ASSURA GROUP LIMITED

Assura Group, the leading developer and owner-manager of primary care property, announces its preliminary results for the year ended 31 March 2014

23 May 2014

A year of strong results

- 23.9% increase in underlying profit from continuing operations to £10.9 million (2013: £8.8 million)
- 88% increase in profit before tax to £24.2 million (2013: £12.9 million)
- 12.4% increase in adjusted EPRA NAV[1] per share to 43.4 pence (2013: 38.6 pence)
- 16.4% increase in total rent roll to £41.8 million (March 2013: £35.9 million)
- 12.2% increase in net rental income to £37.8 million (2013: £33.7 million)
- £99m increase in total property assets[2] to £668 million, up from £569 million

Creating value through acquisitions, capital recycling and developments

- Acquired £62.9 million Trinity[3] portfolio with annualised rent roll of £4.0 million
- Disposal of LIFT assets for £22.4m, crystallising gain of £10.5m
- Eight new developments completed for a 6.7% yield on cost

49% increase in dividend

- Quarterly dividend maintained at 0.45 pence per share (reflecting a 49% increase on the previous year), equivalent to 1.8 pence per share on an annual basis
- Dividend fully covered

Operating in a sector with robust investment characteristics

- Ever increasing demands on health service from an ageing population, rising public expectation and medical advances
- Investment in primary care will be key to addressing this demand, despite the recent slowdown in the rate of approvals for new developments from the NHS
- Sector provides low volatility of returns with low default risk and a linkage to cost inflation

Assura well positioned for sustained growth as it continues to help meet the demand for primary care infrastructure

- Deep understanding of healthcare real estate with proven skills in medical investment and development
- Scalable internal management model
- Five developments on site and a further 28 potential schemes identified with an aggregate value exceeding £75 million
- Well-funded with flexible facilities; new five-year £30 million revolving credit facility with RBS and Barclays announced today at an initial margin of 185 basis points over LIBOR

Graham Roberts, Chief Executive, said:

"It has been a year of great activity and achievement at Assura. We have produced strong results for the year and have also acquired and integrated Trinity, which has strengthened our position as a leading operator in this market.

"We have a very exciting future. The demand for high quality primary care premises can only grow as the population ages and public expectations increase, and through our expertise and deep understanding of the sector, we are well placed to deliver this infrastructure."

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[1] Net Asset Value – note 8
[2] Investment property plus property assets held for sale
[3] Trinity Medical Developments Limited ("Trinity")

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Presentation and Webcast:

A presentation will be held for analysts and investors on 23 May 2014 at 10.30am London time, with a webcast accessible via the following link live on demand and subsequently available from 2pm:

http://www.axisto-live.com/investis/clients/assura-group/presentations/5358f2a91761385c0a04db22/full-year-results-2013

Alternatively to listen to the audio of the presentation live, dial: 0808 109 0700 or +44 (0) 20 3003 2666, using password: Assura

Chairman's statement

Dear Shareholder

Assura has delivered another successful year. We have continued our core activity of investing in primary care property. This year, we invested £22.8 million in upgrading eight units of the nation's basic medical infrastructure, GP surgeries, and we are now on site with schemes with a value of £23.2 million and have a further pipeline of £75 million of projects.

In addition, in September 2013, we acquired 32 GP surgeries in the Trinity portfolio at a gross cost of £62.9 million, as well as further divesting non-core assets, notably the LIFT assets for £22.4 million in November 2013.

As a result of these initiatives, we have been able, despite soft rental growth, to increase underlying earnings per share by 24% and adjusted net assets per share by 12%. Since we have internal management, rather than a third party manager, all such gains go fully to our shareholders. We pay dividends out of earnings, not from new debt or from additional equity issuance. As a result, this earnings gain, together with cash from non-core disposals, directly increases our ability to pay dividends.

We therefore raised our quarterly dividend by 49% to 0.45 pence per share, as announced in December. This is more than 116% covered by our underlying profit reported here. Our policy remains to grow dividends broadly in line with underlying rental growth.

Primary care property – a highly attractive sector

The primary care property sector continues to display strong real estate fundamentals; excellent occupier covenants, limited 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.

Taken together these provide a secure and predictable income stream, an underpinning of inflation linkage, a low volatility of returns and a low default risk, which together contribute to excellent risk adjusted returns.

Engaging with the NHS

It remains a disappointment to us that continued disruption from the NHS reorganisation is causing a significant slowdown in the approval procedure of new premises for GPs. There is near universal agreement that more care should be delivered by primary health providers, as it is both more efficient and preferred by patients, but the truth is that GPs often simply do not have the facilities to be able to offer this. When the Government does turn its mind to tackling this issue, as surely it must, it will find a private sector willing to supply the capital at highly competitive rental levels, which are themselves regulated by government employees. It is a highly efficient and cost effective model for private sector funding of state 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 company. We have held 123 meetings with investors during the year and I am delighted to welcome eight new shareholders into our 20 largest shareholders. The level of interest in the Company has been increasing as we have been effectively communicating our strategy and our ability to deliver long-term capital and dividend growth to our shareholders. We have seen the level of trading in our shares increase from 70,000 to 270,000 and we are confident of re-joining the FTSE All Share Index at the end of June.

Our people and the Board

We have 27 people in Assura and I would like to thank each and every one for their hard work and contribution to the success of the business. There have been no changes to the Board during the year and it has proved to be a very effective leadership and decision making body for the Group through a busy and productive year.

Corporate activity

In May last year we received an unsolicited approach to acquire the business from a competitor. The preliminary approach indicated a potential offer that was at the time valued at 38.5 pence per share in the competitor's shares, equivalent to 31 pence per share in their net asset value per share. Following consultations with major shareholders, we concluded that this approach should be rejected, as it substantially undervalued the Group and exposed our shareholders to a fund with an uncovered dividend and external management fees. Our share price has since ended the year at 42.75 pence per share, up 20% on the previous year. I would like to thank our shareholders for their help and support during this time.

The future

Over the last two years, we have demonstrated our ability to make strong, reliable progress in this highly attractive sector. We have strong brand recognition with GPs and proactively engage with the NHS to make the case for further investment in modern primary care facilities, with a unique offering as developer, landlord and asset manager.

Whilst the current economic and political climate had depressed both open market rent reviews and new developments, the Board believes that open market reviews are a lagging indicator and as the economy continues to recover, this will feed through into rent reviews in the future. Once the NHS reorganisation settles down, we also believe that the overwhelming need for replacement and upgrade of GP surgeries will reassert itself and demand will recover.

Simon Laffin
Chairman

Chief Executive's strategic review

I am pleased to be reporting to you on a year of significant achievement. In my second year as Chief Executive we have built on the foundations laid in my first year to provide a platform for growth. This is reflected in the results we are reporting to you today with a 24% increase in underlying profit and a 12% increase in adjusted net asset value. On the back of these fundamentals we have already announced a 49% increase in the quarterly dividend.

We have delivered this through our attention to our four strategic priorities:

Focus
maintaining a strategic focus on a highly attractive market

Expertise
responding to the NHS agenda

Culture
spearheading investment in social infrastructure

Effectiveness
leveraging our team's skills to maximum advantage

Year of achievement
The successful completion of the Trinity acquisition was an example of these priorities in action. Our focus provided us with the market knowledge to identify an off-market transaction, our expertise to execute a transaction efficiently and our effectiveness to utilise our skills to maximise the value for our shareholders. The 32 high quality medical centres were acquired for £62.9 million with a passing rent roll of £4.0 million and have provided 10% growth to both our passing rents and our underlying profit.

The portfolio has been integrated seamlessly into our existing in-house property management team without additional headcount. We have since identified a number of asset management opportunities and have commenced on site with building one extension and one new development. This highlights the advantages of our scalable internal management model. We can integrate acquisitions without significant additional costs and we have the skills in-house to maximise the value of the portfolio.

During the year we disposed of our equity and loan note investments in seven LIFT companies for a combined consideration of £22.4 million. This represented a premium over the book value of £10.5 million. These investments did not provide Assura with the opportunity to manage the underlying property assets or to apply any of our asset management skills. During the year a number of infrastructure funds raised new funds for investment and we felt the market for secondary infrastructure assets such as our LIFT investments was particularly strong. As a result we concluded that we could achieve a good sales price and profitably re-invest the proceeds into core primary care property.

We have completed eight developments during the year with a valuation at completion of £24.5 million. This has added £1.5 million to our annual rent roll and generated a 6.7% yield on cost. 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 yield on cost 1% higher than for an equivalent property acquired in the investment market. This provides an important incremental return to our shareholders. 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 in our sector.

In addition to the sale of our LIFT investments we have continued our focus on the disposal of our non-core assets. We have disposed of six other assets for £3.4 million and have three further sites under contract and an additional one under offer. During the year we were disappointed not to complete on the sale of our site in Scarborough to a major supermarket retailer. The conditional contract expired as the requisite conditions in respect of transport were not met in the required timescale. We are holding active discussions with other end users and sector developers about an alternative scheme.

At the heart of our strategic priorities is our focus on our highly attractive sector. To further support this we have restructured our in-house property management team during the year to create a team with the sole focus of client interaction and management. By understanding the evolving needs and demands of our GPs we can position ourselves to be at the forefront of the significant investment required in improving premises in the future.

A separate team has now been created of investment managers who will have responsibility for identifying value enhancing asset management opportunities such as lease extensions and redevelopments within our existing estate.

Market outlook

The primary care sector displays very strong real estate fundamentals: excellent 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.

The demand for new premises in primary care is increasing. An ageing population, the increasing number of people living with chronic illnesses and the shifting of the burden for elderly care into community based services are all increasing the demands on GPs. The migration of services out of hospitals and into the primary care sector is both a clinical and financial imperative to meet these increasing health needs within reasonable budgetary constraints.

The increasing demand for new premises is against a backdrop of an existing property estate that is not able to meet these challenges. The Care Quality Commission commenced inspecting GP surgeries in 2013/14 and found 24% of the premises they inspected failed the safety and suitability criteria.

At the same time as these increasing demands the supply of new premises has slowed. The reorganisation of the NHS that was implemented in April 2013 led to a reduction in the number of approvals of new developments as the new organisational structures took time to be bedded in.

We remain well placed to provide the expertise and the private sector capital to meet the required investment in primary care infrastructure.

Income growth

We have delivered rental growth in the year of 1.9% from settled rent reviews which is in line with inflation over the period. The majority of our rent reviews are on an open market basis set by reference to rental awards agreed with the District Valuer on new schemes. As new schemes are currently held up pending financial approval there is a current lack of market evidence on which to base the Company's case. The basis of these reviews effectively means that they are underpinned by land and construction cost inflation over the medium term. Over the last 12 months this inflation has picked up markedly. This increased cost is yet to be reflected in our passing rents as rents are set by reference to new developments and there has been a slowdown in the approval of new schemes.

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 stability of our property returns has also been replicated in the stability of our valuations. Over the economic cycle many other property sectors have seen greater volatility in their valuations.

It is worth noting that in our sector we have seen only a relatively moderate repricing since the financial crash and we maintain a premium over fixed return gilts in excess of 265 basis points. Many other sectors have seen greater movement in yields over the same period.

Given the quality and stability of our property returns there is a case to be made for a more significant re-rating of the sector in general and for an increase in capital values. We are seeing new entrants in the sector as in line with other alternative asset classes, such as student property, the relative attractiveness of the sector is becoming better understood by the wider property market. The timing of any price movement is difficult to predict and there can be no certainty that the market will respond as might be expected.

Supporting the NHS agenda

We are passionate advocates of the benefits of investing in primary care infrastructure for delivering improved and cost effective medical care under the NHS. We extensively engage with all levels of the NHS to understand the ongoing requirements for GP property infrastructure and to ensure that property receives the focus it deserves. Despite being fundamental to the daily delivery of medical services in this country it is an area that is too often neglected. We have been architects in establishing a healthcare committee at the British Property Federation to provide a forum for discussing and communicating these benefits.

Our commitment to supporting the NHS on a broader level is illustrated by our current project to develop a zero carbon medical centre. Working with our design and development partners we are developing a model for the construction of a medical centre with the latest sustainability design to ensure that the building could be operated with zero carbon emissions and zero ongoing running costs once completed.

Our primary strategic priority is focus and we apply this in everything we do, whether in customer service to our GP tenants, designing best-in-class medical centres or identifying investment opportunities. To support our ongoing investment programme we remain committed to a disciplined approach to capital allocation supported by our programme of non-core property disposals.

Platform for growth

We are starting the new financial year in a strong position with a greatly increased core property portfolio of 202 medical centres with a value of £627 million and a passing rental yield of 6.4% with income security from a weighted average unexpired lease length of 14.7 years. The business is well funded with a 62% loan to value ratio, a weighted maturity on our debt of 10.9 years and 98% of our debt at a fixed rate.

We have strong brand recognition across the GP community and our team has the right blend of skills across medical investment and development to ensure that we are best placed to deliver on the opportunities in our sector for our shareholders.

Graham Roberts
Chief Executive

Business review

Core portfolio £626.8 million (2013: £524.4 million)
Our business is built on our core investment portfolio of 202 medical centres. This has a passing rent roll of £40.3 million (2013: £34.1 million), which provides an excellent base for future shareholder returns with 89% of its income underpinned by the NHS and a weighted average unexpired lease term ("WAULT") of 14.7 years. The portfolio is diversified both geographically and by size.

We have continued to deliver rental growth despite the disruption from the NHS reforms and have successfully concluded on 96 rent reviews during the year to generate a weighted average annual rent increase of 0.8% (2013: 2.3%) on those properties. Our portfolio benefits from a 20% weighting in fixed and Retail Price Index ("RPI") uplifts which generated an average uplift of 2.1% during the year. The majority of our portfolio is subject to open market reviews and these have generated an average uplift of 0.4% during the year. In common with the wider sector we have experienced a reduction in the rate of growth in open market reviews and recent increases in land values and construction cost inflation have yet to feed through into reviews. We expect these factors will contribute to rental growth as the development pipeline picks up and provides evidence of the increasing rent levels.

At 31 March 2014 our core portfolio was valued at a total of £626.8 million (2013: £524.4 million), which produced a net initial yield of 5.88% (2013: 5.95%), a net equivalent yield of 6.04% (2013: 6.15%) and a true equivalent yield of 6.28% (2013: 6.40%). Our valuations reflect a modest increase in valuation from a movement in the yield on rental income, rental growth in the period and the enhancement of the portfolio through acquisition and completed developments. Given that prime markets in other sectors have seen significantly greater valuation movements over the past year there is potential for a similar re-rating and associated increase in values in our sector as well. The characteristics of the sector are strong enough to support this, though there is no immediately obvious catalyst to cause this valuation movement.

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

Our approach to development sourcing, which includes direct development, partnering with other developers and purchase and leasebacks, means that we are able to meet a wide range of our potential customers' needs. We work very closely with our design and development partners and jointly provide the expertise and capital to meet the aspirations of GPs in delivering their new premises. Every project we work on is developed jointly with the GPs to deliver a bespoke, tailored solution to their property needs.

In addition we offer potential customers a long-term commitment as development partner, landlord and asset manager. Our flexible approach, long track record and commitment as a long-term owner and asset manager of the sites we develop provides us with a unique position in the sector.

We have completed eight developments during the year with a total development cost of £22.8 million. This has added £1.5 million to our annual rent roll and generated a 6.7% yield on cost. We are currently on site with a further five developments with an estimated total development cost of £21.5 million.

During the year we have successfully secured six new tenancies with an annual rent roll of £0.2 million covering 1,429 square metres.
In addition we have significantly extended the lease on two properties and managed significant capital expenditure projects across a further four sites.

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

	2014 £m	2013 £m
Net rental income	**36.7**	32.1
Valuation movement	**14.1**	5.4
Total Property Return	**50.8**	37.5

Over the last five years, our Total Return of 8.5% compares to the All Healthcare Benchmark of 6.4% as published by IPD.

The valuation gain of £14.1 million represents a 2.2% valuation gain on a like-for-like basis and includes profits on developments of £2.3 million.

Our Total Property Return of 7.9% and our five-year Total Return of 8.5% represent solid returns on property assets that exhibit low volatility of returns and low default risk and are consistent with our estimated cost of equity.

Non-Core portfolio: £16.4 million (2013: £20.5 million) (comprising £11.6 million assets held for sale and £4.8 million of investment property)

We have continued our focus on capital recycling during the year. In addition to the LIFT sale we have disposed of six properties during the year with a further four sites either exchanged or under offer at the year end. These have resulted in proceeds of £3.4 million during the year.

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

	2014 £m	2013 £m
Net rental income	**1.1**	1.6
Valuation movement	**(1.7)**	0.6
Total Property Return	**(0.6)**	2.2

The non-core portfolio includes three retail malls (valued at £4.7 million) in hospitals which are held on short leases which expire on average in 15 years. These are challenging retail assets and have high direct property costs due to vacancies. Their valuation yields at 31 March 2014 were initial 17.35% (2013: 16.11%) and equivalent 12.64% (2013: 12.44%).

Other properties within non-core comprise surplus land of £9.5 million (2013: £9.7 million). The largest asset available for sale is a plot of land in Scarborough, which was the subject of a conditional sale contract to a national supermarket chain. This conditional contract has expired as the requisite conditions were not met. The land, together with an adjacent site owned by Scarborough Council, benefits from a recently approved planning consent for a supermarket and active discussions are being held with other end users and sector developers about an alternative scheme. The land is valued at £5.5 million.

The current valuation of the land in Scarborough represents a reduction of £0.7 million from the value at 31 March 2013 and is the largest contributor to the negative valuation movement of £1.7 million. In addition value reductions have been reported in land values of £0.3 million, retail malls £0.4 million and other non-core property £0.3 million.

Property assets	2014 Core £m	2014 Non-Core £m	2014 Total £m	2013 Core £m	2013 Non-Core £m	2013 Total £m
Market value of investment property as estimated by valuer	**626.8**	**4.8**	**631.6**	523.6	9.3	532.9
Add investment property under construction	**14.8**	**–**	**14.8**	14.3	–	14.3
Add pharmacy lease premiums	**7.2**	**–**	**7.2**	7.0	–	7.0
Add finance lease obligations recognised separately	**1.0**	**2.1**	**3.1**	1.0	2.1	3.1
Fair value for financial reporting purposes	**649.8**	**6.9**	**656.7**	545.9	11.4	557.3
Investment property held for sale	**–**	**2.0**	**2.0**	0.8	1.3	2.1
Vacant property held for sale	**–**	**0.1**	**0.1**	–	0.2	0.2
Land held for sale	**–**	**9.5**	**9.5**	–	9.7	9.7
Total property assets held for sale	**–**	**11.6**	**11.6**	0.8	11.2	12.0
Total property assets	**649.8**	**18.5**	**668.3**	546.7	22.6	569.3

Underlying profit

	2014 £m	2013 £m
Net rental income		
– Core	**36.7**	32.1
– Non-Core	**1.1**	1.6
	37.8	33.7
Administration	**(5.0)**	(4.9)
Net finance costs	**(21.9)**	(20.0)
Underlying profit	**10.9**	8.8

The movement in underlying profit can be summarised as follows:

	£m
Year ended 31 March 2013	8.8
Net rental income	4.1
Administrative expenses	(0.1)
Net finance costs	(1.9)
Year ended 31 March 2014	10.9

Underlying profit has grown 24% to £10.9 million in the year to 31 March 2014. The acquisition of the Trinity portfolio and the completion of new developments have been the largest contributors to underlying profit growth during the year.

Administrative costs

The Group measures its operating efficiency as the proportion of administrative costs to the average gross investment property value. This ratio during the year was 0.82% (2013: 0.89%) and administrative costs stood at £5.0 million (2013: £4.9 million).

Taxation

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

The charge for taxation recorded in the accounts relates to a movement on the deferred tax asset during the year. At the year end the deferred tax asset was £0.7 million (2013: £1.1 million).

LIFT

During the year we disposed of our equity and loan note investments in seven LIFT companies for a combined consideration of £22.4 million. This represented a premium over the book value of £10.5 million.

Exceptional items

The Trinity acquisition resulted in negative goodwill of £0.6 million and acquisition costs of £0.4 million. The release of a provision for onerous leases on the former head office in Pall Mall resulted in a credit of £0.5 million.

Corporate finance fees in relation to a preliminary approach from a competitor were £1.1 million. These resulted in net exceptional costs of £0.4 million.

Earnings per share

The adjusted (EPRA) basic and diluted earnings per share from continuing operations for the year was 4.2 pence (2013: 2.8 pence). This includes the net impact of valuation movements and other capital or one-off items. The underlying profit per share has increased 24% to 2.1 pence (2013: 1.7 pence).

Dividends

Total dividends paid in the year to 31 March 2014 were £7.2 million or 1.3575 pence per share (2013: 0.855 pence per share).

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

The successful sale of the LIFT assets and the completion of the Trinity acquisition have boosted our earnings and our balance sheet capacity. Reflecting this, the quality of the assets, the tenant covenant and the underlying rental growth we have increased the quarterly dividend by 49% to 0.45 pence per share.

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

Cash flow	2014 £m	2013 £m
Net cash from operations	**7.9**	12.9
Cash flows from investing activities:		
Investment acquisitions	**(9.1)**	(3.6)
Development expenditure	**(23.5)**	(18.1)
Sale of properties	**3.3**	8.4
Sale of businesses	**27.7**	3.6
Other	**(0.3)**	(0.3)
Cash flows from financing activities:		
Dividend paid	**(7.2)**	(4.5)
Net borrowings movement	**4.1**	15.9
Net increase in cash	**2.9**	14.3

Net cash inflow from operating activities was £7.9 million (2013: £12.9 million), which represents a decrease from the prior year as a result of fluctuations in working capital balances and the payment of exceptional costs. Development expenditure was £23.5 million (2013: £18.1 million) which was partially debt financed with facilities from both Aviva and Santander. Proceeds from the sale of properties were £3.3 million (2013: £8.4 million).

The sale of our LIFT assets (£21.7 million) and the scheduled receipt of deferred consideration from the sale of the Pharmacy business in 2012 (£6.0 million) generated cash inflows of £27.7 million from sale of businesses.

Dividends paid were £7.2 million (2013: £4.5 million). Cash and cash equivalents increased by £2.9 million (2013: increased by £14.3 million), which reflected the proceeds of £27.7 million from the sale of businesses net of the cash consideration of £6.9 million paid to acquire Trinity, as well as development expenditure incurred of £23.5 million.

Balance sheet

At 31 March 2014 the EPRA NAV per share was 43.4 pence per share, an increase of 12.4% compared with the prior year. The growth has predominantly been driven by the successful sale of the LIFT investments and the valuation performance of the portfolio underpinned by the continued successful delivery of our development programme.

EPRA NAV movement:

	£m	Pence per share
EPRA NAV at 31 March 2013	204.4	38.6
Underlying profit	10.9	2.1
Capital (revaluations and capital gains)	12.6	2.4
Dividend	(7.2)	(1.4)
LIFT disposal	10.5	2.0
Other	(1.6)	(0.3)
EPRA NAV at 31 March 2014	229.6	43.4

Our Total Accounting Return for the year ended 31 March 2014 of 15.9% comprises an income return which represents 1.4 pence per share (3.5%) that has been distributed to shareholders, and a movement on EPRA NAV of 4.8 pence per share (12.4%).

Finance

Financing statistics	2014	2013
Net debt	£414.8m	£359.5m
Weighted average debt maturity	10.9 years	11.3 years
Weighted average interest rate	5.28%	5.25%
% of debt at fixed/capped rates	98%	99%
Interest cover[1]	150%	144%
Loan to value	62%	62%

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

The appetite for lending into our sector has remained positive throughout the economic cycle and we continue to see strong interest from the banks and insurers who have traditionally lent into our sector. We believe there is merit in broadening the range of lenders and so we have held discussions with a large number of potential parties through the year. The reduced level of developments started during the year means there has been a reduced requirement for new borrowings during the year.

Since the year end we have announced the agreement of a five-year club revolving credit facility with Royal Bank of Scotland plc ("RBS") and Barclays Bank plc ("Barclays") for £30 million at an initial margin of 185 basis points over LIBOR. The facility provides the Group with flexible facilities to support new developments and acquisitions. The pricing achieved highlights the increasingly competitive nature of the lending market and the quality of the borrowing proposition we are able to provide.

Our loan to value ratio currently stands at 62%, which is a level that the quality of our cash flows can comfortably support. The capital structure of the Group is something which the Board considers on a regular basis.

98% of the debt facilities are fixed with a weighted average debt maturity of 10.9 years compared to a WAULT of 14.4 years, which highlights the security of the cash flows of the business. The maturity of the facilities is spread over a significant number of years.

Details of the facilities and their covenants are set out in Note 16.

Net finance costs in the year amounted to £21.9 million (2013: £20.0 million) including £1.6 million from the assumption of the borrowings from the Trinity acquisition.

Consolidated income statement
for the year ended 31 March 2014

	Note	2014 Underlying £m	2014 Capital and other £m	2014 Total £m	2013 (represented)[1] Underlying £m	2013 (represented)[1] Capital and other £m	2013 (represented)[1] Total £m
Continuing operations							
Gross rental and related income	3	**39.9**	**–**	**39.9**	37.1	–	37.1
Property operating expenses		**(2.1)**	**–**	**(2.1)**	(3.4)	–	(3.4)
Net rental income		**37.8**	**–**	**37.8**	33.7	–	33.7
Administrative expenses		**(5.0)**	**–**	**(5.0)**	(4.9)	–	(4.9)
Revaluation gains	10	**–**	**12.4**	**12.4**	–	6.0	6.0
Gain/(loss) on sale of property		**–**	**0.2**	**0.2**	–	(0.1)	(0.1)
Share-based payment charge	20	**–**	**(0.7)**	**(0.7)**	–	(0.6)	(0.6)
Exceptional items	5	**–**	**(0.4)**	**(0.4)**	–	–	–
Finance revenue		**0.3**	**–**	**0.3**	0.5	–	0.5
Finance costs	4	**(22.2)**	**–**	**(22.2)**	(20.5)	–	(20.5)
Gain/(loss) on derivative financial instruments	4	**–**	**1.8**	**1.8**	–	(1.2)	(1.2)
Profit before taxation		**10.9**	**13.3**	**24.2**	8.8	4.1	12.9
Taxation	6			**(0.4)**			(0.2)
Profit for the year from continuing operations				**23.8**			12.7
Discontinued operations							
Profit for the year and gain on disposal from discontinued operations	22			**11.2**			1.4
Profit for the year attributable to equity holders of the parent				**35.0**			14.1
Earnings per share							
from underlying profit	7	**2.1p**			1.7p		
from continuing operations – basic and diluted	7			**4.5p**			2.4p
from continuing operations – adjusted (EPRA) basic and diluted	7			**4.2p**			2.8p
on profit for year – basic and diluted	7			**6.6p**			2.7p
on profit for year – adjusted (EPRA) basic and diluted	7			**6.3p**			3.1p

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.

[1] The consolidated income statement has been re-presented for the year ended 31 March 2013 to transfer profits and losses from the LIFT segment to profit for the period from discontinued operations.

Consolidated balance sheet
as at 31 March 2014

	Note	2014 £m	2013 £m
Non-current assets			
Investment property	10	**656.7**	557.3
LIFT investments and associates	22	**0.5**	11.2
Property, plant and equipment		**0.1**	0.1
Deferred tax asset		**0.7**	1.1
		658.0	569.7
Current assets			
Cash, cash equivalents and restricted cash	11	**38.6**	35.7
Trade and other receivables	12	**5.5**	9.6
Property assets held for sale	10	**11.6**	12.0
		55.7	57.3
Total assets		**713.7**	627.0
Current liabilities			
Trade and other payables	13	**14.8**	14.3
Borrowings	16	**5.9**	3.9
Deferred revenue	14	**9.9**	8.2
Provisions	15	**0.1**	0.1
		30.7	26.5
Non-current liabilities			
Borrowings	16	**444.4**	388.2
Obligations due under finance leases	13	**3.0**	3.1
Derivative financial instruments at fair value	17	**1.8**	3.6
Deferred revenue	14	**6.8**	6.6
Provisions	15	**0.4**	0.9
		456.4	402.4
Total liabilities		**487.1**	428.9
Net assets		**226.6**	198.1
Capital and reserves			
Share capital	18	**53.0**	53.0
Own shares held	18	**(1.9)**	(1.9)
Share premium		**77.1**	77.1
Reserves		**98.4**	69.9
Total equity		**226.6**	198.1
Basic and diluted net asset value per Ordinary Share	8	**42.8p**	37.4p
Adjusted basic and diluted net asset value per Ordinary Share	8	**43.4p**	38.6p

The financial statements were approved at a meeting of the Board of Directors held on 22 May 2014 and signed on its behalf by:

Graham Roberts, Chief Executive Jonathan Murphy, Finance Director

Consolidated statement of changes in equity
for the year ended 31 March 2014

	Share capital £m	Own shares held £m	Share premium £m	Reserves £m	Total equity £m
1 April 2012	53.0	(1.9)	77.1	59.7	187.9
Profit attributable to equity holders	–	–	–	14.1	14.1
Total comprehensive income	–	–	–	14.1	14.1
Dividend (Note 19)	–	–	–	(4.5)	(4.5)
Employee share-based incentives	–	–	–	0.6	0.6
31 March 2013	53.0	(1.9)	77.1	69.9	198.1
Profit attributable to equity holders	**–**	**–**	**–**	**35.0**	**35.0**
Total comprehensive income	**–**	**–**	**–**	**35.0**	**35.0**
Dividend (Note 19)	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Employee share-based incentives	**–**	**–**	**–**	**0.7**	**0.7**
31 March 2014	**53.0**	**(1.9)**	**77.1**	**98.4**	**226.6**

Consolidated cash flow statement
for the year ended 31 March 2014

	Note	2014 £m	2013 £m
Operating activities			
Rent received		**39.3**	37.7
Interest paid and similar charges		**(22.3)**	(20.6)
Fees received		**0.9**	0.8
LIFT and bank interest received		**0.8**	1.5
Cash paid to suppliers and employees (inc. acquisition costs)		**(10.8)**	(6.5)
Net cash inflow from operating activities	21	**7.9**	12.9
Investing activities			
Purchase of investment property		**(2.5)**	(3.6)
Development spend		**(23.5)**	(18.1)
Proceeds from sale of property		**3.3**	8.4
Proceeds from sale of LIFT investments	22	**21.7**	–
Proceeds from sale of businesses	12	**6.0**	3.6
Net loans advanced to associated companies		**(0.3)**	(0.3)
Subsidiaries acquired	9	**(6.6)**	–
Net cash outflow from investing activities		**(1.9)**	(10.0)
Financing activities			
Dividends paid	19	**(7.2)**	(4.5)
Repayment of loan	16	**(5.1)**	(7.0)
Long-term loans drawdown	16	**9.2**	23.2
Swap cash settlement		**–**	(0.1)
Loan issue costs		**–**	(0.2)
Net cash (outflow)/inflow from financing activities		**(3.1)**	11.4
Increase in cash and cash equivalents		**2.9**	14.3
Opening cash and cash equivalents		**35.7**	21.4
Closing cash and cash equivalents	11	**38.6**	35.7

Notes to the preliminary results
for the year ended 31 March 2014

1. Significant accounting policies

Basis of preparation

The financial information set out in this preliminary announcement is derived from but does not constitute the Group's statutory accounts for the year ended 31 March 2014 and 31 March 2013, and as such, does not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial information has been extracted from the Group's audited consolidated statutory accounts upon which the auditor has issued has unqualified opinion.

The Annual Report will be posted to Shareholders on or before the 31 July 2014.

The Preliminary Announcement was approved by the Board of Directors on 22 May 2014.

The Announcement can also be accessed on the internet at www.assuragroup.co.uk.

Standards affecting the Financial Statements

The following standards and amendments became effective for the Company in the year ended 31 March 2014. The pronouncements either had no material impact on the Financial Statements or resulted in changes in presentation and disclosure only (effective for periods beginning on or after the date in brackets):

– IFRS 13 Fair Value Measurement (1 January 2013)
– IAS 19 Employee Benefits (1 January 2013)
– Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (1 July 2012)
– Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (1 January 2013).

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 (effective for periods beginning on or after the date in brackets):

– IFRS 10 Consolidated Financial Statements (1 January 2014)
– IFRS 11 Joint Arrangements (1 January 2014)
– IFRS 12 Disclosures of Interests in Other Entities (1 January 2014)
– IAS 27 Separate Financial Statements (2011) (1 January 2014)
– IAS 28 Investments in Associates and Joint Ventures (2011) (1 January 2014)
– Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (1 January 2014)
– Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (1 January 2014)
– Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (1 January 2014).

The financial statements are prepared on a going concern basis as explained in the Directors' report in the Annual Accounts 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 by 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.

1. Significant accounting policies continued

Accounting for acquisitions and disposals
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 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.

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.

LIFT investments and associates
LIFT investments and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of the entities. The income statement incorporates the Group's share of LIFT investment and associate profits after tax, although following the sale during the year, these results have been presented as discontinued operations.

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

Property portfolio

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

Any surplus or deficit arising on revaluing investment properties and investment property under construction ("IPUC") is recognised in the income statement.

All costs associated with the purchase and construction of IPUC are capitalised including attributable interest. Interest is calculated on the expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans. When IPUC are completed, they are classified as investment properties.

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

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

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

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

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

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

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

1. Significant accounting policies continued

Financial assets and liabilities

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

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

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

Financial instruments

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

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

Tax

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

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

Income statement definitions

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

Capital and other represents all other statutory income statement items that are not considered underlying, 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 Payment has been applied to share options granted.

2. Segmental information

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

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

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

In addition, the Group previously had a third operating segment: the LIFT segment, which held investments in LIFT companies through investments in associated companies, along with loan notes. The business interests were sold during the year and consequently the results are presented as discontinued operations. See Note 22.

2. Segmental information continued

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

Year ended 31 March 2014:	Core £m	Non-Core £m	Total £m
Gross rental income	**37.4**	**1.6**	**39.0**
Other related income	**0.9**	**–**	**0.9**
Property operating expenses	**(1.6)**	**(0.5)**	**(2.1)**
Net rental income	**36.7**	**1.1**	**37.8**
Administration costs	**(5.0)**	**–**	**(5.0)**
Underlying operating profit	**31.7**	**1.1**	**32.8**
Net finance cost	**(21.3)**	**(0.6)**	**(21.9)**
Underlying profit	**10.4**	**0.5**	**10.9**
Revaluation gains/(losses)	**14.1**	**(1.7)**	**12.4**
Gain on sale of property	**0.2**	**–**	**0.2**
Exceptional items	**(0.4)**	**–**	**(0.4)**
Share-based payment charge	**(0.7)**	**–**	**(0.7)**
Segment result	**23.6**	**(1.2)**	**22.4**
Revaluation of derivative financial instruments			**1.8**
Taxation			**(0.4)**
Profit for the period from discontinued operations			**11.2**
Profit for the year			**35.0**

Year ended 31 March 2013:	Core £m	Non-Core £m	Total £m
Gross rental income	34.0	2.3	36.3
Other related income	0.8	–	0.8
Property operating expenses	(2.7)	(0.7)	(3.4)
Net rental income	32.1	1.6	33.7
Administration costs	(4.9)	–	(4.9)
Underlying operating profit	27.2	1.6	28.8
Net finance cost	(19.1)	(0.9)	(20.0)
Underlying profit	8.1	0.7	8.8
Revaluation gains	5.4	0.6	6.0
Loss on sale of property	–	(0.1)	(0.1)
Share-based payment charge	(0.6)	–	(0.6)
Segment result	12.9	1.2	14.1
Revaluation of derivative financial instruments			(1.2)
Taxation			(0.2)
Profit for the period from discontinued operations			1.4
Profit for the year			14.1

2. Segmental information continued

Assets and liabilities at 31 March 2014

	Core £m	Non-Core £m	Total £m
Property assets	**649.8**	**18.5**	**668.3**
Current assets	**44.1**	**0.1**	**44.2**
LIFT investments and associates	**–**	**0.5**	**0.5**
Segment assets	**693.9**	**19.1**	**713.0**
Deferred tax asset			**0.7**
Total assets			**713.7**
Segment liabilities			
Current liabilities	**(30.5)**	**(0.2)**	**(30.7)**
Derivative financial instruments			**(1.8)**
Non-current liabilities			**(454.6)**
Total liabilities			**(487.1)**

Assets and liabilities at 31 March 2013

	Core £m	Non-Core £m	LIFT £m	Total £m
Property assets	546.7	22.6	–	569.3
Current assets	45.1	0.3	–	45.4
LIFT investments and associates	–	–	11.2	11.2
Segment assets	591.8	22.9	11.2	625.9
Deferred tax asset				1.1
Total assets				627.0
Segment liabilities				
Current liabilities	(26.3)	(0.2)	–	(26.5)
Derivative financial instruments				(3.6)
Non-current liabilities				(398.8)
Total liabilities				(428.9)

3. Revenue

	2014 £m	2013 £m
Rental revenue – core	**37.4**	34.0
Rental revenue – non-core	**1.6**	2.3
Other related income	**0.9**	0.8
Gross rental and related income	**39.9**	37.1
LIFT interest (through discontinued operations)	**0.6**	1.0
Bank and other interest	**0.3**	0.5
	0.9	1.5
Total revenue	**40.8**	38.6

4. Finance costs

	2014 £m	2013 £m
Interest payable	**22.4**	20.4
Interest capitalised on developments	**(0.6)**	(0.4)
Amortisation of loan issue costs	**0.5**	0.5
Amortisation of Trinity loan fair value adjustment	**(0.1)**	–
	22.2	20.5
Change in fair value of interest rate swaps	**(1.8)**	1.2
	20.4	21.7

Interest was capitalised on property developments at 5% (2013: 5%).

5. Exceptional items

	2014 £m	2013 £m
Negative goodwill on acquisition of Trinity	**0.6**	–
Acquisition costs of Trinity	**(0.4)**	–
Corporate finance fees	**(1.1)**	–
Property provision	**0.5**	–
	(0.4)	–

Acquisition costs and negative goodwill relate to the acquisition of the Trinity portfolio. For further details see Note 9.

£1.1 million of corporate finance fees were incurred in considering a takeover approach from MedicX Fund Limited during the year.

See Note 15 for further information in respect of the property provision.

6. Taxation

Consolidated income tax	2014 £m	2013 £m
Current tax		
Current income tax charge	**–**	–
Deferred tax		
Relating to origination and reversal of temporary differences	**0.4**	0.2
Income tax charge reported in consolidated income statement	**0.4**	0.2

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

	2014 £m	2013 £m
Profit from continuing operations before taxation	**24.2**	12.9
Profit from discontinued operations before taxation	**11.2**	1.4
Net profit before taxation	**35.4**	14.3
UK income tax at rate of 23% (2013: 24%)	**8.1**	3.4
Effects of:		
Non-taxable income (including REIT exempt income)	**(7.8)**	(0.9)
Expenses not deductible for tax purposes	**0.5**	–
Utilisation of losses brought forward	**–**	(1.3)
Movement in unrecognised deferred tax	**(0.4)**	(1.0)
	0.4	0.2

The Group elected to be treated as a UK REIT with effect from 1 April 2013. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 21% (2014: 23%).

The Group tax charge relates to its non-property income. As the Group has sufficient brought forward tax losses, no tax is payable and so the charge represents the movement in deferred tax.

As a REIT, the Group is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of business. The Group remains compliant at 31 March 2014.

Further reductions in the main rate of corporation tax have been substantively enacted; the rate will reduce to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes have been reflected in the calculation of deferred tax.

7. Earnings per Ordinary Share

	Basic & diluted EPS per Ordinary Share 2014 £m	Adjusted (EPRA) EPS per Ordinary Share 2014 £m	Basic & diluted EPS per Ordinary Share (re-presented) 2013 £m	Adjusted (EPRA) EPS per Ordinary Share (re-presented) 2013 £m
Profit attributable to equity holders of the parent	**35.0**	**35.0**	14.1	14.1
Acquisition costs and negative goodwill		**(0.2)**		–
Revaluation of derivative financial instrument of:				
Parent		**(1.8)**		1.2
Associates		**–**		0.7
Deferred tax		**0.4**		0.2
		33.4		16.2
Weighted average number of shares in issue – basic and diluted	**529,548,924**	**529,548,924**	529,548,924	529,548,924
Earnings per Ordinary Share from continuing operations	**4.5p**	**4.2p**	2.4p	2.8p
Earnings per Ordinary Share from discontinued operations	**2.1p**	**2.1p**	0.3p	0.3p
Earnings per Ordinary Share	**6.6p**	**6.3p**	2.7p	3.1p

Underlying profit per share of 2.1 pence (2013: 1.7 pence) has been calculated as underlying profit for the year as presented on the income statement of £10.9 million (2013: £8.8 million) divided by the weighted average number of shares in issue of 529,548,924 (2013: 529,548,924).

Calculations completed in accordance with IAS 33 Earnings Per Share have shown that although share option schemes in place as at 31 March 2014 are potentially dilutive, the low magnitude of potential dilution results in there being no difference between basic and diluted earnings and NAV per Ordinary Share.

8. Net asset value per Ordinary Share

	NAV per Ordinary Share 2014 £m	Adjusted (EPRA) NAV per Ordinary Share 2014 £m	NAV per Ordinary Share 2013 £m	Adjusted (EPRA) NAV per Ordinary Share 2013 £m
Net assets	**226.6**	**226.6**	198.1	198.1
Own shares held		**1.9**		1.9
Derivative financial instruments of:				
Parent		**1.8**		3.6
Associates		**–**		1.9
Deferred tax		**(0.7)**		(1.1)
NAV in accordance with EPRA		**229.6**		204.4
Number of shares in issue	**529,548,924**	**529,548,924**	529,548,924	529,548,924
NAV per share	**42.8p**	**43.4p**	37.4p	38.6p

	Adjusted NAV per Ordinary Share 2014 £m	Adjusted NAV per Ordinary Share 2013 £m
EPRA NAV	**229.6**	204.4
Mark to market of derivative financial instruments	**(1.8)**	(5.5)
Mark to market of fixed rate debt	**(5.5)**	(48.2)
EPRA NNNAV	**222.3**	150.7
EPRA NNNAV per share	**42.0p**	28.5p

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

9. Business combinations

On 10 September 2013, the Group acquired 100% of the Ordinary Share capital of Trinity Medical Developments Limited and its wholly owned subsidiary Trinity Medical Properties Limited ("Trinity"). The companies are involved in property investment and development and the acquisition has enlarged the existing investment portfolio of the Group. The consideration of £6.9 million was wholly satisfied by cash as shown below.

The fair values of identifiable assets and liabilities of Trinity as at the date of acquisition were:

	Fair value £m
Investment properties	62.9
Cash, cash equivalents and restricted cash	0.3
Trade and other receivables	1.1
Trade and other payables	(1.7)
Deferred revenue	(1.4)
Long-term loans	(53.7)
Total identifiable net assets	7.5
Cash consideration paid	(6.9)
Negative goodwill arising	0.6

Analysis of cash flows on acquisition:	
Cash paid as consideration (included within cash flows from investing activities)	(6.9)
Cash acquired (included within cash flows from investing activities)	0.3
Transaction costs (included within cash flows from operating activities)	(0.4)
Net cash flow on acquisition	(7.0)

The gross value and fair value of the trade receivables acquired was £0.9 million. The full contractual amount has been collected and therefore no provision for doubtful debt has been recorded.

The principal amount of the debt assumed with the acquisition of Trinity was £52.0 million. The debt has been recorded on the balance sheet at £53.7 million, which represents the fair value as determined by the Group. This fair value adjustment will be amortised over the remaining term of the debt.

Total transaction costs of £0.4 million have been expensed and are included within exceptional items.

Negative goodwill of £0.6 million arising from the transaction has been taken to the consolidated income statement and is shown within exceptional items. Negative goodwill has arisen as a result of movements in the fair value of the assets and liabilities between negotiation of the transaction and the completion date.

From the date of acquisition to 31 March 2014, Trinity has contributed £2.3 million to consolidated gross rental and related income and £0.8 million to consolidated profit for the period. If the acquisition had occurred at the start of the financial period, the consolidated gross rental and related income would have been £41.6 million and the consolidated profit for the period would have been £35.3 million.

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 2014. The properties have been valued individually and on the basis of open market value in accordance with RICS valuation – Professional Standards 2012 ("the Red Book").

Initial yields mainly range from 5.60% to 5.80% (2013: 5.70% to 6.00%) for prime units. For properties with weaker tenants and poorer units, the yields range between 6.50% and 18.30% (2013: 6.50% and 17.00%). The higher yields are in the non-core portfolio.

A 0.25% shift of valuation yield would have approximately a £27.7 million (2013: £21.2 million) impact on the investment property valuation.

	Investment 2014 £m	IPUC 2014 £m	Total 2014 £m	Investment 2013 £m	IPUC 2013 £m	Total 2013 £m
Opening fair value	**539.9**	**14.3**	**554.2**	526.3	8.4	534.7
Additions:						
– Directly acquired	**0.6**	**–**	**0.6**	2.8	–	2.8
– Business combination	**62.9**	**–**	**62.9**	–	–	–
– Improvements	**1.9**	**–**	**1.9**	0.8	–	0.8
	65.4	**–**	**65.4**	3.6	–	3.6
Development costs	**–**	**23.7**	**23.7**	–	18.6	18.6
Transfers	**24.8**	**(24.8)**	**–**	15.6	(15.6)	–
Transfer from/(to) assets held for sale	**0.2**	**0.2**	**0.4**	–	(0.6)	(0.6)
Capitalised interest	**–**	**0.6**	**0.6**	–	0.4	0.4
Disposals	**(2.6)**	**(0.5)**	**(3.1)**	(8.1)	(0.4)	(8.5)
Unrealised surplus on revaluation	**11.1**	**1.3**	**12.4**	2.5	3.5	6.0
Closing market value	**638.8**	**14.8**	**653.6**	539.9	14.3	554.2
Add finance lease obligations recognised separately	**3.1**	**–**	**3.1**	3.1	–	3.1
Closing fair value of investment property	**641.9**	**14.8**	**656.7**	543.0	14.3	557.3

	2014			2013		
	Core £m	Non-Core £m	Total £m	Core £m	Non-Core £m	Total £m
Market value of investment property as estimated by valuer	**626.8**	**4.8**	**631.6**	523.6	9.3	532.9
Add IPUC	**14.8**	**–**	**14.8**	14.3	–	14.3
Add pharmacy lease premiums	**7.2**	**–**	**7.2**	7.0	–	7.0
Add finance lease obligations recognised separately	**1.0**	**2.1**	**3.1**	1.0	2.1	3.1
Fair value for financial reporting purposes	**649.8**	**6.9**	**656.7**	545.9	11.4	557.3
Investment property held for sale	**–**	**2.0**	**2.0**	0.8	1.3	2.1
Vacant property held for sale	**–**	**0.1**	**0.1**	–	0.2	0.2
Land held for sale	**–**	**9.5**	**9.5**	–	9.7	9.7
Total property assets held for sale	**–**	**11.6**	**11.6**	0.8	11.2	12.0
Total property assets	**649.8**	**18.5**	**668.3**	546.7	22.6	569.3

Two non-core property investments and 10 land sites are held as available for sale (2013: one core and three non-core property investments and 10 land sites).

10. Property assets continued

Fair value hierarchy

The fair value measurement hierarchy for all investment property and investment property under construction as at 31 March 2014 was Level 3 – Significant unobservable inputs (2013: Level 3). There were no transfers between Levels 1, 2 or 3 during the year.

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 internal rate of return of the cash flow from the property); and the physical condition of the property determined by inspections on a rotational basis.

11. Cash, cash equivalents and restricted cash

	2014 £m	2013 £m
Cash held in current account	**27.6**	15.6
Restricted cash	**11.0**	20.1
	38.6	35.7

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

12. Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**3.4**	2.3
Prepayments and accrued income	**1.4**	1.1
Loan note	**–**	3.0
Other debtors	**0.7**	0.2
	5.5	6.6
Loan note due after more than one year	**–**	3.0
	5.5	9.6

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 (2013: £nil).

The loan note receivable related to the sale of the Pharmacy business in 2011. The loan was settled in full during the year.

12. Trade and other receivables continued

As at 31 March 2014 and 31 March 2013, 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	>120 days £m
2014	**3.4**	**2.8**	**0.1**	**–**	**0.1**	**0.4**
2013	2.3	1.9	0.2	0.1	–	0.1

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

The amount due over 120 days relates to one property for which there is currently a legal dispute to clarify the terms of the lease.

13. Trade and other payables

	2014 £m	2013 £m
Trade creditors	**1.6**	2.4
Other creditors and accruals	**11.7**	11.1
VAT creditor	**1.4**	0.8
Payments due under finance leases	**0.1**	–
	14.8	14.3

Finance lease arrangements are in respect of investment property held by the Group on leasehold property. The amounts due after more than one year, which total £3.0 million (2013: £3.1 million), have been disclosed in non-current liabilities on the consolidated balance sheet.

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

14. Deferred revenue

	2014 £m	2013 £m
Arising from rental received in advance	**9.5**	7.8
Arising from pharmacy lease premiums received in advance	**7.2**	7.0
	16.7	14.8
Current	**9.9**	8.2
Non-current	**6.8**	6.6
	16.7	14.8

15. Provisions

	2014 £m	2013 £m
At 1 April	**1.0**	1.0
Released	**(0.5)**	–
At 31 March	**0.5**	1.0
Analysed as:		
Current	**0.1**	0.1
Non-current	**0.4**	0.9
	0.5	1.0

Provisions relate to the onerous property lease on the former Pall Mall office and represent management's best estimate of the Group's liability. A proportion of the provision was released during the year following a subtenant not exercising a break clause.

16. Borrowings

	2014 £m	2013 £m
At 1 April	**392.1**	375.6
Amount issued or drawn down in year	**9.2**	23.2
Amount repaid in year	**(5.1)**	(7.0)
Acquired with acquisition of subsidiaries	**53.7**	–
Amortisation of Trinity loan fair value adjustment	**(0.1)**	–
Loan issue costs	**–**	(0.2)
Amortisation of loan issue costs	**0.5**	0.5
At 31 March	**450.3**	392.1
Due within one year	**5.9**	3.9
Due after more than one year	**444.4**	388.2
At 31 March	**450.3**	392.1

The Group has the following bank facilities:

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

2. Loans from Aviva with an aggregate balance of £284.5 million at 31 March 2014 (2013: £230.5 million). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2021 and 2041 with a weighted average term of 14 years to maturity; £5.3 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 5.65% and do not have loan to value covenants. Debt service cover required typically ranges between 1.00 times and 1.05 times.

The principal amount of the debt assumed with the acquisition of Trinity was £52.0 million. The debt has been recorded on the balance sheet at £53.7 million, which represents the fair value as determined by the Group. This fair value adjustment will be amortised over the remaining term of the debt.

3. Loans from Santander with an aggregate balance of £57.4 million at 31 March 2014 (2013: £55.2 million); £0.6 million is due within a year. This comprises a £57.4 million investment facility available until November 2016 that carries interest at 1.95% above LIBOR and a £2.6 million development facility available until November 2014 that carries interest at 2.75% above LIBOR. On practical completion of the development property, the development facility is converted and added to the investment facility. A £50.0 million interest rate swap at a rate of 2.575% has been taken out to hedge the interest on the existing investment facility. The loan must not exceed 75% of the value of the security, interest cover must be above 1.7 times and debt service cover must be above 1.05 times.

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

17. Derivative financial instrument at fair value through profit or loss

	Interest rate swaps (Santander) £m
Liability at 1 April 2013	3.6
Movement in year	(1.8)
Liability at 31 March 2014	1.8

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

	2014 £m	2013 £m
Non-current liabilities	**1.8**	3.6
	1.8	3.6

Fair value hierarchy

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

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

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

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

At 31 March 2014 and 31 March 2013 and throughout the two-year period the financial liabilities measured have been determined and valued as Level 2.

During the reporting years ending 31 March 2014 and 31 March 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of the Level 3 fair value measurements.

18. Share capital

	2014	2014 £m	2013	2013 £m
Authorised				
Ordinary Shares of 10p each	**3,000,000,000**	**300.0**	3,000,000,000	300.0
Preference Shares of 10p each	**20,000,000**	**2.0**	20,000,000	2.0
		302.0		302.0

	Number of shares 2014	Share capital 2014 £m	Number of shares 2013	Share capital 2013 £m
Ordinary Shares issued and fully paid				
At 1 April and 31 March	**529,548,924**	**53.0**	529,548,924	53.0
Own shares held	**(4,064,885)**	**(1.9)**	(4,218,219)	(1.9)
Total share capital	**525,484,039**	**51.1**	525,330,705	51.1

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	2014 £m	2013 £m
22/01/2014	0.45	529,548,924	**2.4**	–
23/10/2013	0.3025	529,548,924	**1.6**	–
24/07/2013	0.3025	529,548,924	**1.6**	–
24/04/2013	0.3025	529,548,924	**1.6**	–
23/01/2013	0.285	529,548,924	**–**	1.5
24/10/2012	0.285	529,548,924	**–**	1.5
25/07/2012	0.285	529,548,924	**–**	1.5
			7.2	4.5

A dividend of 0.45 pence per share was paid to shareholders on 23 April 2014.

A quarterly dividend for 2014/15 of 0.45 pence per share is expected to be paid on 23 July 2014 to shareholders on the share register at 11 July 2014.

The dividends paid do not include any Property Income Distributions ("PID") as defined under the REIT regime.

20. Share-based payments

As at 31 March 2014, the Group had three long-term incentive schemes in place – the Value Creation Plan ("VCP"), the Executive Recruitment Plan ("ERP") and the Long Term Incentive Plan ("LTIP").

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

As at 31 March 2014 the Employee Benefit Trust held a total of 4,064,885 (2013: 4,218,219) Ordinary Shares of 10p each in Assura Group Limited. Previous long-term incentive plans have lapsed without vesting.

Value Creation Plan

As at 31 March 2014, a total of 822,080 performance units (2013: 791,700) had been granted to employees (including 575,000 units granted to Executive Directors as detailed in the Remuneration Committee Report). No payment has been made for the grant of these awards and the performance units have no value at grant.

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

Further details in respect of the VCP are provided in the Remuneration Committee Report in the Annual Accounts.

Executive Recruitment Plan

During the 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 in the Annual Accounts.

Long Term Incentive Plan

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

	2014 Units	2013 Units
Outstanding as at the start of the year	**400,000**	725,000
Expired during the year	**(400,000)**	(325,000)
Outstanding as at the end of the year	**–**	400,000
Units exercisable at the end of the year	**–**	–

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

20. Share-based payments continued

All schemes

The fair value of equity settled units granted during 2013 is 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 £655,500 (2013: charge of £575,000).

For share options outstanding as at 31 March 2014, the weighted average remaining contractual life is 1.83 years (2013: 1.98 years). The weighted average fair value of share options granted during 2014 was n/a (2013: £0.34).

21. Note to the Consolidated Cash Flow Statement

	2014 £m	2013 £m
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net profit before taxation		
Profit from continuing activities	**24.2**	12.9
Profit from discontinued activities	**11.2**	1.4
	35.4	14.3
Adjustment for non-cash items:		
Depreciation	**–**	0.1
(Increase)/decrease in debtors	**(1.1)**	0.1
(Decrease)/increase in creditors	**(0.7)**	2.8
Decrease in provisions	**(0.5)**	–
Revaluation gain	**(12.4)**	(6.0)
Interest capitalised on developments	**(0.6)**	(0.4)
(Gain)/loss on revaluation of financial instrument	**(1.8)**	1.2
(Gain)/loss on disposal of properties	**(0.2)**	0.1
Amortisation of Trinity loan fair value adjustment	**(0.1)**	–
Profit on disposal of LIFT business	**(10.5)**	–
Negative goodwill on acquisition of Trinity	**(0.6)**	–
Share of profits of associates and joint ventures	**(0.2)**	(0.4)
Employee share-based incentive costs	**0.7**	0.6
Amortisation of loan issue costs	**0.5**	0.5
Net cash inflow from operating activities	**7.9**	12.9

22. Discontinued operations

During the year, the Board announced plans to sell the investments held in LIFT companies, as it was concluded that shareholder value would be best realised through any proceeds being re-invested in primary care property assets. Contracts were exchanged on 24 November 2013, with the sale completed in two tranches: the first on 23 January 2014 and the second on 13 February 2014.

The following table shows the calculation of gain on disposal, relative to the net assets at the effective date of the transaction (30 September 2013, being the date at which the purchasers were entitled to interest and equity returns):

	£m
Gross consideration	22.4
Costs	(0.7)
Net proceeds	21.7
LIFT investments at 30 September 2013	(10.9)
Additional investment	(0.3)
Gain on disposal of discontinued operations	10.5

Prior to the sale, the Group increased its investment in one LIFT company for consideration of £0.3 million.

The results of the LIFT segment for the period are presented below:

	2014 £m	2013 £m
Share of profits of associates and joint ventures	**0.1**	0.4
Finance revenue	**0.6**	1.0
Profit before tax	**0.7**	1.4
Gain on disposal of discontinued operations	**10.5**	–
Profit for the period from discontinued operations	**11.2**	1.4

The net cash flows attributable to the LIFT segment were as follows:

	2014 £m	2013 £m
Operating activities	**0.6**	1.0
Investing activities	**21.4**	(0.3)
Net cash inflow	**22.0**	0.7

23. Commitments

At the year end the Group had five (2013: nine) developments on-site with a contracted total expenditure of £21.5 million (2013: £33.1 million) of which £12.5 million (2013: £13.9 million) had been expended.

24. Post balance sheet events

Subsequent to the year end, a subsidiary of the Group has entered into a five-year £30 million revolving credit facility with RBS and Barclays.