

A growing healthcare portfolio

AH Medical Properties plc
Report and accounts 2009



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

For further information visit www.ashleyhouseplc.com

Highlights

- Rental revenue up 17%
- Fully covered dividend up 20% to 1.2p per share
- Zero voids
- 4.5% average annual rental growth at review
- 94% of revenue derived from NHS
- 19 years average unexpired lease term
- All debt fixed medium and long term with no LTV covenants
- Strong pipeline of new projects

Annual rent (£m)

07	2.8
08	5.1
09	6.0

Operating profit (£m)

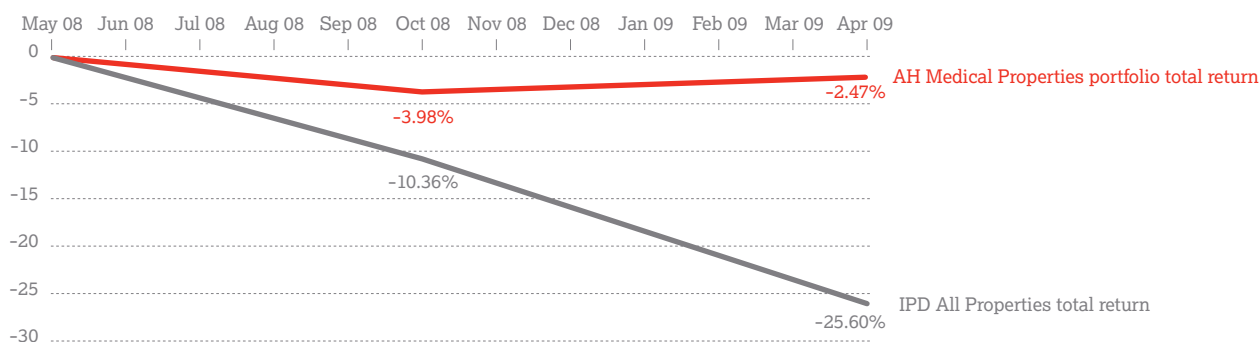
07	0.2
08	0.5
09	0.8

Dividend per share (p)

07	nil
08	1.0
09	1.2

All properties total return chart

The IPD source data is from the UK Impulse Trends report that is received on a monthly basis.



Total return is the ungeared change in capital value, plus rental income before costs.

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A growing portfolio

We are continuing to build a secure and sustainable portfolio of new, purpose-built properties, characterised by steady rental growth, reliability of revenue and opportunities for further expansion.

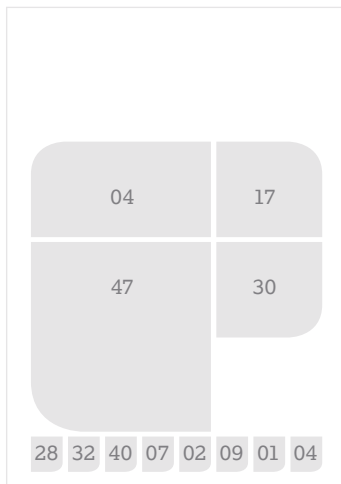




Our investments

The strength of our portfolio is reflected throughout the 47 schemes that we own across the UK.

Front cover images



- | | | | |
|--|--|---|---|
| 01 Whitehill Surgery
Aylesbury, Bucks | 14 The Good Practice
Chelsea, London | 26 Stone Cross Medical Centre
Pevensey, East Sussex | 38 Richmond Lock Surgery
Twickenham, Middx |
| 02 Balham Park Surgery
Balham, London | 15 Wellington House Practice
Chinnor, Oxon | 27 Higham Ferrers Surgery
Higham Ferrers, Northants | 39 Wantage Health Centre
Wantage, Oxon |
| 03 Beverley Health Centre
Beverley, East Yorks | 16 Wellsbourne Health Centre
Brighton, East Sussex | 28 Cedars Surgery
Maidenhead, Berks | 40 Garston Medical Centre
Watford, Herts |
| 04 Welbeck Road Health Centre
Bolsover, Derbyshire | 17 Baddow Village Surgery
Chelmsford, Essex | 29 Cropredy Surgery
Banbury, Oxon | 41 Molineux Street NHS Centre
Byker, Newcastle-upon-Tyne, Tyne And Wear |
| 05 Fairfield Medical Centre
Great Bookham, Surrey | 18 Garstang Medical Centre
Garstang, Lancs. | 30 Southsea Medical Centre
Southsea, Portsmouth, Hants | 42 Whitchurch Surgery
Whitchurch, Bucks |
| 06 Blyths Meadow Surgery
Braintree, Essex | 19 St. Clements Surgery
Haverhill, Suffolk | 31 Wellington House Practice
Princes Risborough, Bucks | 43 Douglas Grove Surgery
Witham, Essex |
| 07 North Park Medical Centre
Bootle, Merseyside | 20 Andaman Surgery
Lowestoft, Suffolk | 32 Trafalgar Medical Practice
Scarborough, North Yorks | 44 Eastfield Medical Centre
Scarborough, North Yorks |
| 08 Mill Road Surgery
Colchester, Essex | 21 Bodey Medical Centre
Fallowfield, Manchester, Lancs | 33 Stanwell Health & Community Centre
Staines, Surrey | 45 The Groves Medical Centre
New Malden, Surrey |
| 09 Pavilion Surgery
Brighton, East Sussex | 22 Giffords Primary Care Centre
Melksham, Wilts | 34 Elmhurst Surgery
Aylesbury, Bucks | 46 Southfields Group Practice
Earlsfield, London |
| 10 Regency Surgery
Brighton, East Sussex | 23 Westcroft Health Centre
Westcroft, Milton Keynes, Bucks | 35 Pytchley Court Health Centre
Brixworth, Northants | 47 County Oak Medical Centre
Brighton, East Sussex |
| 11 Brill Surgery
Aylesbury, Bucks | 24 Holmwood Corner Surgery
New Malden, Surrey | 36 Three Ways Surgery
Stoke Poges, Bucks | |
| 12 Blackhorse Medical Centre
Emersons Green, Bristol, Avon | 25 Briar Hill Surgery
Whitby, North Yorks | 37 Leyhill Health Centre
Northfield, Birmingham, W Mids | |
| 13 The Brook Surgery
Chalgrove, Oxon | | | |

Chairman's statement

The Company's existing portfolio remains of high quality and will benefit from increasing rental income in years to come.

Results and Dividend

The results show continued progress in the portfolio with rental revenue increasing 17% in the year to £6.0m (2008: £5.1m) and pre-tax profit from revenue activities excluding non-recurring financing charges up 60% to £0.8m (2008: £0.5m). This equates to earnings from on-going rental activity of 1.20p per share (2008: 0.9p) and the Board is therefore pleased to increase the final dividend by 40% to 0.7p per share (2008: 0.5p) making a total dividend for the year of 1.2p per share, up 20% which is fully covered (2008: 1.0p). The dividend will be paid on 7 September 2009 to shareholders on the register as at 21 August 2009.

The capital values in our niche sector of primary care NHS occupied buildings have moved very little since the interim figures to 31 October 2008 and as a result there is no further decrease in valuation for the second half of the year following the significant write down of £9.5m at the half year. The Adjusted Net Asset Value per share (which ignores deferred tax) is therefore 28.6p as at 30 April 2009 (28.1p as at 31 October 2008; 42.5p as at 30 April 2008). The Net Asset Value per share (including deferred tax) is 25.6p per share as at 30 April 2009 (24.9p as at 31 October 2008; 39.5p as at 30 April 2009).

Portfolio and Valuation

During the year new schemes were acquired and completed in Manchester, Portsmouth and Brighton. The pipeline of new schemes is still healthy and three new schemes in Birmingham, Essex and Brighton are now in construction with terms agreed on a further six schemes, which are due to commence construction in the coming few weeks. Together with the value of existing completed assets, the pipeline once built out, will have a gross aggregate value in excess of £130m, assuming no further movement in valuation yields.

DTZ Debenham Tie Leung has recently revalued the current completed assets at a capital value of £88.7m as at 30 April 2009, compared to the capital value of £83.6m at 31 October 2008 after a write down of £9.5m. It appears that the secure long term nature of the income on our properties' leases has underpinned investor demand in this niche sector and that values have now stabilised, unlike the first half of our financial year when they fell in line with the wider commercial property market following the financial markets turmoil.

Positive rent reviews have contributed to the increase in annual rents such that the annualised rent roll as at June 2009 stands at £6.3m p.a. Furthermore, with 20% of the rents on fixed or RPI linked uplifts, there is continued growth inherent in the portfolio. The security of the income is underpinned by 94% of the rents being paid by the NHS with no voids and an average unexpired term on the leases standing at 19 years due to the nature of the portfolio being almost entirely new and purpose built.

Finance

The Group's debt is all fixed for the medium and long term, with the latest tranche of debt fixed at 4.87% for five years from December 2008. The weighted average cost of debt stands at 5.69% and the overall Group net debt to value stands at c. 80% although none of the loan facilities have loan to value covenants. The interest cover is currently 1.32 times and rising with rent reviews, against a loan covenant of 1.1 times. Our long term relationship with the key lender Norwich Union (Aviva) continues and new facilities have recently been offered for the next tranche of schemes.

Outlook

Despite values having fallen in the past year due to external factors, the Company's existing portfolio remains of high quality and will benefit from increasing rental income in years to come. The Group's trading results should be further enhanced by the acquisition of its current pipeline, which will be predominantly financed through an extension of debt facilities. The Board continues to examine ways of growing the Group beyond the current programme as it seeks to deliver on its long term objective of progressive returns to shareholders.

Giles Weaver

Chairman
1 July 2009

Board of directors

Giles Weaver ^{1 2}

Non-executive Chairman

Aged 62 – Giles brings a tremendous amount of investment experience to the Board having held numerous positions in the asset management sector in a career that has spanned more than 40 years. He qualified as an accountant with Ernst & Young in 1970 before short spells with Jessel Securities Ltd and Berry Wiggins Ltd. In 1976 he moved to Ivory Sime PLC where, from 1982, he headed Pension Funds and the UK Investment team. In 1986 he was appointed Managing Director of Prudential Portfolio Managers where, in the four years he was there, he helped to grow the funds under management from £3 billion to £10 billion. In 1990 Giles moved to Murray Johnstone Ltd. (Glasgow) where he was appointed CIO (1990), Managing Director (1993) and finally Chairman in 2000. Whilst with Murray Johnstone he also oversaw the sale of the business to Aberdeen Asset Management plc for £150 million.

Stephen Minion ¹

Chief Executive Officer

Aged 61 – a chartered engineer with a long career in the design and development of commercial property. Following the award of his BSc degree he initially joined the London Borough of Harrow, leaving three years later on gaining Chartered Engineer status to join George Wimpey & Co., where he learnt his main 'stock in trade' as a property developer, leaving in 1978 to start his own company. In 1991 he founded Ashley House with colleagues who have since retired.

Bruce Walker

Finance Director

Aged 42 – has a background in property and corporate finance with Johnson Fry and then Brown Shipley, followed by three years as corporate and finance director of Fair Briar PLC, an Official List quoted company engaged in residential property development and serviced apartment ownership and management. He joined the board of Ashley House plc in June 2004 and has assisted in the establishment of AHMP and the growth of its portfolio. He is also a Non-executive Director of Old Vic Productions plc, an unlisted theatre production company.

Kenneth Brown ²

Non-Executive Director

Aged 50 – Ken is chairman of the Audit Committee. He has spent the last 8 years as Group Finance Director of Kenmore Property Group during which time the Kenmore group increased its property portfolio from £50 million to £1.85 billion, and expanded from the UK to Europe, Scandinavia and the Middle East. Before joining Kenmore in 1999, he spent a total of 12 years as Finance Director of two international trading groups listed in London, Eclipse Blinds plc and Ayrshire Metal Products plc. He is a chartered accountant and trained with KPMG.

Peter Wilkinson ¹

Non-Executive Director

Aged 61 – Peter Qualified as a Chartered Surveyor and spent early working life with the property sections of Unilever and Sainsbury's gaining a sound grounding in all forms of commercial property and development when edge out of town supermarkets were coming into vogue. He then joined the Hong Kong Government, to assist with the creation of a Rating system, for both commercial and residential properties, which started in the central areas and spread to all districts and outlying islands. After three years overseas Peter returned to join Nationwide Building Society to manage a section of the branch office portfolio which involved all aspects of commercial property management and acquisition/disposal. He then joined Aitchison Raffery, a leading Home Counties Practice, becoming a Director responsible for professional work and valuations particularly within the specialised medical field. Currently a Consultant advising Aitchison Raffery, Banks, Plc's and others on medical and other specialist properties throughout the UK.

¹ Remuneration Committee

² Audit Committee

Report of the directors

The Directors present their report together with the audited financial statements for the year ended 30 April 2009.

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.

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 2009 and the position of the Group at the end of the year together with its prospects for the future. This information is included within the Chairman's Statement on page 2.

At an operating level, the Group's KPIs of:

- Increasing the operating surplus;
- Securing new projects;
- Securing new fixed debt;
- Achieving positive rental growth via review;

have all been achieved. The only disappointment has been the fall in the capital values and the fall in share price.

The Directors paid an interim dividend of 0.5 pence (p) per share on 19 January 2009 amounting to £322,000 (0.5p 25 January 2008). The Directors propose a final dividend of 0.7 pence amounting to £451,000 (0.5p 25 September 2008).

Directors

The present membership of the board is set out below. All the Directors served throughout the year.

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

S Minion 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, who are the non-executive directors listed above.

Substantial shareholdings

As at 26 June 2009, 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 Group	3,882,838	6.0%
Gail Mosley	3,302,185	5.1%
Walker Crips Stockbrokers	3,241,356	5.0%
Geoff Mosley	2,777,777	4.3%

Financial risks uncertainties and 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 is exposed are described below:

Market risk

The independent valuation of all property assets includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. The operating surplus between the Group's secure long term income streams and medium and long term debt has been grown over the period despite the turmoil of the financial and commercial property markets over the past year. Whilst constantly monitored, the Board is comfortable with its approach to market risk.

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. The Group's portfolio of primary care tenants, with long leases and 94% of the income paid directly or indirectly by the NHS, continues to perform well generating positive rent reviews over the period.

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 fixed facilities.

The Group has net borrowings of £79.5m relating to property mortgages, which are at fixed interest rates ranging from 4.87% to 6.89%. The weighted average fixed rate is 5.69%.

The Group also has net borrowings of £1.3m relating to debt held within the joint venture company, A H Scarborough Health Park Limited, on 30 April 2009. This loan is variable at 2.75% over 3 month Libor (currently 1.28%) and exposes the Group to any movement in Libor rate.

Liquidity risk

The Group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs by investing 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, A H 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 A H Medical Properties plc are covered under the asset management agreement. Ashley House plc is also a 6.8% shareholder in A H Medical Properties plc.

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

Report of the directors

continued

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.

Directors' remuneration and pension entitlements

	Salaries, fees and benefits 2009 Total £	Salaries, fees and benefits 2008 Total £
S G Minion	–	–
B L Walker	–	–
Executive	–	–
J K Brown	15,000	6,250
C G H Weaver	25,000	25,000
P Wilkinson	15,000	15,000
Non-executive	55,000	46,250
Total	55,000	46,250

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

The Group has three employees, who are the non-executive directors above.

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 A H Medical Properties plc at 30 April 2009 according to the register of directors' interests:

	Number of shares of 0.01p held at 30 April 2009	Percentage of issued share capital (%)	Number of shares of 0.01p held at 1 May 2008
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	7,067,046
B L Walker	250,000	0.4	250,000
P Wilkinson	11,500	0.0	11,500

Interests in share options

The interests of the Directors and persons connected to the Directors in options over shares in A H Medical Properties plc at 30 April 2009 were:

	Number of options held at 30 April 2009	Exercise price (p)	Number of options held at 1 May 2008
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 42p 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 2009 were:

	Warrants held at 30 April 2009	Exercise price (p)	Warrants held at 1 May 2008
B L Walker	150,000	0.01	150,000
	180,000	0.01	180,000

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

Market value of shares

The market price of the ordinary shares, which are traded on PLUS, ranged from 16.5p to 30.0p. At 30 April 2009 the share price was 16.75p per share (2008: 30.00p).

Auditor

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

On behalf of the Board

B L Walker

Finance Director
1 July 2009

Consolidated income statement

for the year ended 30 April 2009

	Note	Year to 30 April 2009			Year to 30 April 2008		
		£000 Revenue	£000 Capital	£000 Total	£000 Revenue	£000 Capital	£000 Total
Revenue	1	6,040	–	6,040	5,148	–	5,148
Valuation losses on investment properties	8	–	(9,024)	(9,024)	–	(1,907)	(1,907)
Administrative expenses	2	(1,136)	–	(1,136)	(1,178)	–	(1,178)
Operating profit/(loss)		4,904	(9,024)	(4,120)	3,970	(1,907)	2,063
Finance income	4	217	–	217	345	–	345
Non-recurring finance costs	5	(191)	–	(191)	–	–	–
Finance costs	5	(4,169)	–	(4,169)	(3,802)	–	(3,802)
Profit/(loss) before tax	2	761	(9,024)	(8,263)	513	(1,907)	(1,394)
Income tax (expense)/ income	6	–	36	36	59	102	161
Profit/(loss) after tax		761	(8,988)	(8,227)	572	(1,805)	(1,233)
Basic earnings/(loss) per share	7	1.2p	(14.0)p	(12.8)p	0.9p	(2.8)p	(1.9)p
Diluted earnings/(loss) per share	7	1.2p	(14.0)p	(12.8)p	0.9p	(2.8)p	(1.9)p

All of the activities of the Group are classified as continuing.

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

Consolidated balance sheet

at 30 April 2009

	Note	Group 2009 £000	Group 2008 £000
Non-current assets			
Investment property	8	88,700	88,572
Assets under construction	8	2,914	4,972
Deferred tax asset	16	109	194
		91,723	93,738
Current assets			
Work in progress	9,10	2,373	1,875
Trade and other receivables	11	500	821
Cash and cash equivalents	12	6,702	7,669
		9,575	10,365
Current liabilities			
Trade and other payables	13	(3,731)	(4,664)
		5,844	5,701
Total assets less current liabilities			
		97,567	99,439
Non-current liabilities			
Long term debt	14	(79,009)	(71,889)
Deferred tax liabilities	16	(2,085)	(2,121)
Net assets			
		16,473	25,429
Equity			
Called up share capital	17	6	6
Share premium account		18,579	18,579
Share based payment reserve		109	194
Retained earnings		(2,221)	6,650
Total equity			
		16,473	25,429
Net asset value:			
Basic net asset value per share	18	25.6p	39.5p
*Adjusted net asset value per share	18	28.6p	42.5p

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

The financial statements were approved by the board of Directors on 1 July 2009.

B L Walker
Finance Director

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 2008	6	18,579	194	6,650	25,429
Loss for the year	–	–	–	(8,227)	(8,227)
Deferred tax asset	–	–	(85)	–	(85)
Dividends paid	–	–	–	(644)	(644)
At 30 April 2009	6	18,579	109	(2,221)	16,473

	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

Consolidated cash flow statement

for the year ended 30 April 2009

	2009 £000	2008 £000
Loss before tax	(8,263)	(1,394)
Adjustments for:		
Net valuation loss on property	9,024	1,907
Finance expense	4,360	3,802
Interest income	(217)	(345)
Operating cash flows before movements in working capital	4,904	3,970
Decrease in trade and other receivables	321	935
Increase/(decrease) in trade and other payables	654	82
Cash generated by operations	5,879	4,987
Interest paid	(4,662)	(4,337)
Income taxes paid	–	(35)
Net cash from operating activities	1,217	615
Investing activities		
Interest received	217	364
Purchase of investment property & work in progress	(9,211)	(13,741)
Purchase of joint venture	–	(545)
Net cash used in investing activities	(8,994)	(13,922)
Financing activities		
Repayment of borrowings	(116)	(462)
Proceeds from long-term borrowings	7,570	17,437
Dividend paid	(644)	(322)
Net cash from financing activities	6,810	16,653
Net (decrease)/increase in cash and cash equivalents	(967)	3,346
Cash and cash equivalents at beginning of year	7,669	4,323
Cash and cash equivalents at end of year	6,702	7,669

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

Principal accounting policies

Basis of accounting

A H 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 the opening page of the financial statements. The nature of the Group's operations and its principle activities are set out in the Chairman's Statement on page 2.

The Group's financial statements consolidate the results, asset and liabilities 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.

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.

The Group has long term fixed committed debt and no overdraft facility. Operating cash flow is positive with a healthy running surplus. With £6.7m cash at bank at the year end and further debt commitments to fund future investments, the Board has a high degree of comfort as to the Group's ability to continue to operate.

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

Statement of compliance

The significant accounting policies that have been applied in the preparation of these financial statements are summarised below.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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. In assessing the market value of the properties the Directors take into account current net yields on similar properties, the current rental income being received on the properties as well as other prevailing market conditions.

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.

Judgements

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 and not business combinations.

The critical accounting policies 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 policies.

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 the 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.

Investments 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 and borrowing costs capitalised in accordance with the Group's accounting policy.

Work in progress is 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.

Principal accounting policies

continued

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.

DTZ Debenham Tie Leung, 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 the same valuation professionals. Due to recent market uncertainty, the portfolio has been valued by DTZ as at October 2008 and April 2009. 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 have each acted knowledgeably, prudently and without compulsion.

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. Impairments 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 do not carry interest and are initially recognised at fair value less attributable costs. Thereafter the carrying amount is stated at the amortised cost, under the effective interest method.

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 rate method.

Finance charges, including 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 at the proceeds received, net of direct issue costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group has no overdraft facilities.

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 on investment properties relates to the difference between the balance sheet carrying value and the tax base cost of such properties. In calculating such deferred tax assets or liabilities, the Directors are required to consider the manner in which the value of the properties will be recovered, whether through use or through sale. In assessing this the Directors have judged it appropriate to consider the element that will be recovered through use first. To calculate this, the Directors have determined the net present value of the future contracted rental income on an individual property basis, taking into account the remaining life of the current lease, contracted rental increases and the Group's weighted average cost of capital, which is itself an estimate. There is no applicable tax base cost to this element of the valuation, and therefore there is typically a deferred tax liability equivalent to that element of the valuation multiplied by the expected tax rate on the future income.

The remainder of the valuation is deemed to be the value that will be recovered through sale. The Directors then consider whether there would be any deductions which could be made against such future sales proceeds. This primarily relates to the initial cost of the properties, which would be deductible against the sales proceeds. The deferred tax asset or liability on this element of the valuation then represents the difference between that element of the valuation and the allowable tax deductions, multiplied by the expected tax rate on that net taxable income. Where this calculation results in a deferred tax asset, it is provided only to the extent that it is deemed recoverable.

In undertaking the above assessments, the Directors also consider any exemption available under IAS 12 which allows an initial exemption for assets that were acquired outside of a business combination. Under IAS 12 the deferred tax asset or liability at acquisition, based on the same calculation as above carried out at the time of acquisition, is not recognisable and is therefore deducted from the present deferred tax asset or liability. The Directors therefore exercise significant judgement in determining whether Groups of assets or companies that are acquired constitute a business combination or not. As part of this the Directors have judged that a company acquired whose only significant assets and liabilities are properties, rental agreements and related mortgages does not constitute a business and as such the initial exemption is available on assets acquired through these means.

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 are 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 charge 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 their 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). The introduction of this standard will effect the presentation of the primary statements but not effect the measurement of any items.
- 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 IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)
- Amendment to IAS32 Financial Instruments: Presentation and IAS1 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). The introduction of this will require the entity to include investment properties under construction at fair value. Due to the arms length transaction basis for acquisition from the principle supplier, Ashley House plc, the directors do not consider this will have a material effect.
- IFRS 8 Operating segments (effective 1 January 2009)
- Amendment to IFRS 7 Financial instruments: Disclosures – Improved Disclosures About Financial Instruments (effective 1 January 2009)
- Embedded Derivatives – Amendments to IAS 39 and IFRIC 9 (effective for annual periods ending on or after 30 June 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (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 2009

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 before taxation

	2009 £000	2008 £000
Loss before taxation is arrived at after charging:		
Auditor remuneration:		
– fees payable to the company's auditor for the company's annual accounts	18	20
– audit of the company's subsidiaries pursuant to legislation	8	10
– other services pursuant to legislation	40	46
– tax services	7	6
Total auditor's remuneration	73	82
Asset management fee	759	714
Other	304	382
	1,136	1,178

3 Staff

There were three directors who were employed by the Group.

	2009 £000	2008 £000
Directors' remuneration	55	46
Social security costs	5	3
	60	49

4 Finance income

	2009 £000	2008 £000
Interest received	217	345

5 Finance costs

	2009 £000	2008 £000
Mortgage loan interest	4,412	3,935
Interest capitalised on assets under construction	(176)	(133)
Interest capitalised on work in progress	(67)	–
	4,169	3,802

Non-recurring finance cost

This amount represents the one off net cost of breaking an existing fixed rate loan agreement.

Notes to the financial statements

continued

6 Tax on loss

	2009 £000	2008 £000
Loss before tax	(8,263)	(1,394)
Loss multiplied by standard rate of corporation tax in the UK of 28% (2008: 20%)	(2,314)	(279)
Income not taxable	(66)	(132)
Expenses not deductible	2,527	381
Utilisation of losses	(474)	(79)
Losses carried forward	901	550
Excess of capital allowances over depreciation	(574)	(441)
Adjustment in respect of prior periods	–	(59)
Movement in deferred taxation on investment properties and losses	(36)	(102)
Tax credit for period	(36)	(161)
Comprising:		
	2009 £000	2008 £000
Current income tax	–	(59)
Deferred tax asset resulting from origination and reversal of capital allowances	1,902	–
Deferred tax resulting from the origination and reversal of temporary differences	(1,938)	(102)
	(36)	(161)

7 Loss per ordinary share

The calculation of the basic earnings per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The options and warrants are considered anti-dilutive as they would decrease the loss per share.

	Loss £000	Weighted average number of shares	2009 Per share amount pence	Loss £000	Weighted average number of shares	2008 Per share amount pence
Basic loss per share						
Loss attributable to ordinary shareholders	(8,227)	64,406,544	(12.77)	(1,233)	64,406,544	(1.91)
Dilutive effect of securities						
Options	–	–		–	–	
Warrants	–	–		–	–	
Diluted loss per share	(8,227)	64,406,544	(12.77)	(1,233)	64,406,544	(1.91)

8 Non-current tangible assets

	Investment properties £000	Assets under construction £000
Cost/valuation and net book amount		
At 30 April 2008	88,572	4,972
Additions	2,649	4,445
Transfers	6,503	(6,503)
Deficit on revaluation	(9,024)	–
At 30 April 2009	88,700	2,914
	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

All of the investment properties were income generating during the period.

A valuation of the investment properties, which were all held by the Group at that time, was performed in April 2009 by the DTZ Debenham Tie Leung, in accordance with accounting policies.

In accordance with IAS 40, the carrying value of investment properties is the fair value of the property as determined by DTZ Debenham Tie Leung. The valuation has been conducted by them as external valuers and has been prepared as at 30 April 2009, in accordance with the Appraisal & Valuation Standards of the Royal Institute of Chartered Surveyors, on the basis of market value. This value has been incorporated into the financial statements.

The independent valuation of all the property assets includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this appraisal can lead to a reduction in property values and a loss in net asset value.

The amount of finance costs capitalised by the Group was £176,000 (2008: £133,000) 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 2009 was £1,003,000 (2008: £827,000).

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

	2009 £000	2008 £000
Less than one year	6,365	5,547
Between one and five years	25,320	22,305
Five years or more	89,664	81,570
	121,349	109,422

9 Work in progress

	Total £000
As at 1 May 2008	1,875
Additions in year	498
Net book value as at 30 April 2009 (note 10)	2,373
Net book value as at 30 April 2008	1,875

10 Jointly controlled entities

The Group owns 50% of the share capital of A H Scarborough Health Park Limited.

The assets and liabilities of A H Scarborough Health Park Limited included in the Group's balance sheet are as follows:

	£000
Work in progress	2,373
Trade payables	(26)
Other payables	(486)
Bank borrowings	(1,330)
Shareholders' equity	531

The Group's results for the year include a loss of £12,000 in respect of its share of the joint venture loss for the year.

11 Trade and other receivables

	2009 £000	2008 £000
Trade receivables	93	289
Recoverable VAT	-	403
Prepayments and other receivables	407	129
	500	821

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 2009. 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.

Notes to the financial statements

continued

11 Trade and other receivables (continued)

The following table provides analysis of trade and other receivables that were past due at 30 April 2009 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.

	2009 £000	2008 £000
Trade receivables		
Past due up to 30 days	14	79
Past due 31 – 90 days	72	–
Past due over 90 days	7	20
Loans and receivables past due and not impaired	93	99

12 Cash and cash equivalents

	2009 £000	2008 £000
Bank balances	6,702	7,669

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 to 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% under base rate (2008: 0.25% under base rate) from Lloyds Banking Group plc or on deposit with Norwich Union Commercial Finance. The deposits are calculated at a daily variable rate, currently 0.92%.

13 Trade and other payables

	2009 £000	2008 £000
Loans	1,798	1,464
Trade payables	128	2,007
Corporation tax	14	14
Accrued expenses and deferred income	1,791	1,179
	3,731	4,664

Of trade payables, £nil (2008: £1,929,000) 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.

Ashley House plc is a significant supplier to the Group. During the year Ashley House plc supplied £4,333,000 of supplies in the way of property services and recharged fees (2008: £10,827,000).

14 Long term debt

	2009 £000	2008 £000
Loans	79,009	71,889

The loans are secured by first mortgages over freehold properties owned by the group and bear annual interest at between 4.87% and 6.89%. The weighted average fixed rate is 5.69%.

Borrowings are repayable as follows:

	2009 £000	2008 £000
After one and within two years	493	161
After two and within five years	1,953	505
After five years	76,563	71,223
	79,009	71,889

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 2009 was the current carrying value due to the favourable rates at which the finance has been secured (2008: lower by £558,000). Were the debt to be repaid then the early repayment fee would be £4,634,000.

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.

Financial liabilities included in the balance sheet relate to the following IAS 39 categories:

	Loans & receivables 2009 £000	Non financial assets 2009 £000	Total for balance sheet heading 2009 £000	Loans & receivables 2008 £000	Non financial assets 2008 £000	Total for balance sheet heading 2008 £000
Balance sheet headings – assets						
Cash and cash equivalents	6,702	–	6,702	7,669	–	7,669
Trade receivables – current	93	–	93	289	–	289
VAT and other taxation recoverable	–	–	–	–	403	403
Other receivables – current	164	–	164	–	–	–
Prepayments	–	243	243	–	129	129
Total	6,959	243	7,202	7,958	532	8,490

	Other financial liabilities 2009 £000	Non financial liabilities 2009 £000	Total for balance sheet heading 2009 £000	Other financial liabilities 2008 £000	Non financial liabilities 2008 £000	Total for balance sheet heading 2008 £000
Balance sheet headings – liabilities						
Trade payables	128	–	128	2,007	–	2,007
Loans payable – current	1,798	–	1,798	1,464	–	1,464
Loans payable – non current	79,009	–	79,009	71,889	–	71,889
Accruals and deferred income	799	942	1,741	358	821	1,179
VAT and taxation payables	–	64	64	–	14	14
Total	81,734	1,006	82,740	75,718	835	76,553

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 predominantly fixed 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 2009	79,477	1,330	–	–
30 April 2008	63,703	9,650	–	–

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.

Sensitivity analysis

GBP 3 Month Libor
+/- 1%

Effect on income statement gain / (loss)	+/- £13,300
Effect on equity gain / (loss)	–

Notes to the financial statements

continued

15 Financial risk management (continued)

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 of £nil (2008: £nil), estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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 2009, 98% (2008: 98%), of the Group's borrowings were due to mature in more than one year.

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 2009:

	1 to 12 months £000	1 to 2 years £000	2 to 5 years £000	> 5 years £000
Trade payables	128	–	–	–
Loans – including future interest payable	3,789	2,459	8,477	78,857
	3,917	2,459	8,477	78,857

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 – including future interest payable	4,462	4,301	13,385	74,710
	6,471	4,301	13,385	74,710

16 Deferred taxation

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

	2009 £000	2008 £000
As at 1 May	(1,927)	(1,996)
Credited to income	36	102
Charged to equity	(85)	(33)
As at 30 April	(1,976)	(1,927)

Deferred tax assets and liabilities have been calculated using the expected future tax rate of 28% (2008: 20%). 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 and accumulated losses £000
As at 1 May 2008	(2,121)
Credited to income	36
As at 30 April 2009	(2,085)

	Share based payments £000
Deferred tax assets	
As at 1 May 2008	194
Share options taken directly to equity	(85)
As at 30 April 2009	109
Net deferred tax liability	
As at 30 April 2009	(1,976)
As at 30 April 2008	(1,927)

As at 30 April 2009 there were losses available to offset against future profits of approximately £6.8m (2008: £5.2m). The deferred tax asset of £1.9m has been recognised in arriving at the deferred tax liability in the balance sheet, this has been offset against the deferred tax liability on investment properties as the group has the right and expects to realise these at the same time.

17 Share capital

	2009 £000	2008 £000
Authorised:		
50,000 redeemable shares of £1 each	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)	2009	Lapsed	2008
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	80,000	(25,000)	105,000
Issued 2005 exercisable from 2008 expire 2015	0.01	180,000	(30,000)	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 2008 exercisable from 2010 expire 2013	0.42	50,000	–	50,000
Total options		1,620,000	(55,000)	1,675,000

Warrants	Exercise price (pence)	2009	Lapsed	2008
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 2009 options and warrants over unissued ordinary 0.01p shares were as follows:

Date of grant	Number	Exercise 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	7.2	–
2004	810,000*	0.01	2009	0.01	0.01	19.97	5.25	7.2	–
2004	180,000*	0.01	2009	0.01	0.01	19.97	5.25	7.2	–
2006	100,000	0.01	2016	0.01	0.01	19.97	5.25	7.2	–
2006	80,000	0.01	2016	0.01	0.01	19.97	5.25	7.2	–
2006	180,000	0.01	2016	0.01	0.01	19.97	5.25	7.2	–
2007	50,000	42.00	2017	0.01	0.01	12.12	5.25	7.2	4
2007	100,000	42.00	2017	0.01	0.01	12.12	5.25	7.2	5
2008	50,000	42.00	2018	0.01	0.01	12.12	5.25	7.2	5

* These are warrants, all others are options

The market price of the company's shares at 30 April 2009 was 16.75p (2008: 30.00p) and the range during the year was between 16.50p and 30.00p. The weighted average exercise price of the options and warrants is 0.03p.

Notes to the financial statements

continued

17 Share capital (continued)

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 7.2% 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 (2008: £nil).

18 Net assets 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 2009 or 30 April 2008 other than the projects which had been contracted for at 30 April 2009 at a value of £16,083,000 (2008: £7,446,000).

20 Contingent liabilities

The Group had no contingent liabilities at 30 April 2009 or 30 April 2008.

21 Capital management

The Group raises capital to fund development and acquisition of property assets. All 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

An interim dividend of 0.5p per share was paid on 19 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 0.7p per share, totalling £451,000.

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 have elected to prepare 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 adequate 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 2006. 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

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

We have audited the financial statements of AH Medical Properties plc for the year ended 30 April 2009 which comprise the consolidated income statements, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the parent company balance sheet, the principle accounting policies and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UK

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

T D James

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
1 July 2009

Parent company balance sheet

at 30 April 2009

	Note	2009 £000	2008 £000
Fixed assets			
Tangible assets	2	1	19
Investments	3	2,414	2,414
		2,415	2,433
Current assets			
Debtors (includes amounts due after one year of £17,388 (2008: £18,858))	4	18,132	18,949
Cash at bank and in hand		151	24
		18,283	18,973
Creditors: amounts falling due within one year	5	(117)	(190)
Net current assets		18,166	18,783
Net assets		20,581	21,216
Capital and reserves			
Called up share capital	6	6	6
Share premium account	7	18,579	18,579
Profit and loss reserve	7	1,996	2,631
Shareholders' funds		20,581	21,216

The financial statements were approved by the board of Directors on 1 July 2009.

B L Walker
Finance Director

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. The policies have remained unchanged from the previous year.

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.

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.

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 2009

1 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230(1) of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The company's profit for the year was £9,000 (2008: £501,000 loss).

Details of Directors' remuneration and employee costs are set out in note 3 to the Group financial statements.

2 Tangible assets

	Assets under construction £000	Total £000
Cost/valuation and net book amount		
At 1 May 2008	19	19
Disposals	(18)	(18)
At 30 April 2009	1	1

3 Fixed asset investments

	Joint venture £000	Investment in Subsidiary £000	Total £000
Cost			
At 1 May 2008	545	1,869	2,414
At 30 April 2009	545	1,869	2,414

At 30 April 2009 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			
A H Scarborough Health Park Limited	Property development	Ordinary shares of £1 each	50%

4 Debtors

	2009 £000	2008 £000
Amounts owed by Group undertakings	17,736	18,858
Amounts owed by related parties	104	–
Recoverable VAT	33	10
Other debtors	192	–
Corporation tax	67	81
	18,132	18,949

The directors consider that the amounts due from Group undertakings will not be recovered within 12 months.

Notes to the parent company financial statements

for the year ended 30 April 2009

continued

5 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	77	169
Accrued expenses	40	21
	117	190

6 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.

7 Reserves

Company	Share capital	Share premium account £000	Profit and loss account £000	Total £000
At 30 April 2008	6	18,579	2,631	21,216
Profit for the year	–	–	9	9
Dividends paid	–	–	(644)	(644)
At 30 April 2009	6	18,579	1,996	20,581

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 2009 of 0.7 pence per share.

8 Capital commitments

The company had no capital commitments at 30 April 2009 or 30 April 2008 other than the projects which had been contracted for at 30 April 2009 at a value of £nil (2008: £nil).

9 Contingent liabilities

The company had no contingent liabilities at 30 April 2009 or 30 April 2008.

10 Share based payment

Details of options and warrants over the company's shares are set out in note 17 to the Group financial statements.

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

Ludgate Investments Limited
80 Cannon Street
London EC4N 6HL

Bankers

Lloyds TSB Bank PLC
High Street
Slough
Berkshire SL1 1DH

Norwich Union Commercial Finance
Surrey Street
Norwich NR1 3NJ

Solicitors

Hammonds
2 Park Lane
Leeds LS3 1ES

Auditor

Grant Thornton UK LLP
1 Westminster Way
Oxford OX2 0PZ



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AH Medical Properties plc

The Priory
Stomp Road
Burnham
Buckinghamshire
SL1 7LW

Telephone: +44 (0)1628 600340

Fax: +44 (0)1628 600345

www.ashleyhouseplc.com