

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the action you should take, you should immediately consult your independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Assura Group Limited, please hand this document, but not the personalised form of proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of existing shares please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

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# **Assura Group Limited**

*(incorporated and registered in Guernsey under registration number 41230)*

## **Notice of Extraordinary General Meeting**

### **Establishment of Assura Group Value Creation Plan**

### **Proposed Amendments to Articles of Association for the purpose of UK REIT conversion**



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Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 1 to 3 of this document and which recommends you to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting. Your attention is also drawn to the section entitled "Action to be taken" on page 3 of this document.

Notice of an Extraordinary General Meeting of the Company to be held at the London offices of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG at 10.00am on 15 February 2013 is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to reach the Company's registrars, Computershare Investor Services Limited, whose address is The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 10.00am on 13 February 2013.

If you hold your ordinary shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's registrars (under CREST participant ID 3RA50) by no later than 10.00am on 13 February 2013. The time of receipt will be taken to be the time from which the registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Completion and return of a Form of Proxy or completion and transmission of a CREST proxy instruction will not preclude shareholders from attending and voting at the Extraordinary General Meeting should they choose to do so. Further instructions relating to the Form of Proxy, and proxy appointment and instruction through CREST, are set out in the EGM notice on page 31.

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## PART 1

### LETTER FROM THE CHAIRMAN

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

To all ordinary shareholders.

28 January 2013

#### Extraordinary General Meeting - 15 February 2013

Dear Shareholder,

#### **Proposals to (i) establish a Value Creation Plan; and (ii) amend Assura Group Limited's Articles of Association in connection with the conversion into a Real Estate Investment Trust (REIT)**

I am writing to explain the background to two resolutions to be put to an Extraordinary General Meeting of the Company:

- (i) the proposed creation of a new long term incentive plan, the Assura Group Value Creation Plan; and
- (ii) the proposed amendments to the Articles of Association of Assura Group Limited (**Company**) in connection with the conversion of the Group (as defined in Part 3) into a group UK REIT.

This document also sets out why your Board thinks that they are in the best interests of shareholders as a whole.

Set out at the end of this Circular is a notice convening the Extraordinary General Meeting (**EGM**), which will be held at the London offices of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG on 15 February 2013 at 10.00am. There is also enclosed a Form of Proxy to enable you to vote on the resolutions should you be unable to attend the meeting.

#### **Assura Group Value Creation Plan**

Part 2 of this Circular is a letter from Jenefer Greenwood, the Chair of the Remuneration Committee, setting out further detail in respect of the proposed Assura Group Value Creation Plan.

#### **Conversion into a UK REIT**

Although a Guernsey registered company, Assura is and will remain a UK tax payer. However the Board is proposing to convert the Group into a UK REIT with effect from 1 April 2013 (inclusive) in order to benefit from the provisions contained in Part 12 of the Corporation Tax Act 2010 and the related regulations (the **REIT Regime**). The proposed amendments to the Company's Articles of Association (**Articles**) are required for the Company to be confident that it will not incur a special charge to tax that can arise under the REIT Regime. The Board will convert the Group into a REIT only if these amendments are approved by shareholders.

By converting to REIT status, the Group will no longer pay UK direct tax on the profits and gains from its Qualifying Property Rental Businesses (as defined in Part 3 of this Circular) in the UK provided it meets certain conditions. The Board believes that this will be significantly to the benefit of shareholders. Other profits and gains of the Group will continue to be subject to UK corporation tax as normal.

As investors may be aware, the REIT Regime was changed materially last year and is now far more attractive to entities such as Assura than was previously the case. In particular, there is currently no charge for conversion to REIT status. Previously this was 2 per cent. of the value of the relevant property assets.

As the principal company of the REIT, the Company will be required to distribute to shareholders (by way of cash or stock dividend) at least 90 per cent. of the income profits arising from the Group's Qualifying Property Rental Business in each accounting period. The distribution must be made on or before the filing date for the REIT's tax return for the accounting period in question.

Under the REIT Regime, a tax charge may be levied on the Company if it makes a distribution to or in respect of a company (or a person treated as a body corporate for certain tax purposes) which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends of the Company or controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company unless the Company has taken reasonable steps to avoid such a distribution being paid. The amendments we are proposing to the Company's Articles are intended to give the Board the powers it needs to demonstrate to HM Revenue & Customs (**HMRC**) that such "reasonable steps" have been taken and are in accordance with current published HMRC guidance in relation to what constitutes "reasonable steps" for these purposes.

Part 3 of this Circular contains a general overview of the REIT Regime.

Shareholders should note that conversion of the Group into a REIT will affect their tax position. Part 4 of this Circular contains a summary of the UK tax treatment of certain shareholders after conversion.

Part 5 of this Circular contains a summary of the proposed amendments to the Company's Articles.

### **Implications of REIT status for Assura's business, strategy and dividend policy**

Assura's business is well suited to this beneficial REIT Regime, requiring no significant changes of strategy or structure to the Company.

As explained above, as a REIT the Company will be required to distribute to shareholders at least 90 per cent. of the income profits arising from the Group's Qualifying Property Rental Business. As income profits for these purposes are reduced by capital allowances, available as a result of the Group's development programme, the 90 per cent. condition is not expected to require a change in the Company's progressive, quarterly dividend policy.

### **Exit from the REIT Regime**

The Company can give notice to HMRC that it wants the Group to leave the REIT Regime at any time. The Board retains the right to decide to exit the REIT Regime at any time in the future, without shareholder consent, if it considers this to be in the best interests of the Group.

If the Group voluntarily leaves the REIT Regime within ten years of joining and disposes of any property that was involved in its Qualifying Property Rental Business within two years of leaving, any uplift in the base cost of the property as a result of the deemed disposal on entry or exit into the REIT Regime is disregarded in calculating the gain or loss on the disposal.

It is important to note that the Company cannot guarantee continued compliance with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances. HMRC may require the Group to exit the REIT Regime if:

- it regards a breach of the conditions relating to the Qualifying Property Rental Business or distribution of profits, or an attempt by the Group to avoid tax, as sufficiently serious;
- the Group has committed a certain number of breaches in a specified period; or
- HMRC has given the Company two or more notices in relation to the avoidance of tax within a ten year period.

In addition, in the following cases, the Group will automatically lose REIT status:

- the conditions for REIT status relating to the share capital of the Company or the prohibition on borrowings with abnormal returns are breached;
- the Company ceases to be resident solely in the UK for tax purposes; or
- the Company becomes an open-ended company.

Shareholders should note that the Group could lose its status as a REIT as a result of the actions of third parties (for example, in the event of a successful takeover by a company that is not a REIT and which does not qualify as an 'institutional investor' for REIT purposes) or due to a breach of the close company condition if it is unable to remedy the breach within a specified period.

Where the Group is required to leave the REIT Regime within ten years of joining, or if it automatically loses its REIT status, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Group is treated as exiting the REIT Regime. In certain circumstances, the Group may be disqualified from being a REIT from the end of the accounting period preceding that in which the breach or failure occurred.

### **Recommendation**

The Board believes that both the new incentive plan and conversion to REIT status will mark significant milestones in the development of Assura, and place the business in excellent shape to deliver our strategy and create value for you, our shareholders.

Your Board considers that the resolutions to be proposed at the Extraordinary General Meeting in respect of the establishment of a Value Creation Plan (more detail of which is set out in Part 2 of this Circular) and to amend the Articles (more detail of which is set out in Part 5 of this Circular) are in the best interests of shareholders as a whole and unanimously recommends shareholders to vote in favour of the resolutions, as the Directors intend to do in respect of their own shareholdings which amount in aggregate to 3,857,711 ordinary shares, representing approximately 0.73 per cent. of the issued share capital of the Company (as at 25 January 2013, being the last business day before the date of this document).

### **Action to be taken**

The Extraordinary General Meeting will be held at the London offices of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG on 15 February at 10.00am. Holders of ordinary shares are entitled to attend and vote at the Extraordinary General Meeting. A form of proxy for use by holders of ordinary shares is enclosed. You are requested to complete the form in accordance with the instructions thereon and return it to the Company's registrars, Computershare Investor Services Limited whose address is The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but, in any event, so that it arrives not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting.

If you hold your ordinary shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST manual so that it is received by the Company's registrars (under CREST participant ID 3RA50) by no later than 10.00am on 13 February 2013. Unless the form of proxy or CREST proxy instruction is received by the date and time specified above, it will be invalid.

If you complete and return the proxy form, or complete and transmit a CREST proxy instruction, you can still attend and vote at the Extraordinary General Meeting if you wish.

Yours faithfully



**Simon Laffin**  
Chairman

## PART 2

### LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

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

To all ordinary shareholders.

28 January 2013

Dear Shareholder

#### Introduction

In this letter, and in Parts 6 and 7 of this Circular, we provide you with an explanation of resolution 1, set out in the notice convening the Extraordinary General Meeting, which is being submitted to shareholders in connection with the proposed introduction of a new long-term incentive plan, known as the Assura Group Value Creation Plan (**VCP**).

#### Contents

This letter and Parts 6 and 7 of this Circular provide the following information:

- An overview of the proposals and a summary of the factors taken into account in the design of the VCP;
- Part 6 of this Circular provides an overview of the executive remuneration policy of the Company, and the key terms of the VCP; and
- Part 7 of this Circular sets out a technical summary of the VCP.

#### Background

Since the start of the 2012/13 financial year, the Remuneration Committee (**Committee**) has been reviewing its long-term incentive arrangements to ensure that the Company has in place a remuneration policy that supports the Company's strategy under our new Chief Executive. A key component of this policy is an appropriate long-term incentive plan.

The Committee believes that the proposed VCP will enable the Company to continue to motivate, attract and retain key employees, while at the same time better reflecting the Company's future strategy through the use of a performance measure based upon total shareholder return, which will ensure the long-term alignment of executive directors and other eligible employees with shareholder interests.

It should be noted that the VCP will be the only long-term incentive arrangement operated for the executive directors and the other employees of the Company.

#### Overview of the VCP

The VCP will operate by granting the executive directors of the Company and other eligible employees an award of units that have no value on grant, but which may convert into nil-cost options over shares with a value calculated to be a proportion of the total shareholder return created for shareholders. This will be measured on three separate dates over a five year performance period.

The overall effect of the VCP is that the executive directors of the Company and other eligible employees will be able to earn shares equivalent to 10 per cent. of any total shareholder return created above an 8 per cent. p.a. threshold. In other words, until shareholders receive an 8 per cent. p.a. return, the VCP will pay out nothing. Beyond that, broadly participants may receive 10 per cent. of any further value created

subject to a cap of 25 million shares. The VCP is necessarily more complex in detail than this overview, and more detail is given below. The 8 per cent. p.a. threshold was chosen based on a review of the economic and market situation, and the Board's view of the minimum performance necessary before any additional reward should be available to participants.

The 1st measurement date will be three months following the announcement of the Company's financial results for 2015, the 2nd measurement date will be three months after the announcement of the 2016 results, and the 3rd measurement date will be three months following the announcement of the 2017 results. Subject to the achievement of certain conditions, 50 per cent. of any nil-cost options accrued at the 1st measurement date will vest and become exercisable, 50 per cent. of any accrued nil-cost options (from the 2nd measurement date and those deferred at the 1st measurement date) at the 2nd measurement date will then vest, and the balance of any accrued nil-cost options (from the 3rd measurement date and those deferred at the 2nd measurement date) will vest on the 3rd measurement date. Any residual equity that had converted into accrued nil-cost options, but had not satisfied the vesting conditions, will lapse after the five year period has completed.

The Committee strongly believes that the introduction of the VCP with demanding total shareholder return targets will incentivise key executives to ensure the successful implementation of the new business strategy, and, thereby, the delivery of significant value for shareholders.

### **Rationale and design considerations**

In the design of the VCP the following factors have been taken into account:

- |   |  |
|---|--|
| <b>Alignment with the strategic aims</b>        | <ul style="list-style-type: none"> <li>• The Company's annual bonus arrangements are focused on the achievement of short-term operational measures. The new VCP is intended to directly support the achievement of the key long-term performance indicator of the Company: total shareholder return.</li> <li>• Growth in total shareholder return is the key measure demonstrating the successful execution of a number of the Company's financial objectives, including: <ul style="list-style-type: none"> <li>• capital returns and growth in net asset value per share;</li> <li>• growth in income returns and earnings per share; and</li> <li>• the reduction of costs and improvement in recovery rates.</li> </ul> </li> <li>• Further, maximising total shareholder returns supports a sustainable and progressive dividends policy.</li> </ul> |
| <b>Alignment of interests with shareholders</b> | <ul style="list-style-type: none"> <li>• One of the main criteria of success by which shareholders will judge the executive team is the long-term sustainable increase in total shareholder return. The VCP provides a direct relationship between returns to shareholders and the value delivered to participants.</li> <li>• Total shareholder return is easy to communicate to shareholders and participants and also to explain the basis of the value received by participants as a proportion of the value delivered to shareholders.</li> </ul>   |
| <b>Risk adjustment</b>                          | <ul style="list-style-type: none"> <li>• Payout under the VCP is capped. This ensures that participants will not share in a disproportionate amount of the value created for shareholders.</li> <li>• Before any awards vest and become exercisable at each measurement date a minimum level of total shareholder return must have been achieved (i.e. 8 per cent. p.a. compound growth from the base price). This ensures that participants are focused on sustaining and growing long-term total shareholder returns.</li> </ul>   |

### **Shareholder consultation**

The Committee consulted with its principal shareholders prior to finalising the new arrangements. The Committee is grateful for shareholders' comments and engagement during the consultation process. The VCP received general support, whilst the Committee built in a number of amendments to reflect individual comments from shareholders.

**IFRS 2 Accounting charge**

Part 6 contains an estimate of the non-cash accounting charge for the whole 5 year period arising from the VCP. The actual charge and apportionment between accounting periods will depend inter alia on the timing of awards following shareholder approval and share price volatility in the period up to the date of awards.

**Board recommendation**

The Board considers the VCP to be in the best interests of the Company and shareholders as a whole, and unanimously recommends that you vote in favour of resolution 1 set out in the notice convening the Extraordinary General Meeting.

Yours faithfully,

A handwritten signature in black ink that reads "Jenefer Greenwood". The signature is written in a cursive style with a horizontal line underlining the name.

**Jenefer Greenwood**

Chair of the Remuneration Committee



## PART 3

### THE REIT REGIME

The following paragraphs are intended as a general guide only and constitute a high-level summary of the Company's understanding of certain aspects of current UK law and HMRC practice relating to the UK REIT Regime, each of which is subject to change, possibly with retrospective effect. They are not advice.

#### Definitions

The following definitions apply throughout Parts 3, 4 and 5 of this Circular, unless the context requires otherwise:

"CTA 2010"	the United Kingdom Corporation Tax Act 2010, as amended from time to time.
"Excessive Shareholder"	a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent. or more of the distributions paid by the Company and/or share capital of the Company, or which controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company (referred to in section 553 of the CTA 2010 as a "holder of excessive rights").
"Excessive Shareholding"	the holding of Shares by an Excessive Shareholder.
"Group"	the Company, its wholly owned subsidiaries and its 75 per cent. subsidiaries from time to time (as defined in section 606 of the CTA 2010).
"HMRC"	Her Majesty's Revenue & Customs.
"IAS"	International Accounting Standards.
"Non-PID Dividends"	a dividend paid by the Company which is not a PID.
"PID" or "Property Income Distribution"	a dividend or distribution paid by the Company in respect of profits or gains of the Qualifying Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Qualifying Property Rental Business.
"Qualifying Property Rental Business"	a property rental business fulfilling the conditions in section 529 of the CTA 2010.
"REIT"	a company or group to which Part 12 of the CTA 2010 applies.
"Residual Business"	the business of the Group which is not Qualifying Property Rental Business.

#### Overview

The REIT Regime was introduced in the Finance Act 2006 and the relevant legislation is now contained in Part 12 of the CTA 2010.

As part of a group UK REIT, UK resident Group members would no longer pay UK direct taxes on income and capital gains from their Qualifying Property Rental Businesses in the UK and elsewhere (and non-UK resident Group members with a UK Qualifying Property Rental Business would no longer pay UK direct taxes on income from their UK Qualifying Property Rental Businesses), provided that certain conditions are satisfied. Instead, distributions in respect of the tax-exempt Qualifying Property Rental Businesses will be treated for UK tax purposes as UK property income in the hands of shareholders (Part 4 contains further detail on the United Kingdom tax treatment of shareholders in a REIT).

However, corporation tax will still be payable in the normal way in respect of income and gains from the Group's Residual Business (generally including any property trading business).

In this Part, references to a company's accounting period are to its accounting period for tax purposes. This period can in some circumstances differ from a company's accounting period for other purposes.

## **Qualification as a REIT**

A group becomes a group UK REIT by the principal company in the group serving notice on HMRC before the beginning of the first accounting period for which it wishes the group members to become a REIT. In order to qualify as a REIT, the principal company and the REIT Group must satisfy certain conditions set out in the CTA 2010. A non-exhaustive summary of the material conditions is set out below. Broadly, the principal company must satisfy the conditions set out in paragraphs (A), (B), (C), (D) and (F) below and the Group as a whole must satisfy the conditions set out in paragraph (E).

### *(A) Company conditions*

The principal company must be solely resident in the UK for tax purposes, it must be closed-ended, and its ordinary shares must be admitted to trading and either listed or traded on a recognised stock exchange, such as the London Stock Exchange. The principal company must also not (apart from in circumstances where it is only a close company because it has as a participator an institutional investor as defined in section 528(4A) of the CTA 2010) be a "close company" (as defined in section 439 of the CTA 2010 as adapted by section 528(5) of the CTA 2010). In summary, the close company condition amounts to a requirement that the company cannot be under the control of 5 or fewer participators, or of participators who are directors (and participators for these purposes is defined in section 454 of the CTA 2010), subject to certain exceptions.

### *(B) Share capital restrictions*

The principal company must have only one class of ordinary shares in issue and the only other shares issued must be non-voting fixed rate preference shares.

### *(C) Restrictions on types of borrowing*

The principal company must not be party to any borrowing in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of the principal company's business or on the value of any of its assets. In addition, the amount repayable must either not exceed the amount lent or must be reasonably comparable with the amount generally repayable (in respect of an equal amount lent) under the terms of issue of securities listed on a recognised stock exchange.

### *(D) Financial statements*

The principal company must prepare financial statements in accordance with statutory requirements and submit these to HMRC. The financial statements must set out the information about the Qualifying Property Rental Business and the Residual Business separately. The REIT Regime specifies the information to be included and the basis of preparation of these financial statements.

### *(E) Conditions for the Qualifying Property Rental Business (including the Balance of Business conditions)*

The Qualifying Property Rental Business must satisfy the conditions summarised below in respect of each accounting period during which the Group is to be treated as a REIT:

- (a) the Qualifying Property Rental Business must throughout the accounting period involve at least three properties;
- (b) throughout the accounting period no one property may represent more than 40 per cent. of the total value of all the properties involved in the Qualifying Property Rental Business;
- (c) treating all members of the Group as a single company, the Qualifying Property Rental Business must not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice;
- (d) the income profits arising from the Qualifying Property Rental Business must represent at least 75 per cent. of the Group's total profits for the accounting period. Profits for this purpose means profits calculated in accordance with IAS, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items; and
- (e) at the beginning of the accounting period the value of the assets in the Qualifying Property Rental Business must represent at least 75 per cent. of the total value of assets held by the Group.

*(F) Distribution condition*

The principal company of a group UK REIT will be required (to the extent permitted by law) to distribute to shareholders (by way of cash or stock dividend) at least 90 per cent. of the income profits arising in each accounting period of the UK-resident members of the Group in respect of their Qualifying Property Rental Business and of the non-UK resident members of the Group in respect of their UK Qualifying Property Rental Business. The distribution must be made on or before the filing date for the REIT's tax return for the accounting period in question. Income profits for these purposes are to be calculated, broadly, in accordance with normal tax rules. Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although this charge can be avoided if an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level. For the purpose of satisfying the distribution condition, any dividend withheld in order to comply with the 10 per cent. rule (as described below) will be treated as having been paid.

**Effect of becoming a REIT**

*(A) Tax savings*

As a REIT, the Group will not pay UK corporation tax on profits and gains from the Qualifying Property Rental Business. Corporation tax will still apply in the normal way in respect of the Residual Business. Corporation tax could also be payable were a member of the Group to be sold (as opposed to property involved in the UK Qualifying Property Rental Business). The Group will also continue to pay taxes such as VAT, stamp duty land tax, stamp duty and national insurance in the normal way.

*(B) Dividends*

When the principal company of a REIT pays a dividend, that dividend will be a PID to the extent necessary to satisfy the 90 per cent. distribution condition. If the dividend exceeds the amount required to satisfy that test, the REIT may determine that all or part of the balance is a Non-PID Dividend paid out of the profits of the activities of the Residual Business. Any remaining balance of the dividend (or other distribution) will generally be deemed to be a PID, firstly in respect of the income profits for the current year or previous years out of which a PID can be paid and secondly in respect of capital gains which are exempt from tax by virtue of the REIT Regime. Any remaining balance will be attributed to other distributions.

Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent). Further details of the United Kingdom tax treatment of certain categories of shareholder while the Group is in the REIT Regime are contained in Part 4.

If the Group ceases to be a REIT, dividends paid by the principal company may nevertheless be PIDs for a transitional period to the extent they are paid in respect of profits and gains of the Qualifying Property Rental Business whilst the Group is a REIT.

*(C) Interest cover ratio*

A tax charge will arise if, in respect of any accounting period, the Group's ratio of income profits (before capital allowances) to financing costs (in both cases in respect of its Qualifying Property Rental Business) is less than 1.25:1. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 (subject to a cap of 20 per cent. of the income profits) is chargeable to corporation tax.

*(D) The "10 per cent. rule"*

The principal company of a REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a person beneficially entitled, directly or indirectly, to 10 per cent. or more of the principal company's dividends or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in the principal company. Shareholders should note that this tax charge only applies where a dividend is paid to persons that are companies or are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement, or for the purposes of such double tax agreements. It does not apply where a nominee has such a 10 per cent. or greater holding unless the persons on whose behalf the nominee holds the shares meets the test in their own right.

This tax charge will not be incurred if the principal company has taken reasonable steps to avoid paying dividends to such a person. HMRC guidance describes certain actions that might be taken to show it has taken such “reasonable steps”. One of these actions is to include restrictive provisions in the principal company’s articles of association to address this requirement. The proposed amendments to the Articles are consistent with the provisions described in the HMRC guidance.

*(E) Certain tax avoidance arrangements*

If HMRC believes that a member of the Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. These rules apply to both the Residual Business and the Qualifying Property Rental Business.

## PART 4

### UNITED KINGDOM TAX TREATMENT OF SHAREHOLDERS AFTER ENTRY INTO THE REIT REGIME

#### Introduction

The following paragraphs are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC practice, each of which is subject to change, possibly with retrospective effect. They are not advice.

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends (as defined in Part 3 of this Circular) paid by the Company, and to disposals of shares in the Company, in each case after the Company becomes a REIT. They apply only to shareholders who are the absolute beneficial owners of both their shares in and dividends from the Company and hold their shares as investments and, except where otherwise indicated, they apply only to shareholders who are both resident and ordinarily resident for tax purposes solely in the United Kingdom. They do not apply to Excessive Shareholders, as defined in Part 3 of this Circular. Nor do they apply to certain categories of shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their shares by reason of their or another's employment, persons who hold their shares by virtue of an interest in any partnership, collective investment schemes, insurance companies, life assurance companies, mutual companies, or Lloyds members. They apply to charities, trustees, pension scheme administrators or persons who hold their shares in connection with a UK branch, agency or permanent establishment only where indicated at paragraph B(iv)(d) below.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

#### *(A) UK Taxation of Non-PID Dividends*

Non-PID Dividends paid by the Company will be taxed in the same way as dividends paid by the Company prior to entry into the REIT Regime, whether in the hands of individual or corporate shareholders and regardless of whether the shareholder is resident for tax purposes in the UK.

#### *(B) UK Taxation of PIDs*

##### *(i) UK taxation of shareholders who are UK tax resident individuals*

Subject to certain exceptions, a PID will generally be treated in the hands of shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other UK REIT, treated as profit from a UK property business separate from any other UK property business (a different UK property business) carried on by the relevant shareholder. This means that any surplus expenses from a shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the shareholder's UK property business.

Shareholders may receive ordinary dividends or PIDs. Where an ordinary dividend is received it bears the usual dividend tax credit. When a PID is received there is a tax credit for the withholding tax deducted.

Please see also paragraph B(iv) (Withholding tax), below.

##### *(ii) UK taxation of UK tax resident corporate shareholders*

Subject to certain exceptions, a PID will generally be treated in the hands of shareholders who are within the charge to corporation tax as profit of a UK property business (as defined in Part 4 of the Corporation Tax Act 2009). A PID is, together with any property income distribution from any other UK REIT, treated as profit from a UK property business separate from any other UK property business (a different UK property business) carried on by the relevant shareholder. This means that any surplus expenses from a shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the shareholder's UK property business profits.

Please see also paragraph B(iv) (Withholding tax) below.

*(iii) UK taxation of shareholders who are not resident for tax purposes in the UK*

Where a shareholder who is resident for tax purposes outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding.

Please see also paragraph B(iv) (Withholding tax) below.

*(iv) Withholding tax*

*(a) General*

Subject to certain exceptions summarised at paragraph B(iv)(d) below, the Company is required to withhold tax at source at the basic rate (currently 20 per cent.) from its PIDs (whether paid in cash or in the form of a stock dividend). The Company will provide shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

*(b) Shareholders solely resident and ordinarily resident in the UK*

Where tax has been withheld at source, shareholders who are individuals may, depending on their particular circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates will generally be liable to pay corporation tax on their PID (see paragraph B(ii) above) and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax or income tax which they are required to withhold in the accounting period in which the PID is received.

*(c) Shareholders who are not resident for tax purposes in the UK*

It is not possible for a shareholder to make a claim under a double taxation treaty for a PID to be paid by the Company gross or at a reduced rate. The right of a shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double tax convention between the UK and the country in which the shareholder is resident.

*(d) Exceptions to requirements to withhold income tax*

Shareholders should note that in certain circumstances the Company is not required to withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK or a charity or a company resident for tax purposes outside the UK which is trading through a permanent establishment in the UK and which is required to bring the PID into account in computing its taxable profits. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of a certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP), or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the shareholder concerned is entitled to that treatment. For that purpose the Company will require such shareholders to submit a valid claim form (copies of which may be obtained on request from the Company's registrars, Computershare Investor Services Limited). Shareholders should note that the Company may seek recovery from shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the shareholder turns out to have been mistaken.

*(C) UK Taxation of Chargeable Gains, Stamp Duty and Stamp Duty Reserve Tax in Respect of Shares in the Company*

Subject to the paragraph headed "Introduction", above, the following comments apply to both individual and corporate shareholders, regardless of whether or not such shareholders are resident for tax purposes in the UK.

*(i) UK taxation of chargeable gains*

Chargeable gains arising on the disposal of shares in the Company following its entry into the REIT Regime should be taxed in the same way as previously. The entry of the Group into the REIT Regime will not cause a disposal of shares in the Company by shareholders for UK chargeable gains purposes.

*(ii) UK stamp duty and UK stamp duty reserve tax (SDRT)*

A conveyance or transfer on sale or other disposal of shares in the Company following its entry into the REIT Regime should not be subject to UK stamp duty or SDRT on the same basis as previously.



## PART 5

### SUMMARY OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As explained in the letter from the Chairman, it is proposed that the Articles should be amended in order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to an Excessive Shareholder. For these purposes an Excessive Shareholder is a company that:

- is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company's dividends;
- is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company's share capital; or
- controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company.

For the purposes of the above definition, **company** includes any body corporate and certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements.

If a distribution is paid to an Excessive Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge (an excess charge).

The proposed amendments to the Articles involve the insertion of a new Article (**New Article**). The text of the New Article is set out in the notice convening the EGM that is set out at the end of this Circular.

The New Article:

- (a) provides the directors with powers to identify Excessive Shareholders;
- (b) prohibits the payment of dividends on shares that form part of an Excessive Shareholding, unless certain conditions are met;
- (c) allows dividends to be paid on shares that form part of an Excessive Shareholding where the shareholder has disposed of its rights to dividends on its shares; and
- (d) seeks to ensure that if a dividend is paid on shares that form part of an Excessive Shareholding and arrangements of the kind referred to in (c) are not met, the Excessive Shareholder concerned does not become beneficially entitled to that dividend.

The New Article is consistent with the provisions described in current HMRC published guidance in relation to what constitutes 'reasonable steps' for these purposes.

References in this Part to an Excessive Shareholder are to the shares in respect of which an Excessive Shareholder is entitled to dividends, directly or indirectly, and/or to which an Excessive Shareholder is beneficially entitled, directly or indirectly, and/or the votes attached to which are controlled, directly or indirectly, by the Excessive Shareholder. References in this Part to dividends include other distributions.

The effect of the New Article is explained in more detail below:

#### (A) *Identification of Excessive Shareholders*

The share register of the Company records the legal owner and the number of shares they own in the Company but does not identify the persons who are beneficial owners of the shares or are entitled to control the voting rights attached to the shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in Section 488 of the Companies (Guernsey) Law, 2008 (the **Act**) and the Board's rights to require disclosure of such interests (pursuant to Section 488 of the Act and Article 82 of the Articles) should assist in the identification of Excessive Shareholders, those provisions are not on their own sufficient.

Accordingly, the New Article would require an Excessive Shareholder and any registered shareholder holding shares on behalf of an Excessive Shareholder to notify the Company if his shares form part of an Excessive Shareholding. Such a notice must be given within two business days. If a person is an Excessive Shareholder at the date the New Article is adopted, that Excessive Shareholder (and any registered shareholder holding shares on its behalf) must give such a notice within two business days after the date the New Article is adopted. The New Article gives the Board the right to require any person to provide information in relation to any shares in order to determine whether the shares form part of an Excessive Shareholding. If the required information is not provided within the time specified (which would be seven



days after a request is made or such other longer period as the Board may decide), the Board would be entitled to impose sanctions, including withholding dividends (as described in paragraph (B) below) and/or requiring the transfer of the shares to another person who is not, and does not thereby become, an Excessive Shareholder (as described in paragraph (E) below).

*(B) Preventing payment of a dividend to an Excessive Shareholder*

The New Article provides that a dividend will not be paid on any shares that the Board believes may form part of an Excessive Shareholding unless the Board is satisfied that the Excessive Shareholder is not beneficially entitled to the dividend or the Board is satisfied that no excess charge will arise to the Company on or in connection with the payment of the dividend. In considering whether no excess charge will arise, the Board may rely on written clearances received from HMRC.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the Board is satisfied that:

- the Excessive Shareholder concerned is not beneficially entitled to the dividends (see also (C) below);
- the shareholding is not part of an Excessive Shareholding;
- all or some of the shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, an Excessive Shareholder (in which case the dividends would be paid to the transferee); or
- sufficient shares have been transferred (together with the right to the dividends) such that the shares retained are no longer part of an Excessive Shareholding (in which case the dividends would be paid on the retained shares).

For this purpose references to the “**transfer**” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

*(C) Payment of a dividend where rights to it have been transferred*

The New Article provides that dividends may be paid on shares that form part of an Excessive Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, an Excessive Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Excessive Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of shares forming part of a specified Excessive Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate:

- (a) to ensure that the entitlement to future dividends will be disposed of; and
- (b) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in paragraph (B) above). In addition, the Board may require an Excessive Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to an Excessive Shareholder in reliance on the inaccurate certificate. The Board may (as described in paragraph (E) below) arrange for the sale of the relevant shares and retain any such amount from the proceeds. Any such amount may also be recovered out of dividends to which the Excessive Shareholder concerned may become entitled in the future.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it.

The effect of these provisions is that there is no restriction on a person becoming or remaining an Excessive Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

*(D) Trust arrangements where rights to dividends have not been disposed of by Excessive Shareholder*

The New Article provides that if a dividend is in fact paid on shares forming part of an Excessive Shareholding (which might occur, for example, if an Excessive Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not an Excessive Shareholder) nominated by the Excessive Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the shares if the Excessive Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Excessive Shareholder rule. If the Excessive Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company. These provisions do not apply where the Board is satisfied that no member of the Group will be liable to an excess charge on, or in connection with, the making of the distribution to, or in respect of, the Excessive Shareholder.

If the recipient of the dividend passes it on to another without being aware that the shares in respect of which the dividend was paid were part of an Excessive Shareholding, the recipient will have no liability as a result. However, the Excessive Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

*(E) Mandatory sale of Excessive Shareholdings*

The New Article also allows the Board to require the disposal of shares forming part of an Excessive Shareholding if:

- if an Excessive Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Excessive Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it or no excess charge will arise in relation to it);
- there has been a failure to provide information requested by the Board; or
- any information provided by any person proves materially inaccurate or misleading.

If a disposal of shares required by the Board is not completed within the timeframe specified by the Board or the Company incurs a charge to tax as a result of a dividend having been paid on an Excessive Shareholding, the Board may arrange for the sale of the relevant shares.

*(F) Takeovers*

The New Article does not prevent a person from acquiring control of the Company through a takeover or otherwise, although such an event may cause the Group to cease to qualify as a REIT.

*(G) Other*

The New Article also gives the Company power to require any shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the shareholder's entitlement to that treatment.

## PART 6

### OVERVIEW OF THE EXECUTIVE REMUNERATION POLICY OF THE COMPANY AND KEY DETAILS OF THE TERMS OF THE ASSURA GROUP VALUE CREATION PLAN

#### Introduction

The implementation of the new VCP is an essential component of the Company's remuneration policy. The new structure:

- provides an opportunity for executive directors and senior employees to earn highly competitive levels of reward for exceptional delivery of the strategy over the medium- to long-term;
- ensures that the Company can attract and retain talent of an appropriate calibre to execute the business strategy in a highly challenging environment, reflecting the future aspirations of the Company; and
- features performance metrics that are aligned to the Company's strategic objectives, such that achieving the targets represents successful performance against these strategic objectives.

#### Current remuneration policy

The following table sets out the remuneration structure for the Company:

Component	Policy
<b>Salary</b>	Set by reference to the lower quartile to median of an appropriate comparator group. On an occasional basis, the Company will use benchmarking data to help set salaries for the executive directors. It should be noted that, as is currently the case, the results of the benchmarking will only be one of many factors taken into account by the Remuneration Committee (the "Committee"). Other factors include: <ul style="list-style-type: none"><li>• the role and level of responsibility;</li><li>• the individual performance and experience of the executive director;</li><li>• pay and conditions for employees across the Company;</li><li>• the general performance of the Company; and</li><li>• the economic environment.</li></ul>
<b>Benefits &amp; pension</b>	Market competitive levels of benefit and pension provision.
<b>Annual bonus</b>	The maximum annual bonus level for the Chief Executive Officer is 100 per cent. of salary. The maximum bonus potential is 50 per cent. of salary for the executive Board, and 20 per cent. for other employees. Targets are set by the Committee by reference to key strategic measures. The targets for the Chief Executive Officer are based on a scorecard of targets covering: <ul style="list-style-type: none"><li>• key financial targets related to the business strategy; and</li><li>• strategic non-financial targets, which are set in relation to the improvement in business operations.</li></ul>
<b>Long-term incentives</b>	VCP, as described below.
<b>Shareholding guidelines</b>	The Committee operates a system of shareholding guidelines to encourage long-term share ownership by the executive directors. The guideline for the executive directors is 100 per cent. of salary.

## VCP term sheet

The following table sets out the key terms of the VCP in further detail:

Feature	Detail
<b>Overview</b>	<ul style="list-style-type: none"> <li>Participants in the VCP will be granted a number of units from a total pot. These units have no value on grant, but give the participants the opportunity to receive 10 per cent. (the "Participation Rate") of the total value created for shareholders above a threshold price ("Threshold Price") determined at three measurement dates ("Measurement Dates") in a five year measurement period ("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 cent. p.a. compound growth from the base price ("Base Price") at each Measurement Date must be achieved.</li> <li>Subject to the achievement of the relevant performance conditions, 10 per cent. of any value created above the Threshold Price will be converted into nil-cost options over shares, and a proportion of these nil-cost options may vest at each Measurement Date.</li> </ul>
<b>Participation</b>	<ul style="list-style-type: none"> <li>Executive directors, key value drivers and all other employees are eligible to participate in the VCP.</li> <li>The Committee will have the flexibility to include other key value drivers in the VCP at a later date (e.g. for new joiners).</li> </ul>
<b>Measurement Period</b>	<ul style="list-style-type: none"> <li>5 year Measurement Period.</li> </ul>
<b>Measurement Dates</b>	<ul style="list-style-type: none"> <li>Performance will be measured at three separate Measurement Dates during the Measurement Period (subject to cessation of employment and change of control provisions set out below).</li> <li>The 1st Measurement Date will be three months following the announcement of the Company's financial results in 2015, the 2nd Measurement Date will be three months following the announcement of the Company's financial results in 2016 and the 3rd Measurement Date will be at the same point in 2017.</li> </ul>
<b>Performance Conditions</b>	<ul style="list-style-type: none"> <li>The performance conditions are linked to the total value created for shareholders in excess of a Threshold Price at each Measurement Date.</li> <li>The Base Price (i.e. the price from which performance is measured) for the VCP will be £0.3125, which is the closing share price on the first trading day of the 2012/13 financial year, to reflect the date of appointment of the Chief Executive Officer.</li> <li>The Threshold Price at the 1st Measurement Date in 2015 will be £0.3937 (i.e. <math>£0.3125 \times (1 + 8 \text{ per cent.})^3 = £0.3937</math>). At subsequent Measurement Dates the Threshold Price will be the higher of: <ul style="list-style-type: none"> <li>the highest return achieved ("Measurement Price") at any previous Measurement Date; or</li> <li>8 per cent. p.a. compound total shareholder return growth from the Base Price (i.e. £0.4252 at the 2nd Measurement Date, and £0.4592 at the 3rd Measurement Date).</li> </ul> </li> <li>The Measurement Price at each Measurement Date will be calculated using the average share price over the three months following the announcement of the Company's financial results for the relevant financial year plus the dividends paid per share from the start of the 2012/13 financial year or the previous Measurement Date, as appropriate.</li> <li>Providing the relevant Threshold Price has been achieved, 10 per cent. (i.e. the "Participation Rate") of the total value created for shareholders will be allocated to VCP participants. The total value created will be the Measurement Price less the Threshold Price, multiplied by the number of shares in issue at that Measurement Date.</li> </ul>

Feature	Detail
	<ul style="list-style-type: none"> <li>The following paragraphs set out how the performance condition will be applied.</li> </ul> <p><b><u>1st Measurement Date</u></b></p> <ul style="list-style-type: none"> <li>If the Measurement Price on the 1st Measurement Date is greater than the Threshold Price of £0.3937 (i.e. <math>£0.3125 \times (1 + 8 \text{ per cent.})^3 = £0.3937</math>), participants will be granted nil-cost options over shares equivalent to 10 per cent. of the total value created above the Threshold Price. The number of nil-cost options will be calculated using the Measurement Price at that Measurement Date.</li> <li>50 per cent. of any accrued nil-cost options will vest and be immediately exercisable, with the remaining 50 per cent. being deferred.</li> </ul> <p><b><u>2nd Measurement Date</u></b></p> <ul style="list-style-type: none"> <li>If the Measurement Price on the 2nd Measurement Date is greater than the Threshold Price (being the higher of either £0.4252 (i.e. <math>£0.3125 \times (1 + 8 \text{ per cent.})^4 = £0.4252</math>) or the achieved Measurement Price on the 1st Measurement Date), participants will be granted nil-cost options over shares equivalent to 10 per cent. of the total value created above the Threshold Price. The number of nil-cost options will be calculated using the Measurement Price at that Measurement Date.</li> <li>50 per cent. of any accrued nil-cost options (from the 2nd Measurement Date and those deferred at the 1st Measurement Date) will vest and be immediately exercisable with the remaining 50 per cent. being deferred.</li> <li>If the Measurement Price is equal to £0.4252 but less than the Threshold Price, then 50 per cent. of any accrued nil-cost options carried forward from 1st Measurement Date will vest, while the remaining 50 per cent. will be deferred.</li> <li>If the Measurement Price is less than £0.4252, any accrued nil-cost options carried forward from the 1st Measurement Date will not vest. Instead 100 per cent. of any accrued and unvested nil-cost options carried forward from 1st Measurement Date will be deferred to the 3rd Measurement Date.</li> </ul> <p><b><u>3rd Measurement Date</u></b></p> <ul style="list-style-type: none"> <li>If the Measurement Price on the 3rd Measurement Date is greater than the Threshold Price, (being the higher of either £0.4592 (i.e. <math>£0.3125 \times (1 + 8 \text{ per cent.})^5 = £0.4592</math>), or the highest achieved Measurement Price on the 1st or 2nd Measurement Date), participants will be granted nil-cost options over shares equivalent to 10 per cent. of the total value created above the Threshold Price. The number of nil-cost options will be calculated using the Measurement Price at that Measurement Date.</li> <li>All of the accrued nil-cost options will vest and be immediately exercisable.</li> <li>If the Measurement Price is equal to £0.4592 but less than the Threshold Price, 100 per cent. of the accrued nil-cost options carried forward from the 2nd Measurement Date will vest.</li> <li>If the Measurement Price is less than the £0.4592, any accrued nil-cost options carried forward from the 2nd Measurement Date will not vest and will lapse.</li> <li>Note that at the relevant Measurement Date, any vested nil-cost options may be exercised until the tenth anniversary of the date of grant of the units.</li> </ul>

Feature	Detail																		
Allocation of units	<ul style="list-style-type: none"><li>The following table sets out the allocation of units:<table><tr><th>Position</th><th>per cent. share of units</th><th>Number of units</th></tr><tr><td>Chief Executive Officer</td><td>40 per cent.</td><td>400,000</td></tr><tr><td>Managing Director - Property</td><td>20 per cent.</td><td>200,000</td></tr><tr><td>Finance Director</td><td>20 per cent.</td><td>200,000</td></tr><tr><td>Unallocated</td><td>20 per cent.</td><td>200,000</td></tr><tr><td>Total</td><td>100 per cent.</td><td>1,000,000</td></tr></table></li><li>The Committee will have the flexibility to include other key value drivers in the VCP at a later date (e.g. to new joiners).</li></ul>	Position	per cent. share of units	Number of units	Chief Executive Officer	40 per cent.	400,000	Managing Director - Property	20 per cent.	200,000	Finance Director	20 per cent.	200,000	Unallocated	20 per cent.	200,000	Total	100 per cent.	1,000,000
Position	per cent. share of units	Number of units																	
Chief Executive Officer	40 per cent.	400,000																	
Managing Director - Property	20 per cent.	200,000																	
Finance Director	20 per cent.	200,000																	
Unallocated	20 per cent.	200,000																	
Total	100 per cent.	1,000,000																	
Dividends	<ul style="list-style-type: none"><li>Dividends and dividend equivalents will not be paid on accrued or vested nil-cost options.</li><li>Once nil-cost options have been exercised participants will receive dividends as normal shareholders.</li></ul>																		
Corporate Dilution Limits	<ul style="list-style-type: none"><li>An overall limit on the number of newly issued or treasury shares (if applicable) that can be issued under the VCP and any other share scheme is 10 per cent. of the issued share capital in any 10 year period.</li><li>In addition to newly issued shares and treasury shares (if applicable), awards of nil-cost options can be settled through the use of market purchase shares.</li><li>The maximum number of shares that can be earned under the VCP is capped at 25 million shares (subject to adjustment for changes in share capital).</li></ul>																		
Cessation of Employment	<ul style="list-style-type: none"><li><b>Good Leaver:</b> A good leaver is someone whose employment is terminated by reason of death, ill health, disability, redundancy or such other reason as the Committee may determine. The Committee will have discretion, if it decides it is appropriate, to allow some or all of the awards to vest by deeming there to be:<ul style="list-style-type: none"><li>a new Measurement Date at the date of cessation and the number of nil-cost options to be accrued will be calculated as at any other Measurement Date; or</li><li>the nearest normal Measurement Date to the date of cessation of employment can be used.</li></ul></li><li>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.</li><li><b>Bad Leaver:</b> Anyone who is not a good leaver will be a bad leaver. Where a participant ceases to be employed prior to the awards becoming exercisable all awards will lapse (including accrued unvested nil-cost options).</li></ul>																		
Change of Control	<ul style="list-style-type: none"><li>On a change of control there will be a new Measurement Date deemed to be the date of the change of control.</li><li>In determining the value created, the Measurement Price will be the offer price for the Company’s shares. The calculation of the number of Company shares to be allocated to a participant will be as at any other Measurement Date. All accrued nil-cost options will vest on a change of control and be exercisable together with any other vested nil-cost options immediately for a set period of up to six months.</li></ul>																		

Feature	Detail
<b>Variation in Capital (adjustments and amendments)</b>	<ul style="list-style-type: none"> <li>If there is a variation of the share capital of the Company (e.g. a rights issue, subdivision, consolidation, re-listing) that causes the Committee to consider that the Threshold Price has become unfair or impractical, it may, in its discretion (provided that such discretion is exercised fairly and reasonably) amend the Threshold Price.</li> <li>Unless the Committee decides otherwise, there will be no adjustment to the Threshold Price as a result of the issue of shares in consideration for any corporate transaction.</li> </ul>

### Retention of shares

During the Measurement Period, executive directors will not be able to sell shares acquired through the exercise of vested nil-cost options, other than to settle related tax liabilities, if after the sale their shareholding would be below the level equating to 100 per cent. of their salary.

### Financial impact

This following section illustrates:

- a cost-benefit summary of the VCP for shareholders and participants; and
- the total expected benefit delivered to the executive directors, and the total potential value for all participants.

### Cost-benefit summary (illustrative only)

For the purpose of illustration, the modelling assumes the following:

- total shareholder returns are provided solely through share price appreciation (this has been done purely to simplify the modelled examples);
- the analysis assumes four levels of share price growth each illustrated by examples 1 to 4 (8 per cent. p.a., 10 per cent. p.a., 12 per cent. p.a. and 13 per cent. p.a.): and
- all shares delivered to participants (i.e. nil-cost options) are held until the 3rd Measurement Date.

VCP cost-benefit summary				
	Example 1	Example 2	Example 3	Example 4
Base Price	£0.313	£0.313	£0.313	£0.313
3rd Measurement Date Measurement Price	£0.459	£0.503	£0.551	£0.576
3rd Measurement Date Market Capitalisation	£243,150,344	£266,513,699	£291,639,419	£304,893,615
Growth in Market Capitalisation	£77,666,306	£101,029,660	£126,155,381	£139,409,576
Total shareholder return	47%	61%	76%	84%
Total value created for VCP participants	£0	£5,649,833	£9,263,856	£10,886,071
Benefit to VCP participants as % growth in Market Capitalisation	0.00%	5.59%	7.34%	7.81%
Dilution	0.00%	2.08%	3.08%	3.45%
Estimate Total IFRS 2 charge	£3,120,000			

### Note

- IFRS 2 charge:** At the date of grant, the actual fair value of the VCP will be determined in accordance with IFRS 2 and the charge will be allocated over the performance period.

## Total expected benefit to participants (illustrative only)

The table below sets out the potential value delivered to individual participants in the VCP (assuming all shares held until 3rd Measurement Date):

VCP individual gains (£)				
	Example 1	Example 2	Example 3	Example 4
Chief Executive Officer	£0	£2,259,933	£3,705,542	£4,354,428
Managing Director - Property	£0	£1,129,967	£1,852,771	£2,177,214
Finance Director	£0	£1,129,967	£1,852,771	£2,177,214
Unallocated	£0	£1,129,967	£1,852,771	£2,177,214
Total benefit to VCP participants	£0	£5,649,833	£9,263,856	£10,886,071

## Assumptions

The following table summarises the assumptions used for the illustrative modelling:

Corporate inputs				
	Example 1	Example 2	Example 3	Example 4
Issued Share Capital	529,548,924			
Base Price	£0.3125			
Market Capitalisation	£165,484,039			
3rd Measurement Date Measurement Price	£0.46	£0.50	£0.55	£0.58
Share Price Growth p.a.	8.0%	10.0%	12.0%	13.0%
3rd Measurement Date Market Capitalisation	£243,150,344	£266,513,699	£291,639,419	£304,893,615

  

VCP plan inputs	
Threshold Price on 1st Measurement Date	£0.394
Threshold Price p.a. (at each subsequent Measurement Date)	8%
Participation Rate p.a.	10%
Term of the plan (years)	5

  

Basis of participation	
Chief Executive Officer	40%
Managing Director - Property	20%
Finance Director	20%
Unallocated	20%

  

Basis of payout (% of accrued shares vest)	
2015 - 1st Measurement Date	50%
2016 - 2nd Measurement Date	50%
2017 - 3rd Measurement Date	100%



## **PART 7**

### **SUMMARY OF THE TECHNICAL TERMS OF THE ASSURA GROUP VALUE CREATION PLAN ("VCP")**

Terms defined in Part 6 of this Circular shall apply throughout this Part 7, unless the context requires otherwise.

#### **Operation**

The Remuneration Committee (**Committee**), the members of which are all non-executive directors, supervises the operation of the VCP in respect of the employees of the Company, including the executive directors.

#### **Eligible Employees**

Any employee of the Company is eligible to participate in the VCP.

Non-executive directors are not eligible to participate in the VCP.

#### **Operation of the VCP**

Awards in the form of units will be granted to each participant as soon as practicable following the approval by shareholders of the VCP at the Extraordinary General Meeting. The Committee has the discretion to make awards at other times where they consider the circumstances appropriate. No awards will be granted during a close period.

Units have no value on grant but give the participants the opportunity, during the Measurement Period, to receive 10 per cent. of the total value created for shareholders (this will be determined by reference to the appreciation in the Company's share price plus dividends paid per share) above a Threshold Price, determined at three Measurement Dates.

At each Measurement Date, the participants will accrue shares in the form of nil-cost options with a value equivalent to a proportion of the total value created above the Threshold Price. 50 per cent. of any nil-cost options accrued at the 1st Measurement Date will vest and become exercisable, 50 per cent. of any accrued nil-cost options (from the 2nd Measurement Date and those deferred at the 1st Measurement Date) at the 2nd Measurement Date will then vest, and the balance of any accrued nil-cost options (from the 3rd Measurement Date and those deferred at the 2nd Measurement Date) will vest on the 3rd Measurement Date.

Vested nil-cost options may be exercised until the tenth anniversary of the date of grant of the units.

#### **Limits**

The Company may issue up to 10 per cent. of its shares within a ten year period to satisfy awards to participants in the VCP and any other share plan operated by the Company under which shares are issued.

The Committee will be monitoring the issue of shares during the ten year period. It should be noted that where the Company uses treasury shares to satisfy its obligations under share arrangements they shall be added to the number of shares issued for the purposes of this limit.

In addition, the maximum number of shares to be used in the VCP shall be 25 million shares (subject to adjustment for change in share capital) whether issued, treasury or purchased in the market.

#### **Taxation**

The vesting and exercise of awards are conditional upon the participant paying any taxes due.

#### **Allotment and Transfer of Shares**

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the shares are acquired. Application will be made for the admission of the new shares to be issued to the Official List of, and to trading on, the London Stock Exchange plc's main market for listed securities following the vesting and/or exercise of awards.

### **Cessation of Employment**

If a participant leaves employment prior to awards becoming exercisable all awards will normally lapse (including accrued unvested nil-cost options), unless the Committee determines otherwise.

It is the intention of the Committee to exercise its discretion where the participant's cessation of employment is as a result of death, ill health, disability or redundancy, and they will be considered as a good leaver for the purposes of the rules of the VCP. Where a participant is a good leaver, awards may vest at the date of cessation of employment, or the nearest normal Measurement Date to the date of cessation of employment (at the discretion of the Committee). 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.

### **Change of Control**

On a change of control there will be a new Measurement Date, deemed to be the date of the change of control. In determining the value created, the Measurement Price will be the offer price for the Company's shares. The calculation of the number of Company shares to be allocated to a participant will be as at any other Measurement Date. All accrued nil-cost options will vest on a change of control and be exercisable immediately, together with any other vested nil-cost options, for a set period of up to six months.

### **Variation of Share Capital**

On a variation of the capital of the Company, the number of shares subject to VCP awards and their terms and conditions may be adjusted in such manner as the Committee determines and the advisors of the Company confirm to be fair and reasonable.

### **Duration**

The VCP will operate for a period of five years from the date of approval by shareholders. The Committee may not grant units under the VCP after this date.

### **Amendments**

Amendments to the rules of the VCP may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and the adjustments that may be made following a rights issue or any other variation of capital, together with the limitations on the number of shares that may be issued, cannot be altered to the advantage of participants without prior shareholder approval, except for minor amendments to benefit the administration of the VCP, to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Group. However, participants should be notified of any amendment which would materially detrimentally affect their existing rights, and such amendments must be approved by the majority of participants notified.

Subject to the safeguards noted above, the Committee may amend the VCP (including by the addition of one or more sub-plans relating to shares in a Group company) in such manner as may be necessary to obtain approval of the VCP (or one or more sub-plans) by HM Revenue & Customs as a Company Share Option Plan under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003, or otherwise improve the tax efficiency of the VCP for the Company and/or the participants.

In addition, the Committee may add to, vary, or amend the rules of the VCP by way of a separate schedule in order that the VCP may operate to take account of local legislative and regulatory treatment for participants or the relevant Group company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the VCP as summarised above.

### **General**

Shares acquired, awards and any other rights granted pursuant to the VCP are non-pensionable.

### **Non-Transferability of Awards**

Awards are not transferable, except in the case of a participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the participant or by will or the laws of descent and distribution.

### **Employee Benefit Trust**

The Company intends to establish or utilise an existing discretionary employee benefit trust to be used in conjunction with the VCP (**Employee Trust**). The Employee Trust will be established as an employees' share scheme within the meaning of section 1166 of the Companies Act 2006 and will have full discretion with regard to the application of the trust fund (subject to recommendations from the Committee). The Company will be able to fund the Employee Trust to acquire shares in the market and/or to subscribe for shares at nominal value in order to satisfy awards granted under the VCP. Any shares issued to the Employee Trust in order to satisfy awards of shares will be treated as counting towards the dilution limits that apply to the VCP. For the avoidance of doubt, any shares acquired by the Employee Trust in the market will not count towards these limits. In addition, unless prior shareholder approval is obtained, the Employee Trust will not hold more than 5 per cent. of the issued share capital of the Company at any one time (other than for the purposes of satisfying awards of shares that it has granted).

**Note:** This Part 7 summarises the main features of the VCP rules, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the rules will be available for inspection at the London office of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG, during usual office hours (Saturdays, Sundays and statutory holidays excepted) from the date of despatch of the Chair's letter up to and including the date of the Extraordinary General Meeting, and at the meeting itself. The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the rules of the VCP as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Part 7.

## PART 8

### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Assura Group Limited will be held at the London offices of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG on 15 February 2013 at 10.00am for the purpose of considering and, if thought fit, to pass resolution 1 as an Ordinary Resolution and resolution 2 as a Special Resolution:

1. To approve the establishment of the Assura Group Value Creation Plan (the "VCP"), the principal terms of which are summarised in the Appendix to this Notice and are produced to the Extraordinary General Meeting and initialled by the Chairman for the purposes of identification; and to authorise the directors of the Company to do all acts and things necessary to establish and carry the VCP into effect.
2. That with effect from (and including) the first day of the first accounting period following the date of this resolution in respect of which the Company has given a valid notice under section 523 of the Corporation Tax Act 2010, the Articles of Association be and they are hereby amended by the insertion of the following as a new Article 169 following Article 168:

#### 169. Real Estate Investment Trust

- (A) It is a cardinal principle that, for so long as the Company is the principal company in a group UK real estate investment trust ("REIT") for the purposes of Part 12 of the Corporation Tax Act 2010, as such Part may be modified, supplemented or replaced from time to time, no member of the group should be liable to pay tax under section 551 of the Corporation Tax Act 2010 (as such section may be modified, supplemented or replaced from time to time) on or in connection with the making of a distribution.
- (B) This article supports such cardinal principle, by among other things, imposing restrictions and obligations on the shareholders of the Company and, indirectly, certain other persons who may have an interest in the Company, and shall be construed accordingly so as to give effect to such cardinal principle.
- (C) For the purposes of this article, the following words and expressions shall bear the following meanings:

"distribution" means any dividend or other distribution on or in respect of the shares of the Company and references to a distribution being paid include a distribution not involving a cash payment being made;

"distribution transfer" means a disposal or transfer (however effected) by a person of his rights to a distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a distribution and no person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) an excessive shareholder;

"distribution transfer certificate" means a certificate in such form as the directors may specify from time to time to the effect that the relevant person has made a distribution transfer, which certificate may be required by the directors to satisfy them that an excessive shareholder is not beneficially entitled (directly or indirectly) to a distribution;

"excess charge" means, in relation to a distribution which is paid or payable to a person, all tax or other amounts which the directors consider may become payable by the Company or any other member of the group under section 551 of the Corporation Tax Act 2010 (as such section may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharge attributable to such tax as a result of such distribution being paid to or in respect of that person;

"excessive shareholding" means the shares in the Company in relation to which or by virtue of which (in whole or in part) a person is an excessive shareholder;

"excessive shareholder" means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the group to be liable to pay tax under section 551 of the Corporation Tax Act 2010 (as such section may be modified, supplemented or replaced from time to time) on or in connection with the making of a distribution to or in respect of such person including, at the date of adoption of this article, any holder of excessive rights as defined in section 553 of the Corporation Tax Act 2010;

“group” means the Company and the other companies in its group for the purposes of section 606 of the Corporation Tax Act 2010 (as such section may be modified, supplemented or replaced from time to time);

“HMRC” means Her Majesty’s Revenue & Customs;

“interest in the Company” includes, without limitation, an interest in a distribution made or to be made by the Company;

“person” includes a body of persons, corporate or unincorporated, wherever domiciled;

“relevant registered shareholder” means a shareholder who holds all or some of the shares in the company that comprise an excessive shareholding (whether or not an excessive shareholder); and

“reporting obligation” means any obligation from time to time of the company to provide information or reports to HMRC as a result of or in connection with the company’s status as a REIT or the principal company in a group REIT.

- (D) Where under this article any certificate or declaration may be or is required to be provided by any person (including, without limitation, a distribution transfer certificate), such certificate or declaration may be required by the directors (without limitation):
- (i) to be addressed to the Company, the directors or such other persons as the directors may determine (including HMRC);
  - (ii) to include such information as the directors consider is required for the Company to comply with any reporting obligation;
  - (iii) to contain such legally binding representations and obligations as the directors may determine;
  - (iv) to include an undertaking to notify the company if the information in the certificate or declaration becomes incorrect, including prior to such change;
  - (v) to be copied or provided to such persons as the directors may determine (including HMRC); and
  - (vi) to be executed in such form (including as a deed or deed poll) as the directors may determine.
- (E) This article shall apply notwithstanding any provisions to the contrary in any other article.
- (F) Each shareholder and any other relevant person shall serve notice in writing on the Company at the registered office on:
- (i) him becoming an excessive shareholder or him being an excessive shareholder on the date this article comes into effect (together with the percentage of voting rights, share capital or dividends he controls or is beneficially entitled to, details of the identity of the shareholder(s) who hold(s) the relevant excessive shareholding and such other information, certificates or declarations as the directors may require from time to time);
  - (ii) him becoming a relevant registered shareholder or being a relevant registered shareholder on the date this article comes into effect (together with such details of the relevant excessive shareholder and such other information, certificates or declarations as the directors may require from time to time); and
  - (iii) any change to the particulars contained in any such notice, including on the relevant person ceasing to be an excessive shareholder or a relevant registered shareholder.

Any such notice shall be delivered by the end of the second business day after the day on which the person becomes an excessive shareholder or a relevant registered shareholder (or the date this article comes into effect, as the case may be), or after the change in relevant particulars occurs, or within such shorter or longer period as the directors may specify from time to time.

- (G) The directors may at any time give notice in writing to any person requiring him, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the directors may specify in the notice), to deliver to the Company at the registered office such information, certificates and declarations as the directors may require to establish whether or not he is an excessive shareholder or a relevant registered shareholder or to comply with any reporting obligation. Each such person shall deliver such information, certificates and declarations within the period specified in such notice.

- (H) In respect of any distribution, the directors may, if the directors determine that the condition set out in paragraph (I) of this article is satisfied in relation to any shares in the Company, withhold payment of such distribution on or in respect of such shares. Any distribution so withheld shall be paid as provided in paragraph (J) and until such payment the persons who would otherwise be entitled to the distribution shall have no right to the distribution or its payment.
- (I) The condition referred to in paragraph (H) of this article is that, in relation to any shares in the Company and any distribution to be paid or made on and in respect of such shares:
- (i) the directors believe that such shares comprise all or part of an excessive shareholding of an excessive shareholder;
  - (ii) the directors are not satisfied that such excessive shareholder would not be beneficially entitled to the distribution if it was paid; and
  - (iii) the directors are not satisfied that no member of the group will be liable to an excess charge on, or in connection with, the making of the distribution to, or in respect of, the excessive shareholder
- and, for the avoidance of doubt, if the shares comprise all or part of an excessive shareholding in respect of more than one excessive shareholder this condition is not satisfied unless it is satisfied in respect of all such excessive shareholders. In considering whether no excess charge will arise, the directors may rely on written clearances received from HMRC.
- (J) If a distribution has been withheld on or in respect of any shares in the company in accordance with paragraph (H) of this article, it shall be paid as follows:
- (i) if it is established to the satisfaction of the directors that the condition in paragraph (I) of this article is not satisfied in relation to such shares, in which case the whole amount of the distribution withheld shall be paid; and
  - (ii) if the directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the excessive shareholding, in which case the distribution attributable to such shares shall be paid (provided the directors are satisfied that following such transfer such shares concerned do not form part of an excessive shareholding); and
  - (iii) if the directors are satisfied that as a result of a transfer of interests in shares referred to in paragraph (J)(ii) of this article the remaining shares no longer form part of an excessive shareholding, in which case the distribution attributable to such shares shall be paid.
- In this paragraph (J), references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.
- (K) An excessive shareholder may satisfy the directors that he is not beneficially entitled to a distribution by providing a distribution transfer certificate. The directors shall be entitled to (but shall not be bound to) accept a distribution transfer certificate as evidence of the matters therein stated and the directors shall be entitled to require such other information, certifications or declarations as they think fit.
- (L) The directors may withhold payment of a distribution on or in respect of any shares in the Company if any notice given by the directors pursuant to paragraph (G) in relation to such shares shall not have been complied with to the satisfaction of the directors within the period specified in such notice. Any distribution so withheld will be paid when the notice is complied with to the satisfaction of the directors unless the directors withhold payment pursuant to paragraph (H) of this article and until such payment the persons who would otherwise be entitled to the distribution shall have no right to the distribution or its payment.
- (M) If the directors decide that payment of a distribution should be withheld under paragraphs (H) or (L) of this article, they shall within five business days give notice in writing of that decision to the relevant registered shareholder.
- (N) If any distribution shall be paid on an excessive shareholding and an excess charge becomes payable, the excessive shareholder shall pay the amount of such excess charge and all costs and expenses incurred by the company in connection with the recovery of such amount to the company on demand by the company. Without prejudice to the right of the company to claim such amount from the excessive shareholder, such recovery may be made out of the proceeds of any disposal pursuant to paragraph



(U) of this article or out of any subsequent distribution in respect of the shares to such person or to the shareholders of all shares in relation to or by virtue of which the directors believe that person has an interest in the Company (whether that person is at that time an excessive shareholder or not).

- (O) If a distribution is paid on or in respect of an excessive shareholding (which, for the avoidance of doubt, shall not include a distribution paid in circumstances where the excessive shareholder is not beneficially entitled to the distribution or where the directors are satisfied that no member of the group will be liable to an excess charge on, or in connection with, the making of the distribution to, or in respect of, the excessive shareholder) the distribution and any income arising from it shall be held by the payee or other recipient to whom the distribution is transferred by the payee on trust absolutely for the persons nominated by the relevant excessive shareholder under paragraph (P) of this article in such proportions as the relevant excessive shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within 12 years after the date the distribution is made, for the Company.
- (P) The relevant excessive shareholder of shares of the Company in respect of which a distribution is paid shall be entitled to nominate in writing any two or more persons (not being excessive shareholders) to be the beneficiaries of the trust on which the distribution is held under paragraph (O) of this article and the excessive shareholder may in any such nomination state the proportions in which the distribution is to be held on trust for the nominated persons, failing which the distribution shall be held on trust for the nominated persons in equal proportions. No person may be nominated under this article who is or would, on becoming a beneficiary in accordance with the nomination, become an excessive shareholder. If the excessive shareholder making the nomination is not by virtue of paragraph (O) of this article the trustee of the trust, the nomination shall not take effect until it is delivered to the person who is the trustee.
- (Q) Any income arising from a distribution which is held on trust under paragraph (O) of this article shall until the earlier of (i) the making of a valid nomination under paragraph (P) of this article and (ii) the expiry of the period of 12 years from the date when the distribution is paid be accumulated as an accretion to the distribution. Income shall be treated as arising when payable, so that no apportionment shall take place.
- (R) No person who by virtue of paragraph (O) of this article holds a distribution on trust shall be under any obligation to invest the distribution or to deposit it in an interest-bearing account.
- (S) No person who by virtue of paragraph (O) of this article holds a distribution on trust shall be liable for any breach of trust unless due to his own fraud or willful wrongdoing or, in the case of an incorporated person, the fraud or willful wrongdoing of its directors, officers or employees.
- (T) If at any time, the directors believe that:
- (i) in respect of any distribution declared or announced, the condition set out in paragraph (I) of this article is satisfied in respect of any shares in the Company in relation to that distribution; or
  - (ii) a notice given by the directors pursuant to paragraph (G) of this article in relation to any shares in the Company has not been complied with to the satisfaction of the directors within the period specified in such notice; or
  - (iii) any information, certificate or declaration provided by a person in relation to any shares in the Company for the purposes of the preceding provisions of this article was materially inaccurate or misleading,

the directors may give notice in writing (a "disposal notice") to any persons they believe are relevant registered shareholders in respect of the relevant shares requiring such relevant registered shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the directors consider to be appropriate in the circumstances) to dispose of such number of shares the directors may in such notice specify or to take such other steps as will cause the condition set out in paragraph (I) of this article no longer to be satisfied. The directors may, if they think fit, withdraw a disposal notice.

- (U) If:
- (i) the requirements of a disposal notice are not complied with to the satisfaction of the directors within the period specified in the relevant notice and the relevant disposal notice is not withdrawn; or
  - (ii) a distribution is paid on an excessive shareholding and an excess charge becomes payable;
- the directors may arrange for the Company to sell all or some of the shares to which the disposal notice relates or, as the case may be, that form part of the excessive shareholding concerned. For this purpose, the directors may make such arrangements as they deem appropriate. In particular, without limitation, they may authorise any officer or employee of the company to execute any transfer or other document on behalf of the holder or holders of the relevant share and, in the case of a share in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.
- (V) Any sale pursuant to paragraph (U) of this article above shall be at the price which the directors consider is the best price reasonably obtainable and the directors shall not be liable to the holder or holders of the relevant share for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.
- (W) The net proceeds of the sale of any share under paragraph (U) of this article (less any amount to be retained pursuant to paragraph (N) of this article and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant share upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- (X) The title of any transferee of shares shall not be affected by an irregularity or invalidity of any actions purportedly taken pursuant to this article.
- (Y) The directors shall be entitled to presume without enquiry, unless any director has reason to believe otherwise, that a person is not an excessive shareholder or a relevant registered shareholder.
- (Z) The directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular person) pursuant to this article and any such determination or decision shall be final and binding on all persons unless and until it is revoked or changed by the directors. Any disposal or transfer made or other thing done by or on behalf of the board or any director pursuant to this article 96 shall be binding on all persons and shall not be open to challenge on any ground whatsoever.
- (AA) Without limiting their liability to the Company, the directors shall be under no liability to any other person, and the company shall be under no liability to any shareholder or any other person, for identifying or failing to identify any person as an excessive shareholder or a relevant registered shareholder.
- (BB) The directors shall not be obliged to serve any notice required under this article upon any person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any person upon whom notice is required to be served under this article shall not prevent the implementation of or invalidate any procedure under this article.
- (CC) The provisions of articles 157 to 162 (inclusive) shall apply to the service upon any person of any notice required by this article. Any notice required by this article to be served upon a person who is not a shareholder or upon a person who is a shareholder but whose address is not within the United Kingdom and who has failed to supply to the company an address within the United Kingdom shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that person or shareholder at the address if any, at which the directors believe him to be resident or carrying on business or, in the case of a holder of depositary receipts or similar securities, to the address, if any, in the register of holders of the relevant securities. Service shall, in such a case, be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.
- (DD) Any notice required or permitted to be given pursuant to this article may relate to more than one share and shall specify the share or shares to which it relates.



(EE) The directors may require from time to time any person who is or claims to be a person to whom a distribution may be paid without deduction of tax under Regulation 7 of the Real Estate Investment Trusts (Assessment, Collection and Recovery of Tax) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) to provide such certificates or declarations as they may require from time to time.

By Order of the Board

Jonathan Murphy  
Company Secretary  
Old Bank Chambers  
La Grande Rue  
St Martin's  
Guernsey  
GY4 6RT

Registered in Guernsey with registered number 41230

Dated: 28 January 2013

**Notes:**

1. The resolution numbered 1 above will be proposed as an ordinary resolution and, on a show of hands, requires a simple majority of votes cast to be passed. The resolution numbered 2 above will be proposed as a special resolution and, on a show of hands, requires a majority of at least 75 per cent. of votes cast.
2. A shareholder entered on the Company's ordinary share register at 10.00am on 13 February 2013 (or, in the case of an adjournment, by 11 am on the day two days immediately preceding the day fixed for the adjourned meeting) is entitled to attend, speak and vote at the Extraordinary General Meeting. If you are no longer on the Company's register of shareholders at that time, you will no longer be entitled to attend or vote.
3. A shareholder of the Company who is entitled to attend, speak and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend, speak and vote on his behalf. A proxy need not also be a shareholder of the Company.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
5. To be valid and effective, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at Computershare Investor Services Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID

3RA50) by 10.00am on 13 February 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

- 8 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
- 9 The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 34 of the Uncertificated Securities (Guernsey) Regulations 2009.
- 10 Appointment of a proxy will not prevent you from attending the meeting and voting in person at the meeting or any adjourned meeting.
- 11 Any corporation which is a shareholder of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of shareholders of the Company, and the person so authorised shall be entitled to exercise the same powers (other than a power to appoint a proxy) as that corporation could exercise if it were an individual shareholder of the Company.
- 12 Copies of the rules of the Assura Group Value Creation Plan are available for inspection at the London office of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG, during usual office hours (Saturdays, Sundays and statutory holidays excepted) from the date of despatch of the Chair's letter up to and including the date of the Extraordinary General Meeting and during the Extraordinary General Meeting itself.
- 13 As at 25 January 2013 (the latest practicable date prior to the printing of this document) the Company's issued share capital consisted of 529,548,924 ordinary shares of 10p each, all carrying one vote each.

## APPENDIX

### PRINCIPAL TERMS OF THE VALUE CREATION PLAN

Feature	Detail
<b>Overview</b>	<ul style="list-style-type: none"> <li>Participants in the Assura Group Value Creation Plan (<b>VCP</b>) will be granted a number of units from a total pot. These units have no value on grant, but give the participants the opportunity to receive 10 per cent. (the "Participation Rate") of the total value created for shareholders above a threshold price ("Threshold Price") determined at three measurement dates ("Measurement Dates") in a five year measurement period ("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 cent. p.a. compound growth from the base price ("Base Price") at each Measurement Date must be achieved.</li> <li>Subject to the achievement of the relevant performance conditions, 10 per cent. of any value created above the Threshold Price will be converted into nil-cost options over shares, and a proportion of these nil-cost options may vest at each Measurement Date.</li> </ul>
<b>Participation</b>	<ul style="list-style-type: none"> <li>Executive directors, key value drivers and all other employees are eligible to participate in the VCP.</li> <li>The Remuneration Committee (<b>Committee</b>) will have the flexibility to include other key value drivers in the VCP at a later date (e.g. for new joiners).</li> </ul>
<b>Measurement Period</b>	<ul style="list-style-type: none"> <li>5 year Measurement Period.</li> </ul>
<b>Measurement Dates</b>	<ul style="list-style-type: none"> <li>Performance will be measured at three separate Measurement Dates during the Measurement Period (subject to cessation of employment and change of control provisions set out below).</li> <li>The 1st Measurement Date will be three months following the announcement of the Company's financial results in 2015, the 2nd Measurement Date will be three months following the announcement of the Company's financial results in 2016 and the 3rd Measurement Date will be at the same point in 2017.</li> </ul>

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<b>Performance Conditions</b>	<ul style="list-style-type: none"> <li>The performance conditions are linked to the total value created for shareholders in excess of a Threshold Price at each Measurement Date.</li> <li>The Base Price (i.e. the price from which performance is measured) for the VCP will be £0.3125, which is the closing share price on the first trading day of the 2012/13 financial year, to reflect the date of appointment of the Chief Executive Officer.</li> <li>The Threshold Price at the 1st Measurement Date in 2015 will be £0.3937 (i.e. <math>\text{£0.3125} \times (1 + 8 \text{ per cent.})^3 = \text{£0.3937}</math>). At subsequent Measurement Dates the Threshold Price will be the higher of: <ul style="list-style-type: none"> <li>the highest return achieved ("Measurement Price") at any previous Measurement Date; or</li> <li>8 per cent. p.a. compound total shareholder return growth from the Base Price (i.e. £0.4252 at the 2nd Measurement Date, and £0.4592 at the 3rd Measurement Date).</li> </ul> </li> <li>The Measurement Price at each Measurement Date will be calculated using the average share price over the three months following the announcement of the Company's financial results for the relevant financial year plus the dividends paid per share from the start of the 2012/13 financial year or the previous Measurement Date, as appropriate.</li> <li>Providing the relevant Threshold Price has been achieved, 10 per cent. (i.e. the "Participation Rate") of the total value created for shareholders will be allocated to VCP participants. The total value created will be the Measurement Price less the Threshold Price, multiplied by the number of shares in issue at that Measurement Date.</li> <li>The following paragraphs set out how the performance condition will be applied.</li> </ul> <p><b><u>1st Measurement Date</u></b></p> <ul style="list-style-type: none"> <li>If the Measurement Price on the 1st Measurement Date is greater than the Threshold Price of £0.3937 (i.e. <math>\text{£0.3125} \times (1 + 8 \text{ per cent.})^3 = \text{£0.3937}</math>), participants will be granted nil-cost options over shares equivalent to 10 per cent. of the total value created above the Threshold Price. The number of nil-cost options will be calculated using the Measurement Price at that Measurement Date.</li> <li>50 per cent. of any accrued nil-cost options will vest and be immediately exercisable, with the remaining 50 per cent. being deferred.</li> </ul> <p><b><u>2nd Measurement Date</u></b></p> <ul style="list-style-type: none"> <li>If the Measurement Price on the 2nd Measurement Date is greater than the Threshold Price (being the higher of either £0.4252 (i.e. <math>\text{£0.3125} \times (1 + 8 \text{ per cent.})^4 = \text{£0.4252}</math>) or the achieved Measurement Price on the 1st Measurement Date), participants will be granted nil-cost options over shares equivalent to 10 per cent. of the total value created above the Threshold Price. The number of nil-cost options will be calculated using the Measurement Price at that Measurement Date.</li> <li>50 per cent. of any accrued nil-cost options (from the 2nd Measurement Date and those deferred at the 1st Measurement Date) will vest and be immediately exercisable with the remaining 50 per cent. being deferred.</li> <li>If the Measurement Price is equal to £0.4252 but less than the Threshold Price, then 50 per cent. of any accrued nil-cost options carried forward from 1st Measurement Date will vest, while the remaining 50 per cent. will be deferred.</li> </ul>

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	<ul style="list-style-type: none"><li>If the Measurement Price is less than £0.4252, any accrued nil-cost options carried forward from the 1st Measurement Date will not vest. Instead 100 per cent. of any accrued and unvested nil-cost options carried forward from 1st Measurement Date will be deferred to the 3rd Measurement Date.</li></ul> <p><b>3rd Measurement Date</b></p> <ul style="list-style-type: none"><li>If the Measurement Price on the 3rd Measurement Date is greater than the Threshold Price, (being the higher of either £0.4592 (i.e. £0.3125 x (1 + 8 per cent.) ^ 5) = £0.4592), or the highest achieved Measurement Price on the 1st or 2nd Measurement Date), participants will be granted nil-cost options over shares equivalent to 10 per cent. of the total value created above the Threshold Price. The number of nil-cost options will be calculated using the Measurement Price at that Measurement Date.</li><li>All of the accrued nil-cost options will vest and be immediately exercisable.</li><li>If the Measurement Price is equal to £0.4592 but less than the Threshold Price, 100 per cent. of the accrued nil-cost options carried forward from the 2nd Measurement Date will vest.</li><li>If the Measurement Price is less than the £0.4592, any accrued nil-cost options carried forward from the 2nd Measurement Date will not vest and will lapse.</li><li>Note that at the relevant Measurement Date, any vested nil-cost options may be exercised until the tenth anniversary of the date of grant of the units.</li></ul>																		
Allocation of units	<ul style="list-style-type: none"><li>The following table sets out the allocation of units:<table><tr><th>Position</th><th>per cent. share of units</th><th>Number of units</th></tr><tr><td>Chief Executive Officer</td><td>40 per cent.</td><td>400,000</td></tr><tr><td>Managing Director - Property</td><td>20 per cent.</td><td>200,000</td></tr><tr><td>Finance Director</td><td>20 per cent.</td><td>200,000</td></tr><tr><td>Unallocated</td><td>20 per cent.</td><td>200,000</td></tr><tr><td><b>Total</b></td><td><b>100 per cent.</b></td><td><b>1,000,000</b></td></tr></table></li><li>The Committee will have the flexibility to include other key value drivers in the VCP at a later date (e.g. to new joiners).</li></ul>	Position	per cent. share of units	Number of units	Chief Executive Officer	40 per cent.	400,000	Managing Director - Property	20 per cent.	200,000	Finance Director	20 per cent.	200,000	Unallocated	20 per cent.	200,000	<b>Total</b>	<b>100 per cent.</b>	<b>1,000,000</b>
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Dividends	<ul style="list-style-type: none"><li>Dividends and dividend equivalents will not be paid on accrued or vested nil-cost options.</li><li>Once nil-cost options have been exercised participants will receive dividends as normal shareholders.</li></ul>																		
Corporate Dilution Limits	<ul style="list-style-type: none"><li>An overall limit on the number of newly issued or treasury shares (if applicable) that can be issued under the VCP and any other share scheme is 10 per cent. of the issued share capital in any 10 year period.</li><li>In addition to newly issued shares and treasury shares (if applicable), awards of nil-cost options can be settled through the use of market purchase shares.</li><li>The maximum number of shares that can be earned under the VCP is capped at 25 million shares (subject to adjustment for changes in share capital).</li></ul>																		

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<b>Cessation of Employment</b>	<ul style="list-style-type: none"> <li>• <b>Good Leaver:</b> A good leaver is someone whose employment is terminated by reason of death, ill health, disability, redundancy or such other reason as the Committee may determine. The Committee will have discretion, if it decides it is appropriate, to allow some or all of the awards to vest by deeming there to be: <ul style="list-style-type: none"> <li>• a new Measurement Date at the date of cessation and the number of nil-cost options to be accrued will be calculated as at any other Measurement Date; or</li> <li>• the nearest normal Measurement Date to the date of cessation of employment can be used.</li> </ul> </li> <li>• All accrued nil-cost options will then vest and be immediately exercisable (including any other vested options) for a period of six months.</li> <li>• <b>Bad Leaver:</b> Anyone who is not a good leaver will be a bad leaver. Where a participant ceases to be employed prior to the awards becoming exercisable all awards will lapse (including accrued unvested nil-cost options).</li> </ul>
<b>Change of Control</b>	<ul style="list-style-type: none"> <li>• On a change of control there will be a new Measurement Date deemed to be the date of the change of control.</li> <li>• In determining the value created, the Measurement Price will be the offer price for the Company's shares. The calculation of the number of Company shares to be allocated to a participant will be as at any other Measurement Date. All accrued nil-cost options will vest on a change of control and be exercisable together with any other vested nil-cost options immediately for a set period of up to six months.</li> </ul>
<b>Variation in Capital (adjustments and amendments)</b>	<ul style="list-style-type: none"> <li>• If there is a variation of the share capital of the Company (e.g. a rights issue, subdivision, consolidation, re-listing) that causes the Committee to consider that the Threshold Price has become unfair or impractical, it may, in its discretion (provided that such discretion is exercised fairly and reasonably) amend the Threshold Price.</li> <li>• Unless the Committee decides otherwise, there will be no adjustment to the Threshold Price as a result of the issue of shares in consideration for any corporate transaction.</li> </ul>



