



**Assura Group Limited**  
Annual Report & Accounts 2011

# Assura

Assura Group is the leading listed primary healthcare property group.

## Contents

1	Highlights	56	Consolidated Cash Flow Statement
2	Chairman's Statement	57	Notes to the Consolidated Financial Statements
4	Chief Executive's Statement	113	Independent Auditor's Report to the Members of Assura Group Limited
10	Board of Directors	114	Company Income Statement
11	Report of the Directors	115	Company Statement of Comprehensive Income
26	Corporate Responsibility Review	116	Company Balance Sheet
32	Corporate Governance Report	117	Company Statement of Changes in Equity
43	Remuneration Committee Report	118	Company Cash Flow Statement
50	Independent Auditor's Report	119	Notes to the Company Financial Statements
52	Consolidated Income Statement	125	Corporate Information
53	Consolidated Statement of Comprehensive Income		
54	Consolidated Balance Sheet		
55	Consolidated Statement of Changes in Equity		

# Highlights

## Strategic

- Disposal of the pharmacy division for £39.3m announced 21 June 2011
- Acquisition and successful integration of AH Medical Properties PLC ("AHMP")
- Substantially improved financial and operational performance over the last 12 months creating a strong platform for growth by refocusing on its core medical property activity
- Plans to seek a transfer from the Retail Sector to the Real Estate sector of the London Stock Exchange's Official List as soon as practicable

## Financial

- Dividends reinstated: second interim dividend of 1.25p per share announced on 21 June 2011 making a full year dividend of 2.25p
- Revenue increased 11.3% to £62.1 million (2010: £55.8 million)
- Administrative expenses reduced by 14.4% in the last financial year
- Group operating profit increased 240% to £26.2 million (2010: £7.7 million)
- Net profit from continuing operations increased 185% to £15.1 million (2010: £5.3 million)
- Total property assets increased 43.8% to £519.6 million at 31 March 2011 (2010: £361.3 million as restated)
- Balance sheet strengthened with successful open offer and firm placing of equity which raised £23.4 million in February 2011

## Operational

- Three medical centre developments completed in the year, three completed since the year end, and eight currently on site, with an aggregate value of £67 million
- Rent roll has risen 38.2% to £31.1 million at 31 March 2011 (from £22.5 million at 31 March 2010)
- Daresbury head office sub-lease assigned for full term as part of restructuring programme
- One pharmacy opened in the financial year, two relocated directly into medical centres, and a pipeline of seven new stores secured, two of which have opened post year end

## Outlook for 2011/12

The Group currently has a development pipeline (beyond those developments on site) of 20 sites with an estimated end value of £60 million, in a sector that is expected to provide further opportunities for development and consolidation. The focus on running a cost effective business will continue, as the Group targets property management costs to fall below 2.5% of rent roll, (£1.1 million in the year ended 31 March 2011 equating to 3.5% of current rent roll) and to maintain central overhead and corporate costs below 0.5% of gross assets (£2.1 million in the year ended 31 March 2011 equating to 0.37% of gross assets at 31 March 2011). The sale agreed of Assura Pharmacy and the proposed sale of Assura's LIFT consultancy business will enable the Group to focus solely on increasing returns and shareholder value from its high quality and growing medical centre property portfolio.

## Chairman's Statement



**Rodney Baker-Bates**  
Chairman

Since March 2010 Assura Group has successfully refocused on its core medical property activities to return to being a streamlined and profitable business.

This strategy has significantly improved financial results, strengthened the Group's balance sheet and allowed the resumption of dividend payments.

In March 2010 the Group divested a majority stake in its complex and cash consuming medical services business to Virgin Healthcare Holdings Limited. On 18 January 2011 Assura announced the acquisition of AHMP for a consideration of £26.2 million. This acquisition added 52 properties and has enhanced the quality of the Group's portfolio of medical centres given the 18.1 year weighted average unexpired lease length of the properties acquired.

In its trading statement published on 5 April 2011, Assura reiterated that it continued to explore opportunities to maximise value from the pharmacy division. I am pleased to report that an agreement has been reached to sell the pharmacy business for a total consideration of £39.3 million to Gorgemead Limited a member of the Cohens Group. This sale reflects the strong progress and results achieved by Assura Pharmacy in the year ended 31 March 2011, which has substantially improved the market value of the business. A

separate announcement was released 21 June 2011 giving further detail on this disposal.

As a result of these three transactions, Assura is now a focused medical property business with an extensive and growing portfolio of medical centres which benefit from long-term Government backed income.

### Operational Overview

The Group's future medical centre development pipeline remains strong despite the uncertainty caused by the proposed abolition of Primary Care Trusts. The general trend of placing greater emphasis on GPs and supporting more treatment in a primary care setting, in medical centres rather than in hospitals, is also encouraging. Assura has recently received written confirmation from the Department of Health that the arrangements for the reimbursement of premises costs payable by GPs will not be altered by the proposed move to the NHS Commissioning Board becoming responsible for primary care contracts.

The Group's total property assets were valued at £519.6 million at 31 March 2011 (2010: £362.3 million) and represent

**Assura is now a focused medical property business with an extensive and growing portfolio of medical centres**

**Assura has made very good strategic, financial and operational progress in the last year**

high-quality, secure investments with Government backing and a weighted average lease length across the portfolio of 16.5 years.

**Board Composition & Changes**

As set out in the Company's trading statement of 5 April, the Board proposes appointing a further non-executive Director with relevant medical property experience to reflect the changed nature of Assura's business.

It was also announced in April that I wished to retire once a suitable successor as Chairman has been identified. I will step down from the Board at the AGM. The process of identifying a new Chairman and a further non-executive Director is underway and a further announcement will be made in due course. Graham Chase left the Board on 21 July 2010. I would like to thank him for his service to the Group over a number of years. I would also like to highlight the energy and leadership of Nigel Rawlings, appointed Chief Executive in March 2010, in managing costs down and continuing organic growth; successfully completing three complex acquisitions and disposals and repositioning the business as a dividend paying pure medical property business.

**Outlook**

Assura has made very good strategic, financial and operational progress in the last year, reporting strong increases in revenues and profits and has now returned to being a market leader in the primary care property market.

The outlook for Assura is good. The Board is confident, building on the progress made this year, in the Group's ability to continue to grow and enhance shareholder value through both further medical property investment and development, and portfolio acquisitions. This continued policy of rental growth and tight cost management will support a progressive dividend policy paid out of retained earnings.

**Rodney Baker-Bates**

Chairman

21 June 2011

## Chief Executive's Statement



**Nigel Rawlings**  
Chief Executive Officer

The last financial year has been one of major transformation for Assura Group resulting in the business becoming the UK's leading listed primary healthcare property Group with wholly-owned property assets of £519.6 million at 31 March 2011.

The increased focus on primary care property was reinforced by the acquisition, in February 2011, of AHMP. The transaction added £125.6 million of high-quality medical centre assets, benefitting from a weighted average lease length of 18.1 years, to our existing portfolio. The acquisition was immediately earnings enhancing given the termination of the agreement with AHMP's former fund manager. This acquisition has already been fully integrated into the Assura Group.

Unlike a number of our competitors, we manage our portfolio internally and as a result have a reducing and increasingly competitive cost-base. This encourages a focus on running the business tightly and ensures that all core operations perform strongly and efficiently, from rent collection and property management to careful property development cost-control and excellent pharmacy customer service and compliance. Following the sale of the medical services business to Virgin Healthcare Holdings Limited in March 2010, significant cut backs on central payroll costs were implemented and, more recently, further substantial cost savings and reductions have been made.

As announced 21 June 2011, we have exchanged contracts to sell the pharmacy business to Georgemead Limited, a member of the Cohens Group for consideration of £39.3 million. The sale is very positive for the Group, reflecting the quality of the stores and the strong performance of the pharmacy business, and will give the Group additional capital to invest in further property assets.

Assura has had an excellent financial year and is now solely focused on developing and strengthening its core primary healthcare property business, which will continue to grow through selective corporate and asset acquisitions and via profitable development.

### Financial Results

Assura has delivered a strong financial performance at both the top and bottom line despite the substantial changes to the business and continuing macro-economic uncertainty.

All divisions of the business contributed both to increased revenues, up 11.3% to £62.1 million (2010: £55.8 million), and substantially more to increased net profit up 185% to £15.1 million (2010: £5.3 million from continuing operations).

**Assura has delivered a strong financial performance at both the top and bottom line**

**The strong tenant covenant, long lease length, geographical and lot size diversity of the portfolio provides strong, secure long-term income**

Net assets (basic and diluted) grew 35.3% to £220.1 million (2010: £162.7 million) equivalent to 54.0p per share (2010: 53.1p). If this is adjusted with the mark to market value of the Group's interest rate derivatives added back, in accordance with European Public Real Estate guidance, then the net asset value per share (basic and diluted) is 59.8p (2010: 61.6p). Either measure is substantially above the Group's current share price of 38.5p at close on 17 June 2011. If the Company's shares continue to trade at a discount to net asset value, the Board will consider using its authority to buy back shares to enhance shareholder value.

The Group had cash of £39.0 million at 31 March 2011 (2010: £24.6 million). Included within this total is £12.0 million (2010: £14.6 million) of cash ring fenced for an interest payment guarantee and to complete developments on site at the year end.

The Group paid a resumed interim dividend in November 2010 of 1.0p (2010: nil) and is proposing a further interim dividend of 1.25p (2010: nil) making a total dividend of 2.25p for the full year. The second interim dividend will be paid on 26 July 2011 to shareholders on the register at close of business on

01 July 2011. The ex-dividend date will be 29 June 2011.

### **Property**

The Group's business model is to develop and hold medical centres that are let on long-term leases to GP Practices and Primary Care Trusts. The strong tenant covenant, long lease length, geographical and lot size diversity of the portfolio provides strong, secure long-term income, combined with the possibility of capital growth. The Group has total property assets (including assets held for resale, development property and own premises) with an aggregate value of £519.6 million (2010: £362.3 million), this excludes costs to complete the property developments in progress which will add a further £12.1 million.

Assura's investment portfolio, which includes its own pharmacy premises, was valued at £477.9 million as at 31 March 2011 (2010: £330.8 million) and has an average net initial yield of 6.05% (2010: 6.02%). This growth largely resulted from the acquisition of AHMP (portfolio valued at £125.6 million) and development completions (worth £19.2 million) net of sale of selected ex-growth assets.



## Chief Executive's Statement continued

The investment portfolio benefitted during the year from a strong revaluation gain of £8.5 million (2010: £6.3 million). The equivalent yield of the portfolio is 6.22% (2010: 6.46%) due to both inherent rental growth and certain planned voids – comprising mainly expansion space in newly developed medical centres. While the latter in the short-term increases our direct property costs it also represents an opportunity for future growth as this space is utilised in due course and should benefit from the drive for more outpatient services to be undertaken in primary care centres.

The weighted average lease length of the portfolio is 16.5 years (2010: 17.1 years) and 87% of rents (2010: 84%) are receivable from GP Practices and/or Primary Care Trusts. 12% of the rental income is linked to the Retail Price Index. During the year 49 rent reviews were settled realising an average annual increase of 5.6% or 4.3% on a weighted average annual basis (2010: 2.6%).

In every year since the creation of the Investment Property Databank ('IPD') Healthcare Index, Assura's portfolio has outperformed the benchmark pool of assets reviewed by IPD. In the calendar year 2010, IPD computed a total return for our portfolio of 13.1% against a benchmark of 11.0% (calendar year 2009: 10.2% against a benchmark of 8.8%).

During the year we completed three medical centre developments with an end value of £19.2 million. At the year end we also had eight medical centre developments

on site with an end value of around £42 million, three of which have reached practical completion since the year end with an end value of £21.1 million.

The Group benefitted from gains on revaluation of development property totalling £5.4 million in the year (2010: restated loss of £2.2 million). The 2010 loss had resulted from two historical developments out of the normal course of business. The selective low risk substantially pre-let development, on our own account and in partnership with other developers, remains a cost-effective and profitable means of growing the portfolio to supplement portfolio and specific asset acquisitions.

In addition for the second consecutive year, Assura was named Property Investor of the Year at the Health Investor Awards 2011.

### Local Improvement Finance Trusts ('LIFT')

Local Improvement Finance Trusts are companies held by the public and private sector to develop and own medical centres predominantly let on long-term index-linked leases to Primary Care Trusts. Assura is a major investor in LIFT with an average of 32% of the equity in six of the 52 LIFT companies nationally.

Assura also provides property development, property management and consultancy services to the LIFT companies and to the Primary Care Trusts operating in our LIFT company locations, employing a team of 23 staff to undertake this from an office base in

**For the second consecutive year, Assura was named Property Investor of the Year at the Health Investor Awards 2011.**



**Total administration expenses including all pharmacy store costs were reduced by 14.4% in the last financial year**

Birmingham. This business has grown in the year with revenue of £3.7 million (2010: £2.6 million) and operating profit of £0.5 million (2010: £nil). However, in line with our strategy to focus on our core property investment and development activities, the decision was taken to exit non-core consultancy work, and the Company is exploring options that may lead to the sale of the LIFT consultancy business.

**Pharmacy**

We started the financial year with 34 trading pharmacies, mainly in medical centres, seven of which were held in a joint venture with GPs in the Bristol area which we acquired full control of during the year. During the year we concentrated on providing efficient service to customers combined with good compliance in all stores while at the same time maintaining tight cost-control and reducing head office costs. We negotiated more favourable terms with our principal wholesaler which when combined with productivity and other improvements have offset price cuts by the NHS which arose largely as a result of drugs coming off patent and cheaper, generic drugs entering the market.

We also relocated two stores directly into medical centres where there is an increased customer footfall, refurbished two stores to enhance staff circulation and customer service, and opened three new stores two of which opened in June 2011. We have secured a pipeline of five further stores which are due to open in the next

fifteen months. The above contributed to like-for-like revenue growth of 3.7% (2010: 7.2%), absolute revenue growth of 9.3% (2010: 16.9%) and a substantial increase in trading profit, before goodwill impairment reversals, to £1.6 million (2010: £0.4 million).

As a result of store growth and tight cost-control the pharmacy business is now sustainably profitable. The Group's core strategy is to focus on being an internally-managed, primary care property business and our aim for the pharmacy business this year has been to improve operational performance and seek to realise the value of the business through a trade sale. We are pleased to have announced the sale of the pharmacy business in a separate release 21 June 2011.

**Overheads**

Total administration expenses including all pharmacy store costs were reduced by 14.4% in the last financial year to £15.4 million (2010: £18.0 million). The gross payroll cost including all pharmacy store staff and the LIFT consultancy team was reduced from £8.5 million in March 2010 to £6.9 million in March 2011. The LIFT and Pharmacy businesses absorb their own overheads in arriving at their profits quoted above.

The Group's London office on Pall Mall was vacated when the Assura Medical staff moved in August 2010 and the first floor accommodation was sub-let in March 2011 although some liability remains for that and the ground floor space which the current sub-tenant vacates next month.

## Chief Executive's Statement continued

The entire lease at our former head office building in Daresbury was assigned in March 2011. The Head Office has since moved to a smaller office in Warrington where the rent is £80,000 per annum for a 28 month lease with nine months' rent free, compared with the £278,000 per annum payable previously.

The central head count was 203 in March 2009, 108 in March 2010 and 65 in March 2011. This includes all 23 LIFT and 13 Pharmacy head office staff, but excludes pharmacy store staff. Since the year end the closure of the London office staff and other efficiencies have reduced central headcount by a further five people.

### Debt

Net debt was £322.8 million at the year end (2010: £231.2 million). However, property gearing - that is net debt as a percentage of total property assets - has reduced to 62.1% (2010: 64.0%) notwithstanding the relative high gearing in AHMP at the time of the acquisition.

The Group's largest facilities are with Aviva, amounting to £191.6 million at 31 March 2011, and benefit from long-dated maturities and the absence of any loan-to-value covenants.

Assura's facility from National Australia Bank ('NAB'), reduced by £1.0 million since the year end to £125.0 million, is repayable in March 2013 but will be refinanced well ahead of that date. The Group has received indicative loan offers from certain banks and from Aviva to refinance the NAB loan. In parallel the

Group has also undertaken pre-marketing to institutions to test an issue of secured Eurobonds with the aim of accessing more cost effective debt and an enhanced spread of providers and loan maturities.

Assura has a long-dated interest rate derivative hedging funding of £200.0 million at 3.29% until 31 December 2011 and then 4.59% until 30 September 2038, with a mandatory early termination on 30 September 2028. The Group intends to cancel this swap in due course to benefit from lower medium-term rates. The cost of cancelling the long-term portion of the swap was £13.3 million on 31 March 2011 and has increased since then. However, the annual saving that will result from cancelling this swap and locking in to lower medium-term rates should be significant and represent a good return on any cancellation fee. The board is monitoring the rates carefully while not seeking to become exposed by cancelling the entire swap prior to any new loan being arranged.

### Summary and Outlook

The decision to focus on our core medical property business has delivered strong results with net profit increasing 185% to £15.1 million and allowing the resumption of dividend payments. The Group's net asset value, including the mark-to-market liability of interest rate derivatives is now 54.0p and well ahead of the current share price.

Following the sale of Assura Pharmacy, the Group will seek reclassification from the Retail sector to the Real Estate sector of the London Stock Exchange's Official List. The Treasury announced its intention

**The decision to focus on our core medical property business has delivered strong results**

**Assura now has the platform and resources to build an increasingly valuable business for all its shareholders**

to soften the Real Estate Investment Trust ('REIT') legislation in the March 2011 budget and Assura welcomes the possibility of converting to a REIT in due course.

Assura will remain focussed on the core property development and investment activities, deriving benefit from high quality but lower cost internal management and realising further cost savings where possible. The strategy will continue to seek to add to our high quality medical centre property portfolio through selective corporate and asset acquisitions, careful pre-let development on our own account or in partnership with other developers, and through low risk forward funding of other developers' medical centre development projects.

With a strong financial position, a leaner more focused business, with a healthy development pipeline, Assura now has the platform and resources to build an increasingly valuable business for all its shareholders.

**Nigel Rawlings**

Chief Executive Officer

21 June 2011

## Board of Directors

### **Rodney Baker-Bates**

Non-Executive Chairman

Rodney Baker-Bates (age 67 and appointed in April 2008) is a fellow of the Institute of Chartered Accountants and Institute of Bankers and an associate of the Institute of Management Consultants. He qualified with Arthur Andersen and has held many senior positions in the financial services sector including Managing Director of UK Banking at Midland Bank and Chief Executive of Prudential Financial Services. In 1993 he joined the Management Committee of the BBC responsible for finance and technology. Rodney now holds a number of Chairman and non-executive director positions with Stobart Group Limited, Bedlam Asset Management plc, EG Solutions Limited, Co-Operative Financial Services, G's Group Holdings Limited and Atlas Fram Group. Rodney will be resigning from the Board at the Annual General Meeting.

### **Nigel Rawlings,**

Chief Executive Officer

Nigel Rawlings (age 55) started his career with Price Waterhouse in 1977, working in Manchester, London and Singapore. Nigel has served on the Boards as Director, Company Secretary or Chief Financial Officer for three fully listed Property Groups other than Assura: Rowlinson Securities plc from 1987 to 1994; Barlows plc from 1996 to 2003; and The Westbury Property Fund Limited from 2002 to 2007. Nigel was the Chief Financial Officer of Assura from its formation in 2003 until his appointment as Chief Executive Officer in March 2010. He is a non-executive director of Mobilizer Limited.

### **Peter Pichler**

Non-Executive Director and Senior Independent Director

Peter Pichler (age 61 and appointed April 2005) qualified as a chartered accountant in both England and Wales and Canada with Ernst & Young in London and Toronto respectively. Peter has extensive senior management experience through a wide variety of business, operations and IT initiatives. After leaving public practice in 1979, he pursued a career in treasury, banking and financial services with Midland Bank, HSBC and Deutsche Bank. He moved with Midland Bank to Jersey in 1988 and retired from Deutsche Bank's Offshore Group as Chief Executive in 2005 before joining Mourant, one of the leading offshore legal and financial services businesses, initially as a strategic business consultant and subsequently as Group Chief Operating Officer. He is currently Chief Operating Officer for Mourant Ozannes, the largest legal practice in the Channel Islands, with offices in Jersey, Guernsey, London, Cayman and later this year Hong Kong.

### **Clare Hollingsworth**

Non-Executive Director

Clare Hollingsworth (age 51 and appointed July 2008) is Non-Executive Deputy Chairman and former Chief Executive Officer of Spire Healthcare Limited. She is a Non-Executive Director of Virgin Healthcare Holdings Limited, and represents the Company's 24.9% investment in the business. She is also Non-Executive Director of Eurostar International Limited, and a Trustee of Macmillan Cancer Support. She is a Fellow of the Royal Society of Arts.

## Report of the Directors

The Directors of Assura Group Limited (the 'Company' or 'Assura Group') are pleased to present their 2011 Annual Report and the audited Consolidated Financial Statements for the year ended 31 March 2011.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards ('IFRS') as adopted in the European Union.

Guernsey company law requires the Directors to prepare financial statements for each financial year which 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 and Company for that year. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

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

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

## Report of the Directors continued

- the Director has taken all of the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Principal activity and business description

Assura Group is the UK's leading listed primary healthcare property group. Through its Property Investment and Property Development businesses, it owns and develops good quality primary healthcare properties across the UK. In the main these are then leased to GP practices and Primary Care Trusts with the NHS ultimately paying the rent. These long-term leases, typically with initial terms between 20 and 25 years, mean that for 87% of the portfolio the rent is effectively underwritten by the Department of Health, giving the Group's tenants a very strong covenant.

The Group currently owns 162 completed medical centres with a value of £477.9 million (2010: £330.8 million) and has total property assets, including those held for resale, development property and our own premises, with an aggregate value of £519.6 million (2010: £362.3 million). This excludes the costs associated with completing the property developments in progress, which will add a further £12.1million.

Assura is an active developer of medical centre properties. It grows its portfolio through acquisition of completed medical centres, developing its own medical centres, forward funding other developer's medical centres or jointly developing facilities with other developers. All of these activities are undertaken for the long-term retention of the properties by the Group. The Group's policy is to only undertake medical centre developments that are

substantially pre-let with fixed price build contracts or those subject to a price ceiling and funding agreed in advance and where the Board is confident of achieving regular development gains going forward.

The Group's property business is internally managed, with a reducing and increasingly competitive cost-base compared to externally managed vehicles.

While the Group's core business is primary care property ownership and development, and the area in which future investments will be focused, the Group has developed since 2004 a chain of 36 predominantly medical centre pharmacies, and has a further five facilities in its pipeline. The Pharmacy business now has a cost-base commensurate with its activity and has demonstrated sound profitability enabling the Group to maximize shareholder returns from the business which was announced 21 June 2011.

The Group also has equity investments, on average at 32%, in six Local Improvement Finance Trusts ('LIFTs') which in turn own 22 completed medical centres with a book value of £188.0 million (2010: £169.0 million). LIFT companies are public/private partnerships which procure and supply capital investment to public bodies and other healthcare providers to deliver health and community facilities to the public. As at 31 March 2011 Assura had made subordinated debt investments across its LIFT portfolio of £8.6 million in aggregate. These investments comprise 25-30 year fixed income loans yielding on average 12% pa interest.

Assura also provides management services to five of its LIFT companies, and consultancy services and health planning services to other healthcare

organisations. The Group announced earlier this year that it is exploring options that may lead to the sale of its LIFT operating business.

Following the sale of 75.1% of Assura Medical to Virgin Healthcare in March 2010, the Group has a 24.9% stake in Virgin Healthcare Holdings Limited. This business forms joint ventures with groups of GP practices who in turn provide a range of primary and intermediate community-based NHS services.

Demand for large modern, purpose built premises has been driven by the move from secondary (hospitals) care to primary and community care as encouraged by Government policy for five years. The most recent developments in health reform, that include the abolition of Primary Care Trusts and a handover of responsibilities to Primary Care Trust Cluster organisations, may cause some short-term hiatus, unless there are changes arising from the current review of the Health and Social Care Bill.

## **Business Strategy and Objectives**

### **Strategy**

Assura's strategy is to grow its core primary care property business through selective acquisitions and prudent development either on its own account or in partnership with other developers to generate enhanced long-term value for shareholders. With the strength of a shareholder base that understands the sector and is prepared to support commercially advantageous consolidation opportunities, the outlook for the future is positive.

### **Objectives**

Since the Group made the decision to refocus its activity on property investment and development last year, it has been actively exploring options for the future of its Pharmacy and LIFT consultancy

businesses that will generate value for shareholders. These opportunities have now largely been realised.

For the core business the ongoing key objectives are to:

1. grow our portfolio of purpose built medical centres;
2. grow our wholly owned property revenues from long dated NHS sources;
3. reduce property management costs to under 2.5% of rent roll;
4. maintain other corporate costs to under 0.5% of gross assets;
5. grow the share price, total shareholder return and earnings per share; and
6. maintain overall gearing below 65%.

The Board reviews performance against these objectives at regular board meetings, with the support of a monthly KPI pack, and through periodic strategy reviews.

Performance against the 2010/11 objectives and targets is detailed below.

### **Financial Review**

Following the change of strategy announced last year, 2010/11 was a year of strong performance for the Group. Profit before tax from continuing operations increased by 185% helped by a significant reduction in the operating cost-base, and strong property development and investment gains. The earnings enhancing acquisition of AHMP earlier this year led to Assura becoming the largest listed primary care property business with a total property asset portfolio of £519.6 million. As a result the Group was able to resume the payment of dividends out of earned income.



## Report of the Directors continued

The Group's shares held in LIFT Companies delivered an aggregate profit in the year from trading before the impact of interest rate swap revaluations. Negotiations that could lead to the sale of the LIFT consultancy business are underway.

The board has decided to write down its investment in Virgin Healthcare Holding Limited because of continuing losses, which were incurred by the latter notwithstanding strong revenue growth. However the loan made to Virgin Healthcare Holdings Limited as part of the transaction in March 2010 remains on the balance sheet at its discounted value. The loan is repayable by way of a first call on the future profits of the business and the Board expects this business will become profitable in due course.

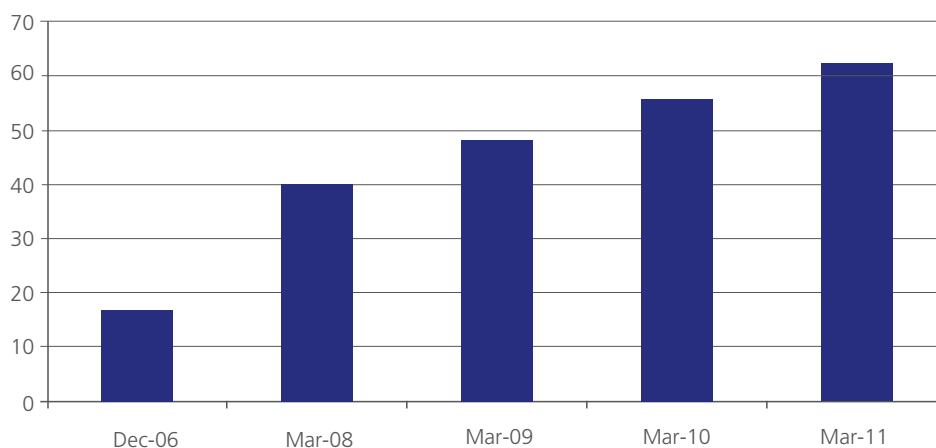
The profit after taxation for the year ended 31 March 2011 earned by the Group amounted to £15.1 million (2010: loss £8.7 million). The Directors are pleased to announce a further interim dividend of 1.25p per share (year ended 31 March 2010: nil). An interim dividend of 1p per share was paid during the year, bringing the total dividend for the year to 2.25p.

The results for the year are summarised below:

	2011 £m	2010 £m
<b>Contribution – Operating profit before central costs</b>		
Property Investment	20.0	16.6
Property Development overhead	(1.1)	(1.9)
Pharmacy	1.6	0.4
LIFT operations	0.5	–
<b>Total</b>	<b>21.0</b>	<b>15.1</b>
Central costs	(2.1)	(1.8)
<b>Group trading profit</b>	<b>18.9</b>	<b>13.3</b>
Property revaluations gains – investments	9.0	6.7
Property development gains	5.4	(2.2)
Associates & Joint Ventures	(2.7)	(1.6)
Share based credit	0.2	0.3
Exceptional items	(4.5)	(8.8)
<b>Operating profit</b>	<b>26.3</b>	<b>7.7</b>
<b>Net finance costs</b>	<b>(15.0)</b>	<b>(13.1)</b>
<b>Mark to market swap movement</b>	<b>–</b>	<b>8.3</b>
<b>Profit before taxation from continuing operations</b>	<b>11.3</b>	<b>2.9</b>
Taxation	3.8	2.4
<b>Profit for the year from continuing operations</b>	<b>15.1</b>	<b>5.3</b>
Discontinued operations	–	(14.0)
<b>Profit/(loss) for the year</b>	<b>15.1</b>	<b>(8.7)</b>

Revenue and profit have increased strongly in the last three years and the summary above highlights strong and improved results from all divisions. The apparent increase in central costs is due to a previous substantial apportionment to discontinued operations.

## Revenue £m



Losses in Associated Companies and Joint Ventures includes the Group's share of losses incurred by Virgin Healthcare Holdings Limited and impairing the remaining equity totalling £2.6 million.

The Group's shares held in LIFT companies delivered an aggregate profit in the year after taxation but before the impact of interest rate swap revaluations amounting to £0.7 million.

Exceptional items include a £2.9 million impairment of property development goodwill from £18.9 million to £16.0 million. The fair value of the property development goodwill is based on the net present value of the future profits budgeted from property development including conservative volume and margin estimates. The net present value is determined by applying a discount rate being a blended estimate of the Group's cost of debt and weighted average cost of capital.

Notwithstanding the strength of the Group's current property development business and pipeline, this impairment results from some uncertainty regarding medium term development opportunities while Primary Care Trusts are abolished and new organisations take over their responsibilities, and hiatus that this may cause. It has also been assumed that NHS cut backs and competition may create pressure on developer margins.

The underlying realised profits are £7.0 million:

	2011 £m	2010 £m
Group trading profit	18.9	13.3
Less finance costs	(15.0)	(13.2)
Add underlying profit from Assura Pharmacy SW Limited	0.4	(0.2)
Add realised property disposal profits	0.5	(0.8)
Add depreciation	1.0	1.2
Add lease premiums received from third parties, hence realised	1.2	0.1
	7.0	0.4

## Report of the Directors continued

The Group benefits from substantial tax losses, both capital and revenue, creating a tax credit of £3.8 million in the year, largely being deferred taxation provided for in AHMP that is not a liability of the enlarged Group given the capital losses available. As a result the Group was able to resume dividend payments to shareholders, out of realised profits.

### Balance Sheet

The balance sheet has been strengthened in the year through retained profits and the net proceeds from the issue of new shares – £12.0 million from a firm placing, £11.4 million from a placing and open offer, and £3.0 million from the sale of surplus shares in the Group's Employee Benefit Trust which was used to repay a loan with Assura Group Limited.

Net assets have grown 35.3% to £220.1 million at 31 March 2011. The basic net asset value per share has increased from 53.1p at 31 March 2010 to 54.0p at 31 March 2011. The basic net asset value per share, adjusted for interest rate swaps, is 59.8p per share compared to 61.6p at 31 March 2010.

The Group has gross property assets, including development property and property included within premises and held for sale of £519.6 million (2010: £362.3 million), and net debt amounting to £322.8 million (2010: £231.2 million), giving rise to property gearing of 62.1% (2010: 64.0%) – 58% (2010: 57%) when comparing net debt with total capital and debt (see note 36). This performance is in line with the Group's objective to maintain Group gearing below 65%.

### Debt facilities

The key terms of Group debt is given below:

Lender	Balance £m	Maturity	Repayment	Interest Cover	Loan to Value %	Security
NAB	126.0	Mar 13	Bullet	1.3	80	Various medical centres and land
Santander	40.0	Mar 15	Mainly Bullet	1.4 to 1.5	75	20 medical centres
RBS	5.6	Mar 13	Bullet	1.65 to 1.8	70 to 65	1 let office investment (Former Group headquarters)
Aviva	191.6	2012 to 2040	Amortising	1.03	n/a	Various medical centres
Debt issue costs	(1.4)					
	<u>361.8</u>					

The Group has cash in hand totalling £39.0 million at 31 March 2011 and sufficient debt facilities for its future requirements. Net debt increased from £231.2 million at 31 March 2010 to £322.8 million mainly as a result of the £96.8 million of debt acquired with AHMP, but nevertheless Group gearing increased only marginally from 57% at 31 March 2010 to 58% at 31 March 2011. £191.6 million of the Group's debt is not subject to loan-to-value covenant tests.

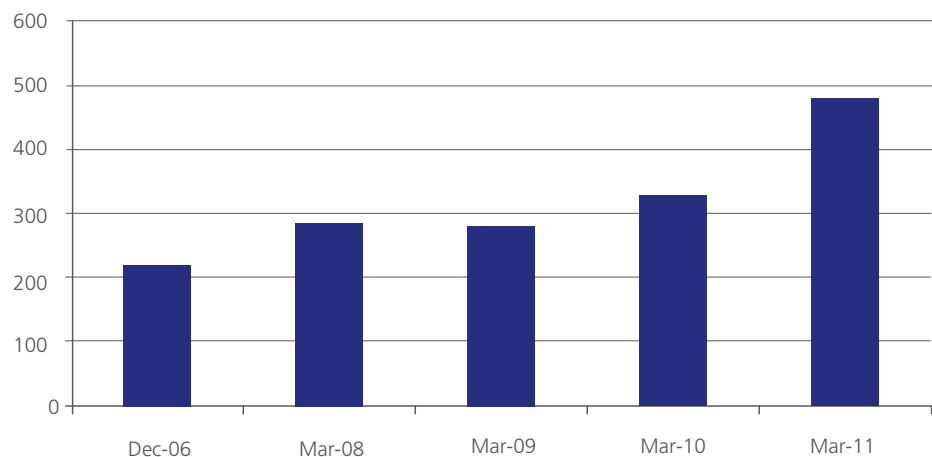
Several major banks and insurance companies have expressed competitive interest in refinancing the bulk of the NAB debt which will be refinanced well ahead of its maturity. Loans have been agreed to finance substantially all current medical centre property developments. The Group has complied with all covenant tests throughout the year.

The interest cost of the NAB debt is hedged by an interest rate swap for a principal of £200 million at the rate of 3.29% until 31 December 2011 and 4.59% from 1 January 2011 to 30 September 2038. The Group intends to cancel this swap in due course. The mark to market deficit value was £16.6 million at 31 March 2011.

### Property

AH Medical Properties PLC was acquired in the year for a consideration of £26.2 million, adding 52 medical centres with a value of £125.6 million. This acquisition, along with development completions net of selected disposals has increased the Group's investment property to £477.9 million and total property to £519.6 million comprising 162 medical centres.

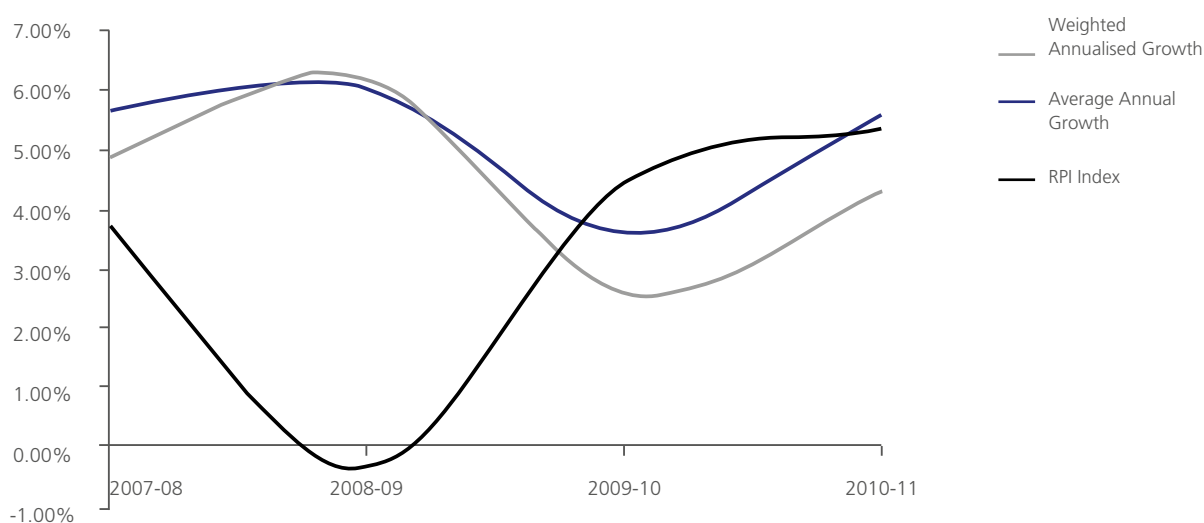
### Investment Property £m



The portfolio is characterised by long lease length with a weighted average of 16.5 years at 31 March 2011 (2010: 17.1 years), NHS backing with 87% of rent reimbursed by the NHS at 31 March 2011 (2010: 84%) and geographical and lot size diversity.

## Report of the Directors continued

The rent roll at 31 March 2011 increased 38.2% to £31.1 million (2010: £22.5 million) as a result of development completions, the acquisition of AHMP and rent reviews. The average annualised rental growth on reviews agreed in the year was 5.6% compared with 3.6% in the year ended 31 March 2010 (4.3% on a weighted average basis compared with 2.6% in the prior year), in part benefitting from high inflation as 12% of the rent at 31 March 2011 is RPI linked (2010: 18%).



The investment portfolio was valued by Savills Commercial and DTZ at an overall net initial yield of 6.05% at 31 March 2011 (2010: 6.02%) giving rise to an aggregate revaluation surplus for the year of £8.5 million (2010: £6.3 million).

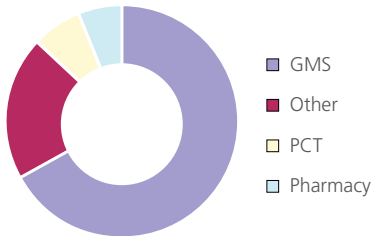
During the calendar year 2010 Assura's medical centre portfolio achieved a total return, as computed by IPD, of 13.1% (calendar year 2009 – 10.2%) compared to the IPD primary care index return of 11.0% (2009: 8.8%), the IPD Healthcare return of 11.1% (2009: 5.4%), and the All Property Index of 15.1% (2009: 3.5%).

Out of 331 occupational leases only 51 have expiries within the next 10 years, the rent for which is £2.1 million. Assura's asset management team works closely with the tenants to seek lease extensions and renewals well ahead of expiry.

The geographical and lot size diversity of the portfolio are illustrated by the tables and map below:

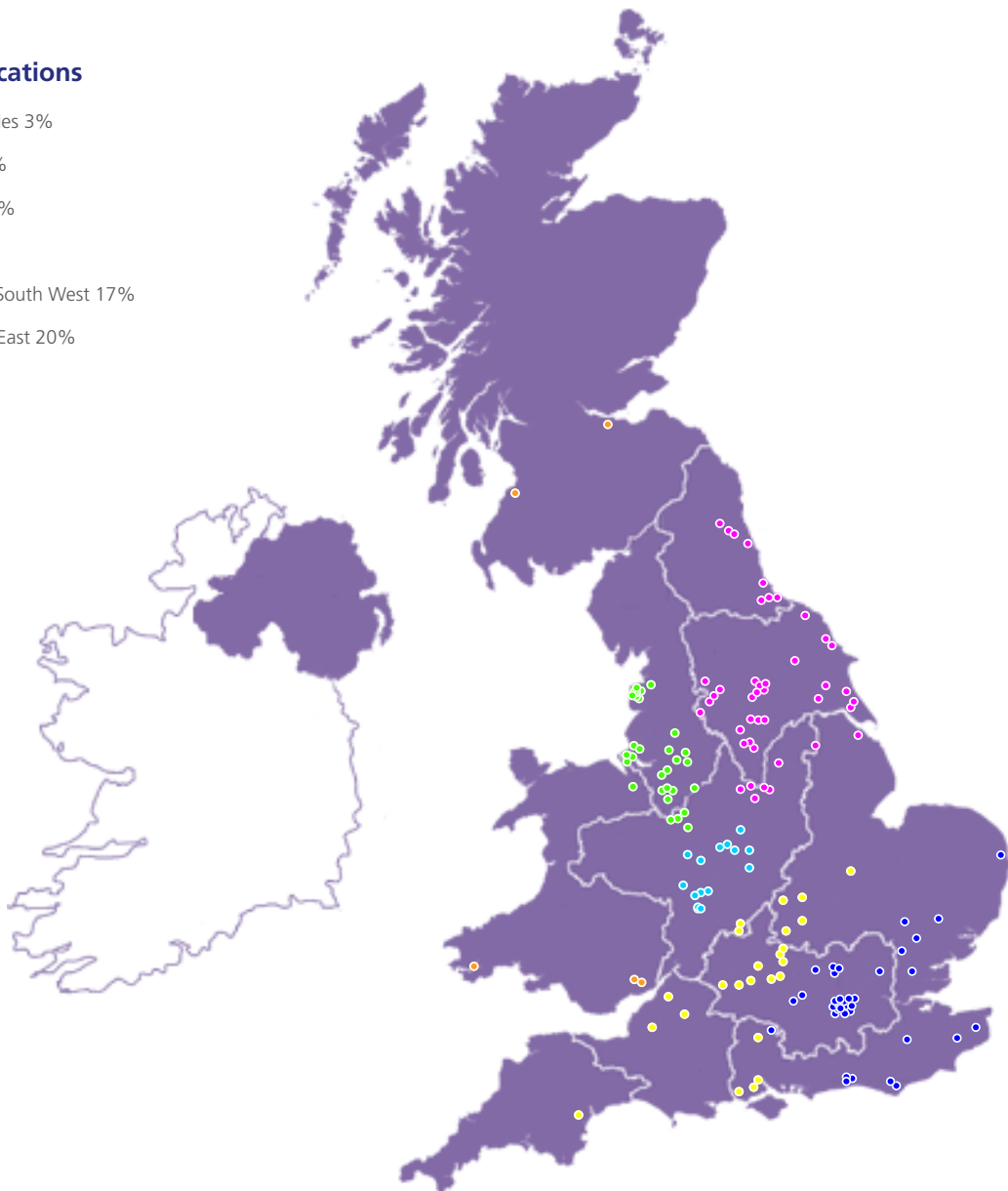
Capital Value £ million	No. of Investment Properties	Value £ million
0 – 1	39 (36)	23.1 (16.8)
1 – 5	99 (60)	229.8 (139.9)
5 – 10	18 (12)	135.0 (96.2)
10 +	6 (5)	90.0 (77.9)
<b>Total</b>	<b>162 (113)</b>	<b>477.9 (330.8)</b>

### Income Type (£/pa)



### Property Locations

- Scotland & Wales 3%
- North East 28%
- North West 25%
- Midlands 7%
- South Central/South West 17%
- London/South East 20%



## Report of the Directors continued

Assura continued to develop medical centres throughout the recession with three developments completed in the year with a value, on 31 March 2011, of £19.2 million, and eight developments on site at the year end with an estimated end value of £42 million.

The Group benefitted from a gain of £5.4 million on revaluation of investment property in the course of construction (2010: restated loss of £2.2 million). The loss in 2010 was largely due to exceptional losses on an office conversion and a hospital retail mall development committed prior to the Group's decision to cease the latter activity.

The Group has a further pipeline of 20 schemes with an anticipated end value of £60 million. This pipeline of projects includes a combination of GP led schemes and publicly tendered schemes where Assura, either in its own right or in conjunction with one of its partners, has been selected and appointed by the commissioning NHS body, usually a Primary Care Trust, to be the developer of and, in our case, long-term investor in the project.

With the changes expected to come into effect as a result of the Health and Social Care Bill, albeit still subject to consultation and possible delay in implementation, some short term hiatus in the procurement of future schemes is expected while the new regime and bodies take up their roles. In the long-term the continuing shift of service provision from hospitals to primary care is seen as a positive move and welcomed by Assura.

Assura's strong relationships with the professionals working in primary care ensure that this continuing shift will present a greater number of development opportunities for the Group in the future. The increased commissioning role for GPs should also accelerate the increase in the

demands on primary care premises to accommodate greater service provision thus presenting further development opportunities. The requirement for GP premises to comply with Care Quality Commission standards is also seen as positive since much of the current primary care estate will require renewal and replacement to meet the new standards.

All of Assura's developments are undertaken at low risk. No development is started until agreements to lease the clinical space, whether to GPs or Primary Care Trusts, have been legally completed. Additionally the Group requires all rents to have been agreed and approved by the District Valuer, and for PCT Board approval to meet the rental payments prior to any development going live and before committing significant capital to a project.

The Group's properties represent a resilient and valuable portfolio which can continue to grow and benefit from development completions, strong management, rental reviews and letting of vacant space.

### **Local Improvement Finance Trusts ("LIFT") investments**

Local Improvement Finance Trusts are Companies set up with shareholders from both the public and private sectors to develop and invest in primary care and related premises. Unlike PFI transactions where the private sector partner has the right to receive income for a period, LIFT companies predominantly own the freehold to their premises.

Assura is a major participator in the national LIFT programme with investments in six LIFT Companies.

The six LIFT Companies in which Assura has an investment, own in aggregate 22 completed, predominantly freehold, medical centres with a total value of £188.0 million. There are also further



projects currently in construction that will increase this to £242.0 million.

Assura has invested £8.6 million in its LIFT Companies in the form of loan stock, yielding on average 12%. Given the underlying assets, strong index-linked income and strong tenant covenant, these represent valuable investments that should derive dividend income in the future.

Assura benefitted from its share of the profits earned by the LIFT companies of £0.7 million (2010: £0.6 million) before its share of losses of financial derivatives. These investments are held for the long-term and are all planned to become sustainably profitable in future.

#### **LIFT Consultancy Business**

During the year the consultancy revenue from our LIFT Companies amounted to £3.7 million compared with £2.6 million in the prior year and achieved a profit of £0.5 million (2010: £nil).

On 18 January 2011 Assura announced that it was in exclusive discussions with one party to acquire its LIFT Consultancy (but not investment) business for an initial consideration of £750,000 and the possibility of £1.5m total consideration. These discussions did not lead to a sale as an ongoing structure for managing the investments could not be agreed between the parties. Assura then commenced discussions with other parties once the three month exclusivity period expired on 18 April 2011 and it remains the Group's intention to divest a majority share in this business in the near future to focus solely on the core medical property investments.

#### **Pharmacy**

Assura's wholly-owned pharmacies earned an operating profit of £1.6 million (2010: £0.4 million) on revenue of £34.1 million (2010: £31.2 million), the business benefitting from growth in stores that are still maturing, careful cost-control including improved wholesaling terms, and enhanced productivity arising from sound management and store improvements.

One new store was opened in the year, two were relocated from outside of medical centres into the respective medical centres and two stores were substantially refurbished. The Company has a pipeline of seven new stores, two of which have been opened since the year end.

On 28 February 2011 the Group acquired full control, for £100,000 and conversion of £1,250,000 loan to equity, of the 50% interest in the seven stores formerly held in a joint venture. Under IFRS this is a step acquisition and has resulted in a total gain of £172,000 in the income statement (within exceptional items in note 8).

As a result of the strong results for the year ended 31 March 2011; acquisition of the joint venture interest, and following several enquiries from prospective purchasers due to the high quality portfolio of pharmacies, a sale of the business has been agreed since the year end for a consideration of £39.3 million.

## Report of the Directors continued

Group Key Performance Indicators are given below:

Objective	Metric	Performance
To grow our portfolio of purpose built medical centres	<ul style="list-style-type: none"> <li>• Change in value of property investment portfolio</li> <li>• Additions to the wholly owned investment portfolio</li> <li>• Change in value of LIFT investment portfolio</li> <li>• Additions to the LIFT investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Investment portfolio grew from £330.8m to £477.9m in the year</li> <li>• AHMP acquisition</li> <li>• 3 property developments completed in the year (2010: 7)</li> <li>• Total LIFT portfolio grew from £169.0m to £188.0m in the year</li> <li>• 2 LIFT developments completed in the year (2010: 2)</li> </ul>
To grow our wholly owned property revenues from long dated NHS sources	<ul style="list-style-type: none"> <li>• % of revenue derived from GP Practices and PCTs</li> <li>• Average weighted lease length to break or expiry</li> <li>• Growth in value of rent roll</li> </ul>	<ul style="list-style-type: none"> <li>• 87% of revenue in 2010/11 derived from NHS bodies (2010: 84%)</li> <li>• Weighted average lease length of 16.5 years (2010: 17.1 years)</li> <li>• Rent roll grew from £22.5m at 31 March 2010 to £31.1m at 31 March 2011</li> </ul>
To achieve annual growth in prescription volume	<ul style="list-style-type: none"> <li>• Year on year increase in prescription item volume</li> </ul>	<ul style="list-style-type: none"> <li>• Year on year increase of 8% in prescription volume for stores open for more than 2 years (2010: 8%)</li> </ul>
To provide high quality patient service in our pharmacies	<ul style="list-style-type: none"> <li>• % of customers reporting 'satisfaction' or better in annual customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>• 98% of customers reporting good, very good or excellent with the overall level of service provided within pharmacies operated by the Company (2010: 97%)</li> </ul>
To generate long-term value for shareholders by growing the share price and earnings per share	<ul style="list-style-type: none"> <li>• Share price growth / Total Shareholder Return</li> <li>• Earnings per share</li> </ul>	<ul style="list-style-type: none"> <li>• Share price decreased by 2.75% between 31 March 2010 and 31 March 2011</li> <li>• Increase in earnings per share from 1.72p in 2009/10 to 4.74p in 2010/11</li> </ul>
To maintain gearing below 65%	<ul style="list-style-type: none"> <li>• Ratio of net debt to total capital plus net debt</li> </ul>	<ul style="list-style-type: none"> <li>• 58% at 31 March 2011 (2010: 57%)</li> </ul>

### Going Concern

The Company's business activities together with factors likely to affect its future performance are set out above. In addition, note 36 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Company has facilities from four banks, none of which are repayable before March 2013 other than modest annual amortisation and much of the debt is not repayable before 2030. In addition to surplus available cash of £26.9 million at 31 March 2011 (2010: £10.0 million), the Company has surplus security comprising un-mortgaged property assets totalling £7.2 million at that date (2010: £13.6 million).

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

The Company has benefitted from periodic sales of medical centre property investments and pharmacy licenses in both the year under review and in prior years. These represent marketable assets that can be readily sold was any cash constraint to necessitate sales.

The Company has headroom in its banking covenants, surplus cash and also some properties that are not secured to any bank.

The Company's properties are substantially let with rent paid or reimbursed by the NHS and they benefit from a weighted average lease length of 16.5 years. They are also diverse both geographically and by lot size and therefore represent excellent security.

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

The financial statements have been prepared on a going concern basis.

#### **Status for Taxation**

Details of the Company's taxation status are set out in note 12 to the financial statements.

#### **Capital Structure**

At 31 March 2011, the authorised share capital of Assura Group Limited was £302,000,000 which comprised of 3,000,000,000 Ordinary shares of 10p and 20,000,000 preference shares of 10p. At 31 March 2011, the Company's issued share capital comprised 411,871,386 Ordinary shares of 10p.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

All of the Company's issued Ordinary shares rank equally in all respects and no 'special rights' are attached to any shares. The rights attached to the Ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Incorporation. On a show of hands at a general meeting of the company every holder of Ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every Ordinary share held. Under the Articles of Incorporation, where voting rights are exercised by proxy, such proxy appointments must be lodged not less than 48 hours before the time of the relevant meeting or adjourned meeting.

There are no restrictions on the transfer of Ordinary shares in the Company, or on the exercise of voting rights attached to them, other than:

- certain restrictions which may from time to time be imposed by laws and regulations including those imposed by insider trading laws and market requirements; and
- requirements of the Financial Services Authority's Listing Rules and Disclosure and Transparency Rules.

#### **Dividends**

An interim dividend of 1.0p per share was paid during the year (year ended 31 March 2010: £nil). The Directors are pleased to announce a further interim dividend of 1.25p per share (year ended 31 March 2010: £nil).

#### **Principal Risks and Uncertainties**

The Board regularly reviews all of the major existing risks: and newly identified risks, and the mitigation action for each major risk. As part of the preparation of the documentation for the Placing and Open Offer in January 2011, the Board

## Report of the Directors continued

and its advisers undertook a thorough review of the risks and uncertainties that may affect the business of the Group. A summary of the more critical risks identified through that review and identified by the Board as having potential to affect the Company's operating results, financial control and/or the trading price of its shares is given below.

### Principal Risks

#### Risks relating to real estate investment

- Any weakening of rental yields and valuations could have an adverse impact on the Group's future profits

The Group has reported an increase in the value of its core medical centre investment properties in the year ended 31 March 2011. While the Board believes that the property valuations are fairly stated and its properties represent robust, defensive investments in the current market due to their long lease length and NHS backed covenant, any weakening of rental yields and valuations could adversely impact the Group's future profits including revaluation surpluses or deficits.

- Property is inherently difficult to value

Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result valuers' opinions may differ and there can be no guarantee that the estimates resulting from the valuation process will reflect sale prices in the future.

#### Risks relating to property development

- Property development can be high risk and the Group may be exposed to cost overruns, completion delays and financing shortfalls

Property development can be high risk and the Group may be exposed to cost overruns, completion delays and financing shortfalls, in which case the Group is likely

to need to commit more money to the relevant development than it had originally planned. Where a development may not be fully pre-let, should no tenants be found for the surplus space, the Group would be left with empty space in buildings which may have limited application to alternative uses. The Group's current policy is to engage in developments that are substantially pre-let with fixed price build contracts (or contracts with a price ceiling) in place at their inception.

#### Risks relating to corporate acquisitions

- The future growth of the Group will in part be dependent on its ability to successfully identify, negotiate and integrate corporate acquisitions

The Group's success in growing its portfolio and taking advantage of acquisition opportunities will be dependent on its ability to identify, negotiate and integrate purchases into its existing business without significant disruption. The commercial justification for any acquisition will normally include a heavy reliance on potential savings and synergies. Failure to negotiate a sensible transaction or integrate a new business effectively in a way that maximizes synergies could have a negative impact on the results of operations and/or financial condition of the Group.

#### Risks relating to regulation, Government Policy and tax

- Changes in NHS procurement and funding could adversely affect the Group

The Group is operating in the primary healthcare market providing property, pharmacy and LIFT services to the NHS. Cuts in the funding available for rent of medical centres, delays and uncertainty while the Health & Social Care Bill is implemented, or other uncertainties such as future rental reimbursement mechanisms to GPs by the NHS, or changes to the LIFT operating models, may reduce expenditure

available to fund services provided by the Group or impact on the covenant strength of the underlying tenants in future. Further changes to the reimbursement for the provision of pharmaceutical goods and services following the recent NHS pharmacy pricing reductions could have an adverse effect on the Group.

#### **Risks relating to financing**

- Growth of the Group's business is dependent on the continued availability of funding for new projects

The growth of the Group's business, and in particular its medical centre property development business, is dependent on the continued availability of funding for new projects and it is not certain that facilities will be able to be secured in the future at levels or on terms acceptable to the Board.

- A fall in asset value or revenues may result in the breach of financial covenants

A significant fall in the Group's underlying asset value may result in the Group breaching one or more of the financial covenants given to its lenders, although the Group's loans from Aviva are not subject to loan-to-value covenants and the Group's facilities from NAB, The Royal Bank of Scotland and Santander currently have significant headroom. In the event of a breaching of financial covenants, the Group may be required to repay such borrowings in whole or in part together with any costs. This could in turn result in assets having to be divested at unfavourable prices.

- Access to new debt financing will depend on suitable market conditions and the maintenance of suitable long-term credit ratings

The Group's loan from NAB expires in March 2013. If conditions in credit markets are unfavourable or the Group's

credit rating is downgraded, new sources of funding may not be available or may be only available at higher cost.

- Interest rate swaps may lead to cash outflows

The Group has entered into certain fixed interest rate loans and interest rate swap transactions with the objective of fixing its interest payments on its bank facilities. Repayments to NAB, planned and made ahead of schedule, have caused the amount drawn to fall below the amount hedged. To the extent that the amount drawn on its bank facilities is below the level envisaged in the swap contracts, or in periods when three month LIBOR is below the swap reference rate, there is a risk of the Group suffering cash outflows, as at present.

- Other credit risks are disclosed in note 36 to the accounts

#### **Residual Risk**

In implementing its processes for identification, evaluation and management of significant risks, the Board has put in place a system which is designed to manage rather than eliminate risk of failure to achieve business objectives whilst accepting that such a system can only provide reasonable and not absolute assurance against material misstatement and loss.

Throughout the year covered by this report and up to the date of this report the Board believes there have been appropriate internal controls and risk management processes in place which have been reviewed and updated as described above. This process ensures that the Group complies with the relevant corporate governance requirements and best practice on risk management including the Turnbull Guidance.

## Corporate Responsibility Review

The Group takes seriously its responsibilities given the key position it holds in the community with all stakeholders and impact on the environment. It is fully aware of the expectations of high standards of governance and probity in all of its dealings by virtue of being a public company and in its dealings with Government, the public, its workforce and medical and pharmacy professionals. Details of the Company's initiatives and policies and procedures in this area are set out below.

### Employees

Assura is not a large employer of staff, but it relies heavily on the experience, skills and capabilities of its employees to operate its business successfully. The ability of the Group to deliver a competitive cost-base without compromising quality of or access to development opportunities is dependent on efficient business processes being delivered by suitably experienced, qualified and motivated staff.

Staff are encouraged to maximise their individual contribution to the Group. In addition to competitive remuneration packages, they participate in an annual bonus scheme which links personal contribution to both the short-term budget and long-term goals of the business. Over performance against the annual targets can result in a bonus of up to 20% for all staff below the executive board. Employees are provided with information regarding progress against the budget, financial and economic factors affecting the business's performance and other matters of concern to them regularly. The views of employees are taken into account when making decisions that might affect their interests. Assura encourages openness and transparency with staff having regular access to the Chief Executive and being given the opportunity to express views and opinions and provide input to decision making.

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

The Group's fundamental obligation to protect the well-being of all who come into contact with the organisation is recognised. The Group is committed to maintain safe working environments, and regularly undertakes programmes to identify, evaluate and eliminate risk in the work place. Risk reviews, supported by executive management reporting are presented to the board on a regular basis.

### Environmental Policy

Assura is a primary care health organisation delivering innovative property solutions and community responsive pharmacy services. It achieves these objectives by partnering with GPs and primary and community care organisations to facilitate the delivery of high-quality patient care and services in the communities that they serve. Assura's Directors and staff are aware that the activities of the Group have an impact on the environment and are committed to seeking to manage the impacts through the operation of an Environmental Management System.

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

- Openly addressing the environmental risks of the work carried out and identifying and managing the environmental risks associated with the business on an ongoing basis;

- Setting and reviewing annual environmental objectives and targets, and monitoring performance;
- As a minimum complying with applicable environmental legislation and other requirements relevant to the Group's operations;
- Gaining certification to the ISO14001:2004 management standard and carrying out regular internal and external audits to ensure good performance and identify opportunities for improvement;
- Working with partners, sub-contractors and suppliers to promote good environmental management and performance;
- Reducing the environmental impacts of new developments by achieving a Building Research Establishment Environmental Assessment Method ('BREEAM') excellent rating where possible;
- Reducing the environmental impacts of all owned and leased premises by adopting or promoting reasonable controls for preventing pollution, improving resource efficiency, reducing waste and reducing the Group's carbon footprint;
- Training employees appropriately and promoting environmental awareness and commitment amongst all staff.

This Policy is reviewed and updated annually by the Board of Directors and is available to the public.

#### **Environmental, Social and Community matters**

The Board of Directors acknowledges that the Group must be responsible, professional, ethical, reliable and trusted as a provider of services and facilities.

Reflecting the nature of the Group's customer base, Assura intends to align itself increasingly with the wider corporate and social responsibility interests of the NHS. Accordingly, the Group has taken the decision to implement a formal Environmental Management System and will be seeking certification to the ISO14001: 2004 management standard.

The Group's role in developing new medical facilities in the community, thereby bringing services closer to the patient, helps to improve quality of life. In developing the portfolio, the Group enters into consultation with local communities and seeks feedback on proposals, and in particular the location of the proposed developments. Many of the Group's developments are part of regeneration schemes that enhance the facilities for local communities.

Responsibility for reporting to the Board on environmental, social and community matters sits with the Chief Executive Officer, who has a responsibility to maintain attention on policy and ensure implementation. Current examples of work in this area include; the first building set to achieve a BREEAM excellent rating is Ireland Wood Surgery, Leeds, which has just reached practical completion. Assura celebrated success at the Health Investor Awards in 2010 with a development in Grimsby winning the award for Property Development of the Year for its highly sustainable design including solar panels and rainwater harvesting. A new health centre being developed by the Company in Leicester will incorporate a 'Biodiversity Roof' and wetlands Sustainable Urban Drainage System area, with the aim of creating a habitat which encourages local wildlife. The building will also feature air source heat pumps providing approximately 15% on-site renewable energy.



## Corporate Responsibility Review *continued*

The Group is currently at the first stage of implementing its formal Environmental Management System and is aiming for certification by December 2011.

### Conduct of Business

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

- Corporate compliance, including ethical procurement, donations and corporate entertaining, recently reviewed in the light of the Bribery Act.
- Share dealing
- Whistle blowing; and
- Fraud and theft reporting.

Key contractual relationships include those with the Group's principal pharmacy wholesaler, preferred developer partners, contractors and professional firms. As the Group works with several such firms, no particular relationship or contract is critical to the business. The Group owns medical centres that are used by GP Practices around the UK with rent reimbursed by many different Primary Care Trusts. With the abolition of Primary Care Trusts announced by the NHS, the Group has sought and been given assurances by the Department of Health that the Department does not intend to alter the arrangements for reimbursement of premises costs payable by GP practices.

The Group has not signed up to any specific supplier payment code; it is Assura's policy to comply with the terms of payment agreed with its suppliers. Where specific payment terms are not agreed, the Group endeavours to adhere to the suppliers' standard payment terms. As at 31 March 2011, the average number of days taken by

the Group to pay its suppliers was 56 days (2010: 56 days).

The Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank. The Company is not party to any other significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

### Political and Charitable Donations

The Company has made no political donations and will not seek any approval from shareholders to do so (2010: £nil).

The Company has made charitable donations of £1,000 (2010: £1,000) by supporting employees when raising money for their chosen charities.

### Directors

The directors who served during the year were:

- Rodney Baker-Bates (Chairman)
- Nigel Rawlings
- Dr John Curran (resigned 9 September 2010)
- Graham Chase (until 21 July 2010)
- Clare Hollingsworth (Chairman of the Remuneration Committee from 9 September 2010)
- Peter Pichler (Senior Independent Director from 9 September 2010 and Chairman of the Audit Committee)
- Colin Vibert (resigned 9 September 2010)

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

More details about the continuing Directors are contained on page 10.

Details of the interests of the Directors required to be notified under Disclosure and Transparency Rule (DTR) 3.1.2R are set out in the Remuneration Committee Report.

Under the Articles of Incorporation of the Company, Directors may be appointed, either to fill a vacancy or as an additional director, either by the Company by way of ordinary resolution, or by the board, subject, in each case, to any maximum number of directors. Any director appointed by the Board shall retire at the next Annual General Meeting.

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

#### **Amendments to the Articles of Incorporation**

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

#### **Major Shareholder Notifications**

As at 31 March 2011 and 1 June 2011 the Company had been notified pursuant to rule 5 of the FSA's Disclosure and Transparency Rules of the following interests representing 3% or more of its issued Ordinary Share capital, the only form of the Company's capital in issue:

<b>Name of shareholder</b>	<b>31/03/2011</b>		<b>01/06/2011</b>	
	<b>Number of shares</b>	<b>% of Ordinary Shares</b>	<b>Number of shares</b>	<b>% of Ordinary Shares</b>
Somerston Investments Limited	113,155,058	27.47%	113,155,058	27.47%
INVESCO Asset Management	72,188,443	17.53%	72,216,695	17.53%
Aviva Investors	35,908,089	8.72%	35,969,545	8.73%
Artemis Investment Management	29,289,696	7.11%	29,887,302	7.26%
Jupiter Asset Management	16,805,702	4.08%	16,805,702	4.08%
Moore Capital Management	16,404,681	3.98%	18,835,560	4.57%
Legal & General Investment Management	13,831,456	3.36%	13,824,040	3.36%
Laxey Partners	13,714,533	3.33%	21,281,105	5.17%

## Corporate Responsibility Review *continued*

### Annual General Meeting

The notice convening the Annual General Meeting of the Company, which will be held at the offices of Addleshaw Goddard, 60 Chiswell Street, London EC1Y 4AG on 8 September 2011 at 10am, has been sent to shareholders as a separate document along with this Report.

### Auditors

The Directors, on recommendation from the Audit Committee, intend to place a resolution before the Annual General Meeting to re-appoint Ernst & Young LLP as auditors for the year ending 31 March 2012, albeit subject to formal tender in due course.

### Directors' Authority to Allot and Purchase Company's Own Shares

At the Annual General Meeting to be held on 8 September 2011 resolutions 1 to 7 are termed ordinary business, while resolution 8 will be special business. The special business covers the directors' authority to allot shares and authority for the purchase and sale of own shares and treasury shares. Details of these authorities and further explanations are set out in the explanatory notes to the Notice of the Annual General Meeting.

The Company was given authority at its Extraordinary General Meeting held on 17 February 2011 to make market purchases of Ordinary shares up to a maximum number of 40,300,000 shares. This authority will expire at the conclusion of the Annual General Meeting to be held on 8 September 2011. This authority has not been exercised since being approved.

### Contracts of Significance

On 19 January 2011, the Company entered into a Placing and Open Offer Agreement ("Placing Agreement") with Cenkos and Investec, pursuant to which:

- (i) the Company agreed to invite Qualifying Assura Shareholders to apply to acquire New Assura Shares under the Open Offer;
- (ii) Cenkos and Investec agreed to use reasonable endeavours to procure subscribers for new Assura Shares at the Issue Price under the Placing and Firm Placing; and
- (iii) Investec undertook to itself subscribe for any New Assura Shares which were not subscribed for pursuant to the Placing and/or the Open Offer and/or pursuant to the Firm Placing subject to the terms and conditions of the Placing Agreement.

Under the Firm Placing and the Open Offer, Somerston agreed to subscribe for 6,872,467 Firm Placed Shares and 10,082,621 Open Offer Shares respectively. A further 16,736,177 Consideration Shares were issued to Somerston as a holder of shares in AHMP pursuant to the Offer. Further details of the Placing Agreement are set out in the Prospectus issued by the Company on 27 January 2011, a copy of which is available on the Company's website.

Defined terms in the preceding two paragraphs (denoted by capitalised initial letters) have the meanings ascribed to them in the Prospectus.

### Company Share Schemes

The Assura Group Employee Benefit Trust holds 1.06% of the issued share capital of the Company on trust for the benefit of employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustees who will take into account any recommendation made to them by the board of Assura Group Limited. The Employee Benefit Trust sold 6,666,667 Ordinary shares in the Company

(representing 1.62% of the Company's issued share capital) during the year that were surplus to its requirements, for the aggregate consideration of £3.0 million. As a result a loan to the Employee Benefit Trust amounting to £3.0 million was repaid to the Company during the year. Prior to this disposal, the Employee Benefit Trust held 11,042,886 Ordinary shares.

By order of the Board

**Carolyn Jones**

Company Secretary

21 June 2011

Registered in Guernsey  
Registered Number: 41230  
Registered Office: Isabelle Chambers,  
Route Isabelle, St Peter Port, Guernsey

Telephone Number: 01481 735 540

Head office, principal place of business,  
address for service and UK branch  
address:

The Brew House  
Greenalls Avenue  
Warrington, Cheshire  
WA4 6HL

Telephone Number: 01925 420 660  
Branch registration number: BR010010  
[www.assuragroup.co.uk](http://www.assuragroup.co.uk)

## Corporate Governance Report

The Company is both committed and accountable to shareholders for high standards of corporate governance.

The current Corporate Governance Compliance Statement ('the Compliance Statement') is available on the Company's website. The Board has determined that, in line with the concept of 'comply or explain', it will seek as a guiding principle to 'comply' with the Combined Code or, where it deviates from the Combined Code, it will 'explain' any such departures so that shareholders and other interested stakeholders can fully understand the reasons.

The purpose of the Compliance Statement is to record how Assura Group Limited ('Assura Group' or the 'Company' as applicable) complies with the Combined Code. Each of the Code's provisions are quoted in the Compliance Statement and against each provision the Board gives a brief statement of how Assura Group complies.

The Compliance Statement also refers to the terms of reference of the Nominations, Remuneration, Audit and Disclosure Committees of the Board and, for convenience, these are included in the appendices to the Compliance Statement. Additionally, the Compliance Statement includes the delegated authority granted by the Board to the Company Secretary in relation to administrative matters and the code for dealings in securities of the Company by directors and employees prepared and publicised within the Assura Group to ensure compliance with the Model Code as appended to Chapter 9 of the FSA's Listing Rules.

The Compliance Statement has been formally adopted by the Board for the purposes of the Combined Code.

The Compliance Statement provides the basis upon which the Directors report on corporate governance matters within these Annual Report and Financial Statements. It also provides the source material for investors and other interested parties to undertake their reviews of Assura Group's compliance with the Code.

Matters required by the Code to be included within the Annual Report and Financial Statements are set out below. During the period under review the Company has been in compliance with the provisions as set out in section 1 of the Combined Code. The Company has applied the Main Principles at Section 1 of the Combined Code by complying with the relevant provisions in conjunction with the additional actions described below.

### **The Board**

The full Board of Assura Group Limited is shown on page 10.

Mr Pichler was appointed to the Board in April 2005 and Ms Hollingsworth in July 2008, and have served as independent non-executive directors of the Company since their respective appointments.

Mr Baker-Bates and Mr Pichler each retired and put themselves forward for re-appointment by the shareholders at the 2010 Annual General Meeting and were each re-appointed.

Mr Baker-Bates has announced his intention to retire at this year's Annual General Meeting and will not seek re-election. Given the Placing and Open Offer announced on 18 January 2011 and in keeping with good corporate governance every director proposing to continue to serve on the board will retire and seek re-election at this year's Annual General Meeting.

In addition to the above, the Company's Articles of Incorporation provide that each director must submit himself for re-election every three years.

Notwithstanding the resignation of Mr Baker-Bates, the composition of the Board will be a chairman, three non-executive directors and one executive director. All of the non-executive directors are considered by the Board to be independent.

The Board will keep its composition under review with a view to seeking to identify, with the assistance of specialist external search and selection advisers, additional executive and non-executive directors as appropriate. As announced on 5 April 2011, the Group is seeking both a replacement for Mr Baker-Bates as Chairman and another non-executive director with property, preferably primary care property, experience.

In respect of each of the directors who are to be considered for re-election by the Board at the 2011 Annual General Meeting, sufficient biographical information to enable shareholders to make an informed decision is included on page 10 of this report.

#### **Board Committees**

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

- Audit Committee
  - o Peter Pichler  
(Chairman of the Committee)
  - o Graham Chase  
(until 21 July 2010)

- o Clare Hollingsworth

- o Rodney Baker-Bates

- Nominations Committee

- o Rodney Baker-Bates  
(Chairman of the Committee)

- o Graham Chase  
(Chairman and member of the Committee until 21 July 2010)

- o John Curran  
(until 9 September 2010)

- o Peter Pichler

- o Clare Hollingsworth

- Remuneration Committee

- o Clare Hollingsworth  
(Chairman and member since 9 September 2010)

- o John Curran  
(Chairman and member until 9 September 2010)

- o Graham Chase  
(until 21 July 2010)

- o Peter Pichler

- o Rodney Baker-Bates  
(from 9 September 2010)

In relation to these committees the Board is aware that its non-executive members now serve on all committees. This is a necessary consequence of the relatively small size of the Board.

## Corporate Governance Report continued

### Board and Board Committee Attendance

The table below shows the number of meetings of the Board and of each of its standing committees (other than the Disclosure Committee) during the year covered by this report and the number of such meetings attended by each director. The committee columns are only populated with attendance by their members.

Name	Board (11 meetings)	Remuneration Committee (6 meetings)	Audit Committee (5 meetings)	Nominations Committee (4 meetings)
Rodney Baker-Bates	11/11	3/3	3/3	2/2
Nigel Rawlings	11/11	–	–	–
John Curran	5/6	3/3	–	1/2
Graham Chase	3/3	1/1	2/2	2/2
Peter Pichler	11/11	6/6	5/5	4/4
Colin Vibert	4/6	–	2/2	–
Clare Hollingsworth	11/11	3/3	5/5	2/2

### Operation of the Board

The Board has historically aimed to meet eight times per annum for scheduled board meetings. The Board also meets as required to consider any important additional or urgent business. A number of additional board meetings were held during the year under review as a result of the bid for AH Medical Properties PLC announced on 18 January 2011.

In future it is anticipated that there will be six scheduled board meetings per annum.

The Board has approved a schedule of matters reserved for decision by the Board, a copy of which is set out in the Compliance Statement. The latter includes all corporate acquisitions or corporate disposals where net assets exceed £5 million, debt raising above £20 million, remuneration policy, annual budget approval and amendments to delegated authorities. Delegated authority, within strict parameters, for day-to-day operation of the Company has been granted to the Executive Board.

The Executive Board comprises senior members of the management team and is made up of:

- Chief Executive Officer
- Group Financial Controller
- Managing Director – Pharmacy
- Managing Director – Property
- Managing Director – LIFT.

### **Disclosure Committee**

The remit of the Disclosure Committee is to continuously monitor whether changes in circumstances give rise to a disclosure obligation. However it should be noted that in normal circumstances the full board acts to consider disclosure of potentially announceable events and this Committee will only act in circumstances where this is not possible. No separate meetings of the Disclosure Committee were required during the year.

### **Senior Independent Director**

Mr Pichler is the senior independent director and has agreed that, to the extent appropriate, he will be available for discussions with shareholders independently of other directors or management.

### **Delegations of Authority**

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

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

### **Roles of the Chairman and Chief Executive Officer**

The roles of the Chairman and the Chief Executive Officer are distinct. Mr Baker-Bates is the non-executive Chairman, and Mr Rawlings is the Chief Executive Officer. The segregation of the roles of the Chairman and the Chief Executive Officer is set out in detail in the Compliance Statement. Mr Baker-Bates manages his time and commitments to ensure that his multiple corporate responsibilities are managed with no detriment to the Company.

### **Board Performance Evaluation**

During the year under review the Company undertook an internal evaluation of the Board, its committees and individual Directors.

The evaluation comprised a questionnaire and the results and analysis of the evaluation were presented to and discussed by the board in March 2011. In line with the strategy to focus on medical property investments the Board announced on 5 April 2011 that it is appropriate to strengthen the existing non-executive contingent on the Board by appointing a further individual with relevant property experience. This appointment is in hand.

The non-executive Directors led by the senior independent Director met without the Chairman being present to review and appraise his performance during the year. The Chairman's performance was also evaluated as part of the performance evaluation exercise.

It is the Board's intention to conduct a full external review of its performance every three years with internal reviews using questionnaires being held in the intervening years.



## Corporate Governance Report continued

The Board considers and, wherever possible, implements recommendations from these reviews including any identified training requirements.

### Independent Advice

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

### Shareholder Communication

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

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

During the period under review both executive and non-executive Directors, including the Chairman and the Chief Executive Officer have held meetings

with a number of the Company's institutional and private shareholders and have responded to ad-hoc requests where allowed to do so by law. Further meetings are planned for all non-executive Directors including the Senior Independent Director, with shareholders in order to help the Directors to develop a balanced understanding of any issues and concerns of major shareholders.

A review of the operational and financial performance of the Company and its major business divisions is provided both in the Directors' report and in the Statement by the Chief Executive Officer.

These reports and presentations are intended to ensure that there is ready availability of a fair, balanced and understandable assessment of the Group's position, prospects and objectives.

### Internal Control and Risk Management

The Board accepts and acknowledges that it is both accountable and responsible for ensuring that the Group has in place appropriate and effective systems, procedures, policies and processes for internal control of its activities which properly reflect the nature, scope and risks of those activities in compliance with good corporate governance practice. In particular the Board recognises that it is appropriate to comply with The Turnbull Guidance and accordingly has implemented a risk management framework.

In carrying out its review of the effectiveness of the Group's system of internal controls, which includes those of a financial, operational and compliance controls nature as well as the overall risk management systems, the Board has recognised and put in place processes to ensure that any weaknesses or failings in its internal controls are identified and appropriate remedial actions are, or can be, promptly implemented. The review process

included presentations by appropriate staff to the Board and part of a Board meeting specially allocated to consider the effectiveness of the Company's system of internal controls.

In relation to the internal controls:

- there is in place a comprehensive set of internal procedures reviewed and approved by the Audit Committee and communicated across the Group (further details at page 39 under 'Audit Committee');
- the Board has implemented a formal budget preparation process which leads to the adoption of an annual budget;
- a clear definition of authority levels and segregation of responsibilities between relevant individuals and managers exists;
- management accounts and key performance indicators are prepared on a monthly basis and distributed internally and reviewed by the Board;
- detailed sales and forecasting policies and procedures are in place;
- general ledger and management reporting systems are in place;
- a process for consolidating the accounts which ensures that information is collated and presented in a consistent way, and facilitating regular financial reporting has been adopted;
- a comprehensive property management system which integrates with the general ledger system is in place; and
- an electronic document filing system is operated.

The Company encourages all employees and other stakeholders to operate professionally and honestly in all their

dealings with or on behalf of the Company and to report any concerns which they may feel should be brought to the attention of management.

The Company has in place a code of ethics, recently updated to reflect the introduction of the Bribery Act 2010, related to:

- prohibitions on individuals using their positions for personal gain;
- appropriate methods of dealing with suppliers and commissioners of services or goods;
- prohibition of improper business practices;
- disclosure of conflicts of interest or circumstances which may give rise to conflicts;
- disclosure and the proper independent consideration of related party transactions; and
- reporting of conduct suspected to be fraudulent or dishonest.

The Company has adopted a whistle blowing policy and a fraud and theft reporting policy. These policies are reviewed on an annual basis. The Company's Equal Opportunities policy is described on page 26.

The code of ethics, whistle blowing policy and fraud and theft reporting policy are available within the Company's internal policies and procedures enabling any such matters to be raised through appropriate channels. In addition the Company Secretary is available to provide advice to any member of staff on any matter which may give rise to cause for concern.

Responsibility for the implementation of the Group's internal controls and risk management policies has been delegated by the Board to the Executive Board.

## Corporate Governance Report continued

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

The Executive Board, through an escalation procedure involving all departments and subsidiaries of the Company, continually identifies risks to which the Company is exposed and seeks to ensure that the risks identified are assessed and analysed and that appropriate mitigation is implemented or, where not capable of mitigation, that the main Board is fully aware of the nature of the inherent risks remaining to the Company.

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

The Executive Board has responsibility for:

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

- reporting to the Board major risks and mitigating action in place to minimise their impact.

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

As part of the preparation of the documentation for the Placing and Open Offer in January 2011, the Board and its advisors undertook a thorough review of the risks and uncertainties that may affect the business of the Group. The identified risks and uncertainties are set out in this report and also formed the basis of a comprehensive review of the Company's Risk Register.

By virtue of these risk identification and management strategies the Company has in place a risk reporting regime which has created and sustains an environment for the regular review, development and improvement of risk management procedures across the Company. Risk identification is supported by incident reporting and management systems, with staff actively encouraged to report incidents. Risk assessment, audit and evaluation tools are also in place. Results from these activities are used to inform and further develop the risk register, actively test the controls in place and provide assurances of their effectiveness.

In implementing its processes for identification, evaluation and management of significant risks, the Board has put in place a system which is designed to manage rather than eliminate risk of failure to achieve business objectives whilst accepting that such a system can only provide reasonable and not absolute assurance against material misstatement and loss.

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

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

## **Audit Committee Report**

### **Membership**

The Committee is chaired by Mr Pichler, a non-executive director. The Board is satisfied that Mr Pichler has the requisite recent and relevant financial experience to fulfil this role. In addition to Mr Pichler, Mr Baker-Bates and Ms Hollingsworth are also members of the Committee. The Board is satisfied that each of the other members of the Committee has appropriate experience, understanding and knowledge of financial, risk and accounting matters to contribute effectively and appropriately to the work of the Committee.

The Board is undertaking a review of its structure and Committee membership and will make appropriate changes to the composition of the Audit Committee as new board members are appointed.

### **Activities**

Despite the small size of the Board and the fact that the non-executive Directors constitute the members of the Audit Committee during the year covered by this report, the Audit Committee has maintained its independent role to assess and challenge the management presentation of risks and financial results and the work and findings of the external auditors.

Specifically, the Audit Committee undertook the following principal activities:

- reviewed the Audit Committee terms of reference;
- reviewed and assessed the effectiveness of the Group's risk management processes and system of internal control, including financial reporting and management information systems;
- reviewed the engagement of, work carried out by, and the performance of the Company's external auditors;
- satisfied itself as to the independence and objectivity of the Company's external auditors;
- reviewed the integrity of the Company's financial statements and any public announcements relating to the Company's financial performance;
- reviewed the financial results of the Company and the Group before being submitted to the Board, including challenge to critical areas of judgement by management and the auditors in respect of those financial results;
- monitored the integrity of the management accounts presented to the Board;
- ensured compliance with relevant accounting standards, the Listing Rules of the FSA and other regulatory requirements;
- considered the impact of any litigation or other disputes that could have a material effect on the Group, its financial, legal, regulatory or compliance position or its operational performance or reputation; and

## Corporate Governance Report continued

- considered the impact on the Group's financial reporting of the newly acquired A H Medical Properties PLC portfolio as part of the transaction that completed in February 2011.

The Committee reports to the Board on any matters on which it considers that action should be taken, and makes recommendations in respect of steps to be taken. The Committee also has authority to investigate any matter which is within its terms of reference. The Committee is responsible for resolution of any disagreements between the Company's external auditors and the Company's management.

### Terms of Reference

The terms of reference for the Committee, as approved by the Board, are presented in the Compliance Statement on the Company's website.

### Numbers of Meetings

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

On a regular basis, the Chief Executive Officer is invited to the meetings of the Committee.

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

### Policy for Non-Audit Fees

The Committee has developed and adopted a policy for the provision of non-audit services by its external auditors and approves, before any significant non-audit services are commissioned from its external

auditors, the fees payable for such services. This process is in accordance with the Committee's agreed policy of ensuring that the independence and objectivity of the external auditors is not impaired by such non-audit services.

In relation to non-audit work, the company's auditors are not permitted to carry out certain types of work for the Company including:

- Bookkeeping
- Financial information system design or implementation
- Appraisals or valuations (subject to further consideration by the Company)
- Internal Audit outsourcing
- Management functions
- Executive recruitment services
- Legal services.

Prohibitions may be subject to accepted exclusions where it is normal and accepted market practice.

On the recommendation of the Committee, the Board has decided that, in light of the detailed knowledge enjoyed by that firm of the Company's affairs and matters which are specific to the Company, it remains appropriate for the Company to obtain certain non-audit services from Ernst & Young LLP including due diligence review work, tax compliance and tax advisory services. The Committee has undertaken that the appointment of Ernst & Young LLP for such non-audit services will be kept under regular review.

### Level of Fees for Non-Audit Work

All audit fees and any material non-audit services fees require approval from the Audit Committee.

For this purpose, materiality is set at cost in excess of £25,000 or 10% of the audit fee, whichever is the lower, before VAT and expenses. The threshold for large consultancy contracts to be considered for specific procurement review is set at cost in excess of £50,000 before VAT and expenses.

#### **Audit / Non-Audit Fees Payable to Ernst & Young LLP**

An analysis of the fees earned by the Company's external auditors (divided between audit and non-audit services) is disclosed in note 6(b) to the audited accounts on page 71. During the year under review non-audit services from Ernst & Young LLP comprised only tax compliance services deemed appropriate given their knowledge of the Company and the nature and fee level of these was such that their independence was preserved.

The Board approved the appointment of BDO LLP for a significant piece of due diligence work in connection with the acquisition of AH Medical Properties PLC.

#### **Re-Appointment of Auditor**

The Committee considers that Ernst & Young is independent and reviews their appointment annually after an end of year review of audit services.

Last year, the Committee reported that the Company's development may warrant a tendering process to be undertaken within the next twelve months. Subsequently the Board considered that management should focus on the restructuring of the Company's operations following the sale of its medical services business and the Committee agreed to defer this decision. However the Board will tender the provision of audit services to the Company during the current financial year, Ernst & Young LLP having been the Group's auditors for seven years.

#### **Internal Audit**

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

The Company has extensive and documented internal systems and controls which are regularly updated. The Chief Executive Officer has overall responsibility for the review and implementation of these controls.

The decision not to set up an internal audit function is reviewed by the Audit Committee on an annual basis. The Audit Committee is satisfied that the current level of control and risk management within the business adequately meets the Company's current needs.

#### **Nominations Committee Report**

The Committee, which is currently chaired by Mr Baker-Bates, is made up entirely of

independent non-executive directors. The other members of the Committee are Mr Pichler and Ms Hollingsworth.

#### **Terms of Reference**

The Committee's terms of reference, a copy of which is set out in the Company's Corporate Governance Compliance Statement, are reviewed annually.

#### **Role of the Committee**

The principal roles of the Committee are to

- review prospective candidates for appointment to the Board;
- ensure that prospective candidates are of a sufficient calibre and have the correct level of experience and understanding of the Company's activities and market place;

## Corporate Governance Report continued

- review the structure and composition of the Board to ensure planned and progressive refreshing of the board; and
- review the structure and composition of the Executive Board.

### Training and Induction for Board Members

On appointment, new Directors receive a full briefing on the role, duties and responsibilities of a director of a listed company and on the Company and its Board and an induction pack with important information is provided. The Board has received detailed independent authoritative training on corporate governance and regular updates are provided. Training needs are reviewed annually as part of the Board evaluation.

### Number of Meetings

No appointments were made to the board during the period covered by this report. Therefore the Committee met 4 times with all members present to review standing agenda items.

### Board Appointments

The Company has made significant progress over the last year. In line with the strategy set out to focus on medical property investments, the Board considers that it is appropriate to strengthen the existing non-executive contingent on the Board by appointing a further individual with relevant property experience.

Furthermore, Rodney Baker-Bates, Assura's non-executive Chairman, has notified the Board that he wishes to retire from the Board once a suitable successor has been identified. Peter Pichler, the Senior Independent Director is leading this process involving an external search consultant and will chair any relevant meeting of the nominations committee regarding this appointment.

The nominations committee is at an advanced stage in the process to seek appropriate experienced appointees.

By order of the Board

**Carolyn Jones**

Company Secretary

21 June 2011

## Remuneration Committee Report

This report has been prepared in accordance with the relevant requirements of the Listing Rules of the FSA and describes how the Board has applied the principles of good governance relating to directors' remuneration as set out in the Combined Code. For the sake of completeness some additional information in relation to the remuneration of persons discharging managerial responsibilities (PDMRs) is also provided within this report.

### Role of the Committee

The Remuneration Committee is responsible for determining the pay and benefits and contractual arrangements for the senior management team, which comprises the Chief Executive Officer and other senior executives. The Committee's aims are to develop remuneration policy and recommend remuneration strategies that drive performance and reward it appropriately. The Committee operates under the delegated authority of the Board and its terms of reference are contained in the Compliance Statement.

### Membership

During the year under review, the Committee comprised Dr Curran (who chaired the Committee until 9 September 2010), Mr Pichler, and Mr Chase until 21 July 2010. Upon Dr Curran's retirement on 9 September 2010, Ms Hollingsworth was appointed as Chairman of the Committee and Mr Baker Bates was also appointed to the committee.

During the year the Committee received, upon invitation, assistance from Mr Rawlings and from the Company's legal advisors, Addleshaw Goddard. No executive took part in discussions in respect of matters relating directly to their own remuneration.

### Number of Meetings

Attendance at Committee meetings held during the year and the number of meetings held is set out on page 34.

### Remuneration Policy & Principles

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

1. An effective Remuneration structure aligns the interests of shareholders and management;
2. Remuneration policy must be set in a manner which ensures that effective risk management is given due consideration and excessive risk taking is discouraged;
3. Executive remuneration is set at levels that retain and motivate, based on selection and interpretation of appropriate benchmarks;
4. There should be no reward for poor performance; and
5. Remuneration policy must promote the long-term interests of the company.

The Committee takes into account the market sector, companies of a similar size and complexity, individual job function and size, as well as individual and Company performance when setting remuneration for the executive senior management team. In addition the pay, employment conditions and salary reviews for other parts of the Company are taken into consideration.

Data is regularly reviewed from independent sources with the use of occasional benchmarking audits. The Committee seeks to ensure that, in line with best practice, the incentive structure for executive directors will not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour, recognising that strict, largely



## Remuneration Committee Report continued

government set methods of operation control the activities of the property, LIFT and pharmacy divisions. The Committee will also ensure that remuneration policy does not encourage inappropriate operational risk taking.

A significant proportion of an executive's remuneration package is dependent on the attainment of demanding performance objectives, both short and long-term. The annual bonus scheme is designed to incentivise and reward the achievement of demanding near term financial and business related objectives. The long-term share based incentive plan ('LTIP') is designed to align the interests of executive directors and senior management with the longer term interests of shareholders by rewarding them for delivering sustained increased shareholder value.

Current executive remuneration levels reflect the Company's recent past trading position and the roles held by key executives in 2009. It is the Company's intention to position, over time, the total packages of its key people who deliver superior performance at the median point of the appropriate comparator groups.

Remuneration for executive directors and other members of the senior management team comprises four elements:

- Basic salary,
- Annual bonus,
- Other market standard benefits, and
- Long-Term Incentive Plan (LTIP).

### 1. Basic Salary

The basic salary of the Chief Executive Officer, any other executive serving on the main board and the other members of the senior management team is determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of each individual. Basic salary is normally reviewed annually in July of each year. Occasional reviews of appropriate benchmark data provided and interpreted by the Company's advisors are considered from time to time.

The fees and expenses, comprising car allowance and private health insurance, payable to the Executive Director during the year are set out below.

Executive	Basic	Annual	Benefits	Pension	Total for	Total for		
	salary				bonus	Contribution	12 months	12 months
	and fees						to 31 March	to 31 March
	£'000	£'000	£'000	£'000	2011	2010		
	£'000	£'000	£'000	£'000	£'000	£'000		
Nigel Rawlings	192	72	12	38	314	242		

The current base salary of Nigel Rawlings, the Chief Executive Officer, is £192,100. Mr Rawlings was promoted to Chief Executive Officer in March 2010 and received no increase in salary at that time. His last change in pay was in 2009 when his pay as Chief Financial Officer was reduced by 15%. A recent specially commissioned benchmarking

exercise indicated that Mr Rawling's current salary is some 25% below the lower quartile of the comparator benchmark group. The remuneration committee has decided therefore to increase Mr Rawling's pay to £250,000 with effect from 1 July 2011.

The Committee is aware of the Combined Code's recommendation that executive pay should normally be clearly aligned with pay practices across the Company and takes into account pay and conditions elsewhere in the Company when considering directors' pay awards with the aim of paying all employees fairly, taking into account their respective roles and responsibilities. However the Committee believes that the specific individual circumstances that arise on this occasion justify a different approach.

## **2. Annual Bonus**

In last year's Annual Report the Company updated shareholders that it was implementing a new Annual Bonus Plan based on meeting and exceeding the divisional and Group budgets.

For the year under review the plan paid a bonus equivalent to 20% of salary to all eligible staff and between 31.5% and 43.6% to the members of the Executive Board.

The Company has in place a policy that states that, in the event of a bonus being paid, it shall not amount to more than 50% of base salary for any executive employee. Following the benchmarking exercise referred to above which indicated that 100% earnings opportunity for some executives in the business would be more appropriate, it is the Company's intention to review the maximum bonus potential for the role of Chief Executive Officer in the future. No change will take place in the financial year 2011/12.

## **3. Other Benefits**

The Company has previously offered a small number of other benefits to employees outside of their contracted remuneration package and a number of employees benefit from company cars (or allowances), health insurance and death in service benefits.

The general policy of the Company has been to allow individuals to be responsible for their own pension arrangements. The Company has delayed plans to implement a group wide pension scheme (other than those required by Statute) unless or until the costs of doing so can be justified. The Company, as in previous years, contributed 20% of basic salary into the personal pension plan of the Chief Executive Officer.

## **4. Long-Term Incentive Plan**

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

In last year's Annual Report, shareholders were advised that the Company intended to carry out a review of the Plan in order to ensure that it remained appropriate to the Company's current circumstances and fully supported management to deliver the revised strategy of focusing on medical property investment.

## Remuneration Committee Report continued

During late 2010 the Company developed its proposals having taken independent advice, and then consulted with several of its major shareholders and with other organisations that had expressed an interest in being involved in the consultation process. Following consultation the rules of the Plan were amended in February 2011.

The key changes made to the plan are:

- Awards are to be made annually and will normally vest after three years. Awards made in February 2011 in respect of the year ended 31 March 2011 will vest in late June 2013, however future awards will be made in the period of 42 days following announcement of the Company's final results for the previous year and will have a three year vesting period.
- Performance conditions, selected in order to align incentives with shareholder value, are based on Earnings Per Share ('EPS') for 50% of the awards granted and an industry comparative measure of Net Asset Value ('NAV') for 50% of the awards granted in both cases over a three year period.
- The EPS performance condition for the awards made in February 2011 requires EPS to match 15% pa growth over a base figure of 3.5p for 40% of the EPS award to vest (ie 20% of the total award). If EPS matches or exceeds 35% pa growth then 100% of the EPS award (ie 50% of the total award) will vest.
- The relative measure of NAV performance condition requires three year growth in the Group's total primary care property return as computed by IPD to equal that of the IPD primary care index for 20% of the NAV award to vest (ie 10% of the total award). If the growth in the Group's total primary care property return as computed by

IPD matches or exceeds 125% of the Index then 100% of the NAV award (ie 50% of the total award) will vest.

- The Committee may, in its absolute discretion, reduce the number of units that vest (down to zero if it considers appropriate) if, having taken account of a broad range of feedback, including TSR performance, an award would not be in line with the Company's overall performance.

No award in excess of 100% of base salary, by reference to the share price at the time of the award, will be made in any year.

Further details on the Plan can be found in note 31 to the accounts on page 103.

In February 2011 925,000 units were awarded to members of the Executive Board and during the year ended 31 March 2011, 3,410,500 units awarded in prior periods expired or were cancelled or forfeited. Mr Rawlings has 850,000 LTIP units and other members of the Executive Board have 575,000 units in aggregate.

### Future development of the LTIP

It is intended to make two further amendments to the Plan ahead of the next units being awarded:

- The Committee's discretion to reduce the number of units that vest by reference to the Company's overall performance will be replaced by a requirement that Total Shareholder Return over the 3 year period must be at least 25% for units to vest, and
- In future EPS will be adjusted to exclude revaluation surpluses or deficits arising from the investment portfolio (but surpluses or deficits arising on the development portfolio will not be excluded).

### **Executive Directors' Contracts**

The notice period for Mr Rawling's contract as Chief Executive Officer, dated 27 March 2010, is six months. Termination payments within executives' contracts are limited to salary and contractual benefits only. It is the Committee's policy that, when determining the amount of any compensation paid to a departing executive, the Committee will take into account the executive's obligation to mitigate his loss, to the extent that it is possible to do so under the terms of the contract. Notice periods and payments are not extendable in takeover situations. This policy is designed to protect the Company from exposure to the risk of excessive payment in the event of failure.

Executive Directors may hold other non executive appointments and retain the associated fees, with the prior approval of the Board. Mr Rawlings is a non-executive director of Mobilizer Limited for which a fee of £8,400 pa is receivable (and is currently waived by him).

### **Non-Executive Directors' Terms of Engagement**

Non-executive Directors are appointed for an initial period of three years although either the Company or the Director may terminate the appointment by giving six months written notice. They are subject to re-election at an Annual General Meeting at least every three years under the Company's Articles of Incorporation and annually under the UK Corporate Governance Code (applicable

to the Company for the year ending 31 March 2012 and subsequent financial years). They do not have service contracts and may not participate in any bonus scheme, share scheme or pension scheme operated by the Company.

The fees for the non-executive Directors are determined by the executive Director and based on information on fees paid in similar companies, taking into account the time commitments and responsibilities involved.

The fees for the non-executive Directors with effective 1 October 2010 are Chairman £60,000 (2010 £89,250), Mr Pichler £50,000 (2010 £63,750), Ms Hollingsworth £58,000 (2010 £34,000). Ms Hollingsworth also serves as the Company's representative director on the board of Virgin Healthcare Holdings Limited.

Fees payable to non-executive Directors are made up of a base fee of £34,000 for serving as a non executive director (£60,000 in the case of the Chairman), with the following additional fees payable for additional services:

Senior Independent Director  
– £8,000

Audit and Remuneration Committee Chair  
– £8,000

Representative on the Board of Virgin Healthcare Holdings Limited  
– £16,000

## Remuneration Committee Report continued

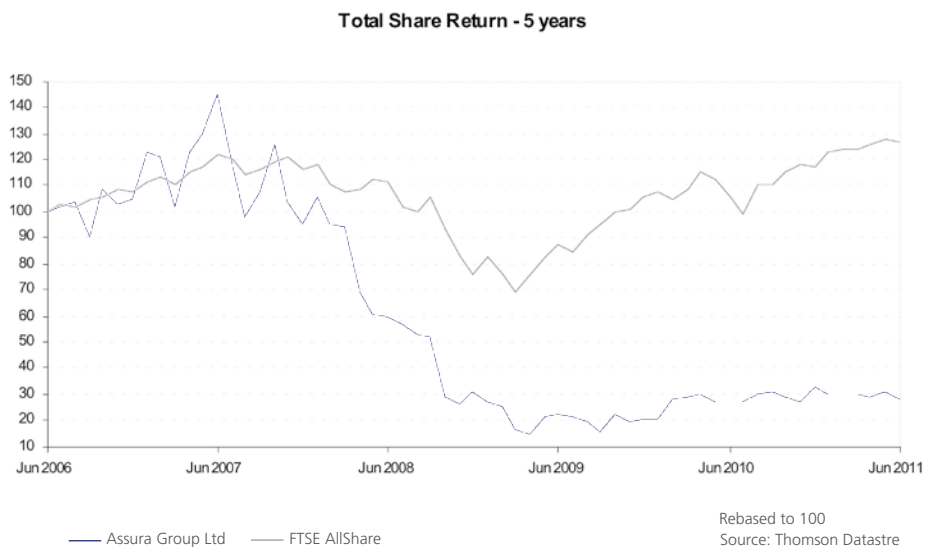
### Non-Executive Directors' Emoluments

Non-executive	12 months to 31 March 2011 total emoluments (all fees) £'000	12 months to 31 March 2010 total emoluments (all fees) £'000
Mr Rodney Baker-Bates	75	89
Dr John Curran	32	89
Mr Graham Chase	34	58
Ms Clare Hollingsworth	55	49
Mr Peter Pichler	57	64
Mr Colin Vibert	17	34

Mr Chase left the board on 21 July 2010. Under the terms of Mr Chase's engagement he was entitled to receive a payment in lieu of notice equivalent to six months fees and this amount of £21,250 was paid to Mr Chase on 22 July 2010.

### Performance Graph

The graph below shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share, which was selected as the appropriate comparator as it represents the equity market index in which the Company's shares are listed.



### Directors' Interests

As at 31 March 2011 the interests of the Directors and his/her connected persons in the share capital of the Company are shown in the table below. There have been no changes to Directors' Interests since that date up until the date of this report.

Name	Holding of Ordinary Shares	% of Ordinary Shares	Interest in units under the Executive Equity Incentive Plan
Rodney Baker-Bates	230,933	0.06	Nil
Clare Hollingsworth	145,945	0.04	Nil
Peter Pichler	133,751	0.03	Nil
Nigel Rawlings and family	1,512,939	0.37	850,000

The Company's policy is that executive Directors should have an interest in shares in the Company of at least one times their annual salary.

By order of the Assura Group Limited Remuneration Committee

### Clare Hollingsworth

Chairman

21 June 2011

## Independent Auditor's Report

We have audited the Group Financial Statements of Assura Group Limited for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related Notes 1 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

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

### Scope of the Audit of the Group Financial Statements

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

### Opinion on Financial Statements

In our opinion the Group Financial Statements:

- Give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Other Matter**

We have reported separately on the Parent Company Financial Statements of Assura Group Limited for the year ended 31 March 2011.

**Stuart Watson**

For and on behalf of Ernst & Young LLP,  
Manchester

21 June 2011



## Consolidated Income Statement

for the year from 1 April 2010 to 31 March 2011

	Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 (restated) <sup>1</sup> £'000
<b>Revenue</b>	4	62,119	55,761
Cost of sales	5	(27,876)	(24,466)
<b>Gross profit</b>		34,243	31,295
Administrative expenses	6	(15,442)	(17,982)
<b>Group trading profit</b>		18,801	13,313
Gain on revaluation of investment property	18	8,490	6,316
Gain/(impairment) of investment property under construction	19	5,368	(2,171)
Gain on sale of investment property		464	394
Loss on revaluation of property, plant & equipment	7	–	(47)
Share of losses of associates and joint ventures	9	(2,704)	(1,551)
Share based payment credit	31	264	316
Exceptional items	8	(4,461)	(8,849)
<b>Operating profit</b>		26,222	7,721
Finance revenue	10	1,492	1,006
Finance costs	11	(16,429)	(14,174)
		(14,937)	(13,168)
<b>Profit/(loss) before revaluation of derivative financial instruments and taxation</b>		11,285	(5,447)
Revaluation of derivative financial instruments	11	(37)	8,334
<b>Profit after revaluation of derivative financial instruments and before taxation</b>		11,248	2,887
Taxation	12	3,824	2,376
<b>Profit for the year from continuing operations</b>		15,072	5,263
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	13	–	(13,983)
<b>Profit/(loss) for the year</b>		15,072	(8,720)
Profit/(loss) for the year attributable to:			
Equity holders of the parent		15,072	(8,682)
Non-controlling interest		–	(38)
		15,072	(8,720)
<b>Earnings per share (pence)</b>			
Basic and diluted earnings per share from continuing operations	14	4.74p	1.72p
Adjusted basic and diluted earnings per share from continuing operations	14	4.93p	0.20p

<sup>1</sup> The Consolidated Income Statement has been restated to include the derivative financial instruments of the LIFT associates which were omitted in error and an adjustment to property valuations (see note 2).

## Consolidated Statement of Comprehensive Income

for the year from 1 April 2010 to 31 March 2011

	Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 (restated) <sup>2</sup> £'000
Profit/(loss) for the year - as reported		15,072	(7,229)
Prior year adjustment (see note 2)		–	(1,491)
<b>Profit/(loss) for the year - as restated</b>		<b>15,072</b>	<b>(8,720)</b>
Revaluation of land and buildings		1,129	202
Other comprehensive profit for the year, net of tax		1,129	202
<b>Total comprehensive profit/(loss) for the period, net of tax</b>		<b>16,201</b>	<b>(8,518)</b>
Attributable to:			
Equity holders of the parent		16,201	(8,480)
Non-controlling interests		–	(38)
		16,201	(8,518)

<sup>2</sup> The Consolidated Statement of Comprehensive Income has been restated to include the derivative financial instrument of the LIFT associates which were omitted in error an adjustment to property valuations (see note 2).

## Consolidated Balance Sheet

as at 31 March 2011

	Notes	31/03/2011 £'000	31/03/2010 (restated) <sup>3</sup> £'000
<b>Non-current assets</b>			
Investment property	18	464,823	315,857
Investment property under construction	19	35,028	27,690
Investments in associates	20	9,859	10,286
Investments in joint ventures	20	–	7,588
Intangible assets	21	44,585	39,427
Property, plant and equipment	23	13,220	14,927
Derivative financial instruments at fair value	30	183	–
Deferred tax asset - net	35	1,844	1,464
		569,542	417,239
<b>Current assets</b>			
Cash and cash equivalents	24	38,952	24,602
Trade and other receivables	25	11,751	10,260
Pharmacy inventories		2,206	1,721
Property work in progress		236	53
		53,145	36,636
Non-current assets held for sale and included in disposal groups	26	9,795	6,700
<b>Total assets</b>		632,482	460,575
<b>Current liabilities</b>			
Trade and other payables	27	30,876	21,805
Financial liabilities	27	3,102	6,544
Derivative financial instruments at fair value	30	3,329	–
Provisions	28	558	854
		37,865	29,203
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	29	358,668	249,297
Payments due under finance leases	27	879	979
Derivative financial instruments at fair value	30	14,165	17,274
Provisions	28	772	1,140
		374,484	268,690
<b>Total liabilities</b>		412,349	297,893
<b>Net assets</b>		220,133	162,682
<b>Capital and reserves</b>			
Share capital	31	41,187	31,747
Own shares held	31	(2,018)	(5,093)
Share premium		55,450	23,282
Distributable reserve		210,550	213,614
Retained earnings		(89,017)	(104,217)
Revaluation reserve		3,981	3,349
<b>Total equity</b>		220,133	162,682
<b>Basic net asset value per Ordinary Share</b>	33	54.02p	53.09p
<b>Diluted net asset value per Ordinary Share</b>	33	54.02p	53.09p
<b>Adjusted basic net asset value per Ordinary Share</b>	33	59.80p	61.59p
<b>Adjusted diluted net asset value per Ordinary Share</b>	33	59.80p	61.59p

The financial statements were approved at a meeting of the Board of Directors held on 21 June 2011 and signed on its behalf by:

**Nigel Rawlings**  
Executive Director

**Rodney Baker-Bates**  
Chairman

<sup>3</sup> The Consolidated Balance Sheet has been restated to include the derivative financial instruments of the LIFT associates which were omitted in error and an adjustment to property valuations (see note 2).

## Consolidated Statement of Changes in Equity

for the year from 1 April 2010 to 31 March 2011

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Revaluation Reserve £'000	Total £'000	Non-Controlling Interest £'000	Total Equity £'000
<b>1 April 2010 – as reported</b>	31,747	(5,093)	23,282	213,614	(102,726)	3,349	164,173	–	164,173
Prior year adjustment (see note 2)	–	–	–	–	(1,491)	–	–	–	–
<b>1 April 2010 – as restated</b>	31,747	(5,093)	23,282	213,614	(104,217)	3,349	162,682	–	162,682
Revaluation of land and buildings	–	–	–	–	–	1,129	1,129	–	1,129
Profit/(loss) for the year	–	–	–	–	15,072	–	15,072	–	15,072
<b>Total comprehensive income</b>	–	–	–	–	15,072	1,129	16,201	–	16,201
Dividends paid	–	–	–	(3,064)	–	–	(3,064)	–	(3,064)
Issue of Ordinary Shares	9,440	–	33,359	–	–	–	42,799	–	42,799
Issue costs	–	–	(1,191)	–	–	–	(1,191)	–	(1,191)
Sale of own shares held	–	3,075	–	–	(105)	–	2,970	–	2,970
Depreciation transfer for land and buildings	–	–	–	–	497	(497)	–	–	–
Cost of employee share-based incentives	–	–	–	–	(264)	–	(264)	–	(264)
<b>31 March 2011</b>	41,187	(2,018)	55,450	210,550	(89,017)	3,981	220,133	–	220,133

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Revaluation Reserve £'000	Total £'000	Non-Controlling Interest £'000	Total Equity £'000
<b>1 April 2009</b>	31,747	(5,093)	23,212	213,614	(94,921)	3,642	172,201	(178)	172,023
Revaluation of land and buildings	–	–	–	–	–	202	202	–	202
Profit/(loss) for the year	–	–	–	–	(8,682)	–	(8,682)	(38)	(8,720)
<b>Total comprehensive income</b>	–	–	–	–	(8,682)	202	(8,480)	(38)	(8,518)
Depreciation transfer for land and buildings	–	–	–	–	495	(495)	–	–	–
Cost of employee share-based incentives	–	–	–	–	(1,109)	–	(1,109)	–	(1,109)
Acquisition of non-controlling interest	–	–	–	–	–	–	–	216	216
Issue costs	–	–	70	–	–	–	70	–	70
<b>31 March 2010</b>	31,747	(5,093)	23,282	213,614	(104,217)	3,349	162,682	–	162,682

## Consolidated Cash Flow Statement

for the year from 1 April 2010 to 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<b>Operating Activities</b>			
Rent received		27,418	22,624
Revenue from pharmacies		34,108	31,207
Fees received		4,228	4,033
Dividend received		–	211
Bank and other interest received		1,207	795
Cash paid to suppliers and employees		(21,263)	(28,888)
Purchases by pharmacies		(23,398)	(21,891)
Acquisition costs		(3,697)	–
Restructuring costs		–	(2,050)
Discontinued operation		–	(3,028)
Interest paid and similar charges		(15,744)	(14,759)
<b>Net cash inflow/(outflow) from operating activities</b>	10	2,859	(11,746)
<b>Investing Activities</b>			
Purchase of development and investment property		(19,747)	(19,263)
Proceeds from sale of development and investment property		11,080	13,907
Purchase of investments in associated companies		(6)	(3,203)
Purchase of investments in joint venture companies		–	(1,036)
Proceeds from sale of other investments		–	6,376
Purchase of property, plant and equipment		(1,474)	(1,558)
Proceeds from sale of fixed assets		667	3,312
Costs associated with securing pharmacy licenses		(186)	(1,049)
Cash acquired/(paid) on acquisition of subsidiaries	8	1,168	(63)
Cost of development work in progress		(183)	(127)
Loans (advanced to)/repaid by associated companies		(1,758)	(4,454)
Loans repaid by/(advanced to) joint ventures		(119)	1,650
Subsidiaries acquired		(6,913)	–
<b>Net cash outflow from investing activities</b>		(17,472)	(5,508)
<b>Financing Activities</b>			
Issue of Ordinary Shares		23,429	–
Issue costs paid on issuance of Ordinary Shares		(1,191)	70
Own shares sold		2,970	–
Dividends paid		(3,064)	–
Repayment of long-term loan		(11,014)	(57,411)
Drawdown of long-term loan		20,177	75,302
Loan issue costs		(238)	(895)
Repayment of convertible loan		(2,105)	–
<b>Net cash inflow from financing activities</b>		28,964	17,066
<b>Increase/(decrease) in cash and cash equivalents</b>		14,351	(188)
Opening cash and cash equivalents		24,602	24,790
<b>Closing cash and cash equivalents</b>		38,952	24,602

# Notes to the Consolidated Financial Statements

## for the period from 1 April 2010 to 31 March 2011

### 1. Corporate information and operations

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

Subsequent to its incorporation the activities were broadened to include the provision of pharmacy and medical services. On 2 March 2010 the Group's medical services business was sold to Virgin Healthcare Holdings Limited with the proceeds immediately reinvested so as to retain a 24.9% stake in the business.

In April 2010 the FTSE ICB Administration Team revised the classification of Assura Group Limited from 'Health Care Providers' to 'Drug Retailers'. The Company was informed that this reclassification was due to the Pharmacy division now having higher revenue than the Property division. The Company is in the process of appealing this decision as it does not believe that 'Drug Retailers' is the appropriate classification for the Company.

The Company is domiciled in England & Wales for taxation purposes.

The Company's Ordinary Shares are traded on the London Stock Exchange.

### 2. Principal accounting policies

#### Basis of preparation

The financial statements of the Group and Company have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Companies (Guernsey) Law 2008, and reflect the following policies:

#### Consolidation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, investment properties under construction, land and buildings, derivative financial instruments that have been measured at fair value.

The financial statements are presented in pounds sterling to the nearest thousand.

The Group financial statements consolidate the financial statements of Assura Group Limited and its subsidiary undertakings drawn up to 31 March 2011.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the parent company and are based on consistent accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated balance sheet, separately from equity attributable to the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 2. Principal accounting policies continued

#### Prior period restatements

The 31 March 2010 balance sheet has been restated for the following two reasons:

1. The financial derivative instruments held in the LIFT division were omitted from the balance sheet at 31 March 2010. As a result the 'investment in associates' balance has been decreased by £3,676,000. On the income statement this is reflected as an increase in the 'share of losses of associates and joint ventures' which has been increased by the same amount.
2. An error has been identified in fair value of the investment portfolio under IAS 40 *Investment Property* reported at 31 March 2010. As a result the fair value of investment property has been increased by £2,185,000 at 31 March 2010. The revaluation gain has been included in 'gains on investment property under construction' in the income statement. By 31 March 2010 these properties had transferred into investment property and therefore the balance sheet impact is in this category.

The following table shows the impact of the above two adjustments:

	Consolidated Income statement			Consolidated Balance Sheet		
	Gain on revaluation of investment property £'000	Gain / (impairment) of investment property under construction £'000	Share of losses of associates and joint ventures £'000	Investment property £'000	Investment property under construction £'000	Investment in associates £'000
At 31 March 2010 – as reported	6,466	(4,506)	2,125	313,672	27,690	13,962
Interest rate swaps in LIFT associates	–	–	(3,676)	–	–	(3,676)
Pharmacy lease premiums	(150)	2,335	–	2,185	–	–
At 31 March 2010 – as restated	6,316	(2,171)	(1,551)	315,857	27,690	10,286

The combined impact on profit for the year was a reduction of £1,491,000.

The combined impact on net assets was a reduction of £1,491,000.

The combined impact on the loss per share was an increase of 0.49p per share.

The impact on 31 March 2009 would have been a reduction in net assets of £2,034,000 which is in relation to the valuation of interest rate swaps in LIFT associates at this date.

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Rental revenue - rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term and is shown net of VAT. Pharmacy lease premiums received from tenants are spread over the lease term, even if the receipts are not received on such a basis. The lease term is the non-cancellable period of the lease. The market value of investment property as estimated by an external valuer is increased for the unamortised pharmacy lease premium held at the balance sheet.

Property management fees – income is accounted for on an accruals basis.

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

Interest income - revenue is recognised as interest accrues using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends receivable - revenue is recognised when the Company's right to receive the payment is established.

### **Expenses**

All expenses are accounted for on the accruals basis.

### **Dividends payable**

In accordance with IAS 10 Events after the Balance Sheet Date, dividends payable on Ordinary Shares declared and paid after the period end are not accrued.

### **Exceptional items**

The Group presents as exceptional items on the face of the Consolidated Income Statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

### **Share issue costs**

Placing expenses incurred in relation to the issue of Ordinary shares are written off in full against the share premium account.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the combination. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

### **Intangible assets**

Intangible assets including pharmacy licenses acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite, and for those with finite useful lives the costs are expensed over the life of the asset.

Third party costs incurred on the registration of pharmacy licenses are recognised as intangible assets when it is probable that the licence will be granted and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Costs and time incurred by the Group's own staff in registering pharmacy licenses are fully expensed by the Group.



## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 2. Principal accounting policies continued

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not supportable, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Both goodwill and capitalised development costs in respect of pharmacy licenses and pharmacy licenses themselves have indefinite useful lives and are tested for impairment annually as at the balance sheet date either individually or at the cash generating unit level, as appropriate.

Goodwill is allocated to cash generating unit for the purpose of impairment testing. For intangibles arising from business combinations, this allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose. The recoverable amount of a cash generating unit is determined based on either fair value less costs to sell or value-in-use calculation. The value in use calculation uses cash flow projections based on detailed financial models prepared by management, with all anticipated future cash flows discounted to current day values.

#### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists the Group makes an estimate of the asset's recoverable amount being the higher of an asset's or cash-generating unit's fair value less costs to sell, and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples.

Impairment losses are recognised in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is recognised in equity up to the amount of any previous revaluation.

Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount for assets including goodwill. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Income Statement.

#### Investments in associates

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The Consolidated Income Statement reflects the share of the results of operations of the associates after tax. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity.

Any goodwill arising on the acquisition of an associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortised.

The financial statements of the associates are prepared for the same reporting period as the Group or with a maximum difference of three months wherever possible, using consistent accounting policies.

### **Service concession arrangements**

The Group equity accounts its investments in LIFT companies with service concession arrangements (SCA). In the project company holding the SCA IFRIC 12 'Service Concession Arrangements' has been adopted. The consideration receivable in respect of construction services in the operational phase of the SCA is accounted for as a 'loan or receivable' and measured at amortised cost.

The method by which the Group equity accounts its investment in each project company holding the SCA has not changed.

### **Investments in joint ventures**

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in joint ventures using equity accounting. The equity accounting method is described in the 'investments in associates' accounting policy above.

The financial statements of joint ventures are prepared for the same reporting period as the Group or with a maximum difference of three months wherever possible using consistent accounting policies.

### **Financial assets**

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

#### **(a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value and are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the Consolidated Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### **(b) Derivative financial instruments and hedging activities**

The Group uses derivative financial instruments, in the form of interest rate swaps, to hedge its risks associated with interest rate fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group has classified its derivative instruments as financial assets which are stated at fair value and movements are recognised through the Consolidated Income Statement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

#### **(c) Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Consolidated Income Statement.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 2. Principal accounting policies continued

#### (d) Quoted investments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

#### Investment property – freehold

Freehold properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the property.

After initial recognition, freehold investment properties are measured at fair value, with changes in fair value recognised in the Consolidated Income Statement. Fair value is based upon the open market valuations of the properties as provided by a firm of independent chartered surveyors as at the balance sheet date.

For the purposes of these financial statements, in order to avoid 'double accounting', the assessed fair value is increased by the carrying amount of any deferred income resulting from the spreading of pharmacy lease premiums received.

#### Investment property – long leasehold

Long leasehold properties are initially recognised as both an asset and lease creditor at the present value of the ground rents payable over the term of the lease. Long leasehold properties are subsequently revalued in accordance with IAS 40 up to the fair value as advised by the independent valuer as noted above for freehold properties. The lease creditor is amortised over the term of the lease using the effective interest method.

The lease payments are apportioned between the reduction of the lease liability and finance charges in the Consolidated Income Statement.

For the purposes of these financial statements, in order to avoid 'double accounting', the assessed fair value is increased by the carrying amount of any liability to the superior leaseholder or freeholder that has been recognised in the balance sheet as a finance lease obligation.

#### Investment property transfers

Transfers are made to investment property when there is a change in use, evidenced by the end of the Group's occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from work in progress to investment property under construction upon completion of the purchase of the land or upon commencement of the development or construction. Transfers are made from investment property when there is a change in use, evidenced by commencement of the Group's occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property previously occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from investment property under construction to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Consolidated Income Statement. When the Group completes the construction or development of a self-developed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Consolidated Income Statement.

#### Investment properties under construction

Investment properties under construction which comprise land and buildings under construction includes capitalised interest where applicable and is carried at fair value. If fair value cannot be reliably estimated it is carried at cost until construction is complete or fair value can be reliably estimated (whichever is earlier), at which stage it is valued at fair value. Cost includes all directly attributable third party expenditure incurred.

In determining the fair value, the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks.

### **Property, plant and equipment**

Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation. Fair value is based on independent values of the property apportioned between that element used for the business of the Group and that element rented to third parties.

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value of each asset over its useful life, as follows:

Buildings	50 years
Fixtures, fittings and furniture	Between 4 and 25 years depending on the nature of the asset
Computer, medical and other equipment	Between 3 and 10 years depending on the nature of the equipment

Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the asset Revaluation Reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Consolidated Income Statement, in which case the increase is recognised in the Consolidated Income Statement. A revaluation deficit is recognised in the Consolidated Income Statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset Revaluation Reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

### **Capitalisation of interest**

Finance costs which are directly attributable to the development of investment property are capitalised as part of the cost of the investment property. The commencement of capitalisation begins when both finance costs and expenditure for the property are being incurred and activities that are necessary to prepare the asset ready for use are in progress. Capitalisation ceases when all the activities that are necessary to prepare the asset for use are complete.

### **Pharmacy inventories**

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

# Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

## 2. Principal accounting policies continued

### Property pre-acquisition costs

Property work in progress comprises costs incurred on property pre-acquisition and investment opportunities including bid costs which are capitalised when the transaction is virtually certain. Costs are written off to the Consolidated Income Statement only if the project becomes abortive. Costs are transferred to investment property if the opportunity results in the purchase of an income generating property. Costs are transferred to investment property under construction on acquisition of the land or development site.

### Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, cash held in deposit accounts and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks.

### Bank loans and borrowings

All bank loans and borrowings are initially recognised at fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

### Leases

#### Group as a lessee

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the Consolidated Income Statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Consolidated Income Statement on a straight line basis over the lease term.

#### Group as a lessor

Diagnostic equipment leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the Consolidated Income Statement so as to achieve a constant rate of return on the remaining net investment in the lease.

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

### Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

### **Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rules and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Consolidated Income Statement.

### **Share-based payment transactions**

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity settled transactions').

In situations where some or all of the goods or services received by the entity as consideration for equity instruments cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. For cash-settled transactions, the liability is measured at each reporting date until settlement.

#### **Equity-settled transactions**

The cost of equity-settled transactions with employees, for awards granted, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by reference to market price on the date of grant.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

# Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

## 2. Principal accounting policies continued

The cost of equity-settled transactions is recognised by a charge in the Consolidated Income Statement, together with a corresponding credit in Retained Earnings, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Consolidated Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting conditions or non-vesting conditions are satisfied, provided that all other non-market vesting conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Consolidated Income Statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Consolidated Income Statement.

An equity-settled award is deemed to be forfeited when an employee is either made redundant or resigns from the Company. In the event of forfeiture the cumulative expense recognised in the Consolidated Income Statement since the date of grant is reversed immediately.

### Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until vesting with recognition of a corresponding liability.

### Own shares held

Assura Group shares held by the Company and the Group are classified in shareholders' equity as 'own shares held' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of equity shares.

The following accounting policies relate to Company financial statements only:

### Investments in subsidiary companies

Investments in subsidiary companies are initially recognised and subsequently carried at cost in the Company Financial Statements, less any provisions for diminution in value.

### Loans to subsidiary companies

The loans to subsidiary companies are accounted for on an amortised cost basis with inter-company interest being recognised under the effective interest rate method. The loans are reviewed regularly for impairment.

### Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

#### (a) New standards, amendments to published accounts and interpretations to existing standards adopted by the Group:

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2010 unless otherwise stated and the impact is described below.

#### Amendment to IFRS 2 Group Cash-settled Share-based Payment Arrangements

The amendment clarifies the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group pays for those goods or services. This amendment did not have any impact on the financial position or performance of the group.

#### IFRS 3 (revised) Business Combinations

The revised standard has increased the number of transactions to which it must be applied including business combinations of mutual entities and combinations without consideration. IFRS 3 (revised) introduced significant changes in the accounting for business combination such as valuation of non-controlling interest, business combination achieved in stages, the initial recognition and subsequent measurement of a contingent consideration and the accounting for transaction costs. These changes have had a significant impact on profit or loss reported in the period of an acquisition, the amount of goodwill recognised in a business combination and the profit or loss reported in the current and future periods.

#### IAS 27 (amended) Consolidated and Separate Financial Statements

The amended standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will no longer give rise to goodwill or gains and losses. The standard also specifies the accounting when control is lost and any retained interest is remeasured to fair value with gains or losses recognised in profit or loss.

#### Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The group has concluded that the amendment did not have any impact on the financial position or performance of the group, as the group has not entered into any such hedges.

#### IFRIC 15 Agreements for the Construction of Real Estate (endorsed by the EU later than its effective date)

IFRIC 15 clarifies the need for careful analysis of the terms and conditions of real estate agreements which involve construction activities. In certain cases it will separate components, e.g. sale of land and a construction component, to determine the appropriate method of revenue recognition. This interpretation has no impact on the Group as it does not enter into contracts for the construction of real estate.

#### IFRIC 17 Distribution of Non-cash Assets to Owners

The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The adoption of the interpretation did not have an impact on the Group.

#### IFRIC 18 Transfers of Assets from Customers

The interpretation applies to entities that receive from customers items of property, plant and equipment or cash for the acquisition of construction of such items. These assets are then used to connect customers to a network or to provide ongoing access to a supply of goods or services. As the group does not enter into such transactions this interpretation has no impact on the Group.

#### Improvements to IFRSs (issued 2009)

In May 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each amendment. The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.



## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 2. Principal accounting policies continued

#### (b) Standards and interpretations issued but not yet applied\*

The following standards and interpretations have an effective date after the date of these financial statements but the group has not early adopted them.

#### IAS 24 Related Party Disclosures (Amendment) (effective 1 January 2011)

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

#### IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment) (effective 1 February 2010)

The amendment to IAS 32 amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

#### IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets.

The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

#### IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

#### IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

#### Improvements to IFRS (issued in May 2010)

The Group expects no impact from the adoption of the amendments on its financial position or performance.

\*The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the group's discretion to early adopt standards.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements.

### 3. Summary of significant accounting judgements, estimates and assumptions

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors including reasonable future expectations. Those estimates and assumptions which could have a material impact on the carrying value of assets and liabilities within the next financial year are discussed below.

## Judgements, estimates and assumptions

### (a) Valuation of investment property and investment property under construction (IPUC)

All investment properties are stated at fair values, which have been determined based on valuations undertaken by independent valuers on the basis of open market value. See note 18. IPUC are fair valued to the extent that reliable information exists. This requires estimation of fair value in its current state which is judgemental.

### (b) Impairment of investment property under construction

The Group tests annually whether investment property under construction may have suffered impairment based on expected values at completion less anticipated costs to complete, both of which involve judgment and estimation. See note 19.

### (c) Impairment of goodwill and intangible assets

The Group tests annually whether goodwill may have suffered impairment utilising value in use calculations whereby future cash flows are estimated and discounted, using an appropriate discount rate, to their net present value. See note 21.

### (d) Derivative financial instruments

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. See note 30.

### (e) Deferred tax asset

Management use judgment to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with assessment of the effect of future tax planning. See note 35.

### (f) Valuation of investments in associates

The Group has used estimates to determine the book value of its loan to, and carrying value of its investment in, Virgin Healthcare Holdings Limited based on the underlying net asset value and likely timing of future projected cash flows and modest interest rates for similar instruments which involves judgment and estimation. See note 20.

### (g) Onerous lease provision

Onerous lease provisions are determined by calculating minimum lease payments up to the shorter of the next break clause contained within the lease and the likely period in which a sub lease could be put in place as advised by letting agents. See note 28.

The estimation of the fair value is based on reasonable assumptions but these can vary from time to time.

## 4. Revenue

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Rental revenue	23,809	21,516	–	21,516
Pharmacy sales	34,145	31,214	–	31,214
LIFT fees	3,665	2,405	–	2,405
Other fees receivable	500	626	–	626
Revenue from medical equipment hire	–	–	540	540
Revenue from medical management charges	–	–	192	192
Total revenue	62,119	55,761	732	56,493
Bank and other interest earned	1,492	796	–	796
Income from investments	–	210	–	210
	1,492	1,006	–	1,006
	63,611	56,767	732	57,499

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 5. Cost of sales

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Property expenses arising from investment property space that generated rental income	1,785	1,330	–	1,330
Property expenses arising from investment property space that did not generate rental income	1,890	835	–	835
Purchases by pharmacies	23,398	21,891	–	21,891
LIFT	803	410	–	410
Equipment hire costs	–	–	48	48
Medical direct costs	–	–	22	22
	27,876	24,466	70	24,536

### 6. Administrative expenses

	Note	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Salaries and other staff costs	(a)	8,735	11,799	3,408	15,207
Auditors' remuneration	(b)	300	346	155	501
Directors' fees	(c)	584	1,113	–	1,113
Other admin expenses		4,800	2,515	2,940	5,455
Depreciation		1,023	2,054	378	2,432
		15,442	17,827	6,881	24,708

#### a) Salaries and other staff costs

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Wages and salaries	7,937	10,748	3,045	13,793
Social security costs	793	1,045	363	1,408
Pension costs	5	6	–	6
	8,735	11,799	3,408	15,207

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

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Property investment	8	5	–	5
Property development	11	9	–	9
Pharmacy	255	201	–	201
LIFT	24	29	–	29
Central	12	66	–	66
Medical – discontinued 2 March 2010	–	–	65	65
	310	310	65	375

The number of full time equivalent employees at 1 May 2011 was as follows:

	1 May 2011
Property investment	13
Property development	6
Pharmacy	226
LIFT	24
Central	6
	275

#### Key management staff

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Salaries, pension, holiday pay, PILON and bonus	1,181	1,728	452	2,180
Post employment benefits	38	113	–	113
Cost of employee share-based incentives	155	(49)	(165)	(214)
Social security costs	173	157	37	194
	1,547	1,949	324	2,273

#### (b) Auditors' remuneration

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Group audit	91	116	–	116
Statutory audit	127	134	–	134
Total audit fees	218	250	–	250
Audit related fees – interim review	18	22	–	22
Tax services – compliance	49	59	–	59
Tax services – advisory	15	15	–	15
Transaction services – sale of medical services division	–	–	155	155
	300	346	155	501

#### (c) Directors' fees

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Directors emoluments	546	1,000	–	1,000
Contributions to retirement plans	38	113	–	113
	584	1,113	–	1,113

In addition to the above amounts £21,000 (2010: £587,000 – 2 directors) was paid to 1 of the directors in relation to payments in lieu of notice.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 6. Administrative expenses continued

Amounts paid to the highest paid director were as follows:

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Mr Nigel Rawlings	276	–	–	–
Mr Richard Burrell	–	487	–	487
	276	487	–	487

In addition to the above, during the prior year Mr Burrell received a payment of £467,000 in relation to pay in lieu of notice upon his resignation on 15 March 2010.

No directors are accruing benefits under any defined benefit pension scheme.

### 7. Revaluation (gains)/losses

	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
Unrealised deficit on revaluation of property, plant and equipment	–	47	–	47
Gain on disposal of other investments (see note 8)	–	(409)	–	(409)
	–	(362)	–	(362)

## 8. Exceptional items

	Note	Total 2011 £'000	Continuing operations £'000	Discontinued operations £'000	Total 2010 £'000
(Loss)/gain on disposal of pharmacies		(15)	1,118	–	1,118
Reversal of impairment on pharmacy licences	21	1,198	1,300	–	1,300
Impairment of goodwill	21	(2,899)	(4,767)	–	(4,767)
Negative goodwill on acquisition of AH Medical Properties plc	22	453	–	–	–
Acquisition costs – legal and professional fees	22	(1,851)	–	–	–
AH Medical Properties plc employee termination payments	22	(336)	–	–	–
AH Medical Properties plc asset management agreement termination fee	22	(1,500)	–	–	–
Negative goodwill on acquisition of GP Care Pharmacy Limited	22	6	–	–	–
Assura Pharmacy (South West) Limited revaluation of assets on step acquisition	22	172	–	–	–
Acquisition costs - Assura Pharmacy (South West) Limited	22	(10)	–	–	–
Reversal/(impairment) of property, plant and equipment	23	354	(258)	–	(258)
Gain on disposal of other investments	7	–	409	–	409
Restructuring costs		(311)	(4,657)	–	(4,657)
Premises provision	28	278	(1,994)	–	(1,994)
		(4,461)	(8,849)	–	(8,849)

The amounts above in relation to restructuring costs relate to redundancy payments in the current year. In the prior year the cost included redundancy payments, payment in lieu of notice to one director, costs in relation to the closure of Assura Health & Wellness Centres Limited & Assura Diagnostics Limited, fixed asset impairments and professional fees.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 9. Share of post tax (losses)/ profits of associates and joint ventures accounted for using the equity method

	Total 2011 £'000	Continuing operations £'000 (restated)	Discontinued operations £'000	Total 2010 £'000 (restated)
Share of losses of associated companies – Virgin Healthcare Holdings Limited	(1,747)	(125)	–	(125)
Impairment of investment in Virgin Healthcare Holdings Limited	(831)	–	–	–
Share of profits of associated LIFT companies	667	627	–	627
Unrealised loss on revaluation of derivative financial instrument of associated LIFT companies	(565)	(3,676)	–	(3,676)
Share of post tax losses of associates	(2,476)	(3,174)	–	(3,174)
Share of profits of Assura Pharmacy (South West) Limited	172	44	–	44
Impairment of loan to AH Scarborough Health Park Limited	(400)	–	–	–
Share of losses of Medical LLP joint venture companies	–	–	(913)	(913)
Reversal of licence impairment	–	1,579	–	1,579
Share of (losses)/profits of joint ventures	(228)	1,623	(913)	710
Share of losses of associates and joint ventures	(2,704)	(1,551)	(913)	(2,464)

### 10. Finance revenue

	Total 2011 £'000	Total 2010 £'000
Bank and other interest	1,492	796
Income from investments	–	210
	1,492	1,006

### 11. Finance costs

	Total 2011 £'000	Total 2010 £'000
Long-term loan interest payable	10,791	9,724
Interest capitalised on developments	(818)	(1,364)
Swap interest	6,248	5,248
Amortisation of loan issue costs	208	566
	16,429	14,174
Unrealised loss/(profit) on revaluation of derivative financial instrument	37	(8,334)
	16,466	5,840

Interest was capitalised on property developments at 6% (2010: 6%).

## 12. Taxation

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<b>Consolidated income tax</b>		
Current Tax		
Current income tax charge	–	–
Deferred Tax		
Relating to origination and reversal of temporary differences	(484)	(2,376)
Release of deferred tax on revaluation arising on acquisition	(3,444)	–
Relating to changes in tax rates	104	–
Income tax credit reported in consolidated income statement	(3,824)	(2,376)

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000 (restated)
Profit from continuing operations before taxation	11,248	1,657
Loss from discontinued operations before taxation	–	(6,837)
Loss on disposal of discontinued operations	–	(7,146)
Net profit/(loss) before taxation	11,248	(12,326)
UK income tax at rate of 28% (2010: 28%)	3,149	(3,451)
Effects of:		
Capital gains on revaluation of investment properties not taxable	(57)	(447)
Non taxable income	139	(59)
Unrealised surplus/(deficit) not tax deductible on revaluation of other investments	108	(883)
Expenses not deductible for tax purposes	585	334
Arising on acquisition of AH Medical Properties PLC	(3,444)	–
Gain on revaluation of derivative financial instrument not taxable	–	(1,572)
Share-based payments credit not tax deductible	(5)	(311)
Unrealised gains on revaluation of investments in associates	–	22
Unrecognised tax losses	(26)	4,034
Other deferred tax assets not recognised	(4,453)	(365)
Adjustment in respect of prior years	180	322
	(3,824)	(2,376)

With effect from 3 April 2008 the Group's affairs have been conducted such that it is resident in the UK for tax purposes. All profits are therefore subject to Corporation Tax at 28%.

### Finance Act 2011

The Budget on 23 March 2011 announced a reduction of the corporation tax rate to 26% from 1 April 2011. Further changes, which are expected to be enacted separately each year, propose to reduce the tax rate by 1% per annum from 26% to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Based on the closing deferred tax asset at the balance sheet date, the aggregate impact of the proposed reductions from 26% to 23% would reduce the deferred tax asset by approximately £273,000.



## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 13. Discontinued operations

During the previous year the Group discontinued operating its medical division.

On 2 March 2010 the Group sold its majority share holding in Assura Medical Limited, Assura Finance Limited, Assura Corporate Services Limited and Our Care Limited to Virgin Healthcare Holdings Limited.

In addition Assura Diagnostics Limited ceased to trade on 1 March 2010.

The results of the medical division for the prior period to its date of sale/closure are presented below:

	<b>11 months ended 2 March 2010 £'000</b>
Revenue	732
Cost of sales	(70)
Administrative expenses	(6,726)
Operating loss	(6,064)
Cost of employee share-based incentives	793
Share of losses of joint ventures	(913)
Impairment of goodwill	(279)
Restructuring costs	(374)
	(6,837)
Loss on disposal of discontinued operations	(7,146)
Loss for the period from discontinued operations	(13,983)

At the date of disposal the net assets of Assura Medical Limited were £10,900,000. The net cash flows attributable to Assura Medical Limited were as follows:

	<b>11 months ended 2 March 2010 £'000</b>
Operating activities	(6,438)
Investing activities	(4,483)
Net cash outflow	(10,921)

	<b>11 months ended 2 March 2010</b>
Loss per share from discontinued operations (pence)	
Basic	(4.56)p
Diluted	(4.56)p

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

	<b>11 months ended 2 March 2010 £'000</b>
<b>Assets and liabilities disposed of other than cash</b>	
Investment in Joint Ventures	7,100
Property, plant and equipment	802
Debtors	377
Cash and cash equivalents	4,919
Creditors	(2,298)
Net assets	10,900
Net assets sold – 75.1%	8,186
Fair value of proceeds reinvested as loan note (face value of £4m)	2,860
Costs	(1,820)
Net proceeds	1,040
Loss on disposal	(7,146)

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 14. Earnings per Ordinary Share

	Basic & diluted EPS per ordinary share from continuing operations	Adjusted basic & diluted EPS per ordinary share from continuing operations	Basic & diluted EPS per ordinary share from continuing operations	Adjusted basic & diluted EPS per ordinary share from continuing operations
	12 months ended 31 March 2011 £'000	12 months ended 31 March 2011 £'000	12 months ended 31 March 2010 £'000 (restated)	12 months ended 31 March 2010 £'000 (restated)
Profit attributable to equity holders of the parent	15,072	15,072	5,263	5,263
Revaluation of the derivative financial instrument of the parent	–	37	–	(8,334)
Revaluation of the derivative financial instrument of associates	–	565	–	3,676
	15,072	15,674	5,263	605
Weighted average number of shares in issue	318,056,355	318,056,355	306,427,150	306,427,150
Earnings per ordinary share	4.74p	4.93p	1.72p	0.20p

As described in note 2 the income statement for the period ending 31 March 2010 has been restated to include the revaluation of derivative financial instruments held in associated companies and pharmacy lease premiums. This revaluation has therefore been included in the calculation of the adjusted basic and diluted earnings per share which is consistent with the treatment of derivative financial instruments of the parent company.

	Year ended 31 March 2011	Year ended 31 March 2010
Weighted average number of shares – basic and diluted	318,056,355	306,427,150

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2011	Year ended 31 March 2010 (restated)
Profit for the year from continuing operations	15,072	5,263
Add non-controlling liabilities	–	38
Profit attributable to equity holders of the parent – continuing operations	15,072	5,301
Loss attributable to equity holders of the parent – discontinued operations	–	(13,983)
Profit/(loss) attributable to equity holders of the parent	15,072	(8,682)

#### Discontinued operations

Loss per share for the discontinued operations is derived from the net loss attributable to equity holders of the parent from discontinuing operations of £nil (2010: £13,983,000), divided by the weighted average number of Ordinary Shares for both basic and diluted amounts as per the table above.

## 15. Dividends paid on Ordinary Shares

	Number of Ordinary Shares	Rate pence	2011 £'000	Number of Ordinary Shares	Rate pence	2010 £'000
Interim dividend for year ending 31 March 2011	306,427,150	1	3,064	306,427,150	–	–
		–	3,064		–	–

Dividends on 'own shares held' of £111,000 (2010: £nil) are recognised in distributable reserves.

A final dividend of 2011 1.25p per share is to be paid on 26 July 2011 to shareholders on the share register at 1 July 2011. This equates to a total cash payment of £5,094,000.

## 16. Segmental information

Following the adoption of IFRS 8 and the disposal of the medical services business during the year, the Group's operating segments are internally reported to the chief operating decision maker based on four business segments being primary care premises investment (Property Investment), primary care premises development (Property Development), pharmacy services and LIFT. All the Group's activities and investments in primary healthcare properties and related activities are situated in the UK and in Guernsey.

The Property Investment segment invests in primary care premises and undertakes property management.

The Property Development segment develops primary care premises.

The Pharmacy services segment operates integrated pharmacies in medical centres.

LIFT companies develop and invest in medical centres in partnership between the public and private sectors. Our LIFT segment invests in LIFT companies and provides services to those companies and the primary care trusts in the areas in which they operate.

The medical services segment was discontinued in the prior year. The segment provided medical services, principally outpatient, walk in, urgent care and other services traditionally undertaken in hospitals but being relocated to GP surgeries, community hospitals and other facilities in the community, in collaboration with GPs.

Unrealised surpluses or deficits on revaluation of investment properties are split between Property Investment and Property Development on the basis that after transfer of the property to investment property, the first revaluation surplus is shown in the Property Development segment.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Unallocated assets and liabilities are those which relate to Group companies which cannot be allocated to the individual business segments as their activities are either at a Group or head office level. These subsidiary companies include Assura Management Services Limited, Assura Investments Limited, Assura Fund Management LLP (sold on 7 March 2011), Assura Services Limited and Assura Intelligence Limited.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 16. Segmental information continued

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

Year ended 31 March 2011:

	Property Investment £'000	Property Development £'000	Pharmacy £'000	LIFT £'000	Eliminations and Unallocated items £'000	Continuing £'000	Discontinued Medical Services £'000	Total £'000
Revenue from external customers	23,809	–	34,145	3,665	500	62,119	–	62,119
Inter-segment sales	902	–	–	–	(902)	–	–	–
Segment revenue	24,711	–	34,145	3,665	(402)	62,119	–	62,119
Operating profit/(loss)	19,981	(1,130)	1,561	450	(2,061)	18,801	–	18,801
Cost of employee share-based incentives	(71)	(71)	105	(32)	333	264	–	264
Share of profits/(losses) of associates and joint ventures –	(400)	–	172	102	(2,578)	(2,704)	–	(2,704)
Unrealised surplus on revaluation of investment properties	8,490	–	–	–	–	8,490	–	8,490
Unrealised surplus on revaluation of investment property under construction	–	5,368	–	–	–	5,368	–	5,368
Realised surplus on disposal of assets held for sale	464	–	–	–	–	464	–	464
Costs on sale of business	–	–	–	–	(15)	(15)	–	(15)
Reversal of pharmacy licence impairment	–	–	1,197	–	–	1,197	–	1,197
Impairment of property, plant & equipment	–	–	355	–	–	355	–	355
Impairment of property development goodwill	–	(2,899)	–	–	–	(2,899)	–	(2,899)
Negative goodwill on acquisition of AH Medical Properties plc	–	453	–	–	–	453	–	453
Negative goodwill on acquisition of Assura Pharmacy (South West) Limited	–	–	6	–	–	6	–	6
Profit on acquisition of Assura Pharmacy (South West) Limited	–	–	172	–	–	172	–	172
Premises provision	–	–	(7)	–	285	278	–	278
Restructuring costs	(51)	–	(214)	(46)	–	(311)	–	(311)
Acquisition costs – legal and professional fees	(1,851)	–	–	–	–	(1,851)	–	(1,851)
AH Medical Properties plc employee termination payments	(336)	–	–	–	–	(336)	–	(336)
AH Medical Properties plc asset management agreement termination fee	(1,500)	–	–	–	–	(1,500)	–	(1,500)
Acquisition costs – Assura Pharmacy (South West) Limited	–	–	(10)	–	–	(10)	–	(10)
Segmental result	24,726	1,721	3,337	474	(4,036)	26,222	–	26,222

	Property Investment £'000	Property Development £'000	Pharmacy £'000	LIFT £'000	Eliminations and Unallocated items £'000	Continuing £'000	Discontinued Medical Services £'000	Total £'000
Net finance revenue/(cost)	(14,658)	–	(712)	433	–	(14,937)	–	(14,937)
Revaluation of derivative financial instruments	–	–	–	–	(37)	(37)	–	(37)
Profit/(loss) before tax	10,068	1,721	2,625	907	(4,073)	11,248	–	11,248
Taxation	3,444	–	380	–	–	3,824	–	3,824
Profit/(loss) for the period	13,512	1,721	3,005	907	(4,073)	15,072	–	15,072
<b>Assets and liabilities</b>								
Intangibles	–	17,125	23,742	3,718	–	44,585	–	44,585
Fixed assets	474,273	35,028	3,770	–	183	513,254	–	513,254
Equity accounted investments	–	–	–	6,713	3,146	9,859	–	9,859
Current assets	36,834	6,938	11,220	794	7,154	62,940	–	62,940
Segment assets	511,107	59,091	38,732	11,225	10,483	630,638	–	630,638
Deferred tax asset						1,844	–	1,844
Total assets						632,482	–	632,482
Segment liabilities								
Current liabilities	(24,308)	–	(7,370)	(840)	(5,347)	(37,865)	–	(37,865)
Derivative financial instruments						(14,165)	–	(14,165)
Non-current liabilities						(360,319)	–	(360,319)
Total liabilities						(412,349)	–	(412,349)
Other segmental information								
Capital expenditure:								
Property, plant and equipment	347	–	1,204	–	263	1,814	–	1,814
Intangible assets	–	–	6,659	–	–	6,659	–	6,659
Depreciation	261	–	361	–	401	1,023	–	1,023

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 16. Segmental information continued

Year ended 31 March 2010:

	Property Investment £'000 (restated)	Property Development £'000 (restated)	Pharmacy £'000	LIFT £'000 (restated)	Eliminations and Unallocated items £'000	Continuing £'000 (restated)	Discontinued Medical Services £'000	Total £'000 (restated)
Revenue from external customers	21,516	–	31,214	2,405	626	55,761	732	56,493
Inter-segment sales	1,890	–	–	161	(2,051)	–	–	–
Segment revenue	23,406	–	31,214	2,566	(1,425)	55,761	732	56,493
Operating profit/(loss)	16,622	(1,936)	402	24	(1,799)	13,313	(6,064)	7,249
Cost of employee share-based incentives	192	192	(14)	(32)	(22)	316	793	1,109
Share of profits/(losses) of associates and joint ventures	–	–	1,623	(3,049)	(125)	(1,551)	(913)	(2,464)
Unrealised surplus on revaluation of investment properties	6,316	–	–	–	–	6,316	–	6,316
Realised surplus on revaluation of investment property	394	–	–	–	–	394	–	394
Unrealised deficit on revaluation of property, plant and equipment	(47)	–	–	–	–	(47)	–	(47)
Impairment of development properties	–	(2,171)	–	–	–	(2,171)	–	(2,171)
Gain on sale of pharmacy licences	–	–	1,118	–	–	1,118	–	1,118
Impairment of goodwill	–	(4,767)	–	–	–	(4,767)	(279)	(5,046)
Impairment reversal of pharmacy licences	–	–	1,300	–	–	1,300	–	1,300
Impairment of property, plant and equipment	–	–	(258)	–	–	(258)	–	(258)
Premises provision	–	–	(98)	–	(1,896)	(1,994)	–	(1,994)
Restructuring costs	(2,468)	–	(131)	(61)	(1,997)	(4,657)	(374)	(5,031)
Disposal of division	–	–	–	–	–	–	(7,146)	(7,146)
Segmental result	21,009	(8,682)	3,942	(3,118)	(5,839)	7,312	(13,983)	(6,671)
Gain on disposal of other investments	–	–	–	–	409	409	–	409
	21,009	(8,682)	3,942	(3,118)	(5,430)	7,721	(13,983)	(6,262)
Net finance revenue/(cost)	(12,880)	–	(707)	183	236	(13,168)	–	(13,168)
Revaluation of derivative financial instruments	–	–	–	–	8,334	8,334	–	8,334
Profit/(loss) before tax	8,129	(8,682)	3,235	(2,935)	3,140	2,887	(13,983)	(11,096)
Taxation	–	–	–	–	2,376	2,376	–	2,376
Profit/(loss) for the period	8,129	(8,682)	3,235	(2,935)	5,516	5,263	(13,983)	(8,720)

	Property Investment £'000 (restated)	Property Development £'000 (restated)	Pharmacy £'000	LIFT £'000 (restated)	Eliminations and Unallocated items £'000	Continuing £'000 (restated)	Discontinued Medical Services £'000	Total £'000 (restated)
<b>Assets and liabilities</b>								
Intangibles	–	20,024	15,685	3,718	–	39,427	–	39,427
Fixed assets	325,891	28,875	3,127	–	581	358,474	–	358,474
Equity accounted investments	–	–	7,588	4,847	5,439	17,874	–	17,874
Current assets	10,349	18,498	8,426	1,304	4,759	43,336	–	43,336
Segment assets	336,240	67,397	34,826	9,869	10,779	459,111	–	459,111
Other investments						1,464	–	1,464
Total assets						460,575	–	460,575
<b>Segment Liabilities</b>								
Current liabilities	(18,472)	–	(4,970)	(954)	(4,807)	(29,203)	–	(29,203)
Derivative financial instruments						(17,274)	–	(17,274)
Non-current liabilities						(251,416)	–	(251,416)
Total liabilities						(297,893)	–	(297,893)
<b>Other segmental information</b>								
<b>Capital expenditure:</b>								
Property, plant and equipment	802	–	392	–	292	1,486	636	2,122
Intangible assets	–	–	1,050	–	–	1,050	279	1,329
Depreciation	459	–	384	–	1,211	2,054	378	2,432

Included within the above results for the investment property segment are the results for Assura Health & Wellness Centres Limited which ceased to trade on 31 March 2010. The loss for the year ending 31 March 2010 for this company was £1,181,000.

#### Information about major customers

Annual revenue from one customer amounted to £32,604,000 (2010: £29,334,000) arising from sales reported in the Pharmacy segment.



## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 17. Investments in subsidiaries

A table listing all the subsidiaries, including dormant subsidiaries, is below:

Name of Subsidiary	Place of incorporation	Share-holding 2011	Share-holding 2010	Business Activity
Abbey Court Health Consortium Limited	England	100%	100%	Dormant
AH Medical Properties PLC (acquired 18 February 2011)	England	100%	–	Holding Company
AH Primary Care Investments Limited (acquired 18 February 2011)	England	100%	–	Dormant
Armside Chemists Limited	England	100%	100%	Dormant
Assura (AHI) Limited (formerly Ashley House Investments Limited) (acquired 18 February 2011)	England	100%	–	Trading Company
Assura Aylesham Limited	England	100%	100%	Property Investment
Assura Banbury Limited	England	100%	100%	Property Investment
Assura Birkenhead Limited	England	100%	100%	Dormant
Assura Care Homes Limited	England	100%	100%	Trading Company
Assura Diagnostics Limited	England	100%	100%	Dormant
Assura Fund Management LLP (sold 7 March 2011)	England	–	100%	Fund Management
Assura Grimsby Limited	England	100%	100%	Property Investment
Assura Health & Wellness Centres Limited	England	100%	100%	Dormant
Assura Health Investments Limited	England	100%	100%	Property Investment
Assura Intelligence Limited	England	100%	100%	Medical Data Processing Company
Assura Investments Limited	England	100%	100%	Property Investment
Assura Kensington Limited	England	100%	100%	Property Investment
Assura LIFT Holdings Limited	England	100%	100%	Investment Holding Company & Management Services
Assura Limited	England	100%	100%	Dormant
Assura Management Services Limited	England	100%	100%	Management Services
Assura Medical Centres Limited	England	100%	100%	Property Investment
Assura Medical Equipment Services Limited	England	100%	100%	Dormant
Assura Pharmacy Holdings Limited	Guernsey	100%	100%	Holding Company
Assura Pharmacy Limited	England	100%	100%	Pharmacy
Assura Pharmacy (South West) Limited (additional 50% holding acquired 28 February 2011)	England	100%	50%	Pharmacy
Assura PharmInvest Limited	England	100%	100%	Holding Company
Assura Properties Limited	England	100%	100%	Property Investment
Assura Properties UK Limited	England	100%	100%	Property Investment
Assura Property Limited	Guernsey	100%	100%	Holding Company
Assura Property Management Limited	England	100%	100%	Property Management
Assura Retail York Limited	England	100%	100%	Property Investment
Assura Services Limited	England	100%	100%	Holding Company
Assura Southampton Limited	England	100%	100%	Property Investment

<b>Name of Subsidiary</b>	<b>Place of incorporation</b>	<b>Share-holding 2011</b>	<b>Share-holding 2010</b>	<b>Business Activity</b>
Assura Stanwell Limited (formerly Ashley House (Stanwell) Limited) (acquired 18 February 2011)	England	100%	–	Property Investment
Assura Todmorden Limited	England	100%	100%	Property Investment
Assura Tunbridge Wells Limited	England	100%	100%	Dormant
BHE (Heartlands) Limited	England	100%	100%	Property Investment
BHE (St James) Limited	England	100%	100%	Property Investment
Cambridgeshire ICO Limited	England	100%	100%	Dormant
Clearup Limited	England	100%	100%	Dormant
Crown Heights Consortium (No. 2) Limited	England	100%	100%	Dormant
Crown Heights Health Consortium Limited	England	100%	100%	Dormant
Douglas Skeeles Limited	England	100%	50%	Dormant
Fairfield Medical Centre Limited (acquired 18 February 2011)	England	100%	–	Dormant
Freshney Green Health Consortium Limited	England	100%	100%	Dormant
Harvey & Richardson (Holdings) Limited	England	100%	100%	Dormant
Harvey & Richardson Limited	England	100%	100%	Dormant
Medical Properties Limited (acquired 18 February 2011)	England	100%	–	Property Investment
P&L Worsley Limited	England	100%	100%	Dormant
PCI Management Limited	England	100%	100%	Holding Company
Primary Care Initiatives (Macclesfield) Limited	England	100%	100%	Property Investment
Skeeles Pharmacy Limited	England	100%	50%	Dormant
South Bar Doctors Limited	England	100%	100%	Dormant
SPCD (Crawcrook) Limited (acquired 18 February 2011)	England	100%	–	Property Investment
SPCD (Davyhulme) Limited (acquired 18 February 2011)	England	100%	–	Property Investment
SPCD (Didcot) Limited (acquired 18 February 2011)	England	100%	–	Property Investment
SPCD (Kincaidston) Limited (acquired 18 February 2011)	England	100%	–	Property Investment
SPCD (Rugeley) Limited (acquired 18 February 2011)	England	100%	–	Property Investment
SPCD (Sutton in Ashfield) Limited (acquired 18 February 2011)	England	100%	–	Property Investment
TM Surgeries Limited (acquired 18 February 2011)	England	100%	–	Dormant
Trinity Healthcare Consortium Limited	England	100%	100%	Dormant

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 18. Investment property

Properties are stated at fair value, which has been determined based on valuations performed by Savills Commercial Limited, DTZ Debenham Tie Leung, Knight Frank LLP as at 31 March 2011, on the basis of open market value, supported by market evidence, in accordance with international valuation standards.

The properties have been valued individually in accordance with RICS valuation standards (7th edition in respect of properties valued by Savills Commercial Limited, and 6th edition in respect of all other property valuations) and their valuation does not reflect the potential for a premium if disposed of as a single lot. A reasonable disposal programme has been assumed, for the purposes of the valuation, for the individual lots so as not to flood the market at one point in time. Access to debt finance on reasonable commercial terms has also been assumed.

Base yields have been assumed at between 5.75% and 6.25% (2010: 5.75% and 6.25%) for prime units with weaker tenants and poorer units valued at yields of between 6.25% and 10% (2010: 6.25% and 10%).

A 0.25% shift of valuation yield would have approximately a £18.6m (2010: £14.0m) impact on the investment property valuation.

These values are uncertain as a result of the relatively small number of recent comparable market transactions. The valuations are exclusive of any VAT, ignore sales costs but are after deducting 5.8% (2010: 5.725%) for assumed purchasers' costs.

	31/03/11 £'000	31/03/10 £'000 (restated)
Opening fair value of investment property	314,781	277,753
Separately acquired assets	357	835
Additions as part of a business combination	125,590	–
Subsequent expenditure	495	2,096
Transfer from investment property under construction (note 19)	19,182	36,961
Transfer from land & buildings (note 23)	3,430	8,755
Transfer to land & buildings	–	(495)
Transfer to assets held for sale (note 26)	(225)	(2,870)
Disposals	(8,256)	(12,525)
Unrealised surplus on revaluation	8,490	6,316
Unrealised deficit on revaluation of Assura Health & Wellness Centres Limited	–	(2,045)
Closing market value	463,844	314,781
Add finance lease obligations recognised separately	979	1,076
Closing fair value of investment property	464,823	315,857

	31/03/11 £'000	31/03/10 £'000 (restated)
Market value as estimated by external valuer	460,651	312,596
Add pharmacy lease premiums	3,193	2,185
Add finance lease obligations recognised separately	979	1,076
Fair value for financial reporting purposes	464,823	315,857

Prior to a site being acquired, any site acquisition, investigation and third party bid related costs are included in work in progress. Upon acquisition of a site, transfers are made from work in progress to investment property under construction where future costs are subsequently included. Upon acquisition of an investment property again any pre acquisition costs are transferred from work in progress to investment property. Finally costs are transferred to investment property from investment property under construction upon practical completion of the medical centre and when tenants have taken occupation or signed lease agreements. Transfers are made to and from land and buildings in respect of the proportion of those properties used or vacated by the Group during the period.

### 19. Investment property under construction

Unless stated at cost, the fair value of investment property under construction has been determined on a market value basis in accordance with International Valuation Standards, as set out by the IVSC. In arriving at their estimates of market values the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables. The valuers had reference to the Proposed Guidance Note 'The Valuation of Investment Property under Construction' issued by the IVSC in August 2009.

The valuations were performed by Savills Commercial Limited and King Sturge LLP, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

	<b>31/03/11</b>	<b>31/03/10</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(restated)</b>
Opening balance	27,690	–
Additions as part of a business combination	6,127	–
Development costs incurred in year	19,437	14,507
Capitalised interest	818	1,364
Transfer from work in progress	–	1,127
Impairment	–	(2,171)
Disposals	(2,360)	(988)
Transfer to held for sale (note 26)	(2,870)	(3,830)
Transfer to investment property (note 18)	(19,182)	(36,961)
Unrealised profit on revaluation	5,368	–
Transfer from development property	–	54,767
Impairment of Assura Health & Wellness Centres Limited developments	–	(125)
Closing balance	35,028	27,690

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 20. Investments in Associates and Joint Ventures

The Group has the following investments in associates:

#### Associates

Name of Company	Year Ended	Shares held by the Group	% held	Place of Incorporation	Business Activity
GBConsortium 1 Limited	31 March	6,947 Ordinary Shares of £1	44.4444%	England	Holds 60% of the share capital in the Barnet, Enfield and Haringey, and Liverpool and Sefton LIFT Companies
GBConsortium 2 Limited	31 March	2,580 Ordinary Shares of £1	50% <sup>1</sup>	England	Holds 60% of the share capital in the Coventry LIFT Company
GB Primary Care Limited	31 March	8,500 Ordinary Shares £1 each	85% <sup>1</sup>	England	Holds 60% of the share capital in the South East Essex LIFT Company
GB Primary Care (SWH) Limited	31 March	5,400 Ordinary Shares £1 each	90% <sup>1</sup>	England	Holds 60% of the share capital in the South West Hampshire LIFT company
Infracare (Midlands) Limited	30 September	257 Ordinary Shares of £1	43%	England	Holds 60% of the share capital in the Dudley South LIFT Company
MerseyCare Development Company Limited	31 March	2 Ordinary Shares of £1	50% <sup>1</sup>	England	Development company
Virgin Healthcare Holdings Limited	31 March	2,490 Ordinary Shares of £0.01	24.9%	England	Holds the entire share capital of Assura Medical Limited

<sup>1</sup> The above companies are not treated as subsidiaries due to the Group's restrictions on exercising control over the underlying investments of the entities.

All transfers of funds and distributions from the associated LIFT companies, including loan repayments and dividends, require approval by all shareholders. This is considered to be a significant restriction on the ability to transfer funds from the entities.

The above investments comprise:

	31/03/11 Group £'000	31/03/10 Group £'000 (restated)
Cost of shares	2,873	2,866
Loans – interest bearing	8,610	6,853
Loans – non interest bearing	3,146	2,860
Share of accumulated (losses)/profits before revaluation of derivative financial instruments	(529)	1,383
Share of financial derivatives of associates	(4,241)	(3,676)
	9,859	10,286

The above interest bearing loans are unsecured, due after one year, and carry interest at between 12 and 13%.

The non-interest bearing loan is unsecured and repayable by way of a first call on future profits of Virgin Healthcare Holdings Limited.

The following information is given in respect of the Group's share of all associates:

	<b>31/03/11 Group £'000</b>	<b>31/03/10 Group £'000 (restated)</b>
Non-current assets	80,622	66,767
Current assets	9,122	13,983
Share of gross assets	89,744	80,750
Current liabilities	(8,996)	(11,238)
Non-current liabilities	(85,518)	(71,805)
Share of gross liabilities	(94,514)	(83,043)
Share of net assets	(4,770)	(2,293)
Add back loans	11,756	9,713
Cost of share capital	2,873	2,866
Carrying amount of associates	9,859	10,286
<b>Share of associates revenue and profit:</b>		
Revenue	19,094	11,202
(Loss)/profit	(1,912)	502

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

	<b>31/03/11 Group £'000</b>	<b>31/03/10 Group £'000 (restated)</b>
Opening balance	10,286	5,803
Investments acquired in period	7	3,203
Net loans advanced or transferred	2,043	4,454
Revaluation of derivative financial instrument	(565)	(3,676)
Share of (losses)/profits before revaluation of derivative financial instruments	(1,912)	502
Closing balance	9,859	10,286

The Group has the following investments in joint ventures:

#### Joint Ventures

Name of Entity	Year Ended 2011	Shares held by the Group	% held	Place of Incorporation	Business Activity	Date of Incorporation
AH Scarborough Health Park Limited	30 April	50 Ordinary shares of £1	50%	England	Property Investment	15/08/07

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 20. Investments in Associates and Joint Ventures continued

In the current year the Group acquired the remaining 50% in a former joint venture Assura Pharmacy (South West) Limited (formerly GP Care Pharmacy Limited). The investment in the joint venture is therefore included in the 2010 balances below.

The above investments comprise:

	31/03/11 Group £'000	31/03/10 Group £'000
Loan	400	7,826
Impairment of loan – AH Scarborough Health Park Limited	(400)	–
Share of accumulated losses	–	(238)
	–	7,588

The following information is given in respect of the Group's share of all joint ventures:

	31/03/11 Group £'000	31/03/10 Group £'000
Non-current assets	–	3,383
Current assets	–	760
Share of gross assets	–	4,143
Current liabilities	400	4,381
Non-current liabilities	–	–
Share of gross liabilities	400	4,381
Share of net liabilities	(400)	(238)
Add back loans	400	7,826
Other	–	–
Carrying amount of joint ventures	–	7,588
<b>Share of joint ventures revenue and profit:</b>		
Revenue	2,903	2,784
(Loss)/profit	(228)	710

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

	31/03/11 Group £'000	31/03/10 Group £'000
Opening balance	7,588	10,807
Investments acquired in period	–	1,036
Investments sold in period	66	(3,317)
Net loans advanced or transferred	(7,426)	(1,650)
Share of losses in period	(228)	(867)
Share of licence impairment	–	1,579
Closing balance	–	7,588

## 21. Intangible assets

	<b>Goodwill</b>	<b>Pharmacy</b>	<b>Total</b>
	<b>31/03/11</b>	<b>licences</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>31/03/11</b>	<b>31/03/11</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 April 2010	38,923	14,383	53,306
Intangible asset additions	–	186	186
Intangible asset additions acquired as part of a business combination	–	6,673	6,673
At 31 March 2011	38,923	21,242	60,165
<b>Impairment</b>			
At 1 April 2010	12,681	1,198	13,879
Impairment during the period – property development	2,899	–	2,899
Write back of previous impairment during the period – pharmacy licences	–	(1,198)	(1,198)
At 31 March 2011	15,580	–	15,580
<b>Net book value at 31 March 2011</b>	<b>23,343</b>	<b>21,242</b>	<b>44,585</b>

	<b>Goodwill</b>	<b>Pharmacy</b>	<b>Total</b>
	<b>31/03/10</b>	<b>licences</b>	<b>31/03/10</b>
	<b>£'000</b>	<b>31/03/10</b>	<b>31/03/10</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 April 2009	40,734	13,333	54,067
Goodwill arising in the year as below	279	–	279
Disposal of goodwill associated with the medical services division	(2,090)	–	(2,090)
Intangible asset additions	–	1,050	1,050
At 31 March 2010	38,923	14,383	53,306
<b>Impairment</b>			
At 1 April 2009	9,725	2,498	12,223
Disposal of goodwill associated with the Medical Services division	(2,090)	–	(2,090)
Impairment during the period – Medical Services	279	–	279
Impairment during the period – Pharmacy	–	545	545
Write back of previous impairment during the period – Pharmacy	–	(1,845)	(1,845)
Impairment during the period – Property development	4,767	–	4,767
At 31 March 2010	12,681	1,198	13,879
<b>Net book value at 31 March 2010</b>	<b>26,242</b>	<b>13,185</b>	<b>39,427</b>

Pharmacy licences represent an ongoing open ended relationship with local PCTs to provide drugs and services on behalf of the NHS. They are therefore considered to have an indefinite useful life.



## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 21. Intangible assets continued

#### Impairment of goodwill

The Group tests annually whether goodwill or pharmacy licenses have suffered any impairment.

Goodwill acquired through business combinations and licences have been allocated for impairment testing purposes to three cash generating units (CGUs) as follows:

	Goodwill		Pharmacy licences	
	31/03/11	31/03/10	31/03/11	31/03/10
Property development cash generating unit	17,125	20,024	–	–
LIFT cash generating unit	3,718	3,718	–	–
Pharmacy cash generating unit	2,500	2,500	21,242	13,185
	23,343	26,242	21,242	13,185

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The property investment CGU has no associated goodwill or intangibles.

#### Sensitivity Analysis

With regard to the assessment of the value in use of the property development CGU a 1% increase in the discount rate would result in an increase in the impairment provision in the year of £1,300,000 whilst a 1% decrease in the growth rate would result in an increase in the impairment provision in the year of £1,200,000. A 1% decrease in the development margin would result in an increase in the impairment provision in the year of £1,700,000.

With regard to the assessment of the value in use of the LIFT CGU a reasonable change in a key assumption does not result in the carrying amount of the CGU exceeding the recoverable amount.

Pharmacy CGU has been determined based on fair value less costs to sell basis.

#### Property development cash generating unit

The recoverable amount of the property development unit has been determined based on a value in use calculation according to a budget approved by the Board covering a four year period. The discount rate applied to cash flow projections is 8.4% (2010: 7.1%) and cash flows beyond the four year forecasts are extrapolated using a 3.5% growth rate (2010: 5%) based on management's experience and reasonable expectations.

The discount rate applied to the forecast cash flows was based upon the CGU's Weighted Average Cost of Capital. The cost of equity was determined using the Capital Asset Pricing Model and a Beta appropriate to the Property Sector of 0.74. The cost of debt was based upon the Group's actual average rates of borrowing over the next 5 years.

#### LIFT cash generating unit

The recoverable amount of the LIFT unit has been determined based on a value in use calculation according to financial models approved by LIFT company shareholders covering a 25 year period. The discount rate applied to cash flow projections is 11.0% (2010: 9.5%). The forecast cash flows include the project returns on funding loans provided by Assura LIFT Holdings Limited based on the actual interest rate of 12% to 14% (2010: 12% to 14%), the estimated residual value at the end of the primary lease period and the pipeline of projects.

The discount rate applied to cash flows was calculated using a multi factor model for valuing infrastructure reflecting appropriate risk factors.

### Pharmacy cash generating unit

The recoverable amount of the pharmacy unit has been determined based on fair value less costs to sell basis. Fair value has been determined based upon offers received for the pharmacy business during the period which is considered to be an observable market price.

An impairment reversal of £1,198,000 (2010: impairment of £545,000 and an impairment reversal of £1,845,000) in respect of certain individual Pharmacy Licences has been recognised during the year based upon fair value less costs to sell basis.

## 22. Business combinations

### 2011

#### AH Medical Properties PLC

On 18 February 2011, the Group acquired 100% of the Ordinary Share Capital of AH Medical Properties PLC, a public company based in England. The company is involved in property investment & development and the acquisition has enlarged the existing investment & development portfolio of the group. The consideration of £26,184,000 was satisfied by a combination of cash and equity as shown below.

The fair values of identifiable assets and liabilities of AH Medical Properties PLC & its subsidiaries as at the date of acquisition were:

	<b>Fair value Property acquisitions £'000</b>
Investment properties	125,590
Investment properties under construction	6,127
Receivables	2,432
Cash	645
Payables	(5,812)
Long-term loans	(96,796)
Convertible loans	(2,105)
Deferred tax	(3,444)
<b>Total identifiable net assets at fair value</b>	<b>26,637</b>
Negative goodwill arising on acquisition	(453)
<b>Total purchase consideration transferred</b>	<b>26,184</b>
<i>Purchase consideration:</i>	
Fair value of shares issued (42,340,319 at £0.4575)	19,371
Cash	6,813
<b>Total purchase consideration</b>	<b>26,184</b>
<i>Analysis of cash flows on acquisition:</i>	
Transaction costs of the acquisition (included in cash flows from operating activities)	(3,687)
Cash acquired with the subsidiary (included in cash flows from investing activities)	645
Cash paid as consideration (included within cash flows from investing activities)	(6,813)
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	(534)
<b>Net cash flow on acquisition</b>	<b>(10,389)</b>

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 22. Business combinations continued

The Group issued 42,340,319 shares as consideration for 74% of the total acquisition price. The terms of the offer were such that the investors of AH Medical Properties PLC could either have 0.85 new Assura Group Limited shares for each AH Medical Properties PLC share or a cash alternative of £0.40 per share. The fair value of the shares is the published price of the shares of the Company at the acquisition date. Therefore the fair value of the consideration given is £19,371,000.

The fair value of the trade receivables amounts to £2,432,000. The gross amount of trade receivables is £2,432,000. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

Total transaction costs of £3,687,000 (£1,500,000 asset management termination fee, £1,851,000 legal and professional fees and £336,000 employee termination payments) have been expensed and are included within exceptional items. The attributable costs of the issuance of equity instruments of £534,000 have been charged directly to equity. Negative goodwill of £453,000 has been taken to the Consolidated Income Statement and is shown within exceptional items (see note 8).

From the date of acquisition to 31 March 2011, AH Medical Properties PLC has contributed £696,000 of revenue and £78,000 to the profit after tax of the Group. If the combination had taken place at the beginning of the year, the consolidated profit for the year from continuing operations of the Group would have been £18,231,000 and revenue from continuing operations would have been £68,745,000.

The following transactions were entered into during the negotiation of the acquisition:

- The termination of the asset management contract with Ashley House PLC for which £1.5m was paid on completion and was accounted for post acquisition;
- A period of exclusivity was granted to Ashley House PLC to conduct due diligence on the possible acquisition of Assura LIFT Holdings Limited for initial consideration of £0.75m, rising to £1.5m subject to certain performance criteria. Assura Group Limited would retain the LIFT investments and investment rights in the business;
- Assura Group Limited would loan AH Scarborough Health Park Limited the sum of £0.4m to enable it to pay Ashley House PLC a design fee of £0.4m in respect of the project at Scarborough; and
- An initial 6 month agreement giving Assura Group Limited first refusal over Ashley House PLC's available pipeline of development schemes.

Goodwill on an acquisition normally relates to the value of future cashflows not being reflected in the value of net assets acquired. However, as the properties acquired with AH Medical Properties PLC are valued at fair value, and therefore already incorporate future cashflows, there was no positive goodwill arising. The negative goodwill therefore only represents minimal differences between the consideration paid for other assets and liabilities.

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

#### Assura Pharmacy (South West) Limited (formerly GP Care Pharmacy Limited)

On 28 February 2011 the Group acquired the remaining 50% Ordinary Share Capital of Assura Pharmacy (South West) Limited which was included within joint ventures in the previous year. The acquisition has enlarged the wholly owned pharmacy portfolio. Of the £1,350,000 total consideration, £100,000 was paid in cash. There is no contingent consideration due.

	<b>Fair value of assets £'000</b>
Tangible fixed assets	340
Intangible fixed assets	6,673
Investment in subsidiary	109
Inventory	335
Cash	522
Receivables	708
Payables	(931)
Intercompany loans	(6,294)
<b>Total identifiable net assets at fair value</b>	<b>1,462</b>
Pre-acquisition share of losses	66
Pre-acquisition gain on asset revaluation	(172)
Negative goodwill arising on acquisition	(6)
<b>Total purchase consideration transferred</b>	<b>1,350</b>
<i>Purchase consideration:</i>	
Capitalisation of loan	1,250
Cash	100
<b>Total purchase consideration</b>	<b>1,350</b>
<i>Analysis of cash flows on acquisition:</i>	
Transaction costs of the acquisition (included in cash flows from operating activities)	(10)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	522
<b>Net cash flow on acquisition</b>	<b>512</b>

The fair value of the trade receivables amounts to £674,000. The gross amount of trade receivables is £674,000. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

Transaction costs of £10,000 have been expensed and are included within exceptional items (see note 8).

The pre-acquisition gain on asset revaluation of £172,000 and negative goodwill of £6,000 have been taken to the Consolidated Income Statement and are shown within exceptional items (see note 8).

From the date of acquisition to 31 March 2011, Assura Pharmacy (South West) Limited has contributed £586,000 of revenue and £90,000 to the profit after tax of the Group. If the combination had taken place at the beginning of the year, the consolidated profit for the year from continuing operations of the Group would have been £15,356,000 and revenue from continuing operations would have been £67,923,000.

Goodwill on an acquisition normally relates to the value of future cashflows not being reflected in the value of net assets acquired. However, as the assets acquired with Assura Pharmacy (South West) Limited are valued at fair value, and therefore already incorporate future cashflows, there was no positive goodwill arising. The negative goodwill therefore only represents minimal differences between the consideration paid for other assets and liabilities.

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

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 22. Business combinations continued

Assura Fund Management LLP

During the year Assura Fund Management LLP was sold. The partnership was dormant and was sold for its book value of £2. No gain or loss was recorded on the sale.

#### 2010

On 28 August 2009 Assura Group Limited purchased the remaining 20% interest in Assura Diagnostics Limited for £63,000.

	Book Value Medical acquisitions £'000	Fair Value Medical acquisitions £'000
Non-controlling Interest as at 31st March 2009	(178)	(178)
Share of losses during the year ended 31 March 2010	(38)	(38)
Net liabilities acquired	(216)	(216)
Cash paid		63
Goodwill arising on acquisition		279

### 23. Property, Plant and Equipment

	Land and buildings 31/03/11 £'000	Computer, medical and other equipment 31/03/11 £'000	Fixtures, fittings and furniture 31/03/11 £'000	Total 31/03/11 £'000
<b>Cost or valuation</b>				
At 1 April	12,767	1,447	3,523	17,737
Transfer to investment property (note 18)	(4,010)	–	–	(4,010)
Additions at cost	353	488	633	1,474
Disposals at cost	–	(892)	(868)	(1,760)
Acquired as part of business combination	100	11	229	340
Reversal of impairment	–	–	354	354
Revaluation	590	–	–	590
At 31 March	9,800	1,054	3,871	14,725
<b>Depreciation</b>				
At 1 April	851	1,084	875	2,810
Transfer to investment property (note 18)	(580)	–	–	(580)
Depreciation for the year	268	460	295	1,023
Disposals	–	(742)	(467)	(1,209)
Revaluation	(539)	–	–	(539)
At 31 March	–	802	703	1,505
<b>Net book value at 31 March 2011</b>	<b>9,800</b>	<b>253</b>	<b>3,167</b>	<b>13,220</b>

	Land and buildings 31/03/10 £'000	Computer, medical and other equipment 31/03/10 £'000	Fixtures, fittings and furniture 31/03/10 £'000	Total 31/03/10 £'000
<b>Cost or valuation</b>				
At 1 April	20,635	5,080	4,290	30,005
Transfer from investment property	495	–	–	495
Transfer to investment property (note 18)	(8,755)	–	–	(8,755)
Additions at cost	237	498	823	1,558
Disposals at cost	–	(3,096)	45	(3,051)
Discontinued	–	(527)	(577)	(1,104)
Impairment of office fixtures and fittings	–	(508)	(800)	(1,308)
Impairment of pharmacy fixtures and fittings	–	–	(258)	(258)
Revaluation	155	–	–	155
At 31 March	12,767	1,447	3,523	17,737
<b>Depreciation</b>				
At 1 April	392	1,873	942	3,207
Depreciation for the year	459	1,451	522	2,432
Impairment of office fixtures and fittings	–	(288)	(467)	(755)
Disposals	–	(1,679)	(94)	(1,773)
Discontinued	–	(273)	(28)	(301)
At 31 March	851	1,084	875	2,810
<b>Net book value at 31 March 2010</b>	<b>11,916</b>	<b>363</b>	<b>2,648</b>	<b>14,927</b>

Land and buildings are stated at fair value which has been determined based on valuations performed by Savills Commercial Limited as at 31 March 2011 on the basis of open market value, supported by market evidence, in accordance with international valuation standards. The previous valuation was carried out by Savills Commercial Limited on the same basis as at 31 March 2010. If the land and buildings were measured using the cost model, the carrying amounts would be as follows:

	31/03/11 £'000	31/03/10 £'000
Cost	5,819	9,830
Net book value	5,485	9,447

## 24. Cash, cash equivalents and restricted cash

	31/03/11 £'000	31/03/10 £'000
Petty cash	–	1
Cash held in current account	26,904	9,987
Restricted cash	12,048	14,614
	38,952	24,602

Restricted cash is in respect of an interest payment guarantee and cash ring fenced for committed property development expenditure which is released to pay contractors invoices directly.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 25. Trade and other receivables

	31/03/11 £'000	31/03/10 £'000
Trade debtors	3,658	3,986
VAT recoverable	1,086	–
Prepayments & accrued income	5,236	4,717
Other debtors	1,771	1,557
	11,751	10,260

The Group has entered into commercial property leases on its investment property portfolio. These non cancellable leases have remaining terms of up to 25 years with an average lease length of 16.5 years. All leases are subject to revision of rents according to various rent review clauses. Future minimum rentals receivable under non cancellable operating leases as at 31 March are as follows:

	31/03/11 £'000	31/03/10 £'000
Within one year	30,719	22,405
After one year but not more than five years	120,504	88,683
More than five years	358,941	272,206
	510,164	383,294

Trade debtors are generally on 30-60 days' terms and are shown net of a provision for impairment. As at 31 March 2011 no bad debts were provided for (2010: £nil).

As at 31 March 2011 and 31 March 2010, the analysis of trade debtors that were past due but not impaired is as follows:

	Past due but not impaired					
	Total £'000	Neither past due nor impaired £'000	>30 days £'000	>60 days £'000	>90 days £'000	>120 days £'000
2011	3,658	2,506	652	228	77	195
2010	3,986	2,761	569	97	183	376

The credit quality of trade debtors that are neither past due nor impaired is assessed by reference to internal historical information relating to counterparty default rates.

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

### 26. Non-current assets held for sale

	31/03/11 £'000	31/03/10 £'000
Investment property	3,095	2,870
Investment property under construction	6,700	3,830
	9,795	6,700

11 non-core property investments and 3 land sites are under offer for sale (2010: 3 non-core property investments and 3 land sites are under offer for sale).

## 27. Trade and other payables

	31/03/11 £'000	31/03/10 £'000
Trade creditors	10,232	7,248
Other creditors and accruals	10,098	7,364
Payments due under finance leases	99	98
Property premiums received	3,236	2,185
Rents received in advance	7,211	4,910
	30,876	21,805
Loan (see note 29)	3,102	6,544
<b>Total</b>	<b>33,978</b>	<b>28,349</b>

The total of future minimum lease payments payable under non-cancellable finance leases is shown below:

	31/03/11 £'000	31/03/10 £'000
Within one year	99	98
After one year but not more than five years	427	409
More than five years	453	569
	979	1,076

The above finance lease arrangements are in respect of investment property held by the Group on leasehold rather than freehold terms. The amounts due above that are more than one year, which total £879,000 (2010: £979,000) have been disclosed in non-current liabilities on the consolidated balance sheet.

## 28. Provisions

	31/03/11 £'000	31/03/10 £'000
Premises provision	1,330	1,994
	1,330	1,994

	31/03/11 £'000	31/03/10 £'000
At 1 April 2010	1,994	–
Arising during the year	270	1,994
Utilised	(525)	–
Reversal of unused amounts	(409)	–
At 31 March	1,330	1,994
Analysed as:		
Current	558	854
Non-current	772	1,140
	1,330	1,994

This premises provision relates to the onerous property lease on the Pall Mall and also pharmacy property leases where the pharmacy has been closed during the current or previous periods. The provisions are determined by calculating the minimum lease payments up to the shorter of the next break clause contained within the lease and the likely period in which a sub lease could be put in place as advised by letting agents.

This provision will unwind over the course of the next three to five years.



## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 29. Long-term loans

	31/03/11 £'000	31/03/10 £'000
At 1 April	255,841	238,279
Amount drawn down in year	20,177	75,302
Amount repaid in year	(11,014)	(57,411)
Acquired with acquisition	96,796	-
Loan issue costs	(238)	(895)
Amortisation of loan issue costs	208	566
At 31 March	361,770	255,841
Due within one year	3,102	6,544
Due after more than one year	358,668	249,297
At 31 March	361,770	255,841

The Group has the following bank facilities:

1. Term loan with National Australia Bank Limited for three years from 30 March 2009 with an option to extend for a fourth year. The facility was initially for £190m but reduced to £160m on 31 March 2010 and further reduced to £130m on 31 March 2011. The Group has however already repaid £64m and the balance at 31 March 2011 stood at £126m (2010: £135m). The loan facility with National Australia Bank is subject to the following financial covenants:

- (i) Loan to value ratio – the aggregate outstanding loan to current valuation of investment properties should not exceed 80%.
- (ii) Projected net rental income receivable during the following 12 month period must cover 130% of projected finance costs.
- (iii) Group financial indebtedness must be below 65% of gross asset value.
- (iv) Average weighted lease length must exceed 12.5 years.

Interest was charged at a rate of 2.25% above 3 month LIBOR while the balance was above £160m, 2.1% above LIBOR whilst the balance was above £130m and then reduces to 1.95% above LIBOR. If the loan to value ratio for properties charged to the bank is above 75%, then a 0.5% additional margin is charged. An interest rate swap at a rate of 3.29% (4.59% from 1 January 2012) has been taken out to hedge the interest on the loan.

This loan is secured by way of a debenture over several of the wholly owned property assets of the Group and a fixed charge over shares held in certain subsidiary companies.

2. Term loan with Royal Bank of Scotland PLC (RBS) for £8.25m secured on the Group's former head office building and investment property in Daresbury. The balance on this loan was £5.6m at 31 March 2011 (2010: £6.4m). £0.7m is due within a year (see note 36).

The loan from RBS is available until March 2013 and carries interest at 1.2% above LIBOR. Surplus rental income from the property is used to amortise the loan. An interest rate swap at a rate of 5.1% has been taken out to hedge the interest on the loan.

3. Loans from Aviva with an aggregate balance of £191.6m at 31 March 2011 (2010: £85.6m). The balance includes £96.8m of loans which were acquired on the acquisition of AH Medical Properties PLC. The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2021 and 2032. £2.4m is due within a year (see note 36). These loans are secured by way of charges over specific medical centre investment properties with cross collateralisation between the loans and security. The loans are subject to fixed all in interest rates ranging between 5.85% and 6.49%, and do not have loan to value covenants, and interest cover is required of 1.03 times.

4. Loans from Santander with an aggregate balance of £40.0m at 31 March 2011 (2010: £30.0m). This facility is available until March 2015 and carries interest at 1.8% above LIBOR. Surplus rental income from the property is used to partially amortise the loan. An interest rate swap at a rate of 2.995% has been taken out to hedge the interest on the loan. The loan must not exceed 75% of the value of the security and interest cover must be above 1.4 times (rising to 1.5 times).

The Group has been in compliance with all financial covenants on all of the above loans as applicable through the year, with the exception of one £1.725m loan acquired with AH Medical Properties PLC for which an amendment was obtained on 14 June 2011.

### 30. Derivative financial instrument at fair value

	Interest rate swaps (NAB) £'000	Interest rate swap (RBS) £'000	Interest rate swaps (Santander) £'000	Total derivative financial instruments of the parent £'000	Share of interest rate swap in associate £'000	Total derivative financial instruments £'000
Liability at 1 April 2010 (restated)	16,316	682	276	17,274	3,676	20,950
Movement in year	10	268	(210)	37	565	602
Liability at 31 March 2011	16,584	472	255	17,311	4,241	21,552

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

	31/03/11 £'000	31/03/10 £'000
Non-current assets	(183)	–
Current liabilities	3,329	–
Non-current liabilities	14,165	17,274
	17,311	17,274
Investment in associate	4,241	3,676
Total derivative financial instruments at fair value	21,552	20,950

#### Fair value hierarchy

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

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

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

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

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 30. Derivative financial instrument at fair value continued

	31/03/11 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss:				
Interest rate swaps	17,311	–	17,311	–
	17,311	–	17,311	–

	31/03/11 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss:				
Interest rate swaps	17,274	–	17,274	–
	17,274	–	17,274	–

During the reporting period ending 31 March 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of the Level 3 fair value measurements.

### 31. Share capital

	Number of shares 31/03/11	31/03/11 £'000	Number of shares 31/03/10	31/03/10 £'000
Authorised				
Ordinary Shares of 10p each	3,000,000,000	300,000	3,000,000,000	300,000
Preference Shares of 10p each	20,000,000	2,000	20,000,000	2,000
		302,000		302,000

The balance classified as share capital includes the nominal value received on the issue of the Company's equity share capital, comprising 10p Ordinary shares and 10p Preference shares.

	Number of Shares 31/03/11	Share Capital 31/03/11 £'000	Number of Shares 31/03/10	Share Capital 31/03/10 £'000
Ordinary Shares issued and fully paid				
Opening balance	317,467,036	31,747	317,467,036	31,747
Issued during the period	94,404,350	9,440	–	–
Closing balance	411,871,386	41,187	317,467,036	31,747
Own shares held	(4,373,219)	(2,018)	(11,039,886)	(5,093)
Total Share Capital	407,498,167	39,169	306,427,150	26,654

Own shares held comprise the weighted average cost of own shares held by the Employee Benefit Trust (EBT). During the period EBT sold 6,666,667 shares to the open market. This has therefore reduced the number of own shares held at the year end.

During the period 94,404,350 new shares were issued. 42,340,319 of these shares were issued to former shareholders of AH Medical Properties PLC at 45.75p per share as a result of the acquisition, 26,666,667 were as a result of a firm placement and 25,397,364 were issued via an open offer. Both the firm placement and open offer shares were issued at 45.0p per share.

## Voting rights

Ordinary shareholders are entitled to vote at all general meetings.

## Assura Equity Incentive Plan

On 15 May 2006 the Company formed the Assura Executive Equity Incentive Plan (EEIP) and issued and transferred 8,066,768 ordinary shares into the plan. The Plan has acquired shares subsequently. Participants are allocated units each of which represent one Ordinary Share, 68.5% of which were scheduled to vest on 31 December 2008 and the balance on 31 December 2010. These dates were varied in the period to March 2008 and are now 31 March 2009 and 31 March 2011 respectively. To the extent that units awarded have not been forfeited these units will vest at the end of the vesting periods if the compound growth in total shareholder return in each period is 12.5% above a base reference price of £1.90. A sliding scale will apply if the total shareholder return is between 0% and 12.5% over the base reference price. Upon vesting, an appropriate number of Ordinary Shares will be transferred by the trustees of the plan to participants less a deduction for the number of shares needed to recover any tax or national insurance liabilities which arise for participants. No units vested on 31 March 2011.

As at 31 March 2011 the EEIP held a total of 4,373,219 (2010: 11,039,886) Ordinary Shares of 10p each in Assura Group Limited.

On 15 January 2009 3,950,000 units were granted subject to new performance targets, on 17 July 2009 a further 750,000 units were granted. The units will vest at the end of the vesting periods if the compound growth in total shareholder return in each period is 15% above a base reference price of £0.55. A sliding scale will apply if the total shareholder return is between 15% and 30% over the base reference price. These units will vest on 31 March 2012.

On 17 February 2011 925,000 units were granted subject to new performance targets. There are two distinct performance conditions that apply to the units. 50% of an award will be subject to a performance condition measuring the Company's annual earnings per share growth over a three year period commencing on 1 April 2010. A sliding scale will apply such that the EPS for the last Financial Year of the Performance Period, as derived from the published accounts for that period, shows a growth over the Performance Period measured against an EPS of 3.5 pence of between 15% and 35%, this will result in between 20% to 50% of the awards vesting. The remaining 50% of an award will be subject to a performance condition measuring the Company's relative net assets value over the same three year period commencing on 1 April 2010. A sliding scale will apply such that the cumulative growth in Company's annual percentage total primary care property return as calculated by IPD measured against the IPD Primary Healthcare Index in the Performance Period is between equal to the Index and 125% of the Index, this will result in 10% to 50% of the awards vesting.

	31/03/11 Units	31/03/10 Units
Outstanding as at the start of the year	4,065,500	9,676,500
Granted during the year	925,000	750,000
Expired during the year	(844,500)	–
Cancelled during the year	(1,475,000)	–
Forfeited during the year in respect of leavers	(1,091,000)	(6,361,000)
Outstanding as at the end of the year	1,580,000	4,065,500
Units exercisable at the end of the year	–	–

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 31. Share capital continued

For units outstanding as at 31 March 2011, the weighted average remaining contractual life is 1.59 years (2010: 1.38 years).

The weighted average fair value of units granted during the period was £0.46 (2010: £0.13).

The fair value of equity settled units is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which units were granted. The following table lists the inputs to the model used for the year ended 31 March 2011 and the year ended 31 March 2010.

	31/03/11	31/03/10
Dividend yield (%)	0.0	0.0
Expected share price volatility (%)	n/a	72.6
Risk-free interest rate (%)	n/a	1.97
Expected life of units (years)	2.1	2.7
Weighted average share price (p)	45.8	33.0

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

The fair value of the units granted in the period, is £423,200 (2010: £99,000) based on the market price at the date the units were granted. This cost is allocated over the vesting period. The cost allocation for all outstanding units in the period was a credit of £264,000 (2010: credit of £1,109,000), due to the large number of forfeits by leavers.

### 32. Description of reserves

#### Share premium

The balance classified as share premium includes the excess receipts over and above the nominal value of the issued equity share capital of the Company, comprising 10p Ordinary shares and 10p Preference shares less any costs incurred on the issuance of these shares.

During the current period £33,359,000 was received on the issue of shares. Issue costs of £1,191,000 have been taken to this reserve.

During the prior period an amount of £70,000 was released back to this reserve following the final settlement of all costs in respect of the share issue.

### Distribution reserve

This reserve was created by means of a transfer from the share premium reserve during the 2006 year end as approved by the Royal Court in Guernsey. Any dividends paid to shareholders are shown as a movement through this reserve.

### Revaluation reserve

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

## 33. Net asset value per Ordinary Share

	Basic & diluted NAV per ordinary share 31/03/11 £'000	Adjusted basic & diluted NAV per ordinary share 31/03/11 £'000	Basic & diluted NAV per ordinary share 31/03/10 £'000 (restated)	Adjusted basic & diluted NAV per ordinary share 31/03/10 £'000 (restated)
Net assets	220,133	220,133	162,682	162,682
Own shares held reserve	–	2,018	–	5,093
Derivative financial instruments of the parent	–	17,311	–	17,274
Derivative financial instruments of associates	–	4,241	–	3,676
	220,133	243,703	162,682	188,725
Number of shares in issue	407,498,167	407,498,167	306,427,150	306,427,150
Net asset value per share	54.02p	59.80p	53.09p	61.59p

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 34. Note to the Consolidated Cash Flow Statement

	2011 £'000	2010 £'000 (restated)
<b>Reconciliation of net profit before taxation to net cash inflow from operating activities:</b>		
Net profit before taxation		
Profit from continuing activities	11,248	2,887
Loss from discontinued activities	–	(13,983)
	11,248	(11,096)
Adjustment for non-cash items:		
Depreciation	1,023	2,432
Increase/(decrease) in debtors	1,868	(567)
Increase/(decrease) in creditors	1,673	(1,072)
(Decrease)/increase in provisions	(663)	1,993
Increase in pharmacy inventories	(150)	(81)
Surplus on revaluation of investment property	(8,490)	(6,466)
Development property (gain)/impairment	(5,368)	2,322
Deficit on revaluation of property, plant and equipment	–	47
Surplus on revaluation of other investments	–	(814)
Loss on disposal of other investments	–	405
Interest capitalised on developments	(818)	(1,364)
Loss/(profit) on revaluation of financial instrument	37	(8,334)
Profit on disposal of investment properties	(464)	(394)
Profit on disposal of pharmacies	–	(1,118)
Profit on disposal of assets	(116)	(665)
Movement on goodwill	2,268	5,046
Licences impairment reversal	(1,197)	(1,300)
Impairment (reversal)/charge of property, plant and equipment	(354)	258
Interest on loan to associate	(286)	–
Share of losses of associates and joint ventures	2,704	2,464
Reversal of employee share-based incentive costs	(264)	(1,109)
Discontinued operations	–	4,118
Restructuring costs	–	2,981
Other gains and losses	–	2
Amortisation of loan issue costs	208	566
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,859</b>	<b>(11,746)</b>

### 35. Deferred tax

Deferred tax consists of the following:

Deferred income tax assets/(liabilities) recognised in the financial statements

	Consolidated balance sheet		Consolidated income statement	
	31/03/2011	31/03/2010	Year ended	Year ended
	£'000	£'000	31/03/2011	31/03/2010
Other timing differences	–	–	–	–
Capital allowances in excess of depreciation	(108)	–	(108)	–
Arising on acquisition of AH Medical Properties PLC	3,444	–	–	–
Release of deferred tax on revaluation arising on acquisition	(3,444)	–	3,444	–
Pharmacy licenses recognised on acquisition	–	–	–	2,157
Trading losses carried forward	1,952	1,464	488	219
	1,844	1,464	3,824	583

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

	Consolidated balance sheet	
	31/03/2011	31/03/2010
	£'000	£'000
Tax losses	86,724	32,996
Other timing differences	7,854	12,702
Deficit on revaluation of investment properties in the UK	45,713	67,233
	140,291	112,931

£5,636,000 of tax losses unrecognised in the financial statements were transferred with Assura Medical Limited on its disposal.

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

The tax effect of these unrecognised assets is as follows:

	Consolidated balance sheet	
	31/03/2011	31/03/2010
	£'000	£'000
Tax losses	22,549	9,239
Other timing differences	2,042	3,557
Deficit on revaluation of investment properties in the UK	11,885	18,825
	36,476	31,621



## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 36. Derivatives and other financial instruments

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

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

#### Credit risk

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

In the event of a default by an occupational tenant, the Group will suffer a rental income shortfall and may incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. Given the nature of the Company's tenants and enhanced rights of landlords who can issue proceedings and enforcement by bailiffs, defaults are rare and potential defaults are managed carefully by the credit control department. The maximum credit exposure in aggregate is one quarter's rent of circa £5m, however this amount derives from all the tenants in the portfolio and such a scenario is hypothetical. The Group's credit risk is well spread across circa 250 tenants at any one time. Furthermore the bulk of the Group's property income derives from the NHS or is reimbursed by the NHS and primary care trusts, who have an obligation to ensure that patients can be seen and treated and step in when GPs are unable to practice, hence the risk of default is minimal.

Other credit risks within the Group derive from pharmacy sales and sales by the Group's LIFT business. These debts are due to the Group and risk of default is considered minimal.

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

#### Liquidity risk

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

The Group finances its activities from bank loans. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities. The Group also enters into derivative transactions, principally interest rate swaps with the purpose of managing the interest rate risks arising from the Group's operations and its sources of finance.

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2011 and 31 March 2010 based on contractual undiscounted payments.

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	–	6,336	19,007	257,828	347,520	630,690
Trade and other payables	–	30,802	74	427	453	31,756
	–	37,138	19,081	258,255	347,973	662,446
Derivative financial liabilities:						
Interest rate swap	–	1,563	8,015	23,960	75,007	108,545
	–	1,563	8,015	23,960	75,007	108,545
Total financial liabilities	–	38,701	27,096	282,215	422,980	770,991

Year ended 31 March 2010	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	–	3,879	16,665	228,182	161,815	410,541
Trade and other payables	–	21,730	73	409	569	22,781
	–	25,609	16,738	228,591	162,384	433,322
Derivative financial liabilities:						
Interest rate swap	–	1,563	4,687	25,304	83,019	114,573
	–	1,563	4,687	25,304	83,019	114,573
Total financial liabilities	–	27,172	21,425	253,895	245,403	547,895

### Interest rate risk

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

The interest rate profile of the financial assets and liabilities of the Group at 31 March 2011 was as follows:

	Within 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate:				
Cash	38,952	–	–	38,952
Fixed rate:				
Interest rate swap	(3,329)	(727)	(13,255)	(17,311)
Long-term loans:				
NAB	–	(126,000)	–	(126,000)
Aviva	(2,440)	(26,294)	(161,920)	(190,654)
Santander	–	(39,588)	–	(39,588)
RBS	(662)	(4,866)	–	(5,528)
Payments due under finance leases	(99)	(427)	(453)	(979)

During the year the Aviva loans were increased to £191.6m (2010: £85.6m). The balance includes £97.8m of loans which were acquired on the acquisition of AH Medical Properties PLC. The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2021 and 2030. £2.4m is due within a year. These loans are secured by way of charges over specific medical centre investment properties with cross collateralisation between the loans and security. The loans are subject to fixed all in interest rates ranging between 5.85% and 6.49%.

On 30 March 2009 the Group entered into a term loan with National Australia Bank Limited for three years with an option to extend for a fourth year. The facility was initially for £190m but the Group has repaid £64m leaving a balance of £126m at 31 March 2011.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 36. Derivatives and other financial instruments continued

On 2 March 2010 the Group entered into an interest rate swap with Santander for a principal of £30m at 2.995% for five years. An additional interest rate swap was entered into on 12 August 2010 with a principal of £10m at 2.15% for five years. Based on actual swap rates at 31 March 2011 the fair value of these swaps was a deficit of £0.3m (31 March 2010: deficit of £0.3m).

The interest rate profile of the financial assets and liabilities of the Group at 31 March 2010 was as follows:

	Within 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate:				
Cash	24,602	–	–	24,602

	Within 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Fixed rate:				
Interest rate swap	–	(958)	(16,316)	(17,274)
Long-term loans:				
NAB	(5,000)	(130,000)	–	(135,000)
Aviva	(1,244)	(5,090)	(78,615)	(84,949)
Santander	–	(29,626)	–	(29,626)
RBS	–	(6,266)	–	(6,266)
Payments due under finance leases	(98)	(409)	(569)	(1,076)

	Book value		Fair value	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash	38,952	24,602	38,952	24,602
Interest rate swap	(17,311)	(17,274)	(17,311)	(17,274)
Long-term loan	(361,770)	(255,842)	(361,770)	(255,842)
Payments due under finance leases	(979)	(1,076)	(979)	(1,076)

In 2005 the Company entered into a 20 year interest rate swap at a rate of 4.5725%, on its full debt facility at that time of £100m. On 2 November 2006, the swap was increased to £200m (£150m effective from 30 June 2007 and £200m effective from 31 December 2007) all at a new rate of 4.59% expiring on 31 December 2027. On 8 January 2009 the swap was extended to 30 years but subject to a mandatory early termination on 30 September 2028 at the following rates: for the calendar year 2009 – 2.99%, for the calendar years 2010 and 2011 – 3.29% and for the remaining term – 4.59%. Based on the actual swap rates at 31 March 2011, the fair value of this swap was a deficit of £16.6m (2010: deficit of £16.3m). The Group also has entered into a smaller swap of initially £8m from April 2008 to March 2013 at 5.1% which reduces in line with loan amortisation linked to the Group's loan from The Royal Bank of Scotland PLC secured on its head office and investment property in Daresbury. Based on the actual swap rates at 31 March 2011, the fair value of this swap was a deficit of £0.5m (2010: deficit of £0.7m).

The interest rate swaps are intended to protect the Group against fluctuations in interest rates given that the bulk of the group's bank loans are at floating rate. The principal interest rate swap is measured against the three month LIBOR.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

	Increase/decrease in basis points %	Effect on profit before tax £'000
2011	+75	2,324
	-75	(2,324)
2010	+75	2,324
	-75	(2,324)

The Group's interest rate hedging exceeds its actual borrowings hence increases in rates will reduce its cost of debt and vice versa.

### Capital risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The gearing %'age on this basis is 58% at 31 March 2011 (57% at 31 March 2010).

	31/03/2011 £'000	31/03/2010 £'000
Cash and cash equivalents	38,952	24,602
Debt	(362,649)	(256,918)
Net debt	(323,697)	(232,316)

	31/03/2011 £'000	31/03/2010 £'000 (restated)
Equity	220,133	164,173
Revaluation reserve	(3,981)	(3,349)
Derivative	17,311	17,274
Total capital	233,463	178,098
Net debt	323,697	232,316
Total capital plus net debt	557,160	410,414
	58%	57%

The Group's policy is to keep the gearing at a reasonable level, and not more than 65%, for a strongly asset-backed business. In order to achieve this it must have access to share capital when appropriate otherwise it may need to sell property and other assets. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent Company adjusted as shown above.

## Notes to the Consolidated Financial Statements

for the period from 1 April 2010 to 31 March 2011 continued

### 37. Commitments

At the year end the Group had 8 developments on-site with a contracted total expenditure of £36.2m of which £24.7m had been expended. In addition to these property developments in progress, the Company has an identified development pipeline (as at 31 March 2011) amounting to a further £60.1m spread across 20 properties. This pipeline will only be formally contracted once legal commitment is binding on the GPs and/or Primary Care Trust.

### 38. Contingent liabilities

The Group has entered into an agreement with a property development company to assist in the disposal of certain properties and surplus land sites. This company is entitled to a profit share based on the uplift in value of the land or property achieved over and above a pre agreed value.

At the balance sheet date the Group has a contingent liability of £1.3m which would be payable on the completed sale of a site which is included within assets held for sale. The liability has been calculated based on the current valuation.

### 39. Related parties

During the period Assura Pharmacy (South West) Limited (formerly GP Care Pharmacy Limited) repaid £250,000 of the outstanding interest bearing loan. Immediately prior to acquiring the remaining 50% of the company £1,250,000 of the outstanding balance was capitalised into Ordinary Share Capital. The outstanding balance at 28 February 2011 prior to acquisition was £6,278,000 (31 March 2010: £7,778,000). The company has been consolidated at the year end.

Following the disposal of the Medical Division amounts totaling £541,000 have been invoiced to Assura Medical Limited relating to provision of office space, recharged expenses and staff expertise. In addition £172,000 has been charged to Hampshire Health LLP relating to rent and service charges. All transactions were at arms length.

During the year Assura Fund Management LLP was sold to Richard Burrell a former Executive Director. The partnership was dormant and was sold for its book value of £2.

In addition, during the year the Group entered into transactions, in the ordinary course of business, with other related parties.

	Sales To £'000	Purchases From £'000	Amounts Owed By £'000	Amounts Owed To £'000
Related Party				
Associates				
2011	4,377	–	11,239	–
2010	2,566	–	9,354	–
Joint Ventures				
2011	–	–	–	–
2010	65	–	7,826	–

### 40. Post balance sheet events

On 21 June 2011 the Group announced the disposal of the entire share capital of Assura Pharmacy Limited and its subsidiary companies. The details of the sale are described in the Chief Executive's Statement.

## **Independent Auditor's Report** to the Members of Assura Group Limited

We have audited the Parent Company Financial Statements of Assura Group Limited for the year ended 31 March 2011 which comprise the Company Income Statement, the Statement of Comprehensive Income, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related Notes A to N. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view.

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

### **Scope of the Audit of the Company Financial Statements**

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

### **Opinion on Financial Statements**

In our opinion the Company Financial Statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- Proper accounting records have not been kept by the Company;
- The Company's financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit.

### **Other Matter**

We have reported separately on the Group Financial Statements of Assura Group Limited for the year ended 31 March 2011.

### **Stuart Watson**

For and on behalf of Ernst & Young LLP, Manchester  
21 June 2011

## Company Income Statement

for the period from 1 April 2010 to 31 March 2011

	Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<b>Revenue</b>			
Interest receivable from subsidiary companies		18,638	17,384
Bank and other interest receivable		11	11
<b>Total revenue</b>		<b>18,649</b>	<b>17,395</b>
<b>Expenses</b>			
Interest payable and similar charges	B	12,195	10,525
Legal and professional fees		175	45
Audit fees		210	232
Tax and accountancy fees		64	33
Administration fee		125	132
Directors' fees	6(c)	583	1,113
Advertising, PR and marketing		14	62
Travel, accommodation, subsistence & other expenses		43	133
Bank charges		–	1
Redundancy		–	669
Restructure		4	163
Acquisition costs		3,687	–
Share option recharges		(571)	–
Loss on disposal of business		12	2
<b>Total operating expenses</b>		<b>16,541</b>	<b>13,110</b>
<b>Operating profit</b>		<b>2,108</b>	<b>4,285</b>
Provision for diminution in value of investments in subsidiaries		10,265	(12,784)
<b>Profit/(loss) before taxation</b>		<b>12,373</b>	<b>(8,499)</b>
Taxation		–	–
<b>Profit/(loss) attributable to equity holders</b>		<b>12,373</b>	<b>(8,499)</b>

## Company Statement of Comprehensive Income

for the period from 1 April 2010 to 31 March 2011

Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit/(loss) for the year	12,373	(8,499)
Other comprehensive profit for the year, net of tax	–	–
<b>Total comprehensive profit/(loss) for the period, net of tax attributable to equity holders of the parent</b>	<b>12,373</b>	<b>(8,499)</b>
Attributable to:		
Equity holders of the parent	12,373	(8,499)
Non-controlling interests	–	–
	<b>12,373</b>	<b>(8,499)</b>



## Company Balance Sheet

as at 31 March 2011

	Notes	31/03/11 £'000	31/03/10 £'000
<b>Non-current assets</b>			
Investments in subsidiary companies	C	61,817	27,589
Loans to subsidiary companies	D	64,790	296,455
		126,607	324,044
<b>Current assets</b>			
Cash and cash equivalents	E	6,200	3,352
Debtors	F	455	281
Loans to subsidiary companies	G	108,527	56,058
		115,182	59,691
<b>Total assets</b>		241,789	383,735
<b>Current liabilities</b>			
Creditors	H	929	733
Loans from subsidiary companies	I	23,064	52,615
<b>Total liabilities</b>		23,993	53,348
<b>Non-current liabilities</b>			
Loans from subsidiary companies	J	–	166,214
		–	166,214
<b>Total liabilities</b>		23,993	219,562
<b>Net assets</b>		217,796	164,173
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Share capital	31	41,187	31,747
Own shares held		(2,018)	(5,093)
Share premium		55,450	23,282
Distributable reserve		210,550	213,614
Retained earnings	K	(87,373)	(99,377)
<b>Total equity</b>		217,796	164,173

The financial statements were approved at a meeting of the Board of directors held on 21 June 2011 and signed on its behalf by:

**Nigel Rawlings**  
Chief Executive Officer

**Rodney Baker-Bates**  
Chairman

## Company Statement of Changes in Equity

for the year from 1 April 2010 to 31 March 2011

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Total £'000
<b>1 April 2010</b>	31,747	(5,093)	23,282	213,614	(99,377)	164,173
Profit attributable to equity holders	–	–	–	–	12,373	12,373
<b>Total comprehensive income</b>	–	–	–	–	12,373	12,373
Issue of ordinary shares	9,440	–	32,168	–	–	41,608
Sale of own shares held	–	3,075	–	–	(105)	2,970
Dividends paid	–	–	–	(3,064)	–	(3,064)
Cost of employee share-based incentives	–	–	–	–	(264)	(264)
<b>31 March 2011</b>	41,187	(2,018)	55,450	210,550	(87,373)	217,796

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Total £'000
<b>1 April 2009</b>	31,747	(5,093)	23,212	213,614	(89,769)	173,711
Loss attributable to equity holders and non-controlling interest	–	–	–	–	(8,499)	(8,499)
<b>Total comprehensive income</b>	–	–	–	–	(8,499)	(8,499)
Cost of employee share-based incentives	–	–	–	–	(1,109)	(1,109)
Issue costs	–	–	70	–	–	70
<b>31 March 2010</b>	31,747	(5,093)	23,282	213,614	(99,377)	164,173

## Company Cash Flow Statement

for the period from 1 April 2010 to 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Net cash inflow from operating activities	L	2,131	4,163
<b>Investing Activities</b>			
Cash invested in subsidiaries		(23,963)	(29,411)
Net loans received (to)/from subsidiaries		(16,834)	27,794
Net cash outflow from investing activities		(40,797)	(1,617)
<b>Financing Activities</b>			
Issue of Ordinary Shares for cash		42,799	–
Issue costs paid on issuance of Ordinary Shares		(1,191)	70
Own shares sold		2,970	–
Dividends paid		(3,064)	–
Net cash inflow from financing activities		41,514	70
Increase in cash and cash equivalents		2,848	2,616
Cash and cash equivalents at 1 April		3,352	736
Cash and cash equivalents at 31 March	E	6,200	3,352

## Notes to the Company Financial Statements

for the year from 1 April 2010 to 31 March 2011

### A. Accounting policies

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

The accounting policies of the Company are consistent with those of the Group which can be found on pages 57 to 66. Those policies which relate to the Company only can be shown on page 66.

### B. Interest payable and similar charges

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest payable to subsidiary companies	12,195	10,525
	12,195	10,525

### C. Investments in subsidiary companies

	31/03/11 £'000	31/03/10 £'000
Cost	181,147	157,184
Provision for diminution in value	(119,330)	(129,595)
	61,817	27,589

The investment carrying values are reviewed annually by reference to the net assets of the subsidiary companies excluding intercompany balances and any required impairment is provided for as a diminution in value. An impairment reversal of £10,265,000 has been recognised in the year (2010: impairment of £12,784,000).

### D. Loans to subsidiary company

	31/03/11 £'000	31/03/10 £'000
Assura Property Limited	64,790	296,455
	64,790	296,455

These comprise unsecured subordinated loans issued in support of property acquisitions. The loans are repayable on 31 December 2013 and interest is charged at the applicable swap rate for that period plus a margin of 2%.

### E. Cash and cash equivalents

	31/03/11 £'000	31/03/10 £'000
Cash held in current account	6,200	3,352
	6,200	3,352

## Notes to the Company Financial Statements

for the year from 1 April 2010 to 31 March 2011 continued

### F. Debtors

	31/03/11 £'000	31/03/10 £'000
Prepayments and other debtors	455	281

### G. Loans to group undertakings

	31/03/11 £'000	31/03/10 £'000
Assura Property Limited	–	9,853
Assura Management Services Limited	2,961	671
Assura Care Homes Limited	150	120
Assura LIFT Holdings Limited	8,339	6,400
Assura Pharmacy Holdings Limited	8,104	8,104
BHE (Heartlands) Limited	–	5,091
Assura Intelligence	6	28
Assura Pharmacy Limited	17,648	3,965
Assura Services Limited	19,108	11,900
Assura Diagnostics Limited	3,008	1,194
Assura Health and Wellness Centres Limited	23	2,010
BHE (St James) Limited	7,000	5,712
Assura Investments Limited	1,400	982
Assura Property Management Limited	7,810	28
Primary Care Initiatives (Macclesfield) Limited	2,850	–
Assura Kensington Limited	250	–
Assura Aylesham Limited	150	–
Assura Grimsby Limited	3,300	–
Assura Southampton Limited	600	–
Assura Todmorden Limited	950	–
Assura Medical Centres Limited	8,850	–
Assura Health Investments Limited	10,100	–
Assura Retail York Limited	1,000	–
PCI Management Limited	667	–
AH Medical Properties plc	3,669	–
SPCD Balsall Common Limited	584	–
	108,527	56,058

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

## H. Creditors

	31/03/11 £'000	31/03/10 £'000
Trade creditors	569	658
Other creditors & accruals	360	75
	929	733

## I. Loans from group undertakings

	31/03/11 £'000	31/03/10 £'000
Assura Kensington Limited	–	2,643
Assura Aylesham Limited	–	650
Assura Banbury Limited	700	3,589
Assura Grimsby Limited	–	1,173
Assura Southampton Limited	–	714
Assura Tunbridge Wells Limited	1,409	1,394
Assura Todmorden Limited	–	1,499
Assura Retail York Limited	–	1,196
Primary Care Initiatives (Macclesfield) Limited	–	7
Assura Fund Management LLP	–	13,498
Assura Properties Limited	20,955	7,168
Assura Medical Centres Limited	–	11,366
Assura Health Investments Limited	–	7,000
Assura Properties UK Limited	–	718
	23,064	52,615

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

## J. Loans from group undertakings

	31/03/11 £'000	31/03/10 £'000
Assura Properties Limited	–	166,214
	–	166,214

Loan from Assura Properties Limited bears interest at a rate of 2% above the swap interest rate (6.59%).

## Notes to the Company Financial Statements

for the year from 1 April 2010 to 31 March 2011 continued

### K. Reserves

See note 32 of the Group accounts for a description of the nature and purpose of each of the Company's reserves as detailed in the Company Statement of Changes in Equity on page 117.

#### Retained earnings

	31/03/11 £'000	31/03/10 £'000
At 1 April	(99,377)	(89,769)
Net profit/(loss) for the year	12,373	(8,499)
Sale of own shares held	(105)	–
Credit of employee share-based incentives	(264)	(1,109)
At 31 March	(87,373)	(99,377)

### L. Note to the Cash Flow Statement

	31/03/11 £'000	31/03/10 £'000
<b>Reconciliation of net profit before taxation to net cash inflow from operating activities:</b>		
Net profit/(loss) before taxation	12,373	(8,499)
Adjustment for non-cash items:		
Increase in debtors	(174)	(156)
Increase in creditors	197	34
(Release of)/provision for impairment of loan from a subsidiary	(10,265)	12,784
Unrealised deficit on revaluation of other investments	–	–
Net cash inflow from operating activities	2,131	4,163

### M. Related party transactions

	Interest Receivable £'000	Interest Payable £'000	Amounts Owed By £'000	Amounts Owed To £'000
Related Party				
Group undertakings				
2011	18,638	12,195	175,611	25,358
2010	17,135	10,276	352,513	218,829

## N. Risk management

### Credit risk

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

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

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

### Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments.

Financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2011 and 31 March 2010 based on contractual undiscounted payments.

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Year ended 31 March 2011						
Interest bearing loans and borrowings	–	–	–	–	–	–
Trade and other payables	–	929	–	–	–	929
	–	929	–	–	–	929

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Year ended 31 March 2010						
Interest bearing loans and borrowings	–	–	–	–	166,214	166,214
Trade and other payables	–	733	–	–	–	733
	–	733	–	–	166,214	166,947

### Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash deposits.

The Company has considered the sensitivity to a reasonably possible change in interest rates and considers the effect to be not material.

	Within 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	6,200	–	–	6,200



## Notes to the Company Financial Statements

for the year from 1 April 2010 to 31 March 2011 continued

### N. Risk management continued

The interest rate profile of the financial assets and liabilities of the Group at 31 March 2010 was as follows:

	Within 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
<b>Floating rate</b>				
Cash	3,352	–	–	3,352

	Book value		Fair value	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash	6,200	3,352	6,200	3,352

## Corporate Information

### Directors

#### Non-Executive Directors

Rodney Baker-Bates (Chairman)  
Peter Pichler (Senior Independent Director)  
Clare Hollingsworth

#### Executive Director

Nigel Rawlings (Chief Executive Officer)

### Head Office and Principal Place of Business

The Brew House  
Greenalls Avenue  
Warrington  
Cheshire  
WA4 6HL

### Company Secretary

Carolyn Jones

### Registered Office

P O Box 327  
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Route Isabelle  
St Peter Port  
Guernsey  
GY1 3TX  
Channel Islands

### Auditors

#### Ernst & Young LLP

100 Barbirolli Square  
Manchester  
M2 3EY

### Bankers

#### National Australia Bank

88 Wood Street  
London  
EC2V 7QQ

#### Aviva Group plc

#### (Norwich Union Commercial Finance)

PO Box 21  
Surrey Street  
Norwich  
NR1 3NT

#### Santander Global Banking

2 Triton Square  
Regents Place  
London  
NW1 3AN

#### Royal Bank of Scotland plc

1 Spinningfields Square  
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M3 3AP

### Legal Advisers

#### Addleshaw Goddard LLP

100 Barbirolli Square  
Manchester  
M2 3AB

#### Carey Olsen

PO Box 98  
Carey House  
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St Peter Port  
Guernsey  
GY1 4BZ

### Stockbrokers

#### Cenkos Securities plc

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London  
EC2R 7AS

#### Investec Securities Limited

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