 15 March 2010.
4. During the financial year 2009/10 Richard Burrell was Chief Executive from 1 April 2009 until 15 March 2010 when Nigel Rawlings assumed the position. The amounts above are therefore reflective of the relative lengths of service.

Percentage change in the Chief Executive's remuneration

The table below compares the percentage increase in the Chief Executive's pay (including salary and fees, taxable benefits and annual bonus) with the wider employee population. The Company considers the 34 full-time employee population, excluding the Executive Board, to be an appropriate comparator group:

	Salary % increase	Taxable benefits % increase	Bonus % increase/ (decrease)
Chief Executive	1.5	26.7	(24.6)
Total employee pay	2.6	20.9	(11.6)
Average employee pay	4.1	51.0	(27.9)

Relative importance of spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders:

Significant distributions	2014/15 (£m)	2015/16 (£m)	% change
Overall spend on pay for employees including Executive Directors	3.0	3.3	10.0
Distributions to shareholders by way of dividends	14.4	27.2	88.9

Remuneration Report continued

Payments to past Directors or for loss of office

During the year there were no payments to past Directors, and no payments for loss of office.

Statement of shareholder voting

The table below shows the advisory vote on the 2014/15 Directors' Remuneration Report at the AGM held on 21 July 2015.

2015 AGM resolution	Votes for	%	Votes against	%	Votes withheld
Annual Report on Remuneration	746,691,664	99.45	4,131,501	0.55	5,409,352

Statement of implementation of Remuneration Policy for 2016/17

Executive Directors

Salary

In setting salary levels for 2016/17 for the Executive Directors, the Committee considered a number of factors, including individual performance and experience, pay and conditions for employees across the Group, the general performance of the Company, pay levels in other comparable companies and the economic environment. The salaries for 2016/17 and the relative increases are set out below:

Executive Director	2015/16 salary (£'000)	2016/17 salary (£'000)	% change
Graham Roberts	322	326	1.5
Jonathan Murphy	215	235	9.3

As noted above, for 2016/17 Graham Roberts' salary will be increased by 1.5% to £326,400, with Jonathan Murphy's salary increased by 9.3% to £235,000. Jonathan's higher increase reflects the fact that, despite increases made over recent years, his salary remained significantly below the average commanded by similar post-holders. The Committee is entirely comfortable that this increase is appropriate, given Jonathan's continued strong performance, together with the fact that even his new salary remains in line only with lower quartile comparators, and is, therefore, consistent with the existing policy.

Pension and benefits

As was the case last year, Graham Roberts and Jonathan Murphy will receive payments in lieu of pension contributions equivalent to 20% and 13.5% of salary respectively. Benefits will be provided in line with the Remuneration Policy.

Annual bonus

The maximum bonus opportunity for 2016/17 will be 100% of salary for Graham Roberts and (if the new Policy is approved by shareholders) 75% for Jonathan Murphy.

The performance objectives under the annual bonus plan for 2016/17 relate to value-added opportunities, within the portfolio and from market activity, financial targets and customer satisfaction. The Committee is of the opinion that the precise performance targets for the bonus plan are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Appropriate levels of disclosure of the actual targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any pay-outs. The Committee will also follow the same practice of previous years and view the weightings for bonus purposes at the end of the year, having regard to all known factors. Noting best/market practice, a deferred share element will be introduced into the annual bonus plan going forward, under which up to 50% of any bonus earned by an Executive Director will be deferred into shares for two years to the extent that the Executive Director does not already hold shares worth at least 300% of salary.

Long-term incentives

Subject to formal shareholder approval being obtained for the new PSP at the forthcoming AGM, the Committee intends to make the first grant of awards under this new plan following the AGM. It is currently intended that both Graham Roberts and Jonathan Murphy will be granted awards over shares worth 150% of salary which will vest subject to the extent to which the following performance conditions are satisfied:

Absolute TSR growth: 50% of award

Absolute average annual compound TSR growth over performance period	Percentage of this portion of award that vests
Below 5%	0%
5%	0%
15%	100%

NAV per share growth (including the value of dividends paid): 50% of award

Absolute average annual compound NAV per share growth over performance period	Percentage of this portion of award that vests
Below 5%	0%
5%	0%
15%	100%

Straight-line vesting would occur between each target.

Non-Executive Directors

The following table sets out the fee rates for the non-Executive Directors from 1 April 2016:

	2015/16 £'000	2016/17 £'000	% change
Chairman fee	128.5	130.5	1.6
Non-Executive Director base fee	36.2	36.9	1.9
Additional fee for Chairmanship of Audit and Remuneration Committee	8.2	8.3	1.2
Additional fee for Senior Independent Director	8.2	8.3	1.2

By order of the Board

JENEFER GREENWOOD
CHAIRMAN OF THE REMUNERATION COMMITTEE
17 May 2016

Directors' Report

Financial and business reporting

The Directors present their Annual Report and Accounts on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2016. The Corporate Governance Statement set out on page 52 forms part of this report.

The Directors' Report and the other sections of this Annual Report contain forward-looking statements. The extent to which the Company's shareholders or anyone may rely on these forward-looking statements is set out in the Glossary on page 124.

Principal activities

Assura plc is a leading primary care property investor and developer. It owns and procures good quality primary care properties across the UK.

The subsidiary and associated undertakings are listed in Note 9 to the accounts.

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 38 to 43, which are incorporated in this report by reference.

Going concern

Assura's business activities together with factors likely to affect its future performance are set out in the business review on pages 38 to 43. In addition, Note 23 to the accounts 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 a number of financial institutions, none of which are repayable before May 2021 other than modest annual amortisation. In addition to surplus available cash of £43.7 million at 31 March 2016 (2015: £65.3 million), the Group has undrawn facilities of £75 million at the date of this report.

The Group's primary care property developments in progress are all substantially pre-let.

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 14.0 years. They are diverse both geographically and by lot size and therefore represent excellent security.

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.

Accordingly, the Board considers it appropriate that the financial statements have been prepared on a going concern basis of accounting and there are no material uncertainties to the Company's ability to continue to prepare them on this basis over a period of at least 12 months.

Long-term viability statement

The Company's viability statement is on page 32.

Internal controls 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 risk management and internal control systems including financial, operational and compliance control systems.

The Board monitors these systems on an ongoing basis and this year's review found them to be operating effectively.

Dividends

Details of the dividend can be found in Note 19 to the accounts. The Group benefits from brought forward tax losses which results in all dividends paid during the year being paid as ordinary dividends with an associated tax credit.

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 2016, the average number of days taken by the Group to pay its suppliers was 22 days (2015: 23 days).

Post balance sheet events

On 17 May 2016 the Group signed a new £200 million revolving credit facility with a club of four banks. This replaced an existing £120 million facility.

Directors' liability insurance

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

Company share scheme

The Assura plc Employee Benefit Trust holds 1,256,714 (0.1%) of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependants. 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 plc.

Donations

In the year to 31 March 2016 Assura donated £29,520 to charities (2015: £26,962), all of which were UK registered charities, and no contributions were made for political purposes (2015: nil). More details of our chosen charities can be found on pages 46 and 47.

Employees

Employees 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 award proportionate to the individual's contribution. Employees are provided regularly with information regarding progress against the budget, financial and economic factors affecting the business's performance and other matters of concern to them. In addition, all staff are eligible to participate in a defined contribution pension scheme. 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 Directors and being given the opportunity to express views and opinions.

The Group is committed 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 are provided.

Share capital

The issued share capital of the Company is 1,637,706,738 Ordinary Shares of 10 pence each.

Gender ratios

Board

1 4

Senior management team

2 5

Employee workforce

18 17

as at 17 May 2016

Interests in voting rights

As at 1 May 2016 the Company had been notified of the following interests representing 3% or more of its issued Ordinary Share Capital:

	31 March 2016		1 May 2016	
Name of shareholder	**Number of shares**	**Percentage of Ordinary Shares**	Number of shares	Percentage of Ordinary Shares
Invesco Limited	**352,848,325**	**21.55**	352,848,325	21.52
Artemis Investment Management	**187,028,735**	**11.42**	174,519,607	10.64
Aberdeen Asset Management	**64,856,216**	**3.96**	82,606,987	5.04
BlackRock (BGI)	**81,967,814**	**5.01**	79,427,446	4.84
Cohen & Steers Capital Management	**57,804,597**	**3.53**	64,117,695	3.91
Investec Wealth & Investment	**64,293,423**	**3.93**	62,624,873	3.82
Legal & General	**56,259,018**	**3.44**	56,655,043	3.45
Troy Asset Management	**55,602,002**	**3.40**	55,602,002	3.39

Directors' Report continued

Price risk, credit risk, liquidity risk and cash flow risk

Full details of how these risks are mitigated can be found in Note 23 to the accounts.

Future developments

Details of future developments are discussed on pages 38 to 41 in the business review.

Greenhouse gas emissions

The greenhouse gas emissions from operating activities and property occupied by the Company represented 74.5mt CO_2e (2015: 71.7mt CO_2e). These reported levels exclude investment properties where we are not the occupier.

Competition and Markets Authority (CMA) Order

The Company confirms that it has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 published by the CMA on 26 September 2014.

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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors, on recommendation from the Audit Committee, intend to place a resolution before the AGM to re-appoint Deloitte LLP as auditor for the year ending 31 March 2017.

Amendments to the Articles of Incorporation

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

Interim dividend payment

The Board has recently become aware of a technical irregularity with regard to the payment by the Company of the interim dividend to shareholders in April 2016 ("the Dividend").

Distributions made by a company must not exceed the distributable profits as reported in the last set of "relevant accounts" of the company. For the purposes of the Companies Act the "relevant accounts" are either a company's last annual audited accounts or its last interim accounts. In order to rely on interim accounts to pay a dividend a company must file those interim accounts with the Registrar of Companies. When the Company paid the Dividend, although it had sufficient distributable reserves to make the payment at the payment date, interim accounts showing the requisite level of distributable profits had not been filed with the Registrar of Companies and as a result, the Dividend was paid in technical infringement of the Companies Act 2006.

The technical non-compliance with the Companies Act 2006 could, in theory, result in a right for the Company to claim repayment of the Dividend from certain shareholders and/or the Directors who approved the payments. Clearly it is not the intention of the Company that any such claims should be made by the Company against either its shareholders or its Directors. In order to put the shareholders and the Directors into the position in which they were always intended to be, the Company proposes to release and waive any such claims. Resolutions will be put to shareholders at the AGM to approve such release and waiver and to protect the shareholders and Directors against any future claims.

Annual General Meeting

The AGM of the Company will be held at the offices of Addleshaw Goddard, 60 Chiswell Street, London EC1Y 4AG on 19 July 2016 at 11am.

Both the Directors' Report and the Strategic Report were approved by the Board and signed on its behalf.

ORLA BALL
COMPANY SECRETARY
17 May 2016

Directors' Responsibility Statement

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

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

In preparing these financial statements, IAS 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 Act 2006. 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 the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

ORLA BALL
COMPANY SECRETARY
17 May 2016

Independent Auditor's Report

Opinion on financial statements of Assura plc	In our opinion the financial statements: ■ give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2016 and of the Group's and the Parent Company's profit for the year then ended; ■ have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and ■ have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The financial statements comprise the Consolidated and Parent Company Income Statements, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related Notes 1 to 26 and A to F. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.
Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group	As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within the Directors' Report and the Directors' statement on the longer-term viability of the Group contained within the strategic report on page 32. We have nothing material to add or draw attention to in relation to: ■ the Directors' confirmation on page 30 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; ■ the disclosures on pages 33 to 37 that describe those risks and explain how they are being managed or mitigated; ■ the Directors' statement in the Directors' Report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and ■ the Directors' explanation on page 32 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of property portfolio The Group owns and manages a portfolio of primary care properties (including a number of development properties). The valuation of the portfolio is underpinned by a number of judgements and assumptions which creates significant estimation uncertainty. The properties are valued at six-monthly intervals by professionally qualified external valuers using the investment method of valuation. Development properties are valued by the same method with a deduction of all costs necessary to complete the development together with a developer's margin. The closing fair value of the portfolio as at 31 March 2016 is £1,109.4 million (2015: £925.3 million). See accounting policies in Note 2 and Note 10 to the financial statements.	We assessed management's process for reviewing and challenging the work of the external valuers. We reviewed the external valuation reports to assess whether the approach taken is in accordance with the Royal Institution of Chartered Surveyors ("RICS"). We performed data analysis, stratifying the properties into sub-categories and identifying a range of average yields for each category. We then benchmarked these ranges both internally and against relevant external data where available. We held calls with the third party valuers, Savills and Jones Lang LaSalle, appointed by management for the valuation of the property portfolio and we challenged and evaluated the significant judgements and assumptions applied in their valuations including outstanding rent reviews and yields. We also challenged and discussed any outliers identified through our analysis. Further, our in-house property specialists were integrated into the audit of the property portfolio in order to provide sector specific knowledge as part of our evaluation and challenge of the valuations. We assessed the competence, independence and integrity of the external valuers, by consideration of their professional qualifications and market standing as valuers of primary care properties. We verified the integrity of a sample of information provided to valuers by management relating to rental income, occupancy and life of the lease. We assessed the forecast costs to complete and developer's margin on development properties, agreeing any committed amounts to underlying contracts and agreeing a sample of costs incurred in the year to supporting documentation.
Accounting for acquisitions During the current year, the Group has undertaken a number of significant acquisitions of companies which own one or more properties.	We challenged the assumption that the acquisitions constitute asset purchases rather than business combinations. We verified the fair value of consideration paid by reference to acquisition agreements and other external evidence. We performed procedures to assess the fair value of the assets and liabilities acquired and assessed the accounting treatment adopted, with reference to the significant judgements and estimates involved (as per Note 2). We considered the date at which the transactions completed based on the acquisition or disposal agreements and considered the impact of these transactions on revenue recognition. We considered the adequacy of the disclosure of the transactions in the financial statements.

Independent Auditor's Report continued

The risks included within this audit report are consistent with those reported in the year ended 31 March 2015 audit report.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 55.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the Group to be £1.5 million (2015: £1.5 million). In determining the materiality of the Group, we have considered a number of factors including net assets, underlying profit and profit before tax being the critical performance measures of the Group. The figure represents 5% of pre-tax profit and less than 0.5% of equity. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £30,000 (2015: £30,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group is audited in its entirety by Deloitte LLP in Manchester. Our audit work on the individual subsidiary entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. At the parent entity level we also tested the consolidation process.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: ■ the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and ■ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: ■ we have not received all the information and explanations we require for our audit; or ■ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ■ the Parent Company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement	Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is: ■ materially inconsistent with the information in the audited financial statements; or ■ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ■ otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
Respective responsibilities of Directors and auditor	As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 Group's and the Parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

RACHEL ARGYLE (SENIOR STATUTORY AUDITOR)
for and behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, UK
17 May 2016

Consolidated income statement

For the year ended 31 March 2016

	Note	2016 Underlying £m	2016 Capital and other £m	2016 Total £m	2015 Underlying £m	2015 Capital and other £m	2015 Total £m
Continuing operations							
Gross rental and related income	3	61.0	–	61.0	51.1	–	51.1
Property operating expenses		(2.6)	–	(2.6)	(2.9)	–	(2.9)
Net rental income		58.4	–	58.4	48.2	–	48.2
Administrative expenses	4	(6.1)	–	(6.1)	(5.7)	–	(5.7)
Revaluation gains	10	–	36.4	36.4	–	21.4	21.4
Gain/(loss) on sale of property		–	0.1	0.1	–	(0.1)	(0.1)
Share-based payment charge	20	–	(1.9)	(1.9)	–	(0.7)	(0.7)
Finance revenue	3	0.2	–	0.2	0.4	–	0.4
Finance costs	5	(24.2)	–	(24.2)	(27.0)	–	(27.0)
Early repayment costs	17	–	(34.1)	(34.1)	–	–	–
Gain on derivative financial instruments	5	–	–	–	–	0.1	0.1
Profit before taxation		28.3	0.5	28.8	15.9	20.7	36.6
Taxation	6			(0.9)			0.6
Profit for the year attributable to equity holders of the parent				27.9			37.2
Earnings per share							
from underlying profit – basic	7	2.2p			2.1p		
on profit for year – basic	7			2.2p			4.9p
– diluted	7			2.1p			4.7p

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

Consolidated balance sheet

As at 31 March 2016

	Note	2016 £m	2015 £m
Non-current assets			
Investment property	10	**1,109.4**	925.3
Investments	9	**0.4**	0.4
Property, plant and equipment	11	**0.2**	0.1
Deferred tax asset	22	**0.4**	1.3
		1,110.4	927.1
Current assets			
Cash, cash equivalents and restricted cash	12	**44.3**	66.5
Trade and other receivables	13	**7.5**	8.3
Property assets held for sale	10	**1.7**	5.4
		53.5	80.2
Total assets		**1,163.9**	1,007.3
Current liabilities			
Trade and other payables	14	**16.5**	18.9
Borrowings	17	**4.0**	8.0
Deferred revenue	15	**14.2**	12.7
Provisions	16	**0.3**	0.1
		35.0	39.7
Non-current liabilities			
Borrowings	17	**365.2**	505.5
Obligations due under finance leases	14	**3.0**	3.0
Deferred revenue	15	**6.4**	6.9
Provisions	16	**–**	0.3
		374.6	515.7
Total liabilities		**409.6**	555.4
Net assets		**754.3**	451.9
Capital and reserves			
Share capital	18	**163.8**	100.7
Own shares held	18	**(0.6)**	(1.8)
Share premium		**241.9**	–
Merger reserve		**231.2**	231.2
Reserves		**118.0**	121.8
Total equity		**754.3**	451.9
Net asset value per Ordinary Share – basic	8	**46.1p**	44.9p
– diluted	8	**45.7p**	44.0p
Adjusted (EPRA) net asset value per Ordinary Share – basic	8	**46.1p**	44.9p
– diluted	8	**45.8p**	44.0p

The financial statements were approved at a meeting of the Board of Directors held on 17 May 2016 and signed on its behalf by:

SIMON LAFFIN
EXECUTIVE CHAIRMAN

JONATHAN MURPHY
FINANCE DIRECTOR

Consolidated statement of changes in equity

For the year ended 31 March 2016

	Note	Share capital £m	Own shares held £m	Share premium £m	Merger reserve £m	Reserves £m	Total equity £m
1 April 2014		53.0	(1.9)	77.1	–	98.4	226.6
Profit attributable to equity holders		–	–	–	–	37.2	37.2
Total comprehensive income		–	–	–	–	37.2	37.2
Issue of Ordinary Shares	18	47.7	–	160.8	–	–	208.5
Issue costs		–	–	(6.7)	–	–	(6.7)
Scheme of arrangement	18	–	–	(231.2)	231.2	–	–
Dividends	19	–	–	–	–	(14.4)	(14.4)
Own shares held		–	0.1	–	–	(0.1)	–
Employee share-based incentives		–	–	–	–	0.7	0.7
31 March 2015		100.7	(1.8)	–	231.2	121.8	451.9
Profit attributable to equity holders		**–**	**–**	**–**	**–**	**27.9**	**27.9**
Total comprehensive income		**–**	**–**	**–**	**–**	**27.9**	**27.9**
Issue of Ordinary Shares	18	**62.5**	**(0.3)**	**250.7**	**–**	**–**	**312.9**
Issue costs		**–**	**–**	**(9.5)**	**–**	**–**	**(9.5)**
Dividends	19	**0.2**	**–**	**0.7**	**–**	**(27.2)**	**(26.3)**
Employee share-based incentives		**0.4**	**1.5**	**–**	**–**	**(4.5)**	**(2.6)**
31 March 2016		**163.8**	**(0.6)**	**241.9**	**231.2**	**118.0**	**754.3**

Consolidated cash flow statement

For the year ended 31 March 2016

	Note	2016 £m	2015 £m
Operating activities			
Rent received		**62.7**	50.8
Interest paid and similar charges		**(25.9)**	(26.9)
Fees received		**0.8**	1.0
Interest received		**0.2**	0.4
Cash paid to suppliers and employees		**(14.9)**	(8.4)
Net cash inflow from operating activities	21	**22.9**	16.9
Investing activities			
Purchase of investment property		**(122.5)**	(64.3)
Development expenditure		**(17.7)**	(14.0)
Proceeds from sale of property		**1.5**	4.2
Expenditure on property, plant and equipment		**(0.2)**	–
Net loans received from associated companies		**–**	0.1
Net cash outflow from investing activities		**(138.9)**	(74.0)
Financing activities			
Issue of Ordinary Shares		**308.6**	180.2
Issue costs paid on issuance of Ordinary Shares		**(9.5)**	(6.7)
Dividends paid	19	**(26.3)**	(14.4)
Repayment of loans	17	**(188.5)**	(64.1)
Long-term loans drawdown	17	**45.0**	–
Early repayment costs	17	**(34.1)**	–
Cash settlement of loan fair value adjustments		**–**	(7.8)
Swap cash settlement		**–**	(1.7)
Loan issue costs		**(1.4)**	(0.5)
Net cash inflow from financing activities		**93.8**	85.0
(Decrease)/increase in cash and cash equivalents		**(22.2)**	27.9
Opening cash and cash equivalents		**66.5**	38.6
Closing cash and cash equivalents	12	**44.3**	66.5

Notes to the accounts
For the year ended 31 March 2016

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

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

2. Significant accounting policies
Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investment properties, including investment properties under construction and land which are included at fair value. The financial statements have also been prepared in accordance with IFRSs and interpretations adopted by the European Union and in accordance with the Companies Act 2006.

Standards affecting the financial statements
The following standards and amendments became effective for the Company in the year ended 31 March 2016. The pronouncements either had no material impact on the financial statements or resulted in changes in presentation and disclosure only:

– Annual improvements 2010 – 2012 cycle
– Annual improvements 2011 – 2013 cycle

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 but are continuing to assess the potential impact (effective for periods beginning on or after the date in brackets):

– IFRS 9 Financial Instruments (not yet endorsed in the EU)
– IFRS 15 Revenue from Contracts with Customers (not yet endorsed in the EU)
– IFRS 16 Leases (not yet endorsed in the EU)
– Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (1 January 2016)
– Equity Method in Separate Financial Statements – Amendments to IAS 27 (1 January 2016)
– Disclosure Initiative – Amendments to IAS 1 (1 January 2016)
– Annual improvements 2012 – 2014 cycle

The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 86 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.

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

Property valuations
The key source of estimation and uncertainty relates to the valuation of the property portfolio, where a valuation is obtained twice a year from professionally qualified external valuers. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Property valuations are one of the principal uncertainties of the Group.

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2. Significant accounting policies continued

Accounting for acquisitions

A degree of judgement is required in relation to acquisitions to determine whether they should be accounted for as business combinations under IFRS 3 or as asset purchases. Consideration is taken of all the facts, including whether business processes or employees have been assumed, concerning the transaction in making the appropriate judgement. In addition, the fair value of assets and liabilities acquired as part of the transaction must be determined, which is based on external market evidence where available.

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.

In the Company financial statements, investments in subsidiaries are held at cost less any provision for impairment.

Where properties are acquired through the purchase of a corporate entity but the transaction does not meet the definition of a business combination under IFRS 3, the purchase is treated as an asset acquisition. Where the acquisition is considered a business combination, the excess of the consideration transferred over the fair value of assets and liabilities acquired is held as goodwill, initially recognised at cost with subsequent impairment assessments completed at least annually. Where the initial calculation of goodwill arising is negative, this is recognised immediately in the income statement.

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.

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.

2. Significant accounting policies continued

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 expected tax payable on any non-REIT taxable income for the period and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax 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 earnings, with further Company adjustments to exclude items such as property revaluations, exceptional items and share-based payment charges. These adjustments have been made on the basis they are non-recurring or 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, including exceptional items.

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 Payments has been applied to share options granted.

Segmental information
The Group is run as one business and as such no segmental analysis is presented for the current or prior year results.

3. Revenue

	2016 £m	2015 £m
Rental revenue	**60.2**	50.1
Other related income	**0.8**	1.0
Gross rental and related income	**61.0**	51.1
Finance revenue		
Bank and other interest	**0.2**	0.4
	0.2	0.4
Total revenue	**61.2**	51.5

4. Administrative expenses

	Note	2016 £m	2015 £m
Wages and salaries		**1.9**	1.6
Social security costs		**0.4**	0.3
		2.3	1.9
Auditor's remuneration	4(a)	**0.2**	0.3
Directors' remuneration and fees		**1.2**	1.3
Other administrative expenses		**2.4**	2.2
		6.1	5.7

a) Auditor's remuneration

	2016 £m	2015 £m
Fees payable to auditor for audit of Company's annual accounts	**0.1**	–
Fees payable to auditor for audit of Company's subsidiaries	**0.1**	0.1
Total audit fees	**0.2**	0.1
Reporting accountant services	**–**	0.1
Tax services – advisory	**–**	0.1
	0.2	0.3

The Audit Committee considers the level of non-audit fees prior to work commencing to ensure independence is maintained. Detail of considerations during the year is provided on page 56.

The average monthly number of employees during the year was 33 (2015: 30).

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

	2016 £m	2015 £m
Key management staff		
Salaries, pension, holiday pay, payments in lieu of notice and bonus	**1.8**	1.7
Cost of employee share-based incentives (including related social security costs)	**1.8**	0.7
Social security costs	**0.3**	0.3
	3.9	2.7

5. Finance costs

	2016 £m	2015 £m
Interest payable	**24.1**	27.1
Interest capitalised on developments	**(0.5)**	(0.4)
Amortisation of loan issue costs	**0.6**	0.6
Amortisation of loan fair value adjustments	**–**	(0.3)
	24.2	27.0
Early repayment costs (Note 17)	**34.1**	–
Change in fair value of interest rate swaps	**–**	(0.1)
	58.3	26.9

Interest was capitalised on property developments at 5% (2015: 5%).

6. Taxation

Consolidated income tax	2016 £m	2015 £m
Deferred tax		
Relating to origination and reversal of temporary differences	**0.9**	(0.6)
Income tax charge/(credit) reported in consolidated income statement	**0.9**	(0.6)

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

	2016 £m	2015 £m
Profit before taxation	**28.8**	36.6
UK income tax at rate of 20% (2015: 21%)	**5.8**	7.7
Effects of:		
Non-taxable income (including REIT exempt income)	**(6.0)**	(8.9)
Expenses not deductible for tax purposes	**0.6**	2.2
Movement in unrecognised deferred tax	**0.5**	(1.6)
	0.9	(0.6)

The Group elected to be treated as a UK REIT with effect from 1 April 2013. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 20% (2016: 20%).

The Group tax charge/(credit) relates to its non-property income. As the Group has sufficient brought forward tax losses, no tax is due and so the amount represents the movement in deferred tax. The movement in part relates to brought forward losses that have been utilised during the year, with the remainder representing a change in the estimated losses that will be utilised in the future.

As a REIT, the Group is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's rental profit calculated by reference to tax rules rather than accounting standards. In the year to 31 March 2016 the taxable rental profit of the Group was £nil as a result of capital allowances available, and consequently no PID was required.

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. The Group remains compliant at 31 March 2016.

Further reductions in the main rate of corporation tax have been substantively enacted; the rate will reduce to 19% from 1 April 2017 and 18% from 1 April 2020. These changes have been reflected in the calculation of deferred tax.

7. Earnings per Ordinary Share

	Earnings 2016 £m	Adjusted (EPRA) earnings 2016 £m	Earnings 2015 £m	Adjusted (EPRA) earnings 2015 £m
Profit for the year	**27.9**	**27.9**	37.2	37.2
Early repayment costs		**34.1**		–
Revaluation gains		**(36.4)**		(21.4)
Revaluation of derivative financial instruments		**–**		(0.1)
(Gain)/loss on sale of property		**(0.1)**		0.1
Adjusted (EPRA) earnings		**25.5**		15.8
Weighted average number of shares in issue – basic	**1,300,338,908**	**1,300,338,908**	763,163,756	763,163,756
Potential dilutive impact of VCP	**11,243,261**	**11,243,261**	20,723,772	20,723,772
Weighted average number of shares in issue – diluted	**1,311,582,169**	**1,311,582,169**	783,887,528	783,887,528
Earnings per Ordinary Share – basic	**2.2p**	**2.0p**	4.9p	2.1p
Earnings per Ordinary Share – diluted	**2.1p**	**2.0p**	4.7p	2.0p

Underlying profit per share of 2.2 pence (2015: 2.1 pence) has been calculated as underlying profit for the year as presented on the income statement of £28.3 million (2015: £15.9 million) divided by the weighted average number of shares in issue of 1,300,338,908 (2015: 763,163,756). Based on the diluted weighted average shares, underlying profit per share is 2.2 pence (2015: 2.0 pence).

As set out on pages 79 and 80, the current estimated number of shares over which nil-cost options may be issued to participants is 12.5 million (2015: 24.6 million). After allowing for shares held by the Employee Benefit Trust, this would amount to a potential issuance of a further 11.2 million (2015: 20.7 million) shares over the course of the next three years.

Notes to the accounts continued

For the year ended 31 March 2016

8. Net asset value per Ordinary Share

	Net asset value 2016 £m	Adjusted (EPRA) net asset value 2016 £m	Net asset value 2015 £m	Adjusted (EPRA) net asset value 2015 £m
Net assets	754.3	754.3	451.9	451.9
Own shares held		0.6		1.8
Deferred tax		(0.4)		(1.3)
NAV in accordance with EPRA		754.5		452.4
Number of shares in issue	1,637,706,738	1,637,706,738	1,006,900,141	1,006,900,141
Potential dilutive impact of VCP (Note 7)	11,243,261	11,243,261	20,723,772	20,723,772
Diluted number of shares in issue	1,648,949,999	1,648,949,999	1,027,623,913	1,027,623,913
NAV per Ordinary Share – basic	46.1p	46.1p	44.9p	44.9p
NAV per Ordinary Share – diluted	45.7p	45.8p	44.0p	44.0p

	Adjusted net asset value 2016 £m	Adjusted net asset value 2015 £m
EPRA NAV	754.5	452.4
Mark to market of fixed rate debt	(60.2)	(90.7)
EPRA NNNAV	694.3	361.7
EPRA NNNAV per Ordinary Share	42.4p	35.9p

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

Mark to market adjustments have been provided by the counterparty or by reference to the quoted fair value of financial instruments.

9. Investments

Below is listing of all subsidiaries of Assura plc:

Property investment companies	Holding or dormant companies
Abbey Healthcare Group Ltd*	AH Medical Properties Ltd*
Abbey Healthcare Property Investments Ltd*	Assura (AHI) Ltd*
Assura Aspire Ltd*	Assura Aylesham Ltd*
Assura Aspire UK Ltd*	Assura Banbury Ltd*
Assura CVSK Ltd*	Assura CS Ltd*
Assura HC Ltd*	Assura Financing Ltd*
Assura HC UK Ltd*	Assura Grimsby Ltd*
Assura Health Investments Ltd*	Assura Group Ltd (Guernsey)
Assura Medical Centres Ltd*	Assura HC Holdings Ltd*
Assura PCP UK Ltd*	Assura IH Ltd
Assura Primary Care Properties Ltd*	Assura Investments Ltd*
Assura Properties plc*	Assura Kensington Ltd*
Assura Properties UK Ltd*	Assura Management Services Ltd*
Assura Trellech Ltd*	Assura Pharmacy Holdings Ltd* (Guernsey)
BHE (Heartlands) Ltd*	Assura Pharminvest Ltd*
BHE (St James) Ltd*	Assura Property Ltd* (Guernsey)
Malmesbury Medical Enterprise Ltd*	Assura Property Management Ltd*
Medical Properties Ltd*	Assura Retail York Ltd*
Metro MRH Ltd*	Assura Services Ltd*
Metro MRI Ltd*	Assura Southampton Ltd*
Metro MRM Ltd*	Assura Stanwell Ltd*
Newton Healthcare Ltd*	Assura Todmorden Ltd*
Park Medical Services Ltd*	Assura Tunbridge Wells Ltd*
Pentagon HS Ltd*	MP Realty Holdings Ltd*
SPCD (Silsden) Ltd*	PCI Management Ltd*
Trinity Medical Properties Ltd*	PH Investment (No. 1) Ltd*
	Primary Care Initiatives (Macclesfield) Ltd*
	Riddings Pharmco Ltd*
	South Kirkby Property Ltd*
	SPCD (Balsall Common) Ltd*
	SPCD (Crawcrook) Ltd*
	SPCD (Davyhulme) Ltd*
	SPCD (Didcot) Ltd*
	SPCD (Kincaidston) Ltd*
	SPCD (Rugeley) Ltd*
	SPCD (Sutton in Ashfield) Ltd*
	Trinity Medical Developments Ltd*

* Indicates subsidiary owned by intermediate subsidiary of Assura plc.

All companies are wholly owned by the Group and registered in England unless otherwise indicated. Taking into consideration the facts of each transaction, acquisitions of companies owning property completed during the years ended 31 March 2016 and 31 March 2015 have been accounted for as asset purchases as opposed to business combinations.

The Group also holds the following investments:

GB Partnerships Investments Limited; 15% equity holding (book value £0.4 million, 2015: £0.4 million).

Virgin Healthcare Holdings Limited; made up of a 6% equity holding (book value £nil) and a £4 million loan note receivable (book value £nil, 2015: £nil).

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For the year ended 31 March 2016

10. 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 2016. The properties have been valued individually and on the basis of open market value in accordance with RICS Valuation – Professional Standards 2014 ("the Red Book"). Valuers are paid on the basis of a fixed fee arrangement, subject to the number of properties valued.

Initial yields mainly range from 4.65% to 5.25% (2015: 5.25% to 5.50%) for prime units, increasing up to 6.15% (March 2015: 6.15%) for older units with shorter unexpired lease terms. For properties with weaker tenants and poorer units, the yields range from 6.15% to over 8.0% (March 2015: 6.25% and over 8.0%) and higher for those very close to lease expiry or those approaching obsolescence.

A 0.25% shift of valuation yield would have approximately a £54.2 million (2015: £42.8 million) impact on the investment property valuation.

	Investment 2016 £m	**IPUC 2016 £m**	**Total 2016 £m**	Investment 2015 £m	IPUC 2015 £m	Total 2015 £m
Opening fair value	**915.6**	**6.7**	**922.3**	638.8	14.8	653.6
Additions:						
– acquisitions	**124.5**	**–**	**124.5**	229.8	0.5	230.3
– improvements	**2.7**	**–**	**2.7**	0.7	–	0.7
	127.2	**–**	**127.2**	230.5	0.5	231.0
Development costs	**–**	**17.7**	**17.7**	–	14.0	14.0
Transfers	**16.4**	**(16.4)**	**–**	24.5	(24.5)	–
Transfer from assets held for sale	**0.6**	**3.1**	**3.7**	1.5	4.7	6.2
Capitalised interest	**–**	**0.5**	**0.5**	–	0.4	0.4
Disposals	**(0.6)**	**(0.8)**	**(1.4)**	(2.0)	(2.3)	(4.3)
Unrealised surplus/(deficit) on revaluation	**35.7**	**0.7**	**36.4**	22.3	(0.9)	21.4
Closing market value	**1,094.9**	**11.5**	**1,106.4**	915.6	6.7	922.3
Add finance lease obligations recognised separately	**3.0**	**–**	**3.0**	3.0	–	3.0
Closing fair value of investment property	**1,097.9**	**11.5**	**1,109.4**	918.6	6.7	925.3

	2016 £m	2015 £m
Market value of investment property as estimated by valuer	**1,088.0**	908.3
Add IPUC	**11.5**	6.7
Add pharmacy lease premiums	**6.9**	7.3
Add finance lease obligations recognised separately	**3.0**	3.0
Fair value for financial reporting purposes	**1,109.4**	925.3
Vacant property held for sale	**–**	0.6
Land held for sale	**1.7**	4.8
Total property assets held for sale	**1.7**	5.4
Total property assets	**1,111.1**	930.7

Three land sites are held as available for sale (2015: three property investments and eight land sites).

Fair value hierarchy

The fair value measurement hierarchy for all investment property and IPUC as at 31 March 2016 was Level 3 – Significant unobservable inputs (2015: Level 3). There were no transfers between Levels 1, 2 or 3 during the year.

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10. Property assets continued

Descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques: market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions.

Unobservable inputs

These include: estimated rental value ("ERV") based on market conditions prevailing at the valuation date; estimated average increase in rent based on both market estimations and contractual situations; equivalent yield (defined as the weighted average of the net initial yield and reversionary yield); and the physical condition of the property determined by inspections on a rotational basis.

11. Property, plant and equipment

The Group holds computer and other equipment assets with cost of £0.7 million (2015: £0.5 million) and accumulated depreciation of £0.5 million (2015: £0.4 million), giving a net book value of £0.2 million (2015: £0.1 million).

Additions during the year were £0.2 million (2015: £nil) and depreciation charged to the income statement was £0.1 million (2015: £nil).

12. Cash, cash equivalents and restricted cash

	2016 £m	2015 £m
Cash held in current account	**43.7**	65.3
Restricted cash	**0.6**	1.2
	44.3	66.5

Restricted cash arises where there are rent deposits, 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.

13. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**4.2**	5.6
Prepayments and accrued income	**1.2**	1.1
Other debtors	**2.1**	1.6
	7.5	8.3

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

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 during the year (2015: £nil).

As at 31 March 2016 and 31 March 2015, the analysis of trade debtors that were past due but not impaired is as follows:

			Past due but not impaired			
	Total £m	Neither past due nor impaired £m	>30 days £m	>60 days £m	>90 days £m	>120 days £m
2016	**4.2**	**3.8**	**0.2**	**0.1**	**0.1**	**–**
2015	5.6	5.0	0.4	–	0.2	–

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

14. Trade and other payables

	2016 £m	2015 £m
Trade creditors	**2.8**	2.5
Other creditors and accruals	**11.8**	13.5
VAT creditor	**1.9**	2.9
	16.5	18.9

Finance lease arrangements are amounts payable in respect of leasehold investment property held by the Group. The amounts due after more than one year, which total £3.0 million (2015: £3.0 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 are disclosed in Note 23. The fair value of the Group's lease obligations is approximately equal to their carrying value.

15. Deferred revenue

	2016 £m	2015 £m
Arising from rental received in advance	**13.7**	12.3
Arising from pharmacy lease premiums received in advance	**6.9**	7.3
	20.6	19.6
Current	**14.2**	12.7
Non-current	**6.4**	6.9
	20.6	19.6

16. Provisions

	2016 £m	2015 £m
At 1 April	**0.4**	0.5
Utilisation of provision	**(0.1)**	(0.1)
At 31 March	**0.3**	0.4
Analysed as:		
Current	**0.3**	0.1
Non-current	**–**	0.3
	0.3	0.4

Provisions relate to the onerous property lease on the former Pall Mall office and represent management's best estimate of the Group's liability. The lease expires in July 2016.

17. Borrowings

	2016 £m	2015 £m
At 1 April	**513.5**	450.3
Amount drawn down in year	**45.0**	–
Amount repaid in year	**(188.5)**	(64.1)
Assumed with acquisition of properties/subsidiaries	**–**	135.3
Amortisation of loan fair value adjustments	**–**	(0.3)
Cash settlement of loan fair value adjustments	**–**	(7.8)
Loan issue costs	**(1.4)**	(0.5)
Amortisation of loan issue costs	**0.6**	0.6
At 31 March	**369.2**	513.5
Due within one year	**4.0**	8.0
Due after more than one year	**365.2**	505.5
At 31 March	**369.2**	513.5

The Group has the following bank facilities:

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

2. Loans from Aviva Commercial Finance with an aggregate balance of £217.8 million at 31 March 2016 (2015: £406.6 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2024 and 2044 with a weighted average term of 13.8 years to maturity; £4.0 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 5.43%. The loans carry a debt service cover covenant of 1.05 times and a loan to value covenant of 70%, calculated across all loans and secured properties.

   In November 2015, in line with the debt reduction plan announced in the Prospectus for the October 2015 equity raise, £182.0 million of loans were repaid along with associated early repayment costs of £34.1 million.

3. Five-year club revolving credit facility with RBS, HSBC and Barclays for £120 million at an initial margin of 1.70% above LIBOR, expiring in May 2020. The facility is subject to a historical interest cover requirement of at least 175% and a weighted average lease length of nine years. The facility attracts a non-utilisation fee equal to 40% of the applicable margin. As at 31 March 2016, £45.0 million of this facility was drawn (2015: undrawn). Subsequent to the year end, this facility has been replaced with a new unsecured revolving credit facility of £200 million.

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

18. Share capital

	Number of shares 2016	Share capital 2016 £m	Number of shares 2015	Share capital 2015 £m
Ordinary Shares issued and fully paid				
At 1 April	**1,006,900,141**	**100.7**	529,548,924	53.0
Issued 13 June 2014	–	–	44,264,196	4.4
Issued 15 October 2014	–	–	414,252,873	41.4
Issued 6 November 2014	–	–	18,834,148	1.9
Issued 20 July 2015	**4,545,455**	**0.4**	–	–
Issued 25 September 2015	**3,543,975**	**0.4**	–	–
Issued 14 October 2015	**618,000,000**	**61.8**	–	–
Issued 4 November 2015	**2,229,072**	**0.2**	–	–
Issued 20 January 2016	**1,611,873**	**0.2**	–	–
Issued 27 January 2016	**876,222**	**0.1**	–	–
At 31 March	**1,637,706,738**	**163.8**	1,006,900,141	100.7
Own shares held	**(1,256,714)**	**(0.6)**	(3,911,551)	(1.8)
Total share capital	**1,636,450,024**	**163.2**	1,002,988,590	98.9

Ordinary Shares issued on 20 July 2015, 4 November 2015 and 27 January 2016 represent shares issued as part consideration for the acquisition of investment properties held in corporate vehicles. The shares were valued based on the closing share price the day before issuance with this amount appropriately allocated between share capital and share premium.

On 25 September 2015, 3,543,975 Ordinary Shares were issued following employees exercising nil-cost options awarded under the VCP. Further information can be found in respect of the VCP in Note 20 and on pages 79 and 80 of the Remuneration Report.

On 14 October 2015, 618,000,000 Ordinary Shares were issued by way of a Firm Placing, Placing and Open Offer and Offer for Subscription at a price of 50 pence per Ordinary Share. Gross proceeds to the Company were £309.0 million, which has been allocated appropriately between share capital (£61.8 million) and share premium (£247.2 million). Issue costs totalling £9.5 million were incurred and have been allocated against share premium.

On 20 January 2016, 1,611,873 Ordinary Shares were issued to shareholders who elected to receive Ordinary Shares in lieu of a cash dividend under the Company scrip dividend alternative. This represented 9.9% of shareholders.

On 28 January 2015, Assura plc replaced Assura Group Limited as the top company in the Group following a scheme of arrangement sanctioned by the Royal Court of Guernsey. This capital restructuring was accounted for under merger accounting principles meaning the consolidated accounts have been presented as though the Group had always been constructed this way. Movements in the above table prior to 28 January 2015 relate to Assura Group Limited, with all subsequent movements relating to Assura plc.

Own shares held comprise shares held by the Employee Benefit Trust.

19. Dividends paid on Ordinary Shares

Payment date	Pence per share	Number of Ordinary Shares	2016 £m	2015 £m
23 April 2014	0.45	529,548,924	–	2.4
23 July 2014	0.45	573,813,120	–	2.6
5 November 2014	0.45	988,065,993	–	4.4
21 January 2015	0.5	1,006,900,141	–	5.0
30 April 2015	0.5	1,006,900,141	**5.0**	–
22 July 2015	0.5	1,006,900,141	**5.0**	–
4 November 2015	0.5	1,632,989,571	**8.2**	–
20 January 2016	0.55	1,635,218,643	**9.0**	–
			27.2	14.4

A dividend of 0.55 pence per share was paid to shareholders on 20 April 2016. Subsequent to the payment, it was brought to the attention of the Directors that the dividend payment was technically an infringement of the Companies Act due to interim accounts not having been filed at Companies House. Further information is provided in the Directors' Report on page 88.

A quarterly dividend for 2016/17 of 0.55 pence per share is currently planned to be paid on 20 July 2016 to shareholders on the share register at 16 July 2016.

A scrip dividend alternative was introduced with effect from the January 2016 quarterly dividend. Details of shares issued in lieu of dividend payments can be found in Note 18.

The dividends paid do not include any PIDs as defined under the REIT regime.

20. Share-based payments

As at 31 March 2016, the Group had two long-term incentive schemes in place – the Value Creation Plan ("VCP") and the Executive Recruitment Plan ("ERP").

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 which reviews award levels on a case by case basis.

As at 31 March 2016 the Employee Benefit Trust held a total of 1,256,714 (2015: 3,911,551) Ordinary Shares of 10 pence each in Assura plc. Previous long-term incentive plans have lapsed without vesting.

Value Creation Plan

As at 31 March 2016, a total of 848,950 performance units (2015: 848,950) had been granted to employees (including 575,000 units granted to Executive Directors as detailed in the Remuneration Committee Report).

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.

At the first Measurement Date in August 2015, nil-cost options over 24,999,450 Ordinary Shares were awarded to scheme participants. 50% of these were exercisable in September 2015 with the remainder exercisable in 2016 or 2017 subject to achievement of certain performance hurdles. Further details in respect of the VCP are provided in the Remuneration Committee Report on pages 79 and 80.

Executive Recruitment Plan

During a prior 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 81.

20. Share-based payments continued

All schemes

The fair value of equity settled units granted during 2013 was estimated as at the date of grant using the Monte Carlo Model, 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, being the last point at which a valuation was required under IFRS 2:

	2013
Dividend yield (%)	3.5
Expected share price volatility (%)	20.7
Risk free interest rate (%)	0.74
Expected life of units (years)	4.5

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 2013 was £2,475,000 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 £468,500 (2015: charge of £623,500) and an additional charge has been recorded during the year in respect of the employer national insurance contributions payable on the awards so that the total income statement charge was £1.9 million (2015: £0.7 million).

No share options were outstanding as at 31 March 2016. For share options outstanding as at 31 March 2015, the weighted average remaining contractual life was 0.83 years. No share options were granted during 2016 (2015: none).

21. Note to the consolidated cash flow statement

	2016 £m	2015 £m
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net profit before taxation	**28.8**	36.6
Adjustments for:		
Decrease in debtors	**0.5**	0.9
(Decrease)/increase in creditors	**(1.5)**	0.3
Decrease in provisions	**(0.1)**	(0.1)
Revaluation gain	**(36.4)**	(21.4)
Interest capitalised on developments	**(0.5)**	(0.4)
Gain on revaluation of financial instrument	**–**	(0.1)
(Gain)/loss on disposal of properties	**(0.1)**	0.1
Amortisation of acquired loans fair value adjustment	**–**	(0.3)
Depreciation	**0.1**	–
Early repayment costs	**34.1**	–
Employee share-based incentive costs	**(2.6)**	0.7
Amortisation of loan issue costs	**0.6**	0.6
Net cash inflow from operating activities	**22.9**	16.9

22. Deferred tax

Deferred tax consists of the following:

	2016 £m	2015 £m
At 1 April	**1.3**	0.7
Income statement movement	**(0.9)**	0.6
At 31 March	**0.4**	1.3

The amount of deductible temporary differences and unused tax losses (which have not been recognised) are as follows:

	2016 £m	2015 £m
Tax losses	**213.4**	212.0
Other timing differences	**6.0**	6.0
	219.4	218.0

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:

	2016 £m	2015 £m
Tax losses	**38.4**	42.4
Other temporary differences	**1.1**	1.2
	39.5	43.6

23. 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 capital 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 £16 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 685 tenants at any one time. Furthermore the bulk of the Group's property income derives from the NHS or is reimbursed by the NHS, which has an obligation to ensure that patients can be seen and treated and steps in when GPs are unable to practise, 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.

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23. Derivatives and other financial instruments continued
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 let to GPs and NHS PropCo. 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 that it has a spread of sources and maturities.

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining terms of up to 30 years and have a weighted average lease length of 14.0 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 2016	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
Non-cancellable leases	–	15.9	47.8	252.7	629.0	945.4
Trade and other receivables	–	7.5	–	–	–	7.5
	–	23.4	47.8	252.7	629.0	952.9

Receivables as at 31 March 2015	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Total £m
Non-cancellable leases	–	14.0	41.9	223.9	573.2	853.0
Trade and other receivables	–	8.3	–	–	–	8.3
	–	22.3	41.9	223.9	573.2	861.3

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2016 and 31 March 2015 based on contractual undiscounted payments at the earliest date which the Group can be required to pay.

The total contracted discounted payments are 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. In practice, the Group expects a significant renewal of leases at the end of the lease term.

Payables as at 31 March 2016	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	–	6.5	14.4	99.8	406.8	527.5
Trade and other payables	–	13.3	3.2	0.2	2.8	19.5
Total financial liabilities	–	19.8	17.6	100.0	409.6	547.0

Payables as at 31 March 2015	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	–	10.2	25.4	172.5	650.0	858.1
Trade and other payables	–	14.2	3.5	0.1	2.9	20.7
Total financial liabilities	–	24.4	28.9	172.6	652.9	878.8

23. Derivatives and other financial instruments continued

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, for the majority of loans and borrowings although the Group will accept some exposure to variable rates where deemed appropriate and restricted to one third of the loan book. The swaps are revalued to their market value by reference to market interest rates at each balance sheet date.

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2016 was as follows:

	Within 1 year £m	1 to 5 years £m	>5 years £m	Total £m
Floating rate asset				
Cash	**44.3**	**–**	**–**	**44.3**
Liabilities (fixed rate unless stated)				
Long-term loans:				
Revolving credit facility (variable rate)	**–**	**(45.0)**	**–**	**(45.0)**
Bond	**–**	**–**	**(110.0)**	**(110.0)**
Aviva	**(4.0)**	**(18.6)**	**(195.2)**	**(217.8)**
Payments due under finance leases	**–**	**(0.2)**	**(2.8)**	**(3.0)**

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

Aviva loans decreased during the period to £217.8 million (2015: £406.6 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2024 and 2044. £4.0 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%.

The Group has a revolving credit facility of £120 million which expires in 2020. Interest is charged at an initial rate of LIBOR plus 1.7%

The ageing analysis of the financial assets and liabilities excluding trade receivables and payables of the Group at 31 March 2015 was as follows:

	Within 1 year £m	1 to 5 years £m	>5 years £m	Total £m
Floating rate asset				
Cash	66.5	–	–	66.5
Fixed rate (all liabilities)				
Long-term loans:				
Bond	–	–	(110.0)	(110.0)
Aviva	(8.0)	(37.2)	(361.4)	(406.6)
Payments due under finance leases	(0.1)	(0.1)	(2.8)	(3.0)

Notes to the accounts continued

For the year ended 31 March 2016

23. Derivatives and other financial instruments continued

Sensitivity analysis

As at 31 March 2016, 88% of debt drawn by the Group is subject to fixed interest rates. A 0.25% movement in interest rates would change underlying profit by £0.1 million based on the amount of variable rate debt drawn.

	Book value		Fair value	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Cash	**44.3**	66.5	**44.3**	66.5
Long-term loans	**(369.2)**	(513.5)	**(429.4)**	(604.2)
Payments due under finance leases	**(3.0)**	(3.0)	**(3.0)**	(3.0)

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. The LTV percentage on this basis is 30% at 31 March 2016 (48% at 31 March 2015).

	2016 £m	2015 £m
Investment property	**1,097.9**	918.6
Investment property under construction	**11.5**	6.7
Held for sale – investment property	**–**	0.6
Held for sale – land	**1.7**	4.8
Total property	**1,111.1**	930.7

	2016 £m	2015 £m
Loans	**369.2**	513.5
Finance lease	**3.0**	3.0
Cash	**(44.3)**	(66.5)
Net debt	**327.9**	450.0
LTV	**30%**	48%

24. Commitments

At the year end the Group had two (2015: five) developments on site with a contracted total expenditure of £13.5 million (2015: £22.2 million) of which £8.5 million (2015: £6.1 million) had been expended.

25. Related party transactions

Details of transactions during the year and outstanding balances at 31 March 2016 in respect of associates are detailed in Note 9.

Details of payments to key management personnel are provided in Note 4.

26. Post balance sheet events

Subsequent to the year end, a subsidiary of the Group has replaced the existing revolving credit facility with a new unsecured revolving credit facility of £200 million with the potential to extend further to £300 million.

Company income statement

For the year ended 31 March 2016

	01/04/2015 to 31/03/2016 £m	01/01/2015 to 31/03/2015 £m
Revenue		
Dividends received from subsidiary companies	**50.0**	30.0
Group management charge	**1.2**	–
Total revenue	**51.2**	30.0
Administrative expenses	**(2.1)**	–
Share-based payment charge	**(1.9)**	–
Operating profit	**47.2**	30.0
Profit before taxation	**47.2**	30.0
Taxation	**–**	–
Profit attributable to equity holders	**47.2**	30.0

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 2016

	Note	2016 £m	2015 £m
Non-current assets			
Investments in subsidiary companies	B	**396.7**	396.7
		396.7	396.7
Current assets			
Cash and cash equivalents	C	**5.2**	1.0
Other receivables		**0.1**	–
Amounts owed by subsidiary companies	D	**345.8**	26.6
		351.1	27.6
Current liabilities			
Trade and other payables		**(1.5)**	–
		(1.5)	–
Net assets		**746.3**	424.3
Represented by:			
Capital and reserves			
Share capital	18	**163.8**	100.7
Share premium		**241.9**	–
Own shares held		**(0.6)**	(1.8)
Merger reserve		**295.4**	295.4
Reserves		**45.8**	30.0
Total equity		**746.3**	424.3

The financial statements were approved at a meeting of the Board of Directors held on 17 May 2016 and signed on its behalf by:

SIMON LAFFIN
EXECUTIVE CHAIRMAN

JONATHAN MURPHY
FINANCE DIRECTOR

Company registered number: 9349441

Company statement of changes in equity

For the period ended 31 March 2016

	Note	Share capital £m	Share premium £m	Own shares held £m	Merger reserve £m	Reserves £m	Total equity £m
1 January 2015		0.1	–	–	–	–	0.1
Profit attributable to equity holders		–	–	–	–	30.0	30.0
Total comprehensive income		–	–	–	–	30.0	30.0
Cancellation of opening shares		(0.1)	–	–	–	–	(0.1)
Scheme of arrangement	18	100.7	–	–	296.0	–	396.7
Share issue costs		–	–	–	(0.6)	–	(0.6)
Own shares held		–	–	(1.8)	–	–	(1.8)
31 March 2015		100.7	–	(1.8)	295.4	30.0	424.3
Profit attributable to equity holders		**–**	**–**	**–**	**–**	**47.2**	**47.2**
Total comprehensive income		**–**	**–**	**–**	**–**	**47.2**	**47.2**
Issue of Ordinary Shares	18	**62.5**	**250.7**	**(0.3)**	**–**	**–**	**312.9**
Share issue costs		**–**	**(9.5)**	**–**	**–**	**–**	**(9.5)**
Dividends	19	**0.2**	**0.7**	**–**	**–**	**(27.2)**	**(26.3)**
Employee share-based incentives		**0.4**	**–**	**1.5**	**–**	**(4.2)**	**(2.3)**
31 March 2016		**163.8**	**241.9**	**(0.6)**	**295.4**	**45.8**	**746.3**

Company cash flow statement

For the period ended 31 March 2016

	Note	01/04/2015 to 31/03/2016 £m	01/01/2015 to 31/03/2015 £m
Operating activities			
Dividends received from subsidiaries		**50.0**	30.0
Charges received from subsidiaries		**1.2**	–
Amounts paid to suppliers and employees		**(5.2)**	–
Net cash inflow from operating activities		**46.0**	30.0
Investing activities			
Net loans advanced to subsidiaries		**(314.6)**	(28.4)
Net cash outflow from investing activities		**(314.6)**	(28.4)
Financing activities			
Issue of Ordinary Shares		**308.6**	–
Issue costs paid on issuance of Ordinary Shares		**(9.5)**	(0.6)
Dividends paid		**(26.3)**	–
Net cash inflow/(outflow) from financing activities		**272.8**	(0.6)
Increase in cash and cash equivalents		**4.2**	1.0
Cash and cash equivalents at start of period		**1.0**	–
Cash and cash equivalents at end of period	C	**5.2**	1.0

Notes to the Company accounts
For the period ended 31 March 2016

A. Accounting policies and corporate information
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 to the Group accounts.

B. Investments in subsidiary companies

	2016 £m	2015 £m
Cost	**396.7**	396.7
Provision for diminution in value	**–**	–
	396.7	396.7

Details of all subsidiaries as at 31 March 2016 are shown in Note 9 to the Group accounts.

C. Cash and cash equivalents

	2016 £m	2015 £m
Cash held in current account	**5.2**	1.0

D. Loans to subsidiary companies – current

	2016 £m	2015 £m
Amounts owed by Group undertakings	**345.8**	26.6

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. No provision has been deemed necessary.

E. Related party transactions

	Charges received £m	Dividends received £m	Amounts owed by £m	Amounts owed to £m
Group undertakings				
31 March 2016	**1.2**	**50.0**	**345.8**	**–**
31 March 2015	–	30.0	26.6	–

The above transactions are with subsidiaries.

Notes to the Company accounts continued
For the period ended 31 March 2016

F. 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 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 £5.2 million (31 March 2015: £1.0 million). The Company had trade and other payables of £1.5 million at 31 March 2016 (31 March 2015: £nil).

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

Glossary

Adjusted Earnings per Ordinary Share from Continuing Operations ("Adjusted EPS") is the profit attributable to equity holders of the parent adjusted for non-recurring items including goodwill impairment, revaluation losses on derivative financial instruments (including associates) and movements in deferred tax divided by the weighted average number of shares in issue during the period.

Average Debt Maturity is each tranche of Group debt multiplied by the remaining period to its maturity and the result divided by total Group debt in issue at the year end.

Average Interest Rate is the Group loan interest and derivative costs per annum at the year end, divided by total Group debt in issue at the year end.

BPF is the British Property Federation which is the membership organisation, and the voice, of the UK real estate industry.

Building Research Establishment Environmental Assessment Method ("BREEAM") assesses the sustainability of buildings against a range of criteria.

Clinical Commissioning Groups ("CCGs") are the groups of GPs and other healthcare professionals that took over commissioning of primary and secondary healthcare from PCTs in England with effect 1 April 2013.

Company is Assura plc.

Consumer Price Index ("CPI") is an official measure of the general level of inflation as reflected in the weighted average of prices of a basket of consumer goods and services such as transportation, food, clothing, etc. CPI is commonly calculated on a monthly and annual basis.

Debt Service Cover is the number of times net interest payable plus debt amortisation is covered by underlying profit before net interest.

Direct Property Costs comprise ground rents payable under head leases, void costs, other direct irrecoverable property expenses, rent review fees and valuation fees.

District Valuer ("DV") is the District Valuer Service being the commercial arm of the Valuation Office Agency ("VOA"). It provides professional property advice across the public sector and in respect of primary healthcare represents NHS bodies on matters of valuation, rent reviews and initial rents on new developments.

Dividend Cover is the number of times the dividend payable (on an annual basis) is covered by underlying profit.

Earnings per Ordinary Share from Continuing Operations ("EPS") is the profit attributable to equity holders of the parent divided by the weighted average number of shares in issue during the period.

European Public Real Estate Association ("EPRA") is the industry body for European REITs.

EPRA Net Asset Value ("EPRA NAV") is the balance sheet net assets excluding own shares held, mark to market derivative financial instruments (including associates) and deferred taxation.

EPRA NNNAV is the EPRA NAV adjusted to reflect the fair value of debt and derivatives.

Equivalent Yield (true and nominal) is a weighted average of the Net Initial Yield and Reversionary Yield and represents the return a property will produce based upon the timing of the income received. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent assumes rents are received annually in arrears.

Estimated Rental Value ("ERV") is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Gross Rental Income is the gross accounting rent receivable.

Group is Assura plc and its subsidiaries.

IFRS is International Financial Reporting Standards as adopted by the European Union.

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

Interest Rate Swap is a contract to exchange fixed payments for floating payments linked to an interest rate, and is generally used to manage exposure to fluctuations in interest rates.

IPD is the Investment Property Databank Limited which provides performance analysis for most types of real estate and produces an independent benchmark of property returns.

IPD Healthcare is the Investment Property Databank's UK Annual Healthcare Property Index.

IPD Total Return is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD.

London Interbank Offered Rate ("LIBOR") is the interest rate charged by one bank to another for lending money.

Local Improvement Finance Trusts ("LIFT") are public-private consortia that develop primary care and community based facilities and services.

Loan to Value ("LTV") is the ratio of net debt to the total value of property and LIFT assets.

Mark to Market ("MtM") is the difference between the book value of an asset or liability and its market value.

Glossary continued

Net Initial Yield is the annualised rents generated by an asset, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the asset valuation (after notional purchaser's costs). Development properties are not included.

Net Rental Income is the rental income receivable in the period after payment of direct property costs. Net rental income is quoted on an accounting basis.

NHS Property Services Limited ("NHS PropCo") is the company, wholly owned and funded by the Department of Health, which, as of 1 April 2013, has taken on all property obligations formerly borne by the PCTs.

Primary Care Property is the property occupied by health services providers who act as the principal point of consultation for patients such as GP practices, dental practices, community pharmacies and high street optometrists.

Property Income Distribution ("PID") is the required distribution of income as dividends under the REIT regime. It is calculated as 90% of exempted net income.

Real Estate Investment Trust ("REIT") is a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK profits, arising from property rental income and gains on investment property disposals, from corporation tax, but requires the distribution of a PID.

Rent Reviews take place at intervals agreed in the lease (typically every three years) and their purpose is usually to adjust the rent to the current market level at the review date.

Rent Roll is the passing rent being the total of all the contracted rents reserved under the leases.

Reversionary Yield is the anticipated yield, which the initial yield will rise to once the rent reaches the ERV and when the property is fully let. It is calculated by dividing the ERV by the valuation.

Retail Price Index ("RPI") is an official measure of the general level of inflation asreflected in the retail price of a basket of goods and services such as energy, food, petrol, housing, household goods, travelling fares, etc. RPI is commonly computed on a monthly and annual basis.

RPI Linked Leases are those leases which have rent reviews which are linked to changes in the RPI.

Total Accounting Return is the overall return generated by the Group including the impact of debt. It is calculated as the movement on EPRA NAV for the year plus the dividends paid, divided by the opening EPRA NAV.

Total Property Return is the overall return generated by properties on a debt free basis. It is calculated as the net rental income generated by the portfolio plus the change in market values, divided by opening property assets plus additions.

Total Shareholder Return ("TSR") 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.

Underlying Profit is the pre-tax earnings measure adjusted for non-cash fair value adjustments and non-recurring items such as revaluation gains, revaluation of derivatives, share-based payment charge and gains on sale of property.

Weighted Average Unexpired Lease Term ("WAULT") is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income.

Yield on cost is the estimated annual rent of a completed development divided by the total cost of development including site value and finance costs expressed as a percentage return.

Yield shift is a movement (usually expressed in basis points) in the yield of a property asset, or like-for-like portfolio over a given period. Yield compression is a commonly-used term for a reduction in yields.

Corporate information

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Bankers:	Aviva plc
	Barclays Bank plc
	HSBC plc
	Santander UK plc
	The Royal Bank of Scotland plc

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