



DISCLOSURE OF IFRS TRANSITION

December 2007

AH Medical Properties plc – Adoption of IFRS

AH Medical Properties plc today announces that it has completed its preparations to adopt International Financial Reporting Standards (IFRS).

AH Medical Properties plc will prepare consolidated financial statements using the recognition and measurement principles of IFRS from 1 May 2007.

The first results produced under IFRS will be for the year to 30 April 2008.

This announcement provides reconciliations for the year to 30 April 2007 and highlights the impact of IFRS on the presentation of the group's consolidated financial statements.

The figures detailed in this announcement are based on the IFRS expected to be applicable as at 30 April 2008 and the interpretation of those standards.

IFRS are subject to possible amendment by and interpretative guidance from the International Accounting Standards Board as well as ongoing review and endorsement by the EU and are, therefore, still subject to change.

It is therefore possible that these figures may require amendment before their inclusion in the IFRS financial statements for the 12 months to 30 April 2008.

Impact of IFRS

The main impacts of implementing IFRS with respect to the group's consolidated accounts are:

Investment property

Under IAS 40 investment property will be recognised in the accounts at fair value, with revaluation gains being taken directly to the income statement rather than the revaluation reserve.

Deferred taxation

Under IAS 12 potential deferred tax liabilities arising on the sale of assets at their balance sheet value requires full provision in the financial statements. Under UK GAAP the requirement was to note the potential liability as a contingent liability if it was considered material.

EPS

The calculation methodology for EPS is the same as in UK GAAP, however a number of the above items impact on the value of EPS computed under IFRS compared to that under UK GAAP.

IFRS 1 Exemptions

IFRS1, First Time Adoption of International Financial Reporting Standards, allows companies adopting IFRS for the first time to elect to utilise some exemptions from the full requirements of IFRS in the transition period.

AH Medical Properties plc has taken the following key exemptions:

- Business combinations – Business combinations that took place prior to 1 May 2006 have not been restated.
- Fair value or revaluation as deemed cost – At the date of transition, fair value has been used as deemed cost for property, previously measured at fair value.

Explanation of transition to IFRS

This is the first year that the company will present its financial statements under IFRS. The following disclosures are required in the year of transition. 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.

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

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Investment property		84,105	-	84,105
		<u>84,105</u>	<u>-</u>	<u>84,105</u>
Current assets				
Trade and other receivables		1,826	-	1,826
Cash and cash equivalents		4,323	-	4,323
		<u>6,149</u>	<u>-</u>	<u>6,149</u>
Total assets		<u>90,254</u>	<u>-</u>	<u>90,254</u>
Current liabilities				
Trade and other payables		(6,269)	-	(6,269)
		<u>(6,269)</u>	<u>-</u>	<u>(6,269)</u>
Non-current liabilities				
Other non-current payables		(54,972)	-	(54,972)
Deferred tax liabilities	2	-	(4,477)	(4,477)
		<u>(54,972)</u>	<u>(4,477)</u>	<u>(59,449)</u>
Total liabilities		<u>(61,241)</u>	<u>(4,477)</u>	<u>(65,718)</u>
Net assets		<u>29,013</u>	<u>(4,477)</u>	<u>24,536</u>
Equity				
Share capital		6	-	6
Share premium		18,579	-	18,579
Revaluation reserves	1	10,042	(10,042)	-
Retained earnings	3	386	5,565	5,951
Total equity		<u>29,013</u>	<u>(4,477)</u>	<u>24,536</u>

Notes to the reconciliation of equity at 30 April 2007

- 1 Under IAS 40 investment property will be recognised in the accounts at fair value, with revaluation gains being taken directly to the income statement rather than the revaluation reserve. The estimated credit to the income statement for 2007 is £10,042,000.
- 2 Under IAS 12 potential deferred tax liabilities arising on the sale of assets at their balance sheet value requires full provision in the financial statements. Under UK GAAP the requirement was to note the potential liability as a contingent liability if it was considered material. The estimated IAS 12 provision in this respect at 30 April 2007 is £4,477,000.

This estimated IAS 12 provision includes £2,016,000 which has been recognised as an adjustment to the fair values of the net assets of Ashley House Investments Limited, acquired by the group on 16 February 2007. The adjustment reflects the deferred taxation provision for chargeable gains in that company were the underlying properties to be sold at valuation at the date of acquisition.

In theory, this adjustment under IFRS gives rise to goodwill on the acquisition (which did not fall to be recognised under UK GAAP). However, since such theoretical goodwill is not considered by the directors to have any ongoing value, it has been written off immediately to retained earnings as permitted on transition to IFRS.

- 3 The net adjustment to retained earnings comprises the following:

	£'000
Net gain on property revaluation	10,042
Deferred tax	(4,477)
	<hr/>
Total net adjustment	<u>5,565</u>

Reconciliation of equity at 31 October 2006 (date of last UK GAAP interim statements)

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Investment property		53,200	-	53,200
		<u>53,200</u>	<u>-</u>	<u>53,200</u>
Current assets				
Trade and other receivables		1,049	-	1,049
Cash and cash equivalents		568	-	568
		<u>1,617</u>	<u>-</u>	<u>1,617</u>
Total assets		<u>54,817</u>	<u>-</u>	<u>54,817</u>
Current liabilities				
Trade and other payables		(4,382)	-	(4,382)
		<u>(4,382)</u>	<u>-</u>	<u>(4,382)</u>
Non-current liabilities				
Other non-current payables		(40,259)		(40,259)
Deferred tax liabilities	2	-	(1,852)	(1,852)
		<u>(40,259)</u>	<u>(1,852)</u>	<u>(42,111)</u>
Total liabilities		<u>(44,641)</u>	<u>(1,852)</u>	<u>(46,493)</u>
Net assets		<u>10,176</u>	<u>(1,852)</u>	<u>8,324</u>
Equity				
Share capital		2	-	2
Share premium		2,165	-	2,165
Revaluation reserves	1	7,764	(7,764)	-
Retained earnings	3	245	5,912	6,157
Total equity		<u>10,176</u>	<u>(1,852)</u>	<u>8,324</u>

Notes to the reconciliation of equity at 31 October 2006

- 1 Under IAS 40 investment property will be recognised in the accounts at fair value, with revaluation gains being taken directly to the income statement rather than the revaluation reserve. The estimated credit to the income statement for the interim report was £7,764,000.
- 2 Under IAS 12 potential deferred tax liabilities arising on the sale of assets at their balance sheet value requires full provision in the financial statements. Under UK GAAP the requirement was to note the potential liability as a contingent liability if it was considered material. The estimated IAS 12 provision in this respect at the interim is £ 1,852,000.
- 3 The net adjustment to retained earnings comprises the following:

	£'000
Net gain on property revaluation	7,764
Deferred tax	(1,852)
Total net adjustment	<u>5,912</u>

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

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Investment property		41,484	-	41,484
		<u>41,484</u>	<u>-</u>	<u>41,484</u>
Current assets				
Trade and other receivables		1,916	-	1,916
Cash and cash equivalents		402	-	402
		<u>2,318</u>	<u>-</u>	<u>2,318</u>
Total assets		<u>43,802</u>	<u>-</u>	<u>43,802</u>
Current liabilities				
Trade and other payables		(4,903)	-	(4,903)
		<u>(4,903)</u>	<u>-</u>	<u>(4,903)</u>
Non-current liabilities				
Other non-current payables		(32,511)	-	(32,511)
Deferred tax liabilities	2	-	(749)	(749)
		<u>(32,511)</u>	<u>(749)</u>	<u>(33,260)</u>
Total liabilities		<u>(37,414)</u>	<u>(749)</u>	<u>(38,163)</u>
Net assets		<u>6,388</u>	<u>(749)</u>	<u>5,639</u>
Equity				
Share capital		2	-	2
Share premium		2,165	-	2,165
Revaluation reserve	1	4,085	(4,085)	-
Retained earnings	3	136	3,336	3,472
Total equity		<u>6,388</u>	<u>(749)</u>	<u>5,639</u>

Notes to the reconciliation of equity at 1 May 2006

- 1 Under IAS 40 investment property will be recognised in the accounts at fair value, with revaluation gains being taken directly to the income statement rather than the revaluation reserve. The estimated credit to the income statement for 2006 was £4,085,000.
- 2 Under IAS 12 potential deferred tax liabilities arising on the sale of assets at their balance sheet value requires full provision in the financial statements. Under UK GAAP the requirement was to note the potential liability as a contingent liability if it was considered material. The estimated IAS 12 provision in this respect at 30 April 2006 is £749,000.
- 3 The net adjustment to retained earnings comprises the following:

	£'000
Net gain on property revaluation	4,085
Deferred tax	(749)
Total net adjustment	<u>3,336</u>

Reconciliation of income statement for year ended 30 April 2007

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	1	2,928	-	2,928
Valuation gains on investment properties		-	5,957	5,957
Administrative expenses		(654)	-	(654)
Operating profit		<u>2,274</u>	<u>5,957</u>	<u>8,231</u>
Finance income		50	-	50
Finance costs		(2,074)	-	(2,074)
Profit on ordinary activities before tax		<u>250</u>	<u>5,957</u>	<u>6,207</u>
Income tax expense	2	-	(1,712)	(1,712)
Profit on ordinary activities after tax		<u><u>250</u></u>	<u><u>4,245</u></u>	<u><u>4,495</u></u>

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 estimated credit to the income statement for 2007 being an estimated 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 estimated IAS 12 provision in this respect at 30 April 2007 is £1,712,000.

Reconciliation of income statement for six months ended 31 October 2006

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue		1,165	-	1,165
Net valuation gain on property portfolio	1	-	3,677	3,677
Administrative expenses		(235)	-	(235)
Operating profit		<u>930</u>	<u>3,677</u>	<u>4,607</u>
Interest income		13	-	13
Finance costs		(806)	-	(806)
Profit on ordinary activities before tax		<u>137</u>	<u>3,677</u>	<u>3,814</u>
Income tax expense	2	(26)	(1,103)	(1,129)
Profit on ordinary activities after taxation		<u><u>111</u></u>	<u><u>2,574</u></u>	<u><u>2,685</u></u>

Notes to the reconciliation of profit or loss for six months ended 31 October 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 estimated credit to the income statement for the interims was £3,677,000.
- 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 estimated IAS 12 provision in this respect at 31 October 2006 is £1,103,000.

Notes

1. The figures detailed above are based on the IFRS expected to be applicable as at 30 April 2008 and the interpretation of those standards.

IFRS are subject to possible amendment by and interpretative guidance from the International Accounting Standards Board as well as ongoing review and endorsement by the EU and are, therefore, still subject to change.

It is therefore possible that these figures may require amendment before their inclusion in the IFRS financial statements for the 12 months to 30 April 2008.

2. Under IFRS, new accounting policies have been drafted on which basis the figures detailed above have been computed. These policies are:

Basis of accounting

The financial statements have been prepared following the recognition and measurement principles of IFRS. The next financial statements will be prepared in accordance with IFRS as adopted in the UK.

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

The principal accounting policies are set out below.

Basis of preparation

The financial statements will be prepared on the going concern basis, under the historical cost convention, except for the revaluation of investment property assets.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

Basis of consolidation

The consolidated financial statements will 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.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

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 profit or loss 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.

Revenue

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 eliminating 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 up to the first date at which prevailing market rents become payable.

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.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

In accordance with IAS 40 "Investment property" depreciation is not provided in respect of freehold investment properties.

Property, Plant and Equipment

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.

On first adoption of IFRS the carrying value of property that had previously been revalued is shown at deemed cost, and subsequently revalued. The revaluation surplus that had been previously recognised is included in retained earnings.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial Instruments

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.

Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost using the effective interest method, less provision for impairment.

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 not interest bearing and are stated at amortised cost using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges, including 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.

Costs associated with the early settlement of debt, being the difference between carrying amount and the amount paid in settlement, are recognised in the income statement when the debt is settled

Equity Instruments

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

Taxation

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.

Short-term employee benefit costs

The undiscounted amount of short-term benefits attributable to services that have been rendered in the period are recognised as an expense, unless specifically required or permitted within the scope of IFRS reporting to be included in the cost of an asset.

Any difference between the amount of cost recognised and cash payments made is treated as a liability or prepayment as appropriate.

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.

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.

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 profit or loss in the period in which they are incurred.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

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.