

## **AH Medical Properties plc**

### **Preliminary Results for year ended 30 April 2008**

#### **HIGHLIGHTS**

- **Rental Revenue up 76% to £5.1m**
- **Final Dividend 0.5p per share making 1.0p in total**
- **Health Park joint venture established**
- **Positive rental growth**
- **Portfolio average unexpired lease term 19.6 years**
- **94% of rents paid directly or indirectly by NHS**

#### **Chairman Giles Weaver said:**

“Whilst market turmoil, particularly within the property sector, may affect values our company should continue to generate positive operating returns due to the secure long term nature of its revenue, the good forward pipeline of projects and access to further debt finance from its current lenders.”

## **Chairman's Statement**

### **Results**

I am pleased to report further progress in the growth of the portfolio over the year to 30 April 2008. Rental revenue has increased to £5.1m (2007: £2.9m), up 76% over the previous year, whilst profit from revenue activities before tax shows a surplus of £513,000 (2007: £250,000).

Gross property assets as at 30 April 2008 total £95.4m following a revaluation which has reduced the gross value by £1.9m.

### **Dividend**

Due to the progress made by the company and the operating surplus generated, the Board is proposing a final dividend of 0.5 pence per share, making a total of 1.0 pence per share for the year.

### **Portfolio**

Despite uncertainties in much of the property market, our portfolio of primary care properties, with long leases largely backed by the NHS, continues to perform well generating positive rent reviews over the period with uplifts averaging 4.6% p.a. During the year new properties were developed in conjunction with our asset manager Ashley House plc in Beverley, Higham Ferrers, Twickenham, Stoke Poges and Brighton. In addition we completed a market acquisition in Watford.

The forward pipeline includes numerous Ashley House plc schemes either on site or approved for development whilst we have also agreed terms with another party for the acquisition of a new scheme in Manchester which should be completed in the late summer.

Overall, including the forward pipeline of schemes under construction and in the planning process, (assuming the same valuation basis as applied to these accounts), the enlarged portfolio would have a total value of approx. £125.0m.

### **Health Park Joint Venture**

As announced on 29 April 2008, we have entered into a joint venture with Ashley House to develop out the Scarborough Health Park project. This represents a limited engagement in development risk in a scheme comprising a 20,000 sq ft medical centre, a 25,000 sq ft treatment centre, care home and 14 sheltered housing units. The 50:50 joint venture was agreed on the basis of a site valuation of £3.8m by King Sturge, with senior debt provided to the joint venture by Lloyds TSB Bank supported by a corporate guarantee from Ashley House plc.

The board believes that, whilst the bulk of the group's revenue should continue to accrue from secure rental returns, there is merit in accepting some limited development risk, on projects within the health and social care sector to provide commensurately higher returns. It is anticipated that some of the individual properties developed through such joint ventures will be retained by the group upon completion as investments.

### **Valuation**

The board have always adopted a prudent approach to valuation and have not been willing to pay the high prices for portfolios offered in the market over the last 2-3 years. The organic growth has resulted in the portfolio comprising almost all new purpose built primary health facilities which have fixed or market uplifts every 3 years of which 94% of the rent is paid, directly or indirectly, by the NHS. The other 6% comprises mostly on-site pharmacy rents.

Due to the strength of the portfolio's characteristics, with 19.6 years average unexpired lease terms, no voids, positive rental growth and no material tenant covenant risk, the asset values in this specialised market have held up better than other areas of the property market which have recently endured significant reversals in valuation. Notwithstanding this, the Board has taken the view that values have fallen since the previous valuation in October 2007 and has therefore taken a reduction in the gross asset value of £1.9m over the year.

Following a full technical review of the treatment adopted in the Interim Financial Statements, the deferred tax figure of £2.1m now in accordance with IAS 12 reflects only the deferred tax post acquisition of Medical Properties Ltd and Ashley House Investments Ltd rather than the figure of £4.8m as reported as at the interim accounts.

The Net Asset Value (NAV) per share ignoring deferred tax would be 42.5p, whereas the NAV per share with the IAS deferred tax is 39.5p and the NAV per share assuming a sale of the properties (i.e. both recognised and unrecognised deferred tax and not taking IAS 12.15 initial recognition exemption) would be 35.4p.

**Financing**

The bulk of the group's debt is provided through fixed interest rate facilities following the refinancing undertaken in October 2007, which secured £58.5m fixed at 5.76% for 20 years. This refinancing had the additional benefit of releasing further funds for the forward pipeline and the group has a healthy cash position with in excess of £7m cash in the bank. We continue to enjoy the support of our main debt providers, Norwich Union Commercial Finance, with whom the A H Medical Properties plc group has a long standing relationship. Whilst there are no loan to value covenants in these debt facilities, the net debt to property value ratio stood at 68.8% as at 30 April 2008 and there is only one covenant for interest cover which was secure at the time the loans were issued and as each positive rent review is achieved, the cover increases.

**Outlook**

Whilst market turmoil, particularly within the property sector, may affect values our company should continue to generate positive operating returns due to the secure long term nature of its revenue, the good forward pipeline of projects and access to further debt finance from its current lenders.

Giles Weaver

Chairman

1 August 2008

CONSOLIDATED INCOME STATEMENT

	Note	Year to 30 April 2008			Year to 30 April 2007		
		£000 Revenue	£000 Capital	£000 Total	£000 Revenue	£000 Capital	£000 Total
<b>Revenue</b>		<b>5,148</b>	-	<b>5,148</b>	2,928	-	2,928
Valuation (losses)/gains on investment properties		-	(1,907)	(1,907)	-	5,957	5,957
Administrative expenses		(1,178)	-	(1,178)	(654)	-	(654)
<b>Operating profit</b>		<b>3,970</b>	<b>(1,907)</b>	<b>2,063</b>	2,274	5,957	8,231
Finance income		345	-	345	50	-	50
Finance costs		(3,802)	-	(3,802)	(2,074)	-	(2,074)
<b>(Loss)/profit before tax</b>		<b>513</b>	<b>(1,907)</b>	<b>(1,394)</b>	250	5,957	6,207
Income tax income/(expense)		59	102	161	-	(1,313)	(1,313)
<b>(Loss)/profit after tax</b>		<b>572</b>	<b>(1,805)</b>	<b>(1,233)</b>	250	4,644	4,894
<b>Basic (loss)/earnings per share</b>	4	<b>0.9p</b>	<b>(2.8)p</b>	<b>(1.9)p</b>	0.8p	15.3p	16.4p
<b>Diluted (loss)/earnings per share</b>	4	<b>0.9p</b>	<b>(2.8)p</b>	<b>(1.9)p</b>	0.8p	14.4p	15.1p

All of the activities of the group are classed as continuing.

CONSOLIDATED BALANCE SHEET

	Note	Group 2008 £000	Group 2007 £000
<b>Non-current assets</b>			
Investment property	1	88,572	78,505
Assets under construction	1	4,972	5,600
Deferred tax asset	2	194	227
		<u>93,738</u>	<u>84,332</u>
<b>Current assets</b>			
Work in progress		1,875	-
Trade and other receivables		821	1,826
Cash and cash equivalents		7,669	4,323
		<u>10,365</u>	<u>6,149</u>
<b>Current liabilities</b>			
Trade and other payables		<u>(4,664)</u>	<u>(6,269)</u>
<b>Net current assets/liabilities</b>		<u>5,701</u>	<u>(120)</u>
<b>Total assets less current liabilities</b>		<b>99,439</b>	<b>84,212</b>
<b>Non-current liabilities</b>			
Long term debt		(71,889)	(54,972)
Deferred tax liabilities	2	(2,121)	(2,223)
<b>Net assets</b>		<u><b>25,429</b></u>	<u><b>27,017</b></u>
<b>Equity</b>			
Called up share capital		6	6
Share premium account		18,579	18,579
Share based payment reserve		194	227
Retained earnings		6,650	8,205
<b>Total equity</b>		<u><b>25,429</b></u>	<u><b>27,017</b></u>
<b>Net asset value:</b>			
<b>Basic net asset value per share</b>		<b>39.5p</b>	41.9p
<b>* Adjusted net asset value per share</b>		<b>42.5p</b>	45.0p

The financial statements were approved by the board of directors on 1 August 2008.

\* This shows the effect of removing the deferred tax assets and liabilities

**S G Minion**  
**Chief Executive Officer**

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total £000
<b>At 30 April 2007</b>	6	18,579	227	8,205	27,017
Loss for the year	-	-	-	(1,233)	(1,233)
Dividends paid	-	-	-	(322)	(322)
Deferred tax	-	-	(33)	-	(33)
<b>At 30 April 2008</b>	<b>6</b>	<b>18,579</b>	<b>194</b>	<b>6,650</b>	<b>25,429</b>

  

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total £000
<b>At 30 April 2006</b>	2	2,165	180	3,311	5,658
Profit for the year	-	-	-	4,894	4,894
Share issue	4	16,869	-	-	16,873
Issue costs	-	(455)	-	-	(455)
Deferred tax on share issue	-	-	47	-	47
<b>At 30 April 2007</b>	<b>6</b>	<b>18,579</b>	<b>227</b>	<b>8,205</b>	<b>27,017</b>

## CONSOLIDATED CASHFLOW STATEMENT

	<b>2008</b>	2007
	<b>£000</b>	£000
(Loss)/profit before tax	<b>(1,394)</b>	6,207
Adjustments for:		
Net valuation loss/(gain) on property	<b>1,907</b>	(5,957)
Finance expense	<b>3,802</b>	2,024
Interest income	<b>(345)</b>	-
Operating cash flows before movements in working capital	<b>3,970</b>	2,274
Decrease in trade and other receivables	<b>935</b>	508
Increase in trade and other payables	<b>82</b>	528
<b>Cash generated by operations</b>	<b>4,987</b>	3,310
Interest paid	<b>(4,337)</b>	(2,503)
Income taxes paid	<b>(35)</b>	(166)
<b>Net cash from operating activities</b>	<b>615</b>	641
<b>Investing activities</b>		
Interest received	<b>364</b>	52
Purchase of investment property	<b>(13,741)</b>	(16,623)
Purchase of subsidiary	-	(4,190)
Purchase of joint venture	<b>(545)</b>	-
Net cash from purchase of subsidiary	-	148
<b>Net (cash used in) investing activities</b>	<b>(13,922)</b>	(20,613)
<b>Financing activities</b>		
Repayment of borrowings	<b>(462)</b>	-
Proceeds from long-term borrowings	<b>17,437</b>	10,532
Issue of share capital	-	13,361
Dividend paid	<b>(322)</b>	-
<b>Net cash from financing activities</b>	<b>16,653</b>	23,893
<b>Net increase in cash and cash equivalents</b>	<b>3,346</b>	3,921
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,323</b>	402
<b>Cash and cash equivalents at the end of the year</b>	<b>7,669</b>	4,323

The accompanying accounting policies and notes form an integral part of these financial statements.

## 1. TANGIBLE ASSETS

	<b>Investment properties £000</b>	<b>Assets under construction £000</b>
<b>Cost/valuation and net book amount</b>		
At 30 April 2007	78,505	5,600
Additions	769	10,577
Transfers	11,205	(11,205)
Deficit on revaluation	(1,907)	-
<b>At 30 April 2008</b>	<b><u>88,572</u></b>	<b><u>4,972</u></b>

	<b>Investment properties £000</b>	<b>Assets under construction £000</b>
<b>Cost/valuation and net book amount</b>		
At 30 April 2006	32,232	9,252
Additions	20,484	16,180
Transfers	19,832	(19,832)
Surplus on revaluation	5,957	-
<b>At 30 April 2007</b>	<b><u>78,505</u></b>	<b><u>5,600</u></b>

A valuation of the investment properties, which were all held by the group at that time, was performed in April 2008 by the directors in accordance with accounting policies.

The amount of finance costs capitalised by the group was £133,000 (2007: £476,000) during the period, which related to interest cost incurred during construction. The aggregate amount of finance costs included in investment properties and assets under construction at 30 April 2008 was £827,000 (2007: £694,000).

The group's future minimum operating lease receivables are as follows:

	<b>2008 £000</b>	2007 £000
Less than one year	<b>5,547</b>	5,016
Between one and five years	<b>22,305</b>	21,166
Five years or more	<b>81,570</b>	82,784
	<b><u>109,422</u></b>	<b><u>108,966</u></b>

## 2. DEFERRED TAXATION

The movement on the deferred tax liability is as shown below:

	<b>2008</b>	2007
	<b>£000</b>	£000
As at 1 May 2007	<b>(1,996)</b>	(730)
Charged /(credit) to income	<b>102</b>	(1,313)
Charged to equity	<b>(33)</b>	47
<b>As at 30 April 2008</b>	<b><u>(1,927)</u></b>	<u>(1,996)</u>

Deferred tax assets and liabilities have been calculated using the expected future tax rate of 28%. Any changes in the future would affect these amounts proportionately.

The movements in deferred tax assets and liabilities during the period are shown below.

<b>Deferred tax liabilities</b>	<b>Investment properties £000</b>
As at 1 May 2007	(2,223)
Charged to income	102
<b>As at 30 April 2008</b>	<b><u>(2,121)</u></b>
<b>Deferred tax assets</b>	<b>Share based payments £000</b>
As at 1 May 2007	227
Share options taken directly to equity	(33)
Increase in losses for the year	-
<b>As at 30 April 2008</b>	<b><u>194</u></b>
<b>Net deferred tax liability</b>	
<b>As at 30 April 2008</b>	<b><u>(1,927)</u></b>
As at 30 April 2007	<u>(1,996)</u>

As at 30 April 2008 there were losses available to offset against future profits of £5,228,000 (2007: £2,532,000). No deferred tax asset has been recognised on these amounts due to the uncertainty of their recovery.

### 3. TAX ON (LOSS)/PROFIT

	<b>2008</b>	2007
	<b>£000</b>	£000
(Loss)/profit before tax	<u>(1,394)</u>	<u>6,207</u>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 20% (2007: 19%)	(279)	1,179
Income not taxable	(132)	(1,132)
Expenses not deductible	381	-
Utilisation of losses	(79)	(47)
Losses carried forward	550	-
Excess of capital allowances over depreciation	(441)	-
Adjustment in respect of prior periods	(59)	-
Deferred taxation	(102)	1,313
Tax charge for period	<u>(161)</u>	<u>1,313</u>
Comprising:		
	<b>2008</b>	2007
	<b>£000</b>	£000
Current income tax	(59)	-
Deferred tax resulting from the origination and reversal of temporary differences	(102)	1,313
	<u>(161)</u>	<u>1,313</u>

### 4. (LOSS)/EARNINGS PER ORDINARY SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	<b>2008</b>			2007		
	<b>Loss</b>	<b>Weighted</b>	<b>Per share</b>	Profit	Weighted	Per share
	<b>£000</b>	<b>average</b>	<b>amount</b>	£000	average	amount
		<b>number of</b>	<b>pence</b>		number of	pence
		<b>shares</b>			shares	
<b>Basic earnings per share</b>						
(Loss)/profit attributable to ordinary shareholders	(1,233)	64,406,544	(1.91)	4,894	29,904,190	16.37
<b>Dilutive effect of securities</b>						
Options		-	-		1,471,313	(0.75)
Warrants		-	-		987,525	(0.50)
Diluted (loss)/earnings per share	<u>(1,233)</u>	<u>64,406,544</u>	<u>(1.91)</u>	<u>4,894</u>	<u>32,363,028</u>	<u>15.12</u>

### 5 PUBLICATION OF NON-STAUTORY ACCOUNTS

The above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. It is an extract from the full accounts for the year ended 30 April 2008 on which the auditor has expressed an unqualified opinion. The accounts will be posted to shareholders and subsequently filed at Companies House.