Assura Group Limited

Interim Results 2011/12

The Leading Primary Healthcare Property Company

Simon Laffin

Chairman

Summary

- Assura now a pure play primary healthcare property company
  - Attractive niche market
  - Secure and growing rental income stream
  - Property value growth
- Business performance robust
  - 58% improvement in trading profit
- Refinancing removing legacy problem
  - £120m NAB loan needed to be refinanced
  - Associated swap therefore needed to be cancelled…c£62m loss
  - Raised £35m new equity via Rights Issue to fund
  - £110m bond replacing NAB loan
  - Competitive cost of debt, well below rental yields…save £5m pa
- Profitable development programme

Robust Performance

- 31% increase in revenues
  - Following acquisition of AH Medical Properties
  - Property revenues up 10.3% excluding AH Medical Properties
- 58% increase in Group trading profit
- 4.8% increase from weighted average rent reviews agreed in H1
- 5.9% stable yields
- New development pipeline continues;
  - 5 developments on site H1 (end value £14m)

Attractive Niche Market

- We are the largest single player in a fragmented sector with robust fundamentals

- Estimated 8,300 GP practices in 7,500 premises
  - 60% GP owned, 20% NHS, 20% corporates, funds & LIFT Cos
  - About half are purpose built
  - Half are in need of modernisation, expansion or redevelopment
  - 40% may require replacement to meet modern standards

- Government Policy
  - Shift towards GPs
  - Encouraged continued shift from secondary to primary care

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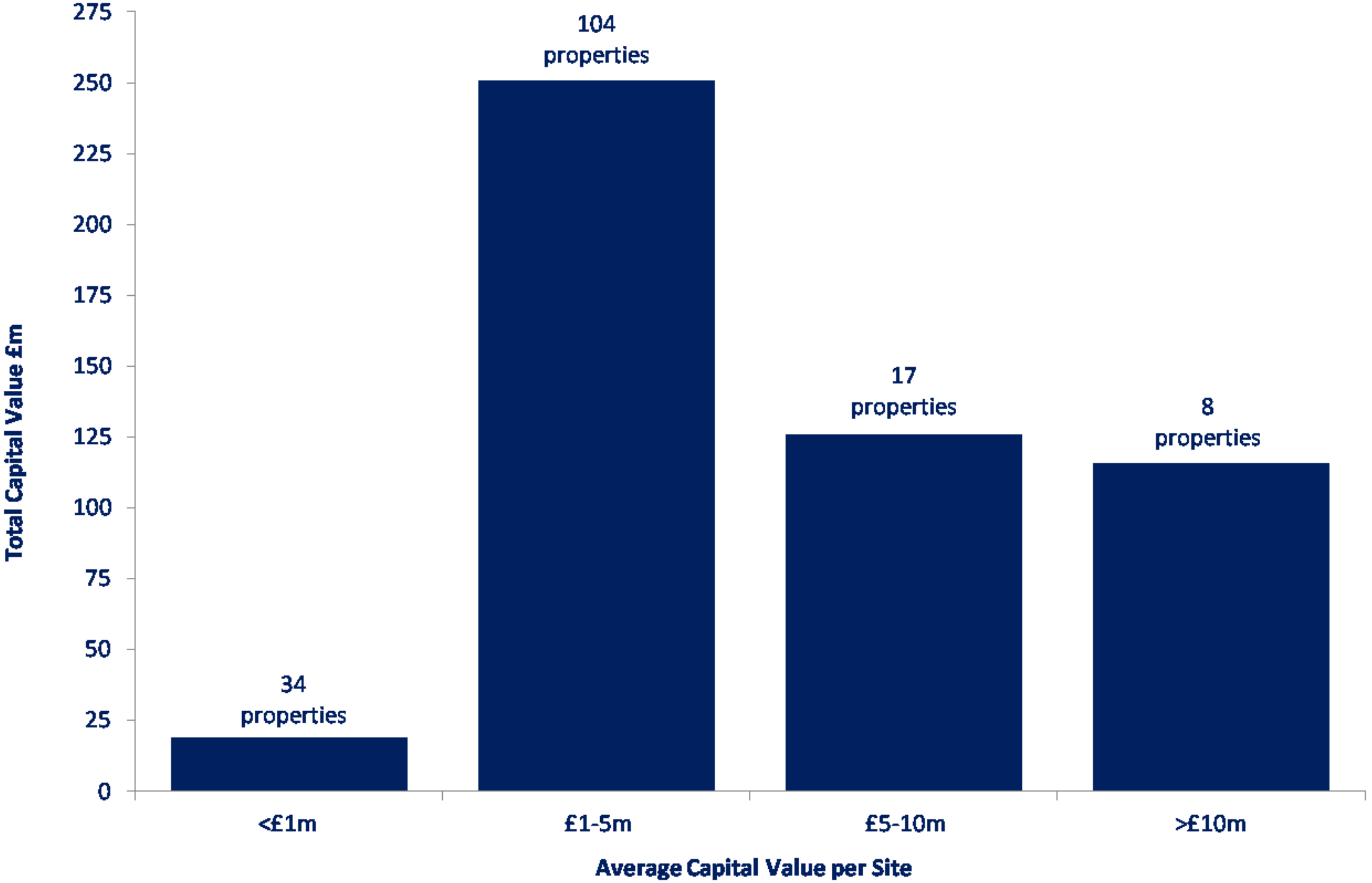
Well Positioned Investment Portfolio

163 investment properties with a capital value of £510m, majority in excess of £1m



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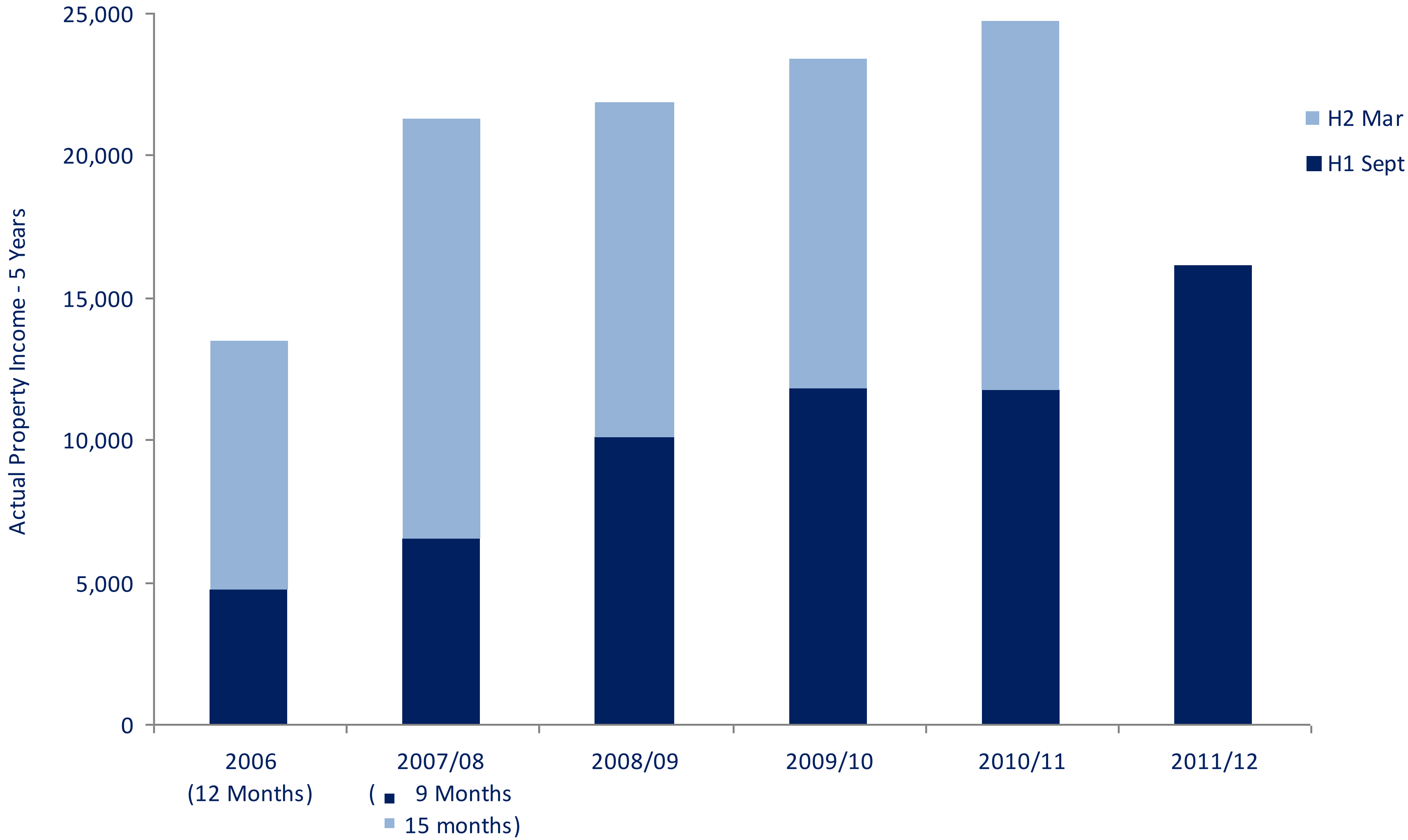
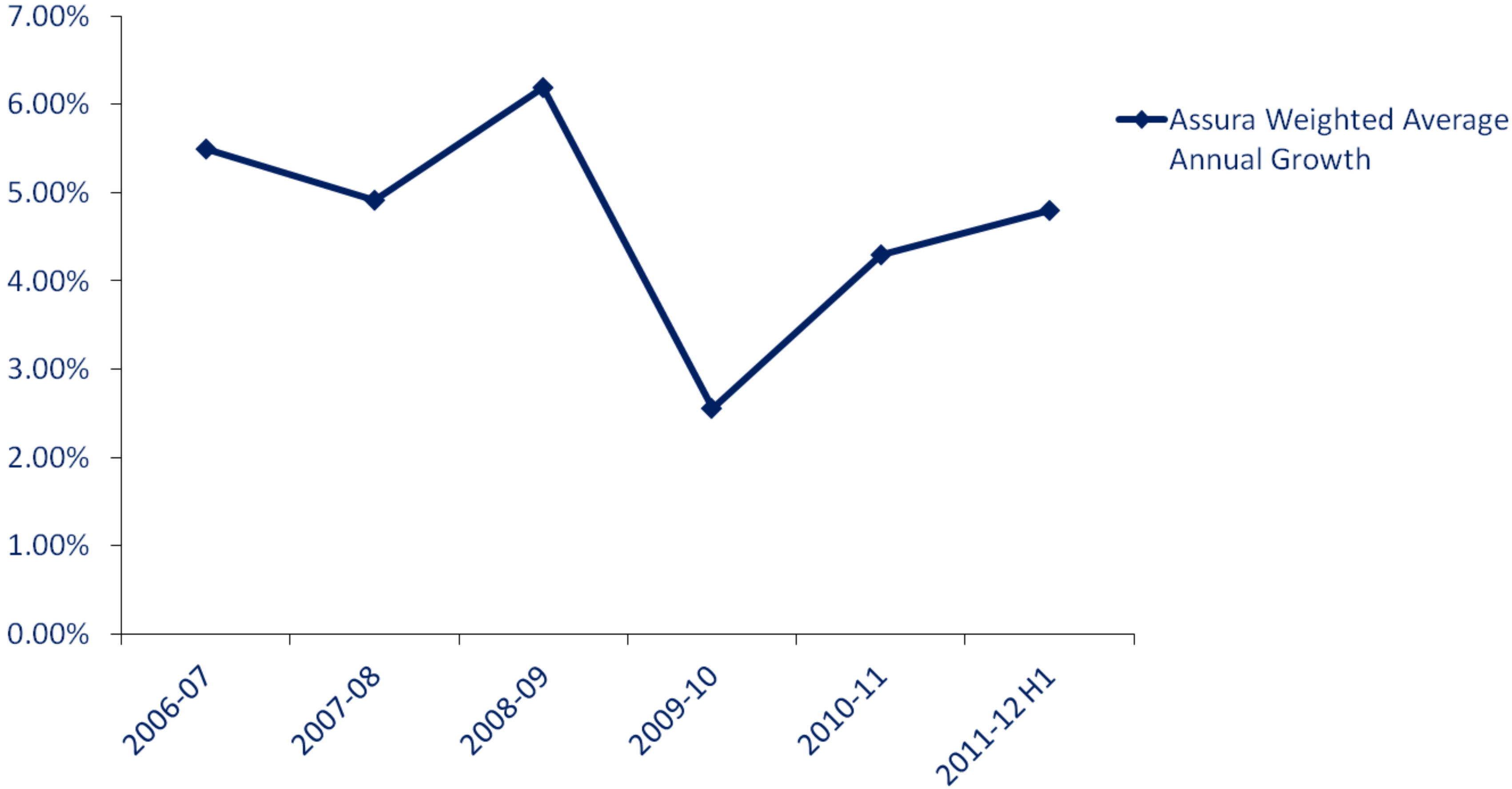
Secure & Growing Income: Rental Income



Secure & Growing Income: Average Increases in Rents



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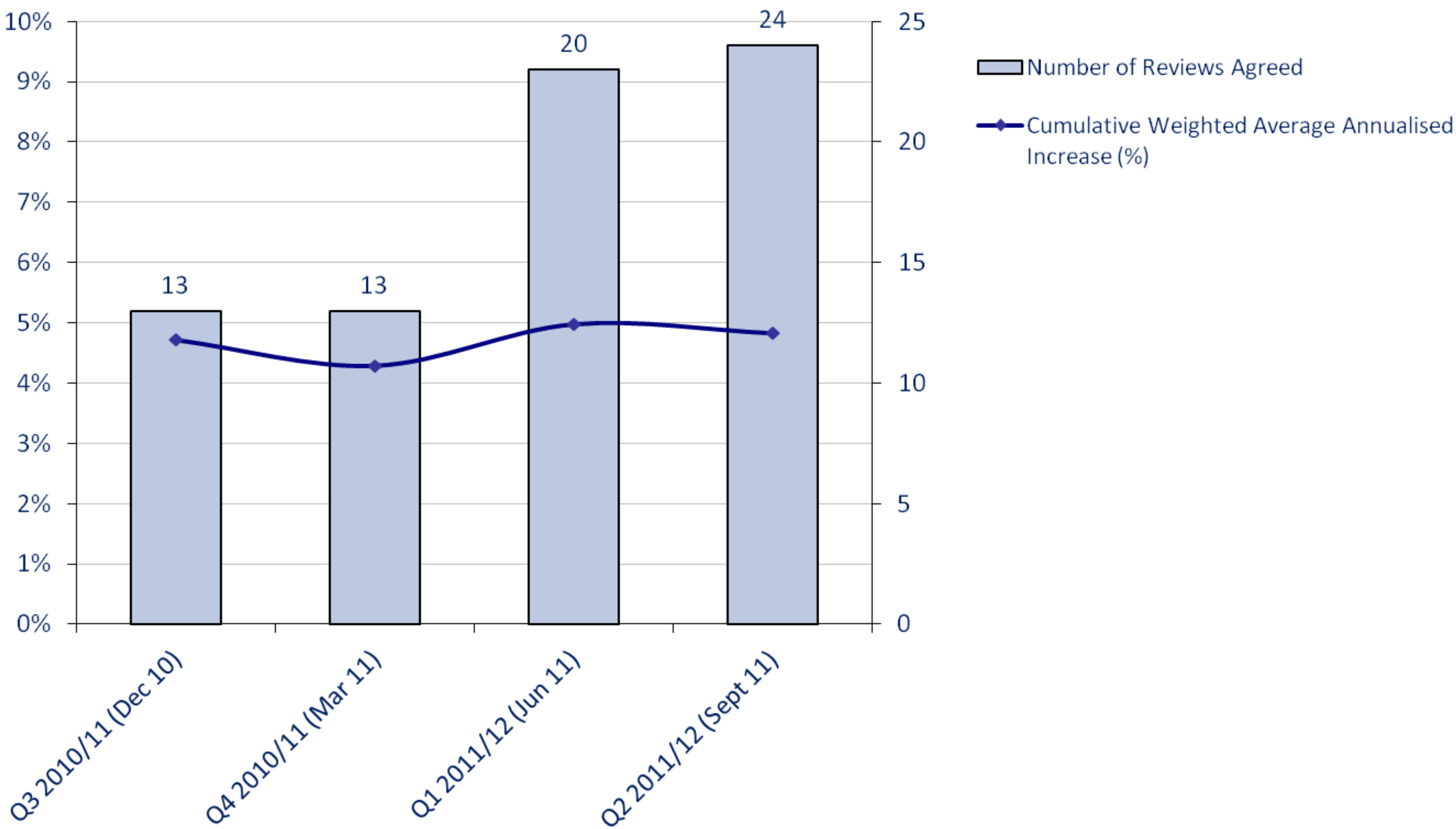
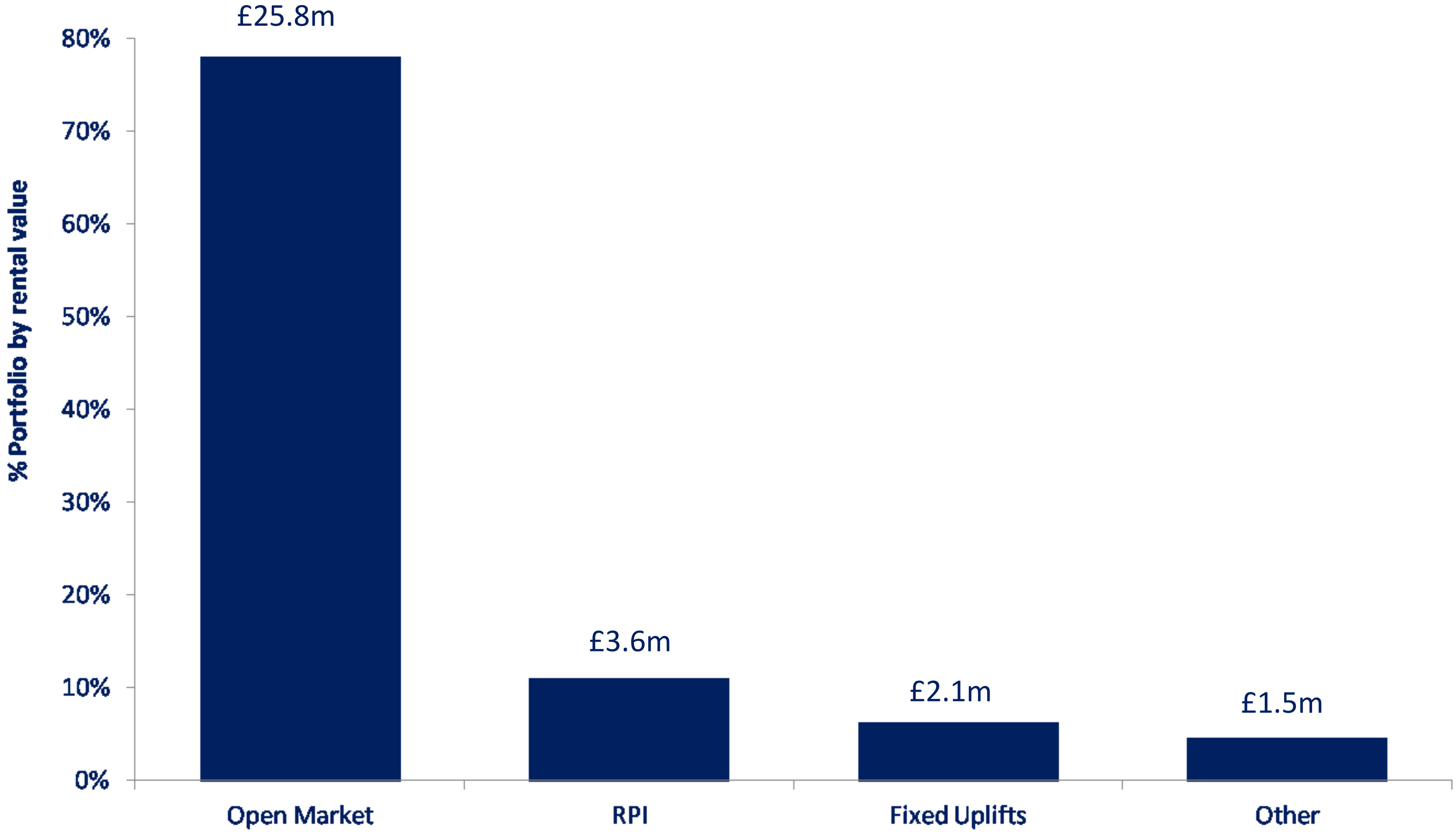
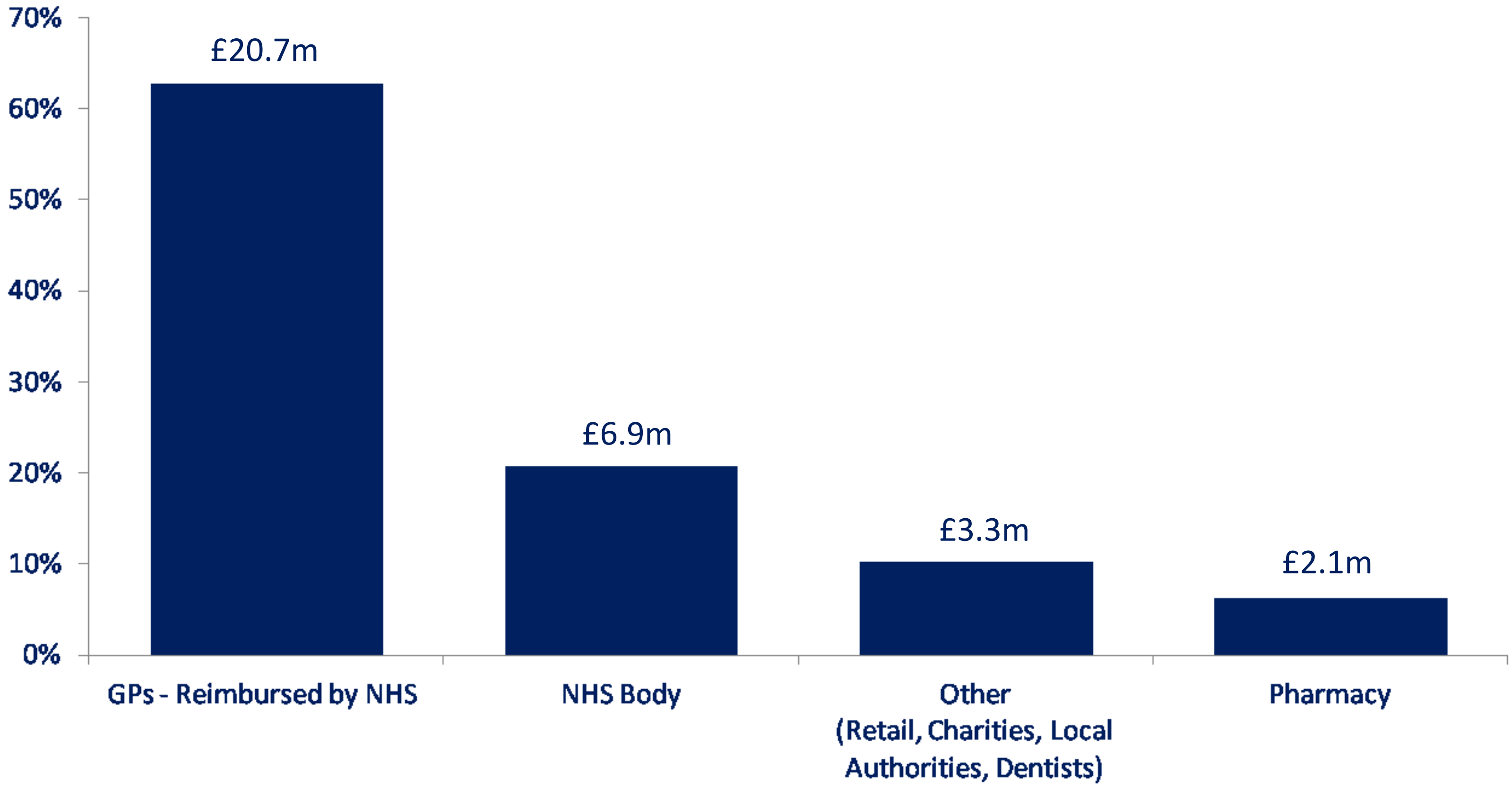
Secure & Growing Income: Rent Reviews Last 12 Months



Secure & Growing Income: Basis of Rent Reviews



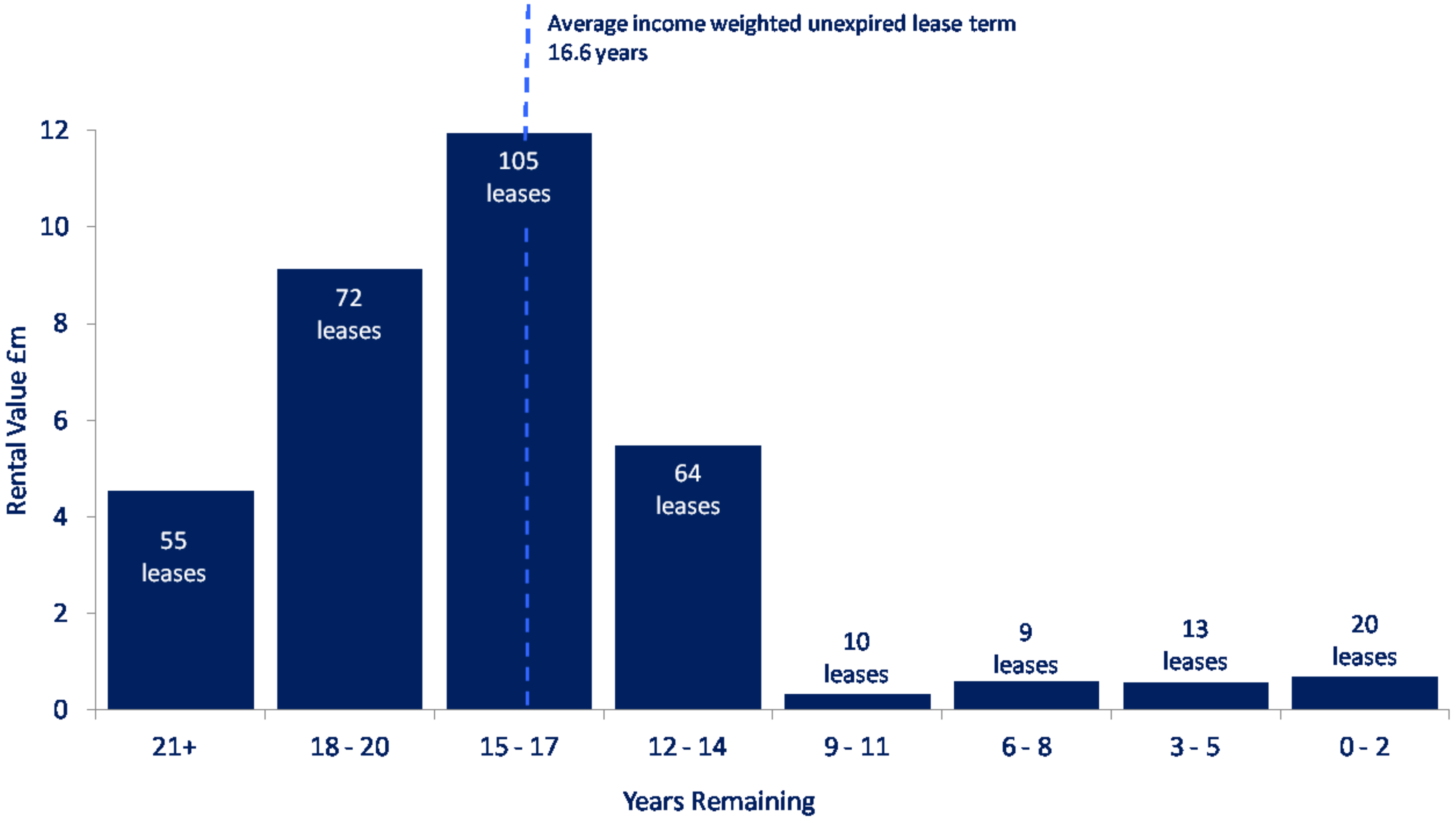
Secure & Growing Income: Strength of Tenant Covenant



- Rents are contractual with GP rents passed through to NHS
- Government has said that this will not change in the NHS reorganisation

Secure & Growing Income: Lease Length

348 Leases with a total rental value of £33.0m pa and average residual life of 16.6 years



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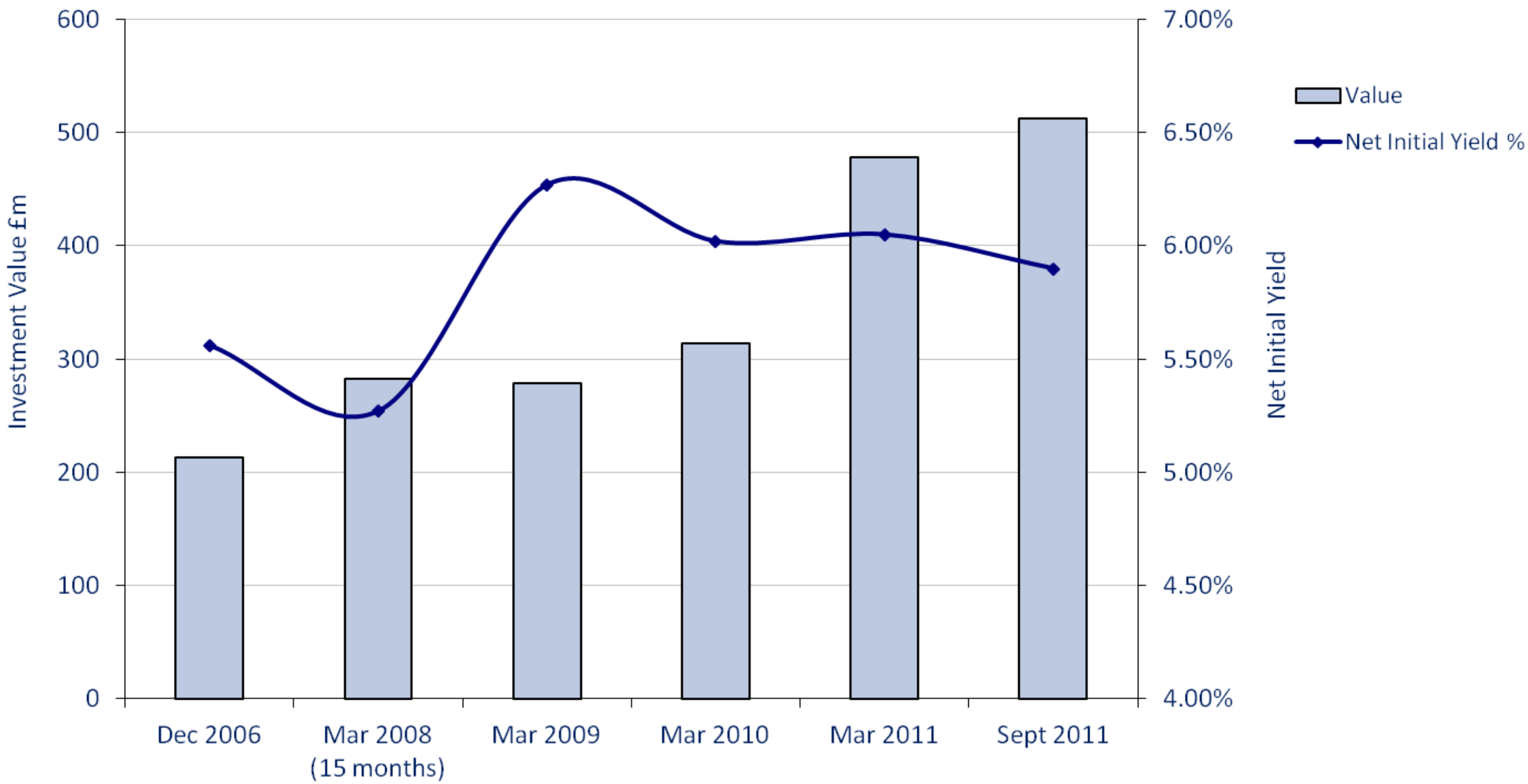
£510m Investment Property with Stable Yield



NAB Swap

- £190m, 2038 tenor
  - Break options every 5 years, starting September 2013
  - Termination when loan ceases or in 2027

- Swaption taken out October 2011 to cap downside
  - Initial cost £13.6m, value now c.£13m

- Mark to market swap loss now c.£62m
  - Value will be fixed with NAB
  - Rights Issue proceeds will be used to settle
  - Swaption will be sold

- £5m pa proforma saving in interest vs keeping swap

Rights Issue

- Support of major shareholders
- Fully underwritten 2 for 7
  - 118 million new shares to be issued
- 25% discount to the market price
- Raise £35m gross, £33m net of costs

Refinancing Strategy

Use of Funds £m		Source of Funds £m
120	Redemption NAB Loan	
c62	Divest Swap/Swaption	
	Surplus* cash 30 Sept 11	27
	New bond placing	110
	Equity issuance	35
	Increased Santander loan	10
	Increased Aviva loan	4
	Issue costs (bond/rights)	(3)
	Other	(1)
c182		c182

* Net of £7.5m - headroom

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Nigel Rawlings

Chief Executive

Improving Performance

	H1 2011/12 £m	H1 2010/11 £m	%
Total revenue	18.3	13.9	+31%
Gross profit	16.4	12.2	+34%
Administration costs	(3.2)	(3.8)	-17%
Group trading profit	13.2	8.4	+58%
Other	(0.3)	0.1	
Financing costs	(9.8)	(7.1)	
Profit before revaluations and associates	3.1	1.4	
Property investment gains	4.9	8.4	
Property development gains	3.5	5.5	
Gain on disposal of pharmacy division	3.4	-	
Associates and joint ventures	(1.0)	(3.9)	
Underlying profit before taxation*	13.9	11.4	+22%

* Before profit in the period from Assura Pharmacy, and before derivative revaluation deficits

Result After MtM Deficit

	H1 2011/12 £m	H1 2010/11 £m
Underlying profit before taxation	13.9	11.4
MtM on Swaps	(37.2)	(20.8)
Loss Before Taxation	(23.3)	(9.4)
Taxation	13.0	(0.4)
Loss from continuing operations	(10.3)	(9.8)
Discontinued activities	1.0	1.4
Loss for the period	(9.3)	(8.4)

* Before profit in the period from Assura Pharmacy, and before derivative revaluation deficits

Strong Development Pipeline

- £30m value on site at 30th September 2011 (8 sites)
- £27m completed in H1 (5 sites)
  - Additional £12m will be completed this year (3 sites)
  - Further £14m commenced (5 sites)
  - Expected rent roll from development completions £2.5m this year, £1.9m next year
- £3.5m of development gains in H1
- £48m committed pipeline in addition (14 projects)

LIFT Investments Delivering Returns

- LIFTs are separate companies with shareholders, comprising NHS, PCTs and private sector
- Invest in primary healthcare property
- Assura owns c28% equity in 6 LIFTs
  - £8.4m in 12% loan notes
  - £0.1m in ordinary equity
- Valuable investments with £1.0m pa income from loan stock
- Dividend income expected in future as investments mature

Low Cost Model

Overheads:

- 26 heads, down from c500 two years ago
  - Post conditional sale of LIFT consultancy
- Offices rationalised to one in Warrington
- Property management overhead 2.9% of rents in H1
- Property development overhead 3.0% of development costs in H1
- Central costs reduced to 0.4% of non-current assets in H1

Cash Flow

	H1 2011/12 £m	H1 2010/11 £m
Cash from operations	2.9	4.6
Capital expenditure	(10.3)	(9.2)
Loans advanced to associated companies	-	(1.6)
Disposals	1.4	3.3
Other movements	(0.7)	0.1
Gross Cash Flow	(6.7)	(2.8)
Discontinued businesses	21.4	-
Dividend paid	(5.1)	-
SWAP repayment	(2.6)	
Net increase in loans	2.7	13.5
Movement in net debt	9.7	10.7

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Balance Sheet

	30 Sept 2011	31 March 2011	Total Property	
	£m	£m	Sept 2011	Mar 2011
Investment Property	510.3	464.8	541.6	509.6
Under Construction	17.7	35.0		
Associates	8.4	9.9		
Intangibles	19.7	44.6		
Fixed assets	0.2	13.2		
Loan re pharmacy	6.0	0.0		
Deferred tax	13.0	1.8		
	575.3	**569.3**		
Cash	48.7	39.0		
Debtors	11.6	11.8		
Stock and Property WIP	0.5	2.4		
Held for sale	14.6	9.8		
Creditors - short term	(23.5)	(31.5)	**Net Debt**	
Bank debt - short term	(3.1)	(3.1)	(320.0)	(323.7)
Bank debt - long term	(364.7)	(358.7)		
Other liabilities	(1.5)	-1.6	59.1%	63.5%
SWAP	(51.9)	-17.3		
Net Assets	**206.0**	**220.1**		
NAV per share	50.6	54.0		
Adjusted for SWAP	**65.2**	**59.8**		

Long Term Debt Structure

Lender	Due	Existing £m	Proposed £m
Aviva*	Between now and 2040	205	208
Bond**	November 2021	-	110
Santander***	November 2016	40	50
RBS Loan	March 2013	5	5
NAB	March 2013	120	-
Total Debt		370	373
Cash		(49)	(49)
Net Debt****		321	324

* Loans maturing in 2012 and 2013 being extended
** Being progressed
*** Currently £40m due 2015; being increased and extended to November 2016
**** Excluding loan fees and finance leases

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Simon Laffin

Chairman

Key Opportunities and Way Forward

- Managing existing portfolio
  - Average lease tenure
  - Quality
  - Yield
  - Rental growth

- Growing value
  - Continued strong demand from GPs for new, purpose-built facilities
  - New sites
  - Redevelopments
  - Purchase and leaseback opportunities

Summary

- Pure play primary healthcare property company
  - Attractive, fragmented market with robust fundamentals
  - Stable and secure long term income
  - Property value and rental growth

- Financing
  - Deal with legacy NAB swap once and for all
  - Long term, fixed rate financing
  - Locking in historically low interest rates
  - Aim to return to paying dividends in H2

- Future
  - REIT conversion under review next year
  - Review options for further growth

Questions