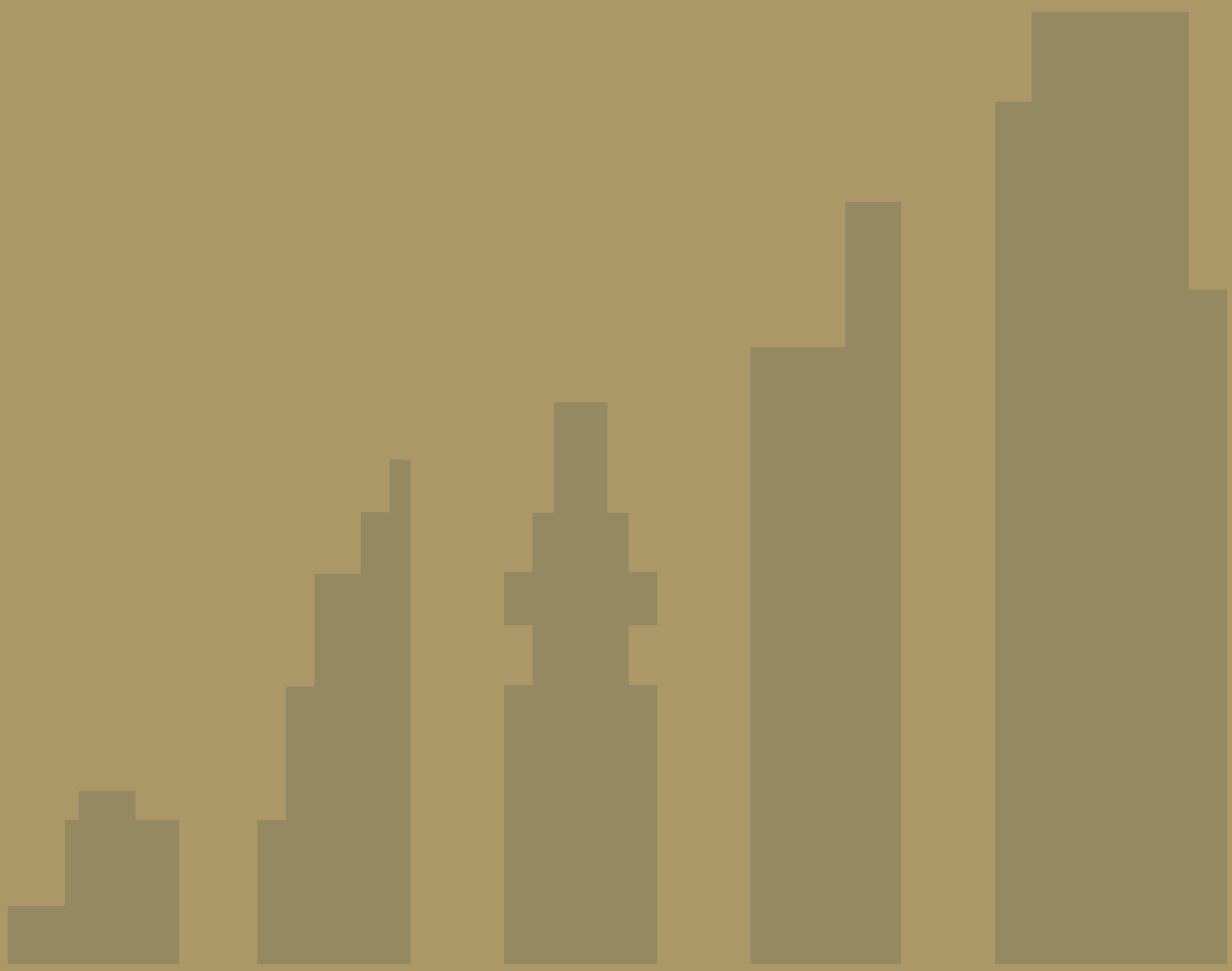

Annual Report 2015

Results for the year ended 31 December 2015

SECURE INCOME REIT PLC

Secure Income REIT Plc is a UK REIT which specialises in investing in real estate assets providing long term rental income and offering protection against inflation. It currently owns a £1.35 billion portfolio of 26 high quality assets generating very long term income from financially strong, listed global businesses. It provides an ideal opportunity to capitalise on investor demand for secure income streams and a strong foundation from which to build a sizeable and balanced portfolio that will deliver attractive returns for our shareholders.

The Company has an experienced board, chaired by Martin Moore, and is advised by Prestbury Investments LLP, which is owned and managed by a team led by Nick Leslau, Mike Brown and Sandy Gumm.

Contents

Highlights

- EPRA NAV as at 31 December 2015 of 282.8 pence per share, up 9.4% after incurring early debt repayment costs amounting to nearly 16% of EPRA NAV as at 31 December 2014
- New long term debt financing arrangements totalling £903 million completed between August and October 2015:
  - reducing interest cost by 23% from 6.8% to 5.2% per annum, saving c. £14 million on an annualised basis;
  - extending term to maturity from less than two years to c. nine years on significantly improved terms; and
  - facilitating payment of maiden distributions to shareholders
- Intention to pay quarterly distributions commencing in August 2016, initially reflecting a yield of 4.2% on 31 December 2015 EPRA NAV, with highly predictable growth prospects underpinned by annual contractual rental uplifts, either at fixed rates or upwards only uncapped RPI
- Net loan to value ratio of 61%, down from 70% at 31 December 2014 and 80% at listing in June 2014
- Asset sales in the year of £382 million at c. 8% above 31 December 2014 book values, comprising the sales of the freehold of Madame Tussauds in London for £332 million and New Hall hospital in Salisbury for £50 million
- Portfolio valuation up 6.3% since 31 December 2014 to £1.35 billion; net initial yield 5.3%, increasing to at least 5.45% on completion of 2016 fixed rental uplifts in July 2016
- Weighted average unexpired lease term of 23.5 years with no breaks
- Passing rent of £76.3 million as at 31 December 2015, secured entirely against major global multi-billion pound quoted businesses
- Announcement on 3 March 2016 of the intention to place a minimum of 43% of the existing issued share capital held by certain of the six founding shareholders of the Company, in order to:
  - create more liquidity in share trading;
  - better place the Company for expansion when new opportunities are identified for earnings accretive acquisitions; and
  - enable continued compliance with the UK REIT rules

	31 December 2015	31 December 2014	Change in year
EPRA net asset value	**£510.1m**	£466.2m	9.4%
EPRA net asset value per share	**282.8p**	258.5p	9.4%
Net asset value	**£504.4m**	£344.3m	47%
Adjusted EPRA earnings per share	**2.6p**	0.0p	n/a

Chairman's Statement

"Our investment case remains that, at a time of historically low interest rates and bond yields, investors are faced with a shortage of places where they can obtain a healthy and growing income return combined with a good prospect of capital preservation. This is what we have set out to achieve with Secure Income REIT and, with the intention to pay maiden distributions in August this year, the Board views the future with confidence."

Martin Moore, Chairman

Dear shareholder,

During 2015 we have made significant progress at Secure Income REIT through a combination of selective disposals and a refinancing of all of the Group's debt, which have together reduced the Group's leverage and cost of debt. These initiatives have helped transform Secure Income REIT into a company which is in a position to begin making cash distributions as of August this year, thereby delivering on our objective at listing of creating a company which offers investors a growing distribution derived from a portfolio of high quality assets generating long term, secure income.

The two sales during the year were the freehold of Madame Tussauds in London, which was sold for £332.4 million reflecting a net initial yield of 4.5%, and New Hall hospital in Salisbury, which was sold for £49.8 million reflecting a net initial yield of 5.3%. The sale prices achieved were 8% above December 2014 book values and represented an important step on the way to securing new financing and positioning the Company to become a distribution paying REIT.

In August and September we secured over £900 million of new financing, completely replacing our original debt, extending our weighted average term to maturity by over seven years to nine years, reducing our annual interest cost by 23%, down to 5.2%, and reducing debt amortisation outflows.

These initiatives place the Company in a position where the Board intends to begin making quarterly cash distributions commencing with an interim payment in August 2016 at an annualised 11.75 pence per share, which equates to a distribution yield of 4.2% based on our 31 December 2015 EPRA NAV. Given that every property in our current portfolio has the benefit of an annual RPI review or fixed increase in rent, distributions should be able to grow reliably at an attractive rate.

As announced today, the Board is facilitating the intention of certain of the Company's six major shareholders to place a minimum of 77,514,509 shares in order to widen the investor base. This is intended to create more liquidity in the shares, ensure that the Company is better placed for expansion when the time is right, and enable it to continue to qualify under UK REIT rules.

Results and financial position

The EPRA NAV is 282.8 pence per share, which represents a 9.4% increase over the year as follows:

	£m	Pence per share
EPRA NAV at 1 January 2015	466.2	258.5
Investment property revaluation*	83.4	46.3
Profit on sale of investment properties	24.0	13.3
Rental income net of finance costs and administrative expenses*	13.3	7.4
Tax	(1.3)	(0.8)
Currency translation movements	(1.2)	(0.7)
EPRA NAV excluding early debt repayment costs	584.4	324.0
Early debt repayment costs	(74.3)	(41.2)
EPRA NAV at 31 December 2015	**510.1**	**282.8**

* adjusted by £13.0 million (7.2 pence per share) to remove the effect of spreading fixed rental uplifts over the term of the lease – adjustment reduces rental income and increases revaluation movement in equal amounts.

Adjusted EPRA EPS is 2.6 pence per share for the year as follows:

	Year to 31 December 2015 Pence per share	Nine months to 31 December 2014* Pence per share
Rental income net of property outgoings:		
Portfolio owned at 31 December 2015	**41.9**	33.8
Sold properties	**6.0**	8.2
Net finance costs	**(40.0)**	(39.1)
Administrative expenses and corporate costs	**(4.5)**	(2.2)
Tax	**(0.8)**	(0.7)
Adjusted EPRA EPS	**2.6**	–

* 2014 comparative figures include two months prior to listing. Shares issued in April 2015 in satisfaction of the 2014 incentive fees are treated as having been issued on the last day of 2014 in calculating the weighted average shares in issue.

Over the course of the year, the portfolio valuation rose by 6.3% to £1.35 billion, reflecting a net initial yield of 5.3% and an equivalent yield of 6.4%. The Group enjoys significant income security with financially strong covenants and a weighted average unexpired lease term of 23.5 years. 58% of our rent roll is guaranteed by Ramsay Health Care Limited, listed on the Australian Stock Exchange with a market capitalisation of £6.9 billion* and one of the five largest private healthcare groups in the world. A further 39% of rents are guaranteed by Merlin Entertainments Plc, a FTSE 100 constituent with a market capitalisation of £4.7 billion*, the largest operator of visitor attractions in Europe and the second largest in the world. The remainder of our rent roll is guaranteed by Orpea SA, the European leader in dependency care, listed on Euronext Paris with a market capitalisation of £3.6 billion*.

As important as the security of income is its potential to grow. Two thirds of our rent roll is subject to annual fixed uplifts (ranging from 2.75% to 3.34% and averaging 2.8% per annum) and the remaining third is subject to annual RPI-linked upward only reviews. This combination of long income duration with rising rents, underpinned by financially strong tenants, is not only well sought after in the current market but proved highly resilient in the last recession.

Outlook

2016 has so far brought turbulence to stock markets around the world as investors grapple with greater uncertainty. China's slowdown has spurred a dramatic fall in commodity and oil prices which should benefit UK consumers, putting more money into their pockets, but this will only boost the UK economy if they have the confidence to go out and spend it. The risk of a possible Brexit has pushed Sterling towards seven year lows and the chance of further depreciation may deter some overseas investors from buying real estate in London, at the very least until the outcome of the referendum is known. We have also seen the share prices of major REITs fall further and faster than the market indices this year which may have been prompted by concerns as to whether we are reaching the end of another cycle for conventional commercial property. It is interesting to note that the share prices of REITs specialising in alternative, less cyclical sectors have been much more resilient.

The robustness of the Group's income streams and the less cyclical nature of its properties provide a great deal of comfort in turbulent markets. These market conditions also tend to be more fertile grounds for the Investment Adviser to source and the Board to deliver favourable transactions. Our investment case remains that at a time of historically low interest rates and bond yields, investors are faced with a shortage of places where they can receive a healthy and growing income return combined with a good prospect of capital preservation. This is what we have set out to achieve with Secure Income REIT and with the intention to pay maiden distributions in August this year the Board views the future with confidence.

Martin Moore
Chairman
3 March 2016

* as at 2 March 2016.

Strategic Report

Strategy and investment policy

The Group is a property investment business specialising in owning long term, secure income streams from real estate investments, offering inflation protection. A long term income stream is considered to have a weighted average term to maturity in excess of 15 years at the time of acquisition. Income security is assessed by reference either to the financial strength of the tenants or to the extent of asset cover provided by way of residual asset value.

There are no other UK REITs specialising in long leases across a range of property sectors. Against a backdrop of significant reduction in income security in the UK real estate market caused by a marked decline in the average term to first tenant lease break or expiry, and mindful of the growing requirement amongst investors for long term, secure income flows, the Board aims to fill this gap in the market and further build a substantial diversified long term income portfolio.

The existing portfolio comprises 26 freehold investment properties let for a weighted average term of 23.5 years from 31 December 2015. All properties are fully let on full repairing and insuring leases. The portfolio is considered by the Board to offer attractive geared returns from high quality real estate, with financially strong tenants operating with well established brands in industry sectors with strong defensive characteristics. Having listed in 2014 and refinanced the Group's entire secured debt in 2015 to reduce the cost of debt and extend its term to maturity, the Board proposes to build on its existing portfolio to create a diversified portfolio of long term, secure income streams from real estate investments across a range of property sectors, enhancing prospects for attractive total returns through earnings accretive acquisitions.

The Board believes that it will be able to seek acquisition opportunities from a range of sources including operating businesses, non-REITs with latent capital gains fettering sale prospects, and structures where the Company's shares may be used as currency to unlock value. Throughout this process, the Directors' intention is to exercise strong capital discipline, using equity accretively and debt prudently to enhance returns for shareholders.

Thorpe Park

Warwick Castle

Business review

Key performance indicator – EPRA NAV per share

The principal financial outcome that the Board seeks to achieve is attractive growth in shareholder returns. Progress towards this objective has been specifically measured through growth in EPRA NAV, which is a measure of the fair value of a company on a long term basis, ignoring the impact of hedging valuations and any deferred tax. Once distributions are paid, this measure will include distributions paid to encompass Total Shareholder Return.

The Group's EPRA NAV per share at 31 December 2015 was 282.8 pence, which represents a 9.4% increase over the year as follows:

	Year to 31 December 2015 Pence per share	Nine months to 31 December 2014 Pence per share
EPRA NAV per share at start of period	**258.5**	176.1
Investment property revaluation*	**46.3**	102.0
Profit on sale of investment properties	**13.3**	–
Rental income* less finance costs and administrative expenses	**7.4**	1.8
Incentive fee	**–**	(20.1)
Tax	**(0.8)**	(0.9)
Currency translation movements	**(0.7)**	(0.4)
EPRA NAV excluding early debt repayment costs	**324.0**	258.5
Early debt repayment costs	**(41.2)**	–
EPRA NAV per share at end of period	**282.8**	258.5

* adjusted by 7.2 pence (2014: 6.7 pence) to remove the impact of rent smoothing adjustments, which arise from the Group's accounting policy to spread the impact of fixed rental uplifts evenly over the whole term of relevant leases. The rent smoothing adjustments reflected in the financial statements currently increase rental income and reduce property valuation gains, and are excluded in this table to better reflect the Group's actual rental income flows.

Key performance indicator – adjusted EPRA earnings per share

The Company will initiate quarterly payments of cash distributions to shareholders in August 2016. In order to monitor its ability to make distributions, the Board uses the Group's adjusted EPRA EPS as a key performance indicator. EPRA EPS excludes investment property revaluations, profits on sale of investment properties, fair value movements in any interest rate derivatives and deferred tax from the Group's reported earnings to give a measure of underlying earnings from core operating activities. Adjusted EPRA EPS excludes the incentive fee (largely derived from investment property revaluations) and the non-recurring costs of the reorganisation and listing (nil this year but expected to include the costs of the secondary placing, currently estimated at c. £2.0 million, in the 2016 financial year), and is further adjusted to remove the effect of smoothing the fixed rental uplifts in order not to artificially flatter dividend cover calculations now that distributions are to be initiated.

Since the Group's financing costs changed materially as a result of the refinancing, the table below shows adjusted EPRA EPS before and after completion of the refinancing to illustrate the position under the current capital structure:

	Year to 31 December 2015 Pence per share	Nine months to 31 December 2014 Pence per share
Rental income net of property outgoings, excluding rent smoothing	**36.8**	42.0
Net finance costs	**(33.2)**	(39.9)
Administrative expenses and corporate costs	**(3.4)**	(2.2)
Tax	**(0.8)**	(0.7)
Unwinding discount on shareholder loans net of deferred tax	**–**	0.8
Adjusted EPRA EPS prior to completion of refinancing*	**(0.6)**	–
Rental income net of property outgoings, excluding rent smoothing	**11.1**	–
Net finance costs	**(6.8)**	–
Administrative expenses and corporate costs	**(1.1)**	–
Tax	**–**	–
Adjusted EPRA EPS since completion of refinancing*	**3.2**	–
Adjusted EPRA EPS for the period	**2.6**	–

* completion of final tranche of refinancing on 2 October 2015

Further details of the Group's financial performance are given in the Investment Adviser's Report on pages 11 to 19.

Key performance indicator – net loan to value ratio

The Board monitors the Group's net loan to value ratio ("net LTV") with a view to managing the capital structure of the business throughout varying market conditions. During the year, the net LTV has fallen from 70% to 61% reflecting reduced debt levels following asset sales and the impact of unrealised property valuation surpluses.

Key performance indicator – uncommitted cash

The Board considers that the ability to manage potential debt covenant breaches is at least as important as the level of the net LTV. The Group has negotiated headroom on financial covenants considered appropriate to the business and also certain cure rights, including the ability to inject cash into ring-fenced financing structures in the event of actual or prospective breaches of LTV covenants. Consequently, along with managing the execution risk inherent in arranging and documenting credit facilities, the Board regularly monitors the Group's levels of uncommitted cash. Uncommitted cash is measured as cash balances outside ring-fenced structures secured to lenders, net of any creditors or other cash commitments and net of any cash required to be retained under the regulatory capital rules of the AIFMD regime.

The Group's uncommitted cash was £52.7 million as at 31 December 2015, compared to £12.2 million as at 31 December 2014. The balance increased materially during the year following the new loan financing arrangements and asset sales.

Key performance indicator – headroom on debt covenants

The extent to which financial covenants are tested varies across the portfolio. Covenants have been negotiated with the aim of protecting the Group as far as possible from movements in investment property valuations which are not related to changes in the rental cash flows:

- the Healthcare 2 loan is subject to LTV and interest cover tests throughout the loan term;
- the Healthcare 1 loan is not tested for LTV until September 2019 but is subject to an interest cover cash trap test throughout the loan term; and
- the Leisure loans are not subject to any LTV default covenant or interest cover tests throughout the loan term, though there are LTV levels which could trigger a cash trap or full cash sweep from August 2018.

The Board reviews the headroom on all financial covenants at least quarterly. As at 31 December 2015 the relevant positions were as follows, alongside the property net initial yield or the fall in projected rent that would trigger the relevant covenant at the first test date:

	Actual	Covenant	Initial yield triggering LTV test*	Rental headroom over ICR test
Leisure facility (£369.5 million loan at 31 December 2015)				
Cash trap LTV test (from August 2018 – 1% per annum loan amortisation)	71.7%	<80.0%	6.6%	
Cash trap LTV test (from August 2018 – full cash sweep)	71.7%	<85.0%	7.0%	
Healthcare facility 1 (£219.8 million loan at 31 December 2015)				
LTV test (from September 2019)	59.1%	<80.0%	8.3%	
Cash trap projected interest cover test	224%	>150%		49%
Healthcare facility 2 (£315.6 million loan at 31 December 2015)				
Cash trap LTV test	68.5%	<80.0%	6.1%	
LTV test	68.5%	<85.0%	6.5%	
Cash trap projected interest cover test	157%	>140%		12%
Projected interest cover test	157%	>120%		31%
Historic interest cover test	154%	>120%		28%

* assuming UK leisure rents increase in line with the RPI swap curve as at 23 February 2016

Strategic Report continued

Principal risks and uncertainties

Risk	Impact on the Group	Mitigation
Property valuation movements The Group invests in commercial property and so is exposed to movements in property valuations which are subjective and may vary as a result of a variety of factors, many of which are outside the control of the Group.	Investment properties make up the majority of the Group's assets, so changes in their value can have a significant impact on EPRA NAV, with valuation changes magnified by the impact of gearing. The Board notes the relative resilience in value demonstrated by the Group's assets through the wider capital market declines of 2008 to 2011.	The Group uses experienced independent valuers, whose work is reviewed by suitably qualified members of the Board and the Investment Adviser, before being approved in the context of the accounts as a whole by the Audit Committee and the Board. The Board seeks to structure the Group's capital such that gearing is appropriate having regard to market conditions and covenant levels, with appropriate cure rights within debt facilities.
Tenant risk During the year the Group derived its rental income from three tenant groups with three guarantors, two of which accounted for 98% of passing rent. Although the Board considers the tenant and guarantor groups to be financially strong, there can be no guarantee that they will remain able to comply with their obligations throughout the term of the relevant leases, and will not suffer any insolvency events.	A default of lease obligations would have a material impact on the Group's revenue and hence its EPRA EPS, particularly as the specialised use of the properties may mean that re-letting takes time. Investment property valuations reflect the valuer's assessment of the future security of income. A loss of income would therefore impact EPRA NAV. It could also result in penalties, restricted cash flows out of secured debt groups or ultimately default under secured debt agreements.	The lease guarantors are all large listed companies with capital structures considered strong by the Board and with impressive long term earnings growth and share price track records. The Board reviews the financial position of the tenants and guarantors at least every quarter, based on publicly available financial information and any other trading information which may be obtained under the terms of a lease.
Borrowing Certain Group companies have granted security to lenders in the form of mortgages over all of the Group's investment property and fixed and floating charges over certain other assets.	In the event of a breach of a lending covenant, the Group may be required to pay higher interest costs, to increase debt amortisation out of free cash flow or to make early repayment of debt, which would affect cash flows and EPRA EPS. In certain circumstances the Company's ability to make cash distributions to shareholders may be curtailed. Where the Group is unable to make loan repayments out of existing cash resources, it may be forced to sell assets to repay part or all of the Group's debt. It may be necessary to sell assets at below book value, which would impact EPRA NAV. Early debt repayments are likely to crystallise early repayment penalties.	The Group's borrowing arrangements comprise three ring-fenced subgroups with no cross-guarantees between them and no recourse to other assets outside the secured subgroups. Only one facility has an annual LTV default covenant and another has a default LTV covenant starting in September 2019. Group borrowing arrangements also include interest cover or debt service cover tests. The Board reviews compliance with all financial covenants at least every quarter, including look forward tests for at least twelve months, and considers that there is sufficient headroom on relevant loan covenants. The Board reserves unsecured cash outside ring-fenced debt structures which would be available to be used to cure certain covenant defaults to the extent of the uncommitted cash available.

Risk	Impact on the Group	Mitigation
Exchange rate risk The Group prepares its financial statements in Sterling but some of its assets are located in Germany, where both assets and liabilities are Euro denominated. The surplus of Euro denominated asset value over debt value is subject to foreign currency exchange risk from exchange rate movements. This currency exposure is not hedged.	There could be an adverse impact on the Sterling valuation of unhedged investments and income flows, which would affect cash flows, EPRA NAV and EPRA EPS.	Exchange rate risk is partially hedged through the use of Euro denominated assets and liabilities, limiting the exposure to the Euro net asset value which at the year end exchange rate amounts to c. 4% of EPRA NAV as at 31 December 2015.
Tax risk The Group is subject to the UK REIT regime. A failure to comply with UK REIT conditions resulting in the loss of this status would make the property income subject to UK corporation tax. In particular, the Company is required to cease being a close company by 4 June 2017.	If subject to UK corporation tax, the Group's current tax charge would increase, impacting cash flows, EPRA NAV and EPRA EPS, and reducing cash available for distributions.	The Board documents compliance with the UK REIT rules at least every quarter. The proposed placing announced on 3 March 2016 is expected to result in the Company no longer being considered a close company.
Liquidity risk Working capital must be managed to ensure that both the Group as a whole and all individual entities are able to meet their liabilities as they fall due. With highly predictable income and costs, there is limited scope for unexpected liquidity pressures outside the main tenant risk. However, there is a risk that the OECD's Base Erosion and Profit Shifting ("BEPS") proposals could affect the Group's cash flows.	A breach of a lending covenant, or the insolvency of the Group as a whole or an individual entity, could result in a loss of net assets, impacting EPRA NAV and EPRA EPS, and reducing cash available for distributions. BEPS proposals could be implemented in such a way as to increase the Group's Property Income Distribution ("PID") requirement beyond the surplus cash flow available.	Unless there is a tenant default (discussed under tenant risk above) the Group's cash flows are generally highly predictable. The cash position is reported to the Board at least quarterly; projections at least two years ahead are included in the Group budget and are updated for review when the interim and annual reports are approved. The Group has uncommitted cash reserves out of which increases in required PIDs could be met in the medium term, or a scrip dividend alternative could be offered.

Following the refinancing during the year, the Directors consider that the access to financing risk previously reported is no longer significant as at 31 December 2014. Apart from the BEPS issue included under liquidity risk there are no new risks reported this year.

Strategic Report continued

Going concern

The Board regularly monitors the Group's ability to continue as a going concern. Included in the information reviewed at quarterly Board meetings are summaries of the Group's liquidity position, compliance with loan covenants and the financial strength of its tenants, together with forecasts of the Group's performance and cash flows. Based on this information, the Directors are satisfied that the Group and Company are able to continue in business for the foreseeable future and therefore have adopted the going concern basis in the preparation of these financial statements.

Viability statement

The Board has assessed the prospects of the Group over a longer period than the twelve months covered by the going concern review. The period of the review runs until December 2021, which is the last reporting date before the first debt maturity and the expiry of the term of the Investment Advisory Agreement. The Board considers the resilience of projected liquidity, as well as compliance with secured debt covenants and UK REIT rules, under a range of RPI and property valuation assumptions.

The principal risks and the key assumptions that were relevant to this assessment were as follows:

Risk	Assumption
Tenant risk	Tenants continue to comply with their rental obligations over the term of their leases and do not suffer any insolvency events over the term of the review.
Borrowing risk	The Group continues to comply with all relevant loan covenants.
Liquidity risk	The Group continues to generate sufficient cash to cover its costs while retaining the ability to make distributions.

Based on the work performed, the Board has a reasonable expectation that the Group will be able to continue in business over the approximately six year period of its assessment.

Signed on behalf of the Board on 3 March 2016.

Martin Moore
Chairman

Sandy Gumm
Director

Investment Adviser's Report

Prestbury Investments LLP advises Secure Income REIT Plc and is pleased to report on the operations of the Group for the year ended 31 December 2015.

Portfolio

The portfolio comprises 26 properties with secure, long term income and contractual uplifts offering inflation protection. The rent is derived from tenants whose businesses offer global spread and have performed very well over many years, including the recent recession, demonstrating their strong defensive qualities.

Healthcare assets (62% of portfolio value)

The healthcare assets comprise 20 freehold private hospitals: a portfolio of 19 located throughout England let to a subsidiary of Ramsay Health Care Limited, the listed Australian healthcare company, and a single property in central London let to Groupe Sinoué, a French company specialising in mental health. Passing rent on the current portfolio is as follows:

	31 December 2015 £m	31 December 2014* £m
Acute hospitals – guaranteed by Ramsay Health Care Limited	**44.4**	43.2
Lisson Grove psychiatric hospital – guaranteed by Orpea SA	**1.9**	1.8
	46.3	45.0

* excluding property sold in 2015

The leases on the Ramsay hospitals are all guaranteed by Ramsay Health Care Limited, the listed parent company of one of the top five private hospital operators in the world and a constituent of the ASX 50 index of Australia's largest companies, with a market capitalisation at 2 March 2016 of £6.9 billion.

The Ramsay hospitals are let on full repairing and insuring leases with a term to expiry at 31 December 2015 of 21.4 years without break. The rent increases by a fixed 2.75% per annum throughout the lease term in May each year. In addition, at Secure Income REIT's option rent could be increased in 2017 to the higher of 2.75% or 57.525% of site earnings before interest, tax, depreciation, amortisation, rent and head office costs, and every fifth year thereafter to the higher of a 2.75% uplift and open market rental value. As a result of the fixed uplift, the passing rent on this sub-portfolio will increase to £45.6 million on 3 May 2016.

The lease on the London psychiatric hospital in Lisson Grove is guaranteed by Orpea SA, the listed parent company of the Orpea Group, a leading European operator of nursing homes, post-acute care and psychiatric care, listed on Euronext Paris with a market capitalisation at 2 March 2016 of £3.6 billion. Orpea owns 45% of Groupe Sinoué, which is the parent company of the tenant.

The Lisson Grove hospital is let on a full repairing and insuring lease with a term to expiry at 31 December 2015 of 28.6 years without break. The rent increases by a fixed 3.0% per annum throughout the lease term in May each year and, as a result, the passing rent on the property will increase from £1.87 million to £1.92 million on 3 May 2016.

Pinehill hospital

Springfield hospital

Mount Stuart hospital

Investment Adviser's Report continued

Leisure assets (38% of portfolio value)

The leisure assets comprise four well known visitor attractions and two hotels, located in England and Germany, including two of the UK's top three theme parks. The UK assets are Alton Towers theme park and the Alton Towers hotel, Thorpe Park theme park and Warwick Castle, while the German assets are Heide Park theme park (the largest in Northern Germany) and the Heide Park hotel, both located in Soltau, Saxony. Passing rent on the current portfolio is as follows:

	31 December 2015 £m	31 December 2014* £m
UK	**25.1**	24.9
Germany (at 31 December 2015 exchange rates)	**4.9**	4.8
	30.0	29.7

* excluding property sold in 2015

The properties are all let to substantial operating subsidiaries of Merlin Entertainments Plc, the guarantor of the leases. Merlin is a FTSE 100 company with a market capitalisation at 2 March 2016 of £4.7 billion. Measured by the number of visitors, it is Europe's largest and the world's second largest operator of leisure attractions.

The average unexpired lease term of the leisure assets is 26.5 years and the tenants have two successive rights to renew these leases for 35 years at the end of each term. The leases are on full repairing and insuring terms. There are upwards only uncapped RPI-linked rent reviews every June throughout the term (based on RPI in the twelve months to April each year) for the UK leisure portfolio, which in 2015 resulted in an increase of 0.9%. The German properties are subject to fixed annual increases of 3.34% every July throughout the term, as a result of which the German rents will increase to £5.1 million on 29 July 2016 (translated at the 31 December 2015 rate).

Portfolio valuation yields at 31 December 2015

	UK	**Germany**	**Total**
Healthcare:			
Net initial yield	5.2%	n/a	5.2%
Equivalent yield	6.4%	n/a	6.4%
Reversionary yield	5.4%	n/a	5.4%
Leisure:			
Net initial yield	5.4%	6.3%	5.5%
Equivalent yield	6.4%	7.9%	6.6%
Reversionary yield	5.5%	6.5%	5.6%
Total portfolio:			
Net initial yield	5.3%	6.3%	5.3%
Equivalent yield	6.4%	7.9%	6.4%
Reversionary yield	5.4%	6.5%	5.5%
Weighted average unexpired lease term	23.4 years	26.6 years	23.5 years

Portfolio valuation by location

	Healthcare		Leisure		Total		
	31 December 2015 £m	31 December 2014* £m	**31 December 2015 £m**	31 December 2014* £m	**31 December 2015 £m**	31 December 2014* £m	**Fair value change over the year**
England	**834.4**	767.0	**441.6**	431.0	**1,276.0**	1,198.0	**6.5%**
Germany at constant Euro exchange rate	**–**	–	**77.9**	72.1	**77.9**	72.1	**8.1%**
Movement in Euro exchange rate	**–**	–	**(4.4)**	–	**(4.4)**	–	**(6.0)%**
	834.4	767.0	**515.1**	503.1	**1,349.5**	1,270.1	**6.3%**

* adjusted for sales in the year to exclude sold assets from comparative figures

Portfolio valuation uplift in the year

The healthcare valuations at 31 December 2015 reflect a weighted average net initial yield of 5.2% compared to 5.5% at 31 December 2014, resulting in a valuation uplift of £67.4 million (8.8%) in the year.

The UK leisure valuations at 31 December 2015 reflect a weighted average net initial yield of 5.4% compared to 5.5% at 31 December 2014, resulting in a valuation uplift of £10.6 million (2.4%) in the year. The German leisure valuations at 31 December 2015 reflect a weighted average net initial yield of 6.3% compared to 6.5% at 31 December 2014, resulting in a valuation uplift of €7.5 million (8.1%) in the year; currency translation movements have, however, reduced the Sterling equivalent resulting in a net valuation uplift of £1.4 million (2.1%) in those German leisure assets over the year. Across the whole leisure portfolio, there has therefore been a valuation increase of £12.0 million (2.4%) in the year.

As a result of these valuation movements, the total portfolio uplift comprises:

	Year to 31 December 2015 £m	Nine months to 31 December 2014 £m
Investment property revaluation movement	**83.4**	171.8
Currency translation movements on Euro denominated investment properties	**(4.0)**	(3.8)
	79.4	168.0

In addition to these movements, a rent smoothing adjustment arises on investment property revaluations from the Group's accounting policy, consistent with International Financial Reporting Standards, to spread the impact of fixed rental uplifts evenly over the term of the relevant lease. The adjustments relate to those rents on the healthcare assets which increase by 2.75% (on 96% of healthcare rents) and 3.0% (on 4% of healthcare rents) every May, and those rents on the German leisure assets which increase by 3.34% every July.

The impact of this accounting treatment is to reflect a receivable, included in the book value of investment property, for the amount of rent included in the income statement ahead of actual cash receipts. This receivable increases over the first half of each lease term then unwinds, reducing to zero over the second half of each lease term. The impact over time for each of the rental income flows subject to smoothing is as follows:

	Receivable at 31 December 2015 £m	**Maximum receivable at midway point £m**	**Midway point in lease term**
Healthcare – acute hospitals	128.1	165.2	May 2022
Healthcare – Lisson Grove	5.8	7.6	May 2022
German leisure*	22.7	34.5	Jan 2025
	156.6	**207.3**	

* at the year end Euro conversion rate of €1:£0.7350

Investment Adviser's Report continued

Portfolio valuation uplift in the year continued

In order that the rent smoothing receivable does not, in combination with the book value of the investment properties, overstate the value of the property portfolio, any movement in the rent smoothing receivable is offset against property revaluation movements. As a result, this adjustment affects only the income statement presentation, increasing rental income and reducing property revaluation gains, and does not change the Group's net assets.

The annual impact of this adjustment is known with certainty unless there are acquisitions, disposals or lease variations. The additional revenue and reduced valuation movement recognised during the year and for each of the next three financial years is as follows:

	Healthcare £m	German leisure* £m	Total £m
2015	10.9	2.1	**13.0**
2016	9.6	2.0	**11.6**
2017	8.3	1.8	**10.1**
2018	7.0	1.6	**8.6**

* at the 2015 average Euro conversion rate of €1:£0.7256

Property sales in the year

During the year the Group sold Ramsay's New Hall hospital in Salisbury and Madame Tussauds in London. The sales raised funds at very attractive prices to repay debt and, in the case of Madame Tussauds, represented an opportunity to sell by far the largest asset by value in the portfolio.

New Hall hospital was sold in March 2015 for £49.8 million, which represented a net initial yield of 5.3% and a sale price £3.8 million (8.2%) above its 31 December 2014 valuation. The sale completed in May 2015 and the net proceeds of £49.2 million were used in part repayment of secured debt and early debt repayment costs.

Madame Tussauds was sold in May 2015 for £332.4 million, which represented a net initial yield of 4.5% and a sale price £23.0 million (7.4%) above its 31 December 2014 valuation. The sale completed in August 2015 and the net proceeds of £330.1 million were used in part repayment of secured debt and early debt repayment costs, with surplus cash added to the Group's cash resources.

Financing

During the year and following repayment of a portion of the existing debt out of the proceeds of two asset sales, the Group's debt was refinanced with three new secured facilities, in order to provide a spread of risk and to better achieve improved financing terms. Following the refinancing, the Group's operations are financed by a combination of cash resources and non-recourse debt finance, where the assets at risk in the event of a loan default are limited to those within three ring-fenced sub-structures.

The impact of the sales and refinancing on the Group included:

- weighted average cost of debt reduced by 23% from 6.8% to 5.2% per annum, saving c. £14 million on an annualised basis on the £902.6 million (at exchange rates at the time of drawdown) of new debt;
- weighted average term to maturity at drawdown increased from under two years to nearly nine years;
- term to first debt expiry at drawdown increased from under two years to seven years; and
- while there remains some scheduled amortisation there are no full cash sweep arrangements, further freeing up cash flow to service distributions.

As noted in the Chairman's Statement in the 2014 annual report, accelerated repayment of the loan facilities previously in place resulted in various costs, including costs of termination of interest rate swaps. Prior to embarking on the early debt repayments, the Board first sought agreement with the previous lender, Bank of Scotland Plc, to share the early termination costs, mindful of the benefits to the lender of early repayment. Consequently, the total £88.1 million cash cost of early termination of the interest rate swaps as a result of the asset sales and refinancing was reduced by £27.5 million to a net £60.6 million. In addition, exit fees and other early termination costs payable in cash amounted to £8.4 million and a non-cash charge relating to the write off of the unamortised finance costs on the old loans amounted to £5.3 million, bringing total early repayment costs to £74.3 million.

As the balance sheet already recorded interest rate derivatives at their market values, there was minimal impact on the reported net asset value as a result of the swap terminations. However, since EPRA NAV excludes the market valuation of interest rate derivatives, the Group's EPRA NAV was reduced by £74.3 million or 41.2 pence per share in early debt repayment costs.

Each new facility is self-contained, with no cross default provisions between the three of them, and the key terms at drawdown were as follows:

	Healthcare 1	Healthcare 2	Leisure
Loan principal	£220.0m	£315.6m	£367.0m*
Number of assets securing loan	9	11	6
Fixed interest rate	4.29%	5.30%	5.72%
Amortisation per annum assuming full covenant compliance	£1.0m	£3.2m	£3.7m (years 6 and 7)
Final repayment date	September 2025	October 2025	October 2022

* comprising £316.8 million of senior and mezzanine Sterling loans secured on the UK assets and €71.8 million of senior and mezzanine Euro denominated loans secured on the German assets (translated at the actual exchange rate of €1:£0.6992 at the date of drawdown) with all leisure loans cross-collateralised.

The Group's gross and net debt at 31 December 2015 was as follows:

	Healthcare 1 £m	Healthcare 2 £m	Leisure £m	Portfolio total £m	Unsecured £m	Group total £m
Gross debt	219.8	315.6	369.5*	904.9	–	904.9
Secured and regulatory cash	(5.2)	(12.7)	(7.7)	(25.6)	(0.4)	(26.0)
Free cash	–	–	(1.6)	(1.6)	(54.0)	(55.6)
Net debt	**214.6**	**302.9**	**360.2**	**877.7**	**(54.4)**	**823.3**
Property value	**371.9**	**462.5**	**515.1**	**1,349.5**	**–**	**1,349.5**
Net LTV	**57.7%**	**65.5%**	**69.9%**	**65.0%**		**61.0%**

* including €71.8 million of Euro loans translated at the year end exchange rate of €1:£0.7350

Following scheduled amortisation payments in January 2016, total gross debt at the date of this report, including Euro denominated debt at the 31 December 2015 exchange rate, is £903.6 million.

There have been no defaults or potential defaults in any facility during the year or since the balance sheet date.

Investment Adviser's Report continued

Financial review

EPRA net asset value

The Board measures the Group's progress primarily through the growth in EPRA NAV per share. EPRA NAV strips out the impact of any hedging revaluations and deferred tax on investment property revaluations to provide a measure of the fair value of a property company on a long term basis. Once distributions are initiated the measure monitored by the Board will include distributions paid so as to represent Total Shareholder Return.

The EPRA NAV at 31 December 2015 of 282.8 pence per share represents a 9.4% increase over the year, which arose as follows:

	Year to 31 December 2015		Nine months to 31 December 2014	
	£m	**Pence per share**	£m	Pence per share
EPRA NAV at start of period	**466.2**	**258.5**	283.1	177.1
Investment property revaluation	**83.4**	**46.3**	160.6	95.3
Profit on sale of investment properties	**24.0**	**13.3**	–	–
Net results: rental income less administrative expenses and finance costs	**13.3**	**7.4**	14.1	8.5
Tax:				
UK REIT excess interest charge	**(1.3)**	**(0.8)**	(0.7)	(0.3)
Deferred tax charge	**–**	**–**	(0.9)	(0.6)
Currency translation movements	**(1.2)**	**(0.7)**	(0.6)	(0.4)
Incentive fee	**–**	**–**	(3.1)	(20.1)
Adjustments in relation to listing	**–**	**–**	13.5	(1.0)
EPRA NAV excluding early debt repayment costs	**584.4**	**324.0**	466.2	258.5
Early debt repayment costs	**(74.3)**	**(41.2)**	–	–
EPRA NAV at end of period	**510.1**	**282.8**	466.2	258.5

The movements in investment property valuations are described above in the Portfolio section of this report. The other elements of the Group's EPRA NAV movements for the year are explained in the Income Statement section below.

EPRA triple net asset value

The EPRA triple NAV includes the mark to market values of any debt and hedging instruments, and any inherent tax liabilities not provided for in the financial statements. This is calculated as follows:

	31 December 2015		31 December 2014	
	£m	**Pence per share**	£m	Pence per share
EPRA NAV	**510.1**	**282.8**	466.2	258.5
Fair value of fixed rate debt	**(7.3)**	**(4.0)**	–	–
Deferred tax on German investment property revaluations	**(5.7)**	**(3.1)**	(4.9)	(2.7)
Fair value of hedging instruments, net of German deferred tax	**–**	**–**	(117.0)	(64.8)
EPRA triple NAV at end of period	**497.1**	**275.7**	344.3	191.0

EPRA earnings per share

In order to monitor the Group's recurring profitability and its ability to make appropriately covered distributions, the Board uses the Group's adjusted EPRA EPS as a key performance indicator. EPRA EPS excludes investment property revaluations, fair value movements and early termination costs of interest rate derivatives, and the relevant deferred tax on those items to give a measure of underlying earnings from core operating activities.

Adjusted EPRA EPS excludes the incentive fee (largely derived from investment property revaluations) and the non-recurring costs of the reorganisation and listing, and is further adjusted to exclude the effect of smoothing the fixed rental uplifts included in rental income (where the EPRA adjustments already exclude the rent smoothing impact in revaluations) in order not to artificially flatter dividend cover calculations now that distributions are to be initiated.

As a result, EPRA EPS and adjusted EPRA EPS are calculated as follows:

	Year to 31 December 2015		Nine months to 31 December 2014	
	£m	**Pence per share**	£m	Pence per share
Rental income net of property outgoings	**99.4**	**55.1**	80.9	48.7
Net finance costs	**(72.3)**	**(40.0)**	(66.3)	(39.9)
Administrative expenses and corporate costs	**(8.1)**	**(4.5)**	(6.6)	(4.0)
Tax	**(1.3)**	**(0.8)**	(1.2)	(0.7)
Incentive fee	**–**	**–**	(35.2)	(21.1)
Unwinding discount on shareholder loans net of deferred tax	**–**	**–**	1.4	0.8
EPRA earnings	**17.7**	**9.8**	(27.0)	(16.2)
Rent smoothing	**(13.0)**	**(7.2)**	(11.3)	(6.7)
Incentive fee	**–**	**–**	35.2	21.1
One-off costs of reorganisation and listing	**–**	**–**	2.9	1.8
Adjusted EPRA earnings	**4.7**	**2.6**	(0.2)	–

Income statement

The rental income profile and the credit strengths of the businesses paying the rent are disclosed in the Portfolio section of this report, along with details of the investment property revaluations and profits on disposals.

Administrative expenses and corporate costs charged to the income statement in the year, as shown in the table below, are not directly comparable year on year because the prior period only included nine months; because the Group's cost base changed significantly at listing in June 2014, with two months of the prior period reflecting the different cost base; and because the Group incurred material one-off costs in 2014 in connection with the pre-listing corporate reorganisation and listing.

The Group's administrative expenses are largely accounted for by the Investment Adviser's fee:

	Year to 31 December 2015		Nine months to 31 December 2014	
	£m	**Pence per share**	£m	Pence per share
Advisory fees	**6.9**	**3.8**	2.7	1.6
Other administrative expenses	**0.7**	**0.4**	0.7	0.4
Corporate costs	**0.5**	**0.3**	0.3	0.2
Costs of the reorganisation and listing	**–**	**–**	2.9	1.8
	8.1	**4.5**	6.6	4.0

Irrecoverable VAT, which is included as appropriate in each of the line items above, arises on the proportion of the advisory fees and any other expenses incurred by the healthcare portfolio. The VAT disallowed averaged 54% in the year and is currently c. 61%.

Investment Adviser's Report continued

Income statement continued

The majority of the Group's overheads are borne by the Investment Adviser and compensated for by way of advisory fees payable to the Investment Adviser under an agreement entered into prior to listing, by which it is entitled to receive cash fees based on a sliding scale relative to the Group's EPRA NAV: fees are payable at 1.25% per annum on EPRA NAV up to £500 million, plus 1.0% on EPRA NAV from £500 million to £1,000 million plus 0.75% thereafter. Until July 2016, the cash required to satisfy this advisory fee is subsidised by the pre-listing shareholders of the Company up to a maximum of £1.3 million per quarter. During the year £5.0 million of the cash required to fund advisory fee payments was met by those shareholders.

Corporate costs are those costs necessarily incurred as a result of the Company being listed and comprise:

- the cost of the four Independent Directors, whose fees totalled £0.2 million in the year. The other three Directors are partners in the Investment Adviser and receive no remuneration from the Company; and
- other costs of being listed, including nominated adviser fees, registrar fees and ongoing listing fees, which amounted to £0.3 million in the year.

Finance costs reflect amounts payable on the new and old debt facilities as follows:

	Year to 31 December 2015		Nine months to 31 December 2014	
	£m	**Pence per share**	£m	Pence per share
Interest payable on old facilities	**54.3**	**30.2**	59.4	35.9
Exit and covenant release fees on old facilities	**3.3**	**1.8**	3.1	1.8
Loan cost amortisation on old facilities (non cash)	**1.7**	**0.9**	2.2	1.6
Finance costs on old facilities	**59.3**	**32.9**	64.7	39.3
Hedging break costs at refinancing	**88.1**	**48.9**	–	–
Exit and covenant release fees payable at refinancing	**8.4**	**4.6**	–	–
Lender's credit against early debt repayment costs	**(27.5)**	**(15.2)**		
Loan costs written off at refinancing (non cash)	**5.3**	**2.9**	–	–
Early debt repayment costs	**74.3**	**41.2**	–	–
Interest payable on new facilities since drawdown	**12.5**	**6.9**	–	–
Loan cost amortisation on new facilities since drawdown (non cash)	**0.5**	**0.3**	–	–
Finance costs on new facilities	**13.0**	**7.2**	–	–
Finance income	**(0.1)**	**–**	–	–
Shareholder loans: unwinding of discount to date of capitalisation (non-cash)	**–**	**–**	1.7	1.0
Net finance costs for the period	**146.6**	**81.3**	66.4	40.3

The average interest rate paid across the old and new facilities during the year, excluding fees payable to lenders, was 6.4% per annum (2014: 6.8%). As at 31 December 2015, the average interest rate payable on the new facilities, which is expected to apply in future financial years until the first debt maturity in October 2022, was 5.2% per annum.

Currency translation

The majority of the Group's assets are located in the UK and the financial statements are therefore presented in Sterling. Just over 4% of the Group's EPRA NAV relates to assets and liabilities relating to properties located in Germany, valued in and generating net earnings in Euros. The fact that assets and liabilities are Euro denominated acts as a partial hedge of the currency risk, but the Group remains exposed to translation differences on the net results and net assets of these operations which are not hedged, with movements recognised in the statement of other comprehensive income.

The German properties are valued at €100.1 million as at 31 December 2015, with the Euro tranches of the Group's secured debt facilities amounting to €71.8 million. The Euro weakened against Sterling over the year by 5.6% and as a result there was a net currency translation loss of £1.2 million in EPRA NAV in relation to the German operations.

Tax

The Group operates under the UK REIT regime, so its UK and German rental operations are exempt from UK corporation tax, subject to the Group's continuing compliance with the UK REIT rules. The Group is otherwise subject to UK corporation tax.

In the event that a UK REIT has financing costs within its exempt UK property business that are not covered at least 1.25 times by profits (calculated on a tax basis but before deducting financing costs and capital allowances), tax is payable at the UK corporation tax rate on the interest over that level, up to a cap of 20% of taxable property business profits before financing costs and capital allowances. During the year, the Group incurred a tax charge of £1.3 million (nine months to 31 December 2014: £0.7 million) on such excess interest at the average tax rate for the year of 20.25% (2014: 21%). The drawdown of the new financing facilities will result in this interest cover test being met, so this tax cost will reduce to zero at the start of the 2016 financial year.

German tax is payable on realised profits from the Group's German rental operations. The tax charge for the year of £0.2 million has been offset by a prior period credit of £0.2 million, which is the result of a number of historic adjustments to the tax charges up to and including 2014 following the conclusion of a tax audit relating to the years 2007 to 2012. The balance sheet also includes a deferred tax liability of £5.7 million (2014: £5.4 million) relating to unrealised German capital gains tax on the investment properties. A deferred tax asset of £0.5 million that previously arose on the Group's Euro interest rate swaps was written off during the year following the refinancing of the Euro loan facility and the termination of those swaps.

Cash flow

The movement in cash over the year comprised:

	Year to 31 December 2015		Nine months to 31 December 2014	
	£m	**Pence per share**	£m	Pence per share
Cash from operating activities	**69.8**	**38.7**	66.1	39.2
Net proceeds from sale of investment properties	**379.3**	**210.3**	–	–
Net interest and finance costs paid	**(86.7)**	**(48.1)**	(60.9)	(36.8)
Net repayment of secured debt – accelerated	**(244.4)**	**(135.5)**	–	–
Repayment of secured debt – scheduled amortisation	**(5.4)**	**(3.0)**	(6.1)	(3.7)
Early debt repayment costs	**(60.3)**	**(33.4)**	–	–
Loan costs paid on new facilities	**(14.4)**	**(8.0)**	–	–
Amounts received in respect of advisory fee recovery	**5.0**	**2.8**	2.2	1.3
Proceeds of the share issue on listing net of expenses	**–**	**–**	11.9	7.0
Cash flow in the period	**42.9**	**23.8**	13.2	7.0
Cash at the start of the period	**38.8**	**23.0**	25.4	15.9
Dilution from share issue	**–**	**(1.5)**	–	–
Effect of exchange rate movements	**(0.1)**	**–**	0.2	0.1
Cash at the end of the period	**81.6**	**45.3**	38.8	23.0

Comprising:	**£m**	**Pence per share**	£m	Pence per share
Free cash	**55.6**	**30.9**	13.0	7.7
Cash reserved for regulatory capital	**0.4**	**0.2**	0.5	0.3
Cash secured under lending facilities	**25.6**	**14.2**	25.3	15.0
Cash at the end of the period	**81.6**	**45.3**	38.8	23.0

The investment properties of the Group are let on full repairing and insuring terms, with each tenant obliged to keep the premises in good and substantial repair and condition, including rebuilding, reinstating, renewing or replacing the premises where necessary. Consequently, no capital expenditure, property maintenance or insurance costs have been incurred and it is not expected that material costs of that nature will be incurred on the current portfolio in future.

Nick Leslau
Chairman, Prestbury Investments LLP
3 March 2016

Board of Directors

Martin Moore (MRICS)
Non-executive Chairman

Martin Moore, 59, is a Chartered Surveyor who served as CEO of M&G Real Estate Limited (previously Prudential Property Investment Managers Limited) from 1996 to 2012. During that time, he ran the team and was responsible for setting strategy that grew the business in the UK and led to the establishment of platforms in North America, Continental Europe and Asia. He retired as Chairman of M&G Real Estate in 2013. He is a Senior Adviser to KKR and a Non-executive Director of SEGRO Plc, F&C Commercial Property Trust Limited and the M&G Asia Property Fund. He is also a Commissioner of English Heritage and a Trustee of the Guildhall School Trust. He is a past President and board member of the British Property Federation, a past Chairman of the Investment Property Forum and was a Commissioner of The Crown Estate for eight years to 2011.

Mike Brown
(BSc, Land Man, MRICS)
Non-executive Director

Mike Brown, 55, is Chief Executive Officer of Prestbury Investments LLP, Investment Adviser to the Group. A Chartered Surveyor with over 30 years' experience, he joined Prestbury in 2009 at the time of the flotation of Max Property Group Plc, a limited life opportunity fund which was sold to Blackstone in August 2014. Previously he was Deputy Chief Executive of Helical Bar Plc, with responsibility for all its investment and trading activities from 1998 to 2009, and a Director of Threadneedle Property Fund Managers, running their largest property fund from 1992 to 1998. Mike is also Chairman of the Property Advisory Committee to Weybourne Partners.

Leslie Ferrar
(CVO, FCS, BSc)
Independent Non-executive Director; Chairman of the Audit Committee

Leslie Ferrar, 60, is non-executive Chairman of The Risk Advisory Group, a Non-executive Director of Penna Consulting Plc, a Non-executive Member of the HMRC Risk and Audit Committee and a member of the Audit Committee for the Sovereign Grant. A qualified Chartered Accountant, she trained at KPMG where she was appointed partner in 1988, a position she held for 17 years. During that time she led the firm's international expatriate practice and was a member of the international board that ran the global tax practice. Leslie is also a Trustee of the Diocese of Westminster, and she served as Treasurer to TRH The Prince of Wales and Duchess of Cornwall from January 2005 to July 2012.

Sandy Gumm
(BEc, CA, (ANZ))
Non-executive Director

Sandy Gumm, 49, is an Australian qualified Chartered Accountant and Chief Operating Officer of Prestbury Investments LLP, Investment Adviser to the Group. She trained at KPMG in Sydney and worked for KPMG for nine years in Sydney and London before becoming Group Financial Controller of Burford Holdings Plc in 1995. She was appointed Finance Director at the time that Prestbury Group Plc was established in 1997 and became its Chief Operating Officer in 2007. She is a Trustee of UK registered charity Action Breaks Silence.

Jonathan Lane (MA)
Independent Non-executive Director; Chairman of Nominations Committee

Jonathan Lane, 57, is a Senior Adviser to Morgan Stanley and Chairman of EMEA Real Estate Investment Banking ("REIB"). He joined Morgan Stanley in 1999 where he served as Managing Director and co-head of REIB. Jonathan is a Non-executive Director of Grosvenor Liverpool Limited and is on the Advisory Board of Resolution Real Estate Advisors LLP. He is a Director and Trustee of the Tenebrae Choir, a member of the Policy Committee of the British Property Federation, a member of the Bank of England's Commercial Property Forum and was formerly a member of the UK Government's Property Unit Advisory Panel. He was a Non-executive Director of Songbird Estates plc between 2008 and 2015. He holds a masters degree in Biochemistry from the University of Oxford and is a member of the Advisory Board of the University's Oxford Programme for the Future of Cities.

Nick Leslau
(BSc, Hons Est Man, FRICS)
Non-executive Director

Nick Leslau, 56, is Chairman of Prestbury Investments LLP, Investment Adviser to the Group. He is a Chartered Surveyor who has been Chairman and Chief Executive of Prestbury Investment Holdings Limited since it commenced business in October 2000 and Chairman of Prestbury Investments LLP since its establishment in 2006. He was Chief Executive of Burford Holdings Plc for approximately ten years up to 1997 and Group Chairman and Chief Executive of Prestbury Group Plc from 1998. He has sat on many quoted and unquoted company boards including, most recently, Max Property Group Plc, and is a Member of the Bank of England Property Forum.

Ian Marcus (MA, FRICS)
Independent Non-executive Director; Senior Independent Director; Chairman of the Remuneration Committee

Ian Marcus, 57, is Chairman of the Bank of England's Commercial Property Forum, a member of the Real Estate Advisory Board of the Department of Land Economy at the University of Cambridge, a Senior Adviser to Eastdil Secured and Wells Fargo Securities, Chairman of The Prince's Regeneration Trust and a member of Redevco's Advisory Board. He is a Non-executive Director of The Crown Estate and Town Centre Securities Plc. Formerly Managing Director and Chairman of the European Real Estate Investment Banking division of Credit Suisse, he is a past President of the British Property Federation and a past Chairman of the Investment Property Forum.

Investment Adviser

Tim Evans, Mike Brown, Sandy Gumm, Nick Leslau and Ben Walford
of Prestbury Investments LLP,

The Company is advised on an exclusive basis by Prestbury Investments LLP ("Prestbury"), the majority of which is owned and controlled by Nick Leslau, Mike Brown, Sandy Gumm, Tim Evans and Ben Walford, a team of property and finance professionals who between them have extensive experience in UK real estate. They have a strong track record of successfully creating value for shareholders through previous economic cycles.

Biographies for Mike Brown, Sandy Gumm and Nick Leslau are presented on pages 20 and 21.

Tim Evans
Tim Evans, 47, MA Hons (Cantab), MRICS, is a Chartered Surveyor of 25 years' experience. Tim joined Prestbury Investment Holdings Limited as a senior surveyor in June 2002 and became Property Director in June 2005. Prior to joining Prestbury, Tim held positions with Jones Lang LaSalle, Hill Samuel Asset Management and MEPC Plc. Tim is the Property Director of Prestbury Investments LLP.

Ben Walford
Ben Walford, 37, BSc (Hons) Est Man, MRICS, is a Chartered Surveyor of more than ten years' experience. Ben joined Prestbury Investment Holdings Limited as a trainee surveyor in May 2002 and rose to become a Prestbury partner in 2011. Ben has a wealth of experience in property investment, refurbishment and design.

Nick, Mike, Tim, Ben and Sandy work closely with a 12-strong team of property, finance and administrative staff.

Corporate Governance Report

Corporate Governance Code

The Directors consider it important that appropriately high standards of corporate governance are maintained. As the Company is quoted on AIM, it is not required to comply with the UK Corporate Governance Code (the "Code") so this report does not describe compliance with or departures from the Code. However, the Directors have had reference to the Code in determining appropriate policies and procedures where the Board considers it appropriate for the size and nature of the Group.

Leadership

The role of the Board

The Board is responsible for the overall leadership of the Company and setting its values and standards, including approval of the Group's strategic aims and objectives, and oversight of its operations, with a view to ensuring:

- competent and prudent management;
- sound planning;
- maintenance of sound management and internal control systems;
- adequate accounting and other records; and
- compliance with statutory and regulatory obligations.

The Board meets at least every quarter to review the Group's performance against its strategic aims, objectives, business plans and budgets and ensures that any necessary corrective action is taken. Additional meetings are held as required to deal with the business of the Group in a timely manner.

Directors are expected to attend all meetings of the Board and all meetings of those committees on which they sit, as well as the Annual General Meeting ("AGM"). Meetings called outside the scheduled quarterly Board meetings may need to be convened at relatively short notice and therefore at times when not every Director is available. Every meeting has, however, been correctly convened with an appropriate quorum and with the Independent Non-executive Directors outnumbering the representatives of the Investment Adviser. There were four scheduled quarterly meetings and seven additional meetings during the year.

Details of Directors' attendance at each of the Board and Committee meetings during the year are set out below. These attendance records relate only to the scheduled meetings and not to any additional meetings held in the year:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Martin Moore	4/4	–	1/1	–
Mike Brown	4/4	–	–	1/1
Leslie Ferrar	4/4	2/2	1/1	–
Sandy Gumm	4/4	–	–	–
Jonathan Lane	4/4	2/2	–	1/1
Nick Leslau	4/4	–	–	1/1
Ian Marcus	4/4	2/2	1/1	–

Corporate Governance Report continued

Division of responsibilities

The Chairman is responsible for overseeing the operation of the Board. Day to day management of the Group is carried out by the Investment Adviser, Prestbury Investments LLP ("Prestbury"), under the terms of an Investment Advisory Agreement between the Company and Prestbury. Mike Brown, Sandy Gumm and Nick Leslau are respectively Chief Executive, Chief Operating Officer and Chairman of Prestbury.

Prestbury's activities are subject always to the oversight of the Board and Prestbury has only a very limited ability to transact business for the Group. The Investment Advisory Agreement allows Prestbury, without specific approval by the Board (subject to certain conditions), to investigate, negotiate and execute (or require any member of the Group to execute) an asset acquisition, an asset disposal or a financing or refinancing opportunity (including related hedging instruments) in respect of an investment opportunity or existing investment, in each case only where the impact does not exceed either a net asset value of £10 million or a gross asset value of £20 million. There is, however, a schedule of matters reserved exclusively to the Board which includes, among other things, any transaction with an unusual risk profile, whatever its size, which would prevent Prestbury from transacting business outside the ordinary course even if it were below the discretionary limits. Any matters delegated to Prestbury remain subject to the Board's overall supervision and its review of Prestbury's effectiveness. Prestbury has not transacted any business within the discretionary limits during the year or the prior period and up to the date of this report.

The Chairman

The Chairman, Martin Moore, sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, including strategic issues in particular. On the date of his appointment, the Chairman was considered to be independent within the meaning of the Code. Under the terms of the Code, a chairman is considered not to be "independent" after the date of appointment purely by reason of being the Company's chairman. He is, however, independent of the management team.

Non-executive Directors

The Senior Independent Director is Ian Marcus, who acts as a sounding board for the Chairman and as an intermediary for the other Directors as necessary. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman or Investment Adviser have failed to resolve, or for which such contact is inappropriate. The Board and its committees do on occasion meet without the management team present, for instance when discussing the interim and full year results with the auditors.

Effectiveness

Composition of the Board

All Directors are non-executive directors. Three of the Directors (Nick Leslau, Mike Brown and Sandy Gumm) are connected to the Investment Adviser and are therefore not considered independent within the meaning of the Code. The Chairman was considered independent on appointment and the remaining Directors are considered to have been independent since their appointment. No Board meeting is quorate unless a majority of Directors present are independent of the Investment Adviser.

Appointments to the Board

The Board as a whole is responsible for ensuring adequate succession planning so as to maintain an appropriate balance of skills on the Board. Changes to the structure, size and composition of the Board may be made following recommendations from the Nominations Committee, which operates under written terms of reference. This includes the selection of the Chairman of the Board and the Company Secretary, and the appointment of the Senior Independent Director to provide a sounding board for the Chairman and to serve as intermediary for the other Directors when necessary.

The Nominations Committee consists of three Directors who are appointed by the Board: currently Jonathan Lane, Nick Leslau and Mike Brown, whose biographies are shown on pages 20 and 21. It is chaired by Jonathan Lane.

Only members of the Nominations Committee have the right to attend meetings of that Committee. However, other individuals such as the Company Secretary and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary. The Nominations Committee meets at least once a year and otherwise as required and the Committee chairman attends the AGM to answer any shareholder questions about the Committee's activities.

The responsibilities of the Nominations Committee for the Company and the Group as a whole are as follows:

- to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- to give full consideration to succession planning for Directors and the Investment Adviser in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- to keep under review the leadership needs of the Group, with a view to ensuring the continued ability of the Group to compete effectively;
- to keep up to date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates; and
- to be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.

Before any appointment is made by the Board, the Committee is required to evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall consider whether it is appropriate to use open advertising or the services of external advisers to facilitate the search; shall consider candidates from a wide range of backgrounds assuming such candidates put themselves forward; and shall consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, taking care that appointees have enough time available to devote to the position. Additional requirements apply for the appointment of a chairman.

The Committee then makes recommendations to the Board concerning:

- formulating plans for succession for Non-executive Directors (in particular for the key role of Chairman) and the Investment Adviser;
- suitable candidates for the role of Senior Independent Director;
- membership of the Audit and Remuneration Committees, and any other Board committees as appropriate, in consultation with the chairman of those committees;
- the reappointment of any Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required;
- the re-election by shareholders of Directors under the annual re-election provisions of the Code which are reflected in the retirement by rotation provisions in the Company's Articles of Association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board bearing in mind the anticipated life of the Company (particularly in relation to Directors being re-elected for a term beyond six years);
- any matters relating to the continuation in office of any Director at any time; and
- the appointment of any person as a Director.

According to the written terms of appointment, each Director's service contract is terminable on three months' notice or, in the case of serious breach, without notice and without compensation for loss of office.

Given the size of the Company and the nature of its Board, the Board does not consider it appropriate for the Nominations Committee to provide a separate report to shareholders. There have been no Board vacancies during the year and up to the date of this report.

Evaluation

The Nominations Committee reviews the results of any Board performance evaluation processes that relate to the composition of the Board and reviews annually the time required from Directors. Performance evaluation is used to assess whether the Directors are spending enough time to fulfil their duties.

The Board is responsible for undertaking a formal and rigorous annual review of its own performance, that of its committees and individual Directors, and the division of responsibilities. It is also required to determine the independence of Directors in light of their character, judgement and relationships, authorising conflicts of interest where (and in the manner) permitted by the Company's Articles of Association. In performing this review, the Board takes account of any independent feedback provided by shareholders, including through the Company's Nominated Adviser and Broker.

Corporate Governance Report continued

Commitment
The Board is satisfied that all Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Directors were advised on appointment of the expected time required to fulfil their roles and have confirmed that they remain able to make that commitment. All material changes in any Director's commitments outside the Company are required to be and have been disclosed prior to the acceptance of any such appointment. The other material commitments of the Directors are shown in their biographies on pages 20 and 21.

Development
The Chairman is responsible for ensuring that any ongoing training and development needs of the Directors are met.

Information and support
The Directors are provided with independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities. The Company Secretary is responsible for ensuring that the Board receives accurate, timely and clear information on the Group's activities.

Insurance
Directors' and Officers' Liability Insurance cover of £15.0 million is maintained by the Company.

Re-election
All Directors are subject to election by shareholders at the first AGM following their appointment, and subsequently to re-election at intervals of no more than three years. Any Independent Director who has held office for nine or more consecutive years is also required by the Articles of Association of the Company to stand down and offer him or herself for re-election at each AGM. The Board considers that information sufficient for shareholders to make an informed decision on the re-election of Directors is included within this annual report.

Accountability
Financial and business reporting
The Board has reviewed whether the annual report, taken as a whole, presents a fair, balanced and understandable picture of the Group's position and prospects, and believes that it provides the information necessary for shareholders to assess its position, performance, business model and strategy. This includes an explanation of how the Company aims to generate or preserve value in the long term. The information is included in the Chairman's Statement on pages 2 and 3, the Strategic Report on pages 4 to 10, and the Investment Adviser's Report on pages 11 to 19.

A description of the Directors' responsibilities regarding the financial statements is set out in the Directors' Report on page 35, while a description of the auditors' responsibilities is set out on page 36. Statements of the status of the Company as a going concern and its longer term viability are summarised below and set out in the Strategic Report on page 10.

Risk management and internal control
The Board is responsible for financial reporting and controls, which covers the approval of the annual report and accounts, the dividend policy, any significant changes in accounting policies or practices, and treasury policies, including foreign currency exposure and the use of derivative financial instruments. During the year the Board has carried out an assessment of the principal risks facing the Group and how they are being mitigated, as described in the Strategic Report on pages 8 and 9.

In light of the Group's current position and principal risks, the Board has assessed the prospects of the Group for a period of c. 22 months from the date of this annual report, reviewing the Group's liquidity position, compliance with loan covenants and the financial strength of its tenants, together with forecasts of the Group's future performance under various scenarios. The Board has concluded there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over that period. The Board has also assessed the prospects of the Group over a longer period than the going concern review, and has a reasonable expectation that the Group will be able to continue in business over the approximately six year period of its assessment.

The Board is also responsible for the internal controls of the Group, including operational and compliance controls and risk management systems, which are documented in a Board memorandum. As with any risk management system, the Group's internal control framework is designed to manage risk but cannot give absolute assurance that there will never be any material misstatement or loss. The Board has reviewed the risk management and internal control framework in the year and believes it to be working effectively.

The Board has considered the appropriateness of establishing an internal audit function and, having regard to the relatively simple nature of the Group's operations and the likely cost of such a function, has concluded that it is not necessary at this stage.

Audit Committee and auditors

The Audit Committee assists the Board in discharging its risk management and internal control responsibilities under written terms of reference. It comprises three Independent Directors: Leslie Ferrar, Jonathan Lane and Ian Marcus, whose biographies are shown on pages 20 and 21. It is chaired by Leslie Ferrar, who the Board considers to have recent and relevant financial experience, including an appropriate professional qualification.

Only members of the Audit Committee have the right to attend Committee meetings. However, the auditors and key finance personnel from the Investment Adviser are invited to attend meetings on a regular basis and the Company Secretary and other non-members may be invited to attend all or part of any meeting as and when appropriate. The Committee chairman reports formally to the Board on proceedings after each meeting on all matters within the Committee's duties and responsibilities, and demonstrates how it has discharged those responsibilities.

The Audit Committee meets at least twice a year at appropriate intervals in the financial reporting and audit cycle. Outside the formal meeting programme, the Committee chairman maintains a dialogue with key individuals involved in the Company's governance, including the Chairman, the Investment Adviser, the property valuers and the audit partner.

More detail on the activities of the Audit Committee during the year is provided in the Audit Committee Report on pages 29 to 31.

Remuneration

The Board has established a Remuneration Committee, with written terms of reference. It comprises three Independent Directors: Ian Marcus, Leslie Ferrar and Martin Moore, whose biographies are shown on pages 20 and 21, and is chaired by Ian Marcus.

Only members of the Remuneration Committee have the right to attend Committee meetings but other individuals and external advisers may be invited to attend for all or part of any meeting as and when appropriate. Appointments to the Committee are made by the Board. The Chairman of the Board may not be chairman of the Committee.

The Remuneration Committee meets at least once a year and otherwise as required, and the Committee chairman will attend the AGM to answer any shareholder questions about the Committee's activities. The report of the Remuneration Committee to shareholders is included on pages 32 and 33.

The Board annually considers the performance of all Directors and the appropriateness of their level of remuneration, having regard to the time commitment and responsibilities involved. The assessment of the performance of the Chairman is determined by the other Directors. The terms of the remuneration of the Investment Adviser are subject to a contract that has been in place since the Company's listing and a summary of the terms of that agreement are available on the Company's website. The Committee monitors the ongoing appropriateness of these arrangements.

The Board takes all reasonable steps to ensure compliance by the Directors with the provisions of the AIM Rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose. Further, the Board ∆has taken steps to ensure that partners and staff of the Investment Adviser also comply with the terms of the share dealing code.

Corporate Governance Report continued

Relations with shareholders

The Board is responsible for ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives. It approves the resolutions and corresponding documentation to be put forward to shareholders at the AGM, together with any circulars, prospectuses, listing particulars and press releases concerning matters decided by the Board.

The Company reports to shareholders at least twice each year in its interim and annual reports, and makes announcements, where any price sensitive or other information requires disclosure, to the London Stock Exchange and on the Company's website. Any material presentations to investors are also made available on the Company's website.

In order to assist with communications to shareholders and to ensure compliance with the AIM rules, Stifel Nicolaus Europe Limited acts as the Company's Nominated Adviser and Broker. Where there has been contact with shareholders, feedback is presented directly to the Board to ensure that it is aware of any issues raised by investors. The Company's shareholder profile and any material changes in shareholdings are reviewed by the Board at least quarterly and more often as appropriate.

All members of the Board are available to meet with investors as and when required. In practice, members of the Investment Adviser's team generally meet with investors and the Board considers that the provision of independent feedback to the Board ensures that the whole Board remains well informed of investors' views. Board members, including members of the Audit, Nominations and Remuneration Committees, and representatives of the Investment Adviser are available to meet with investors and to answer any questions at the Company's AGM.

Constructive use of the AGM

The AGM will be held on 7 June 2016 and gives all shareholders the opportunity to meet the Board while voting on the resolutions proposed. All Directors attend the AGM and are available to answer questions. The notice of meeting is included in this annual report on pages 70 to 74.

Signed on behalf of the Board on 3 March 2016.

Leslie Ferrar
Director

Audit Committee Report

Role of the Audit Committee

The Audit Committee's primary responsibility is to monitor the integrity of the financial statements of the Company and Group, covering annual and interim reports and financial statements, and any other formal announcement relating to financial performance. The Committee reviews that information and reports to the Board on significant financial reporting issues and judgements, having regard to matters communicated to it by the Investment Adviser and the auditors. In particular, the Committee reviews and challenges where necessary:

- the consistency of, and any changes to, accounting policies both from year to year and across the Group;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Group and Company have followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the auditors;
- the clarity and completeness of disclosure in the Group's and Company's financial reports and the context in which statements are made;
- all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management; and
- reviewing the Investment Adviser's report on regulatory compliance and the Group's risk register at least annually.

The Audit Committee also reviews the content of the annual report and financial statements to advise the Board whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The other key responsibilities of the Audit Committee are:

- overseeing the relationship with the auditors, including an assessment of their independence and the effectiveness of the external audit;
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, including those of the Investment Adviser and its delegates as far as they are relevant to the Company; and
- reviewing the adequacy and security of the Company's arrangements for any relevant party to raise concerns, in confidence, about possible wrongdoing in financial reporting, regulatory matters or other relevant matters.

In overseeing the relationship with the auditors, the Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment or removal of the auditors. If an auditor resigns, the Committee is required to investigate the issues leading to this and to decide whether any action is required. The Committee also makes recommendations on the remuneration of the auditors, including fees for both audit and any non-audit services, ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted while remaining consistent with other, similar real estate companies. Where the auditors undertake non-audit work, the Committee considers whether that work could be detrimental to the independence of the auditors. The Committee also approves the auditors' terms of engagement, including the scope of the audit, and on an annual basis assesses their independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services to the Group and any services to the Investment Adviser.

Composition of the Audit Committee

The Audit Committee currently comprises Leslie Ferrar, Jonathan Lane and Ian Marcus, whose biographies are shown on pages 20 and 21, and is chaired by Leslie Ferrar.

Meetings of the Audit Committee

The Audit Committee met twice during the year and on one further occasion up to the date of this report. Meetings were held just prior to the interim results announcement and after both the 2014 and 2015 audits at the reporting stage. All meetings were attended by all members of the Committee.

Audit Committee Report continued

Risk management and internal control

During the year, the Audit Committee reviewed the Group's risk register, which is maintained by the Investment Adviser on the Committee's behalf. Taking into account that review, together with its review of the Group's internal controls and its knowledge of the business, the Committee has reviewed and approved any statements included in the annual report concerning internal controls and risk management. A summary of the risk register is reviewed at least annually by the Board.

The Audit Committee has reviewed the adequacy of the Company's arrangements for any relevant party to raise concerns, in confidence, about possible wrongdoing in financial reporting, regulatory or other relevant matters. The Committee considers that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. It has also reviewed the Company's and Investment Adviser's procedures for detecting fraud and for preventing bribery and considers them to be appropriate.

External audit

The Committee met formally with the auditors at each of its meetings. Part of each meeting took place without the Investment Adviser being present, to discuss any issues arising from their work. The Committee's review of the findings of the audit with the auditors covered:

- a discussion of any major issues which arose during the audit;
- a review of the key accounting and audit judgements;
- confirmation of the levels of potential adjustments, if any, identified during the audit;
- an assessment of the overall control environment; and
- an assessment of the effectiveness of the audit process.

No errors above the £50,000 threshold identified by the auditors as "clearly trivial" were identified as part of the audit process.

The Committee has considered the performance, effectiveness and objectivity of the auditors through its regular meetings and communications with them. The Committee's assessment is that the auditors have the necessary experience, independence and qualifications to deliver an effective audit, and that their ability to challenge and review the Investment Adviser and Board is sufficient and appropriate. The Committee recommends that shareholders vote in favour of the reappointment of the auditors which is proposed as an ordinary resolution at the Company's forthcoming AGM.

The total fees charged by the auditors to the Group during the year were £166,000, as detailed in note 5 to the Group financial statements. The auditors have not conducted any significant non-audit work during the year. The Committee has also reviewed audit and any other fees paid to the auditors by the Investment Adviser and its associated companies, and does not consider them to be detrimental to the independence of the auditors.

Significant issues relating to the financial statements

The significant issues and judgements that the Committee reviewed before recommending the financial statements to the Board for approval were as follows:

Issue	Description
Investment property valuations • Strategic Report risks and uncertainties (pages 8 and 9) • Investment Adviser's Report (pages 12 to 14) • Note 10 to the Group financial statements	Investment properties make up the majority of the Group's assets. Investment property valuations are inherently subjective, but the Group operates in mature and liquid property markets in the UK and Germany, jurisdictions with well developed valuation processes and methodologies. The opinion of external valuers is obtained at each reporting date, using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement". The valuations at the balance sheet date were performed by CBRE Limited ("CBRE"), which the Audit Committee believes to be suitably independent, competent and experienced to carry out the work. The Committee attended a meeting between the auditors and CBRE, which included a detailed discussion of material fair value changes and a comparison of changes to external sources such as the Investment Property Databank. The meeting also included a review of current conditions and recent, relevant transactions to provide a context for the valuations and to allow an assessment of the assumptions and judgements made by CBRE. The Committee's intention is to continue to meet with the valuers in future to discuss their valuations. The Committee considered that the inputs provided by the Group to CBRE for the valuations adopted in the financial statements were accurately extracted from the Group's accounting records. The Committee also reviewed the level of disclosure in the relevant note to the financial statements and believes that it meets the requirements of IFRS 13.
Going concern • Strategic Report (page 10) • Corporate Governance Report (page 26) • Note 2b to the Group financial statements	The Board is required to consider whether the Group has adequate resources to continue in operational existence for the "foreseeable future", typically considered to be at least twelve months from the date of approval of the annual report. The Audit Committee has reviewed the work of the Investment Adviser on going concern, which included a summary of the liquidity position, compliance with loan covenants and the financial strength of its tenants, together with forecasts of the Group's cash flow over the period to December 2018. As a result, the Committee has concluded that the going concern basis remains appropriate. The Committee has also reviewed the work of the Investment Adviser to support the viability statement included in the Strategic Report, which included forecasts of the Group's results over the period to December 2021. In carrying out this review, the Committee also considered the risks and assumptions relevant to those forecasts, together with the various sensitivity scenarios modelled in them.

Signed on behalf of the Audit Committee on 3 March 2016.

Leslie Ferrar
Audit Committee Chairman

Remuneration Committee Report

Role of the Remuneration Committee

The main responsibilities of the Remuneration Committee for the Company, its major subsidiary undertakings and the Group as a whole, are:

- to determine and agree with the Board the framework or broad policy for any changes to the Investment Advisory Agreement; and
- to have responsibility for setting the remuneration policy for the Company's Chairman. The Board itself determines the remuneration of the Directors within the limits set in the Articles of Association.

In determining such remuneration policy, the Remuneration Committee takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code considered to be relevant, and associated guidance. The objective is to attract, retain and motivate management of the quality required to run the Company and Group successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders, alongside the risk appetite of the Company and alignment to the Company's long term strategic goals.

In order to obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity, the Remuneration Committee may appoint remuneration consultants and commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board. In December 2015, mindful of the intention to widen the Company's shareholder base, the Committee engaged independent consultants, New Bridge Street, to benchmark and review the advisory and incentive fee arrangements between the Company and Prestbury.

In their report dated 18 January 2016, the independent consultants stated that in their opinion the current arrangements are consistent with the range of market practice and with creation of value for shareholders. The terms of the Investment Advisory Agreement include a review of the incentive fee arrangements in June 2017 and the Committee intends to keep the appropriateness of these arrangements under review, having regard to market practice, using external consultants as necessary.

Composition of the Remuneration Committee

The Remuneration Committee currently comprises Ian Marcus, Leslie Ferrar and Martin Moore, whose biographies are shown on pages 20 and 21, and is chaired by Ian Marcus.

Meetings of the Remuneration Committee

The Remuneration Committee met once during the year and on two further occasions up to the date of this report. All meetings were attended by all members of the Committee.

Directors' fees

The Independent Directors receive fixed fees for their services. The Directors connected to Prestbury share (with other members of the Prestbury team) in the advisory fees and any incentive fees paid by the Company and do not receive any directors' fees or other remuneration from the Company. Details of these advisory and incentive fees are disclosed in note 21 to the Group financial statements.

The Directors' remuneration for the year, all of which represents fees for services provided, was as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Martin Moore	**75**	44
Mike Brown	**–**	–
Leslie Ferrar	**40**	23
Sandy Gumm	**–**	–
Jonathan Lane	**35**	21
Nick Leslau	**–**	–
Ian Marcus	**35**	21
Total	**185**	109

Martin Moore's fees are paid to MRM UK Consulting Services Limited under the terms of his service contract.

Directors are entitled to be reimbursed for reasonable expenses incurred in the performance of their duties, but no material amounts were paid to any Director in the year.

Signed on behalf of the Remuneration Committee on 3 March 2016.

Ian Marcus
Remuneration Committee Chairman

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

Directors

All Directors are Non-executive Directors and their biographies are set out pages 20 and 21.

In accordance with the Articles of Association, Martin Moore and Sandy Gumm shall retire at the next AGM and shall then be eligible for reappointment.

The Company maintains £15.0 million of Directors' and Officers' Liability insurance for the benefit of the Directors, which was in place throughout the year and which continues in effect at the date of this report.

Details of the fees paid to Directors in the year are set out in the Remuneration Committee Report on page 33.

Directors' interests

The beneficial interests of the Directors and their families in the ordinary shares of the Company as at 31 December 2015 were as follows:

	Number of shares	Percentage of issued share capital
Nick Leslau*†	42,676,962	23.66%
Mike Brown†	574,712	0.32%
Sandy Gumm†	114,942	0.06%
Martin Moore	57,471	0.03%
Jonathan Lane	57,471	0.03%
Ian Marcus	28,735	0.02%
Leslie Ferrar	14,367	0.01%

* 42,619,491 ordinary shares held by PIHL Property LLP and 57,471 ordinary shares held by the Saper Trust. Lesray LLP, a partnership in which Nick Leslau has a 42.6% legal interest and 50% of the voting rights, beneficially owns 77.6% of PIHL Property LLP. The Saper Trust is a trust whose beneficiaries include Nick Leslau.

† in addition to the amounts shown above, as at 31 December 2015 a further 11,900,432 ordinary shares, representing 6.6% of the issued share capital, were owned by a subsidiary of Prestbury Investments LLP ("Prestbury"), the Investment Adviser to the Group. Nick Leslau, Mike Brown and Sandy Gumm hold partnership interests in, and are respectively Chairman, Chief Executive and Chief Operating Officer of Prestbury.

There have been no changes in these interests between 31 December 2015 and the date of this report.

Substantial shareholdings

As at 2 March 2016 the Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the ordinary shares of the Company:

	Number of shares	Percentage of issued share capital
PIHL Property LLP	42,619,491	23.6%
Prestonfield P1 Limited	14,206,497	7.9%
Prestonfield P2 Limited	14,206,497	7.9%
Prestonfield P3 Limited	14,206,497	7.9%
West Coast Capital Prestven Investments Limited	14,206,499	7.9%
West Coast Capital Investments Limited	14,206,497	7.9%
West Coast Capital (Retail Parks) Limited	14,206,495	7.9%
Prestbury Incentives Limited	11,900,432	6.6%
Bluetouch Investments (Malta) Limited	10,654,878	5.9%
Brookstone Limited	10,654,878	5.9%
Dominic Silvester	10,654,878	5.9%

Political contributions
The Group made no political contributions during the year or the prior period.

Other disclosures
Disclosures of financial risk management objectives and policies, exposure to financial risks and future developments are included in the Strategic Report on pages 8 and 9.

Statement of Directors' responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company is required to make the annual report and financial statements available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from such legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors
All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors
A resolution to reappoint BDO LLP as auditors to the Company will be proposed at the AGM.

Signed by order of the Board on 3 March 2016.

Sandy Gumm
Company Secretary

Group Independent Auditors' Report

Independent auditors' report to the members of Secure Income REIT Plc

We have audited the consolidated financial statements of Secure Income REIT Plc for the year ended 31 December 2015 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the parent company financial statements of the Company for the year ended 31 December 2015.

Russell Field (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom
3 March 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Income Statement

	Notes	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Revenue	4	**99,479**	80,946
Property outgoings		**(33)**	(19)
Gross profit		**99,446**	80,927
Administrative expenses		**(7,656)**	(38,568)
Corporate costs		**(482)**	(294)
Costs of reorganisation and listing		**–**	(2,888)
Total administrative expenses		**(8,138)**	(41,750)
Investment property revaluation	10	**70,435**	160,608
Profit on sale of investment properties	7	**23,962**	–
Operating profit	5	**185,705**	199,785
Finance income	6	**61**	36
Finance costs	6	**(146,613)**	(66,366)
Profit before tax		**39,153**	133,455
Tax (charge)/credit	8	**(2,382)**	114,291
Profit for the period		**36,771**	247,746
		Pence per share	Pence per share
Earnings per share			
Basic	9	**20.4**	149.7
Diluted	9	**20.4**	139.7

All amounts relate to continuing activities.

The notes on pages 42 to 62 form part of these financial statements.

Group Statement of Other Comprehensive Income

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Profit for the period	**36,771**	247,746
Items that may subsequently be reclassified to profit or loss:		
Fair value adjustment of interest rate derivatives in effective hedges	**31,703**	21,837
Reclassification of interest rate derivative fair value adjustment to the income statement	**88,125**	–
Tax effect of interest rate derivative fair value adjustment	**(147)**	(26,918)
Deferred tax written off following early termination of interest rate derivatives	**(480)**	–
Currency translation differences	**(899)**	(370)
Total comprehensive income for the period, net of tax	**155,073**	242,295

The notes on pages 42 to 62 form part of these financial statements.

Group Statement of Changes in Equity

	Share capital £000	Share premium reserve £000	Merger reserve £000	Capital contribution reserve £000	Other reserves £000	Cash flow hedging reserve £000	Retained earnings £000	**Total £000**
Year to 31 December 2015								
At 1 January 2015	16,844	16,156	–	–	33,929	(119,201)	396,577	**344,305**
Profit for the year	–	–	–	–	–	–	36,771	**36,771**
Other comprehensive income	–	–	–	–	(899)	119,201	–	**118,302**
Total comprehensive income, net of tax	–	–	–	–	(899)	119,201	36,771	**155,073**
Issue of shares	1,190	36,221	–	–	(32,378)	–	–	**5,033**
At 31 December 2015	18,034	52,377	–	–	652	–	433,348	**504,411**

	Share capital £000	Share premium reserve £000	Merger reserve £000	Capital contribution reserve £000	Other reserves £000	Cash flow hedging reserve £000	Retained earnings £000	**Total £000**
Nine months to 31 December 2014								
At 1 April 2014	–	–	–	23,530	1,921	(114,120)	17,387	**(71,282)**
Profit for the period	–	–	–	–	–	–	247,746	**247,746**
Other comprehensive income	–	–	–	–	(370)	(5,081)	–	**(5,451)**
Total comprehensive income, net of tax	–	–	–	–	(370)	(5,081)	247,746	**242,295**
Issue of shares on capitalisation of shareholder loans	7,791	70,123	–	(17,492)	–	–	–	**60,422**
Issue of shares on acquisition of the Healthcare group	8,191	–	73,718	(18,435)	–	–	–	**63,474**
Capital reduction and cancellation	–	(70,123)	(73,718)	–	–	–	143,841	**-**
Reclassification on capitalisation of shareholder loans	–	–	–	12,397	–	–	(12,397)	**-**
Proceeds from share issues net of capitalised expenses	862	16,156	–	–	–	–	–	**17,018**
Shares to be issued	–	–	–	–	32,378	–	–	**32,378**
At 31 December 2014	16,844	16,156	–	–	33,929	(119,201)	396,577	**344,305**

The notes on pages 42 to 62 form part of these financial statements.

Group Balance Sheet

	Notes	31 December 2015 £000	31 December 2014 £000
Non-current assets			
Investment properties	10	**1,349,547**	1,625,435
Deferred tax asset	14	**–**	627
		1,349,547	1,626,062
Current assets			
Trade and other receivables	12	**114**	103
Current tax recoverable		**–**	401
Cash and cash equivalents	13	**81,611**	38,771
		81,725	39,275
Total assets		**1,431,272**	1,665,337
Current liabilities			
Trade and other payables	15	**(29,293)**	(41,035)
Secured debt	16	**(2,707)**	(4,908)
Current tax payable		**(862)**	(166)
		(32,862)	(46,109)
Non-current liabilities			
Secured debt	16	**(888,312)**	(1,152,407)
Interest rate derivatives	16	**–**	(117,578)
Deferred tax liability	14	**(5,687)**	(4,938)
		(893,999)	(1,274,923)
Total liabilities		**(926,861)**	(1,321,032)
Net assets		**504,411**	344,305
Equity			
Share capital	17	**18,034**	16,844
Share premium reserve	18	**52,377**	16,156
Retained earnings	18	**433,348**	396,577
Cash flow hedging reserve	18	**–**	(119,201)
Other reserves	18	**652**	33,929
Total equity		**504,411**	344,305

		Pence per share	Pence per share
Basic NAV per share	20	**279.7**	204.4
Diluted NAV per share	20	**279.7**	190.9
EPRA NAV per share	20	**282.8**	258.5

The notes on pages 42 to 62 form part of these financial statements.

The Group financial statements were approved and authorised for issue by the Board of Directors on 3 March 2016 and were signed on its behalf by:

Martin Moore
Chairman

Sandy Gumm
Director

Group Cash Flow Statement

	Notes	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Operating activities			
Profit before tax		**39,153**	133,455
Adjustments for non-cash items:			
Investment property revaluation	10	**(70,435)**	(160,608)
Profit on sale of investment properties	7	**(23,962)**	–
Movement in rent smoothing adjustment	10	**(13,011)**	(11,287)
Administrative expenses settled in shares		**–**	32,378
Finance income	6	**(61)**	(36)
Finance costs	6	**146,613**	66,366
Cash flows from operating activities before changes in working capital		**78,297**	60,268
Changes in working capital:			
Trade and other receivables		**(11)**	(194)
Trade and other payables		**(8,155)**	6,770
Cash generated from operations		**70,131**	66,844
Tax paid		**(316)**	(743)
Cash flows from operating activities		**69,815**	66,101
Investing activities			
Proceeds from sale of investment properties	7	**379,316**	–
Interest received	6	**61**	36
Cash flows from investing activities		**379,377**	36
Financing activities			
Drawdown of secured debt		**905,158**	–
Repayment of secured debt		**(1,154,923)**	(6,166)
Interest and finance costs paid		**(86,804)**	(60,882)
Costs of early termination of interest rate derivatives		**(60,289)**	–
Loan costs paid on new facilities		**(14,437)**	–
Net proceeds of share issues		**5,033**	14,131
Cash flows from financing activities		**(406,262)**	(52,917)
Increase in cash and cash equivalents		**42,930**	13,220
Cash and cash equivalents at the beginning of the period		**38,771**	25,367
Effect of exchange rate changes		**(90)**	184
Cash and cash equivalents at the end of the period		**81,611**	38,771

The notes on pages 42 to 62 form part of these financial statements.

Notes to the Group Financial Statements

1. General information about the Group

The financial information set out in this report covers the year to 31 December 2015, with comparative figures relating to the nine month period to 31 December 2014, and includes the results and net assets of the Company and its subsidiaries, together referred to as the Group.

The Company is incorporated in the United Kingdom. The address of the registered office and principal place of business is Cavendish House, 18 Cavendish Square, London W1G 0PJ. The nature and scope of the Group's operations and principal activities are described in the Chairman's Statement on pages 2 and 3, the Strategic Report on pages 4 to 10, and the Investment Adviser's Report on pages 11 to 19.

The Company has been listed on AIM since June 2014. Further information about the Group can be found on its website, www.SecureIncomeREIT.co.uk.

2. Basis of preparation and accounting policies

a) Statement of compliance

Prior to 21 May 2014, the Company and SIR Hospital Holdings Limited (the holding company of the subgroup that owns the healthcare assets) were entities under common control but did not form a single legal group. On 21 May 2014, by way of a reorganisation, the groups headed by these two companies became a legal group headed by the Company. This reorganisation is deemed to be a "combination under common control" and as a result is outside the scope of IFRS 3 "Business Combinations". As such it is considered appropriate that the principles of merger accounting are used to account for the reorganisation and these entities are treated as if they had always been part of a single group. No fair value adjustments are required.

Accordingly, although these entities did not form a legal group for the comparative period reported herein, the comparatives comprise the net assets of all entities as if the subsequently formed legal group had been in existence throughout the nine month period ended 31 December 2014. In particular, earnings per share figures (including diluted, EPRA and adjusted EPRA EPS) have been calculated on the assumption that the capitalisation of shareholder loans which occurred in May 2014 had been in place throughout the nine month period from 1 April 2014 with a corresponding effect on earnings and number of shares used in the EPS calculations (see note 9).

Except for the calculation of the number of shares in issue for EPS purposes, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted for use in the European Union ("IFRS").

b) Basis of preparation

The Group financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Group operates. Amounts are rounded to the nearest thousand, unless otherwise stated.

Euro denominated results for the German assets have been converted to Sterling at an average exchange rate for the year of €1:£0.7256 (nine months to 31 December 2014: €1:£0.79916), which is not materially different from the actual rates at the time of the transactions. Year end balances have been converted to Sterling at the 31 December 2015 exchange rate of €1:£0.7350 (2014: €1:£0.77877).

The Directors have, at the time of preparing the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are given in the Strategic Report on page 10.

The financial statements have been prepared on the historical cost basis except that investment properties and interest rate derivatives are stated at fair value. The accounting policies have been applied consistently in all material respects.

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities as at each balance sheet date and the reported amounts of revenue and expenses during the year. Any estimates and assumptions are based on experience and any other factors that are believed to be relevant under the circumstances and which the Board considers reasonable. Actual outcomes may differ from these estimates.

2. Basis of preparation and accounting policies continued

b) Basis of preparation *continued*

Accounting policies which have a significant bearing on the reported financial condition and results of the Group may require subjective or complex judgements. The principal ongoing area of judgement is the investment property valuation where, as described in note 10, the opinion of independent, external valuers has been obtained at each reporting date using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement".

The Group's accounting policies for this matter, together with other policies material to the Group, are set out in paragraphs (c) to (j) below.

(i) Adoption of new and revised standards

No amended standard or interpretation issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") has led to any material changes in the Group's accounting policies or disclosures during the year.

(ii) Standards and interpretations in issue not yet adopted

The IASB have issued the following standards that are mandatory for later accounting years, subject to endorsement by the EU, and which are relevant to the Group but have not been adopted early:

	Effective date
IFRS 9 "Financial instruments"	1 January 2018
IFRS 15 "Revenue from contracts with customers"	1 January 2018
IFRS 16 "Leases"	1 January 2019

IFRS 9 deals with the classification and measurement of financial instruments and the Directors do not anticipate that its adoption will have a material impact on the Group's financial statements assuming that the existing capital structure and financing arrangements remain in place at that time. The Group's revenue is derived entirely from leases, which are outside the scope of IFRS 15 but within the scope of IFRS 16. IFRS 15 is not therefore expected to have an impact on the Group. Since IFRS 16 will not result in significant changes of accounting policies for lessors, the Directors do not expect that the adoption of this standard will have a material impact on the Group's financial statements.

The IASB and IFRIC have also issued or revised IFRS 11, IAS 16, IAS 38 and IAS 41 but these are not expected to have a material effect on the operations of the Group.

c) Basis of consolidation

Subsidiaries are those entities controlled by the Group. The Group has control within the meaning of this policy when it has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect those returns.

The consolidated financial statements include the financial statements of the Group's subsidiaries prepared to 31 December under the same accounting policies as the Group as a whole, using the acquisition method. All intra–group balances and transactions are eliminated on consolidation.

d) Property portfolio

(i) Investment properties

Investment properties comprise properties owned by the Group which are held for capital appreciation, rental income or both. They are initially recorded at cost and subsequently valued at each balance sheet date at fair value as determined by professionally qualified independent external valuers.

Valuations are calculated, in accordance with RICS Valuation – Professional Standards January 2014, by applying capitalisation yields to current and future rental cash flows, with reference to data from comparable market transactions, together with an assessment of the security of income. Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement in the period in which they arise. Depreciation is not provided in respect of investment properties.

2. Basis of preparation and accounting policies continued

d) Property portfolio *continued*

Acquisitions and disposals of investment properties are recognised on unconditional exchange of contracts where it is reasonable to assume at the balance sheet date that completion of the acquisition or disposal will occur. Gains or losses on disposal are determined as the difference between the net disposal proceeds and the carrying value of the asset in the previous balance sheet adjusted for any subsequent capital expenditure or capital receipts.

(ii) Occupational leases

The Directors exercise judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IAS 17 "Leases" for all properties leased to tenants and determines whether such leases are operating leases. A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. If the Group substantially retains those risks, a lease is classified as an operating lease. All leases reflected in these financial statements are classified as operating leases.

(iii) Rental income

Revenue comprises rental income exclusive of VAT. Rental income is recognised in the income statement on an accruals basis. Contingent income, arising from RPI–linked rent reviews, is recorded in the income statement in the period in which it is earned. Rental income from leases with fixed rent uplifts is recognised on a straight line basis over the term of the lease. Where income is recognised in advance of the related cash flows, an adjustment is made to ensure that the carrying value of the relevant investment property including accrued rent does not exceed the valuation.

e) Financial assets and liabilities

Financial assets and liabilities are recognised when the relevant Group entity becomes a party to the unconditional contractual terms of the instrument. Unless otherwise indicated, the carrying amounts of financial assets and liabilities are considered by the Directors to be a reasonable estimate of their fair values.

(i) Financial assets

Financial assets are recognised initially at their fair value. All financial assets currently constitute "loans and receivables", which are measured at amortised cost using the effective interest method, less any impairment.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently at amortised cost.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks and financial institutions, with original maturities of three months or less.

(iv) Borrowings and finance charges

Secured debt is initially recognised at its fair value, net of any transaction costs directly attributable to its issue. Subsequently, secured debt is carried at amortised cost. Transaction costs are amortised over the life of the loan and charged to the income statement as part of the Group's financing costs. Where there is a change in the terms of an existing loan that is not considered to be a substantial modification of that loan, any associated transaction costs are also amortised over the remaining life of the loan.

(v) Interest rate derivatives

The Group has used interest rate derivatives to hedge its exposure to cash flow interest rate risks. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently measured at fair value.

Derivatives are classified either as derivatives in effective hedges or derivatives held for trading. It is anticipated that any hedging arrangements will generally be "highly effective" within the meaning of IAS 39 "Financial Instruments: Recognition and Measurement" and that the criteria necessary for applying hedge accounting will therefore be met. All derivatives held by the Group in the year met these criteria.

Hedges are assessed on an ongoing basis to ensure they continue to be effective. The gain or loss on the revaluation of the portion of an instrument that qualifies as an effective hedge of cash flow interest rate risk is recognised directly in other comprehensive income through the cash flow hedging reserve. Amounts accumulated in equity will be reclassified to the income statement in the period when the hedged items affect the income statement. The gain or loss on the revaluation of any derivative financial instrument classified as held for trading because it is not an effective hedge is recognised directly in the income statement.

2. Basis of preparation and accounting policies continued

e) Financial assets and liabilities continued

There has been no hedge ineffectiveness to recognise in the income statement in the current year or prior period, so all movements in the fair value of these instruments are reflected in other comprehensive income.

The Group ceases to use hedge accounting if the forecast transaction being hedged against is no longer expected to occur. In such circumstances, the cumulative amounts in other comprehensive income are then reclassified from equity to profit or loss.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when its obligations are discharged, cancelled or they expire. The difference between the carrying amount of those financial liabilities and the consideration paid, including any non-cash assets transferred and any new liabilities assumed is recognised in profit or loss.

f) Tax

Tax is included in the income statement except to the extent that it relates to income or expense items recognised through reserves, in which case the related tax is recognised either in other comprehensive income or directly in equity.

Current tax is the expected tax payable on taxable income for a reporting period, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

g) Foreign currency translation

The results of subsidiary undertakings with a functional currency other than Sterling are translated into Sterling at the actual exchange rates prevailing at the time of the transaction, unless the average rate for the reporting period is not materially different from the actual rate, in which case that average rate is used.

The gains or losses arising on the end of year translation of the net assets of such subsidiary undertakings at closing rates and the difference between translating the results at average rates compared to the closing rates are taken to Other reserves. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date with any gains or losses arising on translation recognised in the income statement.

h) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are disclosed within administrative expenses in the income statement.

i) Share based payments

The fair value of payments that are to be settled by the issue of shares is determined on the basis of an estimate of the value of the services provided by non-employees over the relevant accounting period. The estimated number of shares to be issued in satisfaction of the services provided is calculated using the average daily closing share price of the Company for that period.

j) Fair value measurements

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market. It uses the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. A fair value measurement of a non-financial asset takes into account the highest and best use for that asset.

Notes to the Group Financial Statements continued

3. Operating segments

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the chief operating decision maker to make decisions about resources to be allocated between segments and assess their performance. The Group's chief operating decision maker is considered to be the Board.

The Group owns two property portfolios. Although these are described individually within the Investment Adviser's report, the Board receives quarterly management accounts prepared on a basis which aggregates the performance of the portfolios and focuses on total shareholder returns. The Board has therefore concluded that the Group has operated in and was managed as one business segment, being property investment, in the current year and prior period.

The geographical split of revenue and applicable non-current assets required by IFRS 8 was as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Revenue		
UK	**92,587**	75,251
Germany	**6,892**	5,695
	99,479	80,946
Investment properties		
UK	**1,276,003**	1,553,364
Germany	**73,544**	72,071
	1,349,547	1,625,435

Revenue, which reflects the impact of rent smoothing adjustments, includes £55.3 million (nine months to 31 December 2014: £42.9 million) relating to the Group's largest tenant, and £41.8 million (nine months to 31 December 2014: £35.8 million) relating to the Group's second largest tenant. No other single tenant or guarantor contributed more than 10% of the Group's revenue in either reporting period.

4. Revenue

Revenue comprises:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Rental income	**86,468**	69,659
Rent smoothing adjustments	**13,011**	11,287
	99,479	80,946

The rent smoothing adjustment arises through the Group's accounting policy in respect of leases, which requires the recognition of rental income on a straight line basis over the lease term in certain circumstances, including for the 67% (2014: 57%) of passing rent as at 31 December 2015 which increases by a fixed percentage each year. During the year, this resulted in an increase in revenue and an offsetting entry is recognised in the income statement as a reduction in the gains on investment property revaluation.

5. Operating profit

Operating profit is stated after charging fees for:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Audit of the Company's consolidated and individual financial statements	**67**	75
Audit of subsidiaries, pursuant to legislation	**99**	90
Non-audit services in connection with the listing	**–**	273

The Group had no employees in either the current year or the prior period. The Directors, who are the key management personnel of the Company, are appointed under letters of appointment for services. Directors' remuneration, all of which represents fees for services provided, was as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Martin Moore	**75**	44
Leslie Ferrar	**40**	23
Jonathan Lane	**35**	21
Ian Marcus	**35**	21
Total charged to the income statement	**185**	109

Mike Brown, Sandy Gumm and Nick Leslau received no Directors' fees from the Group in either the current year or prior period.

6. Finance income and costs

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Recognised in the income statement:		
Finance income		
Interest on cash deposits	**61**	36
Finance costs		
Interest on secured debt	**(66,781)**	(59,387)
Amortisation of loan costs (non-cash)	**(7,561)**	(2,168)
Exit and other fees	**(11,646)**	(3,135)
Reclassification of fair value adjustment of interest rate derivatives from the cash flow hedging reserve net of lender's share of early termination costs	**(60,625)**	–
Shareholder loans: unwinding of discount to date of capitalisation (non-cash)	**–**	(1,676)
Total finance costs	**(146,613)**	(66,366)
Net finance costs recognised in the income statement	**(146,552)**	(66,330)

Included within interest on secured debt is an amount of £35.0 million (nine months to 31 December 2014: £40.7 million) which has been reclassified from other comprehensive income in respect of the Group's interest rate derivatives in effective hedges.

Notes to the Group Financial Statements continued

6. Finance income and costs continued

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Recognised in other comprehensive income:		
Fair value adjustment of interest rate derivatives in effective hedges	**31,703**	21,837
Reclassification of fair value adjustments to the income statement	**88,125**	–
Total finance income recognised in other comprehensive income	**119,828**	21,837

Net finance costs analysed by the categories of financial asset and liability shown in note 16 are as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Loans and receivables	**61**	36
Financial liabilities at amortised cost	**(50,982)**	(25,651)
Derivatives in effective hedges	**(95,631)**	(40,715)
Net finance costs recognised in the income statement	**(146,552)**	(66,330)

The Group's sensitivity to changes in interest rates, calculated on the basis of a ten basis point increase or decrease in LIBOR, was as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Effect on profit for the year	**82**	–
Effect on other comprehensive income and equity	**–**	3,993

The Group receives interest on its bank balances so an increase in interest rates would increase finance income. There would be no impact on finance costs from a change in interest rates because all of the secured debt in place since 2 October 2015 is at fixed rates.

At the previous balance sheet date, interest on secured debt was fixed through interest rate swaps and as a result, changes in interest rates had an impact on the valuation of those interest rate swaps through other comprehensive income and equity, such that an increase in interest rates would result in a credit to other comprehensive income. Since those interest rate swaps were terminated during the year, at 31 December 2015 there were therefore no longer any changes in interest rates that would directly affect other comprehensive income and equity.

7. Profit on sale

The profit on sale of investment properties arose as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Sale proceeds	**382,136**	–
Sale costs	**(2,820)**	–
Book value of sold properties	**(355,354)**	–
	23,962	–

8. Tax

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Current tax – UK		
UK REIT excess interest charge	**1,293**	665
Adjustments in respect of prior periods	**50**	–
Current tax – Germany		
Corporation tax charge/(credit)	**242**	(130)
Adjustments in respect of prior periods	**(226)**	–
Deferred tax		
Deferred tax charge/(credit) (see note 14)	**1,023**	(114,826)
	2,382	(114,291)

The tax assessed for the period varies from the standard rate of corporation tax in the UK applied to the profit before tax. The differences are explained below:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Profit before tax	**39,153**	133,455
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.25% (nine months to 31 December 2014: 21%)	**7,928**	28,026
Effects of:		
Investment property revaluation not taxable	**(15,875)**	(34,275)
Movement in previously unrecognised tax losses	**15,512**	3,231
Profit on sale of investment properties not taxable	**(4,852)**	–
Qualifying property rental business not taxable	**(3,633)**	4,908
Expenses and finance costs not deductible	**1,943**	–
UK REIT excess interest charge	**1,293**	665
German current tax charge/(credit) for the period	**242**	(130)
Adjustments in respect of prior period	**(176)**	–
UK deferred tax released on conversion to REIT status	**–**	(117,276)
Costs of the reorganisation and listing not deductible for tax	**–**	606
Double tax relief	**–**	(58)
Other items	**–**	12
Tax charge/(credit) for the period	**2,382**	(114,291)

The Group elected into the UK REIT regime with effect from 5 June 2014. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits of the Group's UK and German property rental business from UK corporation tax. Gains on the Group's UK and German properties are also generally exempt from UK corporation tax, provided they are not held for trading or in certain circumstances sold in the three years after completion of a development.

To remain a UK REIT, there are a number of conditions to be met in respect of the Company, the Group's qualifying activity and the Group's balance of business. Since entering the UK REIT regime the Group has continued to meet these conditions. The condition requiring that the Company must not be a close company includes a grace period of three years from entry into the UK REIT regime. The Company was a close company when it entered the UK REIT regime and continues to be so, but has until 4 June 2017 to comply. The Board is seeking to widen its shareholder base with a view to meeting this requirement within the three year grace period.

8. Tax continued

One of the ongoing REIT tests is an interest cover test that requires the profits of the tax exempt property business of the Group (calculated on a tax basis, but before deducting financing costs and capital allowances) to be at least 1.25 times its cost of financing. If this condition is not met, the Company remains within the UK REIT regime but is required to pay UK corporation tax on an amount equivalent to the excess interest costs or 20% of the tax exempt business profits (calculated on a tax basis but before deducting financing costs and capital allowances) if that is less. The Group did not meet this test throughout the year, so tax of £1.3 million (nine months to 31 December 2014: £0.7 million) was payable. Following the debt refinancing during the year, the interest cover test is being met and therefore, assuming no material changes to the Group's capital structure, no such tax is expected to be payable in future financial years.

The Group is subject to German corporation tax on its German property rental business at a rate of 21%. During the year, the German tax charge of £0.2 million has been offset by a credit of £0.2 million arising from a tax audit relating to the years between 2007 and 2012 which has now been finalised, and further repayments relating to 2013 and 2014. This is expected to result in a net repayment of tax to the Group of £0.8 million, of which £0.7 million had been received by 31 December 2015. In addition, a deferred tax liability of £5.7 million (2014: £4.9 million) is recognised for the German capital gains tax that would potentially be payable on the sale of the relevant investment properties (see note 14).

9. Earnings per share

Earnings per share ("EPS") is calculated as profit attributable to ordinary shareholders of the Company for each period divided by the weighted average number of ordinary shares in issue throughout the relevant period. Diluted EPS reflects shares to be issued, including any to be issued in settlement of incentive fees that were earned in the relevant period. Where shares are issued in one reporting period relating to the results of the prior period, the shares are treated, for the purposes of calculating the weighted average of shares in issue, as having been issued at the end of that prior period regardless of the actual date of issue.

On 20 May 2014, the Company and SIR Hospital Holdings Limited (the "Combined Companies") became a legal group. During the prior period until that date, the Combined Companies were entities under common control. It is considered that the use of the actual number of shares of the Combined Companies in issue prior to 21 May 2014 as a denominator in the EPS calculation would not provide meaningful information. Instead, the weighted average number of shares in issue has been determined based on the number of shares that would have been in issue in the period had the shareholder loans to the Combined Companies been capitalised on the basis of one share for each £1 of shareholder loans at the time they were advanced. The profit attributable to the shareholders of the Combined Companies prior to 20 May 2014 has also been adjusted to remove the impact of the amount included in finance costs in respect of the shareholder loans together with the related deferred tax.

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Profit for the period	**36,771**	247,746
Unwinding of discount on shareholder loans net of tax	**–**	1,341
Adjusted profit for EPS	**36,771**	249,087

Weighted average number of shares in issue	**Number**	Number
Basic EPS	**180,344,213**	166,406,143
Diluted EPS	**180,344,213**	178,306,575

	Pence per share	Pence per share
Basic EPS	**20.4**	149.7
Diluted EPS	**20.4**	139.7

9. Earnings per share continued

The European Public Real Estate Association ("EPRA") publishes guidelines for calculating adjusted earnings designed to represent core operational activities. As well as the standard EPRA earnings figure, an adjusted EPRA earnings calculation is presented, excluding the incentive fee, largely derived from investment property revaluations, and the non-recurring costs of the reorganisation and listing. EPRA EPS has also been adjusted in the current year and (for the first time this year) in the prior period to exclude the effect of smoothing fixed rental uplifts in order not to artificially flatter dividend cover calculations now that distributions are to be initiated. This results in a restatement of the prior period comparatives.

	Year to 31 December 2015 £000	Restated Nine months to 31 December 2014 £000
Basic earnings attributable to shareholders	**36,771**	249,087
EPRA adjustments:		
Investment property revaluation	**(70,435)**	(160,608)
Profit on sale of investment properties	**(23,962)**	–
Costs of early termination of interest rate swaps	**60,625**	–
Other early debt repayment costs	**13,666**	–
German deferred tax on investment property revaluation	**1,023**	1,823
UK deferred tax released on REIT conversion	**–**	(117,276)
EPRA earnings	**17,688**	(26,974)
Other adjustments:		
Rent smoothing	**(13,011)**	(11,287)
Incentive fee	**–**	35,186
Costs of the reorganisation and listing	**–**	2,888
Adjusted EPRA earnings	**4,677**	(187)

	Pence per share	Pence per share
EPRA EPS	**9.8**	(16.2)
Diluted EPRA EPS	**9.8**	(15.1)
Adjusted EPRA EPS	**2.6**	–
Diluted adjusted EPRA EPS	**2.6**	–

Notes to the Group Financial Statements continued

10. Investment properties

Freehold investment properties	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
At the start of the period	**1,625,435**	1,457,374
Disposals	**(355,354)**	–
Revaluation movement	**83,446**	171,895
Currency translation movement	**(3,980)**	(3,834)
At the end of the period	**1,349,547**	1,625,435

As at 31 December 2015 the properties were independently valued at £1,349.5 million (2014: £1,625.4 million) by CBRE Limited, Commercial Real Estate Advisers, in their capacity as external valuers. The valuation was prepared on a fixed fee basis, independent of the portfolio value, and was undertaken in accordance with RICS Valuation – Professional Standards January 2014 on the basis of fair value, supported by reference to market evidence of transaction prices for similar properties.

The historic cost of the Group's investment properties as at 31 December 2015 was £1,063.6 million (2014: £1,315.1 million). The Group did not have any contractual investment property obligations at either balance sheet date and responsibility for property liabilities including repairs and maintenance resides with the tenants.

All of the investment properties are held as security under fixed charges in respect of secured debt.

Included within the carrying value of investment properties at 31 December 2015 is £156.6 million (2014: £154.4 million) in respect of the smoothing of fixed contractual rental uplifts as described in note 4. The difference between rents on a straight line basis and rents actually receivable is included within, but does not increase, the carrying value of investment properties. The effect of this adjustment on the revaluation movement is as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Revaluation movement	**83,446**	171,895
Rent smoothing adjustment	**(13,011)**	(11,287)
Revaluation movement in the income statement	**70,435**	160,608

The Board determines the Group's valuation policies and procedures, and is responsible for overseeing the valuations. Valuations are based on information provided from the Group's financial and property reporting systems, such as current rents and the terms and conditions of lease agreements, together with assumptions used by the valuer (based on market observation and their professional judgement) in the valuation model.

At each reporting date, certain partners and employees of the Investment Adviser, who have recognised professional qualifications and are experienced in valuing the types of property owned by the Group, initially analyse the independent valuer's assessment of movements in the property valuations from the prior reporting date. Fair value changes (positive or negative) over a certain threshold are considered. Changes in fair value are also compared to external sources (such as the Investment Property Databank or other relevant benchmarks) for reasonableness. Once the Investment Adviser has considered the valuations, the results are discussed with the Group's independent valuers, focusing on properties with unexpected fair value changes and, if applicable, properties undergoing significant refurbishment. The Audit Committee also considers the valuation process as part of its overall responsibilities, and reports on its assessment of the procedures to the Board.

The fair value of the investment property portfolio has been determined using an income capitalisation technique, whereby contracted and market rental values are capitalised with a market capitalisation rate. This technique is consistent with the principles in IFRS 13 and uses significant unobservable inputs, such that the fair value measurement of each property within the portfolio has been classified as level 3 in the fair value hierarchy as defined in IFRS 13. There have been no transfers to or from other levels of the fair value hierarchy during the year.

10. Investment properties continued

The key inputs for the level 3 valuations were as follows:

Portfolio	Fair value £000	Key unobservable input	Inputs Range	Inputs Weighted average
At 31 December 2015:				
Healthcare	834,437	Net initial yield	4.5% – 5.8%	5.2%
		Reversionary yield	4.6% – 5.9%	5.4%
Leisure – UK	441,560	Net initial yield	5.2% – 6.1%	5.4%
		Reversionary yield	5.3% – 6.2%	5.5%
		Future RPI assumption per annum	2.0%	2.0%
Leisure – Germany	73,550	Net initial yield	6.3%	6.3%
		Reversionary yield	6.5%	6.5%
At 31 December 2014:				
Healthcare	812,981	Net initial yield	4.4% – 5.8%	5.6%
		Reversionary yield	4.5% – 6.0%	5.7%
Leisure – UK	740,383	Net initial yield	4.8% – 6.5%	5.2%
		Reversionary yield	4.9% – 6.6%	5.3%
		Future RPI assumption per annum	2.2% for 2015, 3.5% thereafter	2.2% for 2015, 3.5% thereafter
Leisure – Germany	72,071	Net initial yield	6.5%	6.5%
		Reversionary yield	6.8%	6.8%

The principal sensitivity of measurement to variations in the significant unobservable outputs is that decreases in net initial yield, decreases in reversionary yield and increases in RPI will increase the fair value (and vice versa).

All of the Group's revenue as reflected in the income statement is derived from rental income on investment properties. Property outgoings arising on investment properties, all of which generated rental income in each period, were £33,000 (nine months to 31 December 2014: £19,000).

Notes to the Group Financial Statements continued

11. Subsidiaries

The companies listed below were the subsidiary undertakings of the Company at 31 December 2015, all of which are wholly owned and incorporated in England unless otherwise indicated.

Company name	Nature of business
SIR Theme Park Subholdco Limited*	Intermediate parent company and borrower under mezzanine secured debt facility
Charcoal Midco 2 Limited	Intermediate parent company
SIR Theme Parks Limited	Intermediate parent company and borrower under senior secured debt facility
SIR ATH Limited	Property investment – leisure
SIR ATP Limited	Property investment – leisure
SIR HP Limited	Property investment – leisure and borrower under senior secured debt facility (registered in England, operating in Germany)
SIR TP Limited	Property investment – leisure
SIR WC Limited	Property investment – leisure
SIR Hospital Holdings Limited*	Intermediate parent company
SIR Umbrella Limited	Intermediate parent company
SIR Hospitals Propco Limited	Intermediate parent company and borrower under secured debt facility
SIR Downs Limited	Property investment – healthcare
SIR Duchy Limited	Property investment – healthcare
SIR Euxton Limited	Property investment – healthcare
SIR Midlands Limited	Property investment – healthcare
SIR Mt Stuart Limited	Property investment – healthcare
SIR Oaklands Limited	Property investment – healthcare
SIR Renacres Limited	Property investment – healthcare
SIR Rivers Limited	Property investment – healthcare
SIR Springfield Limited	Property investment – healthcare
Thomas Rivers Limited	Property investment – healthcare
SIR Healthcare 1 Limited	Intermediate parent company
SIR Healthcare 2 Limited	Intermediate parent company and borrower under secured debt facility
SIR Ashtead Limited	Property investment – healthcare
SIR Fitzwilliam Limited	Property investment – healthcare
SIR Fulwood Limited	Property investment – healthcare
SIR Lisson Limited	Property investment – healthcare
SIR Oaks Limited	Property investment – healthcare
SIR Pinehill Limited	Property investment – healthcare
SIR Reading Limited	Property investment – healthcare
SIR Rowley Limited	Property investment – healthcare
SIR Winfield Limited	Property investment – healthcare
SIR Woodland Limited	Property investment – healthcare
SIR Yorkshire Limited	Property investment – healthcare
UK Healthcare Partners (General Partner) Limited	Dormant (in voluntary liquidation) (registered in Guernsey)
SIR New Hall Limited*	Dormant
SIR MTL Limited*	Dormant
Charcoal Bidco Limited*	Dormant

* directly owned by the Company; all other entities are indirectly owned

The terms of the secured debt facilities may, in the event of a covenant default, restrict the ability of certain subsidiaries to transfer funds to the Company, which is outside the relevant security groups.

12. Trade and other receivables

	31 December 2015 £000	31 December 2014 £000
Prepayments and accrued income	**114**	103

13. Cash and cash equivalents

	31 December 2015 £000	31 December 2014 £000
Secured cash	**25,598**	25,335
Regulatory capital	**375**	450
Free cash	**55,638**	12,986
	81,611	38,771

Secured cash is held in accounts over which the providers of secured debt have fixed security. As the Company is considered to be an internally managed Alternative Investment Fund, it is also required by the Financial Conduct Authority to hold a balance of regulatory capital in liquid funds, which is maintained in cash.

14. Deferred tax

The movements in deferred tax balances in each period were as follows:

	Unrealised gains on investment properties £000	Tax losses carried forward £000	Shareholder loans £000	Interest rate derivatives at fair value £000	Total £000
Balance at 1 January 2015	(4,938)	–	–	627	(4,311)
Charge to the income statement (note 8)	(1,023)	–	–	–	(1,023)
Movement in other comprehensive income	274	–	–	(627)	(353)
Balance at 31 December 2015	**(5,687)**	**–**	**–**	**–**	**(5,687)**

	Unrealised gains on investment properties £000	Tax losses carried forward £000	Shareholder loans £000	Interest rate derivatives at fair value £000	Total £000
Balance at 1 April 2014	(120,636)	962	(9,317)	27,544	(101,447)
Credit/(charge) to the income statement (note 8)	115,453	(962)	335	–	114,826
Movement in other comprehensive income	245	–	–	(26,917)	(26,672)
Deferred tax released on capitalisation of shareholder loans credited directly to equity	–	–	8,982	–	8,982
Balance at 31 December 2014	**(4,938)**	**–**	**–**	**627**	**(4,311)**

15. Trade and other payables

	31 December 2015 £000	31 December 2014 £000
Trade payables	**251**	–
Tax and social security	**1,347**	5,163
Accruals and deferred income	**27,695**	35,872
	29,293	41,035

16. Financial assets and liabilities

Borrowings

	31 December 2015 £000	31 December 2014 £000
Amounts falling due within one year		
Secured debt – current portion of long term facilities	**4,387**	6,853
Unamortised finance costs	**(1,680)**	(1,945)
	2,707	4,908
Amounts falling due in more than one year		
Secured debt	**900,521**	1,150,712
Exit fee	**–**	3,978
Unamortised finance costs	**(12,209)**	(2,283)
	888,312	1,152,407

As at 31 December 2015, the fair value of the Group's secured debt was £912.2 million (2014: £1,157.6 million). The Group had no undrawn, committed borrowing facilities at either balance sheet date.

The debt is secured by charges over the Group's investment properties and by fixed and floating charges over the other assets of certain Group companies, not including the Company itself save for a limited share charge over the parent company of one of the ring-fenced subgroups. There have been no defaults or breaches of any loan covenants during the current year or prior period.

The analysis of borrowings by currency is as follows:

	31 December 2015 £000	31 December 2014 £000
Sterling		
Secured debt	**852,150**	1,106,109
Exit fee	**–**	3,978
Unamortised finance costs	**(13,093)**	(4,008)
	839,057	1,106,079
Euro		
Secured debt	**52,758**	51,456
Unamortised finance costs	**(796)**	(220)
	51,962	51,236

Interest rate derivatives

The fair values of the Group's interest rate derivatives were as follows:

	Notional amount		Fair value	
	31 December 2015 £000	31 December 2014 £000	31 December 2015 £000	31 December 2014 £000
5.1% swap	**–**	608,920	**–**	(56,849)
5.4% amortising swap	**–**	304,008	**–**	(32,955)
5.4% swaps	**–**	196,622	**–**	(21,804)
4.4% amortising swap*	**–**	33,091	**–**	(3,579)
4.4% swaps*	**–**	21,529	**–**	(2,391)
	–	1,164,170	**–**	(117,578)

* denominated in Euros, converted at the relevant period end rate.

16. Financial assets and liabilities continued

Categories of financial instruments

	31 December 2015 £000	31 December 2014 £000
Financial assets		
Loans and receivables:		
Cash and cash equivalents (note 13)	**81,611**	38,771
	81,611	38,771
Financial liabilities		
Financial liabilities at amortised cost:		
Accrued interest	**(9,592)**	(13,530)
Secured debt	**(904,908)**	(1,157,315)
Derivatives in effective hedges:		
Interest rate derivatives	**–**	(117,578)
	(914,500)	(1,288,423)

At each balance sheet date, all financial assets and liabilities were measured at amortised cost except for interest rate derivatives which were measured at fair value. Secured debt, which comprises fixed rate loans, is measured at amortised cost but its fair value is also disclosed as required by IFRS 7. The derivatives and secured debt were valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the balance sheet date by JC Rathbone Associates Limited. All interest rate derivatives and secured debt were classified as "level 2" as defined in IFRS 13 and their fair values were calculated using the present values of future cash flows, based on market forecasts of interest rates and adjusted for the credit risk of the counterparties. There were no transfers to or from other levels of the fair value hierarchy during the current year or the prior period.

Financial risk management

Through the Group's operations and use of debt financing it is exposed to certain risks. The Group's financial risk management objectives are to minimise the effect of these risks by using fixed rate debt or derivative financial instruments to manage exposure to fluctuations in interest rates. Any such derivative financial instruments are not employed for speculative purposes. Any use of any derivatives is approved by the Board, which monitors acceptable levels of interest rate risk, credit risk and liquidity risk.

The exposure to each financial risk considered potentially material to the Group, how it arises and the policy for managing it is summarised below.

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest bearing assets and liabilities and foreign currencies, to the extent that these are exposed to general and specific market movements.

(a) Market risk – interest rate risk

The Group's interest bearing assets comprise only cash and cash equivalents. Changes in market interest rates therefore affect the Group's finance income. The Group's borrowings since 2 October 2015 are all at fixed rates. Prior to that date, the Group was exposed to cash flow interest rate risk as its borrowings were at variable rates. The Group's policy was to fix the interest rate on that debt by entering into interest rate derivatives in order to mitigate this risk. As a result, for both the year ended 31 December 2015 and the period ended 31 December 2014, after taking into account the effect of interest rate swaps, all of the Group's borrowings were at a fixed rate of interest. The Group's sensitivity to changes in interest rates is disclosed in note 6.

Trade and other payables are interest free and have payment terms of less than one year, so it is assumed that there is no interest rate risk associated with these financial liabilities.

Notes to the Group Financial Statements continued

16. Financial assets and liabilities continued

(b) Market risk – currency risk

The Group prepares its financial statements in Sterling. Some of the Group's assets are located in Germany and as a result the Group is subject to foreign currency exchange risk due to exchange rate movements between Sterling and the Euro, though this risk is partially hedged because both assets and liabilities are held in Euros, and both revenue and expenditure arise in Euros. An unhedged currency risk therefore remains on the value of the Group's net investment in, and returns from, its German operations.

The Group's sensitivity to changes in foreign currency exchange rates, calculated on the basis of a 10% increase or decrease in average and closing Sterling rates against the Euro, was as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
Effect on profit	**204**	204
Effect on other comprehensive income and equity	**1,862**	1,046

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. The principal counterparties are the Group's tenants (in respect of trade receivables arising under operating leases) and banks (as holders of the Group's cash deposits).

The credit risk of trade receivables is considered low because the counterparties to the operating leases are considered by the Board to be high quality tenants with lease guarantors of appropriate financial strength, and rent over at least the last nine years has historically always been paid on or before its due date. Recovery details and statistics are benchmarked in Board reports to identify any problems at any early stage, and if necessary rigorous credit control procedures will be applied to facilitate the recovery of trade receivables. The Group does not hold any financial assets which are either past due or impaired. The credit risk on cash deposits is limited because the counterparties are banks with credit ratings which are acceptable to the Board and are kept under review each quarter or more often if required.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance costs and principal repayments on its secured debt. It is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group seeks to manage its liquidity risk by ensuring that sufficient cash is available to meet its foreseeable needs. These liquidity needs are relatively modest and are managed principally through the deduction of operating costs from rental receipts, before any surplus is applied in payment of interest and loan amortisation as required by the credit agreements relating to the Group's secured debt.

Before entering into any debt instrument, the Board assesses the resources that are expected to be available to the Group to meet the liabilities when they fall due. These assessments are made on the basis of both conservative and downside scenarios. The Group prepares budgets and working capital forecasts which are reviewed by the Board at least quarterly to assess ongoing cash requirements and compliance with loan covenants. The Board also keeps under review the maturity profile of the Group's cash deposits in order to have reasonable assurance that cash will be available for the settlement of liabilities when they fall due.

16. Financial assets and liabilities continued

The following tables show the maturity analysis for financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, including future interest payments, based on the earliest date on which the Group can be required to pay.

31 December 2015	Effective interest rate	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
Financial assets:						
Cash and cash equivalents	0.3%	81,611	–	–	–	**81,611**
Financial liabilities:						
Accrued interest		(9,592)	–	–	–	**(9,592)**
Secured debt	5.2%	(52,833)	(51,093)	(152,941)	(1,043,396)	**(1,300,263)**
		(62,425)	(51,093)	(152,941)	(1,043,396)	**(1,309,855)**

31 December 2014	Effective interest rate	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
Financial assets:						
Cash and cash equivalents	0.3%	38,771	–	–	–	**38,771**
Financial liabilities:						
Accrued interest		(13,530)	–	–	–	**(13,530)**
Secured debt	2.5%	(22,420)	(42,057)	(1,172,006)	–	**(1,236,483)**
Interest rate derivatives	4.3%	(42,978)	(48,054)	(26,546)	–	**(117,578)**
		(78,928)	(90,111)	(1,198,552)	–	**(1,367,591)**

Capital risk management in respect of the financial year

The Board's primary objective when monitoring capital is to safeguard the Group's ability to continue as a going concern, while ensuring it remains within its debt covenants so as to safeguard secured assets and avoid financial penalties. Borrowings are secured on the property portfolio by way of fixed charges over property assets and over the shares in the parent company of each ring-fenced borrower subgroup, and also by floating charges on the assets of the relevant subsidiary companies.

The Group is subject to the externally imposed capital requirements under the AIFMD regime as disclosed in note 13. There have been no breaches of those capital requirements, which have been complied with at all times during the year and up to the date of this report.

At 31 December 2015 the capital structure of the Group consisted of debt (note 16), cash and cash equivalents (note 13), and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves referred to in note 18).

As part of the Group's management of its capital structure, consideration is given to the cost of capital. In order to maintain or adjust the capital structure, the Group keeps under review the amount of any dividends or other returns to shareholders, and monitors the extent to which the issue of new shares or the realisation of assets may be required.

Details of the significant accounting policies adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies in note 2.

Notes to the Group Financial Statements continued

17. Share capital

Share capital represents the aggregate nominal value of shares issued. At 31 December 2015, the Company had an issued and fully paid share capital of 180,344,228 (2014: 168,443,772) ordinary shares of 10 pence each.

Under the terms of the Commitment Agreement described in note 21, the Company's shareholders prior to listing agreed to subscribe in cash for one ordinary share per quarter until 10 July 2016 to cover the fees payable to the Investment Adviser during the year. During the year, 24 ordinary shares of 10 pence each (nine months to 31 December 2014: 18 ordinary shares) were issued under this arrangement for total proceeds of £5.0 million (nine months to 31 December 2014: £2.2 million). The excess over nominal value was credited to the share premium reserve.

Under the terms of the Investment Advisory Agreement described in note 21, during the year the Company issued 11,900,432 ordinary shares of 10 pence each in settlement of incentive fees payable to the Investment Adviser in respect of services provided during the prior period.

As a result of these transactions, the movement in the number of shares in issue over the year was as follows:

	Year to 31 December 2015 Number	Nine months to 31 December 2014 Number
At the start of the period	**168,443,772**	1
Issue of ordinary shares in settlement of incentive fee (note 21)	**11,900,432**	–
Issue of ordinary shares under the Commitment Agreement (note 21)	**24**	18
Subdivision of ordinary share	**–**	9
Capitalisation of shareholder loans	**–**	77,914,338
Issue of ordinary shares prior to listing	**–**	81,908,717
Issue of ordinary shares on listing	**–**	8,620,689
At the end of the period	**180,344,228**	168,443,772

18. Reserves

The nature and purpose of each of the reserves included within equity at 31 December 2015 is as follows:

- Share premium reserve: represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of equity issues.
- Other reserves: represents the cumulative exchange gains and losses on the translation of the Group's net investment in its German operations, as well as the impact on equity of any shares to be issued after the balance sheet date, as described in note 21, under the terms of both the Commitment Agreement and the incentive fee arrangements.
- Cash flow hedging reserve: represents cumulative gains or losses, net of tax, on effective cash flow hedging instruments. Following the termination of the interest rate swaps during the year, all amounts on this reserve were reclassified to retained earnings and the balance has therefore fallen to £nil.
- Retained earnings: represent the cumulative profits and losses recognised in the income statement, together with any amounts transferred or reclassified from the other Group reserves.

19. Operating leases

The Group's principal assets are investment properties which are leased to third parties under non-cancellable operating leases. The average remaining lease term is 23.5 years (2014: 25.1 years) and the leases contain either fixed or RPI–linked uplifts, with no break options. Contingent rental income arises as a result of the RPI–linked uplifts and amounted to £0.6 million recognised in the income statement in the year (nine months to 31 December 2014: £1.0 million). The future minimum lease payments receivable under the Group's leases, translated at the relevant period end exchange rates, are as follows:

	31 December 2015 £000	31 December 2014 £000
Within one year	**77,371**	94,190
Between one year and five years	**324,167**	392,413
More than five years	**1,845,457**	2,355,051
	2,246,995	2,841,654

20. Net asset value per share

The net asset value per share of 279.7 pence (2014: 204.4 pence) is calculated as the net assets of the Group attributable to shareholders divided by the number of shares in issue at the end of the year of 180,344,228 (2014: 168,443,772). Diluted NAV per share is adjusted for any shares that will be issued, including any in settlement of incentive fees payable, as explained in note 21. Since no incentive fee was payable at 31 December 2015, the number of shares for that calculation was 180,344,228 (2014: 180,344,204) and diluted NAV per share at that date was the same as the basic NAV per share at 279.7 pence (2014: 190.9 pence).

The European Public Real Estate Association ("EPRA") has issued guidelines aimed at providing a measure of net asset value on the basis of long term fair values. The EPRA measure excludes items that are considered to have no impact in the long term, such as the fair value of interest rate derivatives and deferred tax balances. The Group's EPRA NAV is calculated as follows:

	31 December 2015		31 December 2014	
	£000	**Pence per share**	£000	Pence per share
Basic NAV	**504,411**	**279.7**	344,305	204.4
EPRA adjustments:				
Deferred tax on investment property revaluations	**5,687**	**3.1**	4,938	2.7
Fair value of interest rate derivatives	**–**	**–**	117,578	65.2
Deferred tax on interest rate derivatives	**–**	**–**	(627)	(0.3)
Dilution from shares issued for incentive fee	**–**	**–**	–	(13.5)
EPRA NAV	**510,098**	**282.8**	466,194	258.5

Notes to the Group Financial Statements continued

21. Related party transactions and balances

Advisory fees payable

Nick Leslau, Mike Brown and Sandy Gumm are Directors of the Company and also hold partnership interests in, and are Chairman, Chief Executive and Chief Operating Officer respectively of, Prestbury Investments LLP ("Prestbury"), which is Investment Adviser to the Group under the terms of an agreement that became effective on listing in June 2014 (the "Investment Advisory Agreement"). Under the terms of the Investment Advisory Agreement, advisory fees of £6.5 million (nine months to 31 December 2014: £2.7 million) were payable in cash to Prestbury in respect of the year, £0.2 million (2014: £0.2 million) of which was outstanding as at the balance sheet date and is included in trade and other payables (note 15).

Commitment Agreement

In May 2014, in connection with its listing, the Company entered into a Commitment Agreement with its existing investors at that time in order to fund (in whole or in part) the Company's payment of its contracted advisory fee to Prestbury during the period from listing on 5 June 2014 to 10 July 2016 (the "Commitment Agreement Period").

Under the terms of the Commitment Agreement, the cash funding of the advisory fees is required to be satisfied by way of subscription for ordinary shares. Each existing investor has agreed to subscribe for one share per quarter over the Commitment Agreement Period amounting to an aggregate of 24 (nine months to 31 December 2014: 18) new shares in the Company during the current year. The total subscription price payable by the existing investors for the shares to be issued to them in any quarter is equal to the advisory fee payable by Group companies to Prestbury in respect of that quarter (subject to a maximum aggregate subscription price of £1.3 million per quarter). Since advisory fees have begun to exceed that maximum in the current year, those investors have contributed £5.0 million towards the fees in the current year and the remaining £1.5 million has been borne by the Group.

Incentive fee

Under the terms of the Investment Advisory Agreement, Prestbury (or a wholly owned subsidiary of Prestbury) may become entitled to an incentive fee which rewards growth and is intended to strongly align Prestbury's interests with those of shareholders. The fee entitlement is calculated annually on the basis of the Group's audited financial statements, with any fee payable settled in shares in the Company (subject to certain limited exceptions). Sales of any shares are restricted, with the restriction lifted on a phased basis over a period from 18 to 42 months from the date of listing, subject to a release in the event that Prestbury needs to sell shares to settle any tax liability on the fee income it recognises.

The incentive fee is calculated in accordance with the Investment Advisory Agreement, the wording of which was clarified on 2 March 2016 to confirm that the incentive fee is calculated annually by reference to growth in EPRA NAV per share on the following basis. If this growth exceeds a hurdle rate of 10% per annum, an incentive fee equal to 20% of this excess is payable to Prestbury. Dividends or other distributions paid in any period are treated as payments on account against achievement of the hurdle rate of return. In the event of an incentive fee being payable at the end of an accounting period, as it was for the period ended 31 December 2014, a "high watermark" is established, represented by the closing EPRA NAV per share after the impact of the incentive fee, which is then the starting point for the cumulative hurdle calculations for future periods. The hurdle will therefore be set at the higher of the EPRA NAV at the start of the year plus 10% or the high watermark EPRA NAV plus 10% per annum.

Irrecoverable VAT arises on any element of the fee that relates to the healthcare portfolio. Since new ordinary shares are issued in satisfaction of an incentive fee, the cost of that fee in the financial statements only impacts the net asset value of the Group to the extent of that irrecoverable VAT. However, the shares to be issued do reduce the Group's net asset value per share.

As at 31 December 2015, EPRA NAV per share did not exceed 284.35 pence per share, at which point the 10% hurdle for the year would have been reached. No incentive fee was therefore payable for the year (nine months to 31 December 2014: £35.2 million charged to the income statement, representing a fee of £32.1 million plus irrecoverable VAT of £3.1 million). Assuming no changes in capital structure, EPRA NAV growth per share, including any distributions, will have to exceed 30.0 pence per share for a fee to be earned for the year ending 31 December 2016; that is, EPRA NAV including distributions for that year will have to exceed 312.8 pence per share (£564.1 million) at 31 December 2016 before any incentive fee becomes payable.

Company Independent Auditors' Report

Independent auditors' report to the members of Secure Income REIT Plc

We have audited the parent company financial statements of Secure Income REIT Plc for the year ended 31 December 2015 which comprise the Balance Sheet, Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

Other matter

We have reported separately on the consolidated financial statements of the Company for the year ended 31 December 2015.

Russell Field (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom
3 March 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Company Balance Sheet
Registered number: 6064259

	Notes	31 December 2015 £000	31 December 2014 £000
Fixed assets			
Investment in subsidiary undertakings	C	**156,397**	81,909
Current assets			
Loans to subsidiary undertakings	D	**94,495**	77,539
Trade debtors		**–**	1,994
Other debtors		**165**	30,253
Cash at hand and in bank		**54,064**	11,017
		148,724	120,803
Creditors: amounts falling due within one year			
Trade creditors		**(47)**	–
Loans from subsidiary undertakings		**(742)**	–
Corporation tax creditor		**(991)**	(166)
Accruals and deferred income		**(114)**	(251)
Net current assets		**146,830**	120,386
Total assets less current liabilities		**303,227**	202,295
Net assets		**303,227**	202,295
Capital and reserves			
Share capital	E	**18,034**	16,844
Share premium reserve		**52,377**	16,156
Other reserves		**–**	32,378
Retained earnings		**232,816**	136,917
Shareholders' funds		**303,227**	202,295

The notes on pages 66 and 67 form part of the Company financial statements.

The Company financial statements were approved and authorised for issue by the Board of Directors on 3 March 2016 and were signed on its behalf by:

Martin Moore
Chairman

Sandy Gumm
Director

Company Statement of Changes in Equity

	Share capital £000	Share premium reserve £000	Merger reserve £000	Other reserves £000	Retained earnings £000	**Total £000**
Year to 31 December 2015						
At 1 January 2015	16,844	16,156	–	32,378	136,917	**202,295**
Issue of shares	1,190	36,221	–	(32,378)	–	**5,033**
Profit for the year	–	–	–	–	95,899	**95,899**
At 31 December 2015	18,034	52,377	–	–	232,816	**303,227**

	Share capital £000	Share premium reserve £000	Merger reserve £000	Other reserves £000	Retained earnings £000	**Total £000**
Nine months to 31 December 2014						
At 1 April 2014	–	–	–	–	(435)	**(435)**
Issue of shares on capitalisation of shareholder loans	7,791	70,123	–	–	–	**77,914**
Issue of shares on acquisition of the Healthcare group	8,191	–	73,718	–	–	**81,909**
Capital reduction and cancellation	–	(70,123)	(73,718)	–	143,841	**–**
Proceeds from share issue net of capitalised expenses	862	16,156	–	–	–	**17,018**
Shares to be issued	–	–	–	32,378	–	**32,378**
Loss for the period	–	–	–	–	(6,489)	**(6,489)**
At 31 December 2014	16,844	16,156	–	32,378	136,917	**202,295**

The notes on pages 66 and 67 form part of the Company financial statements.

Notes to the Company Financial Statements

A. Basis of preparation

The Company's financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom. Information on the impact of first–time adoption of FRS 102 is given in note G.

The principal accounting policies relevant to the Company are as follows:

- investments in subsidiaries are stated at cost less provision for any impairment;
- loans to subsidiaries are stated at cost less provision for any impairment; and
- shares to be issued in settlement of incentive fees are disclosed in other reserves.

The Company has taken advantage of the exemption within section 408 of the Companies Act 2006 not to present its own profit and loss account. The profit for the year dealt with in the financial statements of the Company was £95.9 million (nine months to 31 December 2014: loss of £6.5 million). As at 31 December 2015, the entire balance of £232.8 million in retained earnings represents distributable reserves.

In preparing the Company's financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- no cash flow statement has been presented;
- no reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as it is identical to the reconciliation for the Group shown in note 17 to the Group financial statements; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is shown in note 5 to the Group financial statements.

In the year to 31 December 2016, the Company intends to continue to use these disclosure exemptions unless objections are received from shareholders.

B. Auditors' remuneration

The remuneration of the auditors in respect of the audit of the Company for the year was £67,000 (nine months to 31 December 2014: £60,000). Fees payable for non-audit services provided to the wider Group are disclosed in the notes to the consolidated financial statements.

C. Investment in subsidiary undertakings

The Company's wholly owned direct subsidiaries are SIR Theme Park Subholdco Limited, SIR Hospital Holdings Limited, SIR MTL Limited, SIR New Hall Limited and Charcoal Bidco Limited, all of which are incorporated and operating in England. The full list of subsidiary entities indirectly owned by the Company is disclosed in note 11 to the Group financial statements. The movement in the year was as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
At the start of the period	**81,909**	–
Additions	**94,774**	81,909
Capitalisation of loan to subsidiary undertaking	**74,485**	–
Dividend paid by subsidiary undertaking	**(94,614)**	–
Impairment	**(157)**	–
At the end of the period	**156,397**	81,909

D. Loans to subsidiary undertakings

Loans to subsidiary undertakings are unsecured, bear no interest and are repayable on demand. The movement in the year was as follows:

	Year to 31 December 2015 £000	Nine months to 31 December 2014 £000
At the start of the period	**77,539**	77,485
Net loans advanced	**91,441**	54
Capitalisation of loan to subsidiary undertaking	**(74,485)**	–
At the end of the period	**94,495**	77,539

E. Share capital

Details of the share capital of the Company are disclosed in note 17 to the Group financial statements.

F. Related party transactions

Details of related party transactions are disclosed in note 21 to the Group financial statements.

G. First time adoption of FRS 102

This is the first year that the Company has presented its financial statements under FRS 102. The last financial statements under previous UK GAAP were for the nine months ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 April 2014. There are no significant changes to the accounting policies of the Company as a consequence of adopting FRS 102 other than to disclosure items, and there are no changes to either equity or profit for the year as a result of the transition.

Property Portfolio as at 3 March 2016

Property	Portfolio	Region	Address
Valued between £100–200 million			
Alton Towers theme park	Leisure	Rest of England	Alton, Staffs ST10 4DB
Rivers hospital	Healthcare	Rest of England	High Wych Road, Sawbridgeworth, Herts CM21 0HH
Thorpe Park theme park	Leisure	Rest of England	Chertsey, Surrey KT16 8PN
Valued between £50–100 million			
Alton Towers hotel	Leisure	Rest of England	Alton, Staffs ST10 4DB
Ashtead hospital	Healthcare	Rest of England	The Warren, Ashtead, Surrey KT21 2SB
Heide Park theme park	Leisure	Germany	Soltau, Lower Saxony, Germany
Springfield hospital	Healthcare	Rest of England	Lawn Lane, Springfield, Chelmsford, Essex CM1 7GU
Yorkshire clinic	Healthcare	Rest of England	Bradford Road, Bingley, West Yorks BD16 1TW
Valued between £25–50 million			
Duchy hospital	Healthcare	Rest of England	Peventinnie Lane, Treliske, Truro, Cornwall TR1 3UP
Fitzwilliam hospital	Healthcare	Rest of England	Milton Way, South Bretton, Peterborough PE3 9AQ
Fulwood hospital	Healthcare	Rest of England	Midgery Lane, Fulwood, Preston, Lancs PR2 9SZ
Nightingale hospital	Healthcare	London	11–19 Lisson Grove, Marylebone, London NW1 6SH
Oaks hospital	Healthcare	Rest of England	120 Mile End Road, Colchester, Essex CO4 5XR
Pinehill hospital	Healthcare	Rest of England	Benslow Lane, Hitchin, Herts SG4 9QZ
Reading hospital	Healthcare	Rest of England	Wensley Road, Coley Park, Reading, Berks RG1 6UZ
Warwick Castle	Leisure	Rest of England	Warwick, Warwicks CV34 4QU
Winfield hospital	Healthcare	Rest of England	Tewkesbury Road, Longford, Gloucester GL2 9WH
Woodlands hospital	Healthcare	Rest of England	Rothwell Road, Kettering, Northants NN16 8XF
Valued below £25 million			
Euxton Hall hospital	Healthcare	Rest of England	Wigan Road, Euxton, Chorley, Lancs PR7 6DY
Heide Park hotel	Leisure	Germany	Soltau, Lower Saxony, Germany
Mount Stuart hospital	Healthcare	Rest of England	St Vincent's Road, Torquay, Devon TQ1 4UP
North Downs hospital	Healthcare	Rest of England	46 Tupwood Lane, Caterham, Surrey CR3 6DP
Oaklands hospital	Healthcare	Rest of England	19 Lancaster Road, Salford, Manchester M6 8AQ
Renacres hospital	Healthcare	Rest of England	Renacres Lane, Halsall, Ormskirk, Lancs L39 8SE
Rowley Hall hospital	Healthcare	Rest of England	Rowley Park, Stafford, Staffs ST17 9AQ
West Midlands hospital	Healthcare	Rest of England	Coleman Hill, Halesowen, West Midlands B63 2AH

Glossary

AIFMD	Alternative Investment Fund Managers Directive
EPRA	European Public Real Estate Association
EPRA EPS	A measure of earnings per share designed by EPRA to present underlying earnings from core operating activities
EPRA NAV	A measure of net asset value designed by EPRA to present the fair value of a company on a long term basis, by excluding items such as interest rate derivatives that are held for long term benefit, net of deferred tax
EPS	Earnings per share, calculated as the earnings for the period after tax attributable to members of the parent Company divided by the weighted average number of shares in issue in the period
Equivalent yield	The constant capitalisation rate which, if applied to all cash flows from an investment property, equates to the fair value
ERV	Estimated rental value, which is the open market rental value expected to be achievable at the date of valuation
IFRS	International Financial Reporting Standards adopted for use in the European Union
Net initial yield	Annualised net rents on investment properties as a percentage of the investment property valuation, less purchaser's costs
LTV	Loan to value: the outstanding amount of a loan as a percentage of property value
NAV	Net asset value
Net LTV	LTV calculated on the gross loan amount and any other secured liabilities, less cash balances
REIT	Real Estate Investment Trust
Reversionary yield	The anticipated yield to which the net initial yield will rise once the rent reaches the ERV
Total Shareholder Return	The increase in EPRA NAV plus distributions paid, usually expressed as a percentage of EPRA NAV

Notice of Annual General Meeting

Secure Income REIT Plc (the "Company")

NOTICE is hereby given that the Annual General Meeting of the shareholders of the Company will be held at Cavendish House, 18 Cavendish Square, London W1G 0PJ on 7 June 2016 at 9.30am for transacting the following business:

Ordinary resolutions:

1. To receive and approve the Strategic Report, the Directors' Report and the Financial Statements of the Company for the year ended 31 December 2015 together with the report of the auditors thereon.
2. To consider and if thought fit reappoint Martin Moore as a Director of the Company.
3. To consider and if thought fit reappoint Sandy Gumm as a Director of the Company.
4. To reappoint BDO LLP as the auditors until the conclusion of the next Annual General Meeting.
5. That the Directors be authorised to fix the remuneration of the auditors.
6. That the Directors' fees be approved.

Special resolutions:

7. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006 (the "Act")) of ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in Section 727 of the Act, provided that:

   (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 27,033,599;
   (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;
   (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy–back and Stabilisation Regulation 2003; and
   (d) the authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company (except in relation to the purchase of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry).

8. That the Articles of Association of the Company be amended as follows:

   (a) The following new definitions be inserted into Article 2.1 in alphabetical order between the existing definitions contained in Article 2.1:

   "ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended.

   "Non-Qualified Holder" means any person, as determined by the Board in its sole discretion, to whom a sale or transfer of shares, or in relation to whom the direct or beneficial holding of shares, (whether directly or indirectly affecting such person, and whether taken alone or in conjunction with any other person or persons, connected or not, or any other circumstances appearing to the Board to be relevant) would or might result in the Company incurring a liability to taxation or suffering any pecuniary, fiscal, administrative or regulatory or similar disadvantage, in connection with the Company being, or being required to register as, an "investment company" under the US Investment Company Act, losing any exemptions under the US Investment Company Act, or the assets of the Company being deemed to be assets of a Plan Investor.

   "Plan Asset Regulations" means the Plan Asset Regulations promulgated by the United States Department of Labor under ERISA at 29 C.F.R. section 2510.3-101, as modified by section 3(42) of ERISA.

   "Plan Investor" means (i) an "employee benefit plan" that is subject to Title I of ERISA; (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Code; (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account, or arrangement described in preceding clause (i) or (ii); or (iv) any governmental plan, church plan, non-US plan or other investor whose purchase or holding of shares would be subject to any state, local, non-US or other law or regulation that would have the effect of Title 1 of ERISA, section 4975 of the US Code, or the Plan Asset Regulations.

"Plan threshold" means ownership by benefit plan investors, as defined under section 3(42) of ERISA, in the aggregate of 25%. or more of the value of any class of equity interest in the Company (calculated by excluding the value of any equity interest held by any person (other than a benefit plan investor, as defined under section 3(42) of ERISA) that has discretionary authority or control with respect to the assets of the Company, or that provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such person); the term shall include such new ownership threshold that may be established by a change in the Plan Asset Regulations or other applicable law.

"Prohibited Person" has the meaning given to it in Article 30A.

"US Code" means the United States Internal Revenue Code of 1986, as amended.

"US Investment Company Act" means the United States Investment Company Act of 1940, as amended.

(b) The following be inserted as new Article 30A following the existing Article 30:

30A. PLAN INVESTORS AND NON-QUALIFYING HOLDERS

30A.1 If it shall come to the notice of the Board that any shares are owned directly or beneficially by:

(a) a Plan Investor or other Non-Qualified Holder; or

(b) a person (and whether taken alone or in conjunction with any other person or persons, connected or not, or any other circumstances appearing to the Board to be relevant)

which will or may result in the Company incurring any liability to taxation or suffering any pecuniary, fiscal, administrative or regulatory or similar disadvantage which the Company might not otherwise have incurred or suffered in connection with circumstances in which 25% or more of any class of the capital of the Company (or such new ownership threshold that may be established by a change in the Plan Asset Regulations or other applicable law) are owned by Plan Investors or in some other way the Company's assets may be deemed to be in jeopardy of being "plan assets" under the Plan Asset Regulations or which may cause the Company to be required to be registered as an "investment company" under the US Investment Company Act, (in each case a **"Prohibited Person"**), the Board may give notice to such person requiring him either (i) to provide the Board within 30 days of receipt of such notice with sufficient documentary evidence to satisfy the Board that such person is not a Prohibited Person; or (ii) to sell or transfer his shares to a person who is not a Prohibited Person within 30 days and within such thirty days to provide the Board with satisfactory evidence of such sale or transfer.

30A.2 If any person upon whom such a notice is served pursuant to Article 30A.1 does not within 30 days after such notice either (i) transfer his shares to a person who is not a Prohibited Person or (ii) establish to the satisfaction of the Board (whose judgment shall be final and binding) that he is not a Prohibited Person, the Board may arrange for the sale of the shares on behalf of the registered holder at the best price reasonably obtainable at the relevant time. Any shares in relation to which the Board is entitled to arrange the sale under this Article 30A (*Plan Investors and Non-Qualifying Holders*) may be aggregated and sold together. The manner, timing and terms of any such sale of shares made or sought to be made by the Board (including but not limited to the price or prices at which the same is made and the extent to which the assurance is obtained that no transferee is or would become a Prohibited Person) shall be such as the Board determines (based on advice from bankers, brokers, or such other persons as the Board considers appropriate to be consulted by them for the purpose) to be reasonable having regard to all the circumstances, including but not limited to the number of shares to be disposed of and any requirement that the disposal be made without delay; and the Board shall not be liable to any person (whether or not a Prohibited Person) for any consequences (including consequences as to price and/or failure to find a purchaser) of its decision as to such manner, timing and terms of such sale or its reliance on any such advice.

Notice of Annual General Meeting continued

Special resolutions: continued

30A.3 For the purpose of effecting any disposal, the Board may:

(a) authorise in writing any Director, officer or employee of the Company to execute any necessary transfer on behalf of any holder; and/or

(b) give any notice required to change any share from uncertificated form to certificated form,

and may enter the name of the transferee in the register in respect of the transferred shares notwithstanding the absence of any share certificate and may issue a new share certificate to the transferee, and an instrument of transfer executed by any Director, officer or employee of the Company so authorised by the Board shall be as effective as if it has been executed by the holder of the transferred shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating to the sale. The proceeds of the disposal shall be received by the Company or by any person nominated by the Company whose receipt shall be a good discharge for the purchase money and shall be paid (without any interest being payable in respect of it and after deduction of any expenses incurred by the Board in the sale including, without limitation, broker's or selling agent's fees, commissions and expenses, taxes and duties) to the former holder (or, in the case of joint holders, the first of them named in the register) upon surrender by him or on his behalf to the Company for cancellation of any certificate in respect of the transferred shares.

30A.4 If pursuant to the provisions of Article 30A.2 and Article 30A.3 the Company cannot effect a sale of the shares within a period of five business days from the date on which the Board first attempts to sell the shares then, upon the expiration of such period, the holder of shares on whom notice has been served pursuant to Article 30A.1 shall be deemed to have forfeited his shares and the Board shall be empowered at its discretion to follow the procedure pursuant to Article 22 (*Disposal of forfeited or surrendered shares*) and Article 23 (*Arrears to be paid notwithstanding forfeiture or surrender*) in respect of such shares.

c) Article 91.2 be deleted in its entirety and replaced with the following:

91.2 A Director shall not be entitled to vote on a resolution (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with the Company in which he is interested, save:

(a) where the other Directors resolve that the Director concerned should be entitled to do so in circumstances where they are satisfied that the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest;

(b) where his interest arises solely by reason of his also having a direct or indirect interest in the shares of the Company; or

(c) in any of the following circumstances:

(i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by the Director or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has himself assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) the giving to him of any other indemnity, where all other Directors are also being offered indemnities on substantially the same terms;

(iv) the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangements;

(v) any contract concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer the Director is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(vi) any contract in which the Director is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

(vii) any contract concerning any other company in which the Director is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise, unless the company is one in which he has a relevant interest;

(viii) any contract relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(ix) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company and/or of any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;

(x) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death, or disability benefits scheme or employees' share scheme which relates both to Directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to employees to which the fund or scheme relates; and

(xi) any contract concerning the purchase or maintenance of insurance against any liability, for the benefit of persons including Directors.

For the purposes of this Article 91.2, a company shall be deemed to be one in which a Director has a relevant interest if and so long as he (together with persons connected with him within the meaning of sections 252 to 255 of CA2006) to his knowledge holds an interest in shares (as determined pursuant to sections 820 to 825 of CA2006) representing 1% or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company or if he can cause 1% or more of those voting rights to be exercised at his direction.

Where a company in which a Director has a relevant interest is interested in a contract, he shall also be deemed interested in that contract.

In preparing the Company's financial statements, advantage has been taken of the disclosure exemptions available in FRS 102. In the year to 31 December 2016, the Company intends to continue to use these disclosure exemptions unless objections are received from shareholders holding more than 5% of the shares in total.

By order of the Board

Sandy Gumm
Company Secretary
3 March 2016

Notice of Annual General Meeting continued

Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided on the proxy form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

2. To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. In the case of a corporation, the proxy must be given under its common seal or signed by a duly authorised officer, attorney or other person authorised to sign it. A proxy need not be a member.

4. The completion and return of the proxy form will not prevent you from attending in person and voting at the Annual General Meeting should you subsequently decide to do so. If you attend the meeting in person, your proxy appointment will automatically be terminated. A vote withheld option is provided on the proxy form to enable you to instruct your proxy to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

5. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf of all its powers as a shareholder provided that they do not do so in relation to the same shares.

6. Only those shareholders entered on the register of shareholders of the Company at 6:00pm on 5 June 2016 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of shareholders after 6:00pm on 5 June 2016 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

7. To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is executed (or a notarially certified copy of such power or authority) must be received by the Company's Registrars, Capita Asset Services at FREEPOST CAPITA PXS, not less than 48 hours before the time for holding that meeting. A postage stamp will not be required when mailing from the UK. Please note that the Freepost address must be completed in block capitals and that delivery using this service can take up to five business days. Alternatively the form of proxy can be posted to the following address but a stamp will be required: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

8. Shares held in CREST may be voted through the CREST voting service. To appoint one or more proxies or to give an instruction to a proxy via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting.

9. During the meeting there will be an opportunity for shareholders, proxies or corporate representatives to ask questions relevant to the business of the meeting.

Company Information

Registered office	Cavendish House, 18 Cavendish Square, London W1G 0PJ
Directors	Martin Moore, Non-executive Chairman Mike Brown Leslie Ferrar, Chairman of the Audit Committee Sandy Gumm Jonathan Lane, Chairman of the Nominations Committee Nick Leslau Ian Marcus, Senior Independent Director and Chairman of the Remuneration Committee
Company Secretary	Sandy Gumm
Investment Adviser	Prestbury Investments LLP Cavendish House, 18 Cavendish Square, London W1G 0PJ
Nominated Adviser and Broker	Stifel Nicolaus Europe Limited 150 Cheapside, London EC2V 6ET
Auditors	BDO LLP 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
Property valuers	CBRE Limited Henrietta House, Henrietta Place, London W1G 0NB
Financial instrument valuers	JC Rathbone Associates Limited 12 St James's Square, London SW1Y 4LB
Registrar	Capita Registrars Limited The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU Registrars' helpline: 0371 664 0300 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales Registrars' email: shareholderenquiries@capita.co.uk
Website	www.SecureIncomeREIT.co.uk
Email enquiries	enquiries@SecureIncomeREIT.co.uk

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)20 7729 9090

Registered office
Cavendish House
18 Cavendish Square
London W1G 0PJ

Website
www.SecureIncomeREIT.co.uk

SECURE INCOME REIT PLC