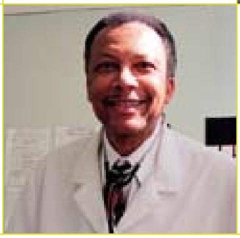
Assura Group

Assura Group Limited Annual report and financial statements 2008



Assura Group Limited
Annual report and financial statements 2008

Assura is one of the leading health care companies in the UK, which partners with GPs to deliver high quality patient care in the community, innovative property solutions and consumer responsive pharmacy services.

www.**assuragroup**.co.uk

Highlights

Operating Highlights[1]

- 15 GPCos formed covering a population of 1.8 million patients with a pipeline of 3.5 million patients in aggregate
- 15 medical services across the first 10 GPCos now under way, 68 in the pipeline
- 33 pharmacies trading (31 December 2006: eight), with seven further pharmacy licences granted
- Recently launched a direct to consumer pharmacy offering
- 133 investment commitments[2] (£324m)
- Investment portfolio valued at 31 March at a net equivalent yield of 5.7%
- Eight developments on site and 24[3] land bank sites (£58m) with committed pipeline of 28 sites (£202m)
- Circa 15% of NHS LIFT market across six LIFTCos

Roadmap to Success

- Targeting principal supplier relationships with in excess of 30 PCTs through Assura GPCos by 2013
- Providing a wide range of primary, intermediate and social care services to each PCT community
- 45 pharmacies trading by end of the current financial year and target of 150 pharmacies by 2013
- Nationwide roll-out of direct to consumer pharmacy offering
- Aiming to raise additional equity finance during 2008 to accelerate future growth

Financial Highlights[4]

- Group revenues of £40.7m (2006: £16.1m)
- Operating profit £11.4m (2006: £13.2m), reflecting planned investments in medical and pharmacy businesses
- Final dividend of 4.67p[5] making a total of 8.75p for the 15 month period (2006: 6.00p)
- Net assets of £265m, equivalent to 118.1p per Share compared to 114.7p at 31 December 2006
- Net debt of £168m at 31 March 2008 out of total facilities of £270m
- Basic earnings per Share of 6.22p (2006: 9.68p)

1 As at 1 June 2008.
2 Includes 12 properties in solicitors' hands.
3 Includes three sites in solicitors' hands.
4 The comparative 2006 figures relate to the 12 month period ended 31 December 2006 whilst the figures for the period relate to the 15 month period to 31 March 2008.
5 Ex-dividend date 2 July 2008, record date 4 July 2008, payment date 14 August 2008.

At a Glance

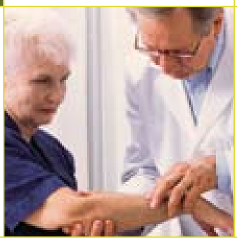
Assura is one of the leading health care companies in the UK which partners with GPs to deliver high quality patient care in the community, innovative property solutions and consumer responsive pharmacy services.

Our business model raises the standard for primary and community health care provision, encouraging greater integration between GPs, pharmacists and the wider health economy, in state-of-the-art purpose built premises that are fit for purpose.

We support GPs and locality groups to become effective provider organisations, delivering high quality out-patient and diagnostic services within the community and closer to where patients live. We do this by establishing locally situated, patient focused organisations known as GP Provider Companies (GPCos) in close partnership with GPs. Our national scale enables us to share best practice, while tailoring services to local need. We have so far formed GPCos providing services to 1.8 million patients and we intend to be providing services to over 5 million by the end of 2010.

Assura operates a growing network of pharmacies, the majority of which are based within health centres ensuring that the pharmacist is placed at the centre of the primary care offering working closely with GPs and the wider health economy. So far we have 33 pharmacies operating across the UK and our target is to open 45 by the end of the current financial year. We believe that our integrated pharmacy model provides patients with a far higher degree of convenience and choice than they might traditionally expect.

Our property expertise ensures that all of these elements can be delivered in modern, purpose built surroundings. We develop and retain for long-term investment: primary care resource centres; GP surgeries; polyclinics; and community hospitals. Our target is to commit £750m by the end of 2009. We believe patients and health professionals deserve modern primary care premises from which they can receive and deliver high quality care, close to home.



Ahead of the curve
Assura Group offers an integrated business solution that brings together a wide range of professional expertise to enable the provision of NHS and private services, integrated pharmacy services and development of modern primary care facilities.

Integrated primary care solutions
Lord Darzi's Interim Report called for the expansion of the 'one stop shop' or 'polyclinic' model of care, with new centres that offer a range of community services according to local need.

We believe that our integrated approach is ideally suited to meeting this need in a rapidly evolving NHS. Our collaborative joint venture partnerships with GPs provide additional out-patient and diagnostic services in modern, purpose built facilities, developed according to clinical need and alongside our integrated pharmacies.

Partner relationships
At the core of our business are the close relationships we have with GPs and primary care organisations built on cooperation and partnership. These relationships allow our partners to benefit from accumulated best practice and this gives us a unique competitive advantage in a rapidly changing UK health care market.

An experienced and diverse workforce
We have brought together a highly professional team, each with their own specific area of expertise, but who are able to work hand in hand to deliver high quality visionary solutions. This cross fertilisation enables us to see and strengthen opportunities and offer wide ranging solutions to all our partners.

Financial flexibility ensuring rapid delivery
Our capital base provides us with vital flexibility to overcome hurdles and allows us to be nimble in developing and completing projects at a time when NHS budgets are under increasing pressure. In some cases we are prepared to finance projects at risk if we believe in the potential of a particular service or development.

Constantly evolving
Primary care has undergone rapid evolution in the past few years and we strive to stay ahead, consistently working to offer new models of health care provision that are centred around improving the patient experience. We have developed and implemented our innovative GPCo model, which has enabled GPs to engage in the delivery of additional high quality, community-based services, making a reality of what had until only recently been an aspiration.

Period in Review

The Company is evolving very rapidly into a primary and community care provider organisation. With strong asset backing from the property division, it is able to offer modern, integrated facilities to its GP partners, PCTs, pharmacists and patients, which are suited to the evolving NHS.

February 07

New generation pharmacy opens in Park Edge, Leeds

March 07

First Assura GPCo service commences in Bath (Assura Minerva LLP)

January 07

Patricia Hewitt, then Secretary of State for Health, visits Assura Health and Wellness Centre, Liverpool

April 07

Second Assura Health and Wellness Centre opens in Macclesfield

May 07

Twelfth Assura Pharmacy opens in Glenroyd, Blackpool

June 07

Former Prime Minister Tony Blair officially opens Yew Tree Community Health and Childrens' Centre, developed in partnership with the public, community and voluntary sectors

July 07

The Secretary of State for Health, Alan Johnson, announces a review of the NHS, to be undertaken by Professor the Lord Ara Darzi of Denham KBE

August 07

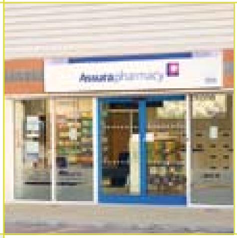
Assura Liverpool LLP dermatology service commences

September 07

Eighth GPCo formed in Redditch and Bromsgrove (Assura Vertis LLP) covering 170,000 patients

October 07

Assura acquires Cystoscope Hire Limited and Urosonics Limited to strengthen its diagnostic offering



November 07

300 square metre flagship pharmacy opens in North Ormesby

December 07

Twenty-first Assura Pharmacy opens at Chessington, exceeding the end of year target of 20

January 08

Flagship Eagle Bridge Health and Wellbeing Centre, Crewe, officially opened by the former local MP

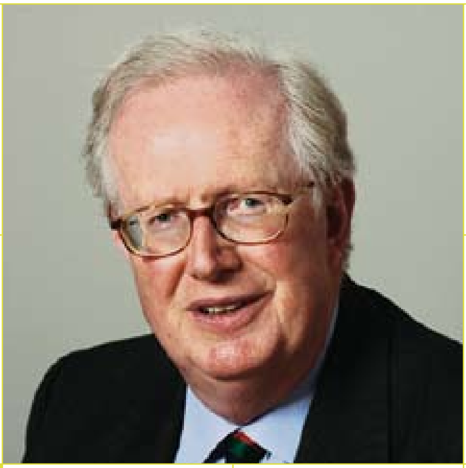
February 08

Assura strengthens partnership with DxCG to produce world class informatics solution for patients

March 08

North Ormesby Health Village, developed by Assura, becomes first to offer 8am-8pm GP service, seven days a week

Chairman's Statement



The Group's strategy to adopt a collaborative approach with GPs has been well received by the GP community

In my first period as your Chairman I am delighted to introduce this report in respect of the 15 months to 31 March 2008 due to the Company having changed its year end from December to March to be consistent with the year end of the National Health Service (NHS) and our GPCos.

The NHS is going through a period of profound change. It is clear that the Department of Health (DH) is committed to open competition and a free market around the provision of health care services. Furthermore, we continue to believe that this commitment is irrespective of which political party is in power. The impact of this change is that decision making within the NHS is now being increasingly devolved to the 152 Primary Care Trusts (PCTs).

These trends are allowing independent providers to enter the market and PCTs are themselves separating their procurement and provider functions in response to these changes. Overall, these factors provide Assura with a very significant opportunity. To capture this opportunity, the Company has continued its transformation from being a property investment and development business into an asset-backed operating business in pharmacy and medical services.

The Group's strategy to adopt a collaborative approach with GPs has been well received by the GP community and has been further ratified as the best-case scenario in a recent Kings Fund report[1] on the provision of integrated care. We continue to execute on this strategy by developing community-based, integrated services, outside of hospitals; to provide consumer responsive pharmacy services to patients in and around health locations; and to develop modern health facilities aligned to our operating activities.

The executive team has done an excellent job in laying solid foundations to achieve the Group's objective to become one of the major providers of health care services to the NHS and to its patients.

Good governance remains a key priority. I believe we have a Board with the right combination of skills to continue to support and challenge the executive team. Managing the expansion and delivery of services at the rate we are experiencing is a major challenge for all management and staff. We have a strong and dynamic team in place to achieve this.

As at 1 June 2008, the Group employed 452 (31 December 2006: 148) people. During this 15 month period most of the increase in staff numbers has arisen in the pharmacy and medical divisions.

I would like to take this opportunity to thank all management and staff for their continued efforts to develop our business and look forward to meeting you at our AGM.

Rodney Baker-Bates
Non-Executive Chairman
24 June 2008

1 'Under One Roof – Will polyclinics deliver integrated care?', The King's Fund, June 2008.

Chief Executive's Statement

The Company is evolving very rapidly into a primary and community care provider organisation

I am pleased to report that we have made very good progress during the 15 month period as we have continued to transform the Company from being a pure investor and developer of medical property to becoming a property-backed operator of pharmacy and medical services in collaboration with GPs.

Before commencing my review of the period, I believe it is worth re-emphasising the significance of the Group's transformational strategy. Demographic, technological and cost pressures in the UK are forcing fundamental change in the way that the NHS is run and delivers its services to patients. Five years ago we began to position ourselves to take advantage of the likely changes that we saw – a shift from secondary to primary care in the community, an opening of markets to private operators and a move by the NHS itself from being a monopoly provider of services to being a commissioner and procurer of those services from a range of potential providers. These trends now provide the bedrock of NHS reform, supported by all political parties, and which we believe will gradually open up the £123bn NHS annual budget to private companies as more and more medical services are made available for third parties to provide.

Our strategy has moved away from being a pure property investor and developer to one where we seek to form joint venture partnerships with GPs to enable the provision of medical services to patients. Where possible we assist them in setting up these partnerships in our wholly owned medical properties. We have also grown our own pharmacy operating business and now operate from 33 locations.

We believe that our transformation over the last few years has positioned us with a first mover advantage to penetrate this opportunity. What sets us apart from any other health care services company trying to enter this space is our:

- collaborative model of working with GPs
- competitive advantage in the pharmacy market
- business model built on a strong asset backed portfolio of property
- relationships with individuals from all levels of the NHS value chain and particularly within PCTs

Further details on the scale of the overall opportunity are expected to be published in Lord Darzi's NHS Next Stage Review, due shortly.

To expedite our strategy, the Company has been holding discussions with existing and potential investors about raising additional equity finance and these discussions are expected to continue over the coming months.

Reviewing the last 15 months, total revenue amounted to £40.7m (2006: £16.1m[1]) producing a Group operating profit of £11.4m (2006: £13.2m[1]). The resultant profit for the period before taxation was £12.6m (2006: £18.8m[1]). Net asset value as at 31 March 2008 was £265.4m (31 December 2006: £267.5m), equivalent to 118.1p per Ordinary Share on a fully diluted basis compared to 114.7p at 31 December 2006.

Whilst Group revenues are growing strongly quarter on quarter, especially in the Group's pharmacy division, the decline in Group profits over the period is due to the continued investment in staff and resources to achieve the planned growth in the

Chief Executive's Statement continued

Group's medical and pharmacy businesses. The anticipated losses in the Group's two operating businesses have been more than offset by profits generated by the Group's property investment and development activities. Further planned losses are expected this year in order to support the expansion of the medical and pharmacy businesses.

On a segmental basis, the medical division generated a loss for the period of £9.0m (2006: loss of £2.3m[1]) and the pharmacy division generated a loss for the period of £4.2m (2006: loss of £3.4m[1]). Over the same period, the property investment activities generated a profit for the period of £15.3m (2006: £22.1m[1]) and property development activities generated a profit for the period of £7.7m (2006: loss of £4.6m[1]). Central functions contributed a profit for the period of £3.8m (2006: £6.5m[1]) but this included an exceptional profit of £5.9m relating to a compensation payment which arose in connection with the completion of the Westbury/Stobart merger and the termination of an investment management agreement with Assura. The Company retains circa 6 million Stobart Group shares[2].

When the Company floated in November 2003, it committed to a progressive dividend policy for five years. The Board, having given due regard to the profitability of the Company, has recommended a final dividend of 4.67p (2006: 4p) per Ordinary Share making a total of 8.75p per Ordinary Share for the 15 month period. The Company intends to offer its shareholders the alternative of a scrip dividend and will seek approval for this at the AGM when approval of the dividend is to be proposed. Subject to that, the Company expects to pay or satisfy dividend entitlements shortly after the AGM approves the dividend and any scrip dividend arrangements.

The new financial period has started well and we look forward with optimism to the rest of this financial year.

Operating review

The Company is evolving very rapidly into a primary and community care provider organisation. With strong asset backing from its property division, it is able to offer modern integrated facilities to its GP partners, PCTs, pharmacists and patients, which are suited to the evolving NHS and are capable of undertaking many services which have hitherto been carried out in hospitals such as out-patient and diagnostic procedures. The Company's investment in its joint ventures with GPs, its provision of associated property infrastructure and the development of its pharmacy operating business will all take time to mature but encouraging progress is being made across a number of geographical locations.

The Company believes that by having a modern portfolio of property assets capable of housing GPs and other health providers, locating its own pharmacies within these facilities and by entering into collaborative joint ventures with GPs to provide out-patient and related medical services, it will build a strong and effective group capable of becoming one of the leading providers of NHS services to patients.

It is clear that the NHS is undergoing significant change. We are seeing greater involvement of the private sector in the provision of health care services in order to increase efficiency and standards of care for patients. The DH is committed to this involvement and the principle of open competition and a free market allowing private and NHS providers to be on a level playing field. We are confident that this will continue and that there are no fundamental policy differences between the political parties. Along with the increasing devolvement of decision making to PCTs we believe these factors have created an opportunity for the Company to embed itself on a local level with the PCTs, our GP joint

venture partners and other NHS providers to become a significant provider of high quality medical services to health communities.

Medical division

Revenues during the 15 months to 31 March 2008 were minimal and the division incurred an anticipated pre-tax loss of £9.0m (2006: loss of £2.3m[1]). Revenues are expected to grow significantly this year but, given the ongoing investment in anticipated staff and medical services, further losses are anticipated.

At the heart of the Company's medical division business are joint venture GPCos with GPs and locality groups that provide out-patient and diagnostic services that patients in primary care and community settings. As at 1 June 2008, the Company had formed 15 GPCos serving circa 1.8 million patients; including the visible pipeline of GPs the joint ventures will serve over 3.5 million patients.

With each GPCo, the Group forms a 50% owned Limited Liability Partnership with a number of GP practices across a geographical area. The GPs' core practices and partnerships remain unaltered. A key component of Assura's competitive differentiation is the provision of a range of support elements to each joint venture. These include providing start-up and working capital, IT and informatics support, procurement experience and clinical service development expertise. The Group's other two divisions can provide property solutions and integrated pharmacy services wherever possible. Efficiencies in the operation of these GPCo medical services aim to provide a more cost effective health care supply to the PCTs as well as future profits which can be shared between Assura and the participating GP practices. Whilst it is very early days, this new business is proving attractive to large numbers of GPs and practice partnerships throughout the UK.

Considerable investment has been made in the development of medical services, redesigning of care pathways and clinical governance frameworks to underpin the provision of services by the Group's GPCos. With these foundations now in place to support a range of clinical services, the Company is very deliberately concentrating significant resources on building its portfolio of GPCos covering a growing number of potential patients. By giving its joint venture partners the tools required to become highly effective providers of medical services in the community, the Company aims to have a powerful business model for future NHS-based service provision. These businesses directly address the Government requirement for more tariff-based community-based services, not reliant upon fixed volume contracts.

Medical services provided by our GPCos aim to give choice to patients, often outside normal working hours and have strict quality assurance mechanisms in place which have been commended by the PCTs working with those GPCos. The Company is proud of the good relationships that its GPCos have formed with PCTs and other NHS organisations in these areas which demonstrates how public and private organisations can work together to provide excellent services for patients.

We are finding that good progress is being made within PCTs to implement the 'Any Willing Provider'[3] guidance as well as secure fixed volume contracts effectively. We continue to work with the PCTs and Acute Trusts in order to enable efficient implementation of locally procured services. By engaging as a 'willing provider' the Company is not reliant upon centrally procured contracts with guaranteed volumes and tariffs which may subsequently be revoked, such as those awarded to the Independent Sector Treatment Centres (ISTCs).

Chief Executive's Statement
continued

As at 1 June 2008, across the first 10 GPCos, 15 out-patient services had commenced and there were a further 68 medical services in the pipeline. As more GPCos are created, we foresee a further roll-out of a significant number of new medical services. Services already generating revenues include dermatology, urology, a joint and soft tissue service, nerve conduction studies, a flexible sigmoidoscopy (diagnostic) service and various minor surgery services.

The initial services have established the GPCos as credible providers within their areas. The Company is confident that this will place them in a strong position to expand their offering and win future PCT contracts for other medical services such as out of hours, dentistry, urgent care, long-term conditions and prison health.

During the period, the Company formed Assura Diagnostics and simultaneously acquired two small medical equipment businesses, Cystoscope Hire Limited and Urosonics Limited. This business was set up to provide high quality diagnostic and equipment solutions on a sessional basis to support the development of GPCo services. In addition to its internal GPCo clients, Assura Diagnostics is also working on a number of external projects with third parties.

Going forward, our goal is to have at least 30 GPCos operational by 2013 and fulfil the role of principal supplier to over 30 of the 152 PCTs (circa 20% market share). In the short term, we plan to have coverage of over 5 million patients by March 2010 with a comprehensive service portfolio to include primary, intermediate and social care. Our target EBITDA margin for our GPCos is 15%, of which the medical division would recognise 50%.

Pharmacy division

During the 15 month period to 31 March 2008, the pharmacy division generated a turnover of £17.9m (2006: £2.8m[1]) and generated an average gross margin of 26%. On a full cost basis, the division made a loss for the period of £4.2m (2006: loss of £3.4m[1]). Despite the Category 'M' pricing regime which has affected the entire pharmacy industry, the Company is encouraged by its average gross margin figure achieved and sees this as a solid platform to deliver a gross margin in excess of 28% by the end of 2009. This is supported by our integrated pharmacy model where additional service income is assisting gross margin performance.

The provision of pharmacy services in health centre locations, as opposed to high street locations, is key to providing a community-based primary care service and capturing a greater proportion of primary health care expenditure.

As at 1 June 2008, the Company's pharmacy division had 33 pharmacies trading (31 December 2006: 8[1]) and has a further seven licences granted for new pharmacies to open. The Company continues to seek new pharmacy licences for its own property developments and new developments undertaken by third parties. It also acquires existing pharmacies close to property development sites as well as existing pharmacies in locations where future health locations may be possible.

The Company is confident its integrated pharmacy model puts it in a strong position to take advantage of opportunities laid out in the recently published Government White Paper 'Pharmacy in England – Building on strengths – delivering the future'. The White Paper supports the continuing shift in policy

for pharmacists to play a greater role in the provision of primary health care services. It is the Company's view that this change will be best effected within integrated health centre facilities.

During 2008, the Company intends to continue its roll out of pharmacies and has targeted to have 45 pharmacies trading by March 2009. In addition the Company will further expand its direct to consumer channel for the pharmacy business, providing a convenient and efficient service for patients to take delivery of their medicines at their home or place of work in addition to physical branch locations. This concept is planned to be piloted across a number of regions working closely with GPs and patient groups prior to rolling it out. These developments will transform the Company's pharmacy business into a multi-channel operation offering patients a range of options as to how services can be provided.

Property investment

As at 31 March 2008, the Company's property division had 98 investment properties which in aggregate were valued by Savills at £289.9m representing an average net equivalent yield of 5.78%.

Further acquisitions, including 12 in solicitors' hands take total investment commitments to £324m as at 1 June 2008.

Whilst the wider commercial property market has experienced declines since the summer of 2007, we continue to believe that our overall valuation yield remains appropriate at the current time. Assura's properties are generally let on long leases where rent is predominantly reimbursed out of the NHS annual budget.

The Company settled rent reviews on 35 properties during the 15 month period to 31 March 2008 resulting in an aggregate annualised increase of 4.9% per annum on the passing rent relating to those properties. As at 31 March 2008, the portfolio had an average rent of £154 per square metre on General Medical Services (GMS) space and an average weighted income unexpired term of 18.35 years.

Property development

As at 1 June 2008, the Group had work-in-progress including 12 development sites and eight new developments totalling £58m. In addition, the Group has a development pipeline of £202m covering 28 sites and is on track to have over £750m in property invested invested or committed by the end of 2009.

The shift in services from secondary care (hospitals) towards primary and community care mandated by the Government, continues to require large, modern, purpose built premises. The Company's development team and pipeline continues to grow in response to this and there are a growing number of schemes at an advanced stage of negotiation.

The property development business operates through three development teams: North; South; and LIFT (Local Improvement Finance Trust). The Company's LIFT team is involved in the active management of six LIFTCos having reached financial close in respect of two LIFTCos, South West Hampshire and South East Essex, during the 15 month period. Development surpluses in the Company's LIFTCos resulted in a net share of development profits amounting to some £4.9m during the 15 month period.

Chief Executive's Statement
continued

Industry trends and outlook

The DH is committed to the private sector playing a role in the improvement of primary care services and has recently published guidance to allow private and NHS providers to compete or collaborate on a level playing field. We are encouraged by the multitude of opportunities for locally procured private sector provision in the NHS and the emphasis on patients' rights to have personalised care closer to home. We believe that our integrated business model will ensure that we become one of the UK's leading health care provider organisations giving patients a choice of local, high quality, out-patient, diagnostic and pharmacy services.

We are also encouraged by plans for the reform of the NHS and the objective to create 'World Class Commissioning' setting higher standards for commissioning and procurement particularly amongst PCTs. We expect Lord Darzi's NHS Next Stage Review to endorse our national strategy to support and increase the provision of out-patients and diagnostic services close to patients' homes through investment in GP support services and facilities thereby enabling our joint venture GP groups to become highly effective provider organisations.

We remain confident that the current industry trends and pace of NHS reform present a significant opportunity for the Company to achieve earnings growth. We believe our GPCos are on the cusp of a substantial increase in the number of medical services being provided, the pharmacy business has a competitive advantage through co-location with GPs and the high quality property portfolio underpins these businesses and provides the scale, financial muscle and presence to be a strong partner for the NHS. We have invested significantly to date in the necessary infrastructure and resources required to realise this opportunity and continue to focus on converting this into long-term, sustainable revenues for the Group.

Richard Burrell
Chief Executive Officer
24 June 2008

1 The comparative 2006 figures relate to the 12 month period ended 31 December 2006 whilst the figures for the period relate to the 15 month period to 31 March 2008.
2 Refer to note 12 in the Annual Report and Financial Statements.
3 'Any Willing Provider' guidance stipulates that PCTs should allow any provider that can meet the necessary quality standards to deliver NHS reimbursed services to patients at tariff. Tendering should only be required where monopolies are to be created, the guiding principle being that the rules of open contestability and patient choice should prevail. *Source: 'The NHS in England: The operating framework for 2008/09 Annexe D – Principles and rules for cooperation and competition'* Department of Health.

Chief Financial Officer's Statement

Results

This financial report covers the 15 month accounting period from 1 January 2007 to 31 March 2008 following the Company's change of year end to accord with that of the NHS and our GPCo joint venture partners.

The Group is engaged in four business segments being medical and pharmacy service provision and primary care premises investment and development. In the prior year we had allocated the results between three business segments only, with primary care premises investment and development combined. However we now regard and manage these as two distinct business segments with very different characteristics. The prior year segmental results have been restated in note 19 to ensure comparability, but there is no change to the consolidated results for the prior year.

Group revenues amounted to £40.7m (2006: £16.1m[1]) including £18.2m (2006: £10.7m[1]) of rental income and £17.9m (2006: £2.8m[1]) of pharmacy revenue. The profit before taxation was £12.6m (2006: £18.8m[1]), including a profit of £5.9m (2006: £nil[1]) on termination of The Westbury Property Fund Limited management contract and £3.7m (2006: £5.7m[1]) profit on revaluation of derivative financial instruments. If these latter profits are excluded, the 'normalised' profit before taxation was £3.0m (2006: £13.1m[1]).

During the period, we have continued to benefit from strong growth and profits in our property investment business, although only modest revaluation surpluses of £1.2m (2006: £15.5m[1]) following a slight increase in investment yields to an average equivalent yield at 31 March 2008 of 5.78% (2006: 5.65%). With a weighted average unexpired lease length of 18.35 years and rent which is 85% directly reimbursed by PCTs, we are comfortable that the Group's property portfolio is fairly stated notwithstanding current property market conditions. A 0.5% shift of yield would cause the property portfolio held at the period end to move by circa £22.5m.

Our property development division, including our activity in LIFT, has benefited from strong revaluation gains representing development profits achieved on those developments which were completed in the period. Unrealised property development surpluses amounted to £7.7m (2006: £1.5m[1]) in the 15 month period and, in addition, the Group's share of property development surpluses in our LIFT investments amounted to £4.9m (2006: £nil[1]) in the period. Furthermore, £3.0m (2006: £1.5m[1]) of revaluation gains, principally on recently completed developments, has been credited direct to reserves being gains on the Group's own pharmacy premises.

Profits in our property investment and development businesses have been offset by planned losses in our pharmacy and medical services businesses where we continue to expense the bulk of business development costs incurred in establishing these two businesses.

Full details of the segmental results are given in note 19 to these financial statements.

As at 31 March 2008, the Group had gross assets, net of working capital, amounting to £455m (2006: £314m) and net debt of £170m (2006: £29m), maintaining a strong and efficient balance sheet with modest gearing.

Financing

At the period end the Group had net debt of £168m. In addition the Company had three bank facilities in place totalling £270m:

- £250m utilising the National Australia Bank (NAB) sponsored securitisation conduit available for five years from March 2008 on which the Company pays a margin of 0.45% over the Asset Backed Commercial Paper rate. This market has

Chief Financial Officer's Statement
continued

suffered volatility in recent months and a premium has been paid over LIBOR of around 0.6%, in addition to the margin. The lender has a 364 day £255m liquidity facility from NAB for use when Commercial Paper cannot be issued by the conduit. The latter facility is subject to a margin of 0.7% over LIBOR for periods of up to one month, 1.1% otherwise.

- £8.25m term loan for five years from March 2008 from Royal Bank of Scotland secured on one property with a margin of 1.2%.
- Long-term loan of just under £12m from General Practice Finance Corporation (GPFC) secured on one property at a fixed rate of 6.45%. Discussions are currently ongoing with a view to this loan being increased to £22m.

The Group's excellent property portfolio, characterised by both geographical and lot size diversity, in addition to the strong tenant covenant and long average lease length, is attractive to banks, notwithstanding the current banking climate.

The Company is protected from interest rate movements by an interest rate swap which amounts to £200m fixed until 31 December 2027 at a rate of 4.59%. The swap was revalued at 31 March 2008 to £5.9m (31 December 2006: £2.2m).

Net asset value
Including the investment property and swap revaluations, and after payment of dividends, the fully diluted net asset value per Ordinary Share is 118.1p (31 December 2006: 114.7p). This of course excludes the substantial value of our pharmacy licences which are held at cost and in most cases to date have been granted at nil cost rather than having been acquired by the Group.

On 29 June 2007 and following approval of the Royal Court of Guernsey, the Company transferred £227m from share premium to distributable reserves.

Taxation status
At an Extraordinary General Meeting held on 3 April 2008, shareholders approved the change in status of the Company from Chapter 15 (investment) to Chapter 6 (trading) and the Group's management and control was moved to the UK immediately thereafter to reflect the change in nature of business of the Group.

As a result the Group's trading profits are now subject to taxation in the UK although corporation tax will only be paid in respect of property gains when these are actually realised. All property was transferred from an offshore subsidiary in Guernsey to new UK property investment companies based on independent valuations undertaken at the time of the transfers last year. This, along with trading losses in the pharmacy and medical services businesses, will protect the Group from UK corporation taxation for a reasonable period.

Nigel Rawlings
Chief Financial Officer
24 June 2008

1 The comparative 2006 figures relate to the 12 month period ended 31 December 2006 whilst the figures for the period relate to the 15 month period to 31 March 2008.

NHS and Government Policy

"Our approach to the independent sector is pragmatic, not ideological. Where independent sector providers offer good value for money, innovation, and high quality patient care, we will continue to bring them in to work as part of the family of NHS providers."

Alan Johnson, Secretary of State for Health, November 2007

The NHS Operating Framework for 2008/09, published in December 2007, placed great emphasis on local and community collaboration and increased freedom for NHS organisations to deliver local services. Among the Key National Priorities detailed in this Framework was a requirement to improve access to health services and increase integration and co-location of services. The DH has clearly stated that it will 'continue to encourage independent sector provision where it will provide value for money and meet patients' needs'[1].

Following the publication of the Operating Framework, the DH launched the Equitable Access to Primary Medical Care Services Procurement to address inequalities in quality, access and utilisation of care in the community. This procurement involves the delivery of 113 new GP practices in the 50 most under doctored PCTs in addition to a new GP-led health centre in each of the 152 PCTs in easily accessible locations and offering a range of services to all members of the local population. These new practices and buildings are currently the subject of a series of major procurement arrangements with the aim of being operational from early 2009 onwards. The individual PCTs will be running 'an open and transparent tendering process that provides opportunities for a full range of providers to put forward innovative solutions'[2]. This procurement process covers both the provision of primary care based service contracts for out-patient, diagnostic and day-case surgery and the provision of premises contracts, either in combination with each other or separately.

The final report of Lord Darzi's wide ranging review of the NHS is expected imminently. The review is designed to ensure that a properly resourced NHS is clinically led, patient-centred and locally accountable. The interim report indicated that the current direction of NHS reform should be seen 'through to its conclusion' and pushed for a shift in the focus of reform away from central control to local communities and with an emphasis on improving the quality of care and the quality of the patient experience of care. Among other things, it also recommended a network of polyclinics be created to 'provide a new kind of community-based care at a level that falls between the current general practice and the traditional district general hospital'. It called for an expansion of the 'one stop shop' model of primary care with new health centres offering community-based services to meet local need. It is anticipated that the final outcome of Lord Darzi's review will identify what is required over the next decade to provide a world class NHS providing personalised care to patients and their families and relatives.

'Free Choice' for patients for all routine elective services continues to be encouraged and under the Free Choice structure, there is the opportunity for 'any willing provider' to supply services without constraint. This enables PCTs to develop a market and range of providers rather than the award of contracts to one provider after a competitive tendering process. The 'any willing provider' model opens up the opportunity for providers to provide services without the bureaucracy and delay in the approvals process for tenders.

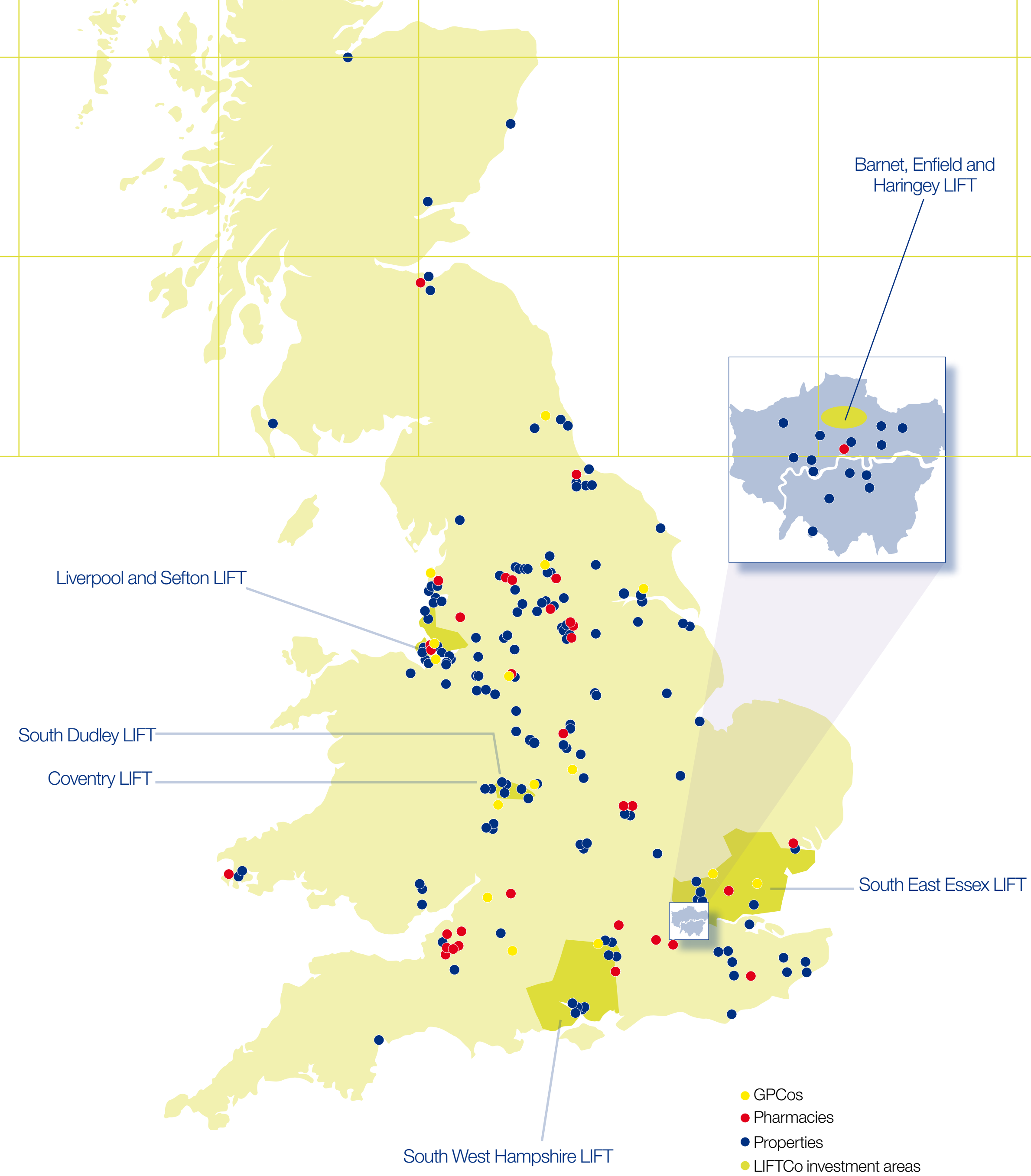
The DH has confirmed that a new appeals process will be set up to ensure all health providers have an equal chance of winning contracts to supply services to the NHS. This will enable providers to appeal against tendering processes which may not have been run on a level playing field between NHS and other providers. An independent Competition Panel with private sector expertise is being established to arbitrate in situations where the private sector feels they may have been treated unfairly by PCTs.

An Independent Sector Procurement Forum has also been established as a means for independent and third sector providers to advise the DH on policies related to local procurement of clinical services in order ensure a level playing field. This Forum will enable private sector providers to communicate with the DH on PCT procurement policies and practices.

1 'The Operating Framework for the NHS in England 2008/09'.
2 'PCT procurement framework', Dr Hemal Desai, clinical advisor, commercial directorate, Department of Health/'PCT Delivery', Ben Dyson, director of primary care, commissioning and system management directorate, Department of Health.

Our Portfolio

The Company has transformed into a property-backed operator of pharmacy and medical services in collaboration with GPs.



GPCos

GPCo	Patient population
Blackpool	97,000
Chelmsford	68,000
Derwentside	75,000
East Riding	94,000
Hampshire Health (Basingstoke)	144,000
Hinckley	100,000
Lea Valley	100,000
Leeds	250,000
Liverpool	47,000
Macclesfield	59,000
Minerva (Bath)	195,000
Peninsula (Wirral)	122,000
Vertis (Worcestershire)	170,000
Wiltshire	150,000
Wyre Forest	110,000

Pharmacies

Town or city	Location
Ashford	St Stephen's Health Centre
Backwell	West Town Road*
Blackpool	Glenroyd Medical Centre
Bolton	Crompton Health Centre
Bordon	Chalet Hill
Bradford	Mayfield Medical Centre
Bradford	The Willows Medical Centre
Branston	Branston Medical Centre
Chessington	Merritt Medical Centre
Dodworth	High Street
Eastville	Fishponds Road*
Edinburgh	Bonnyrigg Health Centre
Hoyland	King Street
Hoyland	Market Street
Ipswich	Rapier Street

Town or city	Location
Leeds	Park Edge Medical Centre
Liverpool	Assura Health and Wellness Centre, Ropewalks
Liverpool	West Everton Healthy Living Centre
London	St Katharine's Dock
Long Ashton	Weston Road*
Macclesfield	Waters Green Medical Centre
Middlesbrough	North Ormesby Health Village
Milford Haven	Hamilton Terrace
Nailsea	High Street*
Nailsea	Somerset Square*
Pill	Baltic Place*
Shenfield	Hutton Street
Shinfield	Shinfield Primary Care Centre
Tetbury	Long Street
Tinsley	Tinsley Centre
Wellingborough	Gold Street
Wellingborough	Queen Street
West Byfleet	West Byfleet Health Centre

*Joint venture between Assura and GP Care

Investment and development properties

East of England

Abbey Road Surgery, Waltham Cross, Hertfordshire
Griffin Wharf, Ipswich, Suffolk†
Houghton Close Surgery, Ampthill, Bedfordshire
Keyhealth Medical Centre, Waltham Abbey, Essex
Rockleigh Court Surgery, Shenfield, Essex
The New Surgery, South Woodham Ferrers, Essex
Thomas Walker Medical Centre, Peterborough, Cambridgeshire
Warden Lodge Medical Centre, Waltham Cross, Hertfordshire

East Midlands

Castle Mead Medical Centre, Hinckley, Leicestershire
Care Home Site, Chellaston, Derbyshire†
Church Walk Surgery, Metheringham, Lincolnshire
Development Site Glamorgan Way, Church Gresley, Derbyshire†
Gold Street Medical Centre, Wellingborough, Northamptonshire
Glamorgan Way, Chellaston, Derbyshire†
Heriot Lane, Wellingborough, Northamptonshire
Land at St Thomas Drive, Boston, Lincolnshire†
Long Lane Surgery, Coalville, Leicestershire
Major Oak Medical Practice, Mansfield, Nottinghamshire
Meden Vale Medical Centre, Mansfield, Nottinghamshire
Medical Development Site, Chellaston, Derbyshire†
Sites at Rowallan Way (2), Chellaston, Derbyshire†

London

Bromley Common Practice, Bromley, London
Cassidy Medical Centre, Fulham, London
Isidore Crown Medical Centre, Camberwell, London
Kensington Park Medical Centre, Kensington, London
Kenton Bridge Medical Centre, Kenton, Middlesex
Merritt Medical Centre, Chessington, Surrey
Mill Hill Surgery, Acton, London
New Cross NHS Walk-In Centre, New Cross, London
Orchards Health Centre, Barking, Essex
Queensbridge Group Practice, Hackney, London
Rush Green Medical Centre, Romford, Essex
The Keats Group Practice, Hampstead, London
Wide Way Medical Centre, Mitcham, Surrey
Wordsworth Health Centre, Newham, London

North East

6 Dudley Street, Grimsby, Lincolnshire
Central Parade, Grimsby, Lincolnshire†
Children's Day Nursery, North Ormesby Health Village, Middlesbrough, Teesside
Field House Medical Centre, Grimsby, Lincolnshire
Fulwell Medical Centre, Sunderland, Tyne and Wear
McKenzie House Surgery, Hartlepool, Teesside
North Ormesby Health Village, Middlesbrough, Teesside
Queens Park Practice, Stockton on Tees, Teesside
Saville Medical Group, Newbiggin Hill, Tyne and Wear
Saville Medical Practice, Newbiggin Hill, Tyne and Wear
Unit 3a, North Ormesby Health Village, Middlesbrough, Teesside†
Woodlands, Stockton on Tees, Teesside

North West

32a Ford Road, Upton, Merseyside†
92-98 Victoria Street, Crewe, Cheshire†
Ashfields Primary Care Centre, Sandbach, Cheshire
Assura Health and Wellness Centre, Liverpool, Merseyside
Beam Street, Nantwich, Cheshire*
Birkenhead Laird Street Site, Birkenhead, Merseyside†
Bispham Road Surgery, Blackpool, Lancashire
Brookmill Medical Centre, Leigh, Lancashire
Crompton Health Centre, Bolton, Lancashire
Denton Medical Practice, Manchester, Lancashire
Derby House, Blackpool, Lancashire
Devonshire Road, Blackpool, Lancashire
Eagle Bridge Health and Wellbeing Centre, Crewe, Cheshire
Elizabeth Street Surgery, Blackpool, Lancashire
Farndon Health Centre, Farndon, Cheshire
Garden Lane Surgery, Chester, Cheshire
Glenroyd Medical Practice, Blackpool, Lancashire
Green Bank Surgery, Warrington, Cheshire
Land at Broadway, Wallasey, Merseyside†
Miriam Medical Centre, Birkenhead, Merseyside
New Collegiate Medical Centre, Cheetham, Manchester
New Health Centre, Winsford, Cheshire
North Shore Surgery, Blackpool, Lancashire
Oakwood Medical Centre, Barnton, Cheshire

Our Portfolio
continued



Saint Hilary Brow Group Practice (169 and 204), Wallasey, Merseyside
Stoker's Garage Site, Kendal, Cumbria†
St Paul's Medical Centre, Blackpool, Lancashire
The Weaverham Surgery, Northwich, Cheshire
Units 1, 2, and 3 Moor Park Industrial Estate, Blackpool, Lancashire†
Upton Group Practice, Wirral, Merseyside
Waters Green Medical Centre, Macclesfield, Cheshire
Whitley Road Surgery, Manchester, Lancashire
Witton Street Surgery, Northwich, Cheshire
Yew Tree Community Health and Children's Centre, Liverpool, Merseyside

Scotland
Bonnyrigg Medical Centre, Bonnyrigg, Midlothian
Mountcastle Health Centre, Edinburgh, Midlothian
Skene Medical Group, Skene Healthcare Centre, Westhill, Aberdeenshire
Slackbuie Site, Inverness, Inverness-shire†
Terra Nova Medical Centre, Dundee, Angus
Waverley Medical Centre, Stranraer, Dumfries and Galloway

South Central
Dickson House, Crown Heights, Basingstoke, Hampshire
Horsefair Surgery, Banbury, Oxfordshire
Shinfield Health Centre, Shinfield, Berkshire*
South Bar House, Banbury, Oxfordshire*
Sun Inn site, Southampton, Hampshire*
Unit 4, Crown Heights, Basingstoke, Hampshire†
West Bar Surgery, Banbury, Oxfordshire

South East Coast
Abbey Court, Tunbridge Wells, Kent*
Aylesham Health Centre, Aylesham, Kent*
Cockshot Hill, Reigate, Surrey†
Former Metronome Cinema Site, Folkestone, Kent†
Oxted Health Centre, Oxted, Surrey
St Stephen's Primary Care Health Centre, Ashford, Kent
The Medical Centre, Eastbourne, East Sussex
West Byfleet Health Centre, West Byfleet, Surrey
West Hill Hospital Site, Dartford, Kent†
Whitehouse Surgery, Southampton, Hampshire

South West
Kingskerswell Health Centre, Kingskerswell, Devon
Priory Medical Centre, Wells, Somerset
Priory Road Surgery, Swindon, Wiltshire
The Surgery, Bristol, Avon

Wales
Abersychan Group Practice, Pontypool, Gwent
Allt Goch Medical Centre, Flint, Flintshire
Garndiffaith, Pontypool, Gwent
Grange Clinic, Newport, Gwent
Kwik Save Site, Milford Haven, Pembrokeshire†
Robert Street Practice, Milford Haven, Pembrokeshire

West Midlands
Benefits Agency Examination Centre, Stoke-on-Trent, Staffordshire
Branston Primary Care Centre, Branston, Burton-upon-Trent, Staffordshire
Gnosall Health Centre, Gnosall, Staffordshire
Heartlands Hospital Main Entrance Retail Mall, Birmingham, West Midlands
Hill Street Medical Centre, Burton-upon-Trent, Staffordshire
Hill View Surgery, Redditch, Worcestershire
Moss Grove Surgery, Kingswinford, West Midlands
St Stephens, Redditch, Worcestershire
The Bridge, Redditch, Worcestershire
The Wand Medical Centre, Birmingham, West Midlands

Yorkshire and Humber

Apollo Court, Barnsley, South Yorkshire

Ashby Turn Primary Care Centre, Scunthorpe, North Lincolnshire

Bartle Lane, Bradford, West Yorkshire†

Beechwood Medical Centre, Halifax, West Yorkshire

Castleford Road Surgery, Normanton, West Yorkshire

Community Health Centre, Halifax, West Yorkshire

Craven Road Medical Centre, Leeds, West Yorkshire

Doctor's Surgery, Arthington, West Yorkshire

Doctor's Surgery, Chanterlands, Kingston upon Hull

Gilberdyke Health Centre, Gilberdyke, Kingston upon Hull

Hessle Primary Care Centre, Hessle, Kingston upon Hull

King Cross Practice, Halifax, West Yorkshire

Legarde Avenue Surgery, Anlaby Park, Kingston upon Hull

Ling House Medical Centre, Keighley, West Yorkshire

Market Street, Hoyland, South Yorkshire

Mayfield Medical Centre, Bradford, West Yorkshire

Middlestown Medical Centre, Wakefield, West Yorkshire

Northgate Surgery, Pontefract, West Yorkshire

Old St Mary's Hospital Site, Scarborough, North Yorkshire†

Outwood Park Medical Centre, Wakefield, West Yorkshire

Park Edge Practice, Leeds, West Yorkshire

Rossington Health Centre, Doncaster, South Yorkshire

St James's University Hospital Retail Mall, Leeds, West Yorkshire*

The Willows Medical Centre, Bradford, West Yorkshire

Todmorden Health Centre Development, Todmorden, West Yorkshire*

Victoria Day Nursery, Barnsley, South Yorkshire

Victoria Medical Centre, Barnsley, South Yorkshire

Walderslade Hoyland Surgery, Hoyland, South Yorkshire

York District General Hospital Retail Mall, York, North Yorkshire

Properties owned by LIFT Companies in which Assura is the lead investor and sponsor

Barnet, Enfield and Haringey

Forest Primary Care Centre, Edmonton, London

Hornsey Central, Crouch End, London*

Lordship Lane Primary Care Centre, Haringey, London

Vale Drive Primary Care Centre, Barnet, London

Coventry

Keresley Green Medical Centre, Coventry, West Midlands

Longford Primary Care Centre, Coventry, West Midlands

Liverpool and Sefton

Ainsdale Community Centre, Ainsdale, Merseyside

Breeze Hill Neighbourhood Health Centre, Liverpool, Merseyside

Everton Road Health Centre, Liverpool, Merseyside

Litherland Town Hall Health Centre, Liverpool, Merseyside

Picton Neighbourhood Health and Children's Centre, Liverpool, Merseyside

Southport Centre for Health and Wellbeing, Southport, Merseyside

South East Essex

Central Canvey Primary Care Centre, Canvey Island, Essex*

South West Hampshire

Adult Mental Health In-patient Unit Development, Southampton, Hampshire*

Western Primary Care Delivery Centre, Southampton, Hampshire*

Properties owned by LIFT Companies in which Assura is an investor

South Dudley

Brierley Hill Health and Social Care Centre, Stourbridge, West Midlands*

Ridge Hill Learning Disabilities Centre, Stourbridge, West Midlands

Stourbridge Health and Social Care Centre, Stourbridge, West Midlands

* Site under construction
† Development site

Case Studies

Patient questionnaire comments:

“What an understanding doctor”

“Very friendly and professional”

“Much appreciated efficient attention”

Assura Minerva LLP

0% infection rate

100% patient satisfaction

Minor surgery service, Assura Minerva LLP (GPCo)

The GPs in Assura Minerva LLP were successful in bidding for an intermediate minor surgery service tendered by Bath and North East Somerset (BANES) PCT for 2007/08 with services commencing in March 2007. Utilising the additional skills of GPs within the GPCo, the service is available to all patients within the PCT. It is beneficial to the PCT by supporting the delivery of their Interventions Not Normally Funded (INNF) policy ensuring only patients with a clinical need receive NHS treatment.

It is a ‘one stop service’ offering assessment and treatment at three local sites in the BANES community and offers excellent value for money and equitable access to patients of BANES. The service has had excellent patient outcomes with 100% patient satisfaction and a 0% infection rate. The contract has been renewed by BANES PCT for 2008/09 offering a contracted activity of 180 cases.

The budgeted outturn profit was exceeded in this first contract year through efficient population of clinics and the management of patient attendance resulting in low numbers of Did Not Attends. The GPCo has complied with all PCT contract requirements including management of referrals against agreed criteria to check the valid use of monies (i.e. not for purely cosmetic reasons).

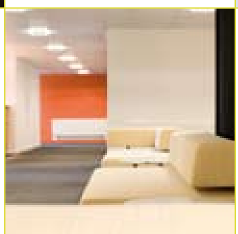
Patient survey responses to the question 'how could the service be improved?':

"Nothing, I felt comfortable, all very polite and helpful"

"Access of appointments was good because they do late nights"

"Nothing to improve, excellent service, very pleasant surroundings and wonderful staff"

Assura Liverpool LLP



Dermatology service, Assura Liverpool LLP (GPCo)

The Assura Liverpool GPCo dermatology service commenced in August 2007 and feedback to date is excellent. Patients have commented on how quickly they were offered an appointment, how satisfied they have been with their treatment and how professional and pleasant the staff were. Patients were also impressed by the clean, bright and modern facilities.

The dermatology clinicians also received positive feedback from GP referrers on the information provided to them following treatment of their patients.

From the first 260 referrals, the ratio of follow ups was 0.7 to every first appointment. This is in stark comparison to the secondary care data prior to the commencement of the service indicating an average of 7.0 follow ups to every first appointment. Patients were offered an appointment on average within 10 days and the majority of patients were assessed, treated and discharged after a single visit. To date, there have been approximately 500 referrals into the service.

An independent evaluation of the dermatology service has just been commissioned by the PCT and was undertaken by Dr Foster Intelligence. An interim report indicated that the patient and GP referrer satisfaction was excellent and there were reduced referrals into secondary care.

0% infection rates

0% untoward incidents

GP referrer satisfaction rated 'Excellent'

Case Studies
continued

Eagle Bridge Health and Wellbeing Centre, Crewe

The Eagle Bridge Health and Wellbeing Centre is a state-of-the-art primary health facility for Crewe. It provides accommodation for three town centre practices, comprising 22 GPs with a combined patient population of over 36,000. The Centre incorporates GP services, a pharmacy, PCT services and a community café. An external docking station for mobile diagnostics has also been provided as well as 15% extra expansion space to facilitate Practice Based Commissioning and ensure that the building is ‘future-proofed’. The building was officially opened by former local MP Gwyneth Dunwoody, and was awarded ‘Best Building Design of the Year’ award in Crewe’s Mayoral Oscar ceremony.

Assura Health and Wellness Centre, Dickson House, Crown Heights, Basingstoke

Assura Health and Wellness Centre, Basingstoke, is a purpose built health centre incorporating two local GP practices with a combined patient population of 32,000. Centrally located in the heart of the town with exceptional transport links, it is a real one stop shop offering 26 consulting rooms, six rapid access multi-purpose rooms, a phlebotomy room, a minor surgery suite, and will soon offer an integrated pharmacy. On the floors below, Assura offers fully serviced clinical accommodation to related health professionals who are currently providing ultrasound services. This helps the GPs to manage referrals and complements the services provided by the GPCo, Assura Hampshire Health LLP, of which both GP practices located within the building are members. The GPCo is currently offering a flexible sigmoidoscopy service in partnership with the GPs and is also seeking to provide further services including urology, musculoskeletal and ENT.

Thomas Walker Medical Centre, Peterborough

The Thomas Walker Medical Centre is a 'one stop shop' for primary health care in the centre of Peterborough that has recently benefited from a large £2.5m, 10,600 square foot extension. Following the identification of a higher than average incidence of diabetes in the local area by Peterborough PCT, Assura offered to provide a new wing featuring a pioneering new Healthy Living Centre specifically designed for people with diabetes and other long term conditions. In addition to consultation and treatment rooms, the new wing includes an education room, demonstration kitchen and exercise facility to provide the care management and support for the lifestyle changes required for those with diabetes. To ensure the longevity of the building Assura also built in additional space to cope with the potential expansion of services in the near future.

Assura Pharmacy, North Ormesby, Middlesbrough

Conveniently located in the centre of the extensive North Ormesby Health Village in Middlesbrough, Assura Pharmacy's flagship North Ormesby store is one of a new generation of pharmacies operated by Assura. It provides integrated pharmacy services working closely with GP practices and the wider health economy to meet the needs of the local community. Alongside traditional services such as prescriptions and over the counter medicines, the pharmacy provides a range of enhanced services in modern clinical surroundings. Thanks to its three consultation rooms, the pharmacy is able to provide high quality facilities for innovative clinics such as the substance misuse service. This, along with other enhanced services such as the prescription collection and delivery service, combined with the range of services on offer within the health village itself, including GP services, renal diagnostics and the Sexual Assault Referral Centre, really does put the pharmacist at the centre of the primary care offering and dramatically helps to improve convenience for patients.

A People Business

Our people are fundamental to the way in which we do business. They are integral to our ability to deliver our strategy and contribute equally as part of a diverse workforce

We strive to achieve excellence through our strategy of specialisation and diversification across a range of primary care services. Our team is built around experience and, whether it relates to medical, pharmacy or property investment and development, we have the expertise to help find the solution to your primary care needs.

Our people understand GPs and PCTs. We have hired a diverse team of people with clinical and NHS backgrounds who understand their requirements and can communicate effectively with them to create tailor-made solutions. This team complements our other professional staff from non-NHS backgrounds who bring their own wealth of property and operational experience.

We recognise the quality of services provided by GPs, PCTs and health professionals. By partnering with these groups, our teams of dedicated professionals, each with their own area of expertise but inextricably linked by the same values, culture and approach, are able to offer innovative solutions and tailored services to suit each individual need.

Whatever the requirement, we are committed to long-term partnerships with each of our stakeholders.

Corporate Information

Non-Executive Directors:	Rodney Baker-Bates (Chairman) Dr John Curran (Deputy Chairman) Graham Chase Peter Pichler Colin Vibert Fred Porter
Executive Directors:	Richard Burrell (Chief Executive Officer) Nigel Rawlings (Chief Financial Officer)
Head Office and Principal Place of Business:	3300 Daresbury Business Park Warrington Cheshire WA4 4HS
Company Secretary:	Greg McMahon
Registered Office:	2nd Floor Albert House South Esplanade St Peter Port Guernsey GY1 3TX
Auditors:	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Bankers:	National Australia Bank 88 Wood Street London EC2V 7QQ Royal Bank of Scotland plc 1 Spinningfields Square Manchester M3 3AP
Legal Advisors:	Addleshaw Goddard LLP 100 Barbirolli Square Manchester M2 3AB Carey Olsen PO Box 98 7 New Street St Peter Port Guernsey GY1 4BZ
Stockbrokers:	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS Lehman Brothers Europe Limited 25 Bank Street London E14 5LE

Board of Directors

Rodney Baker-Bates
Non-Executive Chairman
Rodney Baker-Bates (age 63 and appointed 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 finance 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, Helphire Group plc, Bedlam Asset Management plc, FirstAssist Insurance Services Limited, EG Solutions Limited, The Music Solution Limited, Britannia Building Society, G's Group Holdings Limited and Strategic Investment Group Limited. Rodney is also a consultant to the Board of directors of C. Hoare & Co.

Richard Burrell
Chief Executive Officer
Richard Burrell (age 42) graduated from Durham University and started his career at UBS Investment Bank and latterly at ING where he focused on mergers and acquisitions and raising of equity and debt capital for companies. In 2002, he led the Admission of the Company to the Official List. Richard has been the Chief Executive Officer of Assura since its formation. He is a non-executive director of Stobart Group Limited, Helphire Group plc and a Trustee of Alder Hey Children's Hospital Imagine Appeal.

Nigel Rawlings
Chief Financial Officer
Nigel Rawlings (age 52) started his career with Price Waterhouse in 1977, working in Manchester, London and Singapore. Nigel was Finance Director and Company Secretary of Rowlinson Securities plc, a property and contracting group admitted to the Official List, from 1987 to 1994 and was Chief Financial Officer and Company Secretary of Barlows plc, a formerly fully listed property development and investment company from 1996 to 2003. Nigel has been the Chief Financial Officer of Assura since its formation and he is a non-executive director of Mobilizer Limited and Stobart Group Limited.

Dr John Curran
Deputy Non-Executive Chairman and Senior Independent Director
Dr John Curran (age 49 and appointed October 2003) is a medical practitioner (GP and dermatologist). He currently owns and operates Aesthetic Skin Clinics in the Channel Islands and Ireland. He is also Executive Chairman of Pharma-e Limited, a pharmacy company specialising in distributing medical products to doctors in the UK. He was formerly a Director of St Damiens Property Company Limited, a Channel Islands based medical property company, which was responsible for developing and leasing health centres for doctors in Guernsey. Throughout his medical career Dr Curran has been involved in medical finances, holding the post of Finance Partner and Management Partner for a large private medical group in the Channel Islands (1991–2000). Dr Curran is currently Chairman of the British Association of Cosmetic Doctors.

Graham Chase
Non-Executive Director
Graham Chase (age 54 and appointed October 2003) is Chairman and Managing Director of Chase and Partners, Chartered Surveyors and Chartered Town Planners. He is the immediate past President of the Royal Institution of Chartered Surveyors (RICS). He is a Fellow of the Chartered Institute of Arbitrators, a Freeman of the City of London, Past President of the General Practice Division of RICS and the immediate Past Chairman of the RICS Commercial Property Faculty.

Peter Pichler
Non-Executive Director
Peter Pichler (age 58 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 has 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.

Colin Vibert
Non-Executive Director
Colin Vibert (age 63 and appointed October 2003) is a banker who has 40 years' experience in the finance industry, primarily in Jersey, and is an Associate of the Chartered Institute of Bankers. From 1980 to 1999 he was a Senior Officer of BankAmerica Trust Company (Jersey) Limited, the last 18 months as Chief Executive. The business of BankAmerica Trust Company (Jersey) Limited was acquired by UBS AG in March 1999 and he became head of the combined UBS Jersey trust operation until his retirement in October 2000. Included in his trustee's duties were the management and administration of international mutual funds and substantial real estate portfolios.

Fred Porter
Non-Executive Director
Fred Porter (age 63, non-UK resident) qualified as a dental surgeon in 1967 and pursued a career in dentistry from 1968 to 1998. He co-founded Helphire Group plc in 1992 and was involved in its development from its beginning to a full listing on the London Stock Exchange in 1997. He served as a non-executive director of Helphire Group plc from 1992 to 1999. Since retiring in 1999 and leaving the UK to live abroad, he has helped to build Signature Group, a substantial property development business in Portugal.

Report of the Directors

The directors of Assura Group Limited (the 'Company' or 'Assura Group') are pleased to present their 2008 Annual Report and the audited Consolidated Financial Statements in respect of the 15 month period to 31 March 2008.

Assura Group Limited is a Guernsey registered company, the shares of which are listed and traded on the London Stock Exchange. Although not strictly required to comply with the Combined Code requirements for the 15 month period covered by this report, as explained on page 36, the Board has determined that, to the extent proportionate and relevant to the affairs of the Group, it will report on its activities and governance arrangements in compliance with the Combined Code.

A comprehensive review of the business and activities of the Company and its subsidiary undertakings and associates (the 'Group') is included in the Chief Executive Officer's Statement and the Chief Financial Officer's Statement set out respectively on pages 7 and 13 of this report.

Results and dividends
The profit of the Company after taxation for the 15 month period ended on 31 March 2008 amounted to £13.8m (2006: £18.4m). The directors recommend a final dividend of 4.67p per Ordinary Share (2006: 4p) which when aggregated with the two interim dividends paid during the period of 2.33p and 1.75p respectively (2006: 2.0p), results in a total dividend in respect of the period of 8.75p (2006: 6p).

Directors
The directors who served during the period were:

- Dr Mark Jackson (Chairman from 1 January 2007 until he resigned from the Board on 7 March 2008)
- Dr John Curran (Deputy Chairman, Chairman of the Remuneration Committee and senior independent director from 1 January 2007 until his appointment as Interim Chairman on 7 March 2008)
- Graham Chase (Chairman of the Nominations Committee)
- Peter Pichler (Chairman of the Audit Committee)
- Fred Porter
- Colin Vibert

All of these directors were non-executive directors throughout the period of tenure.

Following the end of the period covered by this report Rodney Baker-Bates, who had no previous involvement in the Group (and hence is regarded by the Company as independent on appointment) was appointed to the Board as Non-Executive Chairman and Richard Burrell and Nigel Rawlings were appointed to the Board as executive directors having previously held the senior management roles of Chief Executive Officer and Chief Financial Officer. They each continue in those roles and their reports are set out on pages 6, 7 and 13 respectively.

On 7 March 2008, Dr Mark Jackson resigned as Chairman of the Board and as a non-executive director of the Company in order to concentrate on his role as Chief Executive Officer of Helphire Group plc. On 3 April 2008, it was announced that Fred Porter had indicated to the Board that due to other commitments he intends to stand down from the Board at and with effect from the Company's 2008 Annual General Meeting. The Board of Assura wishes to take this opportunity to record their sincere appreciation for the support, counsel and guidance which both Dr Jackson and Mr Porter have provided to the Board, the Company and the Group as a whole throughout their period on the Board.

More details about the continuing directors are contained on pages 26 and 27.

Details of the interests of the directors required to be notified under Disclosure and Transparency Rule 3.1.2R are set out in the Remuneration Report.

Principal risks and uncertainties
The factors identified by the Board as having the potential to affect the Company's operating results, financial condition and/or the trading price of its shares are set out below, or in relation to financial risks, in note 41 to the financial statements.

The directors consider the following risk factors and those set out at note 41 to the financial statements to be the most significant, but the risks listed below do not necessarily comprise all those associated with the Group and are not set out in any order of priority. Additional risks and uncertainties currently unknown to the directors or which the directors currently believe are immaterial, may also have a material adverse effect on the Company if they were to materialise.

General risks relating to the market in which the Company operates

- The Company operates within the primary health care market and any cut in public spending or change in public policy could have an adverse effect on the Company's business, results of its operations and/or financial condition. Cuts in Government spending or changes in public policy may occur for a variety of reasons, the majority of which are outside of the control of the Company, including a change of Government or a spending or policy review. However, the Company believes that the policies of both major political parties support the shift of services from hospitals to primary care, the opening up of the market to private providers and the NHS changing its focus to procurement rather than provision of services.
- As the Company's trading activities increase in significance its exposure to the risks associated with its pharmacy and medical businesses increases. In particular these businesses are in investment phases of their development and there can be no certainty that they will generate adequate profits. The Company faces risks relating to the commercial success of its pharmacy operation and in the medical division the Company is dependent upon the continued support of its GP partners and the award of contracts or accreditation by PCTs for the provision of services and it is exposed to certain risks, such as risks of reputational damage or financial loss in the event of a failure, faced by any business providing medical services to patients.

Property division risks

- Any ongoing or future property market recession could materially adversely affect the value of properties. The performance of the Company would be adversely affected by a downturn in the property market in terms of the capital value of property and/or a weakening of rental yields. The Company is however protected by rent receivable largely being subject to direct Government rebate and the long weighted average lease length of its portfolio.

Pharmacy division risk factors

- Any change to the NHS Pharmaceutical Services Regulations could impact negatively on the remuneration currently enjoyed by pharmacy contractors as it could result in reductions to the current agreed payments. In addition the DoH regularly reviews the payments it makes to pharmacy contractors. Changes to the prices that pharmacy contractors are paid could impact on both turnover and profitability of the Company.
- The Company is also exposed to risks arising through professional or process error in its pharmacies and/or in the professional services each provides.

Medical division risk factors

- The Company could be affected by competitive pressures as the market for independent providers of services in primary health care expands.
- There may be risks associated with managing a complex organisation delivering health care and the Company will need to continue to ensure that it undertakes due diligence, has limited contractual risk and has appropriate insurance. Insurance may or may not always be available on terms acceptable to the Company.

Risks related to employees

- The Company's business performance is dependent, to a certain extent, on key individuals and employees and their ongoing relationship with, amongst others, developers, suppliers, PCTs, GPs and customers. While the Company seeks to offer its staff competitive remuneration packages, attractive incentives, career development opportunities and a good working environment, there can be no guarantee that the Company will be able to recruit and retain suitable key personnel.

Appointments to the Board

Under the Articles of Association of the Company, the Company by ordinary resolution and the Board each has the power to appoint a director either to fill a vacancy or as an additional director up to a maximum of 10 directors. Any director appointed by the Board shall retire at the next Annual General Meeting.

Amendments to the Articles of Association

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

Supplier payment policy

It is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not agreed, the Company endeavours to adhere to the suppliers' standard payment terms. As at 31 March 2008, the average number of days taken by the Company to pay its suppliers was 44. As at 31 December 2006, being the date as at which the Company last prepared its annual audited accounts, this was 17.

Social, ethical and environmental factors

The Company takes seriously its responsibilities in respect of its position in the community, with all stakeholders and the environment and is fully aware of the expectations of the Company for high standards of governance and probity in all of its dealings by virtue both of being a public company and its dealings with Government, the public, its workforce and medical/pharmacy professionals. Details of the Group's initiatives and policies and procedures are set out in the Corporate Social Responsibility Report on page 41.

Report of the Directors
continued

Employees
The contribution of its employees to the Company's success across all of its areas of operations and functions is highly valued by the Board and details of how this is reflected are set out in the Corporate Social Responsibility Report.

Operational and trading environment
The Company has in place systems, procedures and controls to ensure that it not only operates in compliance with all legal and regulatory requirements but it also does so ethically, with integrity and transparency.

Political donations
The Company has not made any political donations and will not seek any approval from shareholders to do so.

Major shareholder notifications
As at 31 May 2008 the Company had been notified pursuant to rule 5 of the UK Listing Authority's Disclosure and Transparency Rules of the following major shareholdings in its Ordinary Share capital, the only form of the Company's capital in issue:

Name of shareholder	Number of shares	% of Ordinary Shares
INVESCO Asset Management	69,028,753	29.4
Artemis Investment Management	19,585,688	8.3
Jupiter Asset Management	18,095,000	7.7
Lazard (Institutional Group)	12,073,710	5.1
Rathbone Investment Management	11,341,360	4.8
Richard Burrell and family	11,138,629	4.7
Morley Fund Management	11,059,465	4.7
Legal and General Investment Management	10,819,858	4.6
F&C Asset Management	10,756,011	4.6
Assura Group Employee Benefit Trust	10,331,474	4.4

Going concern
The directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as, after due consideration, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

Directors' responsibilities
The directors are responsible for preparing annual financial statements in accordance with applicable Guernsey law and generally accepted accounting principles. Guernsey company law requires directors to prepare financial statements for each financial period 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 period.
In preparing those financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the report of the Directors and other information included in the Annual Report is prepared in accordance with applicable company law. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the UK Listing Authority.

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.

Status for taxation
Details of the Company's taxation status are set out in note 15 to the financial statements.

Directors' disclosure statement
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
- 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.

The directors have decided to give this confirmation to reflect the Company's status as a UK listed company with a number of UK subsidiaries and associated businesses and it is appropriate that they give similar confirmation to that which will be required of the directors of those subsidiaries and associated businesses.

Liabilities
The directors acknowledge their responsibilities for the accuracy of this report. All sections of this report are regarded as forming one and the same directors' report.

Annual General Meeting
The notice convening the Annual General Meeting of the Company, which is expected to be held in Guernsey in August 2008, will be accompanied by a letter to shareholders from the Chairman which will explain the business to be carried on at the meeting.

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 2009.

By order of the Board

Greg McMahon
Group Company Secretary
24 June 2008

Registered in Guernsey
Registered Number: 41230
Registered Office: Albert House, South Esplanade, St Peter Port, Guernsey, GY1 3TX
Telephone Number: 01481 735 540

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

3300 Daresbury Business Park
Warrington
Cheshire
WA4 4HS
Telephone Number: 01928 737 000
Branch registration: number BR010010

www.assuragroup.co.uk

Corporate Governance Report

On 3 April 2008, the shareholders of Assura Group Limited approved the reclassification of the Company as a trading company, (which reclassification has been approved by the UKLA). However, the Company is not subject to the requirements of the Combined Code on Corporate Governance published by the Financial Reporting Council in 2006 (the 'Combined Code'), by virtue of it being incorporated outside of the UK. The Board of Assura Group Limited has resolved nonetheless that it shall report on its affairs as if the Combined Code applied to it.

Work is ongoing in relation to bringing the Group's governance arrangements into line with the Combined Code. The Board has determined that, in line with the concept of 'comply or explain' it will seek, as a guiding principle going forward, to 'comply' with the Combined Code or, where it deviates from the Combined Code for good operational reasons related to the nature of the Group's activities or other aspects which are specific to the Group, it will 'explain' any such departures so that shareholders and other interested stakeholders can fully understand the reasons.

The following section of this report sets out how the Company applies, in line with the approach referred to above, the principles set out in the Combined Code.

The Board
The full Board of Assura Group Limited is shown on pages 26 and 27.

Dr Curran, Mr Chase, Mr Porter and Mr Vibert were appointed to the Board at the inception of the Company, followed by Mr Pichler on 20 April 2005, and have served as independent non-executive directors of the Company since their respective appointments.

As the appointments of Mr Baker-Bates, Mr Burrell and Mr Rawlings were made by the Board, these three individuals will each retire and put himself forward for re-appointment by the shareholders at the 2008 Annual General Meeting. Mr Pichler falls due for re-election by the shareholders at the same meeting in accordance with the provisions for rotation of directors set out in the Company's Articles of Association and, accordingly, will then retire and submit himself for re-election. Those Articles provide that each director must submit himself for re-election every three years. Mr Porter has indicated to the Board that he will resign from the Board at the conclusion of its 2008 Annual General Meeting and will not seek re-election.

Prior to the appointments of Mr Burrell and Mr Rawlings to the Board, the Board was comprised entirely of non-executive directors. Following their appointment, and the appointment of Mr Baker-Bates, all of which occurred on 3 April 2008, the Board is comprised of six non-executive directors and two executive directors, a structure which is fully compliant with the Combined Code.

The Board will keep its composition under review, with a view to seeking to identify, with the assistance of specialist external search and selection advisors, additional non-executive directors.

In respect of each of the directors who are to be considered for re-election by the Board at the 2008 Annual General Meeting, sufficient biographical information to enable shareholders to make an informed decision will be included in the notice of that meeting.

Senior independent director
The Board has appointed Dr Curran as its senior independent director and has agreed that if and to the extent appropriate, he will be available for discussions with shareholders independently of other directors or management.

Board committees
To assist in the proper discharge of its corporate governance responsibilities, the Board has established the following standing committees, comprised of the following members:

- Audit Committee
  - Peter Pichler (Chairman of the Committee)
  - Graham Chase
  - Colin Vibert

- Nominations Committee
  - Graham Chase (Chairman of the Committee)
  - John Curran
  - Peter Pichler (appointed on 7 March 2008)

- Remuneration Committee
  - John Curran (Chairman of the Committee)
  - Graham Chase (appointed on 7 March 2008)
  - Peter Pichler
  - Fred Porter

In relation to these Committees, the Board is aware that several of its members serve on more than one Committee. This is a necessary consequence of the relatively small size of the Board.

During the 15 month period covered by this report, Dr Mark Jackson also served on the Board and on the Nominations Committee until his resignation as Non-Executive Chairman on 7 March 2008.

The Board has adopted and, during the period covered by this report reviewed and updated, detailed terms of reference of each of these committees. Full details of those terms of reference are set out in the Company's Corporate Governance Compliance Statement which is available on request from the Company Secretary.

Board and Board committee attendance
The table set out below shows the number of meetings of the Board and of each of its standing committees during the period covered by this report and the number of such meetings attended by each director.

Name	Board (16 meetings)	Remuneration Committee (3 meetings)	Audit Committee (7 meetings)	Nominations Committee (5 meetings)
Graham Chase	10/16	1/1	7/7	5/5
Dr John Curran	11/16	3/3		5/5
Mark Jackson	7/16			4/5
Peter Pichler	14/16	3/3	7/7	1/1
Fred Porter	8/16	2/3		
Colin Vibert	14/16		7/7	

It should be noted that:
1 Mr Pichler and Mr Chase were appointed to the Nominations Committee and Remuneration Committee respectively on 7 March 2008 at the last meeting of each such committee in the period;
2 Dr Jackson resigned from the Board prior to the Nominations Committee meeting held on 7 March 2008 and therefore was not eligible to attend the meeting of that committee on that day; and
3 Mr Baker-Bates, Mr Burrell and Mr Rawlings did not hold office as directors in the period covered by this report.

Operation of the Board
The Board normally meets six times per annum for scheduled Board meetings. The Board also meets as required on an ad hoc basis to consider urgent business – including the consideration of transactions.

The Board has approved a schedule of matters reserved for decision by the Board, a copy of which is set out in the Company's Corporate Governance Compliance Statement.

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, the Chief Financial Officer and the Company Secretary, who is also the Head of Legal Services, 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.

Segregation of roles
The roles of the Chairman and the Chief Executive Officer are distinct. Mr Baker-Bates is the Non-Executive Chairman, Dr Curran is the Non-Executive Deputy Chairman and Mr Burrell is the Chief Executive Officer. The segregation of the roles of the Chairman and the Chief Executive Officer are set out in detail in the Company's Corporate Governance Compliance Statement.

Board appraisal process
Since the publication of the Company's 2006 Annual Report in 2007, the Board has undertaken an appraisal process in respect of the discharge by each director of his duties and responsibilities as a director. This process was undertaken by the senior independent director or, in the case of the senior independent director, by the Chairman of the Nominations Committee and comprised a detailed review and assessment of a series of aspects related to his role including:
- understanding of the Group's businesses and their activities;
- awareness of the risks and challenges to which the Group is exposed and of the strategies and mechanisms used to limit or mitigate those risks and challenges;
- understanding of financial and treasury management matters related to the Group's activities;
- preparedness for and contribution to Board and Board committee meetings;
- availability for the proper discharge of his role;
- understanding of the role of a director and the regulatory, compliance and corporate governance responsibilities of the Board; and
- performance and discharge of specific tasks, responsibilities or projects assigned to him in the period of the review (being the period covered by this report).

Corporate Governance Report continued

The review process was designed by the Company Human Resources (HR) department and approved by the Nominations Committee prior to adoption by the Board. The Nominations Committee was involved in this process as it was decided by the Board that such an appraisal process sat most appropriately with that Committee's role in review of potential candidates for appointment to the Board. No director was involved in the review of his own performance.

No matters of concern or deficiencies in performance by any director were identified as a consequence of this review and assessment process. The Board is satisfied that there are no performance issues relating to any director of the Company. An appropriate statement will be included in the biographical summary in the notice of the Annual General Meeting in respect of each director who is submitted for re-election to the Board.

The Board has determined that such a process will be carried out every year (and reported on in the Corporate Governance section of the Annual Report) by the directors. The Board has also decided that, for the current year, it will give consideration to using an external independent advisory firm to assist in this process, which will apply to both executive and non-executive directors.

In relation to the Chairman, who was appointed in April 2008, the non-executive directors led by the senior independent director will meet without the Chairman being present to review and appraise his performance at least annually, or otherwise as they deem appropriate.

Board performance evaluation
Since the publication of the 2006 Annual Report in 2007, the Chairman, in conjunction with the Chief Executive Officer, and facilitated by the Company Secretary, has conducted an evaluation of the overall performance of the Board and its committees. This focused on the contribution of individual directors, the mix of skills and experience of the Board members and the design and conduct of the Board timetable, papers and other materials supplied to the Board and the frequency of review of important topics relating to the affairs of the Group, its businesses, finances, risks and profile and the expectations of the Board by relevant stakeholders. Actions to enhance and improve the effectiveness of the Board, Board Committees and management processes have been discussed from time to time, agreed and implemented.

The Chairman will meet the non-executive directors at least once a year without the executive directors or other members of management being present.

Board induction process
In relation to any new Board members, the Company Secretary provides a pack of introductory briefing information and, in conjunction with the Company HR department, arranges to provide such additional information, and sets up specific briefing discussions, as are appropriate for (or are requested by) each new director or as may be recommended by the Board. In particular, the Company Secretary is responsible for ensuring that each newly appointed director is made aware of the duties, responsibilities and compliance and governance rules which apply to that director. The Chief Financial Officer and the Company Secretary both ensure that each new Board appointee is made aware of the Listing Rules requirements which apply to each director (including, but not limited to, rules and restrictions on share dealing, announcements and conflicts of interest). Each director has received an updated guide on the requirements which apply to the Company under the governing laws and regulatory regimes which apply to the Company.

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 through its Investor Relations department. 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. This process augments the regular dissemination of full year and interim results and trading updates. Copies of these announcements and any accompanying presentational materials are available on the Company's website at 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.

A review of the operational and financial performance of the Company and its major business divisions is provided in the Chief Executive's Statement and Chief Financial Officer's Statement in this report.

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 has the responsibility, and is accountable, for ensuring that the Company has in place appropriate and effective systems, procedures, policies and processes for internal control of its activities which properly reflect the nature, scope and ambit of those activities in compliance with good corporate governance practice. In particular, the Board recognises that it is appropriate to comply with the guidance of the Turnbull Committee contained in the Combined Code and has implemented a framework to address and manage this issue.

In carrying out its review of the effectiveness of the Company's system of internal controls, the Board has recognised and put in place processes to confirm that any weaknesses or failings in its internal controls are identified and appropriate remedial actions are, or can be, promptly implemented.

In relation to internal controls:

- there is in place a comprehensive set of internal procedures, reviewed and approved by the Audit Committee and communicated across the Group;
- the Board has implemented a formal budget preparation process which leads to the adoption of the annual budget;
- there is a clear definition of authority levels and parameters and segregation and diversity responsibilities between relevant individuals and managers;
- management accounts and key performance indicators are regularly prepared and distributed internally; and
- detailed sales and forecasting policies and procedures are in place.

The Group is continuing to enhance its systems and has recently implemented new general ledger and management reporting systems and is currently upgrading its comprehensive property management system.

The Company encourages all employees and other stakeholders to operate with the highest possible standards of probity and honesty 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 related to:

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

The Group has adopted a whistleblowing policy and a fraud and theft reporting policy.

The code of ethics, fraud and theft reporting policy and whistleblowing policy are available within the Group's internal policies and procedures and on the Group's intranet site so enabling any such matters to be raised through the correct channels. In addition, the Company Secretary is available for advice on any matter which may give rise to cause for concern in any of these areas.

Responsibility for the implementation of the Company's internal controls and risk management policies has been delegated by the Board to the Governance and Risk Team, which is chaired by the Chief Financial Officer and supported by the Group Operations Director. That Governance and Risk Team, which reports to the Audit Committee, is made up of senior and line management personnel with day to day responsibility for:

- financial, treasury and insurance matters;
- legal affairs;
- public relations and corporate reputational risk;
- HR and personnel matters;
- internal controls including financial and budgetary controls;
- clinical and pharmacy governance;
- corporate ethics; and
- industry specific regulatory compliance and clinical risk.

The Governance and Risk Team prepares, twice yearly, a review of risks to which the Company is exposed, and in the context of that review, 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 Board is fully aware of the nature of the inherent risks remaining to the Company. Each such review is the subject of a separate report to the Audit Committee which, if satisfied with the report and the actions taken or proposed, will recommend the report and action plan to the Board.

In particular, the Governance and Risk Team has responsibility for:

- ensuring that the regular review and evaluation of the nature and extent of the risks to which the Company is exposed is thorough;
- reviewing the overall and detailed corporate risk profile of the Company;
- identifying emerging risks as the nature and scope of the Company's activities evolves;
- recommending appropriate risk management strategies; and
- supervising the effectiveness of those risk strategies.

Corporate Governance Report
continued

The Governance and Risk Team's work is supported by the Medical Governance Group, which reports to the Governance and Risk Team. Details of the Medical Governance Group are set out on page 41.

In each of the GPCos in which Assura has a 50% interest, there is a contractual framework which reflects the agreed basis upon which the business of the GPCo can be conducted and, importantly, those areas in respect of which the prior approval of Assura will be required. In addition, each GPCo has a Clinical Management Board (CMB), the remit of which is to monitor and supervise the medical governance arrangements of those businesses. Assura is represented on each of those CMBs which are otherwise comprised of GPs and the Business Director of the GPCo.

By virtue of these risk identification and management strategies, the Group 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 Group. 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 period covered by this report, and up to the date of this report, there have been in place appropriate internal controls and risk management processes 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 Report's guidance.

Compliance with the provisions of the Combined Code
The Board has carried out a review of the Company's corporate governance policies and procedures in light of the requirements of section 1 of the Combined Code. This review has indicated that the Company is now in compliance with the Combined Code.

Board committees
Audit Committee
Role of the Committee
The role and duties of the Audit Committee include, in summary:

- the engagement, review of the work carried out by and the performance of the Company's external auditors;
- to monitor and review the independence, objectivity and effectiveness of the external auditors;
- to develop and apply policies for the engagement of the external audit firm to provide non-audit services;
- to review and monitor the effectiveness of the Company's system of internal controls;
- to consider and review the quality of the Company's financial reporting and critical information systems (including, but not limited to, IT systems);
- the adoption and implementation by the Company and the Group of critical accounting policies and practices under International Financial Reporting Standards (and other relevant standards) and changes to them;
- to monitor the integrity of the Company's financial statements and any public announcements relating to the Company's financial performance;
- to review the financial results of the Company and the Group before they are submitted to the Board, including challenge to critical areas of judgement by management and/or the auditors in respect of those financial results;
- to assess the assurance work carried out by the Group to ensure that the Committee and the Board are fully informed of all relevant material matters which may have an impact on the Group's financial position and/or prospects;
- to monitor the integrity of the management accounts produced to the Board;
- to ensure compliance with relevant accounting standards, the Listing Rules of the UK Listing Authority and other regulatory requirements;
- to review and assess the effectiveness of the Group's risk management processes and system of internal control; and
- to review any significant litigation relating to the Group or other disputes which could have a material affect on the Group, its financial, legal, regulatory or compliance position or its operational performance or reputation.

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 Board has approved formal terms of reference for the Committee and a copy of these is contained in the Company's Corporate Governance Compliance Statement which is available on request from the Company Secretary.

Number of meetings
Meetings of the Committee are held not less than four times a year to consider, as regular business, reports from management, the Governance and Risk Team and the external auditors and to make recommendations to the Board and, at least once in each year, to review its terms of reference, the Group's system of internal controls, its treasury processes and its accounting policies.

On a regular basis the Chief Executive Officer and the Chief Financial Officer are invited to the meetings of the Committee.

At least once a year the Committee members meet the external auditors without management being present.

Membership
The membership of the Committee throughout the period covered by this report and as at the date of this report is set out on page 32. All members of the Committee are independent non-executive directors.

The Committee is chaired by Peter Pichler, a non-executive director. The Board is satisfied that Mr Pichler has the requisite recent and relevant financial experience to fulfil this role. The Board is also 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.

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 7 to the audited accounts on page 61. 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 specifically relevant 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.

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. This policy is set out in the Company's Corporate Governance Compliance Statement.

Internal audit
Due to the size and nature of the Company's activities, up until recently the Company had not felt the need to appoint a specific internal audit function. However, it is proposed that during the current financial year, an internal audit function, with no previous involvement in the business of the Company, will be appointed. Such internal audit function will report to the Audit Committee directly. The Audit Committee will agree a schedule of review work (both physically on site at the Company's locations and in relation to systems and controls) to be carried out in each year. Additionally, the internal audit function will be an available resource, where appropriate, to investigate, on behalf of the Audit Committee and the Board, any matters reported to the Company under its theft and fraud reporting policies and its whistleblowing policy.

Nominations Committee
The Committee, which is chaired by Graham Chase, an independent non-executive director, is made up entirely of independent non-executive directors. The other members of the Committee are Peter Pichler and Dr John Curran.

The Committee has detailed terms of reference, a copy of which is set out in the Company's Corporate Governance Compliance Statement. It has agreed that it will carry out a review of its terms of reference not less than once a year.

The principal role of the Committee is to review prospective candidates for appointment to the Board to ensure that they are of a sufficient calibre and have the correct level of experience and understanding of the Company's activities and market place.

During the period covered by this report, the Committee considered and made recommendations to the Board in respect of the appointments to the Board of Rodney Baker-Bates (as Non-Executive Chairman) and Richard Burrell and Nigel Rawlings (as, respectively, Chief Executive Officer and Chief Financial Officer).

During the same period, the Committee has also reviewed the Board's appraisal process as outlined on page 33 of this report.

The Committee meets regularly as its role requires it to do. In the period covered by this report, it met five times.

Currently, the Committee is considering, in conjunction with the Chairman, the structure of the Board with a view to consideration of potential new non-executive directors to strengthen the Board.

Remuneration Report

This report has been prepared in accordance with the relevant requirements of the Listing Rules of the UK Listing Authority and describes how the Board has applied the principles of good governance relating to directors' remuneration as set out in the Combined Code.

The financial information relating to the remuneration of the Company's directors has been audited by the Company's auditors. This information appears separately in Section B. The report has therefore been divided into separate sections for unaudited (Section A) and audited (Section B) information.

Section A – unaudited information

Remuneration Committee

The Remuneration Committee is responsible for determining the pay and benefits and contractual arrangements for the senior management team (Chief Executive Officer, Chief Financial Officer and other senior executives). It aims to develop and recommend remuneration strategies that drive performance and reward it appropriately. In determining its policy, the Committee has paid regard to the principles and provisions of good governance contained in the Combined Code. The Committee operates under the delegated authority of the Board and its Terms of Reference are contained in the Company's Corporate Governance Compliance Statement.

During the period under review, the Committee comprised Dr John Curran (who chaired the Committee), Fred Porter and Peter Pichler, all of whom are considered to be independent. Graham Chase has since been appointed to the Committee (on 6 March 2008) to replace Fred Porter who is due to retire at the AGM. During the year, the Committee also received assistance from Dr Mark Jackson (whilst Chairman), Richard Burrell (Chief Executive Officer) and, since his appointment, Greg McMahon (Group Company Secretary and Head of Legal Services). None of the executives took part in discussions in respect of matters relating directly to their own remuneration.

Attendance at Committee meetings held during the period and the number of meetings held is set out on page 33.

The Committee has appointed Hewitt New Bridge Street, who have no other connections with the Company, to advise it on certain remuneration matters.

Remuneration policy

The Committee's overall aim is to provide a remuneration structure which is sufficient and appropriate to attract, retain and motivate high calibre executives and aligns rewards with the Company's performance.

The Remuneration Committee has determined that the remuneration arrangements for the executive directors and other members of the senior management team shall be designed and implemented taking appropriate account of the following principles:

- Remuneration shall be comprised of four key elements in each case as appropriate to the individual role:
  - base salary;
  - annual bonus;
  - long-term incentive plans; and
  - other market standard benefits.
- The annual bonus is structured so as to align the incentives of relevant executives with the short-term strategic and business objectives of the Group or their respective business unit.
- The long-term incentive arrangements are structured so as to align the incentives of relevant executives with the long-term performance of the business. To the extent practicable, long-term incentives are provided through the use of share-based (or share-fulfilled) remuneration to provide alignment with the Company's shareholders. Long-term incentive awards are at the discretion of the Remuneration Committee who will review and award levels on a case by case basis.
- The remuneration packages are structured so that the variable (i.e. performance related) element of pay forms a significant proportion of the executives' total remuneration.
- Notice provisions should be no longer than necessary to protect the Company's interests whilst still permitting the Group to attract and retain appropriately skilled and competent managers.
- Share ownership by executives is strongly encouraged by the Committee and sets a policy level of ownership of two times salary for the Chief Executive and one times salary for other executive directors. However, the Committee feels that holdings in excess of normal market practice for companies of a similar size to Assura should not be covered by any share ownership policy.

Each of these policy principles is dealt with below.

1. Base salary

Until 3 April 2008, when Mr Burrell and Mr Rawlings were appointed as executive directors as, respectively, Chief Executive Officer and Chief Financial Officer, the Board had comprised since its incorporation only non-executive directors. Notwithstanding this, the basic salary for the Chief Executive Officer and Chief Financial Officer, and the other members of the senior management, although not executive directors, has been (and will in future be) determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of each individual. This is normally reviewed annually in June (unless responsibilities change). Salary levels are set taking into account information (including appropriate targeted benchmarking data) from the Committee's advisors on salary levels for similar positions at comparable companies.

The current salary of the Chief Executive Officer is £375,000 and the current salary of the Chief Financial Officer is £226,000. These salaries were last reviewed in June 2007.

2. Annual bonus
The annual bonus is designed to drive and reward improvements in the short-term performance of the Company. In determining the level of bonus to be paid, the Committee takes into account Group financial and strategic targets and personal performance.

The Committee has recently reviewed the Company's policy on the provision of bonuses and determined to retain an uncapped annual bonus structure going forward. The Committee believes that this is the most appropriate structure to incentivise the delivery of and reward for the achievement of outstanding performance. In setting the targets for the annual bonus scheme the Committee will ensure that above market bonus opportunity will only be paid in the event of exceptional financial performance.

Annual bonuses to the Chief Executive Officer and Chief Financial Officer for the 15 month period under review were limited to £25,000 each reflecting the desire to restrict operational expenditure during this period of investment in the business.

3. Long-term incentives
The Assura Executive Equity Incentive Plan (EEIP) was approved by shareholders in May 2006. Under the terms of the EEIP participants are allocated units each of which represents one Ordinary Share. The units will vest at the end of the vesting period if the compound growth in total shareholder return (share price plus dividends) 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% per annum compound over the base reference price. The first tranche of awards are capable of vesting, subject to performance, on 31 March 2009 and the remainder on 31 March 2011 (to the extent that the performance condition is not achieved at 31 March 2009, these units can be re-tested at 31 March 2011, with the commensurately higher targets having to be met at that time).

There are 2,360,268 unallocated units under the plan which it is intended will be awarded to participants in 2008 by the Committee. These units will, subject to meeting the targets, vest on 31 March 2011 (but without the opportunity to vest on 31 March 2009).

Richard Burrell, Chief Executive Officer, has not to date participated in the EEIP; his significant shareholding in the Company, providing direct alignment with the Company's share price and the interests of its shareholders. Nigel Rawlings, Chief Financial Officer, holds 500,000 units under the EEIP (capable of vesting on 31 March 2009).

The Committee is currently reviewing, with the assistance of its advisors, the provision of long-term incentives at the Company in light of current market and best practice with the view to putting a new long-term incentive plan to a shareholder vote at an appropriate time.

4. Pension
The general policy of the Company has been to allow individuals to be responsible for their own pension arrangements. The Company has undertaken to introduce a Group wide pension scheme in 2009. The Company contributes 20% of basic salary into personal pension plans for the Chief Executive Officer and Chief Financial Officer.

Executive directors' contracts
The service contracts for the Chief Executive Officer and Chief Financial Officer are terminable on 12 months' notice by either party. Termination payments are limited to salary and contractual benefits. 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. Further details of the contacts are summarised in the table below:

Name of executive	Title	Date of contract
Richard Burrell	Chief Executive Officer	14 May 2006
Nigel Rawlings	Chief Financial Officer	14 May 2006

The executives may hold other appointments and retain any non-executive director fees with the prior approval of the Board. Richard Burrell is a non-executive director of Helphire Group plc and Stobart Group Limited and a Trustee of Alder Hey Children's Hospital Imagine Appeal. Nigel Rawlings is a non-executive director of Mobilizer Limited and Stobart Group Limited.

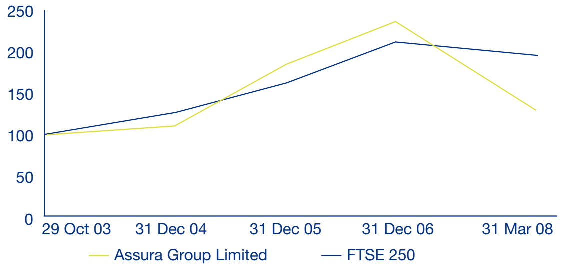
The non-executive director fees payable in respect of these directorships appear in the accounts of the companies concerned.

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. They do not have service contracts and may not participate in any bonus scheme, share scheme or pension scheme operated by the Company. Following the decision to move effective control of management of the Company from Guernsey to the UK on 3 April 2008, new letters of engagement were issued to the Chairman and each of the non-executive directors all dated 29 April 2008.

The fees for the non-executive directors are determined by executive directors and based on information on fees paid in similar companies, taking into account the time commitments and responsibilities involved. The Board notes that the time commitments of the non-executive directors are higher than normal as a result of the Company's overseas incorporation. The current fees for the non-executive directors (effective April 2008) are Rodney Baker-Bates £105,000, Dr John Curran £75,000, Peter Pichler £75,000, Graham Chase £50,000, Colin Vibert £40,000 and Fred Porter £38,500.

Remuneration Report
continued

Performance graph
The graph below shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE 250 index, which was selected as an appropriate comparator because it represents a broad equity market index.



This graph shows the value, by 31 March 2008, of £100 invested in Assura Group Limited (formerly the Medical Property Investment Fund Limited) on 21 November 2003 (the date of listing) compared with that of £100 invested in the FTSE 250 Index.

Section B – Audited information
The table below sets out the remuneration of the directors of the Company who served on the Board in the 15 month period to 31 March 2008.

Directors' emoluments

	15 Months to 31 March 2008 Total Emoluments (All Fees)	Year Ended 31 December 2006 Total Emoluments 2006 (All Fees)
Non-executive	**£'000**	**£'000**
Dr John Curran	84	47
Graham Chase	51	27
Mark Jackson[1]	129	100
Peter Pichler	74	27
Fred Porter	46	27
Serena Tremlett[2]	Nil	17
Colin Vibert	46	27

1 Mark Jackson resigned from the Board on 6 March 2008.
2 Serena Tremlett resigned from the Board on 11 September 2006.

Directors' interests
As at 31 March 2008 the interests of the Directors in the capital of the Company were as follows:

Name	Holding of Ordinary Shares	% of Ordinary Shares	Interest in Units Under the Executive Equity Incentive Plan
Richard Burrell and family	11,138,629	4.74	Nil
Graham Chase	10,000	–	Nil
Dr John Curran	415,000	0.18	Nil
Peter Pichler	78,797	0.03	Nil
Fred Porter	Nil	Nil	Nil
Nigel Rawlings and family	1,389,889	0.59	500,000 (granted in June 2007)
Colin Vibert	30,000	0.01	Nil

These interests remain unchanged as at the date of this report.

As disclosed in the 2006 Annual Report and Financial Statements, Dr Mark Jackson holds 500,000 units under the Executive Equity Incentive Plan (granted in December 2006). These units are capable of vesting on 31 March 2011 to the extent to which the total shareholder return performance conditions are satisfied. These awards have not lapsed as a result of his resignation.

By order of the Assura Group Limited Remuneration Committee.

Dr John Curran
Chairman
24 June 2008

Corporate Social Responsibility Report

Background

The Company, its subsidiary businesses, GPCo partnerships and other companies in which it invests have an important role in ensuring that they contribute positively and effectively to the wider community in which they operate.

The success of the Company is dependent on being clearly acknowledged and recognised by all interested stakeholders as a responsible, professional, ethical, reliable and trusted provider of services and facilities across all aspects of its activities.

In its approach to all elements of its operations, it is critical to the Company that it does so in a fashion which properly recognises the impact it can, and will, have on the community in general. This applies whether those activities directly or indirectly involve:

- patients and others needing support from the health care services which the Company provides;
- the GPs and other health professionals with whom it cooperates and works;
- its employees;
- its commercial partners;
- the health care industry including the National Health Service and its various organs and institutions;
- professional and industry bodies; and
- other interested stakeholders.

This Corporate Social Responsibility (CSR) Report sets out how the Company has developed and implemented an approach which properly reflects the necessary balance between the various interests of those involved whilst still recognising its responsibilities to its shareholders.

The Board of the Company has a collective and conscious responsibility to ensure that the activities of the Group are at all times conducted with appropriate regard to the position the Group enjoys and influence which the Company has in making a positive contribution to society.

These responsibilities are led, at Board level, by the Chief Executive Officer, Richard Burrell, who reports regularly to the Board of Directors on its CSR policies and practices and on developing initiatives and evolving trends.

The principal social areas which the activities of the Company touch upon are:

- clinical governance;
- health and safety of patients and health professionals utilising its services and facilities;
- employment responsibilities;
- values;
- training and education;
- community dialogue;
- environmental matters which are impacted by its operations;
- business ethics; and
- social contribution.

The Company devotes significant time and resources towards all of these initiatives both in terms of monitoring compliance and constantly improving existing standards to make an effective contribution to society.

Overview

By the very nature of what it does, the Company is fulfilling a significant social responsibility/need. The Company's objective is to work alongside GPs, providing medical and pharmacy services to patients. The Company is one of the top health care companies in the UK, which partners with GPs, consultants and other health care professionals to deliver high quality health care, innovative property solutions and consumer responsive pharmacy service. The Company's belief is that by standing for quality in everything it does, and providing genuine scalability of operations, the Company will be chosen by patients to be the number one service provider to the NHS.

In engaging across a wide range of heath related activities and assisting health care professionals and others in delivering better facilities, better services, and value for money for health care commissioners and constantly improving standards of care, the Company is positively involved in the general improvement of the provision of effective health care services to the public.

In this report, this approach to the Company's activities are set out in more detail by reference to the various areas of influence identified above.

As the Company matures the Board has adopted a policy of continuous review and improvement and much has been achieved since the 2006 Annual Report. The Board acknowledges that as the Company expands, it is essential that the impact of its initiatives and activities are properly taken into account in the planning, implementation and ongoing conduct of all of its functions. There is a clear and definite commitment to this policy and community/social impacts form a key part of the Company's development and evolution plans.

Clinical governance

Led by the Group's medical director, the Company has established a clinical governance group, the Medical Governance Group, which is responsible for clinical and risk governance. It acts as the advisor to the GPCos through their CMBs, on all matters of clinical governance and Healthcare Commission compliance.

Corporate Social Responsibility Report continued

The Medical Governance Group is responsible for ensuring its systems are developed and implemented to monitor quality and risk management, and to support training and development, effective communications and learning from experience within services that are developed by the GPCos. The business director from each GPCo sits on the CMB in order to benefit from shared experience and mentorship from the Medical Governance Group.

The Medical Governance Group is also responsible for escalating to the Governance and Risk Team (GRT) any serious untoward incidents, risks or complaints as well as producing for the GRT a clinical governance framework and strategy along with quarterly reports for onward reporting to the Board of directors. The day to day implementation and management of these arrangements are monitored by the medical division's Governance Manager.

In its pharmacy division, compliance with the exacting requirements of the Royal Pharmaceutical Society of Great Britain (RPSGB) is the responsibility of the Pharmacy Superintendent for Assura Pharmacy Limited and other trading pharmacy subsidiary companies within the Group.

Health and safety
The Company is committed to providing a safe and healthy working environment and to ensuring that staff, visitors and contractors are not placed at risk by our activities.

The Board recognises the Group's responsibility to provide positive health and safety leadership and views the health, safety and welfare of its employees as a prime responsibility throughout the Company.

The Company's objective is to minimise the risk, to those for whom we have a duty of care, of physical harm or work-related ill health. To achieve this, the Company aims to:

- comply fully with all legal and best practice requirements;
- ensure that health and safety is an integral part of our business plan;
- provide appropriate resources to ensure the development and maintenance of an effective health and safety management system;
- continuously and systematically identify the hazards and assess the risks associated with our activities and take appropriate action to manage these risks; and
- provide competent advice on occupational health and safety issues to staff, visitors and contractors.

The Company looks to all its managers to work with staff in developing and fostering a positive health and safety culture, and to each individual staff member to be actively committed to their own and others' safety and wellbeing. Each divisional management board receives a written report on all health and safety incidents and a written report is also provided to the Board of directors as part of the Group operations director's regular reports and considered at each of its Board meetings. As part of its commitment to continuous improvement, the Company has recently recruited a Health and Safety manager to coordinate the Company's policies, procedures and ensure that staff adhere to all legislative requirements. The Company also seeks the cooperation of its business partners, sponsors and contractors in achieving its health and safety standards and objectives.

Employment responsibilities
The Company is committed to operating an equal opportunities policy for all applicants and employees. The Company offers its employees fair and equitable terms of employment and has policies in place to support staff in their working environment. As the Company employs a number of part-time staff, it strives to agree flexible working patterns that allow staff to attain a balanced approach to work and home life.

The Company applies common terms and conditions to both permanent and temporary staff and has policies which comply with relevant UK and European Human Rights and employment legislation. The Company has incorporated a wide range of HR policies including:

- Equal Opportunity Policy;
- Equality of Opportunity and Valuing Diversity Policy;
- Capability Policy;
- Training and Development Policy;
- Employee Wellbeing Policy; and
- Fair Treatment Policy.

The Company takes the welfare of staff very seriously and in order to promote good health and wellbeing it offers free gym membership to all staff. It has introduced on-site health days with qualified consultants giving independent and confidential advice on wide ranging health issues and has also held massage therapy days.

Other initiatives the Company offers include:

- child care vouchers;
- eye care vouchers; and
- regular Display Screen Equipment (DSE) and risk assessments.

Other initiatives were introduced during 2007:

- give-as-you-earn scheme allowing staff to make regular donations to a charity of their choice;
- employee of the year award;
- induction programme and buddy scheme for new starters;
- recommend a friend recruitment scheme; and
- staff intranet.

Values
The Company has clearly defined a set of values which underpin all of its activities and will assist the Company to achieve its goal of being a market leading organisation:

- we act with respect and integrity;
- we achieve commercial success;
- we succeed as one team;
- we are all accountable; and
- we believe in our people.

The Company gives staff the opportunity to comment on issues relating to the business. Its confidential annual staff satisfaction survey for both head office and remote staff allows employees to give honest feedback and suggestions for improvement. The response rate for January 2008 was 72%.

In addition, the Company has other mechanisms for staff to make recommendations and input into the business at all levels through either the Staff Forum; briefings with the CEO; quarterly presentations to all staff on business strategy by the CEO and via the internal intranet staff suggestion box.

Training and education
The Company recognises that training is an important element in personal development and as part of its ongoing commitment to develop all staff throughout the Company, a number of skills support programmes have been introduced. These include line manager development and professional one-to-one coaching. In addition the Company offers study leave and financial assistance to support staff with their continued professional development. These wide ranging training programmes ensure that employees have the skills and capabilities to undertake their current roles and, through regular performance reviews, develop careers within the Company. The Company positively looks to develop staff internally and advertises all vacancies in-house prior to recruiting external candidates.

Community dialogue
In developing its property portfolio, the Company's property division enters into consultation and discussion with the communities around the proposed development to seek to explain and receive feedback on its proposals, and to ensure that it is mindful of the interests and wishes of those communities.

In relation to the development of new medical services and pharmacy operations by the Company's medical and pharmacy divisions, consultation is entered into with the patients/customers likely to be affected in the communities concerned and with relevant interested stakeholders including GPs and PCTs.

Environmental impacts
The Company is committed to operating in an environmentally responsible manner by following the best environmental practices in the day-to-day conduct of its business and the management of resources and facilities. The Company reviews the environmental impact of its decisions and services and continually looks for improvements.

The Company encourages employees to take responsibility for environmental issues and support any practical initiative suggested by staff. Currently, the Company:

- encourages the recycling of paper, cans and plastics;
- re-uses equipment where possible;
- encourages staff to utilise public transport where appropriate and practical and offers season ticket loans to employees to help facilitate this;
- encourages staff to car share; and
- has cycle racks located at all Company offices.

Background to environment policy
In November 2007, the NHS Purchasing and Supply Agency issued 'Procuring for Health and Sustainability 2012: Sustainable Procurement Action Plan'. The Plan sets out how the health care sector in England will use sustainable procurement, 'not only of equipment and supplies, but also buildings, facilities and services, to achieve improved health and wellbeing for the people, the environment and the economy' between 2007 and 2012.

The five-year action plan includes commitments for the sector to develop a best practice procurement framework and supply chain mapping to identify indirect environmental impacts, and to purchase goods and services which help reduce its carbon footprint.

Corporate Social Responsibility Report continued

The NHS is the largest energy user in the Government estate, and must meet mandatory targets to reduce energy consumption by 15% on 2000 levels by 2010, and to cut carbon emissions by 0.15 million tonnes in the same period. This is expected to result in approximately £50m in energy savings. The DH and its executive agencies have pledged to lower carbon emissions in line with the government's wider target of a 30% cut by 2012.

The Company aims to align its strategy very closely to the objectives of Strategic Health Authorities (SHAs) and PCTs. The Company's environmental policy therefore aims to support the health sector's goal to reduce its environmental impacts.

By aligning its environmental programme with the NHS Sustainable Procurement Action Plan's objectives, the Company seeks to help SHAs and PCTs fulfil their environmental obligations, particularly energy and climate goals. The Company's long-term investment in primary care resource centres, GP surgeries and community hospitals provide an ideal opportunity to incorporate low-energy and carbon management measures into premises. The Company's environmental programme also takes into account criteria outlined in DH technical guidance on integrating energy and carbon management into the management, procurement and use of buildings and equipment.

Effective implementation of the Company's environmental policy helps ensure that the Company's delivery of property, pharmacy and medical services in primary care incorporates key environmental considerations.

The Company's environmental policy sets out principles for integrating environmentally responsible practices into business activities. It provides a framework for setting and reviewing environmental objectives and targets.

Organisation

The Company's Chief Executive Officer is responsible for ensuring the Company's environmental strategy is aligned with the NHS Sustainable Procurement Action Plan. He is supported by the operational senior management in each operating division and the head office functions who are responsible for implementing systems and setting and achieving objectives and targets.

The Board has agreed to carry out an annual review of the Company's environmental policy to ensure its effectiveness in embedding environmental principles into the organisational culture. The Board will ensure structures and resources which support environmental targets and environmental management activities are incorporated into business practices.

Individual branch and operational site managers are responsible for day-to-day compliance with the environmental policy, objectives and targets at site level. They are tasked with achieving good practice and environmental standards.

Commitments

The recording and embedding of the Company's environmental governance processes has not kept pace with the other aspects of the Company's rapid expansion. The Board acknowledges that this is a shortcoming which it is committed to addressing. The Board is satisfied that environmental awareness amongst its staff at all levels and compliance (from a legal and regulatory perspective) is appropriate and in line with the expectations which stakeholders should rightly have of it. The Board has agreed that in the present year it will further embed these processes and, importantly, instigate a series of key performance indicators, reflecting as appropriate the different markets of the Company's three principal operating divisions and the central functions. To this end, the Board has engaged a specialist advisory firm to assist it in the design and implementation of a set of appropriate metrics to measure its environmental performance and a series of actions to address any areas of concern.

As part of this process the Company intends to:

- regularly monitor and publicly report key material environmental impacts in line with Government reporting guidelines;
- consider the environmental implications of business decisions, particularly regarding new developments, refurbishments and property management;
- set operational objectives and targets for existing and new buildings with consideration of the NHS Sustainable Procurement Action Plan. Targets will cover energy and water use, energy efficiency, waste generation, recycling and greenhouse gases;
- comply with relevant environmental legislation and regulations at all times;
- across all of its activities seek to minimise the risk of pollution, protect biodiversity and enhance the local environment;
- cooperate with business partners, tenants, developers, contractors and suppliers to encourage environmentally responsible practises and behaviours;
- embed systems and procedures which encourage continuous improvement of environmental performance, covering areas including equipment, materials, buildings and processes, in partnership with partners, tenants, developers, contractors and suppliers;
- raise awareness of the environmental impacts of the organisation and engage, train and motivate staff to be accountable for integrating environmental management activities into operations;
- introduce responsible purchasing practices to support environmental objectives and targets;
- consider long-term environmental impacts and costs in purchasing decisions and new developments;

- in properties under its control, maximise resource and energy efficiency to help occupiers reduce their environmental impacts and energy consumption; and
- ensure that all new development projects achieve ‘Excellent’ ratings, and refurbishments at least ‘Very Good’ ratings against building standards set in the NHS Environmental Assessment Tool (NEAT).

Business ethics
The Company is committed to maintaining the highest standards of integrity and corporate governance practices, and conducts business in an honest and ethical manner.

The Company has adopted policies on:

- corporate compliance, including ethical procurement, donations and corporate entertaining;
- share dealing (including a Company wide share dealing code);
- whistleblowing; and
- fraud and theft reporting.

Ethical behaviour in all its operations and activities is fundamental to the Company’s philosophy. All staff receive on induction a detailed compliance briefing and written guide.

The Company intranet includes details of all these policies.

Social contribution
The Company believes its business can and should make a positive contribution to the national and local community. In addition to its activities to support the environment, it makes a number of charitable donations and sponsorships as a Group.

The Company’s business model is to work closely with the regional SHAs and the local PCTs. In its GPCos, the Company strives to provide employment and economic opportunities in the communities where those GPCos operate.

As a responsible business, the Company is very aware of the contribution it is expected to make to the communities in which it operates and the public which, ultimately, its services are designed to serve.

This contribution, in addition to the proper and effective supply of facilities and services as part of its core activities, also takes the form of charitable giving, the facilitation of staff community contributions and the provision of assistance to appropriate causes and projects.

The Company aims to support local, national and international charity appeals and makes a number of financial contributions by way of sponsorship and charitable donations. The Company is committed to ensuring any financial support is compatible with its business activities and reflects its vision for primary care. Where possible, the Company supports local and national initiatives which create positive profile in its key areas of operation.

In December 2007 the Company decided to make a charitable contribution of £500 instead of sending corporate Christmas cards.

The Company has adopted a policy of identifying and supporting charitable causes which are closely associated with its health care activities and with families.

During the 15 month period covered by this report, the Company has made donations totalling £22,700 to a variety of charitable causes. These include Cancer Research UK, Kidscape, the Rainbow Trust, the Alder Hey Imagine Appeal and the Alzheimer’s Society.

The Company’s employees are encouraged to raise money for charities and to become involved in charitable work. With the full support of the management of the Company, staff initiatives have raised £2,600 for charitable causes and, pursuant to gift-matching arrangements, the Company has added £2,000 to this total.

Overall, by way of either direct donation, sponsorship-matching or facilitating staff involvement in community or charity projects, the Company raised or supported its staff in raising a total of £26,000 for community or charitable purposes.

The Board is also fully supportive of the involvement of its Chief Executive Officer, Richard Burrell, in the Alder Hey Imagine Appeal and the commitments which this requires of him.

Additionally, Assura is very much aware of the medical profession’s need for public provision of blood. The Group is currently seeking to set up a staff blood donation programme to be implemented in the near future.

Independent Auditors' Report

We have audited the Group and Parent Company financial statements (the 'financial statements') of Assura Group Limited for the period ended 31 March 2008 which comprise Consolidated and Company Income Statement, Consolidated and Company Balance Sheet, Consolidated and Company Cash Flow Statement, Consolidated and Company Statement of Changes in Equity and the related notes 1 to 44 and A to K. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law 1994. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors'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
The directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only Highlights, At a Glance, Period in Review, Chairman's Statement, Chief Executive's Statement, Chief Financial Officer's Statement, Our Portfolio, Case Studies, A People Business, NHS and Government policy, Board of Directors, Corporate Information, Report of the Directors, Corporate Governance Report, Board Committees and Corporate Social Responsibility. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group and Parent Company's affairs as at 31 March 2008 and of the Group and Parent Company's profit for the period then ended and have been properly prepared in accordance with the Companies (Guernsey) Law 1994.

Ernst & Young LLP
Manchester, United Kingdom
24 June 2008

Consolidated Income Statement

For the period from 1 January 2007 to 31 March 2008

	Notes	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Revenue	5	**40,748**	16,123
Cost of sales	6	**(16,234)**	(3,625)
Gross profit		**24,514**	12,498
Administrative expenses	7	**29,336**	13,512
Other expenses	8	**1,704**	1,279
		31,040	14,791
Group trading losses		**(6,526)**	(2,293)
Unrealised surplus on revaluation of investment property	21	**8,880**	17,041
Other operating costs	9	**(1,453)**	–
Associates and joint ventures	10	**4,536**	(1,454)
Exceptional pharmacy establishment cost	11	**–**	(1,105)
Movement in performance fee provision	4	**–**	1,010
Termination of investment management services			
Fees received		**19,985**	–
Payment to sub-advisers and other expenses		**(6,141)**	–
Goodwill impairment		**(7,914)**	–
	12	**5,930**	–
Operating profit		**11,367**	13,199
Finance revenue	13	**4,876**	6,707
Finance costs	14	**(3,604)**	(1,106)
		1,272	5,601
Profit before taxation		**12,639**	18,800
Taxation	15	**1,005**	(40)
Profit for the period from continuing operations		**13,644**	18,760
Discontinued operations			
Profit/(loss) for the period from discontinued operations	16	**155**	(331)
Profit for the period		**13,799**	18,429
Profit for the period attributable to:			
Equity holders of the parent		**14,071**	18,900
Minority interest		**(272)**	(471)
		13,799	18,429
Earnings per share (pence)			
Basic earnings per share from continuing operations	17	**6.15p**	9.85p
Diluted earnings per share from continuing operations	17	**6.08p**	9.60p
Basic earnings per share on profit for the period	17	**6.22p**	9.68p
Diluted earnings per share on profit for the period	17	**6.15p**	9.44p

All items in the above statement are derived from continuing operations. The accompanying notes on pages 51 to 89 form an integral part of the financial statements.

Consolidated Balance Sheet

As at 31 March 2008

	Notes	31/03/08 £'000	31/12/06 £'000
Non-current assets			
Investment property	21	**282,511**	213,132
Development property	22	**57,268**	35,231
Investments in associates	23	**8,744**	1,070
Investments in joint ventures	23	**8,619**	869
Intangible assets	24	**37,887**	36,998
Property, plant and equipment	25	**23,867**	5,973
Other investments	26	**9,047**	250
Derivative financial instruments at fair value	13	**5,862**	2,202
Deferred tax asset	40	**193**	–
		433,998	295,725
Current assets			
Cash and cash equivalents	27	**20,460**	18,842
Debtors	28	**14,268**	9,892
Pharmacy inventories		**1,343**	567
Property work in progress		**1,023**	3,239
		37,094	32,540
Total assets		**471,092**	328,265
Current liabilities			
Bank overdraft	29	**–**	2,135
Creditors	30	**16,118**	12,392
		16,118	14,527
Non-current liabilities			
Long-term loan	31	**188,419**	44,949
Payments due under finance leases	30	**1,172**	1,289
		189,591	46,238
Total liabilities		**205,709**	60,765
Net assets		**265,383**	267,500
Represented by:			
Capital and reserves			
Share capital	32	**23,522**	23,400
Own shares held	32	**(4,561)**	(807)
Share premium	33	**2,073**	226,678
Distributable reserve	34	**224,116**	15,564
Retained earnings	35	**17,201**	1,852
Revaluation reserve	36	**3,089**	106
Deferred consideration reserve	37	**–**	790
		265,440	267,583
Minority interests		**(57)**	(83)
Total equity		**265,383**	267,500
Basic net asset value per Ordinary Share	38	**116.83p**	118.40p
Diluted net asset value per Ordinary Share	38	**116.08p**	114.32p
Adjusted basic net asset value per Ordinary Share	38	**118.84p**	118.76p
Adjusted diluted net asset value per Ordinary Share	38	**118.07p**	114.66p

The financial statements on pages 47 to 50 were approved at a meeting of the Board of directors held on 24 June 2008 and signed on its behalf by:

Richard Burrell
Executive Director

Nigel Rawlings
Executive Director

The accompanying notes on pages 51 to 89 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the period from 1 January 2007 to 31 March 2008

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Revaluation Reserve £'000	Deferred Consideration on Reserve £'000	**Total £'000**	Minority Interest £'000	**Total Equity £'000**
1 January 2007	**23,400**	**(807)**	**226,678**	**15,564**	**1,852**	**106**	**790**	**267,583**	**(83)**	**267,500**
Revaluation of land and buildings	–	–	–	–	–	2,983	–	**2,983**	–	**2,983**
Profit/(loss) attributable to equity holders and minority interest	–	–	–	–	14,070	–	–	**14,070**	(272)	**13,798**
Total income and expense for the period	**–**	**–**	**–**	**–**	**14,070**	**2,983**	**–**	**17,053**	**(272)**	**16,781**
Transfer from share premium[1]	–	–	(226,678)	226,678	–	–	–	**–**	–	**–**
Dividends on Ordinary Shares	–	–	–	(18,126)	–	–	–	**(18,126)**	–	**(18,126)**
Cost of employee share-based incentives	–	–	–	–	1,578	–	–	**1,578**	–	**1,578**
Issue of Ordinary Shares	122	–	2,073	–	–	–	–	**2,195**	–	**2,195**
Own shares held	–	(3,754)	–	–	–	–	–	**(3,754)**	–	**(3,754)**
Deferred share-based consideration	–	–	–	–	–	–	(790)	**(790)**	–	**(790)**
Minority interest acquired in period	–	–	–	–	–	–	–	**–**	(1)	**(1)**
Minority interest disposed of in period	–	–	–	–	(299)	–	–	**(299)**	299	**–**
31 March 2008	**23,522**	**(4,561)**	**2,073**	**224,116**	**17,201**	**3,089**	**–**	**265,440**	**(57)**	**265,303**

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Revaluation Reserve £'000	Deferred Consideration on Reserve £'000	Total £'000	Minority Interest £'000	Total Equity £'000
1 January 2006	14,240	–	122,240	–	(18,327)	–	–	118,153	(222)	117,931
Revaluation of land and buildings	–	–	–	–	–	106	–	106	–	106
Profit/(loss) attributable to equity holders and minority interest	–	–	–	–	18,900	–	–	18,900	(471)	18,429
Total income and expense for the period	**–**	**–**	**–**	**–**	**18,900**	**106**	**–**	**19,006**	**(471)**	**18,535**
Transfer from share premium[1]	–	–	(25,000)	25,000	–	–	–	–	–	–
Dividends on Ordinary Shares	–	–	–	(9,436)	–	–	–	(9,436)	–	(9,436)
Cost of employee share-based incentives	–	–	–	–	1,279	–	–	1,279	–	1,279
Issue of Ordinary Shares	9,160	–	133,644	–	–	–	–	142,804	–	142,804
Minority interest acquired in year	–	–	–	–	–	–	–	–	610	610
Issue costs on issuance of Ordinary Shares	–	–	(4,206)	–	–	–	–	(4,206)	–	(4,206)
Own shares held	–	(807)	–	–	–	–	–	(807)	–	(807)
Deferred share-based consideration	–	–	–	–	–	–	790	790	–	790
31 December 2006	**23,400**	**(807)**	**226,678**	**15,564**	**1,852**	**106**	**790**	**267,583**	**(83)**	**267,500**

1 Following applications to the Royal Court of Guernsey, £25,000,000 was transferred from Share Premium account to Distributable Reserves on 2 June 2006 and £226,678,000 was similarly transferred on 29 June 2007.

The accompanying notes on pages 51 to 89 form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the period from 1 January 2007 to 31 March 2008

	Notes	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Operating activities			
Rent received		**19,467**	9,254
Revenue from pharmacies		**17,866**	2,792
Fees received		**4,652**	2,594
Dividend received		**172**	–
Payment received on termination of investment management services		**10,698**	–
Termination payment to sub-advisors		**(5,902)**	–
Bank and other interest received		**3,340**	1,032
Expenses paid		**(34,799)**	(11,869)
Purchases by pharmacies		**(13,236)**	(2,099)
Interest paid and similar charges		**(8,680)**	(1,555)
Net cash (outflow)/inflow from operating activities	39	**(6,422)**	149
Investing activities			
Purchase of development and investment property		**(92,844)**	(68,399)
Purchase of investments in associated companies	23	**(13)**	–
Purchase of other investments		**(500)**	(250)
Purchase of own shares	32	**(3,754)**	–
Purchase of property, plant and equipment		**(2,671)**	(3,498)
Costs associated with registration of pharmacy licences		**(2,571)**	(248)
Debt sold with subsidiary	16	**4,265**	–
Cash paid on acquisition of subsidiaries	24	**(4,002)**	(14,269)
Costs incurred on acquisition of subsidiaries		**–**	(1,377)
Acquisition of subsidiaries – cash acquired		**–**	3,433
Cost of development work in progress		**(3,675)**	(2,694)
Loans advanced to associated companies		**(2,575)**	(1,119)
Loans advanced to joint ventures		**(8,301)**	(906)
Net cash outflow from investing activities		**(116,641)**	(89,327)
Financing activities			
Issue of Ordinary Shares		**–**	110,039
Issue costs paid on issuance of Ordinary Shares		**–**	(4,206)
Dividends paid		**(18,126)**	(9,436)
Repayment of long-term loan	31	**(154,258)**	(64,000)
Drawdown of long-term loan	31	**298,420**	72,000
Loan issue costs		**(1,355)**	(123)
Net cash inflow from financing activities		**124,681**	104,274
Increase in cash and cash equivalents		**1,618**	15,096
Opening cash and cash equivalents		**18,842**	3,746
Closing cash and cash equivalents	27	**20,460**	18,842

The accompanying notes on pages 51 to 89 form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

For the period from 1 January 2007 to 31 March 2008

1. Corporate information and operations

Assura Group Limited was originally 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 have been broadened to include the provision of pharmacy and medical services. As a result of this increasing medical and pharmacy services activity, the Company was reclassified by the FTSE Industry Classification Committee from Property to Healthcare Equipment and Services on 24 September 2007. Furthermore, until 3 April 2008 the Company has been managed and controlled from Guernsey, however, at an Extraordinary General Meeting on 3 April 2008, shareholders approved the reclassification of the Company to a trading company and, immediately after, the Board agreed to move the Company's central management and control to the UK given that this is the location of its expanding trading operations.

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 1994, and reflect the following policies.

The consolidated financial statements have been prepared on a historical basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments that have been measured at fair value.

This financial report covers the 15 month accounting period from 1 January 2007 to 31 March 2008 following the change of year end to accord with that of the NHS and our joint venture partners in our GP joint venture companies, and the 12 month accounting period from 1 January 2006 to 31 December 2006. As a consequence the comparatives for the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and disclosures are not entirely comparable

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

Consolidation

The Group financial statements consolidate the financial statements of Assura Group Limited and its subsidiary undertakings drawn up to 31 March 2008.

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.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented in the income statement, and within equity in the Consolidated Balance Sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

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:

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 through the expected life of the financial instrument to the net carrying amount of the financial asset.

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

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

2. Principal accounting policies continued

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.

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

Performance fee revenue – performance fee revenue is recognised once the probability of receiving such revenue can be estimated reliably and it is likely to be received by the Company.

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 period end are not accrued.

Revenue is recognised when the Group's right to receive payment is established.

Exceptional items

The Group presents as exceptional items on the face of the 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

The placing expenses incurred in relation to the Ordinary Shares issued in the prior year amounted to £4,206,000 and were then written off in full against the share premium account.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities. Following 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 each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Intangible assets

Intangible assets including Pharmacy Licences 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 the costs are expensed over the life of the asset.

Third party costs incurred on the registration of pharmacy licences 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 licences are fully expensed by the Group.

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, 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 licences and pharmacy licences themselves have indefinite useful lives and are tested for impairment annually as of 31 March 2008 either individually or at the cash generating unit level, as appropriate.

Goodwill is allocated to cash generating units for the purpose of impairment testing. 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 value-in-use calculations. These calculations use cash flow projections based on detailed financial models prepared by management, with all anticipated future cash flows discounted to current day values using a discount rate of 8.5%.

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, and is determined for an individual asset. 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 of continuing operations are recognised in the 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 income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

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.

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 no more than three months wherever possible, using consistent accounting policies.

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 a jointly controlled entity is a joint venture that 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 no more than 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.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

2. Principal accounting policies continued

(a) Loans and receivables

Loans and receivables are non-derivative financial assets 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 income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(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. The Group has classified its derivative instruments as financial assets at fair value through profit or loss. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

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

The fair value 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. The swap is valued on each valuation date by discounting future cash flows back to the valuation date against mid market forward rates and associated discount factor.

(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 three 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 income statement.

(d) Fair values

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 unrealised gains and losses 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.

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 income statement.

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 development property upon completion of the purchase of the land and 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 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 development to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the 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 income statement.

Development property
Development property which comprises land and buildings under construction includes capitalised interest where applicable and is carried at cost or, if lower, carried at cost less accumulated impairment. Cost includes all directly attributable third party expenditure incurred.

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:

Building work and long leasehold improvements	25 years
Fixtures and fittings	4 years
Office and computer equipment	3 years
Medical 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 profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, 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 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.

Loans to subsidiary companies
The unsecured subordinated loan to Assura Property Limited and other loans to subsidiary companies have been 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.

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.

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 income statement 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 development property on acquisition of the land or development site.

Cash and cash equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits, 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.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

2. Principal accounting policies continued

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 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 income statement on a straight line basis over the lease term.

Group as a lessor

Assets 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 income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

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 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 income 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.
- Deferred income 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.

Deferred income 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 rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income 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 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).

The cost of equity-settled transactions is recognised by a change in the 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 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 market conditions, which are treated as vesting irrespective of whether or not the market conditions are satisfied, provided that all other performance 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 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 income statement.

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 income statement on the purchase, sale, issue or cancellation of equity shares.

Changes in accounting policy and disclosures
(a) New standards, amendments to published standards and interpretations to existing standards adopted by the Group:

- IFRS 7, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – capital disclosures. IFRS 7 introduces new requirements aimed at improving the disclosure of information about financial instruments. Comparative information has been revised where needed.

  The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. IFRS 7 and the amendments to IAS 1 have had no impact on the financial position or results.

- IFRIC 8, Scope of IFRS 2. IFRIC 8 requires consideration of transactions involving issuance of equity instruments to establish whether or not they fall within the scope of IFRS 2. It applies to the situations where the identifiable consideration received is or appears to be less than the fair value of the equity instruments issued. There was no impact on the Group's accounts from its adoption.

- IFRIC 10, Interim Financial Reporting and Impairment. IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. There was no impact on the Group's accounts from its adoption.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

2. Principal accounting policies continued

(b) Standards, amendments and interpretations to published standards not yet effective.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods and which the Group has decided not to adopt early. These are:

- IFRS 2, Share-based Payments – Vesting Conditions and Cancellations. This amendment to IFRS 2 was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of 'vesting condition' to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

- IFRS 3R, Business Combinations and IAS 27R, Consolidated and Separate Financial Statements. The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

- IAS 1, Revised Presentation of Financial Statements. The revised IAS 1, was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

- IAS 23 Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group is currently assessing its impact on the financial statements.

- Amendments to IAS 32 and IAS 1, Puttable Financial Instruments. Amendments to IAS 32 and IAS 1 were issued in February 2008 and became effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

- IFRIC 11 and IFRS 2, Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. The Group is currently assessing the impact of IFRIC 11 on the accounts.

- IFRIC 14 and IAS 19, the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008). As the Group does not operate defined benefit pension arrangements this IFRIC will not impact the Group.

Improvements to IFRSs

In May 2008 the IASB issued 'Improvements to IFRSs', a standard setting out amendments to existing standards, which is effective for accounting periods beginning on or after 1 January 2009. One amendment will require property under construction or development to be classified as investment properties. Currently these are disclosed as development properties which will result in a presentational change on the balance sheet when the standard is adopted. Where fair values cannot be determined during construction or development, but it is expected that fair value can be determined upon completion, the asset will be recorded at cost until such time that as fair value can be determined or construction is complete. This is consistent with current Group policy. The Group does not expect the other amendments to have a material impact on the financial statements.

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
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 21.

(b) 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 24.

(c) Useful lives of property, plant and equipment
Property, plant and equipment are depreciated over their useful lives based on directors' estimates of the period that the assets will generate revenue. Changes to estimates can vary. See note 25.

(d) Financial assets
The Group classifies certain financial assets as available-for-sale and recognises movements in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss.

(e) Derivative financial instruments
The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. See note 13.

(f) Deferred tax asset
Management judgement to determine the amount of deferred tax assets that can be recognised based upon the unlikely timing and level of future taxable profits together with assessment of the effect of future tax planning. See note 40.

(g) Share-based payments
The Group has an equity-settled share-based remuneration scheme for employees, the notional cost of which is estimated based on the fair value of the shares granted to employees at various dates in accordance with the scheme rules.

The estimation of the fair value is based on reasonable assumptions but these can vary from time to time. See note 32.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

3. Material agreements

(a) Under the terms of an appointment made by the Board on 18 November 2003, Assura Administration Limited (formerly Berrington Fund Management Limited) (BFML) was appointed as investment manager to the Company. With effect from 21 November 2003 the investment manager was paid an aggregate annual management fee of 2.0% of the net asset value of the Company payable monthly in arrears. In addition, BFML was entitled to receive a performance fee in respect of the period from Admission to 31 December 2008 of 18% of the amount by which the market value per share exceeds on 31 December 2008 the Placing Price (compounded annually at 12% per annum) and, thereafter, 18% of the amount by which the market value per share exceeds the higher of (1) the Placing Price (compounded annually at 12% per annum) or (2) the highest previous market value per share as stated in the Prospectus dated 18 November 2003 (see also note 4).

The Investment Management Agreement ceased following the acquisition of BFML by Assura Group Limited on 15 May 2006.

The investment manager had delegated the bulk of its fund management to Assura Fund Management LLP (formerly Berrington Fund Management LLP) which was acquired by Assura Property Limited on 15 May 2006.

Assura Fund Management LLP was the fund manager for Stobart Group Limited (formerly The Westbury Property Fund Limited) from which fees were earned amounting to 1.2% of the gross assets of that company. Part of this work was sub-contracted to third parties. The fund management agreement was terminated in September 2007.

The investment manager had delegated the management of the investment properties owned by Assura Property Limited to Barlows Asset Management Limited. This contract was terminated on 7 August 2006 when the property management staff and systems utilised by Barlows Asset Management Limited were transferred to Assura Property Limited.

(b) Under the terms of an Administration Agreement dated 18 November 2003, the Company appointed Guernsey International Fund Managers Limited (GIFM) as administrator, secretary and registrar of the Company. This agreement was terminated with effect from 27 April 2004.

The Company then entered into an Administration Agreement dated 26 April 2004 with Mourant Guernsey Limited (Mourant) under which Mourant agreed to provide services to the Company as administrator and secretary to the Company. Mourant was entitled to an annual fee of £85,000 per annum, such fees being invoiced monthly in arrears.

On 11 September 2006 that agreement was terminated and since that date administration and Company secretarial services had been managed internally by Assura Administration Limited from the Company's head office in Guernsey. Assura Administration Limited was sold to its management on 1 April 2008 and has changed its name to Morgan Sharpe Administration Limited.

(c) Under the terms of a letter of appointment dated 17 November 2003, Dr Mark Jackson, former non-executive Chairman of the Company, was entitled to an incentive fee in respect of the period from 21 November 2003 to 31 December 2008, provided he was then still employed by the Company, of 2% of the amount by which the market value per share exceeded, on 31 December 2008, £1 compounded annually at 12% per annum and, thereafter, 2% of the amount by which the market value per share exceeds the higher of (1) £1 compounded annually at 12% or (2) the higher previous market value per share.

Following recommendations from the Remuneration Committee to the Board of the Company and in order to bring the incentive and remuneration structure of Dr Mark Jackson in line with other members of the senior Assura team:

(i) his existing bonus arrangement was cancelled on 29 December 2006 for a cash payment of £500,000; and

(ii) he was awarded 500,000 units pursuant to the Assura Executive Equity Incentive Plan (EEIP), under which he will become entitled on 31 December 2010 to a number of shares held in the Company EBT determined by the extent to which the total shareholder return performance conditions are satisfied (see note 32).

4. Movement in performance fee provision

Following the acquisition of the former fund manager by the Company on 15 May 2006, the performance fee provision was revalued and a credit of £1,010,000 arose in the year ended 31 December 2006. The performance fee liabilities of the Company ceased in April 2006.

5. Revenue

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Rent receivable	**18,230**	10,738
Revenue from pharmacies	**17,866**	2,792
Fund management and other fees receivable	**4,652**	2,593
	40,748	16,123

6. Cost of sales

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Property management expenses	**2,277**	832
Purchases by pharmacies	**13,237**	2,099
Fund management direct costs	**720**	694
	16,234	3,625

7. Administrative expenses

		15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Salaries and other staff costs	**(a)**	**16,784**	6,950
Auditors' remuneration	**(b)**	**526**	304
Directors' fees	**(c)**	**430**	273
Other administrative expenses		**10,476**	5,683
Depreciation		**1,120**	302
		29,336	13,512

(a) Salaries and other staff costs

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Wages and salaries	**14,246**	5,678
Social security costs	**1,430**	643
Recruitment costs	**588**	392
Training costs	**275**	160
Health care costs	**103**	39
Temporary staff	**67**	24
Pension costs	**5**	8
Uniforms	**13**	6
Other staff benefits	**57**	–
	16,784	6,950

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

	15 months ended 31 March 2008	12 months ended 31 December 2006
Medical	**45**	13
Pharmacy	**142**	33
Property investment	**15**	12
Property development	**54**	25
	256	83

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

7. Administrative expenses continued

Key management staff

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Salaries	**1,292**	1,103
Cost of employee share-based incentives	**297**	218
Social security costs	**146**	133
	1,735	1,454

(b) Auditors' remuneration

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Group audit	**129**	176
Statutory audit	**231**	66
Total audit fees	**360**	242
Audit related fees – two interim reviews	**40**	–
Tax services – compliance	**126**	62
Total	**526**	304

Statutory audit 2008 includes £85,000 in respect of 2006 audits.

(c) Directors' fees

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
During the year each of the directors received the following fees:		
Dr Mark Jackson (former Chairman)	**129**	100
Dr John Curran (Deputy Chairman)	**84**	48
Mr Graham Chase	**51**	27
Mr Peter Pichler	**74**	27
Mr Fred Porter	**46**	27
Ms Serena Tremlett	**–**	17
Mr Colin Vibert	**46**	27
	430	273

See also Dr Mark Jackson's interest referred to in note 3.

In the year ended 31 December 2006, Dr John Curran, Messrs Pichler and Vibert and Ms Tremlett were paid an additional £10,000 each for consultancy work, the costs of which were capitalised as part of the acquisition costs of Assura Administration Limited and related parties.

8. Other expenses

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Cost of employee share-based incentives	**1,704**	1,279

9. Other operating costs

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Unrealised deficit on revaluation of property, plant and equipment	**464**	–
Unrealised deficit on revaluation of other investments	**989**	–
	1,453	–

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

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Share of profits/(losses) of associated companies	**5,087**	(1,417)
Share of losses of joint ventures	**(551)**	(37)
	4,536	(1,454)

The above share of profits/(losses) include £4,854,000 (2006: £nil) in respect of development investment property revalued for the first time since practical completion.

11. Exceptional pharmacy establishment cost

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Pharmacy establishment cost	**–**	1,105

The Company entered into an arrangement with Pharma-e Limited, of which Dr John Curran is a director and shareholder, to compensate Pharma-e Limited for consultancy services provided to the Group in connection with establishment of the pharmacy business of Assura Pharmacy Limited. The consideration was met by the issue of 650,000 Ordinary Shares in the Company to Pharma-e Limited on 15 May 2006. The fair value of the shares issued was based on the market value of the shares on the date of issue. The weighted average fair value is the same as fair value.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

12. Termination of investment management services

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Fees received	**19,985**	–
Fees payable to sub-advisors	**(5,901)**	–
Other expenses	**(240)**	–
Goodwill impairment	**(7,914)**	–
	5,930	–

On 16 August 2007 the Company announced the termination of the investment management services provided by Assura Fund Management LLP, a subsidiary of the Company, to Stobart Group Limited (formerly The Westbury Property Fund Limited), subject to shareholder approval by the latter company.

Termination of the services was approved by the shareholders of Stobart Group Limited, at an Extraordinary General Meeting held on 19 September 2007, the profit for the Group from the payment of a termination fee by Stobart Group Limited is after allowance for payments to sub-advisors, taxation and estimated goodwill impairment.

That part of the payment which related to a performance fee due to the Company was taken in shares in Stobart Group Limited. As a result the Company holds 6,382,474 (2.7%) Ordinary Shares in Stobart Group Limited which are available for resale subject to a lock-in of two years commencing on the date of issue of the shares. The share price at date of issue was 145.5p and at 31 March 2008, 130.0p.

13. Finance revenue

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Bank and other interest	**1,044**	1,032
Unrealised profit on revaluation of derivative financial instrument	**3,660**	2,202
Realised profit on revaluation of derivative financial instrument	**–**	3,473
Income from investments	**172**	–
	4,876	6,707

In 2005 the Company entered into a 20 year interest rate swap at a rate of 4.5725%, on its full debt facility 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. Throughout the period, the swap rate was below the three month LIBOR rate hence the Company benefited from income arising from the swap. Based on the actual 20 year swap rate at 31 March 2008, the fair value of this swap was a surplus of £5,862,000 (2006: £2,202,000).

14. Finance costs

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Long-term loan interest payable	**9,221**	1,782
Interest capitalised on developments	**(3,415)**	(734)
Swap interest	**(2,328)**	(197)
Non-utilisation fees	**86**	190
Bank and other interest payable	**–**	34
Bank charges	**40**	31
	3,604	1,106

Interest was capitalised at 6% (2006: 5.45%).

15. Taxation

A reconciliation of the income tax charge applicable to the results from ordinary activities at statutory income tax expense at the Group's effective income tax rate for the year is as follows:

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Profit from continuing operations before taxation	**12,639**	18,800
Loss from discontinued operations before taxation	**(719)**	(331)
Gain on disposal of discontinued operations	**874**	–
Net profit before taxation	**12,794**	18,469
UK income tax at rate of 22%	**2,815**	4,063
Effects of: Capital gains on revaluation of investment properties not taxable	**(1,954)**	(3,749)
Unrealised deficits not tax deductible on revaluation of premises and other investments	**320**	–
Income not taxable including interest receivable	**(268)**	(227)
Gain on revaluation of derivative financial instrument not taxable	**(805)**	(1,248)
Net effect of inter company loan interest	**(1,633)**	(2,031)
Performance fee provision not tax deductible	**–**	(222)
Share-based payments not tax deductible	**375**	524
Unrealised gains on revaluation of investments in associates	**(1,119)**	–
Losses arising not relievable against current tax	**1,901**	2,930
Deferred tax asset previously not recognised	**(637)**	–
	(1,005)	40

The Company and its Guernsey registered subsidiaries, Assura Property Limited, Assura Administration Limited and Assura Pharmacy Holdings Limited, have obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that they are exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. Each Company is, therefore, only liable to a fixed fee of £600 per annum. The directors intend to conduct these companies such that they continue to remain eligible for exemption. A taxation charge of £1,800 arose in Guernsey.

Assura Property Limited is subject to United Kingdom income tax on income arising on the investment properties, after deduction of its debt financing costs, allowable expenses and capital allowances. Assura Property Limited also has a place of establishment in the UK and provides management, administration and related services which are liable to corporation tax in the UK.

The Company's UK subsidiaries are subject to United Kingdom corporation tax on their profits less losses, although no charge (2006: £40,000) was incurred in the period.

With effect from 3 April 2008 the Group's affairs are conducted such that it will be considered to be resident in the UK for tax purposes.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

16. Profit for the period from discontinued operations

On 12 September 2007 the Group disposed of its 70% holding in BHE Developments Limited whose activity was property development for a consideration of £1. The business, which is loss making, is outside the scope of Assura's core business.

The results of BHE Developments Limited for the period to 12 September 2007 and 31 December 2006 are presented below:

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Revenue	**36**	–
Administrative expenses	**(758)**	(331)
Finance revenue	**3**	–
Loss before taxation	**(719)**	(331)
Gain on disposal of discontinued operations	**874**	–
Profit/(loss) for the period from discontinued operations	**155**	(331)

At the date of disposal the net liabilities of BHE Developments were £874,000, and the net liabilities of the company at 31 December 2006 were £155,000. The net cash flows attributable to BHE Developments Limited were as follows:

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Operating cash flows	**(719)**	(331)
Net cash flows	**(719)**	(331)

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Profit/(loss) per share from discontinued operations (pence)		
Basic	**0.07**	(0.17)
Diluted	**0.07**	(0.17)

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

	31/03/08 £'000	31/12/06 £'000
Assets and liabilities disposed of other than cash		
Intangible assets	**160**	–
Property, plant and equipment	**22**	–
Debtors	**5,902**	–
Creditors	**(793)**	–
Inter-Group loan	**(1,900)**	–
Interest-bearing liabilities	**(4,300)**	–
Total assets and liabilities disposed of other than cash and cash equivalents	**(909)**	–

	31/03/08 £'000	31/12/06 £'000
Cash and cash equivalents relating to the disposal		
Cash and short-term deposits in BHE Developments on disposal	**(35)**	–
Net cash outflow from disposal of subsidiary undertaking	**(35)**	–

17. Earnings per Ordinary Share

The basic profit per Ordinary Share is based on the profit attributable to equity holders of the parent for the period of £14,071,000 (2006: £18,900,000) and on 226,284,648 Ordinary Shares (2006: 195,205,087), being the weighted average number of Ordinary Shares in issue in the respective year.

The diluted profit per Ordinary Share is based on the profit for the period attributable to equity holders of the parent of £14,071,000 (2006: £18,900,000) and on 228,742,375 Ordinary Shares (2006: 200,310,356), being the weighted average number of Ordinary Shares in issue in the respective year.

	15 months ended 31 March 2008	12 months ended 31 December 2006
Weighted average number of shares – basic	**226,284,648**	195,205,087
Weighted average number of own shares held	**2,457,727**	5,105,269
Weighted average number of shares – diluted	**228,742,375**	200,310,356

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

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Profit for the year from continuing operations	**13,644**	18,760
Add minority interests	**272**	471
Profit attributable to equity holders of the parent – continuing operations	**13,916**	19,231
Profit/(loss) attributable to equity holders of the parent – discontinued operations	**155**	(331)
Profit attributable to equity holders of the parent	**14,071**	18,900

Discontinued operations

Profit/(loss) per share for the discontinued operations is derived from the net profit attributable to equity holders of the parent from discontinuing operations of £155,000 (2006: loss of £331,000), divided by the weighted average number of Ordinary Shares for both basic and diluted amounts as per the table above.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

18. Dividends paid on Ordinary Shares

	Number of Ordinary Shares	Rate pence	2008 £'000	Number of Ordinary Shares	Rate pence	2006 £'000
Final dividend for 2006 (2005)	**233,998,471**	**4.00**	**9,360**	142,403,847	3.34	4,756
Interim dividend for 2008 (2006)	**234,463,115**	**2.33**	**5,463**	233,998,471	2.00	4,680
Second interim dividend for 2008	**235,213,115**	**1.75**	**4,116**		–	–
		8.08	**18,939**		5.34	9,436

Following shareholder approval, and application to the Royal Court of Guernsey, £25,000,000 was transferred from the share premium account to distributable reserves on 2 June 2006 and a further £226,678,000 was similarly transferred on 29 June 2007. Dividends on 'own shares held' are recognised in distributable reserves.

The directors intend to recommend a final dividend of 4.67p per Ordinary Share be paid to shareholders on the Company's register on 4 July.

19. Segmental information

The directors are of the opinion that the Group is engaged in four business segments, being medical services; pharmacy services; primary care premises investment; primary care premises development; and associated property related services. All the Group's activities and investments in primary health care properties and related activities are situated in the UK and Guernsey.

The primary investment segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. There is no secondary information as the activities of the Company are deemed to be in one geographical location, the UK and Guernsey. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The medical services segment provides medical services, principally out-patient and other services traditionally undertaken in hospitals but now being relocated into GP surgeries, community hospitals and other facilities in the community, in collaboration with GPs.

The pharmacy segment operates integrated pharmacies in medical centres.

The property investment segment invests in primary care premises.

The property development segment develops primary care premises and undertakes property related services including property fund management.

Unrealised surplus on revaluation of investment properties is 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.

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

15 months ended 31 March 2008:

	Medical Services £'000	Pharmacy £'000	Property Investment £'000	Property Development £'000	Eliminations and Unallocated Items £'000	**Continuing £'000**	**Discontinued £'000**	**Total £'000**
Revenue from external customers	47	17,866	20,245	–	2,590	**40,748**	**–**	
Inter-segment sales	–	–	1,058	–	(1,058)	**–**	**–**	
Segment revenue	47	17,866	21,303	–	1,532	**40,748**	**–**	
Operating profit/(loss)	(7,823)	(3,785)	14,742	(4,711)	(3,245)	**(4,822)**	**(719)**	
Cost of employee share-based incentives	(677)	(402)	(101)	(383)	(141)	**(1,704)**	**–**	
Share of profits/(losses) of associates and joint ventures	(534)	(17)	–	5,087	–	**4,536**	**–**	
Unrealised surplus on revaluation of investment properties	–	–	1,167	7,713	–	**8,880**	**–**	
Unrealised deficit on revaluation of property, plant and equipment	–	–	(464)	–	–	**(464)**	**–**	
Segmental result	(9,034)	(4,204)	15,344	7,706	(3,386)	**6,426**	**(719)**	
Unrealised deficit on revaluation of other investments	–	–	–	–	(989)	**(989)**	**–**	
Termination of investment management services								
Fees received	–	–	–	–	19,985	**19,985**	**–**	
Payment to sub-advisors and other expenses	–	–	–	–	(6,141)	**(6,141)**	**–**	
Goodwill impairment	–	–	–	–	(7,914)	**(7,914)**	**–**	
	–	–	–	–	5,930	**5,930**	**–**	
Net finance revenue/(cost)	–	–	–	–	1,272	**1,272**	**–**	
Gains on disposal of discontinued operations	–	–	–	–	–	**–**	**874**	
Profit/(loss) before tax	(9,034)	(4,204)	15,344	7,706	2,827	**12,639**	**155**	
Taxation	–	–	–	–	1,005	**1,005**	**–**	
Profit/(loss) for the period	(9,034)	(4,204)	15,344	7,706	3,832	**13,644**	**155**	
Assets and liabilities								
Fixed assets	543	3,025	301,310	57,268	1,500	**363,646**	**–**	**363,646**
Equity accounted investments	1,030	7,589	–	8,744	–	**17,363**	**–**	**17,363**
Current assets	2,120	6,442	19,120	1,209	8,203	**37,094**	**–**	**37,094**
Segment assets	3,693	17,056	320,430	67,221	9,703	**418,103**	**–**	**418,103**
Unallocated assets						**52,989**	**–**	**52,989**
Total assets						**471,092**	**–**	**471,092**
Segment liabilities								
Current liabilities	(1,421)	(4,001)	(6,343)	(241)	(4,112)	**(16,118)**	**–**	**(16,118)**
Non-current liabilities						**(189,591)**	**–**	**(189,591)**
Total liabilities						**(205,709)**	**–**	**(205,709)**
Other segmental information								
Capital expenditure:								
Property, plant and equipment	485	1,816	14,225	–	42	**16,568**	**–**	**16,568**
Intangible assets	1,418	–	6,573	–	–	**7,991**	**–**	**7,991**
Depreciation	279	313	460	–	68	**1,120**	**–**	**1,120**

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

19. Segmental information continued

Year ended 31 December 2006:

	Medical Services £'000	Pharmacy £'000	Property Investment £'000	Property Development £'000	Eliminations and Unallocated Items £'000	**Continuing £'000**	**Discontinued £'000**	**Total £'000**
Revenue from external customers	–	2,792	13,331	–	–	**16,123**	**–**	
Inter-segment sales	–	–	114	–	(114)	**–**	**–**	
Segment revenue	–	2,792	13,445	–	(114)	**16,123**	**–**	
Operating profit/(loss)	(1,993)	(1,970)	6,720	(4,102)	–	**(1,345)**	**(331)**	
Cost of employee share-based incentives	(241)	(281)	(139)	(525)	(93)	**(1,279)**	**–**	
Share of losses of associates and joint ventures	(37)	–	–	(1,417)	–	**(1,454)**	**–**	
Unrealised surplus on revaluation of properties	–	–	15,558	1,483	–	**17,041**	**–**	
Exceptional pharmacy establishment cost	–	(1,105)	–	–	–	**(1,105)**	**–**	
Segmental result	(2,271)	(3,356)	22,139	(4,561)	(93)	**11,858**	**(331)**	
Movement in performance fee provision	–	–	–	–	1,010	**1,010**	**–**	
Net finance revenue	–	–	–	–	5,601	**5,601**	**(331)**	
Profit/(loss) before tax	(2,271)	(3,356)	22,139	(4,561)	6,518	**18,469**	**–**	
Taxation	–	–	–	–	(40)	**(40)**	**(331)**	
Profit/(loss) for the year	(2,271)	(3,356)	22,139	(4,561)	6,478	**18,429**	**–**	
Assets and liabilities								
Property, plant and equipment	182	1,807	256,567	35,222	–	**293,778**	**9**	**293,787**
Equity accounted investments	869	–	–	1,070	–	**1,939**	**–**	**1,939**
Current assets	1,392	2,006	9,277	203	–	**12,878**	**820**	**13,698**
Segment assets	2,443	3,813	265,844	36,495	–	**308,595**	**829**	**309,424**
Unallocated assets						**18,841**	**–**	**18,841**
Total assets						**327,436**	**829**	**328,265**
Segment liabilities								
Current liabilities	(3,433)	(4,441)	(5,199)	(470)	–	**(13,543)**	**(984)**	**(14,527)**
Non-current liabilities						**(46,238)**	**–**	**(46,238)**
Total liabilities						**(59,781)**	**(984)**	**(60,765)**
Other segmental information								
Capital expenditure:								
Property, plant and equipment	1,016	1,564	3,358	–	196	**6,134**	**–**	**6,134**
Intangible assets	–	248	–	3,718	27,104	**31,070**	**–**	**31,070**
Depreciation	92	53	80	–	78	**303**	**–**	**303**

20. Investments in subsidiaries

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

Name of Subsidiary	Place of Incorporation	Shareholding 2008	Shareholding 2006	Business Activity
Assura Property Limited	Guernsey	100%	100%	Property investment
Assura Pharmacy Holdings Limited	Guernsey	100%	100%	Holding company
Assura Pharmacy Limited	England	100%	100%	Pharmacy
Assura PharmaInvest Limited	England	100%	–	Holding company
Clearup Limited	England	100%	–	Dormant
P&L Worsley Limited	England	100%	–	Dormant
Armside Chemists Limited	England	100%	–	Dormant
Assura Mobility Limited	England	100%	–	Dormant
Trinity Healthcare Consortium Limited	England	100%	100%	Dormant
Crown Heights Health Consortium Limited	England	100%	100%	Dormant
Crown Heights Consortium (No. 2) Limited	England	100%	–	Dormant
Assura Medical Limited	England	100%	100%	Management of clinical services
Assura Estates Limited	Guernsey	100%	100%	Dormant
Assura Medical Solutions Limited	England	100%	100%	Dormant
Assura Administration Limited (sold 1 April 2008)	Guernsey	100%	100%	Company administration services
Assura LIFT Holdings Limited	England	100%	100%	Investment holding company
Assura Intelligence Limited (formerly Stream Partners Limited)	England	100%	100%	Medical data processing company
Assura Investments Limited (formerly Strategis Limited)	England	100%	100%	Property investment
Assura Services Limited	England	100%	100%	Dormant
Assura Fund Management LLP	England	100%	100%	Fund management
PCI Management Limited	England	100%	100%	Holding company
Primary Care Initiatives (Macclesfield) Limited	England	100%	100%	Property investment
BHE (Heartlands) Limited	England	100%	100%	Property investment
BHE (Bonnyrigg) Limited	England	100%	100%	Dormant
BHE (Wand) Limited	England	100%	100%	Dormant
BHE Management Services Limited	England	100%	100%	Management services
Assura Finance Limited	England	100%	100%	Dormant
Assura (Scotland) Limited	Scotland	100%	100%	Property investment
BHE (St James) Limited	England	100%	100%	Finance company
Assura Nominees Limited (sold 1 April 2008)	Guernsey	100%	100%	Nominee holding company
Assura Management Services Limited	England	100%	–	Management services
Assura Properties Limited	England	100%	–	Property investment
Assura Properties UK Limited	England	100%	–	Property investment
Assura Diagnostics Limited	England	80%	–	Hirer of diagnostic equipment
Assura Property Management Limited	England	100%	–	Property management
Urosonics Limited	England	100%	–	Dormant
Cystoscope Hire Limited	England	100%	–	Dormant
Assura Retail York Limited	England	100%	–	Property invesment
Assura Health and Wellness Limited	England	100%	–	Trading company
Assura Care Homes Limited	England	100%	–	Trading company
GB Primary Care (SWH) Limited	England	100%	–	Dormant
BHE Developments Limited (sold 12 September 2007)	England	–	70%	Property investment

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

21. Investment property

Properties are stated at fair value, which has been determined based on valuations performed by Savills Commercial Limited as at 31 March 2008, on the basis of open market value, supported by market evidence, in accordance with international valuation standards.

	31/03/08 £'000	31/12/06 £'000
Opening fair value of investment property	**211,751**	131,643
Acquisitions	**22,639**	22,272
Acquired as part of a business combination	**–**	16,462
Subsequent expenditure	**5,315**	2,435
Transfers from development property	**46,277**	24,251
Transfers from work in progress	**18**	186
Transfers to land and buildings	**(13,635)**	(2,539)
Unrealised profit on revaluation	**8,880**	17,041
Closing market value	**281,245**	211,751
Add minimum payment under finance leases	**1,266**	1,381
Closing fair value of investment property	**282,511**	213,132

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 development property 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 development property upon practical completion of the medical centre and when tenants have taken occupation or signed lease agreements. Transfers are made to land and buildings in respect of the proportion of those medical centres used by the Group.

22. Development property

	31/03/08 £'000	31/12/06 £'000
Opening balance	**35,231**	15,789
Development costs incurred in year	**64,891**	42,958
Capitalised interest	**3,415**	734
Transfer from work in progress	**8**	1
Transfers to investment property	**(46,277)**	(24,251)
Closing balance	**57,268**	35,231

23. 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 2008	Shares Held by the Group 2006	% Held 2008	% Held 2006	Place of Incorporation	Business Activity
Infracare (Midlands) Limited	30 September	257 Ordinary Shares of £1	240 Ordinary Shares of £1	43%	40%	England	Holds 60% of the share capital in the Dudley South LIFT Company
GB Consortium 1 Limited	31 March	6,252 Ordinary Shares of £1	4,200 Ordinary Shares of £1	40 %	40%	England	Holds 60% of the share capital in the Barnet, Enfield and Haringey, and Liverpool and Sefton LIFT Companies
GB Consortium 2 Limited	31 March	2,322 Ordinary Shares of £1	27 Ordinary Shares of £1	45%	45%	England	Holds 60% of the share capital in the Coventry LIFT Company
GB Primary Care (Fourth Wave Bids) Limited	31 March	1 Ordinary Share of £1	1 Ordinary Share of £1	50%	50%	England	Fourth wave LIFT bidding vehicle and preferred bidder for SE Essex LIFT
GB Primary Care Limited	31 March	8,500 Ordinary Shares of £1	1 Ordinary Share of £1	85%	50%	England	Holds 60% of the share capital in the South East Essex LIFT Company

The above investments comprise:

	31/03/08 Group £'000	31/12/06 Group £'000
Cost of shares	**17**	4
Loans	**5,057**	2,483
Share of accumulated profit/(loss)	**3,670**	(1,417)
	8,744	1,070

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

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

	31/03/08 Group £'000	31/12/06 Group £'000
Investment property	**28,935**	22,098
Current assets	**6,042**	8,006
	34,977	30,104
Liabilities due within one period	**2,529**	2,187
Liabilities due after one period	**28,778**	29,334
	31,307	31,521
Share of net assets/(liabilities)	**3,670**	(1,417)
Add back loans	**5,057**	2,483
Other	**17**	4
Carrying amount of associates	**8,744**	1,070
Share of associates revenue and profit:		
Revenue	**3,462**	973
Profit/(loss)	**5,087**	(1,417)

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

23. Investments in associates and joint ventures continued

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

	31/03/08 Group £'000	31/12/06 Group £'000
Opening balance	**1,070**	1,368
Acquired in period	**3**	–
Net loans advanced or transferred	**2,574**	1,119
Share of profit/(loss) for the period	**5,087**	(1,417)
Closing balance	**8,744**	1,070

Joint ventures

The Group has the following investments in joint ventures:

Name of entity	Year ended	Shares held by the Group 2008	Shares held by the Group 2006	% held 2008	% held 2006	Place of incorporation	Business activity
Assura Blackpool LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
Assura Derwentside LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
Assura East Riding LLP	31 March	n/a	n/a	50%	50%	England	Enhanced medical services
Assura Hampshire Health LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
Assura Leeds LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
Assura Liverpool LLP	31 March	n/a	n/a	50%	50%	England	Enhanced medical services
Assura Macclesfield LLP	31 March	n/a	n/a	50%	50%	England	Enhanced medical services
Assura Minerva LLP	31 March	n/a	n/a	50%	50%	England	Enhanced medical services
Assura Vertis LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
Assura Wiltshire LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
Assura Wyre Forest LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
Peninsula Health LLP	31 March	n/a	n/a	50%	–	England	Enhanced medical services
GP Care Pharmacy Limited	31 March	1 Ordinary Share of £1	n/a	50%	–	England	Pharmacy

In addition, the Group has an interest in Skeeles Pharmacy Limited which are dormant, wholly owned subsidiaries of GP Care Pharmacy Limited.

The above investments comprise:

	31/03/08 Group £'000	31/12/06 Group £'000
Cost of shares or members' core capital	**1,868**	906
Loans	**7,339**	–
Share of accumulated losses	**(588)**	(37)
	8,619	869

Members' capital is interest free.

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

	31/03/08 Group £'000	31/12/06 Group £'000
Non-current assets	**3,399**	–
Current assets	**1,286**	453
	4,685	453
Liabilities due within one year	**1,499**	490
Non-current liabilities	**3,824**	490
Share of net liabilities	**(588)**	(37)
Add back loans	**7,339**	–
Other	**1,868**	906
Carrying amount of joint ventures	**8,619**	869
Share of joint ventures revenue and profit revenue		
Revenue	**39**	–
Loss	**(838)**	(37)

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

	31/03/08 Group £'000	31/12/06 Group £'000
Opening balance	**869**	–
Acquired in period	**962**	906
Net loans advanced or transferred	**7,339**	–
Share of losses in period	**(551)**	(37)
Closing balance	**8,619**	869

24. Intangible assets

	Goodwill 31/03/08 £'000	**Pharmacy Licences 31/03/08 £'000**	**Total 31/03/08 £'000**
Cost			
At 1 January 2007	36,714	284	36,998
Goodwill arising in the period as below	2,230	–	2,230
Pharmacy licence development and licence costs acquired during the period	–	6,573	6,573
At 31 March 2008	38,944	6,857	45,801
Impairment			
At 1 January 2007	–	–	
Impairment during the period	7,914	–	7,914
At 31 March 2008	7,914	–	7,914
Net book value at 31 March 2008	**31,030**	**6,857**	**37,887**

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

24. Intangible assets continued

	Goodwill 31/12/06 £'000	Pharmacy Licences 31/12/06 £'000	Total 31/12/06 £'000
Cost			
At 1 January 2006	5,892	36	5,928
Goodwill arising in the year as above	30,822	–	30,822
Pharmacy licence development and licence costs acquired during the year	–	248	248
At 31 December 2006	36,714	284	36,998
Net book value at 31 December 2006	**36,714**	**284**	**36,998**

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 infinite useful life.

2008 business combinations

During the period, the Group acquired four pharmacy branches through the acquisition of the entire share capital of Clearup Limited (29 March 2007), P&L Worsley Limited (14 May 2007) and Armside Chemists Limited (2 July 2007). Although the completion accounts are yet to be finalised for the acquisition of Armside Chemists Limited, it is estimated that the total consideration for the three acquisitions will be £4,058,000. In addition, five pharmacy licences were acquired in asset deals for a total consideration of £3,505,000.

On 17 October 2007 the Group acquired the entire share capital of two diagnostic and equipment rental businesses, Urosonics Limited and Cystoscope Hire Limited for a consideration of £1,451,000 satisfied by the issue of 750,000 Ordinary Shares in the Company at market value.

The net assets acquired, fair value of consideration paid and goodwill arising on these transactions, are set out in the table below:

	Pharmacy Acquisitions £'000	Diagnostics Acquisitions £'000	Total £'000
Non-current assets	210	52	262
Pharmacy licences	2,901	–	2,901
Cash	737	10	747
Other current assets	235	16	251
Deferred tax	(812)	–	(812)
Net assets acquired at book value	3,271	78	3,349
Fair value adjustment	(10)	–	(10)
Net assets acquired at fair value	3,261	78	3,339
Fair value of shares in Assura Group Limited	–	1,451	1,451
Cash paid	4,002	–	4,002
Attributable costs	71	45	116
Total consideration	4,073	1,496	5,569
Goodwill arising on acquisition	**812**	**1,418**	**2,230**

Included in the £2,230,000 of goodwill recognised above are certain assets that cannot be individually separated and reliably measured from the acquirees due to their nature. These items include the exported value of future earnings, synergies and staff in place.

During the current period the Group terminated its management contract for The Westbury Property Fund Limited (see note 12). As a result goodwill relating to the acquisition of Assura Administration and related parties in the prior year has been impaired in the period. This is shown in the eliminations and unallocated segment.

From the date of acquisition to 31 March 2008, the acquired businesses have contributed £11,000 of losses to the profit of the Group. If the combination had taken place at the beginning of the year, the consolidated profit of the Group would have been £14,595,000 and revenue would have been £45,689,000.

2006 business combinations and goodwill

On 6 February 2006 the Group acquired, for cash, the entire share capital of PCI Management Limited, an intermediate holding company and its subsidiary, Primary Care Initiatives (Macclesfield) Limited.

On 15 May 2006 the Group acquired the entire share capital of Assura Administration Limited (formerly Berrington Fund Management Limited) and related parties, Assura Investments Limited (formely strategis Limited) and Assura Services Limited (formerly Tarncourt Limited) and the Member's capital of Assura Fund Management LLP (formerly Berrington Fund Management LLP). The consideration for the acquisition was £11,484,000 paid in cash plus the issue of 16,826,359 Ordinary Shares to the vendors.

On 1 June 2006 the Group contracted to acquire the 30% of Assura LIFT Holdings Limited not then owned by the Group. The consideration for the acquisition was met by the issue of 1,322,476 Ordinary Shares to the vendors on completion. Included in the 30% stake being acquired were 11,093 shares of 0.1p each in Assura LIFT Holdings Limited which were held by R Pesskin, representing 7.8% of the share capital in that Company. The Group has consolidated 100% of the Company as the 11,093 shares were subject to a put and call option committing the Group to the acquisition of those shares. The put option was exercised in the period. The consideration for these shares in Assura LIFT Holdings Limited comprised the issue of a further 464,666 Ordinary Shares in the Company, the cost of which had been provided for in a deferred consideration reserve.

On 5 October 2006 the Group acquired the entire share capital of Assura Intelligence Limited (formerly Stream Partners Limited) for £299,000 paid in cash. The acquisition of Assura Intelligence Limited is subject to conditional deferred consideration, payable in 2009, of shares in Assura Group. The number of shares to be issued to the vendors being the number of patients processed by Assura Intelligence Limited's data processing service in the calendar year 2008 divided by 1.7 and subject to a maximum of 441,176 shares being granted, the cost of which is being expensed on a time apportioned basis with the credit being added to retained earnings.

The net assets acquired, fair value of consideration paid and goodwill arising on these transactions are set out in the table below.

	Assura Administration Limited and Related Parties £'000	PCI Management Limited and Subsidiary £'000	Assura LIFT Holdings Limited £'000	Stream Partners Limited £'000	Total £'000
Investment property	–	13,903	–	–	13,903
Property, plant and equipment	1,533	–	–	–	1,533
Cash	1,440	1,945	18	30	3,433
Other current assets/(liabilities)	(235)	(547)	(139)	19	(902)
Bank loan – long term	–	(11,896)	–	–	(11,896)
Bank loan – current portion	–	(604)	–	–	(604)
Other long-term liabilities	–	–	(490)	–	(490)
Net assets acquired at book value	2,738	2,801	(611)	49	4,977
Fair value of performance fee entitlement	11,490	–	–	–	11,490
Net assets acquired at fair value	14,228	2,801	(611)	49	16,467
Fair value of shares in Assura Group Limited	28,605	–	2,248	–	30,853
Cash paid	11,483	2,486	–	300	14,269
Deferred consideration	–	–	790	–	790
Attributable costs	953	315	69	40	1,377
Total consideration	41,041	2,801	3,107	340	47,289
Goodwill arising on acquisition	**26,813**	**–**	**3,718**	**291**	**30,822**

Included in the £30,822,000 recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquirees due to their nature. These terms include customer contracts, synergies and staff in place.

From the date of acquisition to 31 December 2006, the acquired businesses contributed £216,000 to the profit of the Group. If the combination had taken place at the beginning of the prior year, the consolidated profit of the Group would have been £17,603,000.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

24. Intangible assets continued

Impairment of goodwill

The Company 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 four cash generating units as follows:

	Goodwill		Pharmacy Licences	
	31/03/08	31/12/06	**31/03/08**	31/12/06
Property development cash generating unit	**24,791**	32,705	**–**	–
LIFT cash generating unit	**3,718**	3,718	**–**	–
Pharmacy cash generating unit	**812**	–	**6,857**	284
Medical cash generating unit	**1,709**	291	**–**	–
	31,030	36,714	**6,857**	284

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

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 8.5% (2006: 8.5%) and cash flows beyond the four year forecasts are extrapolated using a 5% growth rate (2006: 5%) based on management's experience and conservative expectations.

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 8.5% (2006: 8.5%). The forecast cash flows include the project returns on funding loans provided by Assura LIFT Holdings Limited based on the actual interest rate of 14% (2006: 14%), the estimated residual value at the end of the primary lease period and the pipeline of projects.

Pharmacy cash generating unit

The recoverable amount of the pharmacy unit has been determined based on a value in use calculation based on budgets approved by the Board covering a five year period. The discount rate applied to cash flow projections is 8.5% and cash flows beyond the five year forecasts are extrapolated using a 4% growth rate based on management's experience.

Medical cash generating unit

The recoverable amount of the diagnostics unit has been determined based on a value in use calculation based on budgets approved by the Board covering a five year period. The discount rate applied to cash flow projections is 8.5% and cash flows beyond the five year forecasts are extrapolated using a 15% growth rate reducing to 5%.

25. Property, plant and equipment

	Land and Buildings 31/03/08 £'000	Computer, Medical and Other Equipment 31/03/08 £'000	Fixtures, Fittings and Furniture 31/03/08 £'000	Total 31/03/08 £'000
Cost				
At 1 January	2,645	1,505	2,164	6,314
At acquisition	210	52	–	262
Transfer from investment property	13,635	–	–	13,635
Additions at cost	–	1,279	1,392	2,671
Disposals at cost	–	(294)	–	(294)
Revaluation	2,519	–	–	2,519
At 31 March	19,009	2,542	3,556	25,107
Depreciation				
At 1 January	–	174	167	341
Depreciation for the year	–	710	410	1,120
Disposals	–	(221)	–	(221)
At 31 March	–	663	577	1,240
Net book value at 31 March 2008	**19,009**	**1,879**	**2,979**	**23,867**

	Land and Buildings 31/12/06 £'000	Computer, Medical and Other Equipment 31/12/06 £'000	Fixtures, Fittings and Furniture 31/12/06 £'000	Total 31/12/06 £'000
Cost				
At 1 January	–	11	63	74
At acquisition	–	95	2	97
Transfer from investment property	2,539	–	–	2,539
Additions at cost	–	1,399	2,099	3,498
Revaluation	106	–	–	106
At 31 December	2,645	1,505	2,164	6,314
Depreciation				
At 1 January	–	2	36	38
Depreciation for the year	–	172	131	303
At 31 December	–	174	167	341
Net book value at 31 December 2006	**2,645**	**1,331**	**1,997**	**5,973**

Land and buildings are stated at fair value which has been determined based on valuations performed by Savills Commercial Limited as at 31 March 2008, 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 December 2006. If the land and buildings were measured using the cost model, the carrying amounts would be as follows:

	31/03/08 £'000	31/12/06 £'000
Cost and net book value	**16,384**	2,539

26. Other investment

	31/03/08 £'000	31/12/06 £'000
Available-for-sale financial assets	**9,047**	250
Listed equity shares	**8,297**	–
Unlisted equity shares	**750**	250
	9,047	250

The Group owns 6,382,474 Ordinary Shares of 10p each in Stobart Group Limited which are listed on the London Stock Exchange, valued at closing price.

27. Cash and cash equivalents

	31/03/08 £'000	31/12/06 £'000
Petty cash	**1**	8
Cash held in current account	**20,093**	18,468
Cash held to bank's order	**360**	360
Rent held on deposit	**6**	6
	20,460	18,842

Cash is held to the bank's order as security for letters of credit issued by the bank to the debt funders for the three LIFTCos to which the Group has pledged funding upon practical completion of the medical centres under development.

Rent held on deposit is subject to the respective tenant's lease agreement and is not available for use by the Group. All interest earned on these deposits is due to the respective tenant.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

28. Debtors

	31/03/08 £'000	31/12/06 £'000
Trade debtors	**4,144**	6,182
VAT recoverable	**2,240**	1,105
Prepayments and accrued income	**3,600**	1,526
Other debtors	**4,284**	1,079
	14,268	9,892

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 18 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:

	31/03/08 £'000	31/12/06 £'000
Within one year	**16,615**	12,354
After one year but not more than five years	**65,709**	48,560
More than five years	**228,981**	176,382
	311,305	237,296

Trade debtors are generally on 30-60 days' terms and are shown net of a provision for impairment. As at 31 March 2008, no trade debtors were impaired or fully provided for (2006: nil).

As at 31 March 2008 and 31 December 2006, the analysis of trade debtors that were past due but not impaired were 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
2008	4,144	3,171	435	131	173	234
2006	6,182	4,005	940	308	116	813

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.

29. Bank overdraft

	31/03/08 £'000	31/12/06 £'000
Bank overdraft	**–**	2,135

Assura Pharmacy Limited had a £5m overdraft arrangement with National Australia Bank Limited as part of the £100m loan facility agreement on which interest was charged at base rate plus a margin of 1%. The overdraft was repaid in March 2008.

30. Creditors

	31/03/08 £'000	31/12/06 £'000
Trade creditors	**6,133**	4,273
Other creditors and accruals	**5,761**	4,747
Payments due under finance leases	**94**	92
Loan (see note 31)	**561**	604
Interest payable and similar charges	**96**	124
Rents received in advance	**3,473**	2,552
	16,118	12,392

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

	31/03/08 £'000	31/12/06 £'000
Within one year	**94**	92
After one year but not more than five years	**394**	384
More than five years	**778**	905
	1,266	1,381

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 £1,172,000 (2006: £1,289,000) have been disclosed in non-current liabilities on the Consolidated Balance Sheet.

31. Long-term loan

	31/03/08 £'000	31/12/06 £'000
At 1 January	**44,949**	24,930
Amount drawn down in year	**298,420**	72,000
Acquired on acquisition of PCI Management Limited	**–**	11,896
Amount repaid in year	**(154,258)**	(64,000)
Loan issue costs	**(1,355)**	(123)
Amortisation of loan issue costs	**663**	246
At 31 March (31 December 2006)	**(188,419)**	44,949

The Group had a loan agreement with National Australia Bank Limited for £95,000,000, as part of a £100,000,000 loan facility and a £12,500,000 loan facility with The General Practice Finance Corporation (GPFC) Limited. The National Australia Bank Limited loan was repaid in March 2008.

The GPFC loan is due for repayment by quarterly instalments with the balance of £6,000,000 due on 28 May 2031. £113,000 is due within a year (see note 30).

These loans are secured by way of a debenture over the wholly owned property assets of the Group and a fixed charge over shares held in certain subsidiary companies.

During the period, the loan facility with National Australia Bank Limited was subject to the following financial covenants:

(i) Loan to value ratio – the aggregate outstanding loan to current valuation of investment properties should not exceed 75%.
(ii) Projected net rental income receivable during the following 12 month period must cover 130% of projected finance costs.
(iii) Financial indebtedness must be below 65% of gross asset value.
(iv) Average weighted lease length must exceed 12.5 years.

The Group has been in compliance with the financial covenants throughout the period since issue.

Interest was charged at a rate of 0.65% above the swap rate on the £95m loan facility with National Australia Bank Limited and is charged at a rate of 6.45% on the £12.5m loan facility with GPFC.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

31. Long-term loan continued

Two new loan facilities were entered into in March 2008:

(a) A loan of £8.25m secured on the Company's office investment property in Daresbury (part of which will be occupied by the Company). This loan, which is available for five years, 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 against the interest on the loan. £448,000 is due within one year (see note 30).

(b) A new £250m facility utilising National Australia Bank's securitisation conduit and secured upon many of the Group's portfolio of medical centre investment properties. The margin on this facility is 0.45% above the asset backed Commercial Paper rate. The bank also provides a liquidity facility of £255m, the margin of which varies between 0.7% and 1.1% above LIBOR, to guarantee funding in the event that Commercial Paper cannot be issued. This facility 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 75%.
(ii) Projected net rental income receivable during the following 12 month period must cover 130% of projected finance costs.
(iii) Financial indebtedness must be below 65% of gross asset value.
(iv) Average weighted lease length must exceed 12.5 years.

32. Share capital

Authorised	**31/03/08**	**31/03/08 £'000**	31/12/06	31/12/06 £'000
Ordinary Shares of 10p each	**300,000,000**	**30,000**	300,000,000	30,000
Preference Shares of 10p each	**20,000,000**	**2,000**	20,000,000	2,000
		32,000		32,000

Ordinary Shares issued and fully paid	**Number of Shares 31/03/08**	**Share Capital 31/03/08 £'000**	Number of Shares 31/12/06	Share Capital 31/12/06 £'000
Opening balance	**233,998,471**	**23,400**	142,403,847	14,240
Issued 14 September 2007 to settle the deferred consideration from 2006 on the acquisition of Assura LIFT Holdings Limited	**464,644**	**47**	–	–
Issued 12 October 2007 acquire Urosonics Limited and Cystoscope Hire Limited	**750,000**	**75**	–	–
Issued for cash on 15 May 2006	**–**	**–**	64,729,021	6,473
Issue on 15 May 2006 in exchange for shares in Assura Administration Limited (formerly Berrington Fund Management Limited) and related parties	**–**	**–**	16,826,359	1,683
Issued on 15 May 2006 for services provided by Pharma-e Limited	**–**	**–**	650,000	65
Issued on 1 June 2006 to acquire minority interest in Assura LIFT Holdings Limited (formerly BHE Holdings Limited)	**–**	**–**	1,322,476	132
Issued to the Assura Executive Equity Incentive Plan	**–**	**–**	8,066,768	807
Total issued in period	**1,214,644**	**122**	91,594,624	9,160
Closing balance	**235,213,115**	**23,522**	233,998,471	23,400
Own shares held	**(10,331,474)**	**(1,033)**	(8,066,768)	(807)
Total Share Capital	**224,881,641**	**22,489**	225,931,703	22,593

Voting rights

Ordinary shareholders are entitled to vote at all general meetings.

During the period the Assura Group Employee Benefit Trust acquired 2,264,706 shares at a cost of £3,754,000.

On 15 May 2006 the Company formed the Assura EEIP and issued and transferred 8,066,768 Ordinary Shares into the plan. Participants will be allocated units, each of which represent one Ordinary Share, 68.5% of which was scheduled to vest on 31 December 2008 and the balance on 31 December 2010. These dates were varied in the period and are now 31 March 2009 and 31 March 2011 respectively. The 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.

During the period 2,513,500 (2006: 3,130,000) units were granted to participants who vest on 31 March 2009.

The fair value of equity-settled share options is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which options were granted. The fair value of the units granted in the period, is £3,091,000 (2006: £6,554,000) based on market price at the date the shares were granted. This cost is allocated over the vesting period. Given that the Company's share price at the date of this report is substantially below the base preference price, the cumulative expense has been computed by preference to the second vesting date given the likelihood of the units being granted at the first vesting date. The cost allocation for the period was £1,578,000 (2006: £1,279,000), 2006 included 500,000 units issued to the Chairman (see notes 3 and 4). Dividends are paid to, and accumulate in, the Assura EEIP.

On 5 October 2006 the Group acquired the entire share capital of Assura Intelligence Limited for cash and conditional deferred consideration payable in 2009, in shares in Assura Group. The number of shares to be issued to the vendors is subject to a maximum of 441,176, the cost of which is being expensed on a time apportioned basis with the credit being added to retained earnings. The cost incurred in the period was £365,000 (2006: £91,000).

On 1 June 2006, the Group acquired 30% of Assura LIFT Holdings Limited. The consideration included the issue of a further 464,666 Ordinary Shares in Assura Group Limited, the cost of which was provided for in a deferred consideration reserve.

These shares were issued in the period and the deferred consideration reserve released. 650,000 Ordinary Shares were issued on 15 May 2006 to Pharma-e Limited to compensate for consultancy services provided to the Group described in note 11.

33. Share premium

	31/03/08 £'000	31/12/06 £'000
Opening balance	**226,678**	122,239
Proceeds arising on issue of Ordinary Shares	**2,073**	129,439
Transfer to distributable reserve	**(226,678)**	(25,000)
Closing balance	**2,073**	226,678

On 2 June 2006, following both shareholders' approval and that of the Royal Court in Guernsey, £25,000,000 of share premium was transferred to distributable reserve. On 29 June 2007 a further £226,678,000 was similarly transferred.

34. Distributable reserve

	31/03/08 £'000	31/12/06 £'000
At 1 January	**15,564**	–
Transfer from share premium (see note 33)	**226,678**	25,000
Dividends on Ordinary Shares (see note 18)	**(18,126)**	(9,436)
	224,116	15,564

35. Retained earnings

	31/03/08 £'000	31/12/06 £'000
Opening balance	**1,852**	(18,328)
Profit for the period attributable to equity holders	**14,070**	18,901
Cost of employee share-based incentives	**1,578**	1,279
Minority interest disposed of in the period	**(299)**	–
Closing balance	**17,201**	1,852

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

36. Revaluation reserve

	31/03/08 2008 £'000	31/12/06 2006 £'000
Opening balance	**106**	–
Revaluation of land and buildings in the year	**2,983**	106
Closing balance	**3,089**	106

37. Deferred consideration reserve

	31/03/08 £'000	31/12/06 £'000
Opening balance	**790**	–
Deferred share-based consideration arising in year	**–**	790
Deferred share-based consideration paid in the period	**(790)**	–
Closing balance	**–**	790

At 1 June 2006, the Group acquired 30% of Assura LIFT Holdings Limited. The consideration included the issue of a further 464,666 Ordinary Shares in Assura Group Limited at a future date no later than 31 December 2009, the cost of which was provided for in the deferred consideration reserve. The shares were issued in the period and the deferred consideration reserve was eliminated as a result.

38. Net asset value per Ordinary Share

The basic net asset value per Ordinary Share is based on the net assets attributable to the ordinary shareholders of £265,383,000 (2006: £267,500,000) and on 227,146,347 (2006: 225,932,000) Ordinary Shares in issue at the balance sheet date.

The adjusted basic net asset value per Ordinary Share is based on the net assets attributable to the ordinary shareholders of £269,944,000 (2006: £268,307,000) which is after adding back the 'own shares held' reserve of £4,561,000 (2006: £807,000) and on 227,146,347 (2006: 225,932,000) Ordinary Shares in issue at the balance sheet date.

The diluted net asset value per Ordinary Share is based on the net assets attributable to the ordinary shareholders of £265,383,000 (2006: £267,500,000) and on 228,628,438 (2006: 233,998,000) Ordinary Shares in issue at the balance sheet date.

The adjusted diluted net asset value per Ordinary Share is based on the net assets attributable to the ordinary shareholders of £269,944,000 (2006: £268,307,000) which is after adding back the 'own shares held' reserve of £4,561,000 (2006: £807,000) and on 228,628,438 (2006: 233,998,000) Ordinary Shares in issue at the balance sheet date.

39. Note to the consolidated cash flow statement

	2008 £'000	2006 £'000
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net profit before taxation	**12,794**	18,469
Taxation	**1,005**	(40)
Adjustment for non-cash items:		
Depreciation	**1,120**	303
Increase in debtors	**(4,376)**	(6,354)
Increase in creditors	**3,704**	8,559
Increase in pharmacy inventories	**(776)**	(567)
Surplus on revaluation of investment property	**(8,880)**	(17,041)
Deficit on revaluation of property, plant and equipment	**464**	–
Deficit on revaluation of other investments	**989**	–
Termination of investment management services	**(1,134)**	–
Interest capitalised on developments	**(3,415)**	–
Profit on revaluation of financial instrument	**(3,660)**	(5,674)
Movement in performance fee provision	**–**	(1,010)
Share-based pharmacy establishment cost	**–**	1,105
Share of (profits)/losses of associates and joint ventures	**(4,536)**	1,454
Cost of employee share-based incentives	**1,704**	1,279
Other gains and losses	**(2,088)**	(580)
Amortisation of loan issue costs	**663**	246
Net cash (outflow)/inflow from operating activities	**(6,422)**	149

40. Deferred tax

Deferred tax consists of the following:

Deferred income tax liabilities/(assets) recognised in the financial statements

	Consolidated Balance Sheet		Consolidated Income Statement	
	31/03/08 £'000	31/12/06 £'000	**15 months ended 31 March 2008 £'000**	12 months ended 31 December 2006 £'000
Decelerated allowances on premises, plant and equipment	**43**	–	**43**	–
Pharmacy licences recognised on acquisition	**(812)**	–	**–**	–
Trading losses carried forward	**962**	–	**962**	–
	193	–	**1,005**	–

Deferred income tax liabilities/(assets) not recognised in the financial statements

	Consolidated Balance Statement	
	31/03/08 £'000	31/12/06 £'000
Tax losses	**105**	739
Decelerated allowances on premises	**65**	176
Deficit on revaluation of investment properties in the UK	**3,640**	–
	3,810	915

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

41. Financial instruments

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group has entered into an interest rate swap during the year as disclosed in note 13.

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 incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property.

Given the 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 147 tenants at any one time.

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by carrying value 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 desirable properties 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 diversity of its property portfolio.

The Group finances its activities with a combination of bank loans, cash and short-term deposits. Overdrafts are used to satisfy short-term cash flow requirements. 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 at 31 March 2008 and 31 December 2006 based on contractual undiscounted payments.

Year ended 31 March 2008	On Demand £'000	Less Than 3 Months £'000	3 to 12 Months £'000	1 to 5 Years £'000	>5 Years £'000	Total £'000
Interest bearing loans and borrowings	–	138	423	171,427	16,992	188,980
Trade and other payables	–	15,846	71	394	778	16,729
	–	15,624	494	171,821	17,770	205,709

Year ended 31 December 2006	On Demand £'000	Less Than 3 Months £'000	3 to 12 Months £'000	1 to 5 Years £'000	>5 Years £'000	Total £'000
Interest bearing loans and borrowings	2,135	25	579	33,551	11,398	47,688
Trade and other payables	–	11,719	69	384	905	13,077
	2,135	11,744	648	33,935	12,303	60,765

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 note 13). The swap itself is revalued to its 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 2008 was as follows:

	Within 1 Year £'000	1-5 Years £'000	More Than 5 Years £'000	Total £'000
Floating rate				
Cash	20,460	–	–	20,460

	Within 1 Year £'000	1-5 Years £'000	More Than 5 Years £'000	Total £'000
Fixed rate				
Interest rate swap	–	–	5,862	5,862
Long-term loans:				
NAB	–	(168,917)	–	(168,917)
GPFC	(113)	(531)	(11,225)	(11,869)
RBS	(448)	(2,035)	(5,711)	(8,194)
Payments due under finance leases	(94)	(394)	(778)	(1,266)

The NAB long-term loan is a £250m National Australia Bank sponsored securitisation conduit available for five years from March 2008. The facility is backed up by a 364 day £255m liquidity facility for use when Commercial Paper cannot be issued by the conduit. The maturity of any draw downs under the liquidity facility is up to a maximum of three months.

The interest rate profile of the financial assets and liabilities of the Group at 31 December 2006 was as follows:

	Within 1 Year £'000	1-5 Years £'000	More Than 5 Years £'000	Total £'000
Floating rate				
Cash	18,842	–	–	18,842

	Within 1 Year £'000	1-5 Years £'000	More Than 5 Years £'000	Total £'000
Fixed rate				
Interest rate swap	–	–	2,202	2,202
Bank overdraft	(2,135)	–	–	(2,135)
Long term loans:				
NAB	–	(33,053)	–	(32,053)
GPFC	(604)	(490)	(11,406)	(12,500)
Payments due under finance leases	(92)	(384)	(905)	(1,381)

The NAB long-term loan was part of a £100m National Australia Bank loan facility which was due for repayment in July 2008. The loan was repaid in March 2008.

Notes to the Consolidated Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

41. Financial instruments continued

The interest rate swap contract is adjusted to fair value at each balance sheet date. For the other financial assets and liabilities, their book value equates to their fair value, hence the above figures, for both 2008 and 2006 comprise both book and fair values.

	Book Value		Fair Value	
	2008 £'000	2006 £'000	**2008 £'000**	2006 £'000
Cash	**20,460**	18,842	**20,460**	18,842
Interest rate swap	**5,862**	2,202	**5,862**	2,202
Bank overdraft	**–**	(2,135)	**–**	(2,135)
Long-term loan	**(188,980)**	(44,553)	**(188,980)**	(44,553)
Payments due under finance leases	**(1,266)**	(1,381)	**(1,266)**	(1,381)

On 2 November 2006 the Company increased its interest rate swap from £100m at 31 December 2006 to £150m at 30 June 2007 and £200m at 31 December 2007, all fixed until 31 December 2027 at a rate of 4.59%. The interest rate swap was revalued to its fair value of £5,861,000 at 31 March 2008 compared with a value of £2,202,000 at 31 December 2006 leading to a valuation gain in the year of £3,660,000 (2006: £5,675,000) see note 13.

The interest rate swap is intended to protect the Group against fluctuations in interest rates given that the Group's bank loan is at floating rate. The interest rate swap is measured against the three month LIBOR. Interest charged on the Group's £250m facility entered into in March 2008 (see note 31) is that applicable to asset backed Commercial Paper. The Group is therefore exposed to any differential between that rate and 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 Basic Points	Effect on Profit Before Tax £'000
2008	+75	(763)
	–75	763
2006	+50	(84)
	–50	84

Equity price risk

The Group holds listed equity investments classified as available-for-sale. The Group's listed equity investments consist of 6,382,474 Ordinary Shares of 10p each in Stobart Group Limited (see note 26). The fair value, being market value, of the investment is therefore subject to variations in the equity share price.

The analysis below reflects the effect on the Group's investment given an increase or decrease of 5% in the equity share price.

	Increase/ Decrease in Equity Share Price %	Effect on Book Value £'000
2008	+5	415
	–5	(415)
2006	–	–
	–	–

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. No changes were made in the objectives, policies or processes during the period end 31 March 2008 and year end 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing at a reliable level for a strongly asset-backed operating 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 convertible preference shares, equity attributable to the equity holders of the parent less the net unrealised gains reserve.

42. Commitments
At the year end the Group had a property investment and development pipeline amounting to a further £202,000,000 (2006: £150,224,000). The bulk of this expenditure is, however, discretionary and the amount of contracted expenditure was £42,000,000 (2006: £28,000,000).

The Company has given guarantees in favour of the GPFC amounting to £360,000 (2006: £360,000) to secure future LIFT investments by the Group.

43. Related parties
During the period certain costs, amounting to £211,000 (2006: £200,000) in total, relating to Assura Pharmacy Limited were incurred and recharged by Pharma-e Limited, a company in which John Curran, a former director of Assura Pharmacy Limited (resigned 23 March 2007), is a director and shareholder and Andrew Murray is an employee. Transactions between Assura Pharmacy Limited and Pharma-e Limited are made at normal market prices. Invoices are payable upon presentation. A balance of £11,701 was outstanding at the year end which related to services for April 2008.

During the period Assura Pharmacy Limited transferred one of its branches to GP Care Pharmacy Limited, a joint venture vehicle in which it holds a 50% interest for £550,000. Assura Pharmacy Limited made loans to GP Care Pharmacy Limited. The loans, which totalled £7,028,200 as at 31 March 2008, are secured on the assets of GP Care Pharmacy Limited. Interest chargeable on the loans in the period was £11,000.

44. Events after the balance sheet date
At an Extraordinary General Meeting held on 3 April 2008, shareholders approved the change in status of the Company from Chapter 15 (investment) to Chapter 6 (trading) and the Group's management and control was moved to the UK immediately thereafter to reflect the change in nature of business of the Group.

Company Income Statement

For the period from 1 January 2007 to 31 March 2008

	Notes	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Revenue			
Interest receivable from subsidiary companies		**14,938**	10,767
Management charge to subsidiary companies		**–**	750
Bank and other interest receivable		**305**	400
Other income		**–**	63
Total revenue		**15,243**	11,980
Expenses			
Interest payable and similar charges	A	**5,276**	1,391
Investment Manager's fees		**312**	1,107
Legal and professional fees		**656**	48
Audit fees		**331**	119
Tax and accountancy fees		**109**	10
Administration fee		**55**	81
Directors' fees	7(c)	**430**	273
Insurance		**71**	12
Advertising, PR and marketing		**629**	338
Abortive transaction costs		**150**	25
Travel, accommodation, subsistence and other expenses		**231**	249
Bank charges		**7**	12
Exceptional pharmacy establishment cost	11	**–**	1,105
Cost of shares granted under the equity incentive plan		**–**	1,279
Total operating expenses		**8,257**	6,049
Operating profit		**6,986**	5,931
Unrealised profit on revaluation of derivative financial instrument	13	**3,660**	5,675
Performance fee provision	4	**–**	12,500
Movement in provision for diminution of investments in subsidiaries	B	**–**	(4,960)
Profit before taxation		**10,646**	19,146
Taxation		**–**	–
Profit attributable to equity holders		**10,646**	19,146

Earnings per share (pence)			
Basic earnings per share on profit for the period		**4.70p**	9.81p
Diluted earnings per share on profit for the period		**4.65p**	9.56p

Where applicable, the accounting policies for the Company are the same as those of the Group on pages 51 to 59. The notes (identified alphabetically on pages 94 to 96) are an integral part of these financial statements. Where the same items appear in the Group financial statements, reference is made to the notes (identified numerically) in pages 51 to 89.

Company Balance Sheet

As at 31 March 2008

	Notes	31/03/08 £'000	31/12/06 £'000
Non-current assets			
Investments in subsidiary companies	B	**98,581**	85,301
Loans to subsidiary companies	C	**264,974**	174,090
Derivative financial instruments at fair value	13	**5,862**	2,202
Other investments		**750**	–
		370,167	261,593
Current assets			
Cash and cash equivalents	D	**5,128**	11,509
Debtors	E	**89**	143
Loans to subsidiary companies	F	**54,961**	28,221
		60,178	39,873
Total assets		**430,345**	301,466
Current liabilities			
Creditors	G	**947**	808
Loans from subsidiary companies	H	**170,149**	106
		171,096	914
Non-current liabilities			
Long-term loan	I	**–**	33,052
Total liabilities		**171,096**	33,966
Net assets		**259,249**	267,500
Represented by:			
Capital and reserves			
Share capital	32	**23,522**	22,593
Own shares held	32	**(4,561)**	(807)
Share premium	33	**2,073**	226,678
Distributable reserve	34	**224,116**	15,564
Retained earnings	J	**14,099**	1,875
Deferred consideration reserve	37	**–**	790
Total equity		**259,249**	267,500

The financial statements on pages 90 to 93 were approved at a meeting of the Board of Directors held on 16 June 2008 and signed on its behalf by:

Richard Burrell
Chief Executive Officer

Nigel Rawlings
Chief Financial Officer

Where applicable, the accounting policies for the Company are the same as those of the Group on pages 51 to 59. The notes (identified alphabetically on pages 94 to 96) are an integral part of these financial statements. Where the same items appear in the Group financial statements, reference is made to the notes (identified numerically) in pages 51 to 89.

Company Statement of Changes in Equity

For the period from 1 January 2007 to 31 March 2008

	Share Capital £'000	Treasury Shares £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Deferred Consideration Reserve £'000	Total £'000
1 January 2007	**23,400**	**(807)**	**226,678**	**15,564**	**1,875**	**790**	**267,500**
Profit attributable to equity holders	–	–	–	–	10,646	–	10,646
Total Income and expenses for period	**–**	**–**	**–**	**–**	**10,646**	**–**	**10,646**
Transfer from share premium[1]	–	–	(226,678)	226,678	–	–	–
Dividends on Ordinary Shares	–	–	–	(18,126)	–	–	(18,126)
Cost of shares granted under the equity incentive plan	–	–	–	–	1,578	–	1,578
Issue of Ordinary Shares	122	–	2,073	–	–	–	2,195
Own shares held	–	(3,754)	–	–	–	–	(3,754)
Deferred share-based consideration	–	–	–	–	–	(790)	(790)
31 March 2008	**23,522**	**(4,561)**	**2,073**	**224,116**	**14,099**	**–**	**259,249**

	Share Capital £'000	Treasury Shares £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Deferred Consideration Reserve £'000	Total £'000
1 January 2006	**14,240**	**–**	**122,240**	**–**	**(18,550)**	**–**	**117,930**
Profit attributable to equity holders	–	–	–	–	19,146	–	19,146
Total income and expenses for period	**–**	**–**	**–**	**–**	**19,146**	**–**	**19,146**
Transfer from share premium[1]	–	–	(25,000)	25,000	–	–	–
Dividends on Ordinary Shares	–	–	–	(9,436)	–	–	(9,436)
Cost of shares granted under the equity incentive plan	–	–	–	–	1,279	–	1,279
Issue of Ordinary Shares	9,160	–	133,644	–	–	–	142,804
Issue costs on issuance of Ordinary Shares	–	–	(4,206)	–	–	–	(4,206)
Own shares held	–	(807)	–	–	–	–	(807)
Deferred share-based consideration	–	–	–	–	–	790	790
31 December 2006	**23,400**	**(807)**	**226,678**	**15,564**	**1,875**	**790**	**267,500**

1 Following an application to The Royal Court of Guernsey, £25,000,000 was transferred from a Share Premium account to Distributable Reserves on 2 June 2006. On 29 June 2007 a further £226,677,000 was similarly transferred.

Where applicable, the accounting policies for the Company are the same as those of the Group on pages 51 to 59. The notes (identified alphabetically on pages 94 to 96) are an integral part of these financial statements. Where the same items appear in the Group Financial Statements, reference is made to the notes (identified numerically) on pages 51 to 89.

Company Cash Flow Statement

For the period from 1 January 2007 to 31 March 2008

	Notes	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Operating activities			
Interest received from subsidiary companies		**14,938**	10,768
Management fees received		**–**	750
Bank and other interest received		**280**	400
Other income		**–**	63
Expenses paid		**(18,690)**	(1,337)
Interest paid		**(5,582)**	(1,644)
Net cash inflow from operating activities	k	**7,767**	9,000
Investing activities			
Cash paid on acquisition of investment		**(750)**	–
Cash paid on acquisition of subsidiaries		**(10,250)**	(23,274)
Purchase of own shares		**(3,754)**	–
Costs incurred on acquisition of subsidiaries		**–**	(1,063)
Net loans received from/(to) subsidiaries		**52,418**	(78,507)
Net cash inflow/(outflow) from investing activities		**37,664**	(102,844)
Financing activities			
Issue of Ordinary Shares for cash		–	110,039
Issue costs paid on issuance of Ordinary Shares		–	(4,206)
Dividends paid		**(18,126)**	(9,436)
Drawdown of term loan		**115,170**	72,000
Repayment of term loan		**(148,670)**	(64,000)
Loan issue costs		**(186)**	(123)
Net cash (outflow)/inflow from financing activities		**(51,812)**	104,271
(Decrease)/increase in cash and cash equivalents		**(6,381)**	10,430
Cash and cash equivalents at 1 January		**11,509**	1,079
Cash and cash equivalents at 31 March (31 December 2006)		**5,128**	11,509

Where applicable, the accounting policies for the Company are the same as those of the Group on pages 51 to 59. The notes (identified alphabetically on pages 94 to 96) are an integral part of these financial statements. Where the same items appear in the Group financial statements, reference is made to the notes (identified numerically) on pages 51 to 89.

Notes to the Company Financial Statements

For the period from 1 January 2007 to 31 March 2008

A. Interest payable and similar charges

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Long-term loan:		
Interest payable	**6,885**	1,152
Non-utilisation and related fees	**86**	190
Amortisation of loan issue costs	**633**	246
Swap interest (see note 13)	**(2,328)**	(197)
	5,276	1,391

B. Investments in subsidiary companies

	31/03/08 £'000	31/12/06 £'000
Assura Property Limited	**71,491**	63,791
Assura LIFT Holdings Limited	**9,161**	9,113
Assura Pharmacy Holdings Limited	**280**	–
Assura Medical Limited	**–**	1,000
Assura Administration Limited	**–**	8,459
Assura Services Limited	**5,490**	4,999
Assura Investments Limited	**5,970**	2,570
Assura Intelligence Limited	**469**	340
Assura Fund Management LLP	**9,240**	–
Assura Diagnostics Limited	**1,451**	–
Provision for diminution in value	**(4,971)**	(4,971)
	98,581	85,301

Investment carrying values are reviewed and any impairment is provided for as diminution in value.

C. Loans to subsidiary companies

	31/03/08 £'000	31/12/06 £'000
Assura Property Limited	**264,974**	174,090
	264,974	174,090

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 3%.

D. Cash and cash equivalents

	31/03/08 £'000	31/12/06 £'000
Cash held in current account	**4,768**	11,149
Cash held to bank's order	**360**	360
	5,128	11,509

Cash is held to the bank's order as security for letters of credit issued by the bank to the debt funders for the three LIFTCos to which the Company has pledged funding upon practical completion of the medical centres under development.

E. Debtors

	31/03/08 £'000	31/12/06 £'000
Prepayments and other debtors	**89**	143

F. Loans to subsidiary companies

	31/03/08 £'000	31/12/06 £'000
Assura Property Limited	**6,948**	15,012
Assura LIFT Holdings Limited	**5,485**	3,379
Assura Pharmacy Holdings Limited	**15,603**	603
BHE (Heartlands) Limited	**5,341**	5,290
Assura Medical Limited	**2,643**	1,981
Primary Care Initiatives (Macclesfield) Limited	**1,100**	1,100
Assura Administration Limited	**–**	750
Stream Partners Limited	**309**	100
Assura Estates Limited	**7**	6
Assura Pharmacy Limited	**6,452**	–
Assura Services Limited	**8,413**	–
Assura Diagnostics Limited	**324**	–
Assura Health and Wellness Centres Limited	**1,000**	–
BHE (St James) Limited	**1,336**	–
	54,961	28,221

The above loans are unsecured, non-interest bearing and repayable upon demand.

G. Creditors

	31/03/08 £'000	31/12/06 £'000
Trade creditors	**316**	96
Other creditors and accruals	**631**	658
Interest payable and similar charges	**–**	54
	947	808

H. Loans from subsidiary companies

	31/03/08 £'000	31/12/06 £'000
Assura Services Limited	**–**	106
Assura Investments Limited	**178**	–
Assura Administration Limited	**2,050**	–
Assura Fund Management LLP	**6,501**	–
Assura Properties Limited	**161,420**	–
	170,149	106

Notes to the Company Financial Statements continued

For the period from 1 January 2007 to 31 March 2008

I. Long-term loan

	31/03/08 £'000	31/12/06 £'000
At 1 January	**33,052**	24,930
Amount drawn down in year	**115,170**	72,000
Amount repaid in year	**(148,670)**	(64,000)
Loan issue costs	**(185)**	(124)
Amortisation of loan issue costs	**633**	246
At 31 March (31 December 2006)	**–**	33,052

The Company had a loan facility agreement with National Australia Bank Limited for £95m. This loan was repaid in March 2008.

During the period, the Company's bank borrowings were subject to the following financial covenants:

(a) Loan to value ratio – the aggregate outstanding loan to current valuation of investment properties held by subsidiaries should not exceed 75%.
(b) Projected net rental income receivable by subsidiaries during the following 12 month period must cover 130% of projected finance costs.
(c) Financial indebtedness must be below 65% of Gross Asset Value of the Company and certain subsidiaries.
(d) Average weighted lease length of properties held by subsidiaries must exceed 12$^{1}/_{2}$ years.

J. Retained earnings

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
At 1 January	**1,875**	(18,550)
Net profit for the year	**10,646**	19,146
Cost of employee share-based incentives	**1,578**	1,279
At 31 March (31 December 2006)	**14,099**	1,875

K. Note to the Cash Flow Statement

	15 months ended 31 March 2008 £'000	12 months ended 31 December 2006 £'000
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net profit before taxation	**10,646**	19,146
Adjustment for non-cash items:		
Amortisation of loan issue costs	**633**	246
Increase/(decrease) in debtors	**55**	(70)
Increase in creditors	**139**	498
Movement in provision for diminution of investments in subsidiaries	**–**	4,960
Profit on revaluation of financial instrument	**(3,660)**	(5,674)
Performance fee provision	**–**	(12,500)
Share-based pharmacy establishment cost	**–**	1,105
Cost of employee share-based incentives	**–**	1,279
Other gains and losses	**(46)**	10
Net cash inflow from operating activities	**7,767**	9,000

Daresbury

3300 Daresbury
Business Park
Warrington
Cheshire
WA4 4HS

Tel: **01928 737 000**
Fax: **01928 737 002**

London

50 Pall Mall
London SW1Y 5JH

Tel: **020 7107 3800**
Fax: **020 7107 3801**

Regional offices

6 Hill Street
Edinburgh EH2 3JZ

Tel: 0131 220 3011
Fax: 0131 220 2208

2nd Floor
3 Brindley Place
Birmingham B1 2JB

Tel: 0121 697 7077
Fax: 0121 698 8600

2nd Floor, Albert House
South Esplanade
St Peter Port
Guernsey GY1 3TX

Tel: 01481 735 540
Fax: 01481 711 605

Regus House
Falcon Drive
Cardiff Bay
Cardiff CF10 4RU

Tel: 02920 504 078
Fax: 02920 504 001