

Investing in the future of Primary Care

AH Medical Properties plc Interim Report 2008

for the 6 months ended 31 October 2008



AH Medical Properties plc is a property investment company specialising in primary care assets.

For further information visit www.ashleyhouseplc.com

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Images (clockwise from main picture)
Stoke Poges Medical Centre,
Buckinghamshire

Somers Town Surgery, Portsmouth

County Oak Medical Centre, Brighton

Beverley Health Centre, East Yorkshire

Highlights

- Rental revenue up 18% to £2.86m (2007: £2.43m)
- Interim dividend maintained at 0.5p per share
- Period end cash balance stands at £4.7m
- Revenue profit after tax up to £384,000 (2007: £190,000 Loss)
- New scheme at Carden Hill, Brighton completed during the period with a value of £3.9m
- Following prudent write-down of £9.5m, the portfolio of completed investment properties stood at £83.6m.
- Forward pipeline of identified schemes expected to increase the portfolio value by some £50m to lift the overall portfolio to in excess of £130m.
- 95% of rents paid directly or indirectly by NHS

Chairman's statement

Results & Dividend

The results show the resilient nature of this portfolio of let specialist NHS led primary care buildings. Rental revenue increased by 18% to £2.86m (2007: £2.43m) boosting the Company's revenue surplus for the period to £0.38m (2007: £0.19m loss). This represents earnings on revenue activities of 0.60p per share and the board therefore proposes to pay an interim dividend of 0.5p per share on 19 January 2009 to all shareholders on the register as at 5 January 2009.

The investment value of the properties, although more resilient than other sectors of the commercial property investment market, has suffered from the general widening of investment yields. We have taken a prudent view and, following advice from our property valuers DTZ, we have written down the values by £9.5m. This unrealised revaluation has reduced the net asset value per share to 24.9p, whilst the adjusted net asset value per share, which ignores the deferred tax, is 28.1p per share and the fully provided tax net asset value is 27.2p per share.

Portfolio Progress

During the 6 month period, we completed a new scheme in Brighton at Carden Hill incorporating many energy saving features which is valued at £3.9m, and have recently acquired from Sainsbury's a newly completed property in Manchester, producing net rent of £170,000 p.a., for £2.5m.

As at the half year the overall value of the portfolio was £83.6m following the unrealised impairment from the revaluation by DTZ. Upon completion of the pipeline of known schemes it is anticipated that the overall value should exceed £130m.

Finance

In uncertain times such as these it is very encouraging to have the support of our financiers Norwich Union Commercial Finance who continue to offer funding for the new pipeline schemes. Our aggregate existing facilities are approx. £80m, comprising £58.5m fixed for a further 19 years at 5.76%, £8.5m fixed for five years at 5.65% and a further £9m to be drawn down before the end of December at an anticipated rate of 5% fixed for 5 years. None of the Company's borrowings are subject to loan to value covenants.

Outlook

The outlook for the wider commercial property market continues to suffer from negative sentiment and whilst values have been impaired our specialist medical property sector appears to have held up better than others. Our portfolio continues to perform well with no voids and positive rent reviews whilst the pipeline of future projects allows the company, subject to the continued availability of funding, to grow in the near term.

Giles Weaver

Chairman
19 December 2008

Independent Review report to AH Medical Properties plc

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 31 October 2008 which comprises the condensed consolidated interim income statement, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in equity, condensed consolidated interim cash flow statement and notes 1 to 6. We have read the other information contained in the half yearly financial report which comprises only the Chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The PLUS rules require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with the basis of preparation.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 31 October 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

Grant Thornton UK LLP

Registered Auditor
Chartered Accountants
Oxford
19 December 2008

Condensed consolidated interim income statement

		Unaudited 6 months to 31 October 2008		
	Note	Revenue £000	Capital £000	Total £000
Revenue		2,857	–	2,857
Rental income		2,857	–	2,857
Valuation (loss)/gain on property portfolio		–	(9,532)	(9,532)
Valuation (loss)/gain on property portfolio		–	(9,532)	(9,532)
Administrative expenses		(505)	–	(505)
Operating profit/(loss) before net financing costs		2,352	(9,532)	(7,180)
Exceptional finance expense		–	–	–
Finance income		153	–	153
Finance expense		(2,121)	–	(2,121)
Net financing costs		(1,968)	–	(1,968)
Profit/(loss) before tax		384	(9,532)	(9,148)
Income tax credit/(expense)		–	68	68
Profit/(loss) for the period		384	(9,464)	(9,080)
Earnings/(loss) per share:	3			
Basic earnings/(loss) per share (pence)		0.60	(14.70)	(14.10)
Diluted earnings/(loss) per share (pence)		0.60	(14.70)	(14.10)

The additional information in the above format provides analysis of the revenue and capital items within the income statement.

*restated for the comparative adjustment to deferred tax following the full technical review of the 2007 interim accounts in accordance with IAS 12 'Income tax'.

Unaudited (restated)* 6 months to 31 October 2007			Audited Year to 30 April 2008		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
2,423	–	2,423	5,148	–	5,148
2,423	–	2,423	5,148	–	5,148
–	1,254	1,254	–	(1,907)	(1,907)
–	1,254	1,254	–	(1,907)	(1,907)
(545)	–	(545)	(1,178)	–	(1,178)
1,878	1,254	3,132	3,970	(1,907)	2,063
(522)	–	(522)	–	–	–
63	–	63	345	–	345
(1,609)	–	(1,609)	(3,802)	–	(3,802)
(2,068)	–	(2,068)	(3,457)	–	(3,457)
(190)	1,254	1,064	513	(1,907)	(1,394)
243	(173)	70	59	102	161
53	1,081	1,134	572	(1,805)	(1,233)
0.08	1.68	1.76	0.88	(2.79)	(1.91)
0.08	1.61	1.69	0.88	(2.79)	(1.91)

Condensed consolidated interim balance sheet

	Note	Unaudited 31 October 2008 £000	Unaudited (restated)* 31 October 2007 £000	Audited 30 April 2008 £000
ASSETS				
Non-current assets				
Investment properties	4	83,625	87,918	88,572
Assets under construction	4	2,488	4,968	4,972
Deferred tax asset		194	243	194
		86,307	93,129	93,738
Current assets				
Work in progress	4	1,955	–	1,875
Trade and other receivables		589	2,108	821
Cash and cash equivalents		4,679	12,784	7,669
		7,223	14,892	10,365
Total assets		93,530	108,021	104,103
LIABILITIES				
Current liabilities				
Trade and other payables		(3,504)	(4,942)	(4,664)
		(3,504)	(4,942)	(4,664)
Non-current liabilities				
Long term debt		(71,946)	(72,759)	(71,889)
Deferred tax liabilities		(2,053)	(2,169)	(2,121)
Total non-current liabilities		(73,999)	(74,928)	(74,010)
Total liabilities		(77,503)	(79,870)	(78,674)
Net assets		16,027	28,151	25,429
EQUITY				
Called up share capital		6	6	6
Share premium account		18,579	18,579	18,579
Share based payment reserve		194	227	194
Retained earnings		(2,752)	9,339	6,650
Total equity		16,027	28,151	25,429
Net asset value	5			
Basic net asset value per share (pence)		24.9	43.7	39.5
Adjusted net asset value per share (pence)		28.1	47.1	42.5

*restated for the comparative adjustment to deferred tax following the full technical review of the 2007 interim accounts in accordance with IAS 12 'Income tax'.

Condensed consolidated interim statement of changes in equity

	Called up share capital £000	Share premium account £000	Share-based payment reserve	Retained earnings £000	Total £000
Balance at 30 April 2007 (audited)	6	18,579	227	8,205	27,017
Changes in equity for first half of 2007					
Profit for the period	–	–	–	1,134	1,134
Total recognised income and expense for the period	–	–	–	1,134	1,134
Balance at 31 October 2007 (unaudited)	6	18,579	227	9,339	28,151
Balance at 30 April 2007 (audited)	6	18,579	227	8,205	27,017
Changes in equity for the year					
Loss for the period	–	–	–	(1,233)	(1,233)
Dividends paid	–	–	–	(322)	(322)
Deferred tax	–	–	(33)	–	(33)
Total recognised income and expense for the period	–	–	(33)	(1,555)	(1,588)
Balance at 30 April 2008 (audited)	6	18,579	194	6,650	25,429
Balance at 30 April 2008 (audited)	6	18,579	194	6,650	25,429
Changes in equity for first half of 2008					
Loss for the period	–	–	–	(9,080)	(9,080)
Dividends paid	–	–	–	(322)	(322)
Total recognised income and expense for the period	–	–	–	(9,402)	(9,402)
Balance at 31 October 2008 (unaudited)	6	18,579	194	(2,752)	16,027

Condensed consolidated interim cash flow statement

	Unaudited 6 months to 31 October 2008 £000	Unaudited 6 months to 31 October 2007 £000	Audited Year to 30 April 2008 £000
Cash flows from operating activities			
(Loss)/profit before taxation	(9,148)	1,064	(1,394)
Adjustments for:			
Net valuation loss/(gain) on property	9,532	(1,254)	1,907
Interest paid	2,121	1,609	3,802
Interest received	(153)	(63)	(345)
Decrease/(increase) in trade and other receivables	299	(257)	935
(Increase) in work in progress	(80)	–	–
Increase/(decrease) in trade and other payables	285	(661)	82
Cash generated from operations	2,856	438	4,987
Interest paid	(2,096)	(1,609)	(4,337)
Income taxes paid	–	46	(35)
Net cash from/(used in) operating activities	760	(1,125)	615
Cash flows from investing activities			
Purchase of investment property	(3,504)	(7,527)	(13,741)
Purchase of joint venture	–	–	(545)
Interest received	153	63	364
Net cash (used in) investing activities	(3,351)	(7,464)	(13,922)
Cash flows from financing activities			
Proceeds from issue of redeemable share capital	–	50	–
Repayment of borrowings	(77)	–	(462)
Proceeds from long-term borrowings	–	17,000	17,437
Dividend paid	(322)	–	(322)
Net cash (used in)/from financing activities	(399)	17,050	16,653
Net (decrease)/increase in cash and cash equivalents	(2,990)	8,461	3,346
Cash and cash equivalents at beginning of period	7,669	4,323	4,323
Cash and cash equivalents at end of period	4,679	12,784	7,669

Notes to the condensed consolidated interim financial statements

1 Nature of operations and general information

The principal activity of AH Medical Properties plc and its subsidiaries (the 'Group') is property investment in the United Kingdom.

AH Medical Properties plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of AH Medical Properties plc's registered office, which is also its principal place of business, is The Priory, Stomp Road, Burnham, Buckinghamshire SL1 7LW.

The consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

These consolidated condensed interim financial statements were approved for issue by the Board of Directors on 18 December 2008.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 447 of the Companies Act 2005. The Group's statutory financial statements for the year ended 30 April 2008, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

2 Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 31 October 2008. They have been prepared following the recognition and measurement principles of IFRS. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2008.

These financial statements have been prepared on the going concern basis, under the historical cost convention, except for the revaluation of investment property assets.

This interim financial information has been prepared by applying the same IFRS-compliant accounting policies as will be applied in the 30 April 2009 year end financial statements. These are not anticipated to be materially different from the accounting policies in the year to 30 April 2008 which are published on the group's website, www.ashleyhouseplc.com.

Notes to the condensed consolidated interim financial statements

Continued

3 Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings/(loss) per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings/(loss) and weighted average number of shares used in the calculations are set out below:

	Earnings £000	Weighted average number of shares	Per share amount Pence
6 months to 31 October 2008			
Loss after tax	(9,080)		
Earnings attributable to ordinary shareholders			
Weighted average number of shares (used for basic earnings per share)		64,406,544	
Basic and diluted loss per share			(14.10)
Year to 30 April 2008			
Loss after tax	(1,233)		
Earnings attributable to ordinary shareholders			
Weighted average number of shares (used for basic earnings per share)		64,406,544	
Basic and diluted loss per share			(1.91)
6 months to 31 October 2007			
Profit after tax	1,134		
Earnings attributable to ordinary shareholders			
Weighted average number of shares (used for basic earnings per share)		64,406,544	
Dilutive effect of options and warrants		2,607,625	
Diluted weighted average number of shares (used for diluted earnings per share)		67,014,169	
Basic earnings per share			1.76
Diluted earnings per share			1.69

4 Tangible assets

	Investment properties £000	Assets under construction £000	Work in progress £000
Cost/valuation and net book amount			
At 30 April 2008	88,572	4,972	1,875
Additions	–	2,123	–
Additions in respect of jointly controlled entity	–	–	58
Transfers	4,585	(4,607)	22
Deficit on revaluation	(9,532)	–	–
At 31 October 2008	83,625	2,488	1,955

	Investment properties £000	Assets under construction £000	Work in progress £000
Cost/valuation and net book amount			
At 30 April 2007	78,505	5,600	–
Additions	769	10,577	–
Additions in respect of jointly controlled entity	–	–	1,875
Transfers	11,205	(11,205)	–
Deficit on revaluation	(1,907)	–	–
At 30 April 2008	88,572	4,972	1,875

	Investment properties £000	Assets under construction £000	Work in progress £000
Cost/valuation and net book amount			
At 30 April 2007	78,505	5,600	–
Additions	–	7,527	–
Additions in respect of jointly controlled entity	–	–	–
Transfers	8,159	(8,159)	–
Gain on revaluation	1,254	–	–
At 31 October 2007	87,918	4,968	–

Notes to the condensed consolidated interim financial statements

Continued

5 Net asset value

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.

	31 October 2008	31 October 2007	30 April 2008
	£000	£000	£000
Net assets per balance sheet	16,027	28,151	25,429
Add – deferred tax provision	2,053	2,169	2,121
Adjusted net assets	18,080	30,320	27,550
	No of shares	No of shares	No of shares
Ordinary shares	64,406,544	64,406,544	64,406,544
Net asset value per share (pence)	24.9	43.7	39.5
Adjusted net asset value per share (pence)	28.1	47.1	42.5

6 Dividends

A final dividend of 0.5p per share was paid by AH Medical Properties plc to its equity shareholders during the first six months of the year to April 2009 (first six months of 2008: £nil). The directors have proposed to pay an interim dividend of 0.5p per share payable on 19 January 2009 to shareholders on the register as at 5 January 2009.

Company information

Company registration number

4188281

Registered office

The Priory
Stomp Road
Burnham
Buckinghamshire
SL1 7LW

Directors

C G H Weaver	Non Executive Chairman
S G Minion	Chief Executive Officer
B L Walker	Finance Director
J K Brown	Non Executive Director
P Wilkinson	Non Executive Director

Secretary

S Ronaldson

Corporate advisor

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Solicitors

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