A successful healthcare portfolio...

AH Medical Properties

AH Medical Properties plc
Report & accounts 2008

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

For further information visit www.ashleyhouseplc.com

Contents

Pages 2 to 3 constitute the Chairman's statement for AH Medical Properties plc and, for the purposes of section 463 of the Companies Act 2006, are incorporated by reference into the Report of the directors set out on pages 4 to 7.

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

01 Buckinghamshire, Stoke Poges
02 Derbyshire, Bolsover
03 Sussex, Brighton
04 East Riding of Yorkshire, Beverley
05 Northants, Higham Ferrers

Chairman's statement

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.

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 plc 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 in 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 AH 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

Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 April 2008.

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

Business review
The consolidated income statement for the year is set out on page 8. A review of developments affecting the group during the year and of its prospects for the future appears in the Chairman's statement.

The group is required by Companies Act 1985 to set out in this report a fair review of the business of the group during the financial year ended 30 April 2008 and the position of the group at the end of the year. This information is included within the Chairman's Statement on pages 2-3.

The directors paid an interim dividend of 0.5 pence per share on 28 January 2008 amounting to £322,000. The directors propose a final dividend of 0.5 pence per share amounting to £322,000. These are the group's first dividend payments.

Directors
The present membership of the board is set out below. Except as noted, the directors served throughout the year.

C G H Weaver	Non – executive Chairman (Appointed 1 May 2007)
S G Minion	Chief Executive Officer
B L Walker	Finance Director
J K Brown	Non – executive Director (Appointed 5 December 2007)
A D Burton	Non – executive Chairman (Resigned 1 May 2007)
J H Gunn	Non – executive Director (Resigned 9 July 2007)
P Wilkinson	Non – executive Director

J K Brown being newly appointed offers himself for election. B L Walker retires by rotation and offers himself for re-election.

Directors' and officers' liability insurance
The group has 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 group.

Supplier payment policy
The group'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 three direct employees.

Substantial shareholdings
As at 21 July 2008, the company had been notified 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	7,067,046	11.0%
Clwyd Pension Fund	6,000,000	9.3%
Ashley House plc	4,404,762	6.8%
Guinness Peat plc	3,882,838	6.0%
Walker Crips Stockbrokers	3,411,256	5.3%
Gail Mosley	3,302,185	5.1%
Geoff Mosley	2,777,777	4.3%

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 coordinating 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 are described below:

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

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.

The group has net borrowings of £63,703,000 relating to property mortgages, which are at fixed interest rates from 5.76% to 6.99%. The group has £8,320,000 relating to property mortgages, which are at variable rates from 1.5% to 2.0% above Norwich Union Bank Base Rate and exposes the group to any increase in base rate.

The group also has net borrowings of £1,330,000 relating to the debt held within the joint venture company AH Scarborough Health Park Limited on 30 April 2008. This loan is variable at 1.75% over Lloyds TSB Base Rate and exposes the group to any increase in base rate.

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 15 to the financial statements.

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.

Ashley House plc is the asset manager for the portfolio. Under the asset management agreement, AH Medical Properties plc has the first right of refusal to acquire all Primary Care schemes controlled by Ashley House plc. S G Minion and B L Walker are also directors of Ashley House plc and payment for their services as directors of AH Medical Properties plc is covered under the asset management agreement.

Ashley House plc is also a 6.8% shareholder in AH Medical Properties plc.

All transactions between Ashley House plc and AH Medical Properties plc are subject to the approval of the three independent directors of AH Medical Properties plc and S G Minion and B L Walker do not vote on such matters.

Application of principles

Board effectiveness
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.

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

Report of the directors
continued

Directors' remuneration and pension entitlements

	Salaries, fees and benefits 2008 Total £	Salaries, fees and benefits 2007 Total £
S G Minion	–	–
B L Walker	–	–
Executive	–	–
J K Brown (Appointed 5 December 2007)	**6,250**	–
A D Burton (Retired 1 May 2007)	–	–
J H Gunn (Retired 9 July 2007)	–	–
C G H Weaver (Appointed 1 May 2007)	**25,000**	–
P Wilkinson (Appointed 16 February 2007)	**15,000**	2,500
Non-executive	**46,250**	2,500
	46,250	2,500

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

The group has three employees.

There were no share option charges in the current year.

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 2008, according to the register of directors' interests:

	Number of shares of 0.01p held at 30 April 2008	Percentage of issued share capital	Acquired during the year	Interest at 1 May 2007, or date of appointment if later, in shares of 0.01p each
C G H Weaver	**155,000**	**0.2%**	155,000	–
J K Brown	**50,000**	**0.1%**	50,000	–
S G Minion	**7,067,046**	**11.0%**	100,000	6,967,046
B L Walker	**250,000**	**0.4%**	–	250,000
P Wilkinson	**11,500**	**0.0%**	10,000	1,500

Interests in share options
The interests of the directors and persons connected to the directors in options over shares in AH Medical Properties plc at 30 April 2008 were:

	Number of options held at 30 April 2008	Exercise price (p)	Number granted	Options held 1 May 2007
C G H Weaver	**100,000**	42.00	100,000	–
J K Brown	**50,000**	42.00	50,000	–
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 ten years of that date. The 42.00p options, which were granted on 16 February 2007, 1 May 2007 and 14 February 2008, are exercisable between two years and five years.

Interests in warrants

The interests of the directors and persons connected to the directors in warrants over shares in AH Medical Properties plc at 30 April 2008 were:

	Warrants held at 30 April 2008	Exercise price (p)	Warrants granted	Warrants exercised	Warrants held at 1 May 2007
B L Walker	**150,000**	0.01	–	–	150,000
	180,000	0.01	–	–	180,000

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

Market value of shares

The market price of the ordinary shares, which are traded on PLUS, ranged from 28.50p to 39.75p. At 30 April 2008 the share price was 30.0p per share (2007: 36.5p).

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with Section 489 of the Companies Act 2006.

On behalf of the board

S G Minion
Chief Executive Officer
1 August 2008

Consolidated income statement

for the year ended 30 April 2008

		Year to 30 April 2008			Year to 30 April 2007		
	Note	£000 Revenue	£000 Capital	**£000 Total**	£000 Revenue	£000 Capital	**£000 Total**
Revenue	1	5,148	–	**5,148**	2,928	–	**2,928**
Valuation (losses)/gains on investment properties	8	–	(1,907)	**(1,907)**	–	5,957	**5,957**
Administrative expenses	2	(1,178)	–	**(1,178)**	(654)	–	**(654)**
Operating profit		3,970	(1,907)	**2,063**	2,274	5,957	**8,231**
Finance income	4	345	–	**345**	50	–	**50**
Finance costs	5	(3,802)	–	**(3,802)**	(2,074)	–	**(2,074)**
(Loss)/profit before tax		513	(1,907)	**(1,394)**	250	5,957	**6,207**
Income tax income/(expense)	6	59	102	**161**	–	(1,313)	**(1,313)**
(Loss)/profit after tax		572	(1,805)	**(1,233)**	250	4,644	**4,894**
Basic (loss)/earnings per share	7	0.9p	(2.8)p	**(1.9)p**	0.8p	15.3p	**16.4p**
Diluted (loss)/earnings per share	7	0.9p	(2.8)p	**(1.9)p**	0.8p	14.4p	**15.1p**

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.

Consolidated balance sheet

at 30 April 2008

	Note	Group 2008 £000	Group 2007 £000
Non-current assets			
Investment property	8	**88,572**	78,505
Assets under construction	8	**4,972**	5,600
Deferred tax asset	16	**194**	227
		93,738	84,332
Current assets			
Work in progress	9	**1,875**	–
Trade and other receivables	11	**821**	1,826
Cash and cash equivalents	12	**7,669**	4,323
		10,365	6,149
Current liabilities			
Trade and other payables	13	**(4,664)**	(6,269)
Net current assets/liabilities		**5,701**	(120)
Total assets less current liabilities		**99,439**	84,212
Non-current liabilities			
Long term debt	14	**(71,889)**	(54,972)
Deferred tax liabilities	16	**(2,121)**	(2,223)
Net assets		**25,429**	27,017
Equity			
Called up share capital	17	**6**	6
Share premium account		**18,579**	18,579
Share-based payment reserve		**194**	227
Retained earnings		**6,650**	8,205
Total equity		**25,429**	27,017
Net asset value:			
Basic net asset value per share	18	**39.5p**	41.9p
***Adjusted net asset value per share**	18	**42.5p**	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
At 30 April 2007	6	18,579	227	8,205	27,017
Loss for the year	–	–	–	(1,233)	(1,233)
Dividends paid	–	–	–	(322)	(322)
Deferred tax	–	–	(33)	–	(33)
At 30 April 2008	**6**	**18,579**	**194**	**6,650**	**25,429**

	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained earnings £000	Total £000
At 30 April 2006	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
At 30 April 2007	**6**	**18,579**	**227**	**8,205**	**27,017**

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

Consolidated cash flow statement

for the year ended 30 April 2008

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

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

Principal accounting policies

Basis of accounting
AH Medical Properties plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 36 of the financial statements. The nature of the group's operations and its principle activities are set out in the Chairman's Statement on pages 2-3.

The group's financial statements consolidate those of the company and its subsidiaries (together referred to as the group).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in reporting an opening IFRS balance sheet as at 1 May 2006 for the purposes of the transition to IFRS as adopted by the European Union.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are provided in note 23 to the financial statements.

Basis of preparation
The financial statements have been prepared on the going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments and investment property assets, which are carried at fair value.

The board regularly review the group's resources to ensure they are sufficient to continue trading for the foreseeable future. It is therefore considered appropriate to use the going concern basis to compile these financial statements.

These financial statements are presented in pounds sterling because that is the functional currency of the parent and the presentational currency of the group.

Accounting estimates and judgements
The preparation of financial statements in conforming with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from those estimates. Revisions to these estimates are made in the period in which they are recognised.

Estimates and assumptions mainly relate to the useful life of non-current assets, the discounted cashflow used in impairment testing, and the establishing of provisions for litigation, taxes, trade receivables provisions and share based payments.

The directors assess the value of the investment properties every six months with the benefit of input from valuation professionals. Formal valuations are carried out at least every three years on all investment properties.

To complete provisions for taxation, estimates have been applied. These estimates involve assessing the probability that deferred tax assets resulting from deductible temporary differences and the tax losses can be utilised to offset taxable income. Consideration is given to the expected method of recovery of the asset and the proportions of their value that will be recovered in each manner. This requires significant judgement in respect of the investment properties and the directors have chosen to adopt a blended rate method, using the remaining period of the lease and the group weighted average cost of capital to determine the value in use.

The directors give consideration to purchases of investments in order to assess whether they are business combinations or asset purchases. The significant judgement with respect to this is to determine whether the investment constitutes a business. The directors have taken the view that all previous acquisitions were asset purchases not business combinations.

The critical accounting polices that we disclose, will not necessarily result in material changes to our financial statements in any given period, but rather contain a potential for material change. The main accounting and valuation policies used by the group are outlined in the following notes. The group considers the following accounting policies should be considered significant accounting polices.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year.

Intra-group transactions, balances, income and expenses are eliminated fully on consolidation.

Control is achieved where AH Medical Properties plc has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Business combinations and asset purchases are dealt with by the purchase method on acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

On initial recognition, any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

Investment in joint ventures
Investments in joint ventures are carried in the consolidated balance sheet at the group's share of their net assets at the date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition, net of any impairments. The investor's share of the results is included within the consolidated income statement.

Entities whose economic activities are controlled jointly by the group and by other ventures independent of the group are accounted for using proportionate consolidation.

When the group's share of losses in an associate or joint venture equals or exceeds its interest in the undertaking, the group continues to recognise those losses until an irrevocable event occurs that marks the investor's irreversible withdrawal from its investee as an associate or joint venture.

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for rental services in the ordinary course of the group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the group.

Rental revenue from operating leases 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 over the period of the lease.

Work in progress
Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity.

Costs associated with long-term contracts are included in inventories to the extent that they cannot be matched with contract work recognised in revenue.

Long term contract balances included in inventories are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

No element of profit is included in the carrying value of work in progress. Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Investment property
Investment property, which is property held to earn rentals and / or for capital appreciation, is stated at its fair value at the balance sheet date.

An external independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every three years. The directors assess the value of the investment properties every six months with the benefit of input from valuation professionals. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

Principal accounting policies
continued

In accordance with IAS 40 a property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Acquisitions and disposals are recognised on the date of completion. Any gains or losses arising from a change in fair value, are accounted for in the income statement.

Assets under construction
Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy.

Impairment
At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Financial instruments
The group uses financial instruments, other than derivatives, comprising borrowings, cash and various items, such as trade receivables, trade payables 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.

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the income statement in the financial period to which it relates.

All are initially recognised at fair value.

Trade receivables
Trade receivables do not carry any interest and are stated at amortised cost using the effective interest method, less provision for impairment. Impairment of trade receivables are recorded when there are indicators that suggest that the debts are not fully recoverable, or the fair value is impaired at the balance sheet date.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Trade payables
Trade payables are carried at amortised cost, are not interest bearing and are stated at their nominal value.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded initially at fair value, net of direct issue costs.

In subsequent years, the carrying amount is stated at amortised cost obtained using the effective interest method.

Finance charges, including the premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments
Equity instruments issued by the group are recorded as the proceeds received, net of direct issue costs.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Income taxes
The charge for current tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is provided in full and is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or any discount on acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Dividends
Dividends are recognised as a liability when the shareholders right to receive payment is established.

Segmental reporting
A segment is a distinguishable component of the group that is engaged in generating income and expenses (business segment) which is subject to risks and rewards that are different from those of other segments. The directors believe the group operates in one segment.

Principal accounting policies
continued

Equity and dividend payments
Share capital is determined using the nominal value of shares that have been issued. Share premium includes any premiums received on the initial issuing of share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid in capital, net of any related income tax benefits.

The share based payment reserve is the reserve for the cumulative IFRS 2 adjustments and related deferred tax. Share premium reserve is the surplus of the amount paid over the nominal value of new shares issued.

Share-based payments
The group issues share options to its employees. The group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

The group issues equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value at the date of grant.

Options and warrants are valued using the binomial tree method.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest, updated at each balance sheet date.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to the share based payment reserve.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Standards and interpretations in issue but not yet effective
The following new standards and interpretations, which are yet to become mandatory, have not yet been applied to the group's financial statements:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009)
- Amendments to IFSR 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation (effective 1 July 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- IFRS 8 Operating segments (effective 1 January 2009)

The introduction of these standards and interpretations is not expected to have a material effect on the financial statements.

Notes to the financial statements

for the year ended 30 April 2008

1 Revenue and business segments

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

Business segments

The directors are of the opinion that the group operates in one business segment, being investment in medical properties.

2 (Loss)/profit before taxation

	2008 £000	2007 £000
(Loss)/profit before taxation is arrived at after charging:		
Auditor remuneration:		
– fees payable to the company's auditor for the company's annual accounts	**20**	14
– audit of the company's subsidiaries pursuant to legislation	**10**	9
– other services pursuant to legislation	**46**	52
– tax services	**6**	6
Total auditor's remuneration	**82**	81
Asset management fee	**714**	414
Other	**382**	159
	1,178	654

3 Staff

There were three directors who were employed by the group.

	2008 £000	2007 £000
Directors' remuneration	**46**	2
Social security costs	**3**	–
	49	2

4 Finance income

	2008 £000	2007 £000
Interest received	**345**	50

5 Finance costs

	2008 £000	2007 £000
Mortgage loan interest	**3,935**	2,550
Interest capitalised	**(133)**	(476)
	3,802	2,074

Notes to the financial statements

continued

6 Tax on (loss)/profit

	2008 £000	2007 £000
(Loss)/profit before tax	**(1,394)**	6,207
(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	**(161)**	1,313

Comprising:

	2008 £000	2007 £000
Current income tax	**(59)**	–
Deferred tax resulting from the origination and reversal of temporary differences	**(102)**	1,313
	(161)	1,313

7 (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.

	2008			2007		
	Loss £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						
(Loss)/profit attributable to ordinary shareholders	**(1,233)**	**64,406,544**	**(1.91)**	4,894	29,904,190	16.37
Dilutive effect of securities						
Options	–	–		1,471,313	(0.75)	
Warrants	–	–		987,525	(0.50)	
Diluted (loss)/earnings per share	**(1,233)**	**64,406,544**	**(1.91)**	4,894	32,363,028	15.12

8 Tangible assets

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

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

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:

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

9 Work in progress

	£000
At 1 May 2007	–
Additions in year (note 10)	1,875
Net book value at 30 April 2008	**1,875**
Net book value at 30 April 2007	–

10 Jointly controlled entities

On 29 April 2008 the group acquired 50% of the share capital of AH Scarborough Health Park Limited for total consideration of £545,000. The consideration comprised entirely cash.

The book values and fair values of the assets and liabilities of AH Scarborough Health Park Limited at that date were:

	Book value £000	Fair value adjustments £000	Fair value £000
Work in progress	1,260	615	1,875
Bank borrowings	(1,330)	–	(1,330)
Shareholders equity	(70)	615	545

The adjustment in respect of work in progress was to reflect the land at its open market value at the date of acquisition.

11 Trade and other receivables

	2008 £000	2007 £000
Trade receivables	**289**	1,115
Recoverable VAT	**403**	472
Other receivables	**–**	204
Prepayments and accrued income	**129**	35
	821	1,826

Due to the short term and non-interest-bearing nature of trade receivables, the directors believe that the fair value approximates to the carrying value at the balance sheet date of 30 April 2008. In the normal course of business the majority of these assets are settled within one month.

No impairment has occurred on trade and other receivables, and no impairment provision has been recognised.

The following table provides analysis of trade and other receivables that were past due at 30 April 2008 but not impaired. The group believe that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

Trade receivables	2008 £000	2007 £000
Past due up to 30 days	**79**	1
Past due 31-90 days	**–**	73
Past due over 90 days	**20**	–
Loans and receivables past due	**99**	74

Notes to the financial statements

continued

12 Cash and cash equivalents

	2008 £000	2007 £000
Bank balances	**7,669**	4,323

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash held by the group and short-term bank deposits with an original maturity of three months or less.

The carrying amount of these assets approximates their fair value.

The cash balances held by the group at the bank are either held within current accounts and earn interest of 0.25% (2007: 0.25%) under base from Lloyds TSB plc or on deposit with Norwich Union Commercial Finance.

13 Trade and other payables

	2008 £000	2007 £000
Loans	**1,464**	736
Trade payables	**2,007**	4,541
Corporation tax	**14**	71
Accrued expenses	**1,179**	921
	4,664	6,269

Of trade payables, £1,929,000 (2007: £4,457,000) is related to construction contracts on buildings included in non current assets under construction, all of which have committed funding in place.

Due to the short term and non-interest-bearing nature of trade payables, the directors believe that the fair value approximates the carrying value in the balance sheet. In the normal course of business the majority of these assets are settled within one month.

Ashley House plc is a significant supplier to the group. During the year Ashley House plc supplied £10,827,000 of supplies in the way of property, services and recharged fees (2007: £18,437,000).

14 Long term debt

	2008 £000	2007 £000
Loans	**71,889**	54,972

The loans are secured by first mortgages over freehold properties owned by the group and bear annual interest at between 5.76% and 7.75%.

Borrowings are repayable as follows:

	2008 £000	2007 £000
After one and within two years	**161**	822
After two and within five years	**505**	2,700
After five years	**71,223**	51,450
	71,889	54,972

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 loans as at 30 April 2008 due to the favourable rates at which the refinance was achieved would be lower by £558,000 (2007: lower by £373,000) than the outstanding balance indicated in the table above.

15 Financial risk management

There is no exchange rate risk, and the fair values of the assets and liabilities of the group are not materially different from their net book values.

The group's financial instruments comprise cash resources, and various items such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are credit risk, liquidity risk and interest fluctuation risks.

All assets and liabilities are carried at amortised cost. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have been consistently applied.

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 profile of the financial assets and liabilities of the group is as follows:

	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Fixed rate financial assets £000	Floating rate financial assets £000
30 April 2008	**63,703**	**9,650**	**–**	**–**
30 April 2007	49,314	5,658	–	–

The £58,500,000 facility, fixed at 5.76% over 20 years, is interest only for six years from 30 October 2007. Thereafter, capital repayment is over the remaining 14 years of the loan.

£5,200,000 fixed for 25 years from 2002 and 2004 has capital repayments throughout the life of the loan. The £8,320,000 variable debt is repayable over 4-5 years

Sensitivity analysis

	GBP Norwich Union Base Rate +/- 1%
Effect on income statement gain/(loss)	+/- £96,000
Effect on equity gain/(loss)	–

Credit risk

Credit risk is the risk that the counterparty will fail to discharge their obligation.

The group's principal financial assets are bank balances and cash and trade and other receivables, which represent the group's maximum exposure to credit risk in relation to financial assets.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The group has adopted a strict credit vetting policy based on track record payment history and externally available credit data.

The group's short-term cash and cash equivalents are deposited with high credit rated commercial banks (typically with credit ratings of A+ or higher).

Notes to the financial statements
continued

15 Financial risk management (continued)
Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

The use of instant access deposits ensures sufficient working capital is available at all times.

As regards liquidity, the group's policy has been that, to ensure continuity of funding, its borrowings should be repaid over several years. At 30 April 2008, 98% (2007: 99%), of the group's borrowings were due to mature in more than one year. Short-term flexibility is achieved by overdraft facilities.

The group assures a sufficient liquidity at all times by efficient cash management.

There was no undrawn committed facility.

Maturity analysis for financial liabilities as at 30 April 2008:

	1 to 12 months £000	1 to 2 years £000	2 to 5 years £000	> 5 years £000
Trade payables	2,009	–	–	–
Loans	1,464	161	505	71,223
	3,473	**161**	**505**	**71,223**

Maturity analysis for financial liabilities as at 31 April 2007:

	1 to 12 months £000	1 to 2 years £000	2 to 5 years £000	> 5 years £000
Trade payables	4,541	–	–	–
Loans	756	822	2,700	51,450
	5,297	**822**	**2,700**	**51,450**

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

	2008 £000	2007 £000
At 1 May 2007	**(1,996)**	(730)
Charged/(credited) to income	**102**	(1,313)
Charged to equity	**(33)**	47
At 30 April 2008	**(1,927)**	(1,996)

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.

Deferred tax liabilities	**Investment properties £000**
At 1 May 2007	(2,223)
Charged to income	102
At 30 April 2008	**(2,121)**

Deferred tax assets	Share-based payments £000
At 1 May 2007	227
Share options taken directly to equity	(33)
At 30 April 2008	**194**

Net deferred tax liability	
At 30 April 2008	**(1,927)**
At 30 April 2007	(1,996)

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.

17 Share capital

	2008 £000	2007 £000
Authorised:		
50,000 redeemable shares of £1 each (created 11 January 2007)	**50**	50
82,000,000 Ordinary shares of 0.01p each (2007: 82,000,000 Ordinary shares of 0.01p)	**8**	8
Allotted, called up and fully paid:		
64,406,544 Ordinary shares of 0.01p each (2007: 64,406,544 Ordinary shares of 0.01p)	**6**	6

Options	Exercise price (pence)	2008	Issued	Exercised	2007
Issued 2004 expire 2014	0.01	**1,060,000**	–	–	1,060,000
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
Issued 2007 exercisable from 2009 expire 2012	0.42	**100,000**	100,000	–	–
Issued 2007 exercisable from 2009 expire 2012	0.42	**50,000**	50,000	–	–
Issued 2007 exercisable from 2009 expire 2012	0.42	**50,000**	50,000	–	–
Total options		**1,675,000**	200,000	–	1,475,000

Warrants	Exercise price (pence)	2008	Issued	Exercised	2007
Issued 2004 expire 2009	0.01	**810,000**	–	–	810,000
Issued 2004 expire 2009	0.01	**180,000**	–	–	180,000
Total warrants		**990,000**	–	–	990,000

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	3.5	–
2004	*810,000	0.01	2009	0.01	0.01	19.97	5.25	3.5	–
2004	*180,000	0.01	2009	0.01	0.01	19.97	5.25	3.5	–
2006	100,000	0.01	2016	0.01	0.01	19.97	5.25	3.5	–
2006	105,000	0.01	2016	0.01	0.01	19.97	5.25	3.5	–
2006	210,000	0.01	2016	0.01	0.01	19.97	5.25	3.5	–
2007	50,000	42.00	2017	0.01	0.01	12.12	5.25	3.5	4
2007	100,000	42.00	2017	0.01	0.01	12.12	5.25	3.5	5
2008	50,000	42.00	2018	0.01	0.01	12.12	5.25	3.5	5

*These are warrants, all others are options.

Notes to the financial statements
continued

17 Share capital (continued)
The market price of the company's shares at 30 April 2008 was 30.0p (2007: 36.5p) and the range during the year was between 28.50p and 39.75p. The weighted average exercise price of the options and warrants is 0.03 pence.

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

The dividend yield of 3.5% is based on the dividends paid and proposed during the period.

Options and warrants are valued using the binomial tree method.

The charge during the year was £nil (2007: £nil).

18 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.

19 Capital commitments
The group had no capital commitments at 30 April 2008 or 30 April 2007 other than the projects which had been contracted for at 30 April 2008 at a value of £7,446,000 (2007: £5,673,000).

20 Contingent liabilities
The group had no contingent liabilities at 30 April 2008 or 30 April 2007.

21 Capital management
The group raises capital to fund development and acquisition of property assets. A high proportion of debt funding is fixed over the long term in order to match it with the long term income from the leases on the properties.

22 Dividends
The directors approved on 12 December 2007 the payment of an interim dividend of 0.5 pence per share on 28 January 2008. Subsequent to the year end but prior to the approval of the financial statements, the directors have recommended the payment of a dividend of 0.5 pence per share, totalling £322,000.

23 Explanation of transition to IFRS
As this is the first year that the group will present its financial statements under IFRS, the following disclosures are required in the year of transition. Exemptions available on first year adoption under IFRS have been applied.

The last financial statements under UK GAAP were for the period ended 30 April 2007 and the date of transition to IFRS was 1 May 2006.

IFRS transition note

Reconciliation of equity at 30 April 2007 (date of last UK GAAP financial statements)

	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets			
Investment property	84,105	–	84,105
Deferred tax asset	–	227	227
	84,105	227	84,332
Current assets			
Trade and other receivables	1,826	–	1,826
Cash and cash equivalents	4,323	–	4,323
	6,149	–	6,149
Total assets	90,254	227	90,481
Current liabilities			
Trade and other payables	(6,269)	–	(6,269)
Non-current liabilities			
Other non-current payables	(54,972)	–	(54,972)
Deferred tax liabilities	–	(2,223)	(2,223)
	(54,972)	(2,223)	(57,195)
Total Liabilities	(61,241)	(2,223)	(63,464)
Net assets	29,013	(1,996)	27,017
Equity			
Share capital	6	–	6
Share premium	18,579	–	18,579
Revaluation reserves	10,042	(10,042)	–
Share-based payment reserve	–	227	227
Retained earnings	386	7,819	8,205
Total equity	29,013	(1,996)	27,017
Net asset value	45p	(3p)	42p

Notes to the reconciliation of equity at 30 April 2007
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 credit to the income statement for 2007 is £5,957,000.

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 IAS 12 provision in this respect at 30 April 2007 is £2,223,000.

Deferred tax asset:

Under IAS 12 a deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. For equity-settled share-based payments, a deductible temporary difference arises as a result of Schedule 23 deductions that may become available in the future amounting to £227,000.

The net adjustment to retained earnings comprises the following:

	£000
Net gain on property revaluation	10,042
Deferred tax	(2,223)
Total net adjustment	7,819

IFRS transition note

continued

Reconciliation of equity at 1 May 2006 (date of transition to IFRS)

	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets			
Investment property	41,484	–	41,484
Deferred tax asset	–	180	180
	41,484	180	41,664
Current assets			
Trade and other receivables	1,916	–	1,916
Cash and cash equivalents	402	–	402
	2,318	–	2,318
Total assets	43,802	180	43,982
Current liabilities			
Trade and other payables	(4,903)	–	(4,903)
Non-current liabilities			
Other non-current payables	(32,511)	–	(32,511)
Deferred tax liabilities	–	(910)	(910)
	(32,511)	(910)	(33,421)
Total Liabilities	(37,414)	(910)	(38,324)
Net assets	6,388	(730)	5,658
Equity			
Share capital	2	–	2
Share premium	2,165	–	2,165
Revaluation reserves	4,085	(4,085)	–
Share-based payments reserve	–	180	180
Retained earnings	136	3,175	3,311
Total equity	6,388	(730)	5,658
Net asset value	29p	(4p)	25p

Notes to the reconciliation of equity at 1 May 2006

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 credit to the income statement for 2006 was £4,085,000.

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 IAS 12 provision in this respect at 30 April 2006 is £910,000.

Deferred tax asset:

Under IAS 12 a deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. For equity-settled share-based payments, a deductible temporary difference arises as a result of Schedule 23 deductions that may become available in the future amounting to £180,000.

The net adjustment to retained earnings comprises the following:

	£000
Net gain on property revaluation	4,085
Deferred tax	(910)
Total net adjustment	3,175

Reconciliation of income statement for year ended 30 April 2007

	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Revenue	2,928	–	2,928
Valuation gains on investment properties	–	5,957	5,957
Administrative expenses	(654)	–	(654)
Operating profit	2,274	5,957	8,231
Finance income	50	–	50
Finance costs	(2,074)	–	(2,074)
Profit before tax	250	5,957	6,207
Income tax expense	–	(1,313)	(1,313)
Profit after tax	250	4,644	4,894

Notes to the reconciliation of profit or loss for year ended 30 April 2007

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 credit to the income statement for 2007 being a credit of £5,957,000.

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 IAS 12 provision in this respect at 30 April 2007 is £1,313,000.

Statement of directors' responsibilities

Directors' responsibilities for the financial statements
The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Under the law the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the parent company financial statements under UK GAAP. The financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 group will continue in operational existence for the foreseeable future.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the parent 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 report of the directors and other information in the annual report.

In so far 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 deemed necessary to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the independent auditor for the group

Report of the independent auditor to the members of AH Medical Properties plc
We have audited the group financial statements of AH Medical Properties plc for the year ended 30 April 2008 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, consolidated statement of changes in equity and notes 1 to 23. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of AH Medical Properties plc for the year ended 30 April 2008.

This report is made solely to the group'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 group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the group 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 group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the directors is consistent with the financial statements. The information given in the Report of the directors includes that specific information presented in the Chairman's statement that is cross referenced from the business review section of the Report of the directors'.

In addition we report to you if, in our opinion, 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 Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only of the Report of the directors and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group 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 group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group 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 group financial statements.

Opinion
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 April 2008 and of its loss for the year then ended;
- the group 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.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Oxford
1 August 2008

Parent company balance sheet

at 30 April 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	2	**19**	15,814
Investments	3	**2,414**	9,116
		2,433	24,930
Current assets			
Debtors	4	**18,949**	7,360
Cash at bank and in hand		**24**	3,994
		18,973	11,354
Creditors: amounts falling due within one year	5	**(190)**	(3,352)
Net current assets		**18,783**	8,002
Total assets less current liabilities		**21,216**	32,932
Creditors: amounts falling due after more than one year	6	**–**	(10,733)
Net assets		**21,216**	22,199
Capital and reserves			
Called up share capital	7	**6**	6
Share premium account	8	**18,579**	18,579
Revaluation reserve	8	**–**	3,549
Profit and loss reserve	8	**2,631**	65
Shareholders' funds		**21,216**	22,199

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

S G Minion
Chief Executive Officer

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

Principal accounting policies – parent company

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.

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 net of depreciation and any provision for impairment. 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;
- 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 company'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 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.

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Principal accounting policies – parent company

continued

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves

Share-based payments

The group issues share options to its employees. The company has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

The group issues equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value at the date of grant.

Options and warrants are valued using the binomial tree method.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest, updated at each balance sheet date.

Notes to the parent company financial statements

for the year ended 30 April 2008

1 Loss 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 loss for the year was £501,000 (2007: £265,000).

	2008 £000	2007 £000
Auditor's remuneration:		
– fees payable to the company's auditor for the company's annual accounts	**20**	14
– audit of the company's subsidiaries pursuant to legislation	**10**	9
– other services pursuant to legislation	**46**	52
– tax services	**6**	6
	82	81

Details of directors' remuneration and employee costs are set our in note 3 to the group financial statements.

2 Tangible assets

	Investment properties £000	Assets under construction £000	Total £000
Cost/valuation and net book amount			
At 1 May 2007	15,690	124	15,814
Disposals	(15,690)	(105)	(15,795)
At 30 April 2008	**–**	**19**	**19**

3 Fixed asset investments

	Joint venture £000	Investment in Subsidiary £000	Total £000
Cost			
At 1 May 2007	–	9,116	9,116
Additions	545	–	545
Disposal in the year	–	(7,247)	(7,247)
At 30 April 2008	**545**	**1,869**	**2,414**

At 30 April 2008 the company held the whole of the issued share capital of the following subsidiary undertakings:

Subsidiaries	Nature of business	Class of share capital held	Proportion held
Medical Properties Limited	Property investment	Ordinary shares of £1 each	100%
Subsidiary of Medical Properties Limited			
Ashley House Investments Limited	Property investment	Ordinary shares of £1 each	100%
Joint Ventures			
AH Scarborough Health Park Limited	Property development	Ordinary shares of £1 each	50%

The investment in AH Scarborough Health Park Limited is shown at cost.

4 Debtors

	2008 £000	2007 £000
Trade debtors	**–**	1,072
Amounts owed by group undertakings	**18,858**	5,963
Recoverable VAT	**10**	–
Other debtors	**–**	162
Corporation tax	**81**	163
	18,949	7,360

Notes to the parent company financial statements
continued

5 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Loans	–	166
Trade creditors	**169**	2
Amounts owed to related parties	–	2,974
VAT	–	3
Accrued expenses	**21**	207
	190	3,352

6 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Loans	–	10,733

Borrowings are repayable as follows:

	2008 £000	2007 £000
After one and within two years	–	176
After two and within five years	–	597
After five years	–	9,960
	–	10,733

7 Share capital
Detailed disclosure of the company's share capital, options and warrants is included in Note 17 of the consolidated financial statements of the group.

8 Reserves

	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total
At 30 April 2007	6	18,579	3,549	65	22,199
Loss for the year	–	–	–	(501)	(501)
Dividend paid	–	–	–	(322)	(322)
Revaluation deficit	–	–	(160)	–	(160)
Revaluation reserve	–	–	(3,389)	3,389	–
At 30 April 2008	**6**	**18,579**	**–**	**2,631**	**21,216**

The revaluation reserve relates to the revaluation of investment properties.

During the year, the company paid an interim dividend of 0.5 pence per share and is proposing a final dividend for the year to 30 April 2008 of 0.5 pence per share.

9 Capital commitments
The company had no capital commitments at 30 April 2008 or 30 April 2007 other than the projects which had been contracted for at 30 April 2008 at a value of £nil (2007: £5,673,000).

10 Contingent liabilities
The company had no contingent liabilities at 30 April 2008 or 30 April 2007.

11 Share-based payment
Details of options and warrants over the company's shares are set out in note 17 to the group financial statements.

Report of the independent auditor for the parent company

for the year ended 30 April 2008

Report of the independent auditor to the members of AH Medical Properties plc
We have audited the parent company financial statements of AH Medical Properties plc for the year ended 30 April 2008 which comprise the principal accounting policies, the balance sheet, and notes 1 to 11. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of AH Medical Properties plc for the year ended 30 April 2008.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
The directors' responsibilities for preparing the annual report and parent company 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 parent company 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 parent company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the directors is consistent with the parent company financial statements.

In addition we 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 the other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. This other information comprises only the Report of the directors' and the Chairman's statement. We consider the implication for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company 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 parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the 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 parent company 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 parent company financial statements.

Opinion
In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2008 and of its loss for the year then ended;
- the parent company 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 parent company financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Oxford
1 August 2008

Company information

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4188281

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The Priory
Stomp Road
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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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If you have finished reading this report and no longer wish to retain it please pass it on to other interested readers, return it to AH Medical Properties plc or dispose of it in your recycled paper waste. Thank you.

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