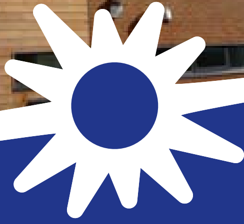
Assura

Assura Group Limited Annual report and financial statements 2010

Annual report and financial statements 2010



Providers of NHS property and pharmacy services

Assura is one of the leading UK providers of NHS primary care property and pharmacy services.

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Highlights

Strategic Highlights

- Medical services business ('AML') sold to Virgin Healthcare Holdings Limited for £4m – leaves Assura Group with a 24.9% stake and £4m preferential loan note.
- Significant cost reductions including £6.5m reduction in payroll from March 2009 to May 2010.

Operating Highlights

- Investment portfolio increased 12.5% to £313.7m (2009: £278.9m).
- Rent roll at 31 March 2010 increased 8.7% to £22.5m (2009: £20.7m[1]).
- Seven new developments completed in the year – value £36.9m; five developments on site – anticipated value £38.2m.
- Four new health centre pharmacies opened in year.

Financial Highlights

- Pharmacy revenues increased 16.9% to £31.2m[2] (2009: £26.7m). Same store revenues increased 8% (for stores open for more than two years).
- LIFT consultancy revenues increased 85.7% to £2.6m (2009: £1.4m).
- Group revenues up 17.2% to £55.8m (2009: £47.6m).
- Significant cost reductions implemented.
- Pharmacy delivers maiden annual profit of £3.9m[3] (2009: loss £7.6m) and now sustainably profitable.
- Group trading profit from continuing operations up 155.8% to £13.3m (2009: £5.2m).
- Adjusted net assets of £186.5m (2009: £204.4m), equivalent to 60.9p (2009: 66.2p) per Share[4].
- Debt repayments of only £9.5m required prior to March 2013.
- £24.6m[5] cash in hand at year end (2009: £24.8m).
- New £30m facility from Santander Bank fixed on improved terms.
- Dividend expected to resume in current financial year.

1 Including the rental value of own premises.
2 Excludes 50% share of revenue derived from pharmacies owned in joint venture with GP Care Limited.
3 Includes £1.3m reversal of licence impairment and £1.1m profit on disposal of pharmacies.
4 Adjusted diluted net asset value per Ordinary Share (excluding the notional mark to market value of the Company's interest rate swap).
5 Includes £14.6m (2009: £12.6m) of restricted cash in respect of cash ring fenced for committed property development expenditure and an interest payment guarantee.

Chairman's Statement

Introduction
During the year, Assura implemented significant strategic changes to become a leaner, more focused and profitable business. Assura has successfully grown its primary care property and pharmacy businesses, resulting in the Group's continuing operations returning to net profitability.

Early in the year the Board determined that it would be in the best interests of the Company and its shareholders to sell the medical services business to create a more focused and profitable medical property and pharmacy Group. After an extensive review of options and a comprehensive sale process a 75.1% stake in AML was sold to Virgin Healthcare Holdings Limited on 2 March 2010. Assura has thereby retained a sizeable stake in the business with no exposure to future business development costs. The Virgin Group has long held the ambition of becoming a significant player in the provision of NHS services to patients and the Board is confident that the focus and additional resource that Virgin can provide will enable AML to reach its true potential, from which Assura will benefit through the Group's retained interest.

A significant proportion of the Group's administrative resource was transferred with AML and sizeable further savings have been implemented subsequently. Following the transaction with Virgin Healthcare Holdings, Richard Burrell, former CEO of Assura Group, resigned from the Company to pursue other interests. On behalf of the Company I would again like to thank Richard for his hard work, commitment and enthusiasm. On 15 March 2010 Nigel Rawlings was appointed as the Company's Chief Executive.

Board
In view of the simplification of the Group and as part of the streamlining process John Curran and Colin Vibert will be stepping down from the Board at the AGM. I would also like to thank them for their significant efforts and contribution to the Company during their tenure.

Dividends
The Board is not proposing a dividend for the year to 31 March 2010 but it is the Board's intention to resume dividend payments out of sustainable operating earnings commencing in the year to 31 March 2011.

Outlook
Assura is now profitable and remains a well managed provider of primary care property and pharmacy services. Despite the economic slowdown the Group completed seven properties during the year, had five medical centre property developments on-site at the year end and another has commenced since that time. The pharmacy division is now profitable and is of a very high quality given the focus around medical centres. Our NHS Local Improvement Finance Trust (LIFT) team continues to see opportunities for investment in new NHS premises in partnership with the public sector and is increasingly being seen as a provider of health planning services to Primary Care Trusts.

The Company is now well placed to achieve steady, sustainable and profitable growth and the Board looks forward to recommencing dividend payments.

Rodney Baker-Bates
Non-Executive Chairman
28 June 2010

Chief Executive's Statement

Introduction
This has been a year of significant change for Assura with excellent progress in our primary care property business and with strong growth and the achievement of sustained profitability in our pharmacy business. We have also sold a majority share in the cash-consuming medical service business, ceased other loss making activities and implemented significant cost reductions.

As a result of these changes Assura is now focused on its primary care property and pharmacy businesses, both of which are profitable and growing strongly and, following substantial cutbacks in administrative costs, as an internally managed property company we now benefit from a very competitive cost base.

The economy has struggled to ease itself out of recession and the public sector is set to face sizeable cutbacks although frontline NHS services appear to benefit from some protection. The largest cuts may come in secondary rather than primary care and we have a good pipeline of current and future primary care developments to facilitate continued growth.

Property investment
At 31 March 2010 the Group held 117 completed medical centre investment properties with an aggregate value of £313.7m (31 March 2009: 118 properties with a value of £278.9m). Seven medical centre developments were completed in the year with an aggregate value of £36.9m at the year end.

The value of our medical centre investment portfolio has increased 12.5% mainly as a result of development completions. With five developments on site at the year end and a further development commenced since the year end with an aggregate end value of over £40m, the portfolio will continue to grow.

Assura's portfolio is characterised by long Government-backed leases. The weighted average lease length is 17.1 years and 84% of the rents are receivable from Primary Care Trusts or GP Practices whose rent payments are reimbursed by Primary Care Trusts (PCTs). The balance of rents are receivable from pharmacy companies, including our own pharmacy business, and other tenants including retailers and charities.

The rent roll grew from £20.7m at 31 March 2009 to £22.5m at 31 March 2010 including rent receivable from premises we occupy ourselves (principally £0.6m from our own pharmacies). Development completions (£2.1m) and rent reviews (£0.5m) improved rent receivables while modest rent was lost through the sale of certain non-core properties. Rent reviews have delivered an average rent increase of 3.5%pa.

We have not suffered tenant defaults or tenant voids, although we do accept lease surrenders from GP Practices who move into new medical centres developed by the Group. We also have some planned development voids in the portfolio as a result of developing expansion space for future growth.

Assura's portfolio once again was an above average performer in the IPD Primary Care index which itself out-performed the All Property Index. The entire investment portfolio was revalued by Savills Commercial on 31 March 2010 realising an uplift in value of £6.5m This was partially offset by a £2.2m reduction in value arising from the closure of our Health & Wellness centres.

We will continue to grow rental income through active management, filling of largely planned voids, maximising rental growth on three yearly rent reviews and continued development completions.

Property development
The Group has remained active in medical centre property development in the year notwithstanding poor commercial property market conditions. Seven medical centres were completed in the year, five were on site at the year end and a further development has commenced since 31 March 2010.

The results of our property development activities have been impacted by a number of factors. Developments completed in the year included a loss making conversion of an office to a medical centre and our final hospital retail mall which also suffered a loss, plus other developments that had been written down to their realisable value at 31 March 2009 and hence no profit could be derived this year. Furthermore, we forgo any premium from a pharmacy operator when we open our own pharmacy in a new medical centre and pharmacy premiums that are received from third parties are spread over the term of the pharmacy lease. As a result a loss of £4.5m was suffered on the revaluation of our developments at 31 March 2010. We will now undertake only medical centre developments that are substantially pre-let with fixed price build contracts or those subject to a price ceiling and fixed rate funding agreed in advance and we are confident of achieving regular development gains going forward.

We have a good pipeline of profitable developments beyond those on site and a sizeable land bank comprising 15 sites with an aggregate value of £10.8m. The land bank includes sites earmarked for medical centre developments and sites that are now surplus, where funding or other constraints negate the originally planned medical centre development, with interesting alternative use opportunities such that profitable disposals will be made in due course.

Pharmacy
During the period under review we opened four new pharmacies within medical centres, closed two and sold four non-core pharmacies. This rationalisation of the portfolio has left us with 26 wholly-owned, predominantly medical centre based pharmacies, from which turnover increased by 16.9% to £31.2m (2009: £26.7m). In addition, Assura has an interest in seven pharmacies owned in a joint venture with GP Care Limited branded 'GP Care Pharmacy' which reported a gross turnover of £5.6m (2009: £5.3m).

Our pharmacy business achieved a maiden annual profit of £3.9m (including £1.3m reversal of pharmacy licence impairments and £1.1m profit on disposal of pharmacies). Further revenue growth is expected to derive from prescription volume growth, a maturing store profile and the opening of selected new stores and there is potential for careful cost cutting following sizeable administrative cost cutbacks in 2009/10.

Chief Executive's Statement continued

Gross margins have been maintained at 30% in this business and although further NHS pricing pressure cannot be ruled out as a result of changes in NHS reimbursement policy we will continue to look to achieve productivity improvements in order to minimise any impact these changes might have.

The establishment of new pharmacies and the relocation of existing ones are very tightly regulated in the UK. This has the effect of creating significant barriers to new entrants and securing the position of our existing pharmacy stores. Working within this regulatory environment Assura's experienced pharmacy licensing team has achieved more success in securing new pharmacy licences through the relevant regulatory procedures than any other pharmacy operator in recent years and we will continue to benefit from profit on pharmacy licence trading and adding value to the business from the opening of new pharmacies.

The Assura Board believes that the pharmacy business is positioned for sustained profitability. The business may, in the future, be separated from our property business if the Board considers that doing so would create value for shareholders.

LIFT

LIFT companies are public/private partnerships which procure and supply capital investment needed by public bodies and other health care providers to deliver health and community services to the public.

There are currently 47 LIFTs across England covering approximately 50% of the Primary Care Trusts. Assura has investments in six of them, equating to a 13% market share. Assura's six LIFT areas are Barnet, Enfield and Haringey; Coventry; Dudley; Liverpool and Sefton; South East Essex; and South West Hampshire. Assura has made subordinated debt investments across the portfolio of £6.5m (2009: £4.9m). These attractive investments are 25–30 year fixed income loans yielding on average 12% interest per annum.

Within our LIFT companies, there are 19 primary care buildings with an aggregate value of £169m at 31 March 2010 compared with 17 buildings and a value of £121m at 31 March 2009. In addition, three new schemes in Liverpool with a total development value of £30m started on site in August 2009 and a central hub for delivery of community and primary care services with a development value of £27.5m started on site in Coventry in April 2010.

Assura also provides management services, through a Central Management Services Agreement, to five of our LIFTs. These services include project management, estates and business performance management, centre management, health planning and financial management. Revenue from this business, excluding investment income, increased from £1.4m in 2008/09 to £2.6m in 2009/10.

Discontinued operations

Assura's medical services business was engaged in forming joint ventures with groups of GP Practices around the UK to provide outpatient, urgent care and diagnostic services, and primary care walk in centres, to NHS patients.

During the 11 months prior to its sale on 2 March 2010, the business had 30 joint ventures with combined revenues, in those joint ventures, amounting to £10.5m. This was a significant achievement given that their combined revenues in the prior year were less than £1m, and they benefited from contracts in hand or pending on 2 March 2010 that would provide annual revenues of over £25m in aggregate.

However the joint ventures incurred losses of £1.8m in the 11 months to 28 February 2010, of which 50% or £0.9m was attributable to Assura Group. In addition Assura's medical services division incurred central costs of over £6m pa supporting this business.

Following an extensive strategic review AML was sold to Virgin Healthcare Holdings Limited for £4m on 2 March 2010, with the £4m proceeds simultaneously reinvested in Virgin Healthcare Holdings Limited in return for a 24.9% equity stake and a loan note of £4m which carries no interest but does benefit from priority repayment out of future profits ahead of dividend payments.

Given the rapid growth continuing in the business and the efficiencies available to the NHS from shifting services out of hospitals into the community and enabling more services to be provided by independent providers, along with the resources committed by Virgin, we believe that our 24.9% investment in this business will deliver benefits and returns in future.

We also ceased our diagnostic rental business in the year and closed our three Health & Wellness centres which were serviced medical consulting rooms available for medical service provision by the joint ventures and other parties.

Immediately following the sale of AML, the decision was taken to close down the majority of our London office and half of our Daresbury office space and reduce the administrative staff by a further 17 people over and above those transferred to AML ahead of its sale.

The net impact on the Group's results is an operating loss from discontinued activities in the year of £6.9m and a loss on disposal of the medical services division itself amounting to £7.1m giving a net loss from discontinued activities of £14.0m.

In addition, we recorded a write down in the value of our Health & Wellness centres amounting to £2.2m, made office premises lease provisions of £2.0m to cover the anticipated rental shortfall pending new tenants for the space being found, and incurred other redundancy & restructuring costs amounting to £2.5m.

The Group's resultant administrative cost base is substantially reduced and very competitive. We intend to maintain property management costs below 3% of rents and property development costs below 3% of development expenditure. We intend to maintain central overheads, including the equivalent of fund and asset management and all the costs of administering the Group other than depreciation and amortisation, below 0.5% of total assets.

Balance sheet
Losses from, and arising on the sale of, AML, and the associated reorganisation and restructuring costs, have contributed to a fall in net assets from £172.0m at 31 March 2009 to £164.2m at 31 March 2010. The adjusted diluted net asset value per share, adjusted to exclude the negative value of our financial derivatives, has fallen from 66.2p to 60.9p.

The Group has gross property assets, including development property and property included within premises and held for sale of £360.1m, and net debt amounting to £232.3m, giving rise to property gearing of 65% (57% when comparing net debt with total capital and debt).

Debt facilities
The Group has sufficient debt facilities for its future requirements with substantially all debt available until at least March 2013. Loans have been agreed to finance all current medical centre property developments. The Group has headroom on all of its covenant tests and benefits from substantial protection against future interest rate rises through interest rate swap agreements.

Conclusion
We have made improvements in all areas of the business and achieved significant reductions in property investment and central administrative costs during the year, in particular following the sale of the medical services division in March 2010. While these measures have been difficult for the Group and our employees, they were essential to transform the Group into an internally-managed company with a very competitive cost base, positioned for sustainable profitability and the resumption of dividend payments.

Nigel Rawlings
Chief Executive Officer
28 June 2010

Board of Directors

Rodney Baker-Bates,
Non-Executive Chairman
Rodney Baker-Bates (age 66 and appointed in April 2008) is a fellow of the Institute of Chartered Accountants and Institute of Bankers and an associate of the Institute of Management Consultants. He qualified with Arthur Andersen and has held many senior positions in the 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, Bedlam Asset Management plc, EG Solutions Limited, Co-Operative Financial Services and G's Group Holdings Limited. Rodney is also a consultant to the board of directors of C. Hoare & Co.

Nigel Rawlings,
Chief Executive Officer
Nigel Rawlings (age 54) 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 fully listed property and contracting group 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. Between 2002 and 2007 Nigel was Chief Financial Officer of the Westbury Property Fund Limited, a fully listed commercial property and property related venture fund. Nigel was the Chief Financial Officer of Assura from its formation until his appointment as CEO on 15 March 2010 and he is a Non-Executive Director of Mobilizer Limited.

Graham Chase
Non-Executive Director
Graham Chase (age 56 and appointed October 2003) is Chairman and Senior Partner of Chase and Partners, Chartered Surveyors and Chartered Town Planners. He is a Past President and a Fellow of the Royal Institution of Chartered Surveyors (RICS). He is a Fellow and Panel Member of the Chartered Institute of Arbitrators, a Freeman of the City of London and is the current Chairman of the Association of Town Centre Management. He is a Past Member of the Property Advisory Group to the Secretary of State for the Environment and a Past Member of the Bank of England Property Forum.

Peter Pichler
Non-Executive Director
Peter Pichler (age 60 and appointed April 2005) qualified as a chartered accountant in both England and Wales and Canada with Ernst & Young in London and Toronto respectively. Peter has extensive senior management experience through a wide variety of business, operations and IT initiatives. After leaving public practice in 1979, he pursued a career in treasury, banking and financial services with Midland Bank, HSBC and Deutsche Bank. He moved with Midland Bank to Jersey in 1988 and retired from Deutsche Bank's Offshore Group as Chief Executive in 2005 before joining Mourant, one of the leading offshore legal and financial services businesses, initially as a strategic business consultant and subsequently as Group Chief Operating Officer. From the date of the Company's AGM on 9 September 2010 Mr Pichler will take on the role of Senior Independent Director.

Clare Hollingsworth
Non-Executive Director
Clare Hollingsworth (age 50 and appointed July 2008) is the Non-Executive Deputy Chairman and former Chief Executive of Spire Healthcare Limited, the Cinven vehicle which acquired BUPA Hospitals in 2007, and one of the leading private hospital providers in the UK. Clare sat on the board of Ambea AB a Scandinavian Healthcare business between July 2009 and March 2010 when the business was sold. Clare was Managing Director of BUPA Hospitals from 1999 to 2007 and Managing Director of Caledonian Airways between 1990 and 1997. She was subsequently a Non-Executive Director of Caledonian Airways from 1997 to 1999. Clare is a Fellow of the Royal Society of Arts. Clare also represents the Company's 24.9% interest on the board of Virgin Healthcare Holdings Limited.

Dr John Curran and **Mr Colin Vibert** served on the Board during the year under review but are not seeking re-election at this year's Annual General Meeting and their biographies have therefore not been included.

Corporate Information

Non-Executive Directors:
Rodney Baker-Bates (Chairman)
Dr John Curran (Senior Independent Director)
Peter Pichler
Graham Chase
Clare Hollingsworth
Colin Vibert

Executive Director:
Nigel Rawlings (Chief Executive Officer)

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Report of the Directors

The Directors of Assura Group Limited (the 'Company' or 'Assura Group') are pleased to present their 2010 Annual Report and the audited Consolidated Financial Statements for the year ended 31 March 2010.

Business review
Principal activities
A description and detailed review of the business and activities of the Company and its subsidiary undertakings and associates (the 'Group') is given below by business segment. This description and review should be considered in conjunction with the Chief Executive's Statement.

Results and outlook
The results from continuing operations for each segment are summarised as follows:

Contribution – Operating profit before central costs	2010 £m	2009 £m
Property investment	**18.7**	13.4
Property development	**(0.5)**	(0.9)
Pharmacy	**1.0**	(1.0)
LIFT operations	**0.0**	0.0
Total	**19.2**	**11.5**
Central costs	**(5.8)**	(8.5)
	13.4	3.0
Reclassification of property disposal (profits)/losses	**(0.8)**	1.9
Asset disposal profits	**0.7**	0.3
Group trading profit	**13.3**	**5.2**
Property revaluation gains/(losses)	**2.4**	(58.2)
Associates & Joint Ventures	**2.1**	(1.0)
Other items	**0.2**	(0.5)
Exceptional items	**(8.8)**	(6.6)
Operating profit	**9.2**	**(61.1)**
Net finance costs	**(4.8)**	**(38.6)**
Profit/(loss) before taxation from continuing operations	**4.4**	**(99.7)**

Property investment
At 31 March 2010 the Group held 117 completed medical centre investment properties with an aggregate value of £313.7m (31 March 2009: 118 properties with a value of £278.9m). Seven medical centre developments were completed in the year with an end value of £36.9m. Selected smaller medical centres were sold during the year realising £13.9m, which in each case meant realising or exceeding their stated value at 31 March 2009.

The entire portfolio was revalued by Savills Commercial on 31 March 2010 realising an uplift in value of £6.5m or 2% and reflecting a net initial yield of 6.02% (2009: 6.28%). This was partially offset by a £2.2m reduction in value arising from the closure of our Health & Wellness centres, which comprised serviced medical consulting rooms, and which were closed as a result of the sale of our medical services business.

During the calendar year 2009 Assura's medical centre portfolio achieved a total return of 10.2% (calendar year 2008: –2.2%) compared with the IPD primary care Index return of 8.8%, the IPD Healthcare return (which includes care homes, nursing homes and hospitals) of 5.4% and the All Property index of 3.5% (2008: –22%).

During the year the rent roll increased by £2.1m as a result of development completions and 68 rent reviews were settled (2009: 55) resulting in average annualised rental growth increase of 3.5% (2009: 6.0%), which added a further £0.5m onto the rent roll. Overall the rent roll increased from £20.7m at 31 March 2009 to £22.5m at 31 March 2010 net of rent lost from sales of selected properties and including own premises (£0.6m of rent is payable by Assura's own pharmacies and rent from own premises was higher at £1.6m at 31 March 2009 when it also included our Health & Wellness centres).

We have not suffered any rental defaults in our portfolio but we do have planned voids with a rental value of £0.7m where we have constructed expansion space for the GP practices or other medical users but that has yet to be occupied. Planned voids incur empty property costs such as rates and service charges but represent an opportunity for both future rental growth and cost reduction.

Property development

During the year we completed seven developments with a value of £36.9m. These included two loss making developments, an office conversion to a medical centre and our final hospital retail mall, plus other developments that had been written down to their realisable value at 31 March 2009. As a result a loss of £4.5m was suffered on the revaluation of our developments at 31 March 2010.

At 31 March 2010 we had five medical centre developments in progress and another has commenced since the year end. The total end value of these developments is expected to be in excess of £40m.

Pharmacy

During the year we closed two loss making pharmacies, sold a further four and opened four medical centre pharmacies. The net impact is an increase in turnover from £26.7m in 2008/09 to £31.2m in 2009/10 in our wholly owned pharmacies. In addition, the gross turnover of our seven joint venture pharmacies amounted to £5.6m.

Revenue should continue to grow due to general growth in prescription volumes, our more recently opened stores continuing to mature and the addition of new stores.

Gross margin in our pharmacy business held up at 30% as we are continually increasing productivity and focusing on ways to reduce costs in the face of cuts in reimbursement from the NHS.

Our pharmacy business earned a profit of £3.9m in the year (including £1.3m reversal of license impairment and £1.1m profit on disposal of pharmacies) compared with a loss of £7.6m in the prior year. It is noteworthy that after three years of losses we are now achieving profits from our pharmacy business and these should continue in the future.

LIFT

During the year consultancy revenue from our LIFT companies and associated PCTs amounted to £2.6m compared with £1.4m in the prior year and this consultancy business again broke even. However we also received finance income, at 12% pa on average on the loan stock provided and accounted for our share of the profits earned by the LIFT companies amounting to £0.6m (2009: £0.8m).

Report of the Directors continued

Key performance indicators

OBJECTIVE	METRIC	PERFORMANCE
To grow our portfolio of purpose built medical centres	• Change in value of property investment portfolio • Additions to the wholly owned investment portfolio • Change in value of LIFT investment portfolio • Additions to the LIFT investment portfolio	• Investment portfolio grew from £278.9m to £313.9m in the year • Seven property developments completed in the year • Total LIFT portfolio grew from £121.0m to £169.0m in the year • Two LIFT developments completed in the year
To grow our wholly owned property revenues from long dated NHS sources	• Percentage of revenue derived from GP Practices and PCTs • Average weighted lease length to break or expiry • Growth in/Value of rent roll	• 84% of revenue in 2009/10 derived from NHS bodies • Weighted average lease length of 17.1 years • Rent roll grew from £20.7m at 31 March 2009 to £22.5m at 31 March 2010
To achieve annual growth in prescription volume	• Year on year increase in prescription item volume	• Year on year increase of 8% in prescription volume for stores open for more than two years
To provide high quality patient service in our pharmacies	• Percentage of customers reporting 'satisfaction' or better in annual customer satisfaction survey	• 97% of customers reporting 'satisfaction' or better with the overall level of service provided within pharmacies operated by the Company
To generate long-term value for shareholders	• Share price growth/TSR • Earnings per share	• Share price increased by 93.6% between 31 March 2009 and 31 March 2010 • Increase in Group trading profit to £13.3m in 2009/10 from £5.2m in 2008/09
To maintain gearing below 65%	• Ratio of net debt to total capital plus net debt	• 57% at 31 March 2010

Principal risks and uncertainties

Risk management

The Group and Company operate an internal control and risk management system whereby all significant risks are identified, evaluated and mitigation action put in place wherever possible, which is described in the "internal control and risk management" section on pages 19 to 21 of this report.

A summary of key risks identified by the Board as having potential to affect the Company's operating results, financial control and/or the trading price of its shares is given below.

NHS procurement and funding

The Company is operating in the primary healthcare market providing pharmacy and property services to the NHS. Funding constraints or other uncertainties may restrict Primary Care Trusts in their ability to contract with the Company or may reduce expenditure available to fund services provided by the Company. Any cuts in the funding available for rent of medical centres or changes to the reimbursement for the provision of pharmaceutical goods and services could have an adverse effect on the Company.

Property values

The Company has reported an increase in the value of its core medical centre investment properties in the past year. While the Board believes that the properties are fairly stated and indeed represent robust, defensive investments in the current market due to their long lease length and NHS backed covenant, any weakening of rental yields and valuations could have an adverse impact on the Company's future profits including revaluation surpluses or deficits. In addition a significant weakening of property values could adversely affect the Company's banking covenants, although the Company's loans from Aviva are not subject to loan to value covenants and the Company's facilities from National Australia Bank, RBS and Santander currently have significant headroom.

Availability of funding

The Company's business is dependent on the continued availability of funding. The Company benefits from loan finance secured until March 2013, other than some £9.5m of repayments due before then. The Group is now profitable and generating cash and these modest repayments are in line with the Company's planned strategy to sell selective non core assets and the Company has demonstrated an ability to effect selective disposals, notwithstanding difficult market conditions.

The Company's medical centre property development business is particularly dependent on the availability of funds to continue to grow. Funds can again be generated through selective disposal of completed investments or from the availability of bank finance, and the Company has continued to receive support from Aviva to lend against its developments.

High quality, safe, clinical care
The provision of pharmacy services is complex and, no matter how committed and skilled the staff, untoward incidents can happen.

Any risk in this area is mitigated through recruitment of appropriately trained and qualified staff; robust service provision protocols; ongoing review of services; effective incident reporting systems; careful management and monitoring of services with early action to address any issues identified; and comprehensive insurance provision.

Following the sale of a majority stake in the medical services business to Virgin Healthcare Holdings Limited, the risk profile of the business has been significantly altered and the impact of risk through deficiencies in clinical care substantially reduced.

Other financial risks
The Company finances its operations largely through equity and bank borrowings. The Group borrows at both fixed and floating interest rates and uses interest rate hedges to fix that element of the Company's debt that is subject to floating rates. Financial risks and uncertainties are described in more detail in note 40 to the accounts.

Management turnover
One of the Company's main strengths lies in the experience of our management team. There is a risk that key individuals may leave or change roles within the organisation leaving a gap in skills or knowledge, or that disruption may arise from management reorganisation. The Board has taken steps to mitigate this risk by implementing a new bonus scheme (discussed further in the Remuneration Report) and is considering how best to restructure the Group's long-term incentive plan following the sale of the medical services division.

General economic risks
The Company is subject to variation in the general economic environment. However the Company's property is let on long Government backed leases and the Company's pharmacy services are not subject to the same consumer spending concerns as other consumer goods such that the Company is protected from recession and indeed represents a defensive stock for investors concerned about inflation or other adverse economic factors.

Development risks
The Company engages in medical centre property development. Property development can be high risk, although the Company's developments are substantially pre-let with fixed price build contracts (or contracts with a price ceiling) in place at their inception.

Results and dividends
The loss incurred by the Company after taxation for the year ended 31 March 2010 amounted to £7.2m (year ended 31 March 2009 loss of £108.9m). The Directors do not recommend a final dividend (year ended 31 March 2009: £nil). No interim dividend was paid during the year (year ended 31 March 2009: £nil).

Directors
The Directors who served during the year were:
- Rodney Baker-Bates (Chairman)
- Richard Burrell (resigned 15 March 2010)
- Nigel Rawlings
- Dr John Curran (Deputy Chairman, Chairman of the Remuneration Committee and Senior Independent Director)
- Graham Chase (Chairman of the Nominations Committee)
- Clare Hollingsworth
- Peter Pichler (Chairman of the Audit Committee)
- Colin Vibert

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

More details about the continuing Directors are contained on page 6.

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

Report of the Directors continued

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

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

Amendments to the articles of incorporation
The Articles of Incorporation of the Company may be amended by special resolution of the Company.

Supplier payment policy
The Group has not signed up to any specific supplier payment code and it is the Group's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not agreed, the Group endeavours to adhere to the suppliers' standard payment terms. As at 31 March 2010, the average number of days taken by the Group to pay its suppliers was 56 (31 March 2009: 29 days).

Social, ethical and environmental factors
The Company takes seriously its responsibilities in respect of its position in the community with all stakeholders and impact on 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 in its dealings with Government, the public, its workforce and medical and pharmacy professionals. Details of the Company's initiatives and policies and procedures in this area are set out in the Corporate Social Responsibility Report on pages 30 to 33.

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.

Political donations
The Company has not made any political donations and will not seek any approval from shareholders to do so (2009: £nil).

Charitable donations
The Company has made charitable donations of £1,000 (2009: £10,000) by supporting employees when raising money for their chosen charities.

Major shareholder notifications
As at 1 June 2010 the Company had been notified pursuant to rule 5 of the FSA's Disclosure and Transparency Rules of the following interests representing 3% or more of its issued Ordinary Share capital, the only form of the Company's capital in issue:

Name of shareholder	Number of shares	% of Ordinary Shares
Somerston Investments Limited	79,516,736	25.05
INVESCO Asset Management	64,384,834	20.28
Aviva Investors	27,095,483	8.53
Artemis Investment Management	26,879,880	8.47
Jupiter Asset Management	15,405,702	4.85
Moore Capital Management	14,616,936	4.60
Legal & General Investment Management	12,524,068	3.94
Employee Benefit Trust	11,042,886	3.48

Going concern
The Company's business activities together with factors likely to affect its future performance are set out in the Chief Executive Officer's Statement on pages 3 to 5. A review of the Company's financial position and funding are set out in the same statement.

In addition note 40 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Company has facilities from four banks, all of which are substantially repayable in March 2013 or beyond.

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

The Company has benefited from periodic sales of medical centre property investments and pharmacy licenses in both the year under review and the prior year and these represent marketable assets that can be readily sold where cash constraints necessitate sales.

The Company has headroom in its banking covenants, surplus cash and some properties that are yet to be secured to any bank.

Following the sale of 74.9% of the medical services business to Virgin Healthcare Holdings Limited on 2 March, the Company is generally profitable and cash positive.

The Company's properties are substantially let with rent paid or reimbursed by the NHS and they benefit from a weighted average lease length of 17.1 years. They are also diverse both geographically and by lot size and therefore represent excellent security.

In addition to surplus available cash of £10.0m at 31 March 2010, the Company has surplus security comprising un-mortgaged property assets totalling £13.6m at that date.

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

Accordingly the financial statements have been prepared on a going concern basis.

Statement of Directors' responsibilities
The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors should:

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

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

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

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

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

Report of the Directors continued

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

Liabilities
The Directors acknowledge their responsibilities for the accuracy of this Report. All sections of this Annual Report, including the Chief Executive's statement, Corporate Governance report, Directors' Remuneration Report and Corporate Social Responsibility 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 will be held at the offices of Addleshaw Goddard, Milton Gate, 60 Chiswell Street, London, EC1Y 4AG on 9 September 2010, has been sent to shareholders as a separate document along with this Report.

Auditors
The Directors, on recommendation from the Audit Committee, intend to place a resolution before the Annual General Meeting to reappoint Ernst & Young LLP as auditors for the year ending 31 March 2011.

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.

Capital structure
At 31 March 2010, the authorised share capital of Assura Group Limited was £302m which comprised of 3,000,000,000 Ordinary Shares of 10p and 20,000,000 preference shares of 10p. At 31 March 2010, the Company's issued share capital comprised 317,467,036 Ordinary Shares of 10p.

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

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

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

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

Directors' authority to allot and purchase Company's own shares
At the Annual General Meeting to be held on 9 September 2010 resolutions 1 to 6 are termed ordinary business, while resolution 7 will be special business. The special business covers the Directors' authority to allot shares and for the purchase and sale of own shares and treasury shares and details of these authorities and further explanations are set out in the explanatory notes to the Notice of the Annual General Meeting.

At the Annual General Meeting of the Company held on 9 September 2009 the following resolutions concerning special business were duly passed as specified below:

1. That the Directors be generally and unconditionally authorised in accordance with the statutes to exercise all the powers of the Company to allot, grant rights to subscribe for, or to convert any security into, shares in the Company:
    a. up to an aggregate nominal amount of 105,820,000 Ordinary Shares of 10p each and 20,000,000 Preference shares of 10p each; and
    b. up to a further aggregate nominal amount of 105,820,000 Ordinary Shares of 10p each in connection with an offer by way of a rights issue,

such authorities to expire 15 months after the passing of this resolution or, if earlier, on the date of the Annual General Meeting held in 2010 (or adjournment thereof) after the passing of this resolution.

2. That the Company be and is generally and unconditionally authorised for the purposes of the statutes to make one or more market purchases and/or acquisitions (within the meaning of the statutes) on the London Stock Exchange of ordinary shares in the capital of the Company and, where shares are held as treasury shares, to use them, inter alia, for the purposes of employee share plans operated by the Company, provided that:

    a. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 31,746,700 (representing less than 10% of the Company's issued share capital as at 28 June 2009);
    b. the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 10p per share;
    c. the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares is an amount equal to:
        i. not more than 5% above the average of the middle market quotations for the Ordinary Shares derived from the Daily Official List of the London Stock Exchange Daily Official List for the five business days before the purchase is made; or
        ii. the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange;

the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company held in 2010, if earlier, the date 15 months after the date on which the resolution is passed; and

the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

None of the above authorities have been exercised since being approved.

Directors' interests
Directors' interests in the share capital of the Company are shown in the table on page 29. Major interests (i.e. those > 3%) of which the Company has been notified are shown on page 12.

Company share schemes
The Assura Group Employee Benefit Trust holds 3.48% of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustees who will take into account any recommendation made to them by the Board of Assura Group Limited.

Significant agreements
The Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank. The Company is not party to any other significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Directors/employee rights in the event of a takeover bid
There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

By order of the Board

Conor Daly
Company Secretary
28 June 2010

Registered in Guernsey
Registered Number: 41230
Registered Office: Isabelle Chambers, Route Isabelle, St Peter Port, Guernsey
Telephone Number: 01481 735 540

Head office, principal place of business, address for service and UK branch address:
3300 Daresbury Business Park
Warrington
Cheshire
WA4 4HS
Telephone Number: 01928 737 000
Branch registration number: BR010010
www.assuragroup.co.uk

Corporate Governance Report

The Company is not subject to the requirements of the Combined Code on Corporate Governance published by the Financial Reporting Council in 2008 (the 'Combined Code' or 'Code') by virtue of being incorporated outside the UK. Nevertheless, the Board of Assura Group Limited has resolved that it shall report on its affairs as if the Combined Code applied to it.

DTR 7 contains new audit and corporate governance requirements for most companies reporting this year, but these rules do not yet technically apply to Assura Group Limited. However, for financial years commencing on or after 31 December 2009, both Listing Rule (LR) 9.8.6 (5) and (6) and DTR 7.1 will apply (under LR 9.8.7, LR 9.8.7A and LR T.R.4). This means that for the Company's financial year ending 31 March 2011, reporting on compliance with the Combined Code will no longer be voluntary.

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

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

The Compliance Statement also refers to the terms of reference of the Nominations, Remuneration, Audit and Disclosure Committees of the Board and, for convenience, these are included in the appendices to the Compliance Statement. Additionally, the Compliance Statement includes the delegated authority granted by the Board to the Company Secretary in relation to administrative matters and the code for dealings in securities of the Company by Directors and employees, in Appendix 12, prepared and publicised within the Assura Group to ensure compliance with the Model Code as appended to Chapter 9 of the FSA's Listing Rules.

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

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

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

The Board
The full Board of Assura Group Limited is shown on page 6.

Dr Curran, Mr Chase, and Mr Vibert were appointed to the Board at the inception of the Company, followed by Mr Pichler in April 2005 and Ms Hollingsworth in July 2008, and have served as Independent Non-Executive Directors of the Company since their respective appointments.

Dr Curran and Mr Chase each retired and put themselves forward for reappointment by the shareholders at the 2009 Annual General Meeting. In addition, Ms Hollingsworth was required to seek re-election under the terms of the Company's articles due to her appointment being made within the period then under review. Each of these individuals were reappointed.

Dr Curran and Mr Vibert have announced their intention to retire at this year's Annual General Meeting and will not seek re-election. Two additional Directors fall for re-election by the shareholders at the same meeting in accordance with the provisions for rotation set out in the Company's Articles of Incorporation and, accordingly, Mr Baker-Bates and Mr Pichler will retire and submit themselves for re-election.

The Company's Articles of Incorporation provide that each Director must submit himself for re-election every three years.

With the resignation of Dr Curran, Mr Vibert and Mr Burrell the composition of the Board is four Non-Executive Directors and one Executive Director. All of the Non-Executive Directors are considered by the Board to be independent.

The Board will keep its composition under review with a view to seeking to identify, with the assistance of specialist external search and selection advisers, additional Executive and Non-Executive Directors as appropriate.

It should be noted that Mr Rawlings resigned his position as Non-Executive Director of Stobart Group Limited and left the Stobart Group board on 17 June 2009. Mr Baker-Bates remains Chairman of Stobart Group Limited.

In respect of each of the Directors who are to be considered for re-election by the Board at the 2010 Annual General Meeting, sufficient biographical information to enable shareholders to make an informed decision is included on page 6 of this report.

Each of the current Non-Executive Directors is considered by the Company to be an Independent Non-Executive Director. In previous years, some investors have queried whether Mr Pichler should be regarded as independent due to his relationship with the Company's previous administrators 'Mourant'. It is now approximately four years since the administration activities of Assura were removed from Mourant. Since then, the company that carries out the administrative function has been acquired by its management and now operates completely independently from Assura Group under the name 'Morgan Sharpe Administration Limited'. Most of the Company's day to day administration is now carried out internally by the Company Secretary. Any relationship that there may have been between Mourant and the Company should not continue to be viewed as material due to the length of time that has elapsed since the relationship was terminated and the Company is fully satisfied that Mr Pichler should be considered to be an Independent Non-Executive Director.

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

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

Audit (Sub-Committee on Medical Risk)
- Peter Pichler (Chairman of the Committee)
- John Curran
- Clare Hollingsworth

Nominations Committee
- Graham Chase (Chairman of the Committee)
- John Curran
- Peter Pichler

Remuneration Committee
- John Curran (Chairman of the Committee)
- Graham Chase
- Peter Pichler

Dr John Curran and Mr Colin Vibert will not be seeking re-election at the AGM on 9 September 2010 and from that date committee membership will be:

Audit Committee
- Peter Pichler (Chairman of the Committee)
- Graham Chase
- Clare Hollingsworth

Nominations Committee
- Rodney Baker-Bates (Chairman of the Committee)
- Graham Chase
- Peter Pichler
- Clare Hollingsworth

Remuneration Committee
- Graham Chase (Chairman of the Committee)
- Clare Hollingsworth
- Peter Pichler

Disclosure Committee
- Rodney Baker-Bates (Chairman of the Committee)
- Conor Daly (Company Secretary)
- Nigel Rawlings

Corporate Governance Report continued

In relation to these committees the Board is aware that its members serve on most committees. This is a necessary consequence of the relatively small size of the Board.

Board and Board Committee attendance

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

Name	Board (15 meetings)	Remuneration Committee (4 meetings)	Audit Committee (6 meetings)	Nominations Committee (1 meeting)	Audit Sub Committee (3 meetings)	Bid Committee (3 Meetings)
Rodney Baker-Bates	13/15	–	–	–	–	–
Richard Burrell	14/15	–	–	–	–	–
Nigel Rawlings	15/15	–	–	–	–	–
John Curran	14/15	4/4	–	1/1	3/3	3/3
Graham Chase	14/15	4/4	6/6	1/1	–	3/3
Peter Pichler	14/15	4/4	6/6	1/1	3/3	–
Colin Vibert	13/15	–	6/6	–	–	–
Clare Hollingsworth	13/15	–	6/6	–	3/3	3/3

Operation of the Board

The Board has historically aimed to meet eight times per annum for scheduled Board meetings. The Board also meets as required to consider any important additional or urgent business. A number of additional Board meetings were held during the year under review as a result of the sale of a majority stake in the medical services business to Virgin Healthcare Holdings Limited and the Company entering an offer period on 15 January 2010 and exiting the offer period on 6 April 2010. The sale necessitated the creation of the Bid Committee, a Sub Committee of the Board, who were tasked with reviewing and evaluating the offers received. See page 28.

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

The Board has approved a schedule of matters reserved for decision by the Board, a copy of which is set out in the Compliance Statement. Delegated authority, within strict parameters, for day-to-day operation of the Company has been granted to the Executive Board.

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

- Chief Executive Officer
- Group Legal Director and Company Secretary
- Group & Pharmacy Operations Director
- Head of Property
- Head of LIFT

Disclosure Committee

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

Senior Independent Director

With Dr Curran having communicated to the Board his desire to retire from this year's Annual General Meeting, the Board has appointed Mr Pichler as its Senior Independent Director and has agreed that, to the extent appropriate, he will be available for discussions with shareholders independently of other Directors or management.

Delegations of authority

To facilitate efficient and where necessary, swift operational management decisions without the necessity of convening a meeting of the full Board, the Board has granted delegated authority (within clearly described parameters) to the Chief Executive Officer and the Company Secretary, 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, and Mr Rawlings is the Chief Executive Officer. The segregation of the roles of the Chairman and the Chief Executive Officer is set out in detail in the Compliance Statement.

Board performance evaluation

During the year under review the Company engaged an external consultant, Lintstock (as independent advisors), and undertook a full Board evaluation.

The evaluation undertaken by Lintstock comprised both a series of questionnaires and also one to one meetings between Lintstock and the individual members of the Board.

The Non-Executive Directors led by the Senior Independent Director met without the Chairman being present to review and appraise his performance during the year and the Chairman's performance was also evaluated by Lintstock as part of the performance evaluation exercise.

Lintstock presented their findings to the Board in July 2009.

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

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

Independent advice

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

Shareholder communication

The Board welcomes open communication with its shareholders and works with its stockbrokers, Cenkos Securities PLC and Investec Securities Limited to ensure an appropriate level of communication is maintained. The dialogue with shareholders is facilitated by a series of investor relations mechanisms including regular meetings between senior members of the Company's executive management with institutional investors and sales teams and industry/sector analysts. This process augments the regular dissemination of annual and quarterly interim management statements. Copies of these announcements and any accompanying presentational materials are available on the Company's website at www.assuragroup.co.uk.

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

During the period under review both Executive and Non-Executive Directors, including the Chairman and the Chief Executive have held meetings with a number of its institutional and private shareholders and have responded to ad-hoc requests where allowed to do so by law.

A review of the operational and financial performance of the Company and its major business divisions is provided in the Statement by the Chief Executive Officer in this Report and in the Business Review contained within the Report of the Directors.

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

Internal control and risk management

The Board accepts and acknowledges that it is both accountable and responsible for ensuring that the 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 risks of those activities in compliance with good corporate governance practice. In particular the Board recognises that it is appropriate to comply with The Turnbull Guidance and accordingly has implemented a risk management framework.

Corporate Governance Report continued

Following the sale of the medical services division to Virgin Healthcare Holdings Limited on 2 March 2010, the Board instigated a review of the Risk Register due to the Company's risk profile altering significantly. In prior years the Company has recognised that providing safe and effective clinical care was both its main priority and risk. This was due to the significant increase in provision of medical services through the Company's network of joint venture partnerships with groups of GP Practices. Going forward the Company recognises that it still retains some elements of clinical risk through its provision of pharmaceutical services to patients, but that the overall level of risk is significantly lower than in previous years. The revised risk profile of the Company focuses on risks associated with the Company's Property, Pharmacy, LIFT operations and support functions.

In carrying out its review of the effectiveness of the Company's system of internal controls, which includes financial, operational and compliance controls and risk management systems, 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 the internal controls:

- there is in place a comprehensive set of internal procedures reviewed and approved by the Audit Committee and communicated across the Company (further details at page 22 under 'Audit Committee Report');
- the Board has implemented a formal budget preparation process which leads to the adoption of an annual budget;
- a clear definition of authority levels and segregation of responsibilities between relevant individuals and managers exists;
- management accounts and key performance indicators are prepared on a monthly basis and distributed internally and reviewed by the Board;
- detailed sales and forecasting policies and procedures are in place.
- general ledger and management reporting systems are in place;
- a comprehensive property management system which integrates with the general ledger system is in place;
- an electronic document filing system is operated; and
- an on line purchase order processing system was implemented during the year.

The Company encourages all employees and other stakeholders to operate professionally and honestly in all their dealings with or on behalf of the Company and to report any concerns which they may feel should be brought to the attention of management.

The Company has in place a code of ethics related to:

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

The Company has adopted a whistle blowing policy and a fraud and theft reporting policy. These policies are reviewed on an annual basis. The Company's Equal Opportunities policy is described on page 31.

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

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

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

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

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

The Executive Board has responsibility for:

- regularly reviewing, monitoring and evaluating the nature and extent of the risks to which the Company is exposed;
- 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;
- supervising the effectiveness of those risk strategies; and
- reporting to the Board major risks and mitigating action in place to minimise their impact.

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

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

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

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

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

Audit Committee Report

During the year under review the Audit Committee undertook, amongst other things, the following duties:

- reviewed and assessed the effectiveness of the Group's risk management processes and system of internal control;
- reviewed the engagement of, work carried out by, and the performance of the Company's external auditors;
- monitored and reviewed the independence, objectivity and effectiveness of the Company's external auditors;
- considered and reviewed the quality of the Company's financial reporting and critical information systems (including, but not limited to, IT);
- monitored the integrity of the Company's financial statements and any public announcements relating to the Company's financial performance;
- reviewed the financial results of the Company and the Group before being submitted to the Board, including challenge to critical areas of judgement by management and/or the auditors in respect of those financial results;
- assessed 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;
- monitored the integrity of the management accounts presented to the Board;
- ensured compliance with relevant accounting standards, the Listing Rules of the FSA and other regulatory requirements;
- considered the impact of any litigation 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; and
- approved the formation of a Sub-Audit Committee with specific responsibility for considering risks associated with the Company's medical services division both in terms of medical risks and wider Company risks that specifically impacted on that division such as IT. This Committee was disbanded following the sale of the medical services division to Virgin Healthcare Holdings Limited due to the Company's structure becoming much more simple and the level of risk, especially medical services risk, being significantly reduced.

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 Compliance Statement which is available on the Company's website. The terms of reference have been reviewed during the period under review and amended as necessary.

Numbers of meetings
Meetings of the Committee are held not less than four times a year to consider, as regular business, reports from management 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 Company's system of internal controls, its treasury processes and its accounting policies.

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

Part of each Audit Committee meeting is reserved for the Audit Committee members and external auditors.

During the year under review, the Committee met six times.

Membership
The Committee is chaired by Mr Pichler, a Non-Executive Director. The Board is satisfied that Mr Pichler has the requisite recent and relevant financial experience to fulfil this role. In addition to Mr Pichler, Mr Chase and Ms Hollingsworth are also members of the Committee along with Mr Vibert. The Board is satisfied that each of the other members of the Committee has appropriate experience, understanding and knowledge of financial, risk and accounting matters to contribute effectively and appropriately to the work of the Committee. Mr Vibert is retiring and will not seek re-election at the AGM on 9 September 2010. The Board does not feel that it is necessary to appoint an additional member to the Audit Committee given the decreased size and complexity of the Group.

Policy for non-audit fees
The Committee has developed and adopted a policy for the provision of non-audit services by its external auditors and approves, before any significant non-audit services are commissioned from its external auditors, the fees payable for such services. This process is in accordance with the Committee's agreed policy of ensuring that the independence and objectivity of the external auditors is not impaired by such non-audit services.

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

- Bookkeeping
- Financial information system design or implementation
- Appraisals or valuations (subject to further consideration by the Company)

- Internal Audit outsourcing
- Management functions
- Executive recruitment services
- Legal services

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

Audit/non-audit fees payable to Ernst & Young LLP
An analysis of the fees earned by the Company's external auditors (divided between audit and non-audit services) is disclosed in note 6(b) to the audited accounts on page 51. 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.

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

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

Reappointment of auditor
The Committee considers that Ernst & Young is independent and reviews their appointment annually after an end of year review of audit services. The Committee acknowledges the small risk that even established audit firms could withdraw from the market and may tender the provision of audit services to the Company during the current financial year.

Internal audit
The period under review was impacted by the disposal of a majority stake in the medical services division to Virgin Healthcare Holdings Limited. As previously highlighted, this has had a significant effect on the Company's risk profile and operational complexity. The remaining property, pharmacy and LIFT businesses all use established and well tried operational and management systems and each business division has established procedures and systems to ensure their safe and effective operation.

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

As reported in last year's Annual Report, the additional complexity associated with the medical services division led to the need for an internal audit function. Following the transaction with Virgin Healthcare Holdings Limited, the Company reviewed its requirement for an internal audit function and decided that this was no longer appropriate.

The decision not to appoint an internal auditor does not mean that the Company takes internal audit any less seriously. The Company's Group & Pharmacy Operations Director has overall responsibility for systems and controls across both the 26 wholly owned pharmacies and seven pharmacies operated through the GP Care joint venture. In addition to this the Group & Pharmacy Operations Director has responsibility for the implementation of internal and external fraud measures and the monitoring of internal fraud security controls. All these controls form part of the Company's Risk Register and are reviewed and updated on a regular basis by the Executive Board and Main Board.

The Company has extensive and documented internal systems and controls which have been updated following the medical services division sale. The Chief Executive Officer has overall responsibility for the review and implementation of these controls.

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

Nominations Committee Report

The Committee, which is currently chaired by Mr Chase, is made up entirely of Independent Non-Executive Directors. The other members of the Committee are Mr Pichler and Mr Curran.

From 9 September 2010, being the date of the Company's Annual General Meeting, Mr Baker-Bates will become Chairman of the Committee and the other members of the Committee will be Mr Chase, Ms Hollingsworth and Mr Pichler.

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

Role of the Committee
The principal roles of the Committee are to:

- review prospective candidates for appointment to the Board;
- to ensure that prospective candidates are of a sufficient calibre and have the correct level of experience and understanding of the Company's activities and market place; and
- to review the structure and composition of the senior management team to ensure planned and progressive refreshing of the Board.

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

Number of meetings
No appointments were made to the Board during the period covered by this report. Therefore the Committee met once, with all members present to review standing agenda items. During the year the Committee also undertook a Board performance evaluation with the assistance of an external consultant.

Remuneration Committee Report

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

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

Membership
During the year under review, the Committee comprised Dr Curran (who chaired the Committee), Mr Pichler, and Mr Chase. During the year the Committee also received, upon invitation by the Committee, assistance from Mr Burrell (former Chief Executive Officer) and Conor Daly (Group Legal Director and Company Secretary). None of the executives took part in discussions in respect of matters relating directly to their own remuneration.

From 9 September 2010, being the date of the Company's Annual General Meeting, Dr Curran will retire from the Board and Mr Chase will become Chairman of the Committee. Other members of the Committee will be Ms Hollingsworth and Mr Pichler.

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

Number of meetings
Attendance at Committee meetings held during the year and the number of meetings held is set out on page 18.

Remuneration policy and principles
The Company's remuneration policy is based on five key principles:

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

The Company will continue to apply this policy in 2010/11 and in subsequent financial years.

Traditionally remuneration policies for Executive Directors and other members of the senior management team comprise four key elements:

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

1. Basic salary
The basic salary for the Chief Executive Officer, any other executive serving on the main Board and the other members of the senior management team is determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of each individual. Basic salary is normally reviewed annually in June of each year. 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.

Remuneration Committee Report continued

The fees paid to Executive Directors during the period are set out below.

Executive	Basic salary and fees £'000	Annual bonus £'000	Benefits £'000	Pension Contribution £'000	Total for 12 months to 31 March 2010 £'000	Total for 12 months to 31 March 2009 £'000
Richard Burrell	375	–	37	75	487	474
Nigel Rawlings	192	–	12	38	242	277

Mr Burrell resigned on 15 March 2010.

The current base salary of Nigel Rawlings, who was appointed as Chief Executive Officer after Mr Burrell's resignation on 15 March 2010 is £192,100.

The Remuneration Committee has approved and implemented the following additional provisions during the year under review:

- During the period under review the Company has not awarded any increases in base salary or fees for either the Directors or any member of the Executive Board. This is the second year running that such a policy has been implemented.
- As previously reported, Mr Burrell resigned from the Board on 15 March 2010 and left the Company's employment on 31 March 2010. The Company agreed to pay Mr Burrell an amount equal to his 12 month contractual notice period and benefits. This amounted to £466,997 and was paid on 1 April 2010 and is in addition to the £487,000 listed in the table above. No bonus or additional payments were made to Mr Burrell and 1,700,000 units in the Company's Executive Equity Incentive Plan that had been awarded to Mr Burrell were forfeited as a result of his leaving the Company and remain part of the Employee Benefit Trust.
- At the time of Mr Rawlings appointment as CEO on 15 March 2010 the Board agreed that all senior executives (ie those serving on the Executive or Main Board) should have notice periods of no more that six months. Mr Rawlings therefore agreed to reduce his notice period to six months and a payment of £120,260 was made to Mr Rawlings, being the amount equivalent to six months salary and benefits.

The Committee is aware of the Combined Code's recommendation that executive pay should be clearly aligned with pay practices across the Company and takes into account pay and conditions elsewhere in the Company when considering Directors' pay awards.

2. Annual bonus
Historically the Company has paid an annual bonus to staff in recognition of both hard work and contribution to Group performance. For the second year running the Company has made no annual bonus payments to any Director or any member of the Executive Board.

Whilst no bonus has been paid for the year under review, the Board has approved an annual bonus plan for the current year. In previous years any bonus that was paid was on a discretionary basis. The new scheme is based on meeting and exceeding the divisional and Group budgets and incorporates both financial and non-financial criteria.

All eligible staff have been sent a copy of the scheme rules with worked examples showing the levels of bonus payable and the criteria that must be met.

The Company has in place a policy that states that, in the event of a bonus being paid, it shall not amount to more than 50% of base salary for any employee. This policy is kept under review and was amended in May 2010 to reduce the maximum from 100% to 50% of base salary.

3. Other forms of bonus
As part of the transaction involving the sale of a majority stake in the medical services division to Virgin Healthcare Holdings Limited the Company agreed to pay a £75,000 transaction bonus to each of two former Executive Board members who left the Group and who were critical to ensuring the transaction proceeded. These two individuals worked on the transaction and gave up (as required under the rules of the scheme) all entitlement to awards under the Executive Equity Incentive Plan.

4. Other benefits
The Company has previously offered a small number of other benefits to employees outside of their contracted remuneration package and a number of employees benefit from health insurance and death in service benefits.

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

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

No awards have been made to either of the Executive Directors during the period under review. A total of three employees did receive units granted in July 2009 totalling 750,000 units. Of these, two have since left the Company following the sale of the medical services division and these awards were forfeited in accordance with the scheme rules, meaning that a total of 350,000 units net were awarded.

Awards are made after the consideration of:

- The contribution of the individual to the Company
- The role of the individual within the Company
- The performance of the individual since any previous award was made

In relation to the individual where awards granted are still in issue, these were made to bring that individual in line with the awards granted to members of the Company's Executive Board and that individual has since joined the Executive Board.

The only Executive Director with current awards is Mr Nigel Rawlings. Mr Rawlings currently has awards totalling 1,000,000 shares and this figure has not changed during the year.

The current Assura Executive Equity Incentive Plan (the 'Plan') is made up of awards that can vest under one of two vesting hurdles.

The Plan was initially approved by shareholders in May 2006. Under the terms of the Plan participants were allocated units each of which represented one Ordinary Share. The units vest at the end of the vesting period if the compound growth in total shareholder return ('TSR' share price plus dividends) in each period is 12.5% or more above a base reference price of £1.90. A sliding scale applies if the total shareholder return is between 0% and 12.5% per annum compound over the base reference price. The first tranche of awards were capable of vesting, subject to performance, on 31 March 2009 and given that the performance condition was not achieved at 31 March 2009 these units will be retested at 31 March 2011, with the commensurately higher targets having to be met at that time. With the current share price and the sale of the medical services division to Virgin Healthcare Holdings Limited, the Company does not expect that any awards will vest with any participant.

In 2008, while the Company still owned and was focusing on its medical services division, the Plan was amended for future awards. Units under the Plan continue to be subject to a TSR performance condition but performance will be measured over a performance period to 31 March 2012. No units awarded since 2008 vest unless the Company's TSR performance over the period has been at least 15% per annum compound from a base price of 55p. Units will vest in full if the Company's TSR growth has been at least 30% per annum compound. For TSR growth between these two targets, straight line vesting would apply.

Following the restructuring of the Company and the sale of the medical services business the Company considers it appropriate to carry out a review of the Plan in order to ensure that it remains appropriate to the Company's current circumstances and prospects. The Committee considers that it is not appropriate to have a Long-Term Incentive Plan in place that does not in fact incentivise management or retain employees for the long-term. The Committee also acknowledges the views already expressed by some shareholders that relying solely on TSR as a measure of performance may not be appropriate for any future scheme. Further details of any proposed changes will be communicated when it is appropriate to do so and discussed with shareholders. Notwithstanding the identified need to review the current Executive Equity Investment Plan, the Committee has determined that it is appropriate that no award in excess of 100% of base salary, by reference to the share price at the time of the award, should be made in any year.

Further details on the Plan can be found in note 32 to the accounts on pages 72 to 73.

Corporate strategy and remuneration policy

The Company's overall remuneration policy is linked directly to meeting and exceeding divisional and Group targets, incorporates both financial and non-financial criteria, and requires a high level of shareholder return to be paid in full. This ensures that remuneration policy is aligned to corporate strategy and promotes the long-term interests of the Company and its shareholders. No performance related remuneration is paid to Non-Executive Directors.

The Remuneration Committee is able to consider corporate performance on environmental, social and governance issues when setting remuneration of Executive Directors; however to date has not done so due to a lack of measurable and comparable data. The Company's Corporate Social Responsibility report sets out the initiatives taken by the Company with respect to environmental and social issues and the methods it uses to minimise its impact on the environment. The Committee is aware of ensuring that nothing within the incentive structure raises environmental, social or governance risks by motivating irresponsible behaviour and the property, pharmacy and LIFT divisions must adhere to strict, and largely government set, methods of operation.

Executive Directors' contracts

Following the resignation of Mr Burrell on 15 March 2010 and as highlighted above, Mr Rawlings agreed to reduce the notice period under his contract from 12 months to six months in order to bring it in line with other senior executives. Termination payments within executives' contracts are limited to salary and contractual benefits only. It is the Committee's policy that, when determining the amount of any compensation paid to a departing executive, the Committee will take into account the executive's obligation to mitigate his loss, to the extent that it is possible to do so under the terms of the contract. Notice periods and payments are not extendable in takeover situations.

Remuneration Committee Report continued

The executives may hold other appointments and retain any Non-Executive Director fees with the prior approval of the Board. During the period of his service Mr Burrell was also Deputy Chairman and a Trustee of Alder Hey Children's Hospital Imagine Appeal. Mr Rawlings is a non-executive director of Mobilizer Limited. Mr Burrell and Mr Rawlings resigned their position as non-executive directors of Stobart Group on 17 June 2009 for which they did receive fees. Neither received fees in relation to their other non-executive roles.

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 management and control 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 the Executive Director 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 in some cases higher than normal as a result of the Company's overseas incorporation. However, in light of the simplified operational nature of the Company following the sale of the medical services division, the Board agreed that there should be a review of the fees payable to Non-Executive Directors. The new agreed fees for the Non-Executive Directors (effective 1 October 2010) are Mr Baker-Bates £60,000 (formerly £89,250), Mr Pichler £50,000 (formerly £63,750), Mr Chase £42,000 (formerly £42,500). From April 2010 Fees payable to Ms Hollingsworth increased to £50,000 (formerly £34,000) as a result of Ms Hollingsworth taking up a position as the Company's representative Director on the Board of Virgin Healthcare Holdings Limited.

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

Senior Independent Director – £8,000
Committee Chair – £8,000
Representative on the Board of Virgin Healthcare Holdings Limited – £16,000

Non-Executive Directors' emoluments

	12 months to 31 March 2010 total emoluments (all fees) £'000	12 months to 31 March 2009 total emoluments (all fees) £'000
Non-Executive		
Mr Rodney Baker-Bates	**89**	100
Dr John Curran	**89**	71
Mr Graham Chase	**58**	48
Ms Clare Hollingsworth	**49**	26
Mr Peter Pichler	**64**	71
Mr Colin Vibert	**34**	38

Fees paid above include £25,000 to Dr Curran for Chairing the Bid Committee and £15,000 to each of Ms Hollingsworth and Mr Chase for membership of the Bid Committee. The Bid Committee was set up in 2009 to deal with the sale of the Company's medical services division. Members of the Committee were responsible for liaising with key staff and various parties who had expressed an interest in some or part of the Company's assets on occasions where Non-Executive Director involvement was required. The Committee was dissolved once the sale of the medical services division was sold on 2 March 2010. See page 18.

Performance graph

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

Note: Share price rebased to 100 pence.
Source: Datastream.

Directors' interests

As at 31 March 2010 the interests of the Directors and his/her connected persons in the share capital of the Company are shown in the table below. There have been no changes to Directors' Interests during the period under review or since that time up until the date of this report.

Name	Holding of Ordinary Shares	% of Ordinary Shares	Interest in units under the Executive Equity Incentive Plan
Rodney Baker-Bates	213,827	0.07	Nil
Dr John Curran	455,203	0.14	Nil
Graham Chase	10,000	0.00	Nil
Clare Hollingsworth	135,135	0.04	Nil
Peter Pichler	123,844	0.04	Nil
Colin Vibert	41,757	0.01	Nil
Nigel Rawlings and family	1,512,939	0.48	1,000,000

By order of the Assura Group Limited Remuneration Committee.

Dr John Curran
Chairman
28 June 2010

Corporate Social Responsibility Report

Background
In the 12 months since the previous Corporate Social Responsibility Report the Company has undergone considerable change, both in terms of strategy and personnel. In particular the sale of a 75.1% stake in the medical services business to Virgin Healthcare Holdings Limited and the subsequent resignation of the Chief Executive Officer, Richard Burrell. In addition the Company has disposed of a number of non core property and pharmacy assets during the year.

The result of these changes is that the Company now focuses solely on the development of its property, pharmacy and LIFT businesses with a significantly reduced number of head office employees. This change in strategy has inevitably led to a change in the Company's environmental and social impact.

Some of the initiatives or benchmarks stated in last year's CSR report are now either no longer applicable, or, due to a large change in employee numbers direct comparisons are not appropriate. An example being the levels of recycling at the London office in 2009 fell by over 1,000kg, which is due to a combination of a reduced workforce and also significant work done by the Company to reduce waste.

This report is an update of last year's CSR report to reflect the new strategy of the Company and highlight the progress made over the year.

The Company has identified its stakeholders, considered the detail of their interests, and taken steps to ensure that structures exist to oversee and review performance. The key stakeholders can be identified as:

- the NHS, with whom partnerships are formed to deliver primary care premises and pharmacies;
- the communities to whom those services are provided, including those with an immediate need for pharmacy services, through to the community groups and participants in all forms of local life, and ultimately the physical environment itself;
- employees of Assura Group, and business partners; and
- regulatory and industry bodies.

The Company aims to serve our customers, reward and challenge our employees, support our partners and be a dependable partner to PCTs for both planning and implementing solutions to future healthcare premises and pharmacy services needs.

How we deliver on our obligations
The Company's commitment to CSR is demonstrated by the attention paid by the Board of Directors in creating strategy, developing policy and overseeing delivery. Responsibility for reporting to the Board sits with Nigel Rawlings, Chief Executive Officer, who has a commitment to maintain attention on policy and implementation. The Group's policies support CSR in three key areas shown below.

1. Our communities/community investment
The Company's role in developing new medical centres and pharmacies closer to where patients live helps improve their quality of life through improved service provision and easier access to those services.

In developing its property portfolio the Group's property division enters into consultation and discussion with local communities, and actively seeks feedback on its proposals, and in particular the location of developments. It is important that the concerns and wishes of the local communities are reflected in the detail of developments undertaken. Many of the developments undertaken are part of regeneration schemes resulting in significantly improved facilities for the local community. One development currently under construction in Blackpool will not only provide purpose-built accommodation for a wide range of health services (including several GP practices, a dentist, community nurses and a pharmacy), but will also provide community facilities. The development will be amongst the first of its kind in the country and will incorporate an existing swimming pool, fitness facilities, a new library and improvements to the surrounding parkland. Many of the new medical centres developed by Assura are in deprived or underdoctored areas that have previously had minimal investment.

New pharmacy operations bring the opportunity to engage patient, supplier and partner bodies in the planning phase to ensure that all needs are met. During the application process local support groups are regularly consulted for their views and opinions regarding new pharmacy opportunities and services. A large proportion of Assura's applications for new pharmacy contracts are submitted for deprived areas with minimal access to services. The opening of new pharmacies in these deprived areas significantly improves the local community's access to pharmacy services and healthcare advice.

The benefits that conveniently located pharmacy services can make to a local community were clearly demonstrated during the swine flu pandemic, when many Assura pharmacies acted as antiviral collection points, allowing local residents swift access to important medication.

All of the Company's pharmacies conduct an annual patient satisfaction survey, the outcomes of which are analysed and strengths, or areas for improvement, are identified. The environmental concerns raised by these stakeholders in new developments are explored later in this report.

2. Our people
The Company is committed to the protection and development of employees, underpinning the mutually beneficial relationship which develops between a positive and caring employer and motivated and committed employees. The Company's responsibilities to its employees are detailed in various employment policies ensuring that its commitments are known and met. Overall Board responsibility for human resource issues rests with the Chief Executive Officer. Some of the key human resource policies are detailed below.

Health and safety
It is a fundamental obligation of the Group to protect the well-being of all who come into contact with the organisation. The Company has a firm commitment to maintaining safe workplaces, and has invested in the creation of programmes to identify, evaluate and eliminate risk in the workplace. This extends to anyone visiting our premises – patients, service providers, business partners and contractors.

The Company is in the process of appointing an external Health and Safety consultant with specialist knowledge who, through a formalised reporting procedure, will ensure that the Board's attention is maintained on preventative actions and incident detail. The use of Risk Registers, Safety Manuals, staff training and the electronic reporting of incidents across the Group ensures that risks are minimised and the necessary responses undertaken as appropriate.

Personal and professional development
The Company is committed to the pursuit of excellence within all operating areas with this goal being supported by suitably qualified, motivated and committed employees, with a culture based on fairness and equality of opportunity for all. It is committed not only to honouring the content and spirit of all relevant legislation, but also to enhancing employee development and engagement. The basics include:

- An Equality of Opportunity and Valuing Diversity policy which is actively enforced and updated annually through the Human Resources function
- A Capability Policy
- A Fair Treatment policy

To these protective elements are added enhancing elements:

- An active Training and Development policy, again written and published, and actively implemented
- A Study Leave and Financial Assistance policy

In addition to competitive remuneration packages Assura offers its employees the opportunity to participate in:

- Childcare voucher scheme
- Travel season ticket loans
- Give as you earn scheme
- Private medical and life insurance
- Flexible working conditions

The Executive Board monitors individual development planning through the Annual Appraisal process, and has published detailed guidelines on how principles will be implemented.

Equal opportunities
Assura has a pro active approach to the promotion of equal opportunities supported by the publication of its Equality of Opportunity and Valuing Diversity Policy. This policy is updated annually to ensure it reflects current legislation and best practice. In addition to covering all key demographic variables the policy specifically highlights the Company's obligations to both race and disability equality. Disability equality ensures disabled persons are treated fairly and with consideration. On application for new employment, appropriate measures are taken to accommodate disabled applicants and their acceptance for employment is decided based on their aptitude and ability to perform the roles required. Once employed, a disabled employee receives the same treatment and is given the same opportunities as any employee. If an employee acquires a disability during employment, maximum efforts are made to support the employee. This may include adjusting their role if required and provision of training.

Employee involvement
Assura ensures transparency within the Company by providing information to employees and the inclusion of employee input in decision making. Employees will continue to regularly have both formal and informal meetings with the CEO, where views and opinions can be conveyed in both directions. In this way the views of employees are actively canvassed and can be taken into account in making decisions which are likely to affect their interests. Formal briefings from the CEO on financial results are also given regularly maintaining transparency of Company performance. In addition to the benefits mentioned above Assura has various incentive plans which are designed to reflect employment in the Company's different divisions. The incentive plans vary from bonus payments to inclusion in the Company's Long-Term Incentive Plan and are aimed at building personal involvement between the staff and the Company. All incentive schemes are linked to the underlying performance of the Company.

Corporate Social Responsibility Report continued

Staff satisfaction is formally monitored through annual staff surveys, with the results communicated fully to staff and incorporated into decisions concerning staffing policies. This year 89% of respondents stated that they enjoy their job, compared to 87% the previous year.

3. The environment
The Company acknowledges that all of its activities have an impact on the local and global environment, and is committed to developing practice which supports sustainability in the way in which operations are created and the way in which they are run. The impetus for this activity is both external (compliance with regulations and local authorities) and internal (enabling employee initiatives to improve their workplaces); it is based upon an emotional imperative to act responsibly.

Significant progress has been made in specific areas during this time, in particular:

- The implementation of a 'War on Waste' group, headed by the Group and Pharmacy Operations Director, with information sent to all head office employees to highlight specific areas where improvements could be made. Campaigns have included raising awareness of the total mileage claimed by employees and the levels of paper use at Head Office. These campaigns highlight both the financial and environmental benefits of reducing unnecessary waste. In addition employees are encouraged to suggest areas where improvements can be made and are rewarded if their suggestions are implemented.
- The use of 100% biodegradable plastic carrier bags in all pharmacies.
- The introduction of specific schemes in pharmacies to reduce prescription drug wastage. Not only is the manufacture of medication a very energy intensive process, but most waste medication must be incinerated resulting in an unavoidable environmental impact. In addition it is estimated that the cost to the NHS of drug wastage is in excess of £100 million per annum.

Sustainability planning as a business imperative
The UK Government is taking climate change and its environmental impact on the UK and its economy very seriously, introducing a range of legislative measures relating to energy, waste, water, recycling, transport, air quality and property energy performance. The majority of the legislation will affect businesses regardless of sector and require changes to be made in their current and future operations.

The Company acknowledges that it must be responsible, professional, ethical, reliable and trusted as a provider of services and facilities, and so intends to align its business strategy closely to the objectives of the NHS.

All of the Company's new build medical centres achieve an 'Excellent' BRE Environmental Assessment Method (BREEAM) rating – the leading and most widely used environmental assessment for buildings. External BREEAM assessors are appointed at all new developments to oversee the entire development, from inputting on site selection to evaluating long-term environmental impacts. This commitment ensures that best environmental practice is incorporated into all new building at the earliest possibility.

The Company previously highlighted six action plans to be implemented over the year to deliver an embedded CSR and Environmental performance at a best practice and governance level. The majority of these action plans have been met and implemented to ensure accurate and measurable results can be delivered in the future. The key initiatives are listed below:

- Identification of Group risk and exposure to existing and future regulatory environmental requirements and good practice. This is an ongoing process covering both existing and future developments, an example of this is the work done by the Company with the introduction of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.
- Determining the Group's impact on waste and energy use. In response to the introduction of the CRC scheme, data concerning levels of electricity consumption across all properties that the Company is responsible for has now been collected and reviewed. Although the levels of electricity usage are well below the levels to require participation in the CRC scheme the ongoing consumption will be monitored and reduced where possible in future years.
- At all properties where Assura is responsible for the collection of waste, recycling facilities have now been introduced. These aim to divert at least 50% of waste that was previously sent to landfill.
- Launch of a data collection process. Monitoring of both waste and energy consumption levels are now in place, which will produce measurable results to compare year on year performance.
- Implementation of a practical environmental improvement scheme and development of a management team to communicate policies and plans. The 'War on Waste' scheme not only highlights areas of waste within the Company, but also implements practical policies to reduce both costs and environmental impacts. These policies are communicated electronically to all employees via newsletters, with input from staff encouraged.

It should be noted that the majority of premises where the Company is responsible for the energy consumption or waste disposal is in its capacity as Landlord and so the Company has minimal control over the tenants' energy consumption and waste levels.

At premises where the Company has direct control over energy usage and waste, it is committed to reducing both energy consumption and waste. In the coming year the Company will significantly reduce its paper usage, total mileage travelled and energy consumption across head offices, through a combination of reduced employee numbers and implementing 'War on Waste' initiatives.

Assura, along with development partner LSP Developments and architects West Hart Partnership, were very proud to win the Health Investor award for the category of 'Healthcare Property of the Year', awarded to the Freshney Green Primary Care Centre in Grimsby which was completed in September 2009. The centre is a multi-user, 7,000m^2 healthcare property developed to a high specification to include environmentally sustainable and green provisions such as solar panels and rainwater harvesting systems as well as innovative ventilation systems, achieving an 'excellent' rating under NEAT (NHS Environmental Assessment Tool). The centre forms part of a large regeneration area and creates real presence, transforming the surrounding area.

The judges said: 'The winning development provided excellent value for money and found innovative ways to provide for future flexibility. It has a strong, simple design that successfully reconciles the needs of multiple users.'

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 and published policies on:

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

Ethical behaviour in all its operations and activities is fundamental to the Group's philosophy. All staff receive on induction a detailed compliance briefing and written guide. The Company intranet includes details of all of these policies.

The Group's employees are encouraged to raise contributions for their individual charities, which are actively supported by the Group's management. In addition, building on last year's commitment a blood donation scheme has been set up to encourage employees to give blood during work time via a mobile unit.

Independent Auditor's Report to the members of Assura Group Limited

We have audited the group financial statements of Assura Group Limited for the year ended 31 March 2010 which comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the related notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the group financial statements sufficient to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the group financial statements.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 March 2010 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

Other matter
We have reported separately on the Parent company financial statements of Assura Group Limited for the year ended 31 March 2010.

Stuart Watson
Ernst & Young LLP
Manchester
28 June 2010

Consolidated Income Statement
For the year from 1 April 2009 to 31 March 2010

	Notes	**Year ended 31 March 2010 £'000**	Year ended 31 March 2009 (restated[1]) £'000
Revenue	4	**55,761**	47,571
Cost of sales	5	**(24,466)**	(20,453)
Gross profit		**31,295**	27,118
Administrative expenses	6	**(17,982)**	(21,897)
Group trading profit		**13,313**	5,221
Loss on revaluation of property, plant and equipment	7	**(47)**	(2,459)
Share of profits/(losses) of associates and joint ventures	9	**2,125**	(1,019)
Gain/(loss) on revaluation of investment property	18	**6,466**	(33,369)
Gain/(loss) on sale of investment property		**394**	(1,878)
Impairment of investment property under construction	19	**(4,506)**	–
Impairment of development property	20	**–**	(20,378)
Share-based payment credit/(charge)		**316**	(637)
Exceptional items			
Gain on disposal of pharmacies		**1,118**	–
Impairment reversal/(loss) on pharmacy licences	22	**1,300**	(2,498)
Impairment of goodwill	22	**(4,767)**	(291)
Impairment of property, plant and equipment	23	**(258)**	–
Gain/(loss) on disposal of other investments	7, 24	**409**	(3,080)
Impairment of non-current assets held for sale	27	**–**	(137)
Restructuring costs	8	**(4,657)**	(570)
Premises provision	29	**(1,994)**	–
		(8,849)	(6,576)
Operating profit/(loss)		**9,212**	(61,095)
Finance revenue	10	**1,006**	2,133
Finance costs	11	**(5,840)**	(40,717)
		(4,834)	(38,584)
Profit/(loss) before taxation		**4,378**	(99,679)
Taxation	12	**2,376**	563
Profit/(loss) for the year from continuing operations		**6,754**	(99,116)
Discontinued operations			
Loss for the year from discontinued operations	13	**(13,983)**	(9,768)
Loss for the year		**(7,229)**	(108,884)
Loss for the year attributable to:			
Equity holders of the parent		**(7,191)**	(108,763)
Minority interest		**(38)**	(121)
		(7,229)	(108,884)
Earnings per share (pence)			
Basic earnings per share from continuing operations	14	**2.14p**	(38.80)p
Diluted earnings per share from continuing operations	14	**2.14p**	(38.80)p
Basic earnings per share on loss for the year	14	**(2.27)p**	(42.63)p
Diluted earnings per share on loss for the year	14	**(2.27)p**	(42.63)p

1 The Consolidated Income Statement for the year to 31 March 2009 has been restated to transfer losses incurred in the Medical Division to Loss for the year from discontinued operations and to reflect the adoption of a new accounting policy for service concession arrangements within associates.

Consolidated Statement of Comprehensive Income
For the year from 1 April 2009 to 31 March 2010

	Notes	**Year ended 31 March 2010 £'000**	Year ended 31 March 2009 (restated) £'000
Loss for the year		**(7,229)**	(108,884)
Revaluation of land and buildings		**202**	627
Other comprehensive profit for the year, net of tax		**202**	627
Total comprehensive loss for the period, net of tax attributable to equity holders of the parent		**(7,027)**	(108,257)
Attributable to:			
Equity holders of the parent		**(6,989)**	(108,136)
Minority interests		**(38)**	(121)
		(7,027)	(108,257)

Consolidated Balance Sheet
as at 31 March 2010

	Notes	31/03/2010 £'000	31/03/2009 (restated[2]) £'000
Non-current assets			
Investment property	18	**313,672**	278,925
Investment property under construction	19	**27,690**	–
Development property	20	**–**	54,767
Investments in associates	21	**13,962**	5,803
Investments in joint ventures	21	**7,588**	10,807
Intangible assets	22	**39,427**	41,844
Property, plant and equipment	23	**14,927**	26,798
Other investments	24	**–**	5,968
Deferred tax assets	39	**1,464**	–
		418,730	424,912
Current assets			
Cash and cash equivalents	25	**24,602**	24,790
Debtors	26	**10,260**	9,693
Pharmacy inventories		**1,721**	1,640
Property work in progress		**53**	1,053
		36,636	37,176
Non-current assets held for sale and included in disposal groups	27	**6,700**	509
Total assets		**462,066**	462,597
Current liabilities			
Creditors	28	**28,349**	56,298
		28,349	56,298
Non-current liabilities			
Long-term loans	30	**249,297**	206,679
Payments due under finance leases	28	**979**	1,076
Derivative financial instruments at fair value	31	**17,274**	25,609
Provisions	29	**1,994**	–
Deferred tax liabilities	39	**–**	912
		269,544	234,276
Total liabilities		**297,893**	290,574
Net assets		**164,173**	172,023
Capital and reserves			
Share capital	32	**31,747**	31,747
Own shares held	32	**(5,093)**	(5,093)
Share premium	33	**23,282**	23,212
Distributable reserve	34	**213,614**	213,614
Retained earnings	35	**(102,726)**	(94,921)
Revaluation reserve	36	**3,349**	3,642
Equity attributable to equity holders of the parent		**164,173**	172,201
Minority interests		**–**	(178)
Total equity		**164,173**	172,023
Basic net asset value per Ordinary Share	37	**53.58p**	56.20p
Diluted net asset value per Ordinary Share	37	**53.58p**	56.20p
Adjusted basic net asset value per Ordinary Share	37	**60.88p**	66.22p
Adjusted diluted net asset value per Ordinary Share	37	**60.88p**	66.22p

2 The Consolidated Balance Sheet has been restated to reflect the correct analysis of loans repayable within one year and those due after more than one year and to reflect the adoption of a new accounting policy for service concession arrangements within associates.

The financial statements were approved at a meeting of the Board of Directors held on 28 June 2010 and signed on its behalf by:

Nigel Rawlings
Executive Director

Rodney Baker-Bates
Chairman

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Consolidated Statement of Changes in Equity

For the year from 1 April 2009 to 31 March 2010

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Revaluation Reserve £'000	Total £'000	Minority Interest £'000	Total Equity £'000
1 April 2009	**31,747**	**(5,093)**	**23,212**	**213,614**	**(94,921)**	**3,642**	**172,201**	**(178)**	**172,023**
Revaluation of land and buildings	–	–	–	–	–	202	202	–	202
Profit/(loss) attributable to equity holders and minority interest	–	–	–	–	(7,191)	–	(7,191)	(38)	(7,229)
Total comprehensive income	**–**	**–**	**–**	**–**	**(7,191)**	**202**	**(6,989)**	**(38)**	**(7,027)**
Depreciation transfer for land and buildings	–	–	–	–	495	(495)	–	–	–
Cost of employee share-based incentives	–	–	–	–	(1,109)	–	(1,109)	–	(1,109)
Acquisition of minority interest	–	–	–	–	–	–	–	216	216
Issue costs	–	–	70	–	–	–	70	–	70
31 March 2010	**31,747**	**(5,093)**	**23,282**	**213,614**	**(102,726)**	**3,349**	**164,173**	**–**	**164,173**

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Revaluation Reserve £'000	Total £'000	Minority Interest £'000	Total Equity £'000
1 April 2008	**23,522**	**(4,561)**	**2,073**	**224,116**	**13,587**	**3,089**	**261,826**	**(57)**	**261,769**
Revaluation of land & buildings	–	–	–	–		627	627	–	627
Profit/(loss) attributable to equity holders and minority interest	–	–	–	–	(108,763)	–	(108,763)	(121)	(108,884)
Total comprehensive income	**–**	**–**	**–**	**–**	**(108,763)**	**627**	**(108,136)**	**(121)**	**(108,257)**
Depreciation transfer for land and buildings	–	–	–	–	74	(74)	–	–	–
Dividends on Ordinary Shares	–	–	–	(10,502)	–	–	(10,502)	–	(10,502)
Cost of employee share-based incentives	–	–	–	–	910	–	910	–	910
Issue of deferred shares	–	–	–	–	(729)	–	(729)	–	(729)
Issue of Ordinary Shares	8,225	–	23,101	–	–	–	31,326	–	31,326
Issue costs	–	–	(1,962)	–	–	–	(1,962)	–	(1,962)
Own shares held	–	(532)	–	–	–	–	(532)	–	(532)
31 March 2009	**31,747**	**(5,093)**	**23,212**	**213,614**	**(94,921)**	**3,642**	**172,201**	**(178)**	**172,023**

Consolidated Cash Flow Statement

For the year from 1 April 2009 to 31 March 2010

	Note	**Year ended 31 March 2010 £'000**	Year ended 31 March 2009 £'000
Operating Activities			
Rent received		**22,624**	22,334
Revenue from pharmacies		**31,207**	26,691
Fees received		**4,033**	2,431
Dividend received		**211**	511
Bank and other interest received		**795**	1,622
Cash paid to suppliers and employees		**(28,888)**	(18,802)
Purchases by pharmacies		**(21,891)**	(18,627)
Restructuring costs		**(2,050)**	–
Discontinued operation		**(3,028)**	–
Interest paid and similar charges		**(14,759)**	(10,865)
Net cash (outflow)/inflow from operating activities	38	**(11,746)**	5,295
Investing Activities			
Purchase of development and investment property		**(19,263)**	(66,829)
Proceeds from sale of development and investment property		**13,907**	17,922
Purchase of investments in associated companies	21	**(3,203)**	(5)
Purchase of investments in joint venture companies	21	**(1,036)**	(2,930)
Proceeds from sale of other investments		**6,376**	–
Purchase of property, plant and equipment		**(1,558)**	(3,929)
Proceeds from sale of fixed assets		**3,312**	189
Costs associated with securing pharmacy licenses		**(1,049)**	(634)
Cash paid on acquisition of subsidiaries	22	**(63)**	(5,876)
Cost of development work in progress		**(127)**	(1,307)
Loans (advanced to)/repaid by associated companies		**(4,454)**	158
Loans repaid by/(advanced to) joint ventures		**1,650**	(2,136)
Net cash outflow from investing activities		**(5,508)**	(65,376)
Financing Activities			
Issue of Ordinary Shares		**–**	30,064
Issue costs paid on issuance of Ordinary Shares		**70**	(1,962)
Dividends paid		**–**	(10,502)
Repayment of long-term loan	30	**(57,411)**	(232,356)
Drawdown of long-term loan	30	**75,302**	280,167
Loan issue costs		**(895)**	(1,000)
Net cash inflow from financing activities		**17,066**	64,411
(Decrease)/increase in cash and cash equivalents		**(188)**	4,330
Opening cash and cash equivalents		**24,790**	20,460
Closing cash and cash equivalents	25	**24,602**	24,790

Notes to the Consolidated Financial Statements
For the period from 1 April 2009 to 31 March 2010

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

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

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

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

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

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

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

The Group financial statements consolidate the financial statements of Assura Group Limited and its subsidiary undertakings drawn up to 31 March 2010.

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 Consolidated 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.

Prior period restatements
During the year it was noted that the loan repayments due within one year had been incorrectly included within non-current liabilities in the 31 March 2009 accounts. The loan repayment structure was fully disclosed in note 28 of the 31 March 2009 financial statements stating that £30m was due to be repaid on or before 30 March 2010. The balance sheet for the year to 31 March 2009 has therefore been restated in these accounts showing an increase to current liabilities of £30m with a corresponding decrease to non-current liabilities. There is no effect on net assets.

In addition the Consolidated Income Statement for the year to 31 March 2009 has been restated to transfer losses incurred in the Medical Division to Loss for the year from discontinued operations.

Adoption of IFRIC 12 was mandated by the EU for the first time this year. The Group has followed IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in applying the change of accounting policy retrospectively. The prior year financial information has therefore been restated. As a result of the adoption of IFRIC 12, the following adjustments were made to the 2009 financial information:

As of 31 March 2009:

- Net decrease in investments in associates: £1,688,000
- Net decrease in retained earnings: £1,688,000
- Net decrease in share of losses from associates and joint ventures: £1,926,000
- Net decrease in the loss after tax: £1,926,000

The effect on loss per share related to the restatement in 2009 was a decrease of 0.61p per share.

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

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

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.

Expenses
All expenses are accounted for on the accruals basis.

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

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

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

Business combinations and goodwill
Business combinations are accounted for using the purchase method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) 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 acquiree's 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
- not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

Notes to the Consolidated Financial Statements continued
For the period from 1 April 2009 to 31 March 2010

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

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

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

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

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

Goodwill is allocated to cash generating unit for the purpose of impairment testing. For intangibles arising from business combinations, this allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose. The recoverable amount of a cash generating unit is determined based on 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued
For the period from 1 April 2009 to 31 March 2010

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

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

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

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

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

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

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

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

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

Development property
Development property which comprises land and buildings under construction includes capitalised interest where applicable and is carried at cost or, if lower, 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:

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued
For the period from 1 April 2009 to 31 March 2010

2. Principal accounting policies continued

Group as a lessor

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

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

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

Provisions

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

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

Income taxes

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

Deferred 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 rules and laws enacted or substantively enacted at 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; and
- 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.

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 legally 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 Consolidated Income Statement.

Share-based payment transactions

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

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

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

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon 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 Consolidated Income Statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Consolidated Income Statement.

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

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

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

The following accounting policies relate to Company financial statements only:

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

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

Changes in accounting policy and disclosures
The accounting policies adopted are consistent with those of the previous financial period except as follows:

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

IFRS 8 Operating Segments. IFRS 8 replaces IAS 14 Segment Reporting (IAS 14).
The Group has concluded following the sale of the medical division that its operating segments determined in accordance with IFRS 8 are property investment, property development, pharmacy & LIFT. IFRS 8 disclosures are shown in note 16, including information on the related revised comparative information.

Notes to the Consolidated Financial Statements continued
For the period from 1 April 2009 to 31 March 2010

2. Principal accounting policies continued
IAS 1 Presentation of Financial Statements (Revised). The revised Standard has required the reconciliation of movements in equity, previously disclosed in the notes, to be presented as a primary statement entitled 'Consolidated Statement of Changes on Equity'. In addition, the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income. The revised standard requires this statement to present all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IFRS 7 Financial Instruments: Disclosures (Amendment). The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in Note 31. The Group has taken advantage of the transitional provisions under this amendment and has therefore not provided comparative information for 31 March 2009. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 31.

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (Amendment). The amendment to IFRS 2 clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. This amendment did not have an impact on the financial position or performance of the Group.

IAS 40 Investment properties. An amendment to this standard requires development properties to be classified as part of investment property and fair valued. If fair value cannot be reliably estimated it is carried at cost until construction is complete or fair value can be reliably estimated (whichever is earlier), at which stage it is valued at fair value. The amendment has been applied prospectively for investment properties under construction from 1 April 2009. Consequently, investment properties under construction have been valued on this basis by Savills Commercial Limited as at 31 March 2010. In determining the fair value, the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks. Historically, properties under construction or development were included in the Balance Sheet at cost. A provision for impairment was made, if necessary, to reduce the carrying value to the recoverable amount.

IFRIC 12 Service Concession Arrangements (SCA). This standard requires the consideration receivable in respect of construction services in the operational phase of the SCA to be accounted for as a 'loan or receivable' and measured at amortised cost. The effect of the application of this standard has been to reclassify investment properties held by the LIFT companies to finance lease receivables. The application of this standard has been applied retrospectively and the 2009 comparative figures have therefore been restated. The effect of the restatement is described in Note 2. The carrying value of the finance lease receivables are shown in Note 21.

The following standards did not have a material impact on the Group's financial statements:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments).

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments) Improvements to International Financial Reporting Standards (issued May 2008)

IAS 23 Borrowing Costs. 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. There was no impact on the Group accounts from its adoption as borrowing costs were already capitalised where applicable.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives (Amendments). There was no impact on the Group accounts from its adoption.

IFRIC 15 Agreements for the Construction of Real Estate. There was no impact on the Group accounts from its adoption.

(b) New standards and interpretations not applied:

The following standards and interpretations have an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs) Effective date
IFRS 1 First Time Adoption of International Reporting Standards 1 July 2009
IFRS 1 Amendments to IFRS 1 – Additional Exemptions for First-time Adopters 1 January 2010
IFRS 1 Amendments to IFRS 1 – Limited Exemption from Comparative
IFRS 7 disclosures 1 July 2010
IFRS 2 Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions 1 January 2010
IFRS 3 Business Combinations (revised January 2008) 1 July 2009
IFRS 9 Financial Instruments: Classification & Measurement 1 January 2013
IAS 24 Related Party Disclosures (revised) 1 January 2011
IAS 27 Consolidated and Separate Financial Statements (revised January 2008) 1 July 2009
IAS 32 Amendment to IAS 32: Classification of Rights Issues 1 February 2010
IAS 39 Eligible Hedged Items 1 July 2009 Improvements to IFRS (issued April 2009) Various dates International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 14 Amendment: Prepayments of a Minimum Funding Requirement 1 January 2011
IFRIC 17 Distributions of Non-Cash Assets to Owners 1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments 1 July 2010

The Group has not early adopted the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 April 2010. Whilst it is not possible to estimate the outcome of adoption, the key features of the revised IFRS 3 include a requirement for acquisition-related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non controlling interests (formerly minority interests) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held minority interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.

IAS 27 revised is effective for annual periods beginning on or after 1 July 2009, in line with the revised IFRS 3. The revised standard no longer restricts the allocation to minority interest of losses incurred by a subsidiary to the amount of the minority equity investment in the subsidiary. Any future partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill, nor will it give rise to any gain or loss. Where there is loss of control of a subsidiary, any retained interest will have to be remeasured to fair value, which will impact the gain or loss recognised on disposal.

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

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

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

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

(c) Impairment of goodwill and intangible assets
The Group tests annually whether goodwill may have suffered impairment utilising value in use calculations whereby future cash flows are estimated and discounted, using an appropriate discount rate, to their net present value. See note 22.

(d) Derivative financial instruments
The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. See note 31.

(e) Deferred tax asset
Management use judgement to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with assessment of the effect of future tax planning. See note 39.

Notes to the Consolidated Financial Statements continued
For the period from 1 April 2009 to 31 March 2010

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

(f) Valuation of investments in associates

The Group has used estimates to determine the book value of its loan to, and carrying value of its investment in, Virgin Healthcare Holdings Limited based on the underlying net asset value and likely timing of future projected cash flows and modest interest rates for similar instruments which involves judgement and estimation. See note 21.

(g) Onerous lease provision

Onerous lease provisions are determined by calculating minimum lease payments up to the shorter of the next break clause contained within the lease and the likely period in which a sub lease could be put in place as advised by letting agents. See note 29.

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

4. Revenue

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Rent receivable	**21,516**	**–**	**21,516**	19,533	–	19,533
Revenue from pharmacies	**31,214**	**–**	**31,214**	26,691	–	26,691
Other fees receivable	**3,031**	**–**	**3,031**	1,347	–	1,347
Revenue from medical equipment hire	**–**	**540**	**540**	–	699	699
Revenue from medical management charges	**–**	**192**	**192**	–	13	13
Total revenue	**55,761**	**732**	**56,493**	47,571	712	48,283
Bank and other interest	**796**	**–**	**796**	1,622	–	1,622
Income from investments	**210**	**–**	**210**	511	–	511
	1,006	**–**	**1,006**	2,133	–	2,133
	56,767	**732**	**57,499**	49,704	712	50,416

5. Cost of sales

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Property expenses arising from investment property that generate rental income	**2,521**	**–**	**2,521**	1,790	–	1,790
Property expenses arising from investment property that did not generate rental income	**54**	**–**	**54**	36	–	36
Purchases by pharmacies	**21,891**	**–**	**21,891**	18,627	–	18,627
Equipment hire costs	**–**	**48**	**48**	–	23	23
Medical direct costs	**–**	**22**	**22**	–	70	70
	24,466	**70**	**24,536**	20,453	93	20,546

6. Administrative expenses

		Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Salaries and other staff costs	**(a)**	**11,799**	**3,408**	**15,207**	12,395	2,528	14,923
Auditors' remuneration	**(b)**	**501**	**–**	**501**	573	–	573
Directors' fees	**(c)**	**1,113**	**–**	**1,113**	1,132	–	1,132
Other admin expenses		**2,515**	**2,940**	**5,455**	6,004	4,726	10,730
Depreciation		**2,054**	**378**	**2,432**	1,794	284	2,078
		17,982	**6,726**	**24,708**	21,898	7,538	29,436

On 27 February 2010 27 staff were transferred from Assura Management Services Limited into Assura Medical Limited prior to its sale on 2 March 2010. This transfer is not reflected in the table above.

(a) Salaries and other staff costs

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Wages and salaries	**10,748**	**3,045**	**13,793**	11,103	2,278	13,381
Social security costs	**1,045**	**363**	**1,408**	1,288	250	1,538
Pension costs	**6**	**–**	**6**	4	–	4
	11,799	**3,408**	**15,207**	12,395	2,528	14,923

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

	Continuing operations	**Discontinued operations**	**Total 2010**	Continuing operations	Discontinued operations	Total 2009
Property investment	**5**	**–**	**5**	8	–	8
Property development	**9**	**–**	**9**	32	–	32
Pharmacy	**201**	**–**	**201**	230	–	230
LIFT	**29**	**–**	**29**	12	–	12
Central	**66**	**–**	**66**	66	–	66
Medical – discontinued 2 March 2010	**–**	**65**	**65**	–	82	82
	310	**65**	**375**	348	82	430

On 27 February 2010 27 staff were transferred from the Assura Management Services Limited into Assura Medical Limited prior to its sale on 2 March 2010. This transfer is not reflected in the table above.

Following finalisation of the restructure programme undertaken the number of full time equivalent employees at 1 May 2010 was as follows:

	1 May 2010
Property investment	13
Property development	6
Pharmacy	183
LIFT	26
Central	13
	241

Key management staff	**Continuing operations £'000**	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Salaries, pension, holiday pay, PILON and bonus	**1,841**	**452**	**2,293**	1,197	84	1,281
Cost of employee share-based incentives	**(49)**	**(165)**	**(214)**	332	31	363
Social security costs	**157**	**37**	**194**	150	10	160
	1,949	**324**	**2,273**	1,679	125	1,804

(b) Auditors' remuneration

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Group audit	**116**	**–**	**116**	136	–	136
Statutory audit	**134**	**–**	**134**	145	20	165
Total audit fees	**250**	**–**	**250**	281	20	301
Audit related fees – interim review	**22**	**–**	**22**	22	–	22
Tax services – compliance	**59**	**–**	**59**	57	–	57
Tax services – advisory	**15**	**–**	**15**	58	–	58
Transaction services – sale of medical services division	**–**	**155**	**155**	–	–	–
Transaction services – reporting accountants in relation to share placement	**–**	**–**	**–**	135	–	135
	346	**155**	**501**	553	20	573

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6. Administrative expenses continued
(c) Directors' fees

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Directors emoluments	**1,000**	**–**	**1,000**	1,012	–	1,012
Contributions to retirement plans	**113**	**–**	**113**	120	–	120
	1,113	**–**	**1,113**	1,132	–	1,132

In addition to the above amounts £587,000 (2009: £nil) was paid to two of the Directors in relation to payments in lieu of notice.

Amounts paid to the highest paid Director were as follows:

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Mr Richard Burrell	**487**	**–**	**487**	474	–	474
	487	**–**	**487**	474	–	474

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

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

7. Revaluation (gains)/losses

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Unrealised deficit on revaluation of property, plant and equipment	**47**	**–**	**47**	2,459	–	2,459
Gain on disposal of other investments	**(409)**	**–**	**(409)**	–	–	–
Unrealised deficit on revaluation of other investments	**–**	**–**	**–**	3,080	–	3,080
	(362)	**–**	**(362)**	5,539	–	5,539

The other investments noted above relate to Ordinary Shares in Stobart Group Limited. These shares were sold on 9 June 2009.

8. Restructuring costs

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Redundancies	**849**	**140**	**989**	570	–	570
Payment in lieu of notice to Directors	**467**	**–**	**467**	–	–	–
Assura Health & Wellness Centres Limited – property revaluation deficit resulting from closure (note 18)	**2,045**	**–**	**2,045**	–	–	–
Assura Health & Wellness Centres Limited – investment property under construction revaluation deficit resulting from closure (note 19)	**125**	**–**	**125**	–	–	–
Assura Health & Wellness Centres Limited – loss on disposal of fixed assets	**244**	**–**	**244**	–	–	–
Fixed asset impairments	**553**	**–**	**553**	–	–	–
Professional and other costs	**374**	**–**	**374**	–	–	–
Closure of Assura Diagnostics Limited	**–**	**234**	**234**	–	–	–
	4,657	**374**	**5,031**	570	–	570

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

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000 (restated)	Discontinued operations £'000	Total 2009 £'000 (restated)
Share of profits of associated companies	**502**	**–**	**502**	825	–	825
Share of profits/(losses) of joint ventures	**1,623**	**(913)**	**710**	(1,844)	(1,033)	(2,877)
	2,125	**(913)**	**1,212**	(1,019)	(1,033)	(2,052)

10. Finance revenue

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Bank and other interest	**796**	**–**	**796**	1,622	–	1,622
Income from investments	**210**	**–**	**210**	511	–	511
	1,006	**–**	**1,006**	2,133	–	2,133

11. Finance costs

	Continuing operations £'000	**Discontinued operations £'000**	**Total 2010 £'000**	Continuing operations £'000	Discontinued operations £'000	Total 2009 £'000
Long-term loan interest payable	**9,724**	**–**	**9,724**	12,709	–	12,709
Interest capitalised on developments	**(1,364)**	**–**	**(1,364)**	(3,270)	–	(3,270)
Swap interest	**5,248**	**–**	**5,248**	(1,643)	–	(1,643)
Amortisation of loan issue costs	**566**	**–**	**566**	1,450	–	1,450
	14,174	**–**	**14,174**	9,246	–	9,246
Unrealised (profit)/loss on revaluation of derivative financial instrument	**(8,334)**	**–**	**(8,334)**	31,471	–	31,471
	5,840	**–**	**5,840**	40,717	–	40,717

Interest was capitalised on property developments at 6% (2009: 6%).

12. Taxation

Consolidated income tax	**Year ended 31 March 2010 £'000**	Year ended 31 March 2009 £'000
Current tax		
Current income tax charge	**–**	–
Adjustments in respect of current tax of previous periods	**–**	20
Deferred tax		
Relating to origination and reversal of temporary differences	**(2,376)**	(583)
Income tax credit reported in consolidated income statement	**(2,376)**	(563)

Notes to the Consolidated Financial Statements continued
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12. **Taxation** continued
The differences from the standard rate of tax applied to the profit before tax may be analysed as follows:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000 (restated)
Profit/(loss) from continuing operations before taxation	**4,378**	(99,679)
Loss from discontinued operations before taxation	**(6,837)**	(9,768)
Loss on disposal of discontinued operations	**(7,146)**	–
Net loss before taxation	**(9,605)**	(109,447)
UK income tax at rate of 28% (2009: 28%)	**(2,689)**	(30,645)
Effects of:		
Capital gains on revaluation of investment properties not taxable	**(447)**	–
Non taxable income	**(59)**	(143)
Unrealised (deficit)/surplus not tax deductible on revaluation of other investments	**(883)**	862
Expenses not deductible for tax purposes	**334**	3,224
Gain on revaluation of derivative financial instrument not taxable	**(2,334)**	–
Share-based payments (credit)/charge not tax deductible	**(311)**	255
Unrealised gains/(losses) on revaluation of investments in associates	**22**	(230)
Unrecognised tax losses	**4,034**	2,917
Other deferred tax assets not recognised	**(365)**	23,417
Adjustment in respect of prior years	**322**	(220)
	(2,376)	(563)

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

13. **Discontinued operations**
During the year the Group has discontinued operating its medical division.

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

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

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

	11 months ended 2 March 2010 £'000	12 months ended 31 March 2009 £'000
Revenue	**732**	712
Cost of sales	**(70)**	(93)
Administrative expenses	**(6,726)**	(7,539)
Operating loss	**(6,064)**	(6,920)
Cost of employee share-based incentives	**793**	(273)
Share of losses of joint ventures	**(913)**	(1,033)
Impairment of goodwill	**(279)**	(1,520)
Restructuring costs	**(374)**	(22)
	(6,837)	(9,768)
Loss on disposal of discontinued operations	**(7,146)**	–
Loss for the period from discontinued operations	**(13,983)**	(9,768)

At the date of disposal the net assets of Assura Medical Limited were £10,900,000.

The net cash flows attributable to Assura Medical Limited were as follows:

	11 months ended 2 March 2010 £'000	12 months ended 31 March 2009 £'000
Operating activities	**(6,438)**	(6,942)
Investing activities	**(4,483)**	(4,970)
Net cash outflow	**(10,921)**	(11,912)

	11 months ended 2 March 2010	12 months ended 31 March 2009
Loss per share from discontinued operations (pence)		
Basic	**(4.40)p**	(3.83)p
Diluted	**(4.40)p**	(3.83)p

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

	2 March 2010 £'000	31 March 2009 £'000
Assets and liabilities disposed of other than cash		
Investment in Joint Ventures	**7,100**	–
Property, plant and equipment	**802**	–
Debtors	**377**	–
Cash and cash equivalents	**4,919**	–
Creditors	**(2,298)**	–
Net assets	**10,900**	–
Net assets sold – 75.1%	**8,186**	–
Fair value of proceeds reinvested as loan note (face value of £4m)	**2,860**	–
Costs	**(1,820)**	–
Net proceeds	**1,040**	–
Loss on disposal	**(7,146)**	–

14. Earnings per Ordinary Share

The basic profit/(loss) per Ordinary Share from continuing operations is based on the profit/(loss) attributable to equity holders of the parent for the year of £6,792,000 (2009: loss of £98,995,000) and on 317,467,036 Ordinary Shares (2009: 255,152,896), being the weighted average number of Ordinary Shares in issue in the respective year.

The diluted profit/(loss) per Ordinary Share from continuing operations is based on the profit/(loss) for the year attributable to equity holders of the parent of £6,792,000 (2009: £98,995,000) and on 317,467,036 Ordinary Shares (2009: 255,152,896), being the weighted average number of Ordinary Shares in issue in the respective year.

The basic loss per Ordinary Share is based on the loss attributable to equity holders of the parent for the year of £7,191,000 (2009: loss of £108,763,000) and on 317,467,036 Ordinary Shares (2009: 255,152,896), being the weighted average number of Ordinary Shares in issue in the respective year.

The diluted loss per Ordinary Share is based on the loss for the period attributable to equity holders of the parent of £7,191,000 (2009: £108,763,000) and on 317,467,036 Ordinary Shares (2009: 255,152,896), being the weighted average number of Ordinary Shares in issue in the respective year.

	Year ended 31 March 2010	Year ended 31 March 2009
Weighted average number of shares – basic	**317,467,036**	255,152,896
Weighted average number of own shares held	**–**	–
Weighted average number of shares – diluted	**317,467,036**	255,152,896

Notes to the Consolidated Financial Statements continued
For the period from 1 April 2009 to 31 March 2010

14. Earnings per Ordinary Share continued
The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Profit/(loss) for the year from continuing operations	**6,754**	(99,116)
Add minority liabilities	**38**	121
Profit/(loss) attributable to equity holders of the parent – continuing operations	**6,792**	(98,995)
Loss attributable to equity holders of the parent – discontinued operations	**(13,983)**	(9,768)
Loss attributable to equity holders of the parent	**(7,191)**	(108,763)

Discontinued operations
Loss per share for the discontinued operations is derived from the net loss attributable to equity holders of the parent from discontinuing operations of £13,983,000 (2009: £9,768,000), divided by the weighted average number of Ordinary Shares for both basic and diluted amounts as per the table above.

15. Dividends paid on Ordinary Shares

	Number of Ordinary Shares	**Rate pence**	**2010 £'000**	Number of Ordinary Shares	Rate pence	2009 £'000
Final dividend for 2008	**317,467,036**	**–**	**–**	235,213,115	4.67	10,984
		–	**–**		4.67	10,984

Dividends on 'own shares held' are recognised in distributable reserves.

Of the above cost of dividends paid in relation to 2009 on ordinary shares, £482,000 related to dividends paid on shares held by the Assura Executive Equity Incentive Plan (EEIP). The cost of these dividends has therefore been eliminated on consolidation resulting in a movement on the distributable reserve of £10,502,000. 2009 dividends paid include £597,000 which was taken as a scrip dividend through issue of 731,665 Ordinary Shares, of which 590,912 shares were issued to the employee benefit trust.

After obtaining shareholder agreement, the Directors do not intend to pay a final dividend for the year ending 31 March 2010.

16. Segmental information
Following the adoption of IFRS 8 and the disposal of the medical services business during the year, the Group's operating segments are internally reported to the chief operating decision maker based on four business segments being primary care premises investment (Property Investment), primary care premises development (Property Development), pharmacy services and LIFT. Previously LIFT was not a separately identified segment and was included within the primary care premises development segment. All the Group's activities and investments in primary healthcare properties and related activities are situated in the UK and in Guernsey.

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

The Property Development segment develops primary care premises.

The Pharmacy services segment operates integrated pharmacies in medical centres.

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

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

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

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

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

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

Year ended 31 March 2010:

	Property Investment £'000	Property Development £'000	Pharmacy £'000	LIFT £'000	Eliminations and Unallocated items £'000	**Continuing £'000**	Discontinued Medical Services £'000	**Total £'000**
Revenue from external customers	21,516	–	31,214	2,405	626	**55,761**	732	**56,493**
Inter–segment sales	1,890	–	–	161	(2,051)	**–**	–	**–**
Segment revenue	23,406	–	31,214	2,566	(1,425)	**55,761**	732	**56,493**
Operating profit/(loss)	16,622	(1,936)	402	24	(1,799)	**13,313**	(6,064)	**7,249**
Cost of employee share-based incentives	192	192	(14)	(32)	(22)	**316**	793	**1,109**
Share of profits/(losses) of associates and joint ventures	–	–	1,623	627	(125)	**2,125**	(913)	**1,212**
Unrealised surplus on revaluation of investment properties	6,466	–	–	–	–	**6,466**	–	**6,466**
Realised surplus on revaluation of investment property	394	–	–	–	–	**394**	–	**394**
Unrealised deficit on revaluation of property, plant and equipment	(47)	–	–	–	–	**(47)**	–	**(47)**
Gain on sale of pharmacy licences	–	–	1,118	–	–	**1,118**	–	**1,118**
Impairment of development properties	–	(4,506)	–	–	–	**(4,506)**	–	**(4,506)**
Impairment of goodwill	–	(4,767)		–	–	**(4,767)**	(279)	**(5,046)**
Impairment reversal of pharmacy licences	–	–	1,300	–	–	**1,300**	–	**1,300**
Impairment of property, plant and equipment	–	–	(258)	–	–	**(258)**	–	**(258)**
Premises provision	–	–	(98)	–	(1,896)	**(1,994)**	–	**(1,994)**
Restructuring costs	(2,468)	–	(131)	(61)	(1,997)	**(4,657)**	(374)	**(5,031)**
Disposal of division	–	–	–	–	–	**–**	(7,146)	**(7,146)**
Segmental result	21,159	(11,017)	3,942	558	(5,839)	**8,803**	(13,983)	**(5,180)**
Gain on disposal of other investments	–	–	–	–	409	**409**	–	**409**
	21,159	(11,017)	3,942	558	(5,430)	**9,212**	(13,983)	**(4,771)**
Net finance revenue/(cost)	–	–	–	–	(4,834)	**(4,834)**	–	**(4,834)**
Profit/(loss) before tax	21,159	(11,017)	3,942	558	(10,264)	**4,378**	(13,983)	**(9,605)**
Taxation	–	–	–	–	2,376	**2,376**	–	**2,376**
Profit/(loss) for the period	21,159	(11,017)	3,942	558	(7,888)	**6,754**	(13,983)	**(7,229)**

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16. **Segmental information** continued

	Property Investment £'000	Property Development £'000	Pharmacy £'000	LIFT £'000	Eliminations and Unallocated items £'000	**Continuing £'000**	Discontinued Medical Services £'000	**Total £'000**
Assets and liabilities								
Intangibles	–	20,024	15,685	3,718	–	**39,427**	–	**39,427**
Fixed assets	324,891	27,691	3,127	–	581	**356,290**	–	**356,290**
Equity accounted investments	–	–	7,588	8,523	5,439	**21,550**	–	**21,550**
Current assets	10,349	18,497	8,426	1,304	4,759	**43,335**	–	**43,335**
Segment assets	335,240	66,212	34,826	13,545	10,779	**460,602**	–	**460,602**
Deferred tax asset						**1,464**	–	**1,464**
Total assets						**462,066**	–	**462,066**
Segment liabilities								
Current liabilities	(18,472)	–	(4,970)	(954)	(3,953)	**(28,349)**	–	**(28,349)**
Derivative financial instruments						**(17,274)**	–	**(17,274)**
Non–current liabilities						**(252,270)**	–	**(252,270)**
Total liabilities						**(297,893)**	–	**(297,893)**
Other segmental information								
Capital expenditure:								
Property, plant and equipment	802	–	392	–	292	**1,486**	636	**2,122**
Intangible assets	–		1,049	–	–	**1,049**	279	**1,328**
Depreciation	459	–	384	–	1,211	**2,054**	378	**2,432**

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

Year ended 31 March 2009:

	Property Investment £'000	Property Development £'000	Pharmacy £'000	LIFT £'000	Eliminations and Unallocated items £'000	**Continuing £'000**	Discontinued Medical Services £'000	**Total £'000**
Revenue from external customers	19,533	–	26,691	1,441	(94)	**47,571**	712	**48,283**
Inter–segment sales	911	–	–	–	(911)	**–**	–	**–**
Segment revenue	20,444	–	26,691	1,441	(1,005)	**47,571**	712	**48,283**
Operating profit/(loss)	13,748	(3,053)	(2,929)	84	(2,629)	**5,221**	(6,920)	**(1,699)**
Cost of employee share-based incentives	(137)	(182)	(182)	–	(136)	**(637)**	(273)	**(910)**
Share of profits/(losses) of associates and joint ventures	–	–	(1,844)	825	–	**(1,019)**	(1,033)	**(2,052)**
Unrealised deficit on revaluation of investment properties	(33,369)	–	–	–	–	**(33,369)**	–	**(33,369)**
Realised deficit on revaluation of investment property	(1,878)	–	–	–	–	**(1,878)**	–	**(1,878)**
Unrealised deficit on revaluation of property, plant and equipment	(2,459)	–	–	–	–	**(2,459)**	–	**(2,459)**
Impairment of development properties	–	(20,378)	–	–	–	**(20,378)**	–	**(20,378)**
Impairment of goodwill	–	–	–	–	(291)	**(291)**	(1,520)	**(1,811)**
Impairment of pharmacy licences	–	–	(2,498)	–	–	**(2,498)**	–	**(2,498)**
Impairment of property, plant and equipment	–	–	(137)	–	–	**(137)**	–	**(137)**
Restructuring costs	–	(104)	(20)	–	(446)	**(570)**	(22)	**(592)**
Segmental result	(24,095)	(23,717)	(7,610)	909	(3,502)	**(58,015)**	(9,768)	**(67,783)**
Unrealised deficit on revaluation of other investments	–	–	–	–	(3,080)	**(3,080)**	–	**(3,080)**
	(24,095)	(23,717)	(7,610)	909	(6,582)	**(61,095)**	(9,768)	**(70,863)**
Net finance cost	–	–	–	–	(38,584)	**(38,584)**	–	**(38,584)**
Profit/(loss) before tax	(24,095)	(23,717)	(7,610)	909	(45,166)	**(99,679)**	(9,768)	**(109,447)**
Taxation	–	–	–	–	563	**563**	–	**563**
Profit/(loss) for the period	(24,095)	(23,717)	(7,610)	909	(44,603)	**(99,116)**	(9,768)	**(108,884)**
Assets and liabilities								
Intangibles	–	18,899	13,335	9,610	–	**41,844**	–	**41,844**
Fixed assets	299,504	54,767	2,768	–	2,336	**359,375**	1,115	**360,490**
Equity accounted investments	–	–	6,479	5,803	–	**12,282**	4,328	**16,610**
Current assets	13,992	11,040	8,778	644	2,281	**36,735**	950	**37,685**
Segment assets	313,496	84,706	31,360	16,057	4,617	**450,236**	6,393	**456,629**
Other investments						**5,968**	–	**5,968**
Total assets						**456,204**	6,393	**462,597**
Segment Liabilities								
Current liabilities	(13,357)	–	(5,149)	(525)	(3,583)	**(22,614)**	(3,684)	**(26,298)**
Derivative financial instruments						**(25,609)**	–	**(25,609)**
Non-current liabilities						**(238,667)**	–	**(238,667)**
Total liabilities						**(286,890)**	(3,684)	**(290,574)**
Other segmental information								
Capital expenditure:								
Property, plant and equipment	754	3,570	–	–	2,271	**6,595**	897	**7,492**
Intangible assets	8,382	–	–	–	–	**8,382**	103	**8,485**
Depreciation	353	552	–	–	889	**1,794**	284	**2,078**

Information about major customers

Annual revenue from one customer amounted to £29,334,000 (2009: £24,540,000) arising from sales reported in the Pharmacy segment.

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17. Investments in subsidiaries
A table listing all the subsidiaries, including dormant subsidiaries, is below:

Name of Subsidiary	Place of incorporation	Shareholding 2010	Shareholding 2009	Business Activity
Abbey Court Health Consortium Limited	England	100%	–	Dormant
Armside Chemists Limited	England	100%	100%	Dormant
Assura Aylesham Limited	England	100%	100%	Property Investment
Assura Banbury Limited	England	100%	100%	Property Investment
Assura Birkenhead Limited	England	100%	100%	Dormant
Assura Care Homes Limited	England	100%	100%	Trading Company
Assura Corporate Services Limited (sold 2 March 2010)	England	–	100%	Management Services
Assura Diagnostics Limited	England	100%	80%	Hirer of Diagnostic Equipment
Assura Finance Limited (sold 2 March 2010)	England	–	100%	Provision of Finance
Assura Fund Management LLP	England	100%	100%	Fund Management
Assura Grimsby Limited	England	100%	100%	Property Investment
Assura Health & Wellness Centres Limited	England	100%	100%	Trading Company
Assura Health Investments Limited	England	100%	–	Property Investment
Assura Intelligence Limited	England	100%	100%	Medical Data Processing Company
Assura Investments Limited	England	100%	100%	Property Investment
Assura Kensington Limited	England	100%	100%	Property Investment
Assura LIFT Holdings Limited	England	100%	100%	Investment Holding Company & Management Services
Assura Management Services Limited	England	100%	100%	Management Services
Assura Medical Centres Limited (formerly Assura Tinshill Limited)	England	100%	100%	Property Investment
Assura Medical Equipment Services Limited	England	100%	–	Dormant
Assura Medical Limited (sold 2 March 2010)	England	–	100%	Management of Clinical Services
Assura Pharmacy Holdings Limited	Guernsey	100%	100%	Holding Company
Assura Pharmacy Limited	England	100%	100%	Pharmacy
Assura PharmInvest Limited	England	100%	100%	Holding Company
Assura Properties Limited	England	100%	100%	Property Investment
Assura Properties UK Limited	England	100%	100%	Property Investment
Assura Property Limited	Guernsey	100%	100%	Holding Company
Assura Property Management Limited	England	100%	100%	Property Management
Assura Retail York Limited	England	100%	100%	Property Investment
Assura Services Limited	England	100%	100%	Holding Company
Assura Southampton Limited	England	100%	100%	Property Investment
Assura Todmorden Limited	England	100%	100%	Property Investment
Assura Tunbridge Wells Limited	England	100%	100%	Dormant
BHE (Heartlands) Limited	England	100%	100%	Property Investment
BHE (St James) Limited	England	100%	100%	Property Investment
Cambridgeshire ICO Limited (formerly Assura Mobility Limited)	England	100%	100%	Dormant
Clearup Limited	England	100%	100%	Dormant
Crown Heights Consortium (No. 2) Limited	England	100%	100%	Dormant
Crown Heights Health Consortium Limited	England	100%	100%	Dormant
Freshney Green Health Consortium Limited	England	100%	–	Dormant
Harvey & Richardson (Holdings) Limited	England	100%	100%	Dormant
Harvey & Richardson Limited	England	100%	100%	Dormant
Our Care Limited (sold 2 March 2010)	England	–	100%	Dormant
P&L Worsley Limited	England	100%	100%	Dormant
PCI Management Limited	England	100%	100%	Holding Company
Primary Care Initiatives (Macclesfield) Limited	England	100%	100%	Property Investment
South Bar Doctors Limited	England	100%	100%	Dormant
Trinity Healthcare Consortium Limited	England	100%	100%	Dormant

18. Investment Property

Properties are stated at fair value, which has been determined based on valuations performed by Savills Commercial Limited as at 31 March 2010, on the basis of open market value, supported by market evidence, in accordance with international valuation standards.

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

Base yields have been assumed at between 5.75% and 6.25% (2009: 6% and 6.5%) for prime units with weaker tenants and poorer units valued at yields of between 6.25% and 10% (2009: 6.25% and 10%).

A 0.25% shift of valuation yield would have approximately a £14.0m (2009: £10m) impact on the investment property valuation.

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

	31/03/10 £'000	31/03/09 £'000
Opening fair value of investment property	**277,753**	281,245
Separately acquired assets	**835**	21,251
Additions as part of a business combination	**–**	3,125
Subsequent expenditure	**2,096**	2,627
Transfer from development property (note 20)	**–**	26,160
Transfer from investment property under construction (note 19)	**34,626**	–
Transfer from work in progress	**–**	80
Transfer from land & buildings (note 23)	**8,755**	–
Transfer to land & buildings	**(495)**	(3,565)
Transfer to assets held for sale (note 27)	**(2,870)**	–
Disposals	**(12,525)**	(19,801)
Unrealised surplus/(deficit) on revaluation	**6,466**	(33,369)
Unrealised deficit on revaluation of Assura Health & Wellness Centres Limited properties (note 8)	**(2,045)**	–
Closing market value	**312,596**	277,753
Add finance lease obligations recognised separately	**1,076**	1,172
Closing fair value of investment property	**313,672**	278,925

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

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

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

	31/03/10 £'000	31/03/09 £'000
Opening balance	**–**	–
Transfer from development property (note 20)	**54,767**	–
Development costs incurred in year	**14,507**	–
Capitalised interest	**1,364**	–
Transfer from work in progress	**1,127**	–
Impairment	**(4,506)**	–
Impairment of Assura Health & Wellness Centres Limited developments (note 8)	**(125)**	–
Disposals	**(988)**	–
Transfer to held for sale (note 27)	**(3,830)**	
Transfer to investment property (note 18)	**(34,626)**	–
Closing balance	**27,690**	–

The Company has adopted the amendment to IAS 40, as described in note 2, which brings property under construction within the scope of IAS 40 Investment Properties. Consequently, as at 1 April 2009, all investment properties under construction, previously described as development properties were transferred to investment properties.

20. Development property

	31/03/10 £'000	31/03/09 £'000
Opening balance	**54,767**	57,268
Transfer to investment property under construction (note 19)	**(54,767)**	–
Development costs incurred in year	**–**	39,570
Capitalised interest	**–**	3,270
Transfer from work in progress	**–**	1,197
Impairment	**–**	(20,378)
Transfers to investment property (note 18)	**–**	(26,160)
Closing balance	**–**	54,767

As described in note 19 above, a change in International Accounting Standards has necessitated the reclassification of development properties to investment properties under construction. This reclassification took place as at 1 April 2009.

21. Investments in associates and joint ventures

The Group has the following investments in associates:

Associates

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

1 Treated as associated companies given the Group's restrictions on exercising control over the underlying investments of these entities.

The above investments comprise:

	31/03/10 Group £'000	31/03/09 Group £'000 (restated)
Cost of shares	**2,866**	23
Loans – interest bearing	**6,853**	4,899
Loans – non interest bearing	**2,860**	–
Share of accumulated profits	**1,383**	881
	13,962	5,803

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

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

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

	31/03/10 Group £'000	31/03/09 Group £'000 (restated)
Non-current assets	**66,767**	50,684
Current assets	**13,983**	8,037
Share of gross assets	**80,750**	58,721
Current liabilities	**11,238**	9,179
Non-current liabilities	**68,129**	48,661
Share of gross liabilities	**79,367**	57,840
Share of net assets	**1,383**	881
Add back loans	**9,713**	4,899
Other	**2,866**	23
Carrying amount of associates	**13,962**	5,803
Share of associates revenue and profit:		
Revenue	**11,202**	6,410
Profit	**502**	825

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21. Investments in associates and joint ventures continued
The movement on investments in associates during the year was as follows:

	31/03/10 Group £'000	31/03/09 Group £'000 (restated)
Opening balance	**5,803**	5,131
Investments acquired in period	**3,203**	5
Net loans advanced or transferred	**4,454**	(158)
Share of profits for the period	**502**	825
Closing balance	**13,962**	5,803

The Group has the following investments in joint ventures:

Joint Ventures

Name of Entity	Year Ended 2010	Shares held by the Group	% held	Place of Incorporation	Business Activity	Date of Incorporation
GP Care Pharmacy Limited	31 March	1 Ordinary Share of £1	50%	England	Pharmacy	07/02/07

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

The above investments comprise:

	31/03/10 Group £'000	31/03/09 Group £'000
Cost of shares or member's core capital	**–**	4,798
Loans	**7,826**	9,475
Share of accumulated losses	**(238)**	(3,466)
	7,588	10,807

Members' core capital is interest free.

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

	31/03/10 Group £'000	31/03/09 Group £'000
Non-current assets	**3,383**	2,271
Current assets	**760**	2,911
Share of gross assets	**4,143**	5,182
Current liabilities	**4,381**	8,482
Non-current liabilities	**–**	167
Share of gross liabilities	**4,381**	8,649
Share of net liabilities	**(238)**	(3,467)
Add back loans	**7,826**	9,476
Other	**–**	4,798
Carrying amount of joint ventures	**7,588**	10,807
Share of joint ventures revenue and profit:		
Revenue	**2,784**	3,063
Profit/(loss)	**710**	(2,878)

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

	31/03/10 Group £'000	31/03/09 Group £'000
Opening balance	**10,807**	8,619
Investments acquired in period	**1,036**	2,930
Investments sold in period	**(3,317)**	–
Net loans advanced or transferred	**(1,650)**	2,136
Share of losses in period	**(867)**	(1,299)
Share of licence impairment	**1,579**	(1,579)
Closing balance	**7,588**	10,807

22. Intangible assets

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

	Goodwill 31/03/09 £'000	Pharmacy licences 31/03/09 £'000	Total 31/03/09 £'000
Cost			
At 1 April 2008	38,944	6,857	45,801
Goodwill arising in the period as below	1,790	–	1,790
Transfer to non–current assets held for sale	–	(188)	(188)
Intangibles asset additions arising from acquisitions	–	6,030	6,030
Internally generated intangible asset additions	–	634	634
At 31 March 2009	40,734	13,333	54,067
Impairment			
At 1 April 2008	7,914	–	7,914
Impairment during the period – Medical services	1,520	–	1,520
Impairment during the period – Stream partners	291	–	291
Impairment during the period – Pharmacy	–	2,498	2,498
At 31 March 2009	9,725	2,498	12,223
Net book value at 31 March 2009	**31,009**	**10,835**	**41,844**

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

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22. Intangible assets continued

2010 business combinations

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

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

2009 business combinations

During the 2009 year end, the Group acquired four pharmacy branches through the acquisition of the entire share capital of Harvey & Richardson Holdings Limited (6 May 2008) and Harvey & Richardson Limited (6 May 2008). The total consideration for the two acquisitions was £5,855,000. The fair values of the assets and liabilities are stated on a final basis.

On 2 June 2008 the Group acquired the entire share capital of Our Care Limited for a consideration of £415,000.

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

	Book Value Pharmacy acquisitions £'000	Fair Value Pharmacy acquisitions £'000	Book Value Medical acquisitions £'000	Fair Value Medical acquisitions £'000	Book Value Total £'000	Fair Value Total £'000
Non current assets:						
Pharmacy licences	–	6,030	–	–	–	6,030
Investment property	2,010	3,125	–	–	2,010	3,125
Property, plant and equipment	209	–	–	–	209	–
Cash	81	81	313	313	394	394
Other Current Liabilities	(427)	(427)	–	–	(427)	(427)
Bank loans	(2,954)	(2,954)	–	–	(2,954)	(2,954)
Deferred tax	–	(1,688)	–	–	–	(1,688)
Net assets acquired	(1,081)	4,167	313	313	(768)	4,480
Cash paid		5,800		395		6,195
Attributable costs		55		20		75
Total consideration		5,855		415		6,270
Goodwill arising on acquisition		1,688		102		1,790
Net cash paid less cash acquired		5,774		102		5,876

Included in the £1,790,000 of goodwill recognised above are certain assets that cannot be individually separated and, reliably measured due to their nature. These items include the estimated value of future earnings, synergies and staff in place.

From the date of acquisition to 31 March 2009, the acquired businesses contributed £541,000 of profits to the results of the Group. If the combination had taken place at the beginning of the prior year, the consolidated loss of the Group for the year ended 31 March 2009 would have been £109,525,000 and revenue would have been £49,004,000.

Impairment of goodwill

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

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

	Goodwill		Pharmacy licences	
	31/03/10	31/03/09	**31/03/10**	31/03/09
Property development cash generating unit	**20,024**	24,791	**–**	–
LIFT cash generating unit	**3,718**	3,718	**–**	–
Pharmacy cash generating unit	**2,500**	2,500	**13,185**	10,835
	26,242	31,009	**13,185**	10,835

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

The property investment CGU has no associated goodwill or intangibles.

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

With regard to the assessment of the value in use of the pharmacy CGU a 1% reduction in the NHS gross margin assumption would result in an increase in the impairment provision in the year of £354,000 whilst a 2% increase in the discount rate applied would result in an increase in the impairment provision of £528,000. If both sensitivities are applied together, the combined impact would be an increase in the impairment provision of £780,000.

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 7.1% (2009: 7.1%) and cash flows beyond the four year forecasts are extrapolated using a 5% growth rate (2009: 5%) based on management's experience and reasonable expectations.

The discount rate applied to the forecast cash flows was based upon the CGU's Weighted Average Cost of Capital. The cost of equity was determined using the Capital Asset Pricing Model and a Beta appropriate to the Property Sector of 0.97. The cost of debt was based upon the Group's actual average rates of borrowing over the next five years.

LIFT cash generating unit
The recoverable amount of the LIFT unit has been determined based on a value in use calculation according to financial models approved by LIFT company shareholders covering a 25 year period. The discount rate applied to cash flow projections is 9.5% (2009: 8.0%). The forecast cash flows include the project returns on funding loans provided by Assura LIFT Holdings Limited based on the actual interest rate of 12% to 14% (2009: 12% to 14%), the estimated residual value at the end of the primary lease period and the pipeline of projects.

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

Pharmacy cash generating unit
The recoverable amount of the pharmacy unit has been determined based on 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 7.0% (2009: 7.1%) and a terminal value is applied to year five based upon the value in use of each pharmacy branch.

The discount rate applied to the forecast cash flows was based upon the CGU's Weighted Average Cost of Capital. The cost of equity was determined using the Capital Asset Pricing Model and a Beta appropriate to the Pharmacy Sector of 1.00. The cost of debt was based upon the Group's actual average rates of borrowing over the next five years. The assumed level of was in line with the current levels and this is considered to be the industry norm.

An impairment of £545,000 and an impairment reversal of £1,845,000 (2009: loss of £2,635,000 including £137,000 in respect of licences held for sale – see note 27) in respect of certain individual Pharmacy Licences has been recognised during the year based upon value in use calculations. This has arisen from an increase in the forecast cash flows and estimated terminal value of each licence at the end of year five. The increase in estimated terminal value results from the recent enhancement in the profitability of the Group's pharmacy licences. The discount rate applied was 7.02% (2009: 7.1%).

Medical cash generating unit
The recoverable amount of the discontinued diagnostics unit has been determined based on a fair value basis. Consequently, the goodwill has been fully impaired during the current period in recognition of the ongoing losses generated by the business.

During the year the Group acquired the remaining 20% of the Share Capital in Assura Diagnostics for a consideration of £63,000. Goodwill of the same amount was recognised and immediately fully impaired. The business ceased to trade on 1 March 2010.

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23. Property, plant and equipment

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

	Land and buildings 31/03/09 £'000	Computer, medical and other equipment 31/03/09 £'000	Fixtures, fittings and furniture 31/03/09 £'000	Total 31/03/09 £'000
Cost or valuation				
At 1 April	19,009	2,542	3,556	25,107
Transfer from investment property (note 18)	3,565	–	–	3,565
Additions at cost	291	2,662	976	3,929
Disposals at cost	(163)	(41)	–	(204)
Transfer to non-current assets held for sale (note 27)	(235)	(83)	(242)	(560)
Revaluation	(1,832)	–	–	(1,832)
At 31 March	20,635	5,080	4,290	30,005
Depreciation				
At 1 April	–	663	577	1,240
Depreciation for the year	411	1,258	409	2,078
Transfer to non-current assets held for sale (note 27)	(17)	(41)	(44)	(102)
Disposals	(2)	(7)	–	(9)
At 31 March	392	1,873	942	3,207
Net book value at 31 March 2009	**20,243**	**3,207**	**3,348**	**26,798**

Land and buildings are stated at fair value which has been determined based on valuations performed by Savills Commercial Limited as at 31 March 2010 on the basis of open market value, supported by market evidence, in accordance with international valuation standards. The previous valuation was carried out by Savills Commercial Limited on the same basis as at 31 March 2009. If the land and buildings were measured using the cost model, the carrying amounts would be as follows:

	31/03/10 £'000	31/03/09 £'000
Cost	**9,830**	19,688
Net book value	**9,447**	19,688

24. Other investment

	31/03/10 £'000	31/03/09 £'000
Available for-sale financial assets – Listed equity shares	**–**	5,968

The Group held 6,382,474 Ordinary Shares of 10p each in Stobart Group Limited which are listed on the London Stock Exchange, valued at closing price. On 11 June 2009 the Group sold its entire share holding in Stobart Group Limited for £1 per share. Fees on the sale were incurred of £5,000.

25. Cash, cash equivalents and restricted cash

	31/03/10 £'000	31/03/09 £'000
Petty cash	**1**	1
Cash held in current account	**9,987**	12,193
Restricted cash	**14,614**	12,582
Rent held on deposit	**–**	14
	24,602	24,790

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

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.

26. Debtors

	31/03/10 £'000	31/03/09 £'000
Trade debtors	**3,986**	4,648
VAT recoverable	**–**	1,068
Prepayments & accrued income	**4,717**	3,794
Other debtors	**1,557**	183
	10,260	9,693

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 17.1 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:

	31/03/10 £'000	31/03/09 £'000
Within one year	**22,405**	20,888
After one year but not more than five years	**88,683**	82,116
More than five years	**272,206**	259,791
	383,294	362,795

Trade debtors are generally on 30–60 days' terms and are shown net of a provision for impairment. As at 31 March 2010 no bad debts were provided for (2009: £nil).

As at 31 March 2010 and 31 March 2009, the analysis of trade debtors that were past due but not impaired is as follows:

			Past due but not impaired			
	Total £'000	Neither past due nor impaired £'000	>30 days £'000	>60 days £'000	>90 days £'000	>120 days £'000
2010	3,986	2,761	569	97	183	376
2009	4,648	3,827	205	163	21	432

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

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

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For the period from 1 April 2009 to 31 March 2010

27. Assets classified as held for sale and disposal groups

	Investment property 31/03/10 £'000	Investment property under construction 31/03/10 £'000	Total 31/03/10 £'000	Total 31/03/09 £'000
Transferred from investment property	**2,870**	**–**	**2,870**	–
Transferred from investment property under construction	**–**	**3,830**	**3,830**	–
Transferred from pharmacy licences	**–**	**–**	**–**	188
Transferred from property, plant and equipment	**–**	**–**	**–**	458
Impairment during the period	**–**	**–**	**–**	(137)
At 31 March	**2,870**	**3,830**	**6,700**	509

Three non-core property investments and three land sites are under offer for sale (2009: four pharmacy licences).

28. Creditors

	31/03/10 £'000	31/03/09 £'000 (restated)
Trade creditors	**7,248**	5,848
Other creditors and accruals	**7,364**	11,869
Payments due under finance leases	**98**	96
Loan (see note 30)	**6,544**	31,600
Property premiums received	**2,185**	2,385
Rents received in advance	**4,910**	4,500
	28,349	56,298

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

	31/03/10 £'000	31/03/09 £'000
Within one year	**98**	96
After one year but not more than five years	**409**	402
More than five years	**569**	674
	1,076	1,172

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 £979,000 (2009: £1,076,000) have been disclosed in non-current liabilities on the consolidated balance sheet.

29. Provisions

	31/03/10 £'000	31/03/09 £'000
Premises provision	**1,994**	–
	1,994	–

	31/03/10 £'000	31/03/09 £'000
Arising during the year	**1,994**	–
At 31 March	**1,994**	–
Analysed as:		
Current	**854**	–
Non-current	**1,140**	–
	1,994	–

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

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

30. Long-term loans

	31/03/10 £'000	31/03/09 £'000 (restated)
At 1 April	**238,279**	188,979
Amount drawn down in year	**75,302**	280,167
Amount repaid in year	**(57,411)**	(231,316)
Loan issue costs	**(895)**	(1,000)
Amortisation of loan issue costs	**566**	1,449
At 31 March	**255,841**	238,279
Due within one year	**6,544**	31,600
Due after more than one year	**249,297**	206,679
At 31 March	**255,841**	238,279

The Group has the following bank facilities:

Term loan with National Australia Bank Limited for three years from 30 March 2009 with an option to extend for a fourth year. The facility was initially for £190m but reduced to £160m on 31 March 2010 and reduces to £130m on 31 March 2011. The Group has however already repaid £55m and the balance stands at £135m at 31 March 2010 (2009: £190m). The loan facility with National Australia Bank is subject to the following financial covenants:

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

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

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

Term loan with Royal Bank of Scotland PLC (RBS) for £8.25m secured on the Group's head office building and investment property in Daresbury. The balance on this loan was £6.4m at 31 March 2010 (2009: £7.9m).

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

Loans from Aviva with an aggregate balance of £85.6m at 31 March 2010 (2009: £41.2m). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2021 and 2032. £1.2m is due within a year (see note 40). These loans are secured by way of charges over specific medical centre investment properties with cross collaterisation between the loans and security. The loans are subject to fixed all in interest rates ranging between 5.85% and 6.49%, and do not have loan to value covenants, and interest cover is required of 1.03 times.

On 2 March 2010 the Group entered into a new loan amounting to £30m from Santander secured on certain medical centre investments owned by the Group. The loan from Santander is available until March 2015 and carries interest at 1.8% above LIBOR. Surplus rental income from the property is used to partially amortise the loan. An interest rate swap at a rate of 2.995% has been taken out to hedge the interest on the loan. The loan must not exceed 75% of the value of the security and interest cover must be above 1.4 times (rising to 1.5 times).

The Group has been in compliance with all financial covenants on all of the above loans as applicable throughout the year.

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For the period from 1 April 2009 to 31 March 2010

31. Derivative financial instrument at fair value

	Note	Interest rate swap (NAB) £'000	Interest rate swap (RBS) £'000	Interest rate swap (Santander) £'000	Total £'000
Liability at 1 April 2009		24,900	709	–	25,609
Movement in year	10	(8,584)	(27)	276	(8,335)
Liability at 31 March 2010		16,316	682	276	17,274

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

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

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

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

Liabilities measured at fair value	**31/03/10 £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial liabilities at fair value through profit or loss				
Interest rate swap	17,274	–	17,274	–
	17,274	**–**	**17,274**	**–**

During the reporting period ending 31 March 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of the Level 3 fair value measurements.

32. Share capital

Authorised	**31/03/10**	**31/03/10 £'000**	31/03/09	31/03/09 £'000
Ordinary Shares of 10p each	**3,000,000,000**	**300,000**	3,000,000,000	300,000
Preference Shares of 10p each	**20,000,000**	**2,000**	20,000,000	2,000
		302,000		302,000

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

	Number of Shares 31/03/10	**Share Capital 31/03/10 £'000**	Number of Shares 31/03/09	Share Capital 31/03/09 £'000
Ordinary Shares issued and fully paid				
Opening balance	**317,467,036**	**31,747**	235,213,115	23,522
Issued as scrip dividend on 13 August 2008	**–**	**–**	731,665	73
Issued for cash on 17 November 2008	**–**	**–**	81,081,080	8,108
Issued on 17 November 2008 to Stream Partners vendors as deferred consideration	**–**	**–**	441,176	44
Total issued in period	**–**	**–**	82,253,921	8,225
Closing balance	**317,467,036**	**31,747**	317,467,036	31,747
Own shares held	**(11,039,886)**	**(5,093)**	(11,039,886)	(5,093)
Total Share Capital	**306,427,150**	**26,654**	306,427,150	26,654

Own shares held comprise the weighted average cost of own shares held by the employee benefit trust.

On 13 August 2008 the Company issued 731,665 Ordinary Shares of 10p each to those shareholders in the Company who had elected to receive new shares instead of the cash dividend that had been offered. The new Ordinary Shares were issued on the basis of a reference price of 81.65p per Ordinary Share.

On 17 November 2008 the Company issued 81,081,080 Ordinary Shares of 10p each pursuant to the placing that was announced by the Company on 7 October 2008. These shares were placed at 37p per ordinary share.

On 5 October 2006 the Group acquired the entire share capital of Assura Intelligence Limited for cash and conditional deferred consideration payable in shares in Assura Group. The number of Ordinary Shares of 10p each to be issued to the vendors was subject to a maximum of 441,176 and this number of shares was issued to the vendors on 17 November 2008.

Voting rights

Ordinary shareholders are entitled to vote at all general meetings.

Assura Equity Incentive Plan

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

As at 31 March 2010 the EEIP held a total of 11,039,886 (2009: 11,039,886) Ordinary Shares of 10p each in Assura Group Limited.

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

During the year 750,000 (2009: 1,190,000) units were granted to participants with the vesting period conditions as above.

	31/03/10 Units	31/03/09 Units
Outstanding as at the start of the year	**9,676,500**	5,712,500
Granted during the year	**750,000**	5,140,000
Forfeited during the year in respect of leavers	**(6,361,000)**	(1,176,000)
Outstanding as at the end of the year	**4,065,500**	9,676,500
Units exercisable at the end of the year	**–**	–

For units outstanding as at 31 March 2010, the weighted average remaining contractual life is 1.38 years (2009: 2.41 years) and the range of base reference prices is £0.55 to £1.90.

The weighted average fair value of units granted during the period was £0.13 (2009: £0.15).

The fair value of equity settled units is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which units were granted. The following table lists the inputs to the model used for the year ended 31 March 2010 and the year ended 31 March 2009.

	31/03/10	31/03/09
Dividend yield (%)	**0.0**	0.0
Expected share price volatility (%)	**72.6**	64.9
Risk-free interest rate (%)	**1.97**	2.1
Expected life of units (years)	**2.7**	3.2
Weighted average share price (p)	**33.0**	38.0

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

The fair value of the units granted in the period, is £99,000 (2009: £797,000) based on the market price at the date the units were granted. This cost is allocated over the vesting period. The cost allocation for the period was a credit of £1,109,000 (2009: charge of £910,000), due to the large number of forfeits by leavers.

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 Limited. The number of shares issued to the vendors was 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 £nil (2009: £274,000).

Notes to the Consolidated Financial Statements continued
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33. Share premium

	31/03/10 £'000	31/03/09 £'000
Opening balance	**23,212**	2,073
Proceeds arising on issue of Ordinary Shares	**–**	23,101
Issuance costs on share issue during period	**70**	(1,962)
Closing balance	**23,282**	23,212

The balance classified as share premium includes the excess receipts over and above the nominal value of the issued equity share capital of the Company, comprising 10p Ordinary Shares and 10p Preference shares less any costs incurred on the issuance of these shares.

During the period an amount of £70,000 was released back to this reserve following the final settlement of all costs in respect of the share issue.

34. Distributable reserve

	31/03/10 £'000	31/03/09 £'000
Opening balance	**213,614**	224,116
Dividends on Ordinary Shares (see note 15)	**–**	(10,502)
	213,614	213,614

This reserve was created by means of a transfer from the share premium reserve during the 2006 year end as approved by the Royal Court in Guernsey. Any dividends paid to shareholders are shown as a movement through this reserve.

35. Retained earnings

	31/03/10 £'000	31/03/09 £'000 (restated)
Opening balance	**(94,921)**	13,587
Depreciation transfer for land and buildings	**495**	74
Profit for the period attributable to equity holders	**(7,191)**	(108,763)
Cost of employee share-based incentives	**(1,109)**	910
Assura Intelligence Limited shares	**–**	(729)
Closing balance	**(102,726)**	(94,921)

36. Revaluation reserve

	31/03/10 £'000	31/03/09 £'000
Opening balance	**3,642**	3,089
Depreciation transfer for land and buildings	**(495)**	(74)
Revaluation of land and buildings in the year	**202**	627
Closing balance	**3,349**	3,642

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

37. 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 £164,173,000 (2009: £172,201,000) and on 306,427,150 (2009: 306,427,150) 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 £186,540,000 (2009: £202,903,000) which is after adding back the 'own shares held' reserve of £5,093,000 (2009: £5,093,000) and the derivative financial instrument at fair value of a liability of £17,274,000 (2009: liability of £25,609,000) and on 306,427,150 (2009: 306,427,150) 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 £164,173,000 (2009: £173,711,000) and on 306,427,150 (2009: 306,427,150) 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 £186,540,000 (2009: £202,903,000) which is after adding back the 'own shares held' reserve of £5,093,000 (2009: £5,093,000) and the derivative financial instrument at fair value of a liability of £17,274,000 (2009: liability of £25,609,000) and on 306,427,150 (2009: 306,427,150) Ordinary Shares in issue at the balance sheet date.

38. Note to the Consolidated Cash Flow Statement

	2010 £'000	2009 £'000 (restated)
Reconciliation of net profit/(loss) before taxation to net cash inflow from operating activities:		
Net profit/(loss) before taxation		
Profit/(loss) from continuing activities	**4,378**	(99,679)
Loss from discontinued activities	**(13,983)**	(9,768)
	(9,605)	(109,447)
Adjustment for non-cash items:		
Depreciation	**2,432**	2,078
(Increase)/decrease in debtors	**(567)**	4,574
(Decrease)/increase in creditors	**(1,072)**	10,181
Increase in provisions	**1,993**	–
Increase in pharmacy inventories	**(81)**	(297)
(Surplus)/deficit on revaluation of investment property	**(6,466)**	53,747
Development property impairment	**4,507**	–
Deficit on revaluation of property, plant and equipment	**47**	2,459
(Surplus)/deficit on revaluation of other investments	**(814)**	3,080
Loss on disposal of other investments	**405**	–
Interest capitalised on developments	**(1,364)**	(3,270)
(Profit)/loss on revaluation of financial instrument	**(8,334)**	31,470
(Profit)/loss on disposal of investment properties	**(394)**	1,878
Profit on disposal of pharmacies	**(1,118)**	–
Profit on disposal of assets	**(665)**	–
Goodwill impairment	**5,046**	1,811
Licences impairment (reversal)/charge	**(1,300)**	2,498
Impairment of property, plant and equipment	**258**	–
Non-current assets held for resale impairment	**–**	137
Share of losses/(profits) of associates and joint ventures	**(1,212)**	2,053
(Credit)/cost of employee share–based incentives	**(1,109)**	910
Discontinued operations	**4,118**	–
Restructuring costs	**2,981**	–
Other gains and losses	**2**	(16)
Amortisation of loan issue costs	**566**	1,449
Net cash (outflow)/inflow from operating activities	**(11,746)**	5,295

39. Deferred tax

Deferred tax consists of the following:

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

	Consolidated balance sheet		Consolidated income statement	
	31/03/2010 £'000	31/03/2009 £'000	**Year ended 31/03/2010 £'000**	Year ended 31/03/2009 £'000
Other timing differences	**–**	–		(43)
Pharmacy licenses recognised on acquisition	**–**	(2,157)	**2,157**	343
Trading losses carried forward	**1,464**	1,245	**219**	283
	1,464	(912)	**2,376**	583

The amount of deductible temporary differences and unused tax losses are as follows:

	Consolidated balance sheet	
	31/03/2010 £'000	31/03/2009 £'000
Tax losses	**32,996**	10,789
Other timing differences	**12,702**	23,807
Deficit on revaluation of investment properties in the UK	**67,233**	68,346
	112,931	102,942

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39. Deferred tax continued
£5,636,000 of tax losses unrecognised in the financial statements were transferred with Assura Medical Limited on its disposal.

The following deferred tax assets have not been recognised due to uncertainties around future recoverability:

The tax effect of these unrecognised assets is as follows:

	Consolidated balance sheet	
	31/03/2010 £'000	31/03/2009 £'000
Tax losses	**9,239**	3,021
Other timing differences	**3,557**	6,666
Deficit on revaluation of investment properties in the UK	**18,825**	19,137
	31,621	28,824

40. Derivatives and other financial instruments
The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments and properties are credit risk, liquidity risk, interest rate risk and equity price risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

Credit risk
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

In the event of a default by an occupational tenant, the Group will suffer a rental income shortfall and may incur additional costs, including legal expenses, in maintaining, insuring and reletting the property. Given the nature of the Company's tenants and enhanced rights of landlords who can issue proceedings and enforcement by bailiffs, defaults are rare and potential defaults are managed carefully by the credit control department. The maximum credit exposure in aggregate is one quarter's rent of circa £5m, however this amount derives from all the tenants in the portfolio and such a scenario is hypothetical. The Group's credit risk is well spread across circa 250 tenants at any one time. Furthermore the bulk of the Group's property income derives from the NHS or is reimbursed by the NHS and primary care trusts, who have an obligation to ensure that patients can be seen and treated and step in when GPs are unable to practice, hence the risk of default is minimal.

Other credit risks within the Group derive from pharmacy sales and sales by the Group's LIFT business. These debts are due to the Group and risk of default is considered minimal.

The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the balance sheet date.

Liquidity risk
Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. Investments in property are relatively illiquid however the Group has tried to mitigate this risk by investing in modern purpose built medical centres which are well let to GPs and PCTs. In order to progress its property investment and development programme, the Group needs access to bank and equity finance, both of which may be difficult to raise notwithstanding the quality, long lease length, NHS backing and geographical and lot size diversity of its property portfolio.

The Group finances its activities from bank loans. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities. The Group also enters into derivative transactions, principally interest rate swaps with the purpose of managing the interest rate risks arising from the Group's operations and its sources of finance.

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2010 and 31 March 2009 based on contractual undiscounted payments.

Year ended 31 March 2010	On demand £'000	Less than 3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total £'000
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	–	3,879	16,665	228,182	161,815	410,541
Trade and other payables	–	21,730	73	409	569	22,781
	–	25,609	16,738	228,591	162,384	433,322
Derivative financial liabilities:						
Interest rate swap	–	1,563	4,687	25,304	83,019	114,573
	–	1,563	4,687	25,304	83,019	114,573
Total financial liabilities	–	27,172	21,425	253,895	245,403	547,895

Year ended 31 March 2009	On demand £'000	Less than 3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total £'000
Non-derivative financial liabilities:						
Interest bearing loans and borrowings	–	3,524	7,168	227,818	70,285	308,795
Trade and other payables	–	24,626	72	402	674	25,774
	–	28,150	7,240	228,220	70,959	334,569
Derivative financial liabilities:						
Interest rate swap	–	(412)	(1,234)	(6,558)	2,845	(5,359)
	–	(412)	(1,234)	(6,558)	2,845	(5,359)
Total financial liabilities	–	27,738	6,006	221,662	73,804	329,210

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and, as debt is utilised, long term, debt obligations. The Group's policy is to manage its interest cost using interest rate swaps (see below). The swaps are revalued to their market value by reference to market interest rates at each balance sheet date.

The interest rate profile of the financial assets and liabilities of the Group at 31 March 2010 was as follows:

	Within 1 year £'000	1–5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	24,602	–	–	24,602

	Within 1 year £'000	1–5 years £'000	More than 5 years £'000	Total £'000
Fixed rate				
Interest rate swap	–	(958)	(16,316)	(17,274)
Long-term loans:				
NAB	(5,000)	(130,000)	–	(135,000)
Aviva	(1,244)	(5,090)	(78,615)	(84,949)
Santander	–	(29,626)	–	(29,626)
RBS	–	(6,266)	–	(6,266)
Payments due under finance leases	(98)	(409)	(569)	(1,076)

During the year the Aviva loans were increased to £85.6m (2009: £41.1m). The Aviva loans are partially amortised by way of quarterly instalments and partially repaid by way of bullet repayments falling due between 2021 and 2030. £1.2m is due within a year. These loans are secured by way of charges over specific medical centre investment properties with cross collaterisation between the loans and security. The loans are subject to fixed all in interest rates ranging between 5.85% and 6.49%.

On 30 March 2009 the Group entered into a new term loan with National Australia Bank Limited for three years with an option to extend for a fourth year. The facility was initially for £190m but £55m was repaid in the year leaving a balance of £135m at 31 March 2010 of which £5m is repayable on or before 31 March 2011 and £130m repayable on or before 3 March 2014.

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40. Derivatives and other financial instruments continued

On 2 March 2010 the Group entered into a new £30m loan with Santander, for a five year term with modest amortisation in years four and five of the term.

The interest rate profile of the financial assets and liabilities of the Group at 31 March 2009 was as follows:

	Within 1 year £'000	1–5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	24,790	–	–	24,790

	Within 1 year £'000	1–5 years £'000	More than 5 years £'000	Total £'000
Fixed rate				
Interest rate swap	–	–	(25,609)	(25,609)
Long-term loans:				
NAB	–	(189,310)	–	(189,310)
NU	(450)	(2,660)	(38,029)	(41,139)
RBS	(1,150)	(6,780)	–	(7,930)
Payments due under finance leases	(96)	(402)	(674)	(1,172)

	Book value		Fair value	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Cash	**24,602**	24,790	**24,602**	24,790
Interest rate swap	**(17,274)**	(25,609)	**(17,274)**	(25,609)
Long-term loan	**(255,842)**	(238,379)	**(255,842)**	(238,279)
Payments due under finance leases	**(1,076)**	(1,172)	**(1,076)**	(1,172)

In 2005 the Company entered into a 20 year interest rate swap at a rate of 4.5725%, on its full debt facility at that time of £100m. On 2 November 2006, the swap was increased to £200m (£150m effective from 30 June 2007 and £200m effective from 31 December 2007) all at a new rate of 4.59% expiring on 31 December 2027. On 8 January 2009 the swap was extended to 30 years but subject to a mandatory early termination on 30 September 2028 at the following rates: for the calendar year 2009 – 2.99%, for the calendar years 2010 and 2011 – 3.29% and for the remaining term – 4.59%. Based on the actual swap rates at 31 March 2010, the fair value of this swap was a deficit of £16.3m (2009: deficit of £24.9m). The Group also has entered into a smaller swap of initially £8m from April 2008 to March 2013 at 5.1% which reduces in line with loan amortisation linked to the Group's loan from The Royal Bank of Scotland PLC secured on its head office and investment property in Daresbury. Based on the actual swap rates at 31 March 2010, the fair value of this swap was a deficit of £0.7m (2009: deficit of £0.7m).

On 2 March 2010 the Group entered into an interest rate swap with Santander for a principal of £30m at 2.995% for five years. Based on actual swap rates at 31 March 2010 the fair value of this swap was a deficit of £0.3m.

The interest rate swaps are intended to protect the Group against fluctuations in interest rates given that the bulk of the Group's bank loans are at floating rate. The principal interest rate swap is measured against the three month LIBOR.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ decrease in basis points %	Effect on profit before tax £'000
2010	+75	1,675
	–75	(1,675)
2009	+75	(1,350)
	–75	1,350

The Group's interest rate hedging exceeds its actual borrowings hence increases in rates will reduce its cost of debt and vice versa.

Equity price risk
On 11 June 2009 the Group sold its entire share holding in Stobart Group Limited for £6,382,474 less incidental costs of sale.

Capital risk
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The gearing percentage on this basis is 57% at 31 March 2010 (53% at 31 March 2009).

	31/03/2010 £'000	31/03/2009 £'000
Cash and cash equivalents	**24,602**	24,790
Debt	**(256,918)**	(239,451)
Net Debt	**(232,316)**	(214,661)

	31/03/2010 £'000	31/03/2009 £'000 (restated)
Equity	**164,173**	172,023
Revaluation reserve	**(3,349)**	(3,642)
Derivative	**17,274**	25,609
Total capital	**178,098**	193,990
Net debt	**232,316**	214,661
Total capital plus net debt	**410,414**	408,651
	57%	53%

The Group's policy is to keep the gearing at a reasonable level, and not more than 65%, for a strongly asset-backed business. In order to achieve this it must have access to share capital when appropriate otherwise it may need to sell property and other assets. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the Parent Company adjusted as shown above.

41. Commitments
At the year end the Group had five developments on-site with a contracted total expenditure of £38m of which £23m had been expended. In addition to these property developments in progress, the Company has an identified development pipeline (as at 31 March 2010) amounting to a further £83m spread across 16 properties. This pipeline will only be formally contracted if development finance can be obtained on acceptable terms.

42. Related parties
During the year Assura Pharmacy Limited decreased its loan facility to GP Care Pharmacy Limited. The loans, which totalled £7,778,000 as at 31 March 2010 (2009: £8,778,000), are secured on the assets of GP Care Pharmacy Limited. Interest chargeable on the loans in the year was £224,000 (2009: £612,000).

During the year a pharmacy licence was sold to Andrew Murray, the former head of Assura Pharmacy Limited at a market rate of £29,000.

Following the disposal of the Medical Division amounts totaling £78,000 have been invoiced to Assura Medical Limited relating to provision of office space and staff expertise. The amounts charged were as detailed in the Transitional Services Agreement drawn up at the point of disposal. In addition £8,000 has been invoiced by Assura Medical Limited to the Group relating to the provision of IT services. All transactions were at arms length.

In addition, during the year the Group entered into transactions, in the ordinary course of business, with other related parties.

Notes to the Consolidated Financial Statements continued
For the period from 1 April 2009 to 31 March 2010

42. Related parties continued

	Sales To £'000	Purchases From £'000	Amounts Owed By £'000	Amounts Owed To £'000
Related Party				
Associates				
2010	2,566	–	9,354	–
2009	1,441	–	4,899	–
Joint Ventures				
2010	65	–	7,826	–
2009	40	–	9,475	2,655

Independent Auditor's Report to the members of Assura Group Limited

We have audited the company financial statements of Assura Group Limited for the year ended 31 March 2010 which comprise the Income statement, the Statement of other comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes A to N. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where:

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

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

Other matter

We have reported separately on the Group financial statements of Assura Group Limited for the year ended 31 March 2010.

Stuart Watson
Ernst & Young LLP
Manchester
28 June 2010

Company Income Statement
as at 31 March 2010

	Notes	**Year ended 31 March 2010 £'000**	Year ended 31 March 2009 £'000
Revenue			
Interest receivable from subsidiary companies		**17,384**	17,282
Bank and other interest receivable		**11**	163
Total revenue		**17,395**	17,445
Expenses			
Interest payable and similar charges	B	**10,525**	8,717
Legal and professional fees		**45**	287
Audit fees		**232**	422
Tax and accountancy fees		**33**	61
Administration fee		**132**	179
Directors' fees	6(c)	**1,113**	1,132
Advertising, PR and marketing		**62**	81
Travel, accommodation, subsistence and other expenses		**133**	56
Bank charges		**1**	13
Redundancy		**669**	–
Restructure		**163**	–
Loss on disposal of business		**2**	57
Total operating expenses		**13,110**	11,005
Operating profit		**4,285**	6,440
Provision for diminution in value of investments in subsidiaries		**(12,784)**	(111,829)
Impairment of other investment		**–**	(750)
Dividend received from subsidiary company		**–**	2,090
Loss before taxation		**(8,499)**	(104,049)
Taxation		**–**	–
Loss attributable to equity holders		**(8,499)**	(104,049)
Earnings per share (pence)			
Basic earnings per share on profit for the year		**(2.68)p**	(40.78)p
Diluted earnings per share on profit for the year		**(2.68)p**	(40.78)p

Company Statement of Comprehensive Income
as at 31 March 2010

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Loss for the year	**(8,499)**	(104,049)
Other comprehensive profit for the year, net of tax	**–**	–
Total comprehensive loss for the period, net of tax attributable to equity holders of the parent	**(8,499)**	(104,049)
Attributable to:		
Equity holders of the parent	**(8,499)**	(104,049)
Minority interests	**–**	–
	(8,499)	(104,049)

Company Balance Sheet
as at 31 March 2010

	Notes	31/03/10 £'000	31/03/09 £'000
Non-current assets			
Investments in subsidiary companies	C	**27,589**	10,962
Loans to subsidiary companies	D	**296,455**	279,239
		324,044	290,201
Current assets			
Cash and cash equivalents	E	**3,352**	736
Debtors	F	**281**	125
Loans to subsidiary companies	G	**56,058**	60,214
		59,691	61,075
Total assets		**383,735**	351,276
Current liabilities			
Creditors	H	**733**	700
Loans from subsidiary companies	I	**52,615**	20,927
Total liabilities		**53,348**	21,627
Non-current liabilities			
Loans from subsidiary companies	J	**166,214**	155,938
		166,214	155,938
Total liabilities		**219,562**	177,565
Net assets		**164,173**	173,711
Represented by:			
Capital and reserves			
Share capital	32	**31,747**	31,747
Own shares held	32	**(5,093)**	(5,093)
Share premium	33	**23,282**	23,212
Distributable reserve	34	**213,614**	213,614
Retained earnings	K	**(99,377)**	(89,769)
Total equity		**164,173**	173,711

The financial statements were approved at a meeting of the Board of Directors held on 28 June 2010 and signed on its behalf by:

Nigel Rawlings
Chief Executive Officer

Rodney Baker-Bates
Chairman

Company Statement of Changes in Equity
as at 31 March 2010

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Total £'000
1 April 2009	**31,747**	**(5,093)**	**23,212**	**213,614**	**(89,769)**	**173,711**
Loss attributable to equity holders and minority interest	–	–	–	–	(8,499)	(8,499)
Total comprehensive income	**–**	**–**	**–**	**–**	**(8,499)**	**(8,499)**
Cost of employee share-based incentives	–	–	–	–	(1,109)	(1,109)
Issue costs	–	–	70	–	–	70
31 March 2010	**31,747**	**(5,093)**	**23,282**	**213,614**	**(99,377)**	**164,173**

	Share Capital £'000	Own Shares Held £'000	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Total £'000
1 April 2008	**23,522**	**(4,561)**	**2,073**	**224,116**	**14,099**	**259,249**
Profit/(loss) attributable to equity holders and minority interest	–	–	–	–	(104,049)	(104,049)
Total comprehensive income	**–**	**–**	**–**	**–**	**(104,049)**	**(104,049)**
Dividends on Ordinary Shares	–	–	–	(10,502)	–	(10,502)
Cost of employee share-based incentives	–	–	–	–	910	910
Issue of deferred shares	–	–	–	–	(729)	(729)
Issue of Ordinary Shares	8,225	–	23,101	–	–	31,326
Issue costs	–	–	(1,962)	–	–	(1,962)
Own shares held	–	(532)	–	–	–	(532)
31 March 2009	31,747	(5,093)	23,212	213,614	(89,769)	173,711

Company Cash Flow Statement
For the period from 1 April 2009 to 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Net cash inflow from operating activities	L	**4,163**	8,245
Investing Activities			
Cash invested in subsidiaries		**(29,411)**	(24,210)
Net loans received from/(to) subsidiaries		**27,794**	(6,028)
Net cash inflow/(outflow) from investing activities		**(1,617)**	(30,238)
Financing Activities			
Issue of Ordinary Shares for cash		**–**	30,065
Issue costs paid on issuance of Ordinary Shares		**70**	(1,962)
Dividends paid		**–**	(10,502)
Net cash inflow from financing activities		**70**	17,601
Increase/(decrease) in cash and cash equivalents		**2,616**	(4,392)
Cash and cash equivalents at 1 April		**736**	5,128
Cash and cash equivalents at 31 March	E	**3,352**	736

Notes to the Company Financial Statements
For the year from 1 April 2009 to 31 March 2010

A. Accounting policies
The accounting policies of the Company are consistent with those of the Group which can be found on pages 40 to 49. Those policies which relate to the Company only can are shown on page 47.

B. Interest payable and similar charges

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Interest payable to subsidiary companies	**10,525**	8,717
	10,525	8,717

C. Investments in subsidiary companies

	31/03/10 £'000	31/03/09 £'000
Cost	**157,174**	127,762
Provision for diminution in value	**(129,595)**	(116,800)
	27,579	10,962

The investment carrying values are reviewed annually by reference to the net assets of the subsidiary companies excluding intercompany balances and any required impairment is provided for as a diminution in value. An impairment of £12,796,000 has been recognised in the year (2009: £111,829,000).

D. Loans to subsidiary company

	31/03/10 £'000	31/03/09 £'000
Assura Property Limited	**296,455**	279,239
	296,455	279,239

These comprise unsecured subordinated loans issued in support of property acquisitions. The loans are repayable on 31 December 2013 and interest is charged at the applicable swap rate for that period plus a margin of 2%.

E. Cash and cash equivalents

	31/03/10 £'000	31/03/09 £'000
Cash held in current account	**3,352**	736
	3,352	736

F. Debtors

	31/03/10 £'000	31/03/09 £'000
Prepayments and other debtors	**281**	125

G. Loans to Group undertakings

	31/03/10 £'000	31/03/09 £'000
Assura Property Limited	**9,853**	10,123
Assura Management Services Limited	**671**	1,785
Assura Care Homes Limited	**120**	100
Assura LIFT Holdings Limited	**6,400**	4,879
Assura Pharmacy Holdings Limited	**8,104**	8,104
BHE (Heartlands) Limited	**5,091**	5,091
Assura Medical Limited	**–**	4,021
Assura Intelligence	**28**	160
Assura Pharmacy Limited	**3,965**	7,819
Assura Services Limited	**11,900**	9,413
Assura Diagnostics Limited	**1,194**	1,224
Assura Health and Wellness Centres Limited	**2,010**	1,645
BHE (St James) Limited	**5,712**	5,850
Assura Investments Limited	**982**	–
Assura Property Management Limited	**28**	–
	56,058	60,214

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

Notes to the Company Financial Statements continued
For the year from 1 April 2009 to 31 March 2010

H. Creditors

	31/03/10 £'000	31/03/09 £'000
Trade creditors	**658**	288
Other creditors & accruals	**75**	412
	733	700

I. Loans from Group undertakings

	31/03/10 £'000	31/03/09 £'000
Assura Investments Limited	**–**	28
Assura Kensington Limited	**2,643**	2,643
Assura Aylesham Limited	**650**	650
Assura Banbury Limited	**3,589**	1,599
Assura Grimsby Limited	**1,173**	1,173
Assura Southampton Limited	**714**	714
Assura Tunbridge Wells Limited	**1,394**	1,399
Assura Todmorden Limited	**1,499**	1,499
Assura Property Management Limited	**–**	508
Assura Retail York Limited	**1,196**	1,238
Primary Care Initiatives (Macclesfield) Limited	**7**	7
Assura Fund Management LLP	**13,498**	6,951
Assura Properties Limited	**7,168**	2,518
Assura Medical Centres Limited	**11,366**	–
Assura Health Investments Limited	**7,000**	–
Assura Properties UK Limited	**718**	–
	52,615	20,927

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

J. Loans from Group undertakings

	31/03/10 £'000	31/03/09 £'000
Assura Properties Limited	**166,214**	155,938
	166,214	155,938

Loan from Assura Properties Limited bears interest at a rate of 2% above the swap interest rate (6.59%).

K. Reserves

See notes 32 to 36 of the Group accounts for a description of the nature and purpose of each of the Company's reserves as detailed in the Company Statement of Changes in Equity on page 85.

Retained earnings

	31/03/10 £'000	31/03/09 £'000
At 1 April	**(89,769)**	14,099
Net loss for the year	**(8,499)**	(104,049)
(Credit)/cost of employee share-based incentives	**(1,109)**	181
At 31 March	**(99,377)**	(89,769)

L. Note to the Cash Flow Statement

	31/03/10 £'000	31/03/09 £'000
Reconciliation of net profit before taxation to net cash inflow from operating activities:		
Net (loss)/profit before taxation	**(8,499)**	(104,049)
Adjustment for non-cash items:		
Increase in debtors	**(156)**	(36)
Increase/(decrease) in creditors	**34**	(248)
Provision for impairment of loan from a subsidiary	**12,784**	111,828
Unrealised deficit on revaluation of other investments	**–**	750
Net cash inflow from operating activities	**4,163**	8,245

M. Related party transactions

	Interest Receivable £'000	Interest Payable £'000	Amounts Owed By £'000	Amounts Owed To £'000
Related Party				
Group undertakings				
2010	17,135	10,276	353,032	218,828
2009	17,282	8,717	339,453	176,865

N. Risk management

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

Credit risks within the Company derive from non payment of loan balances. However as the balances are receivable from subsidiary companies the risk of default is considered minimal.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments.

Financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

The table below summarises the maturity profile of the Group's financial liabilities, including interest, at 31 March 2010 and 31 March 2009 based on contractual undiscounted payments.

Year ended 31 March 2010	On demand £'000	Less than 3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total £'000
Interest bearing loans and borrowings	–	–	–	–	166,214	166,214
Trade and other payables	–	932	–	–	–	932
	–	932	–	–	166,214	167,146

Year ended 31 March 2009	On demand £'000	Less than 3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total £'000
Interest bearing loans and borrowings	–	–	–	–	155,938	155,938
Trade and other payables	–	700	–	–	–	700
	–	700	–	–	155,938	156,638

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash deposits.

	Within 1 year £'000	1–5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	3,352	–	–	3,352

The interest rate profile of the financial assets and liabilities of the Group at 31 March 2009 was as follows:

	Within 1 year £'000	1–5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	736	–	–	736

	Book value		Fair value	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Cash	**3,352**	736	**3,352**	736

Notes

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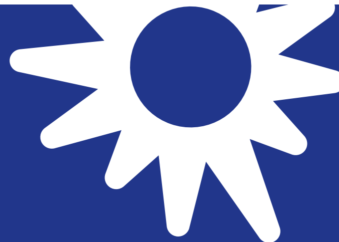

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