

Managing solutions

AH Medical Properties plc Report and accounts 2007



AH Medical Properties plc

A property investment company specialising in primary care assets.

95% of the rent comes from NHS Primary Care Trusts (PCTs) or GPs whose rent is reimbursed by PCTs.

Average unexpired lease length 21 years.

For further information visit
www.ashleyhouseplc.com

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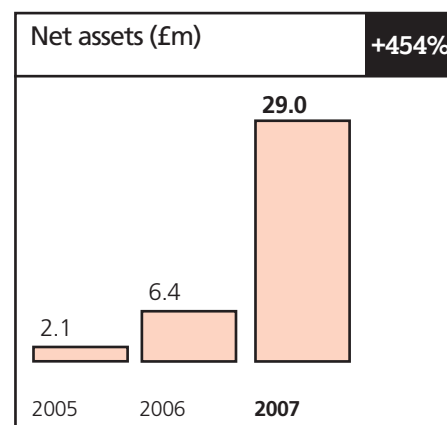
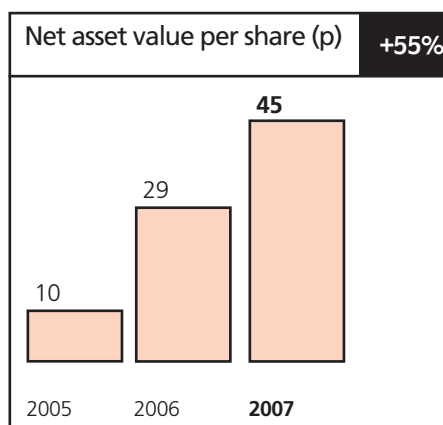
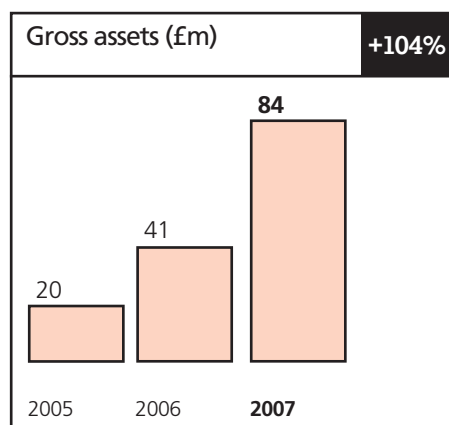
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Front cover left to right and top to bottom:
Newcastle-upon-Tyne, Byker
Sussex, Brighton
Derbyshire, Bolsover
North Yorkshire, Scarborough, Eastfields
Surrey, New Malden, The Groves
North Yorkshire, Danby

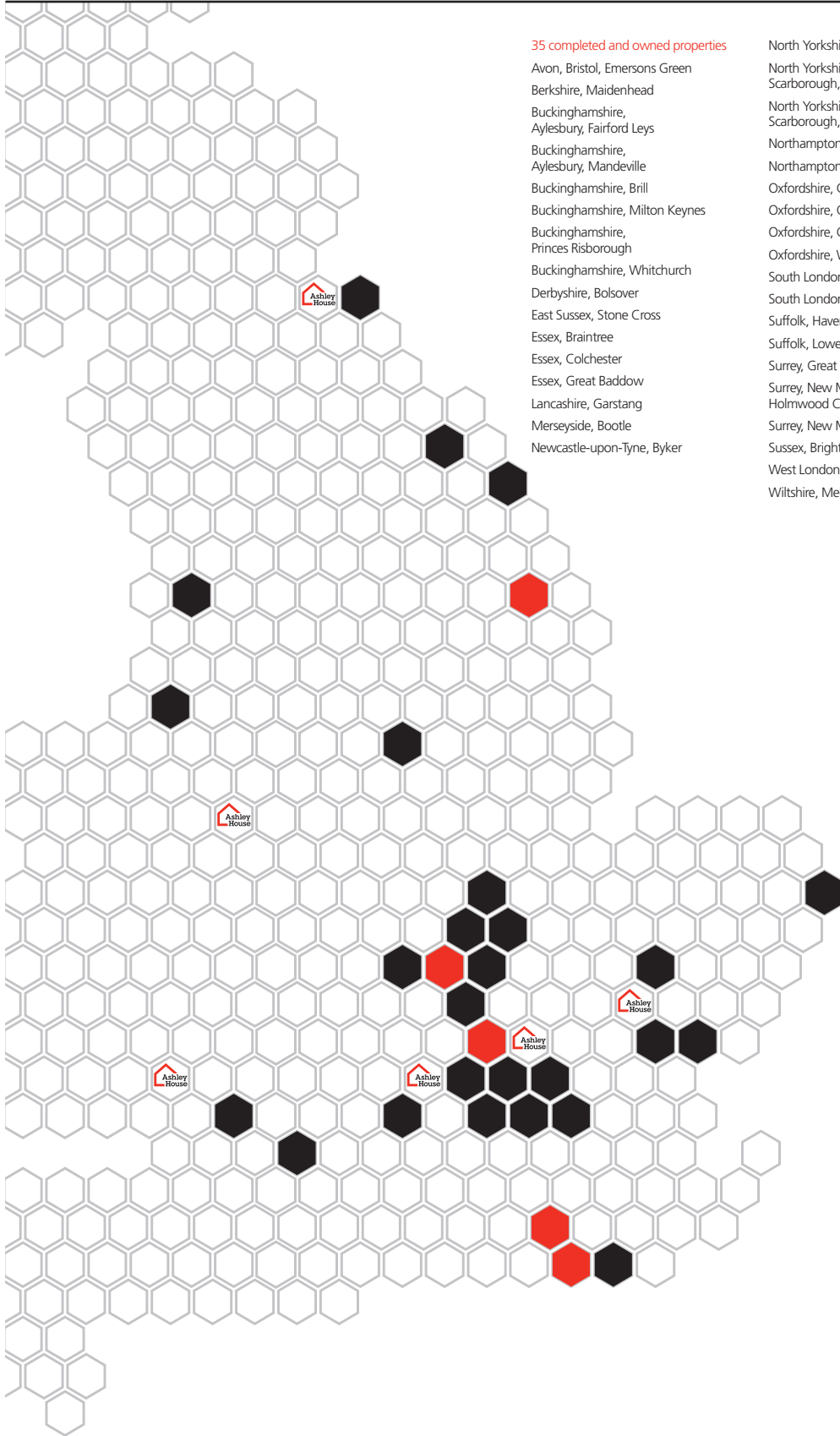
Highlights

A step change in the company during the year.

- Net asset value per share up 55% to 45p (2006: 29p)
- Net assets increased 454% to £29m (2006: £6m)
- Acquisition of AHIL in completing £20m portfolio of primary care assets for £7m net assets
- Portfolio now £100m gross value (including projects under construction and with planning consent)
- Forward pipeline of £20m identified to lift overall portfolio to £120m
- £17m of new equity raised – largest ever on PLUS markets



Our portfolio and pipeline



35 completed and owned properties

Avon, Bristol, Emersons Green
 Berkshire, Maidenhead
 Buckinghamshire, Aylesbury, Fairford Leys
 Buckinghamshire, Aylesbury, Mandeville
 Buckinghamshire, Brill
 Buckinghamshire, Milton Keynes
 Buckinghamshire, Princes Risborough
 Buckinghamshire, Whitchurch
 Derbyshire, Bolsover
 East Sussex, Stone Cross
 Essex, Braintree
 Essex, Colchester
 Essex, Great Baddow
 Lancashire, Garstang
 Merseyside, Bootle
 Newcastle-upon-Tyne, Byker




North Yorkshire, Danby
 North Yorkshire, Scarborough, Eastfields
 North Yorkshire, Scarborough, Trafalgar House
 Northamptonshire, Pytchley Court
 Northamptonshire, Higham Ferrers
 Oxfordshire, Chalgrove
 Oxfordshire, Chinnor
 Oxfordshire, Cropedy
 Oxfordshire, Wantage
 South London, Balham
 South London, Wandsworth
 Suffolk, Haverhill
 Suffolk, Lowestoft
 Surrey, Great Bookham
 Surrey, New Malden, Holmwood Corner
 Surrey, New Malden, The Groves
 Sussex, Brighton, Old Steine 3
 West London, Chelsea
 Wiltshire, Melksham

5 on site properties

Buckinghamshire, Stoke Poges
 East Yorkshire, Beverley
 Middlesex, Twickenham
 Sussex, Brighton, Carden Hill
 Sussex, Brighton, Old Steine 4

6 Ashley House offices

Burnham, Buckinghamshire
 Colchester, Essex
 London
 Monmouthshire, Wales
 Newcastle
 Stafford

-  Completed and owned
-  On site
-  Ashley House offices

40+

Over 40 properties
 Owned by AH Medical Properties plc and managed
 by Ashley House

£100m

£100m
 Portfolio value

Chairman's statement

Results

The year to 30 April 2007 has shown significant progress for AH Medical Properties plc (AHMP). The portfolio of investment properties has approximately doubled in the year from £41m to £80m. The net asset value has increased nearly fivefold from £6.4m to £29.0m and importantly the increase in net asset value per share has also been significant at 55%; from 29p per share at 30 April 2006 to 45p per share at 30 April 2007. Rental income for the year increased from £1.4m to £2.9m and a profit of £0.3m was achieved.

Portfolio

The portfolio of completed income producing assets has reached approximately £80m. If further projects under construction and those with planning approval are included, the total portfolio reaches a value of approximately £100m. This growth has been achieved partly through schemes developed by our asset management company, Ashley House plc; partly through a few one-off purchases; and partly from the acquisition of Ashley House Investments Limited (AHIL).

This portfolio of approximately £100m of properties comprises 42 properties in England producing in excess of £5.7m per annum in rent, 95% of which comes from NHS Primary Care Trusts (PCTs) or GPs whose rent is reimbursed by PCTs. The growth will come from new schemes procured via Ashley House, with whom we have an exclusive contract to acquire all new primary care buildings they control. Additionally, AHMP will also continue to acquire individual premises in the market and to bid for portfolios that fit with our investment criteria. We note that, to date, other investment companies have been willing to pay higher prices than us in the bids for the larger portfolios that we have entered into. However, we shall continue to seek such acquisitions and bid a price reflective of our desire to make an acceptable investment return.

The asset manager (Ashley House) has a forward pipeline of identified schemes which they believe should increase the portfolio value by some £20m to lift the overall portfolio to some £120m.

Corporate

The share trading structure was simplified in January 2007 by ending the share stapling agreement with Ashley House plc, whose shares were admitted to AIM. AHMP shares are now traded separately on PLUS markets. At the time of the acquisition of Ashley House Investments Limited, for £7m, AHMP successfully raised a further £10m of equity capital at the then net asset value of 42p per share. We are pleased to welcome all the new shareholders and see it as a very positive step to have attracted institutional investors such as Clwyd Pension Fund and Schroder Exempt Property Unit Trust as significant shareholders.

Board and governance

Following the de-stapling of the shares from Ashley House plc, AHMP has two independent non-executive directors in myself and Peter Wilkinson who approve all transactions between AHMP and Ashley House. Peter has a great deal of experience in the valuation of medical premises. My predecessor as Chairman, David Burton, helped establish this company, oversaw its early growth stage and leaves the group as a significant player in the primary care property market and our thanks go to him for his contribution.

Future growth

The group has grown very strongly and has the benefit of the exclusive right to acquire the Ashley House plc pipeline of projects, which is expected to produce £20-30m of new projects every year. Funding for the immediate pipeline is in place. However, with an eye to the future, the board is examining possible further equity fundraising as well as a debt refinancing which should reduce the ongoing cost as well as provide further capital for expansion. Any equity funding is unlikely to be dilutive as it will be done with reference to net asset value. The board intends to adopt a positive dividend policy in the new financial year.

The rapid growth to date and the prospects for the future of this business as well as the sector are the main reasons why I was so interested to get involved and become Chairman. I look forward to contributing to the next phase of growth.

Giles Weaver

Chairman

27 June 2007

Key schemes

1 Derbyshire, Bolsover

This new facility offers patients a large spacious facility within a comfortable and relaxed environment. In addition to consulting rooms and a treatment room for minor surgery, services already provided by the practice were extended to include podiatry and community matrons. The premises includes a large health education room for classes and meetings and brings together the community clinical team and practice staff under one roof. With the addition of 'state of the art' equipment, staff can now offer patients a truly modern and all encompassing service, close to home.

2 Sussex, Brighton, Old Steine 3

Part refurbishment of Grade II listed building and part new-build extension to create new surgery premises for six GPs, adjacent to their former premises. Part of a mixed scheme also incorporating flats.

3 Northamptonshire, Higham Ferrers

A scheme to develop a new five GP primary care centre with attached pharmacy. The development site is part of a Town Council owned car park at the rear of the current surgery premises.

4 North Yorkshire, Danby

The new three GP facility offers patients a more modern two storey facility of circa 560m² with a comfortable and relaxing environment, two treatment rooms, four consultation rooms, dispensary, district nurse's room, practice manager's office, kitchen, meeting room and 21 parking spaces. The design and materials used in the construction of the building of the surgery are of a very high quality to reflect the requirements of modern primary care and in keeping with local buildings. These included the use of natural stone walling and slate roof.

5 Sussex, Brighton, Carden Hill

Ashley House plc was appointed to facilitate the relocation of the practice out of Carden Avenue and Warmdene Road, two local surgeries, into one building while maintaining their own identity as separate practices. After an extensive site search, working with the local school, community, GP practices and the PCT enabled an innovative design to be developed on unused land within the grounds of Carden Primary School. This will provide additional space for the provision of extended PCT services and will result in a modern facility, built in a residential area that will serve the community for many years to come.

6 Essex, Colchester

New six doctor surgery to replace an outgrown and inadequate existing building housing four doctors with growing list size. The practice had already sold their existing building in exchange for an option on land owned by the NHS the other side of the main road. The land was split into three sections, the front end being sold to a day nursery, the rear retained for NHS or residential use.

7 Newcastle-upon-Tyne, Byker

Ashley House were asked to rehouse two forward-thinking local GP practices who wanted to be at the heart of the regeneration of the Shields Road area in Byker, Newcastle-upon-Tyne.

The result is a hugely innovative facility, built in a regeneration area that will serve the community for many years to come. It has been built to allow changes in configuration to service solutions as patient needs change.

8 Suffolk, Lowestoft

A new extension to form four doctor surgery to replace an outgrown and inadequate existing building with growing patient list. A phased solution was required allowing the doctors to continue to practice from their existing building whilst the new two storey extension was built. Thereafter, the move had to be staggered, firstly into the new extension and finally into

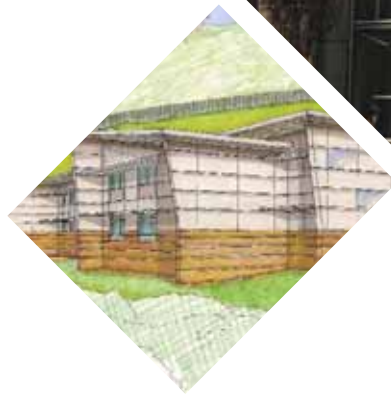
the reconfigured building, once the redevelopment and refurbishment of the existing surgery had been completed. No temporary buildings needed to be used, affording significant savings to the NHS.

9 Surrey, New Malden, The Groves

The Groves Practice, housed in a cramped three storey building were desperate for a new home. However, land in New Malden is hard to find and this led to an innovative solution. The local school also had an accommodation problem although theirs was not about availability of land but of funding. Ashley House saw that the demolition of two old temporary buildings could provide a site large enough not only to accommodate the new sports hall, music and drama departments the school urgently required but also a new surgery for The Groves.



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Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 April 2007.

On 11 January 2007 the company changed its name from Ashley House Properties Limited to AH Medical Properties plc.

Principal activity

The group's principal activity is the purchase, development and management of property primarily allied to the provision of medical facilities delivering NHS-led primary care.

Business review

The consolidated profit and loss account for the year is set out on page 11.

A review of developments affecting the group during the year and of its prospects for the future appears in the Chairman's statement. The directors do not recommend payment of a dividend this year.

Directors

The present membership of the board is set out below.

A D Burton (Non-executive Chairman) (resigned 1 May 2007)

J H Gunn (Non-executive Director)

J Holmes (resigned 16 February 2007)

S G Minion (Chief Executive Officer)

B L Walker (Finance Director)

C G H Weaver (Non-executive Chairman)

(appointed 1 May 2007)

P Wilkinson (Non-executive Director)

(appointed 16 February 2007)

G Weaver and P Wilkinson being newly appointed offer themselves for election at the forthcoming annual general meeting on 6 September 2007.

Supplier payment policy

The group's and the company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment.

Employee involvement

The group had one direct employee.

Substantial shareholdings

As at 30 April 2007, the company had been notified, in accordance with Sections 198 to 209 of the Companies Act 1985, of the following interests in the ordinary share capital of the company:

	Number	Percentage
Schroder Exempt Property Unit Trust	19,047,620	29.6%
S G Minion	6,967,046	10.8%
Clwyd Pension Fund	6,000,000	9.3%
Ashley House plc	4,404,762	6.8%
Guinness Peat Group	3,882,838	6.0%
Gail Mosley	3,302,185	5.1%
Geoff Mosley	2,777,777	4.3%

Corporate governance

The board supports the principles of good governance. The group is committed to high standards of corporate governance and has adopted procedures to instigate good governance insofar as they are practical and appropriate. The board has an audit committee and will adopt appropriate committees when necessary.

Application of principles

Directors

The group supports the concept of an effective board, leading and controlling the group. The board is responsible for approving group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. Management supplies the board with appropriate and timely information and the directors are free to seek any further information that they consider necessary. All directors have access to advice from the company secretary and independent professionals at the group's expense.

Directors' and officers' liability insurance

The group has, as permitted by Section 310(3) of the Companies Act 1985, maintained insurance cover on behalf of the directors and secretary indemnifying them against certain liabilities which may be incurred by them in relation to the company.

Financial risk management objectives and policies

The group is exposed to a variety of financial risks which result from both its operating and investing activities. The board is responsible for co-ordinating the group's risk management and focuses on actively securing the group's short- to medium-term cash flows. Long-term financial investments are managed to generate lasting returns.

The group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant financial risks to which the group are exposed to are described below:

Credit risk

The group's principal financial assets are cash and trade debtors. The amounts presented in the balance sheet are net of any allowance for doubtful debtors, estimated by the directors. The group has no significant concentration of credit risk.

The group has adopted a strict credit vetting policy based on track record payment history and externally available credit data.

Interest rate risk

The group finances its operations through bank borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity risk

The group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The maturity of borrowings is set out in note 11 to the financial statements. In addition to these borrowings the group has access to undrawn committed borrowing facilities as disclosed within note 11 to the financial statements.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for the preparation of the directors' report and other information in the annual report.

Insofar as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The board has overall responsibility for ensuring that the group maintains systems of internal control to provide it with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded.

Service agreements

No director has a service agreement with a notice period that exceeds three months.

Directors' remuneration and pension entitlements

	Salaries, fees and benefits 2007 Total £	Salaries, fees and benefits 2006 Total £
Executive		
J Holmes (resigned 16 February 2007)	–	–
S G Minion	–	–
B L Walker	–	–
	–	–
Non-executive		
A D Burton (retired 1 May 2007)	–	–
J H Gunn	–	–
C G H Weaver (appointed 1 May 2007)	–	–
P Wilkinson (appointed 16 February 2007)	2,500	–
	2,500	–
	2,500	–

The group did not make contributions to any directors' pension fund during the year.

The group has one employee.

Report of the directors continued

Directors' interests

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary share capital of AH Medical Properties plc at 30 April 2007 according to the register of directors' interests:

	Number of shares of 0.01p held at 30 April 2007	Percentage of issued share capital (%)	Acquired/ (disposed of) during period	Interest at 1 May 2006, or date of appointment if later, in shares of 0.01p each
C G H Weaver	–	–	–	–
A D Burton	344,166	0.5%	166,666	177,500
J H Gunn	564,606	0.9%	133,333	431,273
S G Minion	6,967,046	10.8%	2,881,410	4,085,636
B L Walker	250,000	0.4%	–	250,000
P Wilkinson	–	–	–	–

The interest of J H Gunn is held by W B (Nominees) Limited.

Connected persons' interest in share capital

Ludgate 181 (Jersey) Limited owns 999,998 shares in the company. A D Burton and J H Gunn are both directors of, and have an interest in, Ludgate 181 (Jersey) Limited.

Interests in share options

The interests of the directors and persons connected to the directors in options over shares as at 30 April 2007 were:

	Number of options held at 30 April 2007	Exercise price p	Number granted	Options held at 1 May 2006
S G Minion	330,000	0.01	–	330,000
P Wilkinson	50,000	42.00	50,000	–

The 0.01p options, which were granted on 15 August 2004, are exercisable within 10 years of that date. The 42p options, which were granted on 16 February 2007, are exercisable after two years until 15 February 2012.

C G H Weaver was granted options on 1 May 2007 on 100,000 shares at an exercise price of 42p, which are exercisable after two years until 30 April 2012.

Interests in warrants

The interests of the directors and persons connected to the directors in warrants over units comprising one share of Ashley House plc and one share of AH Medical Properties plc at 30 April 2007 were:

	Warrants held at 30 April 2007	Exercise price p	Warrants granted	Warrants exercised	Warrants held at 1 May 2006
A D Burton					
– director	330,000	0.01	–	–	330,000
J H Gunn					
– director	330,000	0.01	–	–	330,000
S G Minion					
– director	–	0.01	–	(64,190)	64,190
B L Walker					
– director	150,000	0.01	–	–	150,000
B L Walker					
– director	180,000	0.01	–	–	180,000

The warrants were exercised at a mid price of 43p per share.

The 0.01p warrants were granted on 16 August 2004 and 22 December 2004 respectively and are exercisable within five years from the date of grant.

Market value of shares

The market price of the ordinary shares, which were traded on OFEX/PLUS as a stapled unit with shares in Ashley House plc until 15 January 2007, ranged during the year from 131.5p to 206.5p. The market price of the ordinary shares of AH Medical Properties plc, which are traded independently on the PLUS market since 16 January 2007, ranged from 36.0p to 46.0p. At 30 April 2007 the share price was 36.5p per share.

Auditor

A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with Section 385 of the Companies Act 1985.

On behalf of the board

S G Minion

Chief Executive Officer
27 June 2007

Report of the independent auditor to the members of AH Medical Properties plc

We have audited the group and parent company financial statements (the 'financial statements') of AH Medical Properties plc for the year ended 30 April 2007 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 auditor

The directors' responsibilities for preparing the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the report of the directors is consistent with the financial statements. The information given in the directors' report includes specific information presented in the Chairman's statement that is cross-referred from the business review section of the directors' report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, report of the directors and illustrative reconciliation of net assets and profit under UK GAAP to IFRS. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 April 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements for the year ended 30 April 2007.

Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
Oxford
27 June 2007

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention except that they have been modified to include the revaluation of certain fixed assets as detailed in the policy on investment properties set out below. The policies have remained unchanged from the previous year apart from the adoption of FRS 20 'Share-based Payment'. The changes to the financial statements resulting from the adoption of this new policy are negligible this year and the prior year does not need restating.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertaking. Profits or losses on intra-group transactions are eliminated in full. All of the subsidiary's assets and liabilities that existed at the date of acquisition were recorded at their fair values reflecting their condition at that date.

Turnover

Turnover is the total of rental income, excluding value-added tax. Turnover is recognised on a straight-line basis in accordance with contractual terms to reflect the time pattern in which the benefit from the leased asset is receivable. Where a lease incentive is offered to a tenant, this is recognised on a straight-line basis up to the first date at which prevailing market rents become payable.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation. Finance costs on fixed asset additions are capitalised during the period of construction and written off as part of the total cost. No depreciation is charged during the period of construction.

Investments

Investments are included at cost less provision for amounts written off.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

→ provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

→ provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

→ deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investment properties

The group's properties held for long-term investment are included in the balance sheet on the basis of market value in accordance with SSAP 19. The directors assess the value of the investment properties every six months with the benefit of input from valuation professionals. Formal valuations will be carried out at least every three years on all investment properties. The surpluses or deficit on bi-annual valuations of such properties are transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties. This policy represents a departure from statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider this policy necessary in order that the financial statements give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise be shown, cannot be separately identified or quantified.

Goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition. Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

Consolidated profit and loss account

for the year ended 30 April 2007

	Note	Continuing operations 2007 £000	Acquisitions 2007 £000	Total 2007 £000	2006 £000
Turnover	1	2,689	239	2,928	1,386
Administrative expenses		(585)	(69)	(654)	(289)
Other operating income		–	–	–	111
Operating profit		2,104	170	2,274	1,208
Net interest	3			(2,024)	(959)
Profit on ordinary activities before taxation	1			250	249
Tax on profit on ordinary activities	4			–	(43)
Profit retained and transferred to/from reserves	14			250	206
Basic earnings per share	6			0.84p	0.94p
Diluted earnings per share	6			0.77p	0.86p

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

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

Balance sheets

at 30 April 2007

	Note	Group		Company	
		2007 £000	2006 £000	2007 £000	2006 £000
Fixed assets					
Tangible assets	7	84,105	41,484	15,814	14,392
Investments	8	–	–	9,116	1,869
		84,105	41,484	24,930	16,261
Current assets					
Debtors	9	1,826	1,916	7,360	1,250
Cash at bank and in hand		4,323	402	3,994	212
		6,149	2,318	11,354	1,462
Creditors: amounts falling due within one year	10	(6,269)	(4,903)	(3,352)	(3,238)
Net current assets/(liabilities)		(120)	(2,585)	8,002	(1,776)
Total assets less current liabilities		83,985	38,899	32,932	14,485
Creditors: amounts falling due after more than one year	11	(54,972)	(32,511)	(10,733)	(10,823)
Net assets		29,013	6,388	22,199	3,662
Capital and reserves					
Called-up share capital	13	6	2	6	2
Share premium account	14	18,579	2,165	18,579	2,165
Revaluation reserve	14	10,042	4,085	3,549	1,695
Profit and loss account	14	386	136	65	(200)
Shareholders' funds		29,013	6,388	22,199	3,662
Net asset value per share	15	45.0p	28.6p		

The financial statements were approved by the board of directors on 27 June 2007.

S G Minion

Chief Executive Officer

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

Consolidated cash flow statement

for the year ended 30 April 2007

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	17	3,310	1,711
Returns on investments and servicing of finance			
Interest paid		(2,503)	(1,142)
Interest received		52	17
Net cash outflow from returns on investments and servicing of finance		(2,451)	(1,125)
Taxation		(166)	–
Capital expenditure and financial investment			
Sale of tangible fixed assets		–	178
Purchase of tangible fixed assets		(16,623)	(17,449)
Net cash outflow from capital expenditure and financial investment		(16,623)	(17,271)
Purchase of subsidiary		(4,190)	194
Net cash from purchase of subsidiary		148	–
Net cash outflow from acquisitions and disposals		(4,042)	194
Financing			
Receipts from borrowing		10,532	23,143
Repayment of borrowing		–	(6,572)
Issue of shares		13,816	–
Expenses paid in connection with share issues		(455)	(49)
Net cash inflow from financing		23,893	16,522
Increase in cash	18	3,921	31

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

Other primary statements

for the year ended 30 April 2007

Statement of total recognised gains and losses

	2007 £000	2006 £000
Profit for the financial year	250	206
Unrealised surplus on revaluation of fixed asset investments	5,957	4,085
Total recognised gains relating to the year	6,207	4,291

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

Notes to the financial statements

for the year ended 30 April 2007

1 Profit on ordinary activities before taxation

The group operates entirely in property investment in the United Kingdom.

	2007 £000	2006 £000
Profit/(loss) on ordinary activities before taxation is arrived at after charging/(crediting):		
Profit on disposal of leasehold property	–	(111)
Auditors' remuneration:		
– statutory audit services	23	17
– taxation	16	5
– corporate finance transactions	35	19
– other	7	–

2 Staff

There was one director who was employed by the group. Remuneration paid to the other directors by Ashley House plc is disclosed in that group's financial statements.

	2007 £000	2006 £000
Director's remuneration	2	–

3 Net interest

	2007 £000	2006 £000
Mortgage loan interest	2,552	1,142
Interest capitalised	(476)	(166)
Interest received	(52)	(17)
	2,024	959

4 Tax on profit on ordinary activities

	2007 £000	2006 £000
UK corporation tax at 19%	–	43
Deferred taxation	–	–
Tax on profit/(loss) on ordinary activities	–	43
	2007 £000	2006 £000
Profit on ordinary activities before tax	250	249
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	48	47
Utilised losses	(48)	(4)
Current tax charge for period	–	43

Notes to the financial statements continued

5 Profit for the financial year

The company has taken advantage of the exemption allowed under Section 230(1) of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The company's profit for the year was £265,000 (2006: £129,000 loss).

6 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 period.

	2007			2006		
	Profit £000	Weighted average number of shares	Per share amount pence	Profit £000	Weighted average number of shares	Per share amount pence
Basic earnings per share						
Profit attributable to ordinary shareholders	250	29,904,190	0.84	206	21,900,922	0.94
Dilutive effect of securities						
Options	–	1,471,313	(0.04)	–	738,410	(0.03)
Warrants	–	987,525	(0.03)	–	670,116	(0.02)
Convertible loans	–	–	–	–	767,852	(0.03)
Diluted earnings per share	250	32,363,028	0.77	206	24,077,300	0.86

7 Tangible assets

	Investment properties £000	Assets under construction £000	Total £000
GROUP			
Cost/valuation and net book amount			
At 30 April 2006	32,232	9,252	41,484
Additions	20,484	16,180	36,664
Transfers	19,832	(19,832)	–
Surplus on revaluation (note 14)	5,957	–	5,957
At 30 April 2007	78,505	5,600	84,105
COMPANY			
Cost/valuation and net book amount			
At 1 May 2006	13,836	556	14,392
Disposals	–	(432)	(432)
Surplus on revaluation	1,854	–	1,854
At 30 April 2007	15,690	124	15,814

A valuation of the investment properties, which were all held by the group at that time, was performed in December 2006 by DTZ Chartered Surveyors. The basis of the valuation used was open market value in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS). The valuation was reflected in the subsidiary company's accounts and is considered to represent the cost of such properties to the group. The directors do not consider the value of the investment properties to have changed by a significant amount since the professional valuation was performed.

The amount of finance costs capitalised by the group was £476,000 (2006: £166,000) during the period, which related to interest cost during construction. The aggregate amounts of finance costs included in investment properties and assets under construction at 30 April 2007 was £694,000 (2006: £218,000).

8 Fixed asset investments

COMPANY	Investment in subsidiary £000
Cost	
At 1 May 2006	1,869
Acquisition in the year	7,247
At 30 April 2007	9,116

At 30 April 2007 the company held the whole of the issued share capital of the following subsidiary undertakings:

	Nature of business	Class of share capital held
Medical Properties Limited	Property investment	Ordinary shares of £1 each
Ashley House Investments Limited	Property investment	Ordinary shares of £1 each

On 16 February 2007, the group acquired 100% of the share capital of Ashley House Investments Limited for total consideration of £7,000,000, plus related costs of £247,000.

The cost comprised:

	£000
Consideration	
Cash	3,943
Issue of shares in AH Medical Properties plc	3,057
Total consideration	7,000
Other costs	247
Total cost	7,247

The book values and fair values of the assets and liabilities of Ashley House Investments Limited at that date were:

	Fair value adjustments		
	Book value £000	£000	Fair value £000
Tangible fixed assets	18,547	1,018	19,565
Debtors	418	–	418
Cash	148	–	148
Liabilities due within one year	(635)	–	(635)
Liabilities due after one year	(11,589)	(660)	(12,249)
	6,889	358	7,247

The adjustment in respect of tangible fixed assets was to reflect the investment properties at their open market value at the date of acquisition. The adjustment in respect of liabilities due after one year was to reflect the redemption cost of the debt at market rates.

For the period from 1 May 2006 to 15 February 2007 Ashley House Investments Limited made a profit of £148,000. For the year to April 2006, the company made a profit of £208,000.

Notes to the financial statements continued

8 Fixed asset investments (continued)

A summary of the profit for the period to 15 February 2007 is shown below:

	£000
Turnover	991
Operating profit	148
Profit after tax	148

The subsidiary undertaking acquired during the year made the following contributions to, and utilisation of, group cash flows:

	2007 £000
Net cash inflow from operating activities	457
Return on investment and servicing of finance	(165)
Capital expenditure and financial investment	(152)
Financing	(250)
Decrease in cash	(110)

9 Debtors

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade debtors	1,115	1,085	1,072	631
Amounts owed by group undertakings	–	–	5,963	165
Recoverable VAT	472	635	–	258
Other debtors	204	194	162	194
Corporation tax	–	–	163	194
Prepayments and accrued income	35	2	–	2
	1,826	1,916	7,360	1,250

10 Creditors: amounts falling due within one year

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Loans	736	416	166	233
Trade creditors	4,541	3,593	2	–
Amounts owed to related parties	–	–	2,974	2,780
VAT	–	–	3	–
Corporation tax	71	237	–	5
Accrued expenses	921	657	207	220
	6,269	4,903	3,352	3,238

Of trade creditors, £4,457,000 (2006: £3,549,000) is related to construction contracts on buildings included in fixed assets under construction, all of which have committed funding in place.

11 Creditors: amounts falling due after more than one year

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Loans	54,972	32,511	10,733	10,823

The loans are secured by first mortgages over the freehold properties owned by the group and bear annual interest at between 5.35% and 7.25%.

On certain loans, which relate to assets under construction, there are undrawn committed facilities which will be drawn down in future periods to fund assets under construction. Such undrawn facilities are held in blocked deposit accounts by the lender which are charged as security for the relevant loans. The group receives interest at variable rates on such deposits.

Borrowings are repayable as follows:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
After one and within two years	822	482	176	287
After two and within five years	2,700	1,564	597	898
After five years	51,450	30,465	9,960	9,638
	54,972	32,511	10,733	10,823

Financial instruments

The group uses financial instruments, other than derivatives, comprising borrowings, cash and various items, such as trade debtors, trade creditors etc., that arise directly from its operations. The main purpose of these financial instruments is to raise finance and provide working capital for the group's operations.

The main risks arising from the group financial instruments are interest rate risk and liquidity risk. The board review and agree policies for managing each of these risks and they are summarised below.

Throughout the period under review it has been the group policy that no trading in financial instruments shall be undertaken.

Interest rate risk

The group finances its operations through borrowings. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of a mixture of fixed and variable rate facilities.

The interest rate exposure of the financial liabilities of the group as at 30 April 2007 was:

	Fixed rate financial liabilities	
	Weighted average fixed interest rate %	Weighted average period for which rate is fixed in years
Financial liabilities	6.04%	20

Financial liabilities represent various mortgages used to fund the purchase of fixed assets. Capital repayments of these mortgages commence on completion of the construction of the related fixed asset. During construction the mortgages bear interest only at their respective fixed rates.

All mortgages are repayable over 20 or 25 years from the date of capital payments commencing.

Notes to the financial statements continued

11 Creditors: amounts falling due after more than one year (continued)

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The group and company financial liability analysis at 30 April 2007 is disclosed above.

Borrowing facilities

The group has undrawn committed borrowing facilities of £36,000 at 30 April 2007 (2006: £6,195,000) which are held on blocked deposit until required to fund specific assets under construction.

Fair value

Having compared the weighted average fixed interest rate with the current available rates in the market, the directors believe that the fair value of the group's financial liabilities as at 30 April 2007 would be lower by approximately £373,000 than the outstanding balance.

12 Deferred taxation

No deferred tax has been accounted for in accordance with FRS 19 on revaluations made to investment properties as there is no intention to sell. The total deferred tax liability that would have been recognised for the group is £3,013,000 (2006: £1,226,000).

13 Share capital

	2007 £000	2006 £000
Authorised		
50,000 redeemable shares of £1 each (created 11 January 2007)	50	–
82,000,000 Ordinary shares of 0.01p each (2006: 35,000,000 Ordinary shares of 0.01p)	8	4
Allotted, called-up and fully paid		
64,406,544 Ordinary shares of 0.01p each (2006: 22,369,408 Ordinary shares of 0.01p)	6	2

	Exercise price pence	2007	Issued	Exercised	2006
Options					
Issued 2004 expire 2014	0.01	1,060,000	–	(45,000)	1,105,000
Issued 2005 exercisable from 2008 expire 2015	0.01	100,000	–	–	100,000
Issued 2005 exercisable from 2008 expire 2015	0.01	105,000	–	–	105,000
Issued 2005 exercisable from 2008 expire 2015	0.01	210,000	–	–	210,000
Total options		1,475,000	–	(45,000)	1,520,000

Between 18 July and 3 October 2006, 45,000 options were exercised resulting in the issue of 45,000 shares for a total cash consideration of £nil.

13 Share capital (continued)

	Exercise price pence	2007	Issued	Lapsed	Exercised	2006
Warrants						
Issued 2004 expire 2009	0.01	810,000	–	–	–	810,000
Issued 2004 expire 2009	0.01	180,000	–	–	–	180,000
Issued 2005 expire 2010	0.01	–	–	–	(123,450)	123,450
Issued 2002 expire 2007	0.01	–	–	(221,474)	(528,526)	750,000
Total warrants		990,000	–	(221,474)	(651,976)	1,863,450

Between 4 May 2006 and 14 March 2007, 45,000 options and 651,976 warrants were exercised resulting in the issue of 696,976 shares for a total cash consideration of £nil.

On 31 October 2006, the company issued 1,166,667 shares in satisfaction of a convertible loan of £350,000, under the stapled share structure.

On 16 February 2007, the company issued 13,788,572 shares at 42p per share. Share premium of £5,790,000 has been recognised in relation to this issue.

On 16 February 2007, the company issued 7,277,777 shares at 42p per share as part of the settlement in the purchase of Ashley House Investments Limited. Share premium of £3,056,000 has been recognised in relation to this issue.

On 16 March 2007, the company issued 19,107,104 shares at 42p per share. Share premium of £8,023,000 has been recognised in relation to this issue.

At 30 April 2007 options and warrants over unissued ordinary 0.01p shares were as follows:

Date of grant	Number	Option, warrant price per share pence	Options, warrant periods ending	Closing share price at grant pence	Exercise price pence	Expected volatility %	Risk-free interest rate %	Dividend yield %	Fair value per share pence
2004	1,060,000	0.01	2014	0.01	0.01	19.97	5.25	5	–
2004	810,000*	0.01	2009	0.01	0.01	19.97	5.25	5	–
2004	180,000*	0.01	2009	0.01	0.01	19.97	5.25	5	–
2006	100,000	0.01	2016	0.01	0.01	19.97	5.25	5	–
2006	105,000	0.01	2016	0.01	0.01	19.97	5.25	5	–
2006	210,000	0.01	2016	0.01	0.01	19.97	5.25	5	–

*These are warrants, all others are options.

Notes to the financial statements continued

13 Share capital (continued)

The market price of the company's shares at 30 April 2007 was 36.5p and the range during the period from 15 January 2007 when the company's shares were admitted to the PLUS market and 30 April 2007 was between 36.5p and 46.0p. From 1 May 2006 until 12 January 2007, shares in AH Medical Properties plc traded as a stapled unit with shares in Ashley House plc, the units of the stapled structure ranged between 130.0p and 206.0p.

The vesting period of an option is assumed to be commensurate with the exercise period and this varies between being immediately exercisable and five years.

Expected volatility is a measure of the amount by which a share price is expected to fluctuate during a period. The volatility of the company's share price was calculated using the basic Hull-White model.

The risk-free rate is the yield on deposits held by the company.

Options and warrants are valued using the binomial tree method.

14 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
Group				
At 30 April 2006	2,165	4,085	136	6,386
Profit for the year	–	–	250	250
Revaluation reserve	–	5,957	–	5,957
Share premium	16,869	–	–	16,869
Issue costs	(455)	–	–	(455)
At 30 April 2007	18,579	10,042	386	29,007
Company				
At 30 April 2006	2,165	1,695	(200)	3,660
Profit for the year	–	–	265	265
Revaluation reserve	–	1,854	–	1,854
Share premium	16,869	–	–	16,869
Issue costs	(455)	–	–	(455)
At 30 April 2007	18,579	3,549	65	22,193

The revaluation reserve relates to the revaluation of investment properties.

15 Net asset value per share

The calculation of net asset value per share is based on the net assets at the balance sheet date divided by the number of shares in issue at that date.

16 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	250	206
New shares issued	4	–
Revaluation of property	5,957	4,085
Increase in share premium	16,869	–
Share issue costs	(455)	(49)
Net addition to shareholders' funds	22,625	4,242
Shareholders' funds at 1 May 2006	6,388	2,146
Shareholders' funds at 30 April 2007	29,013	6,388

17 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £000	2006 £000
Operating profit	2,274	1,208
Profit on disposal of leasehold property	–	(111)
Increase in debtors	508	(1,070)
Increase in creditors	528	1,684
Net cash inflow from operating activities	3,310	1,711

18 Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
Increase in cash in the year	3,921	31
Cash inflow from change in net debt	(10,532)	(16,570)
Movement in net debt in the period	(6,611)	(16,539)
Net debt at 1 May 2006	(32,525)	(15,986)
Loans acquired with subsidiary	(12,249)	–
Net debt at 30 April	(51,385)	(32,525)

Notes to the financial statements continued

19 Analysis of changes in net debt

	At 1 May 2006 £000	Cash flow £000	Non cash flow £000	At 30 April 2007 £000
Cash in hand and at bank	402	3921	–	4,323
Loans	(32,927)	(10,532)	(12,249)	(55,708)
Net debt	(32,525)	(6,611)	(12,249)	(51,385)

20 Capital commitments

Neither the group nor the company had capital commitments at 30 April 2007 or 30 April 2006 other than the projects which had been contracted for at 30 April 2007 at a value of £5,673,000 (2006: £6,397,000).

21 Contingent liabilities

Neither the group nor company had contingent liabilities at 30 April 2007 or 30 April 2006.

22 Related party transactions

Ashley House plc and AH Medical Properties plc, including its subsidiaries Medical Properties Limited and Ashley House Investments Limited, were related as a consequence of the share stapling agreement entered into in September 2004. As a result of the agreement the two companies had identical shareholders' registers. The companies' shares were de-stapled on 11 January 2007. During the period Ashley House plc made sales at an arm's length basis to AH Medical Properties plc of £7,190,000 (2006: £9,915,000). At 30 April 2007 the balance due to Ashley House plc was £2,955,000 (2006: £ 2,717,000).

During the period Ashley House plc made sales on an arm's length basis to Medical Properties Limited of £11,247,000 (2006: £ 4,441,000). At 30 April 2007 the balance due to Ashley House plc was £1,451,000 (2006: £468,000).

A number of the directors are also directors of Ashley House plc and are remunerated through that company.

During the year the company purchased the entire share capital of Ashley House Investments Limited, who shared common directors with the group. Details of the acquisition are set out in note 8.

All supplies made to AH Medical Properties plc and Medical Properties Limited are related to the design and construction of medical centres. In every case, the rent for the building, which drives the value of the scheme is set by the District Valuer acting for the Primary Care Trust (NHS). Transactions between Ashley House plc and AH Medical Properties plc are entered into on the basis of market equivalent pricing.

Illustrative reconciliation of net assets and profit under UK GAAP to IFRS – not audited

AH Medical Properties plc has reported under UK GAAP for its financial statements for the years ended 30 April 2007 and 30 April 2006. The analyses below show illustrative reconciliations of how the net assets at 30 April 2006 and of how the profits and net assets at 30 April 2007 would have been reported at these dates had they been reported under IFRS. The board is currently considering when it would be most appropriate to adopt IFRS but is providing this information for guidance and it does not form part of the audited accounts. The illustrative reconciliations are set out below and are followed by notes which explain the reconciling items and set out key assumptions.

	Notes	Previous GAAP £000	Effect of transition to IFRS £000	IFRS £000
Reconciliation of equity at 30 April 2007				
Tangible assets		84,105	–	84,105
Total non-current assets		84,105	–	84,105
Trade and other receivables		1,826	–	1,826
Cash and cash equivalents		4,323	–	4,323
Total current assets		6,149	–	6,149
Total assets		90,254	–	90,254
Ordinary shares		6	–	6
Share premium		18,579	–	18,579
Revaluation reserve	a	10,042	(10,042)	–
Retained profit	d	386	7,402	7,788
Total equity		29,013	(2,640)	26,373
Long-term liabilities		54,972	(373)	54,599
Provision for deferred tax	c	–	3,013	3,013
Total non-current liabilities		54,972	2,640	57,612
Current liabilities		6,269	–	6,269
Total current liabilities		6,269	–	6,269
Total liabilities		61,241	2,640	63,881
Total equity and liabilities		90,254	–	90,254

Illustrative reconciliation of net assets and profit under UK GAAP to IFRS – not audited

continued

Reconciliation of profit for the year ended 30 April 2007	Notes	Previous GAAP £000	Effect of transition to IFRS £000	IFRS £000
Revenue		2,928	–	2,928
Valuation gains on investment properties	a	–	5,957	5,957
Other administrative expenses		(789)	–	(789)
Operating profit		2,139	5,957	8,096
Fair value of financial liabilities	b	–	373	373
Net interest		(1,889)	–	(1,889)
Taxation	c	–	(1,787)	(1,787)
Net profit for the year		250	4,543	4,973

Reconciliation of equity at 30 April 2006	Notes	Previous GAAP £000	Effect of transition to IFRS £000	IFRS £000
Tangible assets		41,484	–	41,484
Total non-current assets		41,484	–	41,484
Trade and other receivables		1,916	–	1,916
Cash and cash equivalents		402	–	402
Total current assets		2,318	–	2,318
Total assets		43,802	–	43,802
Ordinary shares		2	–	2
Share premium		2,165	–	2,165
Revaluation reserve	a	4,085	(4,085)	–
Retained losses	d	136	2,859	2,995
Total equity		6,388	(1,226)	5,162
Long-term liabilities		32,511	–	32,511
Provision for deferred tax	c	–	1,226	1,226
Total non-current liabilities		32,511	1,226	33,737
Current liabilities		4,903	–	4,903
Total current liabilities		4,903	–	4,903
Total liabilities		37,414	1,226	38,640
Total equity and liabilities		43,802	–	43,802

Explanation of reconciling items between UK GAAP and IFRS

a Investment property

Under IAS 40 investment property will be recognised in the accounts at fair value, with revaluation gains being taken directly to the income statement rather than the revaluation reserve. The estimated credit to the income statement for 2006 was £4,085,000 with the amount for 2007 being an estimated credit of £5,957,000, resulting in the adjustment to the previously stated amount for 2007 of £10,042,000.

b Fair value of financial liabilities

Under IAS 39, financial liabilities can be designated as at fair value through profit and loss when doing so results in more relevant information because either that treatment eliminates or significantly reduces an 'accounting mismatch' or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a risk management or investment strategy. As a result of this treatment, financial liabilities would be measured at fair value and movements in fair value would be reflected as gains or losses through profit and loss.

c Deferred taxation

Under IAS 12 potential deferred tax liabilities arising on the sale of assets at their balance sheet value requires full provision in the financial statements. Under UK GAAP the requirement was to note the potential liability as a contingent liability if it was considered material. The estimated IAS 12 provision in this respect at 30 April 2006 and 2007 are £1,226,000 and £1,787,000 respectively. In addition, adjustments (a) and (c) would have deferred taxation effects under IFRS which would result in a credit to the 2006 taxation charge of £42,000 and a reduction in the deferred taxation liability of the same amount.

d Profit and loss

This is the net effect of adjustments (a), (b) and (c).

e Share-based payment

Under IFRS 2 a charge is required for all share-based payments including share options and warrants. The charge in the income statement is based on the fair value of the options and warrants granted at the grant date. Under UK GAAP there was no charge to the profit and loss account, as the exercise prices were at least equal to the market prices at the dates of issue. The estimated IFRS 2 charge for the year ended 30 April 2007 is £nil. There is no impact on net assets.

f Assumptions

The illustrative reconciliations show the expected impact of IFRS on the group's key financial information for the year ended 30 April 2007 on the assumption that the group decided to adopt IFRS in its financial statements for the year ending 30 April 2008. They are, therefore, based on elections to take advantage of certain exemptions that are available on first-time adoption of IFRS on the assumption that the effective transition date is 1 May 2006. In addition, the information is necessarily based on the recognition and measurement requirements of IFRS in issue and effective for the year ending 30 April 2007. In practice if the group were to adopt IFRS for the year ending 30 April 2008, it would need to take account of IFRS in issue and effective for that year which are likely to differ from those used in preparing the information.

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