

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt about what action to take, you should obtain your own financial advice from your stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000. If you sell or have sold or otherwise transfer or have transferred all of your existing Ordinary Shares in CareCapital Group Plc you should forward this document and the attached Form of Proxy as soon as possible to the purchaser(s) or transferee(s) or the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser(s) or transferee(s).

The Directors of Care Capital Group Plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document, save for (i) the information on the Concert Party for which the Concert Party takes responsibility; and (ii) the Recommendation on page 8 of this document, for which the Independent Directors take responsibility. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information. Members of the Concert Party, whose names are set out on page 44 of this document, accept responsibility for the information in this document in relation to the Concert Party. To the best of the knowledge and belief of the Concert Party (who have taken all reasonable care to ensure such is the case), the information contained in this document in relation to the Concert Party is in accordance with the facts and does not omit anything likely to affect the import of such information.

CareCapital Group Plc

(Registered in England and Wales No. 5564418)

PROPOSED LOAN TO CARECAPITAL GROUP PLC

PROPOSED GRANT OF 26,666,667 WARRANTS

APPROVAL OF WAIVERS OF THE OBLIGATIONS UNDER RULE 9 OF THE CITY CODE ON TAKEOVERS AND MERGERS

NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an Extraordinary General Meeting of CareCapital Group plc to be held at the offices of Finers Stephens Innocent LLP, 180 Great Portland Street, London W1W 5QZ at 4.00 p.m. on 27 October 2008 is set out at the end of this document. The enclosed Form of Proxy for use at the Extraordinary General Meeting should be completed and returned to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and to be valid must arrive on or before 4.00 p.m. 25 October 2008 or not less than 48 hours before the time fixed for any adjourned Extraordinary General Meeting. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on to the register of members in order to have the right to vote at the meeting is 4.00 p.m. on 25 October 2008 or 48 hours before any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	3 October 2008
Latest time and date for receipt of Proxy Form	4 p.m. on 25 October 2008
Extraordinary General Meeting	27 October 2008
Draw down of funds and issue of Warrants subject to the satisfaction of all conditions precedent	28 October 2008

PART I

LETTER FROM THE INDEPENDENT DIRECTORS OF CARECAPITAL GROUP PLC

CareCapital Group Plc

(Registered in England and Wales No. 5564418)

Directors

Dr Michael Sinclair – *Executive Chairman*
Paul Stacey – *Chief Executive*
Steve Wilden – *Finance Director*
Lord Evans of Watford – *Non Executive Director*
Keith Gibbs – *Non Executive Director*
Baroness McDonagh – *Non Executive Director*

Registered Office

6th Floor
54 Baker Street
London
W1U 7BU

3 October 2008

To the holders of Existing Shares and, for information only, to the holders of options over Ordinary Shares

Dear Sir/ Madam

Introduction

It has been announced today that the Company has agreed non-binding terms of a £4 million proposed loan facility to be provided to the Company by Dr Michael Sinclair, who is the Company's executive chairman. Upon drawdown of the proposed loan, it is proposed that 26,666,667 Warrants be granted to certain parties including Dr Michael Sinclair, Paul Stacey and Steve Wilden, being the three executive directors of the Company. Further details of the Proposed Loan Facility and the Warrants can be found below and in Part III of this document.

The reason I am writing to you on behalf of the Independent Directors is that Dr Michael Sinclair, Paul Stacey and Steve Wilden are members of the Concert Party and therefore have an interest in the Transaction. On exercise of the Warrants, and assuming that only the Concert Party exercise all of their options, and that the Bank exercises its Put Option, the Concert Party will together be the beneficial owners of 48.3 per cent. of the then issued share capital of the Company. Alternatively, should the members of the Concert Party only exercise all their Options, the Concert party would together hold 31.0 per cent. of the then issued share capital of the Company. In either case, this would normally require the Concert Party to make a mandatory offer under Rule 9 of the City Code, for all the Ordinary Shares not held by it. In order to avoid this requirement, Independent Shareholders are being asked to vote on resolutions to approve waivers by the Panel of any obligations related to the Transaction on the part of members of the Concert Party to make a mandatory offer to Shareholders under Rule 9 of the City Code, as described in further detail below.

Furthermore, the Transaction constitutes a related party transaction under the AIM Rules. The Independent Directors, who have been so advised by the Company's nominated adviser, Daniel Stewart, believe that the terms of the Transaction are fair and reasonable so far as the Shareholders are concerned.

The Proposed Loan Facility will be conditional, *inter alia*, upon the passing of the Resolutions and the grant of the Warrants and the Security.

The purpose of this document is:

- (i) to provide you with the background to and set out the reasons for, and details of, the Transaction;

- (ii) to explain why the Independent Directors consider the Transaction to be in the best interests of the Company and its Shareholders as a whole; and
- (iii) to seek Shareholder approval for the Transaction.

On the basis that the Panel has given the Waivers, the Company has decided to convene the EGM at the earliest opportunity.

This document also contains the Independent Directors' recommendation that you vote in favour of the Resolutions to be proposed at the EGM convened for 4.00 p.m. on 27 October 2008, notice of which is set out at the end of this document.

Background Information on the Group

CareCapital Group Plc is a developer and investor for the long term in healthcare related properties throughout the UK and in Germany. The Company's Ordinary Shares were admitted to AIM on 4 August 2006 ("Admission"). At the same time the Company raised £1.5 million, and Asgard (a private equity investor in the Company) sold 19,996,659 ordinary shares to raise £6 million, via a placing of new ordinary shares and existing ordinary shares. The Admission was sought principally to provide an opportunity for Asgard to realise part of its investment and to reduce the Group's indebtedness.

Since Admission, the Group has successfully completed a number of property acquisitions and developed a number of properties. The Group has been successful in winning NHS competitive tenders and the scale of these and other projects has grown significantly. In addition, CareCapital has established a presence in Germany.

The Group has, since 31 December 2005, increased its fully diluted net asset value per share, excluding deferred tax on property portfolio valuation, from 17.9p to 22.5p as at 30 June 2008.

Reasons for the Transaction

The Group requires additional financing in order to exploit both existing and new property development opportunities, in the UK and Germany. The Group funds developments through a combination of senior debt and equity finance.

Equity market conditions have precluded the raising of equity finance on sensible terms. The Group's fully diluted net asset value per share, excluding deferred tax, at 30 June 2008 was 22.5p, compared with a current share price of 9.25p as at the close of business on 2 October 2008, the day before the date of publication of this document. This represents a 58.9 per cent. discount to its net asset value per Ordinary Share which means that an equity issue at or near the current market price of an Ordinary Share (and investors would usually expect a discount) would be highly dilutive to net asset value per share and therefore not attractive.

In addition, the Group has leveraged its current portfolio to the maximum level which the Directors consider prudent. This precludes further bank borrowing against the current portfolio although senior debt against developments continues to be secured on commercial terms.

Given these circumstances, Dr Michael Sinclair, who is executive chairman, is one of the founders of CareCapital and has a beneficial holding of 22.1 per cent. in the Company, has agreed (subject to contract) to lend the Company £4 million which he is proposing to personally borrow from the Bank. Subject to executing a definitive facility with the Bank, it is proposed that Dr Michael Sinclair will enter into the Put Option, assign to the Bank the benefit of a life policy, assign to the Bank the Security, and that Dr Michael Sinclair and his wife will also give personal guarantees to the Bank.

The additional funding of £4 million will fund the Group's current development programme and allow it to take on additional projects. As a consequence, the Directors are confident that the investment in additional projects will strengthen the Group's balance sheet further and facilitate a refinancing of the Proposed Loan Facility using conventional banking finance.

Information on the Proposed Loan Facility and Warrants

The principal terms of the Proposed Loan Facility are as follows:

- (i) Term of one year with a six month extension at the Company's option;
- (ii) Interest at LIBOR plus 5 per cent. for the first year, if extended then LIBOR plus 7 per cent;
- (iii) drawdown of the loan is conditional upon the grant to Dr Michael Sinclair, Paul Stacey, Steve Wilden and the Bank of 26,666,667 Warrants exercisable at 15p for a term of five years;
- (iv) drawdown of the loan pursuant to the Proposed Loan Facility is also conditional *inter alia* upon the constitution of the Security and the assignment thereof, the execution of the Put Option and the passing of the Resolutions; and
- (v) the loan to be made pursuant to the Proposed Loan Facility will be made available for drawdown until close of business on 7 November 2008.

The Proposed Loan Facility is expected to be entered into on or after Dr Michael Sinclair has entered into a £4 million facility with the Bank.

Further information on the Proposed Loan Facility and the Warrants can be found in Part III of this document.

The Proposed Loan Facility has not been executed. If the terms differ materially from those set out in this document, shareholders will be notified.

The Independent Directors believe that, even assuming full exercise of the Warrants, the Transaction will have a beneficial effect on the fully diluted net asset value per Ordinary Share.

Pursuant to the terms of the Put Option, the Bank shall be entitled to require Dr Michael Sinclair to buy up to 8,000,000 Warrants outstanding, incorporating the underlying shares.

Authority of Shareholders for a Substantial Property Transactions and Loans to Directors

Pursuant to section 190 of the Companies Act 2006, the giving of the Security by the Company to Dr Michael Sinclair constitutes a substantial property transaction and will require sanction of shareholders. Accordingly, the Directors will seek shareholder approval to this substantial property transaction at the EGM.

In addition, pursuant to section 197 of the Companies Act, a company may not *inter alia* guarantee or provide security in connection with a loan made by any person to such director save with the sanction of shareholders. The Security is to be assigned to the Bank to secure Dr Michael Sinclair's indebtedness to the Bank and accordingly, the Directors will be seeking approval of shareholders to the giving and assignment of the Security.

City Code

The members of the Concert Party are deemed to be acting in concert for the purposes of the City Code. The members of the Concert Party currently own, in aggregate, 27.9 per cent. of the issued Ordinary Shares. Following the Transaction, assuming that they, and only they, exercise all of their Options and Warrants, and that the Bank exercises its Put Option, the members of the Concert Party would have a maximum of 48.3 per cent. of the issued Ordinary Shares of the Company, as follows:

HOLDER	SMT		Dr Michael Sinclair		Paul Stacey		Steve Wilden		Jay Sinclair		Total	
		%		%		%		%		%		%
Current Holding of												
Ordinary Shares	16,953,454	22.1	50,000	0.1	4,338,364	5.6	100,000	0.1	0		21,441,818	27.9
Options	0		800,000		800,000		1,381,408		474,604		3,456,012	
Warrants	0		10,600,000		7,066,667		1,000,000		0		18,666,667	
Bank Put Option	0		8,000,000		0		0		0		8,000,000	
Total	<u>16,953,454</u>	<u>15.9</u>	<u>19,450,000</u>	<u>18.2</u>	<u>12,205,030</u>	<u>11.4</u>	<u>2,481,408</u>	<u>2.3</u>	<u>474,604</u>	<u>0.5</u>	<u>51,564,496</u>	<u>48.3</u>

In the event that the waiver in respect of the Warrants is not approved by the shareholders, assuming the Concert Party (and only the Concert Party) exercise all of their Options, the members of the Concert Party would have a maximum of 31.0 per cent. of the issued Ordinary Shares of the Company, as follows:

<i>HOLDER</i>	<i>SMT</i>	<i>%</i>	<i>Dr Michael Sinclair</i>	<i>%</i>	<i>Paul Stacey</i>	<i>%</i>	<i>Steve Wilden</i>	<i>%</i>	<i>Jay Sinclair</i>	<i>%</i>	<i>Total</i>	<i>%</i>
Current Holding of												
Ordinary Shares	16,953,173	22.1	50,000	0.1	4,338,364	5.6	100,000	0.1	0		21,441,537	27.9
Options	0		800,000		800,000		1,381,408		474,604		3,456,012	
Total	<u>16,953,173</u>	<u>21.1</u>	<u>850,000</u>	<u>1.1</u>	<u>5,138,364</u>	<u>6.4</u>	<u>2,481,408</u>	<u>1.8</u>	<u>474,604</u>	<u>0.6</u>	<u>24,897,830</u>	<u>31.0</u>

Rule 9 of the City Code (“Rule 9”) is designed to prevent the acquisition or control of a company to which the City Code applies without a general cash offer being made to all shareholders of that company.

Under Rule 9 when any person, together with persons acting in concert with him, acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the City Code) which (together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person, or persons acting in concert with him, is normally obliged to make a general offer to all the remaining shareholders to acquire their shares at not less than the highest price paid by him, for shares of that class within the preceding 12 months.

Furthermore, under Rule 9 when a person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in other shares which increases the percentage of shares carrying voting rights in which he is interested, that person, or persons acting in concert with him, is normally obliged to make a general offer to all remaining shareholders to acquire their shares at not less than the highest price paid by him, for shares of that class within the preceding 12 months.

The grant, rather than the exercise, of options that would take the interest in shares of a concert party to 30 per cent. or more normally requires a waiver by the Panel in a manner similar to the proposed Waivers contemplated by this document. However, in this case a Waiver was not obtained because the members of the Concert Party were not considered to be in concert at the time the Options were issued.

The Panel has agreed, subject to the passing on a poll by the Independent Shareholders of the Company of the Whitewash Resolution, to waive the obligation on the Concert Party (both individually and collectively) to make a general offer to Shareholders under Rule 9 which would otherwise arise as a result of the exercise of either their Options or their Warrants.

Following the exercise of (i) their options and/or (ii) their Warrants, and assuming the Bank exercises its Put Option, in each case the members of the Concert Party will be interested in shares carrying 30 per cent. or more of the Company’s voting share capital but will not hold shares carrying more than 50 per cent. of such voting rights and (for as long as they continue to be treated as acting in concert) any further increase in that aggregate interest in shares will be subject to the provisions of Rule 9.

The Waivers, which the Panel has agreed to provide, subject to the Whitewash Resolutions being passed on a poll by Independent Shareholders at the EGM, will be invalidated if any purchases or exercise of options of Ordinary Shares are made by any member of the Concert Party or any person acting in concert with any of them in the period between the date of this document and the EGM. Each member of the Concert Party has undertaken to the Company that they will not make any such purchases or exercise any Option between the date of this document and the date of the EGM.

Further information on the Concert Party is included in Part III of this document.

Extraordinary General Meeting

Set out at the end of this Circular is a notice convening the EGM to be held at 4.00 p.m. on 27 October 2008 at the offices of Finers Stephens Innocent LLP, 180 Great Portland Street, London W1W 5QZ, at which the following resolutions will be proposed:

Resolution 1

- an ordinary resolution to approve the constitution of the Warrant Instrument;

Resolution 2

- an ordinary resolution to grant, subject to the passing of Resolution 1, the Directors authority pursuant to the Act to allot relevant securities, such authority limited to:
 - (a) the grant of Warrants to subscribe for up to 26,666,667 Ordinary Shares;
 - (b) otherwise than pursuant to sub-paragraph (a) above, the allotment of relevant securities up to an aggregate nominal amount of £95,943;

Resolution 3

- a special resolution to grant, subject to the passing of Resolutions 1 and 2 above, the Directors authority to allot equity securities free of statutory pre-emption rights, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with any offer or invitation, including a rights issue, open offer or equivalent offer made to the holders of ordinary shares in the capital of the Company;
 - (b) the grant of Warrants to subscribe for up to 26,666,667 Ordinary Shares;
 - (c) otherwise than pursuant to sub-paragraphs (a) and (b) above, the allotment of relevant securities up to an aggregate nominal amount of £95,943;

Resolution 4

- an ordinary resolution to approve the granting of the Security pursuant to section 190 of the Companies Act 2006 (substantial property transactions);

Resolution 5

- an ordinary resolution to approve the granting of the Security and the assignment thereof to the Bank, pursuant to Section 197 of the Act (loans to directors)

Resolutions 6 and 7

- ordinary resolutions to approve the waivers of the obligations of the members of the Concert Party under Rule 9 (these resolutions require voting on a poll by Independent Shareholders).

Action to be taken by Shareholders

Whether or not you propose to attend the EGM in person, you are asked to complete the Proxy Form appended to this Circular and return it to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible but in any event no later than 4.00 p.m. on 25 October 2008. Completion and return of the Proxy Form will not preclude you from attending the EGM and voting in person should you so wish.

Recommendation

The Independent Directors, who have been so advised by Daniel Stewart, consider the Transaction and also the Waivers to be fair and reasonable and in the best interests of the Independent Shareholders as a whole and unanimously recommend Independent Shareholders to vote in favour of the Resolutions. In giving its advice, Daniel Stewart has taken into account the Independent Directors' commercial assessments.

The members of the Concert Party have undertaken that neither they nor their connected parties will vote on the Resolutions.

Yours faithfully

Keith Gibbs
Independent Director

PART II

FINANCIAL INFORMATION ON THE COMPANY

(A) Financial information for the two years ended 31 December 2007

The following financial information relating to the Group for the two years ended 31 December 2007, has been extracted without material adjustment from the audited consolidated financial statements of CareCapital Group Plc. In the year ended 31 December 2006 the Group underwent a Group reorganisation such that CareCapital Group Plc, which was a newly incorporated company, becoming the ultimate parent undertaking. Prior to this, the ultimate parent undertaking was CareCapital Limited. The reorganisation was accounted for as a reverse acquisition. The financial information for the year ended 31 December 2005 was originally prepared under UK accounting policies. In 2006 the Group prepared its financial statements under International Financial Reporting Standards (“IFRS”) and restated the results for the year ended 31 December 2005 accordingly. The financial information for the year ended 31 December 2005 been extracted from the comparatives included in the audited consolidated financial statements of CareCapital Group Plc for the year ended 31 December 2006.

The financial information set out in this Part II does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985

Copies of the consolidated financial statements of CareCapital Group Plc for the two years ended 31 December 2007 and of Carecapital Limited for the year ended 31 December 2005 have been delivered to the Registrar of Companies in England and Wales. PKF (UK) LLP, 20 Farringdon Road, London EC1M 3AP have made a report under section 235 of the Companies Act 1985 in respect of the statutory consolidated accounts for each of the three years ended 31 December 2007. Such reports were unqualified and did not contain a statement under section 237 of the Companies Act 1985.

Consolidated income statement

	Notes	Year ended 31 December		
		2005	2006	2007
		£	£	£
Revenue	(ii)	1,747,651	1,335,733	2,115,026
Cost of sales		(72,719)	(48,813)	(162,806)
Gross profit		1,674,932	1,286,920	1,952,220
Administrative expenses		(1,353,167)	(1,891,647)	(1,845,788)
Other operating income	(iv)	–	–	126,180
Net surplus on revaluation of investment properties		281,165	3,528,023	2,507,319
Operating profit before exceptional items		602,930	2,923,296	2,739,931
Exceptional costs of AIM listing	(iii)	–	(589,574)	–
Operating profit after exceptional items		602,930	2,333,722	2,739,931
Finance income	(v)	244,545	186,608	257,872
Finance costs	(vi)	(1,155,424)	(1,088,898)	(1,351,164)
Change in fair value of financial instruments		12,528	29,081	7,239
Net finance costs		(898,351)	(873,209)	(1,086,053)
(Loss)/profit before tax		(295,421)	1,460,513	1,653,878
Taxation	(vii)	(88,108)	(1,029,967)	(144,290)
(Loss)/profit on ordinary activities after taxation		(383,529)	430,546	1,509,588
Discontinued operations				
(Loss)/profit from discontinued operations	(i)	–	247,277	(27,965)
Profit/(loss) for the period				
– attributable to equity shareholders		(383,529)	677,823	1,353,187
– attributable to minority interest		–	–	128,436
		<u>(383,529)</u>	<u>677,823</u>	<u>1,481,623</u>

Earnings per ordinary share

	Notes	Year ended 31 December		
		2005	2006	2007
		£	£	£
Basic	(x)	(0.54)p	0.93p	1.76p
– continuing operations		–	0.59p	1.76p
– discontinued operations		–	0.34p	–
Diluted	(x)	(0.54)p	0.92p	1.72p
– continuing operations		–	0.58p	1.72p
– discontinued operations		0.34p	–	–
Weighted average number of shares (000)	(x)	<u>70,696</u>	<u>73,197</u>	<u>76,754</u>

The Patient Hotel activity was classified as a discontinued activity in the 2007 financial statements and the 2006 profit and loss account restated to reflect this treatment. The 2005 results have not been restated in the above as the analysis is not available.

Consolidated balance sheet

		<i>31 December</i>
		<i>2007</i>
	<i>Notes</i>	<i>£</i>
Non-current assets		
Intangible assets	(xi)	1,950,075
Investment properties	(xii)	39,931,316
Development properties	(xii)	2,888,297
Leasehold improvements	(xiii)	89,315
Plant and equipment	(xiv)	56,467
		<u>44,915,470</u>
Current assets		
Trade and other receivables	(xv)	546,145
Cash and cash equivalents		118,680
		<u>664,825</u>
Total assets		<u>45,580,295</u>
Current liabilities		
Trade and other payables	(xvi)	(790,472)
Borrowings, including finance leases	(xvii)	(2,393,676)
Derivative financial instruments	(xix)	(92,256)
		<u>(3,276,404)</u>
Non-current liabilities		
Borrowings, including finance leases	(xvii)	(24,745,982)
Deferred tax	(xviii)	(2,627,615)
		<u>(27,373,597)</u>
Total liabilities		<u>(30,650,001)</u>
Net assets		<u>14,930,294</u>
		<i>31 December</i>
		<i>2007</i>
	<i>Notes</i>	<i>£</i>
Equity		
Share capital	(xx)	767,541
Reverse acquisition reserve	(xxii)	11,038,204
Share option reserve	(xxiii)	209,332
Share premium account	(xxiv)	1,397,500
Profit and Loss account		1,388,611
		<u>14,801,188</u>
Equity shareholders interest		<u>14,801,188</u>
Minority interest		129,106
		<u>14,930,294</u>

Consolidated statement of changes in equity

	<i>Total</i>	<i>Share</i>	<i>Share</i>	<i>Share</i>	<i>Reverse</i>	<i>Accumulated</i>	<i>Minority</i>
	<i>£</i>	<i>capital</i>	<i>premium</i>	<i>options</i>	<i>acquisition</i>	<i>profit</i>	<i>interest</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>reserve</i>	<i>reserve</i>	<i>£</i>	<i>£</i>
Balance at							
1 January 2007	13,377,671	767,541	1,397,500	143,055	11,038,204	31,371	–
Exchange rate movement	4,503	–	–	–	–	4,053	450
Profit for the year	1,481,623	–	–	–	–	1,353,187	128,436
Total recognised income							
and expenditure	14,863,797	767,541	1,397,500	143,055	11,038,204	13,886,611	128,886
Share based payment							
– employment services	66,277	–	–	66,277	–	–	–
Minority interest in							
subsidary	220	–	–	–	–	–	220
Balance at							
31 December 2007	14,930,294	767,541	1,397,500	209,332	11,038,204	1,388,611	129,106

Consolidated cash flow statement

Year ended
31 December
2007
£

Cash flows from operating activities	
Profit after taxation	1,481,623
Adjustments:	
Taxation	144,290
Change in fair value of financial instruments	(7,239)
Finance costs	1,351,164
Finance income	(257,872)
Unrealised net revaluation gains on investment properties	(2,507,319)
Profit on sale of property	(126,180)
Depreciation	33,709
Write off of development costs incurred	15,456
Share based payments	66,277
Cash flows from operations before changes in working capital	<u>193,909</u>
Change in trade and other receivables	13,325
Change in trade and other payables	(281,429)
Cash used by operations	<u>(74,195)</u>
Interest paid	<u>(1,338,024)</u>
Cash flows from operating activities	<u>(1,412,219)</u>
Cash flows from investing activities	
Purchase of intangible assets	(198,116)
Purchase of investment property	(7,349,714)
Sale of non-current asset held for sale	1,626,180
Capital expenditure on development properties	(2,398,837)
Purchase of leasehold improvements	(96,305)
Purchase of plant and equipment	(55,470)
Sale of plant and equipment	440
Interest received	59,564
Cash flows from investing activities	<u>(8,412,258)</u>
Cash flows from financing activities	
New mortgage loans raised (net)	6,519,028
Repayment of loans	(403,651)
Repayment of finance leases	(8,041)
Repayment of loan on non-current asset held for sale	(468,539)
Cash flows from financing activities	<u>5,638,797</u>
Net decrease in cash and cash equivalents	(4,185,680)
Cash and cash equivalents at 1 January	<u>2,321,933</u>
Cash and cash equivalents at 31 December	<u>(1,863,747)</u>

ACCOUNTING POLICIES

GROUP

(a) Accounting convention and basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The parent company’s financial statements have also been prepared in accordance with IFRS, as applied in accordance with the provisions of the Companies Act 1985.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and opinions or statements received from competent professional advisors. These advisors include qualified valuers and financial institutions which have provided senior debt and associated facilities.

The most significant assumptions in the financial statements relate to the revaluation gains in respect of the investment properties held. In the UK, properties were valued using an investment yield of 5.5 per cent. following consultation with our professional valuers. This yield is consistent with that used for the 2006 financial statements. During 2006 a full valuation was undertaken at the time of the AIM listing, and this was subsequently updated following a desk top review. A revaluation gain of £3.5 million was booked to the income statement.

There were a number of rent reviews during the course of 2007, following which the valuations of the relevant properties were rebased on the basis of a 5.5 per cent. yield. The revaluation gain arising of £1 million was booked to the income statement. German properties were revalued during December 2007 by professional valuers, and a revaluation gain of £2.5 million was taken to the income statement.

The Directors have undertaken an exhaustive review of funding options in order to secure financing for the Group’s pipeline of capital projects on terms least dilutive to the shareholders.

The Group has agreed terms to refinance the senior debt on a substantial part of the UK property portfolio. The refinancing will raise an additional £3.9 million net and has been secured on competitive terms. The Board are also progressing the raising of further loan finance, the details of which will be circulated to shareholders for approval at an EGM later in the year. The Chairman and Chief Executive have undertaken to underwrite a loan facility of up to £4 million, in the event that such finance can not be secured from a third party on terms acceptable to the Group. This will ensure that the Group’s development pipeline can be progressed in line with current targets.

The Directors believe that they have considered all relevant information and are confident that the necessary fundraising will be completed successfully. On this basis they have concluded that it is appropriate to prepare these financial statements on a going concern basis.

A summary of the Group accounting policies is set out below, together, where relevant, with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

(b) Basis of consolidation

The consolidated financial information includes financial information in respect of the company and its subsidiary undertakings.

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. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Goodwill

Goodwill arising on acquisition of Group undertakings is carried as an intangible asset at cost less accumulated impairment losses. An impairment review is carried out annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. (See note (xi)).

(d) Investment properties

Investment properties are properties owned or leased by the Group which are held for long term rental income and capital appreciation. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by the directors. In arriving at their assessment, the directors take advice from professionally qualified external valuers to determine open market value.

Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise. Depreciation is not provided in respect of investment properties.

(e) Development properties

Land and properties under development are initially recognised at cost. Cost includes external interest on development loans, directly attributable outgoings and development margin representing the recovery of attributable internal costs. Internal costs include direct costs of staff engaged in activities which contribute towards the development of assets, and an overhead recovery rate in respect of relevant overhead costs other than staff costs. No recovery is recognised until a project has progressed to a stage where its conclusion is considered to have a high degree of certainty. Development margin is attributed according to the time booking records of the directly relevant staff. All bid costs are written off to the income statement.

Upon completion, development properties to be held for long term rental income and capital appreciation are transferred to investment property.

(f) Depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Investment freehold property	– Not provided
Fixtures and fittings	– 20% on cost
Computer equipment	– 33.3% to 50% on cost
Leasehold Improvements	– Written off over the term of the lease

(g) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The fair value is the open market value, according to estimates received from external professional valuers.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use and where management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(h) Trade and other receivables

Trade and other receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material.

(i) Trade and other payables

Trade and other payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits with banks, other short-term highly liquid investment maturities of three months or less, net of short term bank overdrafts.

(k) Revenue recognition

Revenue consists of the gross rental income and service charges received on investment properties. Rental income is calculated on an accruals basis and recognised in the accounting period to which it relates. Additional rental amounts occurring as a result of rent reviews are not recognised until agreed in writing with tenants.

(l) Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

(m) Income taxes

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority, with a legal right to set off and when the Group intends to settle them on a net basis.

(n) Pensions

The Group operates a defined contribution pension scheme. Contributions payable to the schemes are recognised as an expense in the income statement as incurred.

(o) Share based payments

The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. These share-based payments are measured at fair value at the date of grant by use of an option pricing model known as the Black-Scholes formula using assumptions deemed to be consistent with the price which the incentive might have been worth if it were traded in the open market.

For equity-settled transactions with non-employees, the costs are recognised through the income statement with measurement based on the fair value of goods or services received.

(p) Foreign currencies

The assets and liabilities of foreign entities are translated into sterling at the rate of exchange ruling at the balance sheet date and their income statements and cash flows are translated at the average rate for the period. Exchange differences arising are transferred to reserves as a separate component of equity.

Transactions in currencies other than the Group's functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(q) Other operating income

Other operating income relates to the profit on the disposal of the Patient Hotel, which was categorised as a non current asset held for sale at 31 December 2006. Other operating income is recognised in the year in which it is earned.

(r) Financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative transactions such as interest rate swaps and forward foreign exchange contracts in order to manage the risks arising from its activities. Derivatives are recorded at fair value based on market prices, estimated future cash flows and forward rates as appropriate. Any change in the fair value of such derivatives is recognised immediately in the income statement as a finance cost.

Loans are initially recognised net of associated transaction costs. Subsequent to initial recognition, they are stated at amortised cost with any difference between the cost and redemption amount being recognised in the income statement on an effective interest basis.

(s) Equity instruments

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

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to complete 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 profit or loss in the period in which they are incurred.

(u) Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over the shorter of the lease term and the useful life of the assets. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Finance-leased investment properties are included in the balance sheet at fair value, gross of the recognised finance lease liability.

Rental payable under operating leases are charge to the income statement on a straight-line basis over the lease term. Benefit received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over period to the first lease break.

Group as lessor

Assets leased out under operating leases are included in investment property, with rental income recognised on a straight-line basis over the lease term.

No assets are leased out under finance leases.

(v) Segmental reporting

The primary segment for reporting purposes is development and rental of healthcare related property. The secondary reporting segment is the geographic analysis of activities.

(w) New Standard

IFRS 7 and IAS 1 (Amendment) have been adopted during the year. These bring in new disclosures relating to financial instruments and capital management and have not affect the presentation or valuation of amounts recognised on the balance sheet or in the income statement.

(x) New standards issued but not yet effective.

The Group has not applied any new standards or interpretations issued by the IASB and endorsed by the EU where the effective date is after the date of these financial statements. The application of such standards is not anticipated to have a material impact on the Group's financial statements.

NOTES TO THE ACCOUNTS – GROUP

(i) Discontinued operations

The Company, having not been successful in securing further Patient Hotel management contracts after the closure of its “Manor House” facility, decided to concentrate on its core development activities.

Consequently, the results in respect of the Patient Hotel activity have been shown as a discontinued operation in 2006 and 2007, and are set out below.

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Revenue	496,280	–
Cost of sales	(34,747)	–
Gross profit	461,533	–
Administrative expenses	(460,545)	(26,159)
Other operating income	251,417	–
Operating (loss)/profit	252,405	(26,159)
Finance costs	(5,128)	(1,806)
(Loss)/profit before tax	247,277	(27,965)

(ii) Geographical segments

	<i>Year ended 31 December</i>		
	<i>Revenue</i>	<i>Assets</i>	<i>Capex</i>
	<i>£</i>	<i>£</i>	<i>£</i>
2007			
United Kingdom	1,362,975	13,363,803	1,339,697
Other EU Countries	752,051	1,566,491	8,560,629
	<u>2,115,026</u>	<u>14,930,294</u>	<u>9,900,326</u>
2006			
United Kingdom	1,335,733	13,377,671	496,260
Other EU Countries	–	–	6,058,524
	<u>1,335,733</u>	<u>13,377,671</u>	<u>6,554,784</u>

(iii) Exceptional costs

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
External costs associated with the listing of the Group on AIM	589,574	–

The Group incurred costs of £642,074 in connection with its listing on AIM on 4 August 2006, including a brokerage share based cost attributed to an option granted to the Company’s brokers. Of the total, £52,000, being the brokerage commission directly attributable to the raising of new money, has been applied to the share premium account.

(iv) Profit on ordinary activities before taxation

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Profit on ordinary activities before taxation is arrived at after charging staff costs (see note viii)	1,392,446	1,437,290
Depreciation – owned assets	16,968	33,709
Depreciations – assets held under finance leases	16,037	–
Other operating income	(251,418)	(126,180)
Operating lease costs	48,793	109,646
Amounts payable to the company’s auditors and their associates for:		
– audit of the Company’s annual accounts	7,000	9,000
– audit of the Company’s subsidiaries	21,000	51,552
– taxation services	22,575	41,652
– corporate finance services	99,987	–
– other services	10,700	44,736

Other operating income represents the profit on disposal of “The Manor House” Patient Hotel. The amount during 2006 represented a termination payment due upon early termination of the Patient Hotel contract.

The termination payment, which related directly to the Patient Hotel operation, has been included within the discontinued activity figure in the income statement.

(v) Finance income

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Interest receivable on money market deposits	183,222	51,874
Exchange rate gains	3,386	205,872

The exchange rate gain arises on conversion of the euro denominated loans made from CareCapital Limited, to its German subsidiary undertakings.

(vi) Finance costs

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Interest payable		
On bank overdrafts and loans	–	11,876
On mortgage finance (see note xvii)	986,651	1,339,288
On loan from participating interest	102,247	–

(vii) Taxation on profit for ordinary activities

(a) The tax charge comprises

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Current tax		
UK corporation tax on loss for the period	–	–
Deferred tax	1,029,967	144,290
	<u>1,029,967</u>	<u>144,290</u>

(b) Factors affecting tax charge for the year

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below		
Profit on ordinary activities before tax	1,460,513	1,653,878
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	438,154	496,163
Effects of:		
Permanent differences	172,200	53,504
Capital allowances in excess of depreciation	(34,725)	(71,252)
Unprovided losses carried forward	454,338	81,453
Tax impact of capital disposal	–	(37,855)
Lower rates of taxation	–	(377,723)
Current tax charge for period	<u>1,029,967</u>	<u>144,290</u>

(c) Unprovided deferred tax assets at 28% (2006: 30%)

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Losses carried forward	(1,976,358)	(2,332,711)
Accelerated capital allowances	86,538	138,785
Deferred tax (asset)	<u>(1,889,820)</u>	<u>(2,193,926)</u>

Provision is not made for deferred tax as it is not anticipated that these will be utilised in the foreseeable future.

(viii) Staff costs

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Wages and salaries	1,155,908	1,168,675
Social security costs	128,620	131,746
Other pension costs	48,819	70,592
Share based payment	59,099	66,277
	<u>1,392,446</u>	<u>1,437,290</u>

Details of employees share options are set out in note (xxi)

The average number of persons employed during 2007 was 16 (2006: 22)

	<i>2006</i>	<i>2007</i>
Managerial	3	4
Operational	7	8
Administrative	3	4
Discontinued activities	9	–
	<u>22</u>	<u>16</u>

The salaries and benefits of the Directors of CareCapital Group PLC paid during the year ended 31 December 2007 were as follows. Paul Stacey and Steve Wilden's main contracts of employment are with CareCapital Limited.

	<i>Base salary</i>	<i>Car allowance</i>	<i>Directors fee</i>	<i>Pension</i>	<i>Other benefits</i>	<i>Total 2007</i>	<i>Total 2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Dr M J Sinclair	35,000	–	–	–	–	35,000	14,583
P Q Stacey	136,083	10,000	10,000	10,206	1,200	167,489	137,245
K G Gibbs	–	–	20,000	–	–	20,000	8,333
Lord Evans	–	–	20,000	–	–	20,000	8,333
S K Wilden	114,167	10,000	10,000	8,563	1,200	143,930	120,761
Total	<u>285,250</u>	<u>20,000</u>	<u>60,000</u>	<u>18,769</u>	<u>2,400</u>	<u>386,419</u>	<u>289,255</u>
Share based payments						<u>17,753</u>	<u>16,296</u>
Total Directors' remuneration						<u>404,172</u>	<u>305,551</u>

(ix) Pensions

The Group operates a defined contribution pension scheme. Contributions payable for the period are charged in the income statement.

(x) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in the year.

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
Profit attributable to equity holders of the Company (£)	677,823	1,353,187
Weighted average number of shares in issue (thousands)	73,197	76,754
Earnings per share (pence per share)	0.93	1.76
– continuing operations	0.59	1.76
– discontinued operations	0.34	–

Diluted earnings per share

The Company has one category of dilutive potential ordinary shares – share options. A calculation is undertaken to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. It is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
Profit attributable to equity holders of the Company (£)	677,823	1,353,187
Weighted average number of shares in issue (thousands)	73,197	76,754
Adjustment for share options (thousands)	347	2,129
Weighted average number of ordinary shares for diluted earnings (thousands)	73,544	78,883
Earnings per share (pence per share)	0.92	1.72
– continuing operations	0.58	1.72
– discontinued operations	0.34	–

Adjusted earnings per share

Adjusted earnings per share have been calculated to exclude the unrealised gain on revaluation of investment properties and fair value movement on derivative financial instruments.

	<i>Year ended 31 December</i>	
	<i>2006</i>	<i>2007</i>
Profit attributable to equity holders of the Company (£)	677,823	1,353,187
Less gain on revaluation of investment properties	(3,528,023)	(2,357,542)
Add deferred tax in respect of investment properties	1,058,407	123,931
Add fair value movement on derivative financial instruments	29,081	7,239
Less deferred tax in respect of derivative financial instruments	(8,724)	(4,014)
Loss used for calculation of adjusted earnings per share	(1,771,436)	(877,199)
Adjusted earnings per share (pence per share)	(2.42)	(1.14)

No adjusted, diluted earnings per share is calculated because the Group made losses after the above adjustments.

(xi) Intangible assets

	<i>Goodwill</i>
	<i>£</i>
At 31 December 2006	1,751,959
Acquired during the year	198,116
Amortisation	—
At 31 December 2007	<u>1,950,075</u>

On 12 December 2007 the Group acquired 94 per cent. of the share capital of Schutz Bau GmbH & Co. Projektgesellschaftsft Arztehaus am Klinikum Fichtelgebirge KG for consideration of £3.4k. A further £460k was advanced to the company as long term loan. This company is developing a large Primary healthcare facility at Marktredwitz in Northern Bavaria, Germany, which is scheduled for completion in December 2008.

Prior to the injection of funds from CareCapital Ltd the acquired company had developments in progress of £715.4k, other assets of £51.5k, net development loans of £492.0k and other liabilities of £3.7k. This gave goodwill of £198.1k which has arisen owing to early stage project expenditure and the securing of tenants for the completed development.

The goodwill of £1,751,959 bought forward at 31 December 2006 relates to the Group's cash generating activities in the UK. The amount of £198,116 acquired during the year relates to the Group's cash generating activities in Germany.

In accordance with IAS36 "Impairment of assets", the Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 December 2007 to assess whether the carrying amount of assets was supported by their value in use determined by the net present value of the future cash flows derived from assets using cash flow projections based on estimated rental revenues, costs and capital repayments. A pre tax discount rate of 6.5 per cent. was used.

The result of the review undertaken at 31 December 2007 indicated that no impairment is necessary.

(xii) Investment and development properties

	<i>Freehold</i> £	<i>Leasehold over 50 years</i> £	<i>Total</i> £
Investment properties			
At 31 December 2006	28,477,118	1,040,000	29,517,118
Additions	7,349,714	–	7,349,714
Reclassification	(2,208,000)	2,208,000	–
Foreign exchange fluctuations	557,165	–	557,165
Surplus on valuation	2,507,319	–	2,507,319
At 31 December 2007	<u>36,683,316</u>	<u>3,248,000</u>	<u>39,931,316</u>
Development properties			
At 31 December 2006	114,052	390,864	504,916
Additions	2,023,523	375,314	2,398,837
Costs written off	(15,456)	–	(15,456)
At 31 December 2007	<u>2,122,119</u>	<u>766,178</u>	<u>2,888,297</u>
Total investment development properties			
At 31 December 2007	<u>38,805,435</u>	<u>4,014,178</u>	<u>42,819,613</u>
	<i>UK</i> £	<i>Germany</i> £	<i>Total</i> £
Geographical analysis			
Investment properties	24,487,950	15,443,366	39,931,316
Development properties	1,673,377	1,214,920	2,888,297
At 31 December 2007	<u>26,161,327</u>	<u>16,658,286</u>	<u>42,819,613</u>

A full valuation of the Group's UK property portfolio was carried out by Colliers CRE, Chartered Surveyors and valuers, in connection with the Group's listing on AIM on 4 August 2006. This valued the UK investment properties, excluding "The Manor House" property subsequently, at £20,025,000. Since that date, the Group has settled rent reviews on nine properties. Since that date the Directors have reviewed the valuation, taking into account market conditions and further guidance from Colliers CRE in arriving at a valuation of £24,487,950 for UK investment properties. This values the portfolio using an investment yield of 5.5 per cent.

A full valuation of the Group's German property portfolio was carried out by Savilles Immobilien Beratungs-GmbH, Chartered Surveyors and valuers, during December 2007. The valuation of £15,443,366 represents an average investment yield of 6.27 per cent.

Both Colliers and Savilles are appropriately qualified and have sufficient market knowledge and relevant experience of the category of investment property, as well as locations, in determining their valuations.

Expenditure on projects in course of development is recognised at cost until the property is completed and transferred to investment properties. (see principal accounting policies (e).) Under this policy, the amount of attributable internal costs included within the total cost of development properties of £2,888,297 was £468,551.

The historical cost of investment properties at 31 December 2007 was £29,827,413. Development properties are stated at historical cost.

(xiii) Leasehold improvements

	<i>Cost</i>	<i>Accumulation depreciation</i>	<i>Net</i>
	£	£	£
At 31 December 2006	–	–	–
Additions	96,305	–	96,305
Charge for the year	–	(6,990)	(6,990)
At 31 December 2007	96,305	(6,990)	89,315

(xiv) Plant and equipment

	<i>Cost</i>	<i>Accumulation depreciation</i>	<i>Net</i>
	£	£	£
Fixture and fittings			
At 31 December 2006	82,945	(72,016)	10,929
Additions	39,929	–	39,929
Disposals	(70,459)	70,459	–
Charge for the year	–	(9,232)	(9,232)
31 December 2007	52,415	(10,789)	41,626
Computer equipment			
At 31 December 2006	38,777	(21,550)	17,227
Additions	15,541	–	15,541
Disposals	(2,838)	2,398	(440)
Charge for the year	–	(17,487)	(17,487)
At 31 December 2007	51,480	(36,639)	14,841
Net book value at 31 December 2007	103,895	(47,428)	56,467

(xv) Trade and other receivables

	<i>2007</i>
	£
Amount falling due within one year	
Trade receivables	151,825
VAT recoverable	37,370
Other receivables	105,034
Prepayments	251,916
	<u>546,145</u>

(xvi) Trade and other payables

	<i>2007</i>
	£
Amount falling due within one year	
Trade payables	205,327
VAT payable	11,018
Other taxes and social security	70,253
Other payables	10,988
Accruals and deferred income	492,886
Total	<u>790,472</u>

(xvii) Borrowings including finance leases

	2007
	£
Amount falling due within one year:	
Bank overdraft	1,982,427
Bank loans	411,249
Total amounts due within one year	<u>2,393,676</u>
Amounts falling due after more than one year	
Bank loans	<u>24,745,982</u>
Amounts falling due after more than one year	<u>24,745,982</u>
Total borrowings including finance leases	27,139,658
Cash and cash equivalents	<u>(118,680)</u>
Net borrowings	<u>27,020,978</u>
The maturity profile of gross debt is as follows	
Repayable within one year	2,393,676
Repayable in more than one year but not more than two years	426,123
Repayable in more than two years but not more than three years	442,551
Repayable in more than three year but not more than four years	460,113
Repayable in more than four years but not more than five years	478,894
Repayable after more than five years	<u>22,938,301</u>
Total borrowings	<u>27,139,658</u>

(xviii) Deferred tax liabilities**Income taxes**

Under IAS 12 (Income taxes) provision is made for the deferred tax liability associated with the revaluation of investment properties. As the Group currently has no intention to dispose of its investment properties, it has provided for deferred tax on the revaluation of investment properties by applying the standard corporation tax rate of 28 per cent. to the surplus on UK properties without indexation allowance. The appropriate composite tax rate for the German investment properties is 16.27 per cent.

	<i>Revaluation of investment properties</i>	<i>Derivative financial instruments</i>	<i>Total</i>
	£	£	£
Analysis of deferred tax			
At 31 December 2006	(2,278,976)	29,849	(2,249,127)
Charged to the income statement	(374,474)	(4,014)	(378,487)
At 31 December 2007	<u>(2,653,450)</u>	<u>25,835</u>	<u>(2,627,615)</u>

The taxation charge of £144,290 (see note vii) in the income statement is calculated after the release of the deferred tax provision of £234,196 on the sale of the property held for resale at 31 December 2006, which is no longer required.

(xix) Financial instruments**Treasury policy**

The Group enters into derivative transactions such as interest rate swaps and caps in order to help manage the financial risks arising from the Group's activities. The main risks arising from the Group's financing structure are interest rate risk and exchange rate risk.

Interest rate risk

The Group's bank loans were set up at interest rates linked to LIBOR for the relevant currency. In some cases the loans were fixed at that rate for the entire period of the loan. Other loans have floating rates with corresponding swap instruments which eliminate the interest rate risk, and effectively fix the rate. The loans in respect of the Group's property in Germany, which are denominated in Euros, are capped.

Exchange rate risk

The Group holds assets and liabilities denominated in Euros, principally property and associated loans. A review was undertaken in order to consider minimisation of exchange rate risk. The Company has a forward cover facility with its bankers to a risk limit of £1 million. No contracts were in place at 31 December 2007.

Operating cash flow generated in Europe is retained in Euros for reinvestment in Euro denominated development projects. The Board have taken the view that the cost of hedging the Group's Euro denominated net investment in Europe is prohibitive.

The Group had made euro denominated loans to its German subsidiaries totalling € 4.85 mill at 31 December 2007. These were converted to Sterling at a rate of 1.35883 Euros to the £. A 10 per cent. increase in the value of sterling would lead to an adverse effect of £325k in the income statement whilst a 10 per cent. increase in the value of the euro would have a positive effect of £397k.

Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's assets are primarily property investments which would take time to realise. The loan and interest obligations associated with each property are covered by the corresponding rental flows under long term lease arrangements. The Group anticipates future cash requirements for its development business and seeks to put in place the appropriate debt and equity facilities.

Credit risk

The Group trades with credit worthy parties and monitors receivable balances on a continuous basis. A legally binding contract exists with each tenant occupying rented properties.

Maximum exposure to credit risk within the Group is equal to the carrying value of financial assets; such assets include cash and cash equivalents and trade debtors.

The failure of the counterparty to a transaction in meeting its obligations under that transaction could result in the Group suffering a financial loss.

Management of risks

This risk is managed as follows:

- Cash at bank is held only with reputable banks with high quality external credit ratings.
- The Group monitors trade receivables for impairment on a case by case basis.
- A legally binding contract is in existence for each tenant occupying rented properties.

The Group's financial assets and liabilities are classified as follows:

	2007		
	<i>Fair value through profit and loss</i>	<i>Loans and receivables</i>	<i>Amortised cost</i>
	£	£	£
Trade and other receivables	–	294,229	–
Cash and cash equivalents	–	118,680	–
Trade and other payables	–	–	(790,472)
Borrowings – current	–	–	(2,393,676)
Borrowings – non-current	–	–	(24,475,982)
Borrowings directly associated with assets held for resale	–	–	–
Derivative financial instruments	(92,256)	–	–
	<u>(92,256)</u>	<u>412,909</u>	<u>(27,660,130)</u>

Financial assets and liabilities are as designated under the criteria set out in IAS 39.

Debt analysis

The Group's bank debt can be analysed under the following categories

	2007 £
Sterling denominated	
Overdraft at 1.5% over base rate	1,982,427
Fixed (average rate 7.1%)	11,233,160
Floating hedged by swap instruments (average hedged rate 6.45%)	2,073,349
Euro denominated	
Floating with rated capped at 4.5% or 4.9%	11,850,722
	<u>27,139,658</u>
Current liabilities	
Financial instruments	<u>92,256</u>

Representing fair value of swap instruments held by the Group.

The Group has an overdraft facility of £2,500,000 which is due for review on 31 August 2008. This facility is secured by a second charge over a proportion of the Group's UK Investment property portfolio which is valued at £20.5million. The outstanding loans on these assets in respect of the first charge is £11.3 million.

Fair values of financial assets and financial liabilities

A comparison of the fair value of the Group's financial assets and liabilities is set out below. The fair value of borrowings has been calculated by obtaining estimates of the costs involved in unwinding the current loan arrangements.

	<i>Book Value</i>	<i>Fair Value</i>
	<i>2007</i>	<i>2007</i>
	£	£
Trade and other receivables	546,145	546,145
Trade and other payables	(790,472)	(790,472)
Cash and cash equivalents	118,680	118,680
Bank overdraft	(1,982,427)	(1,982,427)
Bank debt	(13,306,509)	(14,236,658)
Financial instruments	(92,256)	(92,256)
	<hr/>	<hr/>

(xx) Share capital

	<i>2007</i>
	£
Authorised	
500,000,000 ordinary shares of 1 pence each	5,000,000
Issued and fully paid	
76,754,096 ordinary shares of 1 pence each	<hr/> 767,541

Options to subscribe for Ordinary Shares of 0.1p each

On 1 December 2004, seven employees of CareCapital Ltd were granted options to subscribe for an aggregate of 630,000 ordinary shares of £1 each in CareCapital Ltd at a subscription price of £1 per share. On 31 July 2006 option replacement deeds were entered into such that the seven employees surrendered their options in exchange for the grant of options to subscribe for an aggregate of 4,271,436 new Ordinary 1p shares in the Company at a subscription price of 15 pence per share. These options are exercisable at any time between 1 December 2007 and 1 December 2014. As these options were granted after 7 November 2002 they are accounted for in accordance with IFRS 2. On 31 July 2006, the Company's brokers, Daniel Stewart & Co, were granted, conditional on admission, the right to subscribe for up to 767,540 new ordinary shares, being 1 per cent. of the share capital, at 30 pence per share. In accordance with IFRS 2, this represents a share based payment for services provided, and has been accounted for accordingly.

On 13 September 2007, six employees of CareCapital Ltd were granted options to subscribe for an aggregate of 2,700,000 ordinary shares of 1p each in the Company at a subscription price of 29 pence per share. These options vest in three tranches of 900,000 shares on 13 September 2008, 2009 and 2010.

Capital management

The Group's capital requirements are that it has sufficient funding to execute its pipeline of development projects. Capital is raised by way of equity and debt depending on the specific nature of the requirement. Capital requirements are under continuous review by the Board.

(xxi) Share based payments

IFRS 2 “Share based payments” requires the costs of share based payment transactions with employees to be charged over the vesting period to the income statement within administrative expenses. Share based payments are measured at fair value at the date of grant. The fair value of options granted to employees has been calculated using a derivative pricing model known as the Black – Scholes formula using assumptions deemed to be consistent with the price that one might expect the incentive to have if it were traded in the market place.

The terms and conditions of options granted during the year are as follows:

Option grant date	13 September 2007
Exercise price	29 pence
Vesting period	3 years
Vesting date	13 September 2010
Fair value per option	2.41 pence
Total fair value	£64,947

Summary of financial assumptions used for the pricing model

Volatility	20%
Dividend yield	0%
Risk free interest rate	4.4%
Expected life of options	5 years

All options are expected to vest.

The number and weighted average exercise price of all share options are as follows

<i>Share options held at</i>	<i>Option price</i>	<i>Exercise period</i>
<i>31 December 2007</i>		
4,271,436	15p	01/12/2007 to 01/12/2014
2,700,000	29p	12/09/2011 to 13/09/2018

The number and weighted average exercise prices of share options are as follows:

	<i>Weighted average exercise price 2007</i>	<i>Number of options 2007</i>
Outstanding at the beginning of the period	15p	4,271,436
Lapsed during the period	–	–
Granted during the period	29p	2,700,000
Outstanding at the end of the period	<u>20.4p</u>	<u>6,971,436</u>
Exercisable at the end of the period		<u>4,271,436</u>

The options outstanding at 31 December 2007 have an exercise price in the range of 15 pence to 29 pence (2007: 15 pence) and a weighted average contractual life of 8.00 years.

(xxii) Reverse acquisition reserve

The reverse acquisition reserve of £11,038,204 was created on 31 July 2006 when the Company became the legal parent of CareCapital Limited (CCL) by way of a share exchange agreement. According to the share exchange agreement, the shareholders of CCL transferred the entire issued share capital of CCL to the Company in consideration for 706,957,760 ordinary shares at par of 0.1p each.

The business combination was regarded as a reverse acquisition under IFRS 3 whereby CCL, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

(xxiii) Share options reserve

The share option reserve of £209,332 arises owing to the provision in respect of IFRS 2 “Share based payments” as set out in note (xxi).

(xxiv) Share premium account

Company law restricts the applicability of the Share premium account which may only be applied in paying unissued shares of the Company in respect of capitalisation issues and in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.

(xxv) Capital commitments

In total, the Group and its subsidiaries had capital commitments totalling £3,783,239 in respect of development projects in progress at 31 December 2007.

(xxvi) Contingent liabilities

The Directors are not aware of any contingent liabilities at the 31 December 2007.

(xxvii) Related party transactions

There were no related party transactions during the year.

(xxviii) Operating leases

The Group has the following future minimum lease payments under non-cancellable operating leases for the following periods:

	£
Not later than one year	109,650
Later than one year and not later than five years	319,812
Later than five years	—
	<hr/>

Lease payments recognised as an expense in the period amounted to £109,646.

The lease payments arise owing to the rental commitments due on the Group’s office premises in London and Leamington Spa.

(B) Interim results for the 6 months to 30 June 2008 (Unaudited)

The following financial information has been extracted without material amendment from the interim results for the six months to 30 June 2008.

CareCapital Group Plc (AIM: CARE), a healthcare real estate developer and investor in the UK and in Germany, is pleased to announce its half year results for the six months to 30 June 2008.

Highlights

- Group rental income up 38 per cent. to £1,312,661 (2007: £951,034)
- Portfolio value up 25 per cent. to £41.9 million (2007: £33.5 million)
- Adjusted diluted Net Asset Value (“NAV”) per share* – 22.5p (2007: 21.4p)
- Profit before tax of £20,049 (2007: £675,026)
- Rent reviews for the period have produced an average increase of 8.2 per cent.
- Development programme in the UK and Germany with a combined value of £90 million

*Adjusted diluted net asset per share – excludes deferred tax on property portfolio revaluation. Calculated on a similar basis for 2007.

Dr. Michael Sinclair, Chairman, commented, “The medical office building sector of the international real estate industry remains a stable and robust haven benefiting from the search for investment safety”

Paul Stacey, Chief Executive, added, “Progress on our projects in the UK and Germany continues to proceed as planned. The strength of the current development programme and our success in securing new projects is a testament to the team we have in place at the Company, and our growing reputation”.

Chairman’s Statement

I am pleased to report on the half year financial results for CareCapital Group Plc for the six month period ended 30 June 2008. The Group has produced a robust financial performance during the period under review and has made solid progress, increasing the value of its income generating property assets against the comparable period in 2007 and also the size and value of its development pipeline.

At 30 June 2008 the Group’s medical office buildings and other primary care facilities were valued at £41.9 million (30 June 2007: £33.5 million, 31 December 2007: £39.9 million). As a result our adjusted diluted net asset value per share (which excludes deferred tax on property revaluations) stood at 22.5p, up from 21.4p at the same date last year. Group rental income for the six months under review was £1,312,661 (30 June 2007: £951,034, 31 December 2007: £2.12 million) and profit before tax was £20,049 (30 June 2007: £675,026, 31 December 2007: £1.65 million).

The past months have seen generally unsettled economic and stock market conditions which have adversely effected the Company’s share price and have thereby limited our ability to raise funds in the market as we had anticipated. It is frustrating to experience the effect of the economic downturn on investor confidence, given the contrary indication that the niche medical building sector is stable, and indeed continuing to expand.

The UK Government continues to encourage the replacement of inadequate facilities and consolidation of primary care provision in larger and more sophisticated premises. This has led to, and will continue to lead to, opportunities for CareCapital, underpinning its investment and development programme. Whereas the general property market has experienced a downturn in activity and reducing capital values, there is no reason to believe that similar conditions apply to or will affect the medical office building sector.

Our development programme continues to progress in line with positive expectations. In August we completed and handed over to our tenants the 1,200 sq m dental centre in Folkestone. Furthermore, the construction of the pre-let 3,000 sq m medical office building in Marktredwitz, Northern Bavaria is on

schedule and due for completion before the end of the year and as such the valuation and other benefits derived from these completions will be reflected in the full year 2008 financial statements. We are currently progressing 14 new development projects in the UK and a further three in Germany with a combined value approaching £90 million.

The increase in the number and value of projects in our development programme has been largely due to our success over the past nine months in bidding for competitively procured NHS primary care buildings together with schemes which have come to us through recommendation and referral. We continue to enjoy the support of our banks in both the UK and Germany for the provision of senior debt which is being made available to us on competitive terms.

Our success in bidding for and securing new projects has accelerated and increased our projected requirement for development equity funding and working capital. To meet these altered demands and ensure we can continue to progress projects in line with our target programmes, and given the current limitations on fundraising through the stock market, we have refinanced a substantive part of the existing UK portfolio. This focused on raising just under £4 million whilst continuing to maintain the loan to value gearing at acceptable levels. In order to augment this, I have also personally agreed to provide a term loan of a further £4 million to the Company subject to contract, completion of satisfactory documentation and shareholder approval at a general meeting to be convened towards the end of October.

Dr Michael Sinclair,
Chairman
24 September 2008

Consolidated income statement for the six months ended 30 June 2008

		<i>Six months ended 30 June 2008 Unaudited £</i>	<i>Six months ended 30 June 2007 Unaudited £</i>	<i>Year ended 31 December 2007 Audited £</i>
Continuing operations				
Revenue		1,312,661	951,034	2,115,026
Cost of sales		(178,086)	(69,463)	(162,806)
Gross profit		1,134,575	881,571	1,952,220
Administrative expenses		(802,180)	(846,198)	(1,845,788)
Other operating income	2	–	126,180	126,180
Net surplus on revaluation of investment properties		254,525	959,000	2,507,319
Operating profit		586,920	1,120,553	2,739,931
Finance income		287,537	42,383	257,872
Finance costs		(874,324)	(620,495)	(1,351,164)
Change in fair value of financial instruments		19,916	132,585	7,239
Net finance costs		(566,871)	(445,527)	(1,086,053)
Profit before tax		20,049	675,026	1,653,878
Taxation		(76,844)	(93,168)	(144,290)
(Loss)/Profit on ordinary activities after taxation		(56,795)	581,858	1,509,588
Discontinued operations				
(Loss) from discontinued operations	2	–	(40,325)	(27,965)
(Loss)/Profit for the period				
– attributable to equity shareholders		(70,966)	541,533	1,353,187
– attributable to minority interests		14,171	–	128,436
		(56,795)	541,533	1,481,623
(Loss)/Earnings per Ordinary Share				
– Basic	5	(0.09)p	0.71p	1.76p
– Continuing operations	5	(0.09)p	0.76p	1.76p
– Discontinued operations	5	–	(0.05)p	–
– Diluted	5	(0.09)p	0.70p	1.72p
– Continuing operations	5	(0.09)p	0.75p	1.72p
– Discontinued operations	5	–	(0.05)p	–
Weighted average number of shares ('000)	5	76,754	76,754	76,754

Consolidated Balance Sheet as at 30 June 2008

	<i>As at 30 June 2008 Unaudited £</i>	<i>As at 31 December 2007 Audited £</i>	<i>As at 30 June 2007 Unaudited £</i>
Non-current assets			
Intangible assets	1,965,615	1,950,075	1,751,959
Investment properties	41,883,741	39,931,316	33,477,046
Development properties	7,703,083	2,888,297	904,542
Leasehold improvements	84,825	89,315	93,300
Plant and equipment	45,063	56,467	68,003
	<u>51,682,327</u>	<u>44,915,470</u>	<u>36,294,850</u>
Current assets			
Trade and other receivables	632,328	546,145	677,827
Cash and cash equivalents	245,252	118,680	1,576,299
Financial instruments	–	–	33,090
	<u>877,580</u>	<u>664,825</u>	<u>2,287,216</u>
Total assets	<u>52,559,907</u>	<u>45,580,295</u>	<u>38,582,066</u>
Current liabilities			
Trade and other payables	(1,533,558)	(790,472)	(1,136,091)
Tax liabilities	–	–	(292)
Borrowings, including finance leases	(3,805,223)	(2,393,676)	(369,205)
Derivative financial instruments	(72,340)	(92,256)	–
Total Current Liabilities	<u>(5,411,121)</u>	<u>(3,276,404)</u>	<u>(1,505,588)</u>
Non-current liabilities			
Borrowings, including finance leases	(29,434,026)	(24,745,982)	(20,551,122)
Deferred tax provision	(2,704,459)	(2,627,615)	(2,576,603)
	<u>(32,138,485)</u>	<u>(27,373,597)</u>	<u>(23,127,725)</u>
Total liabilities	<u>(37,549,606)</u>	<u>(30,650,001)</u>	<u>(24,633,313)</u>
Net assets	<u>15,010,301</u>	<u>14,930,294</u>	<u>13,948,753</u>
Equity			
Share capital	767,541	767,541	767,541
Reverse acquisition reserve	11,038,204	11,038,204	11,038,204
Share option reserve	220,156	209,332	172,604
Share premium account	1,397,500	1,397,500	1,397,500
Profit and Loss account	1,433,496	1,388,611	572,904
Equity shareholders interest	<u>14,856,897</u>	<u>14,801,188</u>	<u>13,948,753</u>
Minority interest	<u>153,404</u>	<u>129,106</u>	<u>–</u>
Total equity	<u>15,010,301</u>	<u>14,930,294</u>	<u>13,948,753</u>

Consolidated statement of changes in equity

	<i>Total</i>	<i>Share</i>	<i>Reverse</i>	<i>Share</i>	<i>Share</i>	<i>Profit and</i>	<i>Minority</i>
	<i>£</i>	<i>Capital</i>	<i>acquisition</i>	<i>premium</i>	<i>Options</i>	<i>loss account</i>	<i>interest</i>
	<i>£</i>	<i>£</i>	<i>reserve</i>	<i>£</i>	<i>Reserve</i>	<i>£</i>	<i>£</i>
Balance at							
1 January 2007	13,377,671	767,541	11,038,204	1,397,500	143,055	31,371	–
Profit for the period	541,533	–	–	–	–	541,533	–
Total recognised income and expenditure	13,919,204	767,541	11,038,204	1,397,500	143,055	572,904	–
Share based payment – employee services	29,549	–	–	–	29,549	–	–
Balance at							
30 June 2007	13,948,753	767,541	11,038,204	1,397,500	172,604	572,904	–
Balance at							
1 July 2007	13,948,753	767,541	11,038,204	1,397,500	172,604	572,904	–
Exchange rate movement	4,503	–	–	–	–	4,053	450
Profit for the period	940,090	–	–	–	–	811,654	128,436
Total recognised income and expenditure	14,893,346	767,541	11,038,204	1,397,500	172,604	1,388,611	128,886
Share based payment – employee services	36,728	–	–	–	36,728	–	–
Minority interest in subsidiary	220	–	–	–	–	–	220
Balance at							
31 December 2007	14,930,294	767,541	11,038,204	1,397,500	209,332	1,388,611	129,106
Balance at							
1 January 2008	14,930,294	767,541	11,038,204	1,397,500	209,332	1,388,611	129,106
Exchange rate movement	125,978	–	–	–	–	115,851	10,127
Loss for the period	(56,795)	–	–	–	–	(70,966)	14,171
Total recognised income and expenditure	14,999,477	767,541	11,038,204	1,397,500	209,332	1,433,496	153,404
Share based payment – employee services	10,824	–	–	–	10,824	–	–
Minority interest in subsidiary	–	–	–	–	–	–	–
Balance at							
30 June 2008	15,010,301	767,541	11,038,204	1,397,500	220,156	1,433,496	153,404

Consolidated cash flow statement for the six months ended 30 June 2008

	<i>Six months ended 30 June 2008 Unaudited £</i>	<i>Six months ended 30 June 2007 Unaudited £</i>	<i>Year ended 31 December 2007 Audited £</i>
Cash flows from operating activities			
(Loss)/Profit after taxation	(56,795)	541,533	1,481,623
Adjustments			
Taxation	76,844	93,168	144,290
Change in fair value of financial instruments	(19,916)	(132,585)	(7,239)
Finance costs	874,324	622,235	1,351,164
Finance income	(287,537)	(42,383)	(257,872)
Unrealised net revaluation gains on investment properties	(254,525)	(959,000)	(2,507,319)
Profit on sale of property	–	(126,180)	(126,180)
Depreciation	21,922	13,628	33,709
Write off of development properties	–	–	15,456
Share based payments	14,432	29,550	66,277
Cash flows from operations before changes in working capital	368,749	39,966	193,909
Change in trade and other receivables	(86,183)	(25,627)	13,325
Change in trade and other payables	724,753	44,468	(281,429)
Cash (used)/generated from operations	1,007,319	58,807	(74,195)
Interest paid	(855,991)	(622,235)	(1,338,024)
Cash flows from operating activities	151,328	(563,428)	(1,412,219)
Cash flows from investing activities			
Purchase of intangible assets	–	–	(198,116)
Purchase of investment property	(468,574)	(3,000,237)	(7,349,714)
Sale of non-current asset held for sale	–	1,626,180	1,626,180
Capital expenditure on development properties	(4,719,491)	(500,410)	(2,398,837)
Capital expenditure on leasehold improvements	(400)	(96,305)	(96,305)
Purchase of plant and equipment	(5,629)	(50,473)	(55,470)
Sale of plant and equipment	–	–	440
Interest received	2,033	42,383	59,564
Cash flows from investing activities	(5,192,061)	(1,978,862)	(8,412,258)
Cash flows from financing activities			
New mortgage loans raised (Net)	3,994,264	2,273,236	6,519,028
Repayment of loans	(216,178)	–	(403,651)
Repayment of finance leases	–	(8,041)	(8,041)
Repayment of loan on non-current asset held for resale	–	(468,539)	(468,539)
Cash flows from financing activities	3,778,086	1,796,656	5,638,797
Net decrease in cash and cash equivalents	(1,262,647)	(745,634)	(4,185,680)
Cash and cash equivalents at 1 January	(1,863,747)	2,321,933	2,321,933
Cash and cash equivalents at closing	(3,126,394)	1,576,299	(1,863,747)
Comprising:			
– Cash and cash equivalents	245,252	1,576,299	118,680
– Bank overdrafts	(3,371,646)	–	(1,982,427)
Total	(3,126,394)	1,576,299	(1,863,747)

Notes to the accounts (Unaudited)

1. Status of financial information

The half year results of the Group for the six months ended 30 June 2008 were approved by the Board on – 23 September 2008.

The half year financial statements for the six months ended 30 June 2008 are unaudited and do not constitute statutory accounts as defined under section 240 of the Companies Act 1985. The financial information in this interim report has been neither audited nor reviewed by the auditors.

The half year financial statements have been prepared in accordance with applicable accounting standards and are consistent with those accounting policies adopted in the consolidated statutory accounts of CareCapital Group Plc for the year ended 31 December 2007. Those accounts upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies, and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

As stated in the annual report for 2007 details of the proposed loan facility to be provided by Dr Sinclair will be circulated to shareholders for approval at a general meeting later in the year. Consequently, the financial statements have been prepared on a going concern basis.

2. Discontinued operations

The results disclosed in previous period's results for discontinued activities relate to the Patient Hotel operations which have now been terminated. The other operating income related to the profit on sale of "The Manor House" which was the investment property which housed the Patient Hotel.

3. Post Balance Sheet events

On 5 August 2008, the Group remortgaged the substantial part of its UK portfolio of investment properties raising net funds of £3.9 million after costs and early redemption fees. Early redemption fees totalled £406,000, whilst £72,000 was expended on unwinding Swap instruments. The liability in respect of Swap instruments was held in the accounts under Derivative financial instruments.

The refinancing exercise has reduced the annual interest charge on the refinanced borrowings by £70,000 pa.

On 26 August, the Group completed and handed over to tenants the new 1,200 sq m dental centre in Folkestone. This is let at an annual rent of £271,000, and the revaluation uplift will be booked to the income statement during the second half of the year.

4. Investment Property valuations

At 31 December 2007 the Directors valued the UK investment portfolio utilising an initial yield of 5.5 per cent. which was consistent with that used for the year ended 31 December 2006. In exercising their judgement the Directors sought guidance from Colliers CRE, Chartered Surveyors and valuers, who had prepared the last full valuation on 4 August 2006.

The current year has been one of considerable turmoil in property and credit markets. However, there is little evidence of significant yield deterioration within the specific niche in which the Company operates. The Group owns a good portfolio of modern primary healthcare related properties with reasonably long leases and excellent tenant covenants. Medical centres with Government rental backing account for 90 per cent. of the UK portfolio valuation. Moreover, unlike other commercial applications, there is little or no oversupply in the market place owing to the virtual absence of speculative build in this property niche.

Consequently, after taking into account the valuation assumptions of other major operators in this sector and the very few transactions which have completed in the period, the Directors have maintained the yield assumption in these financial statements. It is, however, intended to conduct a full valuation exercise for inclusion in the full year results.

During December 2007 a full valuation of the Group's German portfolio was carried out by Savills Immobilien Beratungs-GmbH Chartered Surveyors and valuers, who arrived at a composite initial yield of 6.27 per cent. The Company has recently requested a desktop review of the valuation in connection with further development activity in Germany. This review fractionally improved the December valuation which has been retained for the purpose of these half year results.

At 30 June 2008 the Group's investment properties were valued at £41,883,741 of which £25,229,049 related to the UK portfolio and £16,654,692 related to the German properties after conversion to sterling from euros at an exchange rate of 1.26.

5. Earnings per Share

	<i>Six months ended 30 June 2008</i>	<i>Six months ended 30 June 2007</i>	<i>Year ended 31 December 2007</i>
Basic earnings per share			
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, (Loss)/profit attributable to equity holders of the Company (£)	(56,795)	541,533	1,353,187
Weighted average number of ordinary shares in issue (thousands)	76,754	76,754	76,754
(Loss)/earnings per share (pence per share)	(0.09)	0.71	1.76
– Continuing operations	(0.09)	0.76	1.76
– Discontinued operations	–	(0.05)	–

Diluted earnings per share

The Company has one category of dilutive potential ordinary shares – share options. A calculation has been undertaken to determine the number of shares which could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. It is compared with the number of shares which would have been issued assuming the exercise of the share options.

	<i>Six months ended 30 June 2008</i>	<i>Six months ended 30 June 2007</i>	<i>Year ended 31 December 2007</i>
(Loss)/profit attributable to equity holders of the Company (£)	(56,795)	541,533	1,353,187
Weighted average number of ordinary shares in issue (thousands)	76,754	76,754	76,754
Adjustment for share options (thousands)	–	347	2,129
Weighted average number of ordinary shares for diluted earnings (thousands)	76,754	77,101	78,883
Diluted (Loss)/earnings per share (pence per share)	(0.09)	0.70	1.72
– Continuing operations	(0.09)	0.75	1.72
– Discontinued operations	–	(0.05)	–

PART III

FURTHER INFORMATION

The Proposed Loan Facility is expected to be entered into on or after Dr Michael Sinclair has entered into a £4 million facility with the Bank.

1 Further information on the Proposed Loan Facility

1.1 *Type and amount of loan*

Term loan of £4,000,000.

1.2 *Interest*

Floating rate based on 3 month LIBOR + 5 per cent. payable quarterly in arrears. If the loan is renewed, at CareCapital's option, for an additional 6 months, then an increased margin over LIBOR of 7 per cent. will be charged.

1.3 *Maturity*

1 year from drawdown, repayable on demand in the event of the Company being in breach of the financial covenants as set out in paragraph 1.9 below and other specified events of default.

1.4 *Repayment*

Bullet at maturity.

1.5 *Drawdown*

- (a) The loan will be available for drawdown until close of business on the 7 November 2008.
- (b) It is proposed that £4,000,000 will be drawn down in one amount upon the date of Completion.

1.6 *Conditions*

Completion of the loan is to be conditional on (*inter alia*):

- (a) passing of the Resolutions
- (b) grant of the Warrants to Dr Michael Sinclair and certain of the Directors and the Bank
- (c) grant of the Security
- (d) the assignment of the Security from Dr Michael Sinclair to the Bank
- (e) the other condition precedents to the lending between Dr Michael Sinclair and the Bank being satisfied including, *inter alia*, the execution of the Put Option

1.7 *Fees*

- (a) 2 per cent. of the amount payable as follows:
 - (i) 0.4 per cent. on the signing of the heads of terms;
 - (ii) 1.6 per cent. on completion; and
 - (iii) the reimbursement to Dr Michael Sinclair of the premium payable in respect of a life assurance policy with a sum insured of £4,000,000 to be taken out by Dr Michael Sinclair at completion, as required by the Bank;

- (b) together with all legal and other fees and expenses incurred pursuant to the provision of the Proposed Loan Facility, payable on completion but which will be payable in any event if completion is not effected.

1.8 *Security*

A second charge over the investment properties of CareCapital at the date of completion is to be granted to Dr Michael Sinclair.

1.9 *Financial covenants*

The financial covenants in relation to the Proposed Loan Facility are as follows:

- (i) CareCapital's consolidated debt shall not at any time exceed 75 per cent. of the open market value of its investment properties;
- (ii) minimum adjusted interest cover ratio of 2.0x (coverage of interest charged on this facility by net cash flow generated by CareCapital from operations post debt service costs net of interest received). This will be tested on a rolling basis against:
- (a) the previous quarter at 31 December 2008
- (b) the two previous quarters at 31 March 2009
- (c) the three previous quarters at 31 June 2009
- (d) the four previous quarters thereafter; and
- (iii) full cross default between CareCapital and its subsidiary companies.

2 Further information on the Warrants

Warrants

The Warrant Instrument will be constituted by the Company upon the execution, *inter alia*, of a definitive loan facility of £4 million with Dr Michael Sinclair and the passing of the Resolutions. Subject to the above, it is proposed to grant the following Warrants:

<i>Warrantholder</i>	<i>Dr Michael Sinclair</i>	<i>Paul Stacey</i>	<i>Steve Wilden</i>	<i>Bank Hapoalim</i>	<i>Total</i>
Number of Warrants	10,600,000	7,066,667	1,000,000	8,000,000	26,666,667

2.1 *Subscription rights*

The holder of a Warrant (a "Warrantholder") shall be entitled to subscribe in cash for one new Ordinary Share, at 15 pence per Ordinary Share (the "Subscription Price") the subject of the Warrant payable in full on subscription, at any time from the date of grant of the Warrant and ending on 27 October 2013 (the "Final Subscription Date"). Ordinary Shares allotted shall be allotted fully paid but shall not carry the right to participate in any dividend or other distribution declared, paid or made on the Ordinary Shares by reference to a record date before the relevant subscription date but shall otherwise participate in all dividends and other distributions in respect of the then current financial period of the Company *pari passu* in all respects with the Ordinary Shares in issue on the relevant subscription date.

It is the intention of the Company to apply for the Ordinary Shares allotted pursuant to the exercise of a Warrant to be admitted to dealing on AIM and the Company will use all reasonable endeavours to obtain the grant of admission not later than 7 business days after the date of allotment.

The Company shall keep available sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable under all of the unexercised Warrants without the need for the passing of any resolution of the Company.

2.2 *Adjustments and Takeovers*

If at any time or times before the Final Subscription Date and whilst there are any Warrants outstanding:

- 2.2.1 the Company undertakes an Issue or Reorganisation (as defined in the Warrant Instrument), adjustments shall be made to the conditions governing the Warrants or the Subscription Price (provided that fractional entitlements shall be ignored and any adjustment shall not reduce the Subscription Price below the nominal value of an Ordinary Share) as the Auditors (as defined in the Warrant Instrument) shall determine and state to be fair and reasonable in all the circumstances;
- 2.2.2 the Company makes any offer or invitation to all Ordinary Shareholders (whether by rights issue, open offer or otherwise), or any offer or invitation is made to such holders otherwise than by the Company (not being a Takeover Offer (as defined in the Warrant Instrument)), then the Company shall, or so far as it is able, procure that at the same time an equivalent offer or invitation is made to the Warrantheolders, then adjustments shall be made as in paragraph 2.2.1 above and any such adjustment shall become effective as at the date of or, as the case may be, the record date for the offer or invitation;
- 2.2.3 if a Takeover Offer is made at any time or times before the Final Subscription Date, the Company shall give notice of the Takeover Offer to the Warrantheolder at the same time as notice of the Takeover Offer is provided to the holders of Ordinary Shares. The Company shall use its reasonable endeavours to procure that an equivalent offer is extended to the Warrantheolders as if all outstanding subscription rights had been exercised immediately before the record date for that Takeover Offer on the terms then applicable. However, if the Company cannot procure such offer is made to the Warrantheolders then adjustments shall be made as in paragraph 2.2.1 above and any such adjustment shall become effective as at the date of or, as the case may be, the record date for the Takeover Offer.

2.3 *Winding Up*

If an order is made or an effective resolution of the Company passed for the winding up of the Company (except on a merger or reconstruction sanctioned by the Shareholders in which case the Company shall use its reasonable efforts to procure that the Warrantheolder be granted a substitute warrant of equivalent value) each Warrantheolder shall be treated as if immediately before the order or resolution the subscription rights had been exercised in full and accordingly each Warrantheolder shall rank *pari passu* with the holders of Ordinary Shares and shall be entitled to receive such sum (less the aggregate Subscription Price) he would otherwise have received out of the assets available in the liquidation.

2.4 *Restrictions on the Company*

Save with the sanction of an extraordinary resolution of the holders of the Warrants or the consent in writing of the Warrantheolders entitled to not less than three quarters of the Ordinary Shares the subject of the Warrants, the Company shall, whilst any Warrant remains outstanding:

- 2.4.1 procure that no issued capital or other securities shall be converted into any (other) class of share capital;
- 2.4.2 if it makes an offer or invitation to the Ordinary Shareholders (as defined in the Warrant Instrument) for the purchase by the Company of any of its shares, the Company shall simultaneously give notice thereof to the Warrantheolders and the Warrantheolders shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise their subscription rights so as to take effect as if they had exercised their rights immediately prior to the record date of such offer or invitation.

2.5 *Variation of rights*

All or any rights attaching to the Warrants may only be altered or abrogated with the sanction of a resolution or written consent of the Warrantholders entitled to not less than three quarters of the Ordinary Shares the subject of the Warrants.

2.6 *Transfers and Transmission*

Warrants will be registered and transferable.

The executor or administrator of a deceased Warrantholder (or the survivor or survivors where a Warrantholder was a joint holder), the guardian of an incompetent Warrantholder or the trustee of a bankrupt Warrantholder shall be the only person recognised by the Company as having any title to his Warrant. In order to be registered as the Warrantholder, such a person must produce such evidence as may reasonably be required by the Directors.

2.7 *Accounts*

Each Warrantholder will be sent, for information purposes only, concurrently with the issue of the same to the holders of Ordinary Shares a copy of each published annual report and accounts or summary financial statement of the Company.

2.8 *Representation*

A Warrantholder shall have the right to receive notice of all general meetings of the Company but shall only be entitled to attend and speak at any such general meeting.

The Warrantholder(s) shall not be deemed to be (a) member(s) of the Company.

3 **Further information on the Concert Party**

3.1 *Members of the Concert Party*

The Concert Party comprises Dr Michael Sinclair, Paul Stacey, Steve Wilden (the executive directors of the Company), SMT, Penny Sinclair and Jay Sinclair. Although Dr Michael Sinclair will be providing the Proposed Loan Facility and he and his wife are the ones giving personal guarantees, Paul Stacey and Steve Wilden, upon the passing of the Resolutions, will be gifted warrants by Dr Michael Sinclair hence Dr Michael Sinclair, Paul Stacey and Steve Wilden are deemed to be acting in concert. Further details on the members of the Concert Party can be found in paragraphs 3.2 to 3.7 below.

3.2 Dr Michael Sinclair is Executive Chairman of the Company. He has held a number of appointments in the healthcare field, after qualifying in medicine in 1967. Between 1971 to 1977, he held senior board positions with Allied Investments Limited which has operating interests in nursing homes through Nestor Nursing Homes and nursing agencies through the British Nursing Association, and is also involved in medical equipment distribution and the operation of a health spa. From 1978 to 1980 he was International President of Hospital Affiliates. In 1979, he founded SMT as a private investment vehicle for him and his family and in 1986 he founded Lifetime Corporation Inc. (a New York Stock Exchange listed healthcare company) which he left in 1992. From 1993 until the fund closed in 2003 he was Chairman of US based Atlantic Medical Management LLP, a managed New York based healthcare venture fund. From 2003 he has been the Chairman of Mirada Plc, and is currently also the Chairman of Totally Plc, both of which are AIM traded companies.

3.3 Paul Stacey qualified as a Chartered Secretary in 1971 and was admitted as a Fellow of the Institute of Chartered Secretaries in 1980. Following management training with the Acrow Group Limited, he joined Nuffield Hospitals in 1972, where he worked for almost 20 years, as Deputy Secretary and later as Executive Director of Nuffield Healthcare. He joined SMT in 1992 and is now Managing Director in addition to being a director of a number of its subsidiary and associated companies. Since joining SMT he has been a director of its primary healthcare development businesses. Paul became Managing

Director of CareCapital Limited in August 2004 and Chief Executive of CareCapital Group Plc in 2006.

3.4 Steve Wilden qualified as a chartered accountant in 1975 and gained industrial experience with TI Group Plc and Rockwell International Plc before joining Courtaulds Plc in 1982. He held senior positions in a number of businesses and sectors, in the UK, USA and Italy. From 1997, he was Group Finance Director of Sinclair Montrose Healthcare Plc (“SMH”), which was admitted to AIM in 1996 before being taken to a main listing in 1998. Steve Wilden left SMH in 2000 to jointly set up and become Chief Executive Officer of Staffing Ventures Plc, now renamed Supporta Plc. He joined CareCapital Limited as Finance Director in 2004.

3.5 *Description of SMT*

SMT is a privately owned investment company which owns shares in three companies: CareCapital Group Plc, MedEmerg International Inc and Totally Plc. Its directors are Dr Michael and Penny Sinclair, Jay Sinclair and Paul Stacey. Its ordinary shareholders are Penny Sinclair (66.77 per cent.), Sinclair Charitable Trust (13.96 per cent.) and the Khalifa family (19.27 per cent.) (all expressed as a percentage of the ordinary shares in issue). There are preference shares in SMT which are not held by any of the above mentioned. As at 31 December 2006, the date of its last audited accounts, its net assets were £1.18 million.

3.6 Jay Sinclair (Dr Michael Sinclair’s son) is included in the Concert Party as he is a director of SMT.

3.7 Penny Sinclair (Dr Michael Sinclair’s wife) is included in the Concert Party as she is a director of SMT.

3.8 It is the intention of all members of the Concert Party to support the Directors’ strategic plans for the future of the Company’s business, as outlined in Part I of this document. No member has any present intention to make any changes to the Company’s strategic plans, including amendments to the existing employment of the Company’s employees, location of the Company’s places of business or deployment of the Company’s assets.

4 **Disclosure of interests and dealings in shares**

Definitions

4.1 *For the purposes of this paragraph 4:*

4.1.1 **“acting in concert”** has the meaning attributed to it in the City Code;

4.1.2 **“arrangement”** includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

4.1.3 **“associate”** of any company means:

- (a) its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which any such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- (b) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
- (c) its directors and the directors of any company covered in (a) above (together in each case with their close relatives and related trusts); and
- (d) its pension funds or the pension funds of a company covered in (a) above;

- 4.1.4 **“connected adviser”** has the meaning attributed to it in the City Code;
- 4.1.5 **“connected person”** has the meaning attributed to it in section 252 to 253 of the Act ;
- 4.1.6 **“control”** means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control;
- 4.1.7 **“dealing”** or **“dealt”** includes the following:
- (a) the acquisition or disposal of relevant securities; of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
 - (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
 - (c) subscribing or agreeing to subscribe for relevant securities;
 - (d) the exercise of conversion of any relevant securities carrying conversion or subscription rights;
 - (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced directly or indirectly, to relevant securities;
 - (f) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
 - (g) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- 4.1.8 **“derivative”** includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security;
- 4.1.9 **“disclosure date”** means 2 October 2008, being the latest practicable date prior to the posting of this document;
- 4.1.10 **“disclosure period”** means the period commencing on 3 October 2007, being the date 12 months prior to the date of the posting of this document and ending on the disclosure date;
- 4.1.11 **“exempt principal trader”** or **“exempt fund manager”** has the meaning attributed to it in the City Code;
- 4.1.12 being **“interested”** in relevant securities includes where a person:
- (a) owns relevant securities;
 - (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
 - (c) by virtue of any agreement to purchase any option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

(d) is party to any derivative whose value is determined by reference to its price and which results, or may result, in his having a long position in it;

4.1.13 **“relevant Concert Party securities”** means shares in any member of the Concert Party (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

4.1.14 **“relevant CareCapital securities”** means shares in CareCapital (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (included traded options) in respect thereof;

4.1.15 **“relevant securities”** means relevant CareCapital securities or relevant Concert Party securities; and

4.1.16 **“short position”** means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

4.2 As at the close of business on the Disclosure Date the interests of the Directors and their respective immediate families in relevant CareCapital securities, all of which are beneficial, were as follows:

	<i>Number of Ordinary Shares</i>	<i>Per cent. of issued share capital</i>	<i>Number of options over Shares</i>	<i>Per cent. of issued share capital</i>
Dr Michael Sinclair	50,000	0.1	800,000	1.1
Paul Stacey	4,338,364	5.6	800,000	6.7
Steve Wilden	100,000	0.1	1,381,408	1.9
Jay Sinclair	0	0	474,604	0.6
Sinclair Montrose Trust Limited #	16,953,454	22.1	0	22.1

Dr Michael Sinclair, Penny Sinclair, Jay Sinclair and Paul Stacey are directors of SMT. Penny Sinclair is also a shareholder in SMT.

4.3 During the Disclosure Period, the following members of the Concert Party dealt in relevant CareCapital securities:

<i>Date</i>	<i>Name</i>	<i>No. of Ordinary Shares purchased</i>	<i>Price (p)</i>	<i>Resulting Beneficial % Holding</i>
31/10/2007	Steve Wilden	15,000	26.2	0.1
21/11/2007	Steve Wilden	55,000	19.3	0.1
22/11/2007	Paul Stacey	100,000	20.0	5.6
22/11/2007	Michael Sinclair	50,000	21.0	22.1

4.4 As at the close of business on the disclosure date Daniel Stewart, a connected adviser under the meaning attributed to it in the City Code, holds an option to subscribe for up to 767,540 Ordinary Shares, being one per cent., in the Company at a price of 30p per share.

4.5 As at the close of business on the disclosure date, save as disclosed in paragraph 4.2, 4.3 and 4.4 above:

- (a) the members of the Concert Party had no interest in or right to subscribe for, or had any short position in relation to, any relevant CareCapital securities, nor had any of them dealt in any relevant CareCapital securities during the disclosure period;
- (b) none of the Directors (including any members of such Directors’ respective immediately families, related trusts or connected persons) had an interest in or a right to subscribe for, or had any short position in relation to, any relevant CareCapital securities;

- (c) no person acting in concert with the Concert Party had an interest in or a right to subscribe for, or had any short position in relation to, any relevant CareCapital securities, nor had any such person dealt in any relevant CareCapital securities during the disclosure period;
 - (d) no person referred to in 4.5(a), (b) or (c) has dealt in any relevant CareCapital securities in the disclosure period;
 - (e) no category (a) associate of CareCapital had any interest in, or right to subscribe for, or had any short position in relation to, any relevant CareCapital securities;
 - (f) no pension fund of CareCapital or of a category (a) associate of CareCapital had any interest in or right to subscribe for, or had any short position in relation to, any relevant CareCapital securities;
 - (g) no employee benefit trust of CareCapital or of a category (a) associate of CareCapital had any interest in or right to subscribe for, or had any short position in relation to, any relevant CareCapital securities;
 - (h) no connected adviser to CareCapital or to a category (a) associate of CareCapital or to a person acting in concert with CareCapital, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, any relevant CareCapital securities;
 - (i) CareCapital has not redeemed or purchased any relevant CareCapital securities during the disclosure period;
 - (j) there were no arrangements which existed between CareCapital or any associate of CareCapital and any other person;
 - (k) there were no arrangements which existed between the Concert Party, or any person acting in concert with the Concert Party, and any other person;
 - (l) neither the Concert Party nor any person acting in concert with the Concert Party had borrowed or lent any relevant CareCapital securities; and
 - (m) neither CareCapital nor any person acting in concert with CareCapital had borrowed or lent any relevant CareCapital securities.
- 4.6 As at the close of business on the disclosure date, save as disclosed in paragraph 4 above, neither CareCapital nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to any relevant Concert Party securities.
- 4.7 The following table lists the closing middle market quotations for the Ordinary Shares (as derived from the Daily Official List of the London Stock Exchange) for the first business day of each of the six months immediately before the date of this document and on the disclosure date:

<i>Date</i>	<i>Market Value (p)</i>
1 April 2008	16.5
1 May 2008	14.5
2 June 2008	13.3
1 July 2008	11.3
1 August 2008	8.5
1 September 2008	9.8
1 October 2008	9.1
2 October 2008	9.3

5 Directors' letters of engagement and service contracts

5.1 Dr Michael Sinclair has a contract of employment with the Company to work one and a half days per week. On 31 July 2006, Dr Michael Sinclair entered into the employment contract which may be terminated upon either party giving not less than 6 months' notice. Dr Michael Sinclair's basic annual salary is £35,000. The agreement restricts Dr Michael Sinclair from competing with the Company and/or soliciting customers or employees for a period of 12 months after termination of employment.

5.2 The services as directors of Paul Stacey and Steve Wilden are provided to the Company under letters of appointment dated 31 July 2006, with the following principal terms:

<i>Directors</i>	<i>Annual Remuneration</i>	<i>Notice Period</i>
Paul Stacey	£10,000	Terminable on 6 months' notice
Steve Wilden	£10,000	Terminable on 6 months' notice

5.3 Paul Stacey's and Steve Wilden's contracts of employment are with CareCapital Limited, the principal terms of which are as follows:

5.3.1 On 1 October 1992 Mr Stacey entered into an employment contract with Sinclair Montrose Trust Limited. From 1 September 2004, Mr Stacey was seconded to CareCapital Limited under the terms of a secondment agreement. As of 1 August 2005, Mr Stacey was employed by CareCapital Limited and his employment runs continuously with his employment under the secondment agreement with Sinclair Montrose Trust Limited. The employment agreement may be terminated upon either party giving not less than 6 months' notice by either party. The basic annual salary is £153,439. The agreement restricts Mr Stacey from competing with CareCapital Limited and/or soliciting customers or employees for a period of 12 months after termination of employment. Mr Stacey is entitled to a contribution equal to 7.5 per cent. of his annual salary to his personal pension plan, an annual car allowance of £10,000 and a monthly telephone call allowance.

5.3.2 On 1 September 2004, Mr Wilden entered into an employment contract with CareCapital Limited. The employment agreement may be terminated upon either party giving not less than 6 months' notice by either party. The basic annual salary is £147,488. The agreement restricts Mr Wilden from competing with CareCapital Limited and/or soliciting customers or employees for a period of 12 months after termination of employment. Steve Wilden is entitled to a contribution equal to 7.5 per cent. of his annual salary to his personal pension plan, an annual car allowance of £10,000 and a monthly telephone call allowance.

5.4 The services of Keith Gibbs and Lord Evans of Watford are provided to the Company under letters of appointment dated 31 July 2006 which have the following principal terms:

<i>Directors</i>	<i>Annual Remuneration</i>	<i>Notice Period</i>
Keith Gibbs	£20,000	Terminable on 6 months' notice
Lord Evans of Watford	£20,000	Terminable on 6 months' notice

5.5 The services of Baroness McDonagh are provided to the Company as of 14 April 2008 under a letter of appointment dated 14 April 2008 for which she receives a salary of £20,000 per annum and which are terminable on 6 months' notice.

5.6 There have been no amendments to any of the Directors' service contracts in the six months prior to the date of this document.

6 Material contracts

Save as disclosed in paragraphs 1 and 2 above, there have been no contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Group during the two years prior to the date of publication of this document which are material in relation to the Group.

7 General

- (i) Daniel Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the reference to its name and the form and context in which they appear.
- (ii) Save as disclosed in the Post Balance Sheet Events note of the Interim Financial Statements which can be found in Section B of Part II of this document, there have been no known material changes in the financial or trading position of CareCapital since 31 December 2007 (the date to which the last published audited accounts were prepared).
- (iii) No agreement, arrangement or understanding (including any compensation agreement) exists between any member of the Concert Party and any other directors, recent directors, shareholders or recent shareholders of CareCapital having any connection with or dependence upon or which is conditional upon the Transaction.
- (iv) Other than in respect of the Put Option, no agreement, arrangement or understanding exists pursuant to which any securities acquired in pursuance of the Transaction will be transferred to any other person.
- (v) The Independent Directors do not own any shares in the Company.

8 Documents for inspection

Copies of the documents listed below will be available for inspection during normal business hours on any weekday (Saturday and public holidays excepted) for one month from the date of this document at the offices of Finers Stephens Innocent LLP, 180 Great Portland Street, London W1W 5QZ:

- 8.1 the Circular;
- 8.2 memorandum and Articles of Association of the Company;
- 8.3 audited consolidated accounts of the Company for the financial periods ended 31 December 2005, 31 December 2006 and 31 December 2007;
- 8.4 the service contracts and letters of appointment of the Directors referred to in paragraph 5 above;
- 8.5 the Heads of Terms of the Proposed Loan Facility and, provided the Proposed Loan Facility has been executed, a copy of the Proposed Loan Facility agreement, further details of which are set out in paragraph 1 of Part III of this document;
- 8.6 the Warrant Instrument; and
- 8.7 the letter from Daniel Stewart as referred to in paragraph 7 above.

DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

“Act”	the Companies Act 1985 as amended by the Companies Acts 1989 and 2006
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	The AIM Rules for Companies
“Asgard”	Asgard Real Estate Private Equity S.à.r.l, a société à responsabilité limitée managed by AXA REIM and incorporated in Luxembourg
“AXA REIM”	AXA Real Estate Investment Management Limited, a company incorporated in England and Wales under company number 03961977
“Bank”	Bank Hapoalim, the bank providing the funding to Dr Michael Sinclair
“Circular”	this document
“City Code”	the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers (as amended from time to time)
“Company” or “CareCapital”	CareCapital Group Plc
“Completion”	the completion of the loan agreement between CareCapital and Dr Michael Sinclair and the subsequent drawdown of the funds by CareCapital, which is conditional, <i>inter alia</i> , upon the granting of the Warrants
“Concert Party”	together Dr Michael Sinclair, Paul Stacey, Steve Wilden, Sinclair Montrose Trust Limited, Penny Sinclair and Jay Sinclair
“Daniel Stewart”	Daniel Stewart & Company Plc, a company registered in England and Wales with company number 2354159 whose registered office is at Becket House, 36 Old Jewry, London EC2R 8DD, the Company’s nominated adviser
“Directors” or “Board”	the Directors of the Company, whose names are set out on page 4 of this document
“Existing Shares”	76,754,100 Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at the offices of Finers Stephens Innocent LLP, 180 Great Portland Street, London W1W 5QZ at 4.00 p.m. on 27 October 2008 (or any reconvened meeting following an adjournment thereof)
“FRS”	a Financial Reporting Standard issued by the Accounting Standards Board
“Group”	CareCapital Group Plc and its subsidiary undertakings
“Independent Directors”	the three Non Executive Directors, being Keith Gibbs, Lord Evans of Watford and Baroness McDonagh

“Independent Shareholders”	the Shareholders apart from Dr Michael Sinclair, Paul Stacey, Steve Wilden, Sinclair Montrose Trust Limited and Jay Sinclair
“London Stock Exchange”	London Stock Exchange plc
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Options”	options granted to subscribe for Ordinary Shares in the Company under the Company’s share option scheme.
“Proposed Loan Facility”	the proposed loan facility in the amount of £4,000,000 to be entered into by the Company with Dr Michael Sinclair, as referred to in paragraph 1 of Part III of this document
“Proxy Form”	the proxy form for use at the Extraordinary General Meeting appended to this Circular
“Put Option”	the put option to be granted to the Bank by Dr Michael Sinclair over up to 8,000,000 Warrants and any underlying shares to be granted thereunder
“Resolutions”	the resolutions to be proposed at the EGM as set out in the Notice of EGM at the end of this Circular
“Security”	the second charges over the Company’s real property to be granted to Dr Michael Sinclair as security for the loan pursuant to the terms of the Proposed Loan Facility
“Shareholders”	holders of Ordinary Shares
“SMT” or “Sinclair Montrose Trust Limited”	Sinclair Montrose Trust Limited, a private company incorporated in England and Wales with registered number 01446648
“Transaction”	the Proposed Loan Facility to be provided by Dr Michael Sinclair to CareCapital and the granting of the Security by the Company and the Warrants as set out in Part 1 of this Circular
“Waivers”	the waivers provided by the Panel of any obligation on the part of the members of the Concert Party to make a general offer to shareholders under Rule 9 of the City Code as a result of each of the exercise of the Options and the Transaction
“Warrants”	the proposed warrants to subscribe for up to 26,666,667, exercisable at 15p to be granted to Dr Michael Sinclair, Paul Stacey, Steve Wilden and the Bank pursuant to the Warrant Instrument as referred to in paragraph 2 of Part III
“Warrant Instrument”	the deed to be executed by the Company constituting the Warrants
“Whitewash Resolutions”	the resolutions set out in the notice of EGM as resolutions 6 and 7 (to be approved by Independent Shareholders voting on a poll) to approve the waivers of the obligations on the Concert Party that would otherwise arise to make a mandatory cash offer for the Existing Shares not owned by the Concert Party.

CareCapital Group Plc

(Registered in England and Wales No. 5564418)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (**Meeting**) of CareCapital Group plc (**Company**) will be held at the offices of Finers Stephens Innocent LLP at 180 Great Portland Street, London, W1W 5QZ on 27 October 2008 at 4.00 p.m..

You will be asked to consider and vote on the resolutions below. Resolutions 1, 2, 4, 5, 6 and 7 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution.

Ordinary Resolutions

1. That the constitution by the Company of the Warrant Instrument (as defined in the Circular of the Company dated 3 October 2008, of which notice of the extraordinary general meeting forms part ("Circular")) and the grant of the Warrants thereunder, the principal terms of which are set out in Part III of the Circular, are hereby approved.
2. THAT the directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (within the meaning of that section), such authority to be limited to:
 - (a) the grant of the Warrants (as defined in the Circular) to subscribe for up to 26,666,667 Ordinary Shares of 1p each in the capital of the Company;
 - (b) otherwise than pursuant to sub-paragraph 2(a) above, the allotment of relevant securities up to an aggregate nominal amount of £95,943, to such person or persons and on such terms as they think fit;

provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting, expire on the earlier of fifteen months from the date of passing of this Resolution and the next annual general meeting of the Company but the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred upon the directors pursuant to section 80 of the Act, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

Special Resolution

3. THAT subject to the passing of Resolutions 1 and 2 above, the directors be and they are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by the previous Resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with any offer or invitation, including a rights issue, open offer or equivalent offer made to the holders of ordinary shares in the capital of the Company and such other equity securities of the Company as the directors may determine, to subscribe in the same proportions (as nearly as may be) to their respective holdings or in accordance with the rights attached thereto or arrangements agreed in respect thereto, the terms of which may contain such exclusions or other arrangements as the Directors consider necessary or expedient to deal with fractional entitlements that would otherwise arise or in connection with either legal or practical problems arising under the laws of any territory or the requirements of any applicable regulatory body or stock exchange in any territory;

- (b) the grant of the Warrants (as defined in the Circular), to subscribe for up to 26,666,667 Ordinary Shares of 1p each in the capital of the Company;
- (c) otherwise than pursuant to sub-paragraphs 3(a) and (b) above, the allotment of relevant securities up to an aggregate nominal amount of £95,943, to such person or persons and on such terms as they think fit;

and provided that this authority shall expire on the earlier of fifteen months from the date of passing of this Resolution and the next annual general meeting of the Company, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Ordinary Resolutions

- 4. That pursuant to section 190(1) of the Companies Act 2006, the granting of the Security (as defined in the Circular) by the Company to Dr Michael Sinclair be and is hereby approved.
- 5. That pursuant to Section 197 of the Companies Act 2006, the granting of the Security (as defined in the Circular) by the Company to Dr Michael Sinclair and the assignment thereof to Bank Hapoalim BM be and is hereby approved.
- 6. That subject to the passing of Resolutions 1, 2 and 3 (inclusive) above, the Independent Shareholders (on a poll) hereby approve the waiver by the Panel on Takeovers and Mergers of any requirement under Rule 9 of the City Code on Takeovers and Mergers, for the members of the Concert Party (as defined in the Circular) to make a general offer for the ordinary share capital of the Company as a result of the allotment and issue of 26,666,667 Ordinary Shares to the Concert Party pursuant to the exercise of the Warrants (as defined in the Circular) pursuant to which the Concert Party would become the holders of 40,108,485 Ordinary Shares (assuming that they have not exercised any of their Options and assuming the Bank has exercised the Put Option), representing approximately 46.5 per cent. of the issued share capital of the Company following such issue of Ordinary Shares.
- 7. That subject to the passing of Resolutions 1, 2 and 3 (inclusive) above, the Independent Shareholders (on a poll) hereby approve the waiver by the Panel on Takeovers and Mergers of any requirement under Rule 9 of the City Code on Takeovers and Mergers, for the members of the Concert Party (as defined in the Circular) to make a general offer for the ordinary share capital of the Company as a result of the allotment and issue of 3,456,012 Ordinary Shares to the Concert Party pursuant to the exercise of options held by them, pursuant to which the Concert Party would become the holders of 24,897,830 Ordinary Shares (assuming that they and only they have exercised all of their options), representing approximately 31.0 per cent. of the issued share capital of the Company following such issue of Ordinary Shares.

By order of the Board

Steve Wilden
Company secretary

CareCapital Group plc
6th Floor,
54 Baker Street,
London W1U 7BU

3 October 2008

Notes to the Notice of General Meeting

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members a 4.00 p.m. on 25 October; or, if this Meeting is adjourned, at 4.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars at the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
6. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. To appoint a proxy the form must be completed and signed sent or delivered to Capital Registrars at the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and received by Capita Registrars no later than 4.00 p.m. on 25 October 2008.
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID) by the [TIME AND DATE]. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. To change your proxy instructions or to revoke a proxy instruction you will need to comply with the terms set out in the notes to the Proxy Form.
12. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting as further described in the notes to the Proxy Form.
13. Except as provided above, members who have general queries about the Meeting should telephone Steve Wilden on 0207 034 1949 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.
14. Resolutions 6 and 7 will be taken on a poll in accordance with the requirements of the Panel on Takeovers and Mergers for the dispensations from Rule 9 of the City Code on Takeovers and Mergers.

