



CareCapital

CareCapital Group Plc
Half Year Report 2007

CareCapital Group Plc

CareCapital is a developer and investor in primary healthcare real estate, partnering with medical providers – in the UK and Europe – to develop uniquely tailored, cost-effective and sustainable care facilities.

Highlights



- Group rental income up 53% to £951,034 (2006: £623,456)
- Profit before tax of £675,026 (2006: loss of £971,874)
- Property acquisitions and developments of £3.0 million completed in the period
- Rent reviews in the period have produced an average uplift of 22%
- Portfolio value up 56% to £33.5 million (2006: £21.4 million)
- Adjusted diluted Net Asset Value ("NAV") per share* up 29% to 22p (2006: 17p)
- Robust and growing development pipeline in UK and Germany.

*Adjusted diluted NAV per share – excludes deferred tax on property portfolio revaluation. Calculated on an equivalent basis for 2006.

"The market for quality medical office buildings will continue to grow, is not speculative and will offer a stable long term investment that is resistant to external economic conditions."

Dr. Michael Sinclair, Chairman

Chairman's statement



Dr. Michael Sinclair
Chairman

I am pleased to report on the half year financial results for CareCapital Group Plc for the six month period ended 30 June 2007.

The Group has produced a robust financial performance during the period under review and made significant progress in terms of both profit before tax and the increase in value of its income generating property assets against the comparable period in 2006.

At 30 June 2007 the Group's medical office buildings and other primary care facilities were valued at £33.5 million (30 June 2006: £21.4 million, 31 December 2006: £29.5 million). Profit before tax for the six months under review was £675,026 (2006: loss of £971,874 and a profit of £1,622,258 for the year to 31 December 2006). Profit after tax was £581,858 (2006: loss of £978,369 and a profit of £592,291 for the year to 31 December 2006).

Four rent reviews were negotiated in the first six months of 2007. These resulted in increases averaging 21.9% on the applicable rents. This is an improvement on the outcomes achieved in 2006 however there can be no certainty that this level of performance can be maintained.



In April the patient hotel in Southampton was disposed of following the cessation of the contract to provide accommodation for patients attending the local radiotherapy centre. The sale price was £1.675 million against a book valuation of £1.5 million.

Our development pipeline in both the UK and Germany continues to be progressed in line with anticipated timetables. This will result in significant increases in owned assets and rental revenues in coming years. A number of these projects have grown in both size and complexity as the delivery of primary care encompasses additional services to be delivered at a local level. I remain of the view that the market for quality medical office buildings will continue to grow, is not speculative and will offer a stable long term investment that is resistant to external economic conditions. CareCapital is well positioned to progress within this environment.



Dr. Michael Sinclair
Chairman
11 September 2007



Consolidated income statement

for the six months ended 30 June 2007

	Notes	Six months ended 30 Jun 2007 Unaudited £	Six months ended 30 Jun 2006 Unaudited £	Year ended 31 Dec 2006 Audited £
Continuing operations				
Revenue		951,034	623,456	1,335,733
Cost of sales		(69,463)	(24,532)	(48,813)
Gross profit		881,571	598,924	1,286,920
Administrative expenses		(846,198)	(824,274)	(1,728,927)
		35,373	(225,350)	(442,007)
Other operating income	2	126,180	-	-
Net surplus on revaluation of investment properties		959,000	-	3,528,023
Operating profit before exceptional items		1,120,553	(225,350)	3,086,016
Exceptional costs of AIM listing		-	(293,791)	(589,574)
Operating profit after exceptional items		1,120,553	(519,141)	2,496,442
Finance income		42,383	111,188	186,608
Finance costs		(620,495)	(585,571)	(1,089,873)
Change in fair value of financial instruments		132,585	21,650	29,081
Net finance costs		(445,527)	(452,733)	(874,184)
Profit/(loss) before tax		675,026	(971,874)	1,622,258
Taxation		(93,168)	(6,495)	(1,029,967)
Profit/(loss) on ordinary activities after taxation		581,858	(978,369)	592,291
Discontinued operations				
Profit/(loss) from discontinued operations	3	(40,325)	20,477	85,532
Profit/(loss) for the period attributable to equity shareholders		541,533	(957,892)	677,823
Earnings per ordinary share				
Basic	4	0.71p	(0.14)p	0.93p
- Continuing operations	4	0.76p	(0.14)p	0.81p
- Discontinued operations	4	(0.05)p	-	0.12p
Diluted	4	0.70p	(0.14)p	0.92p
- Continuing operations	4	0.75p	(0.14)p	0.80p
- Discontinued operations	4	(0.05)p	-	0.12p
Weighted average number of shares ('000)	4	76,754	70,696	73,544

Consolidated balance sheet

as at 30 June 2007

	Notes	As at 30 Jun 2007 Unaudited £	As at 31 Dec 2006 Audited £	As at 30 Jun 2006 Unaudited £
Non-current assets				
Intangible assets		1,751,959	1,751,959	1,751,959
Investment properties		33,477,046	29,517,118	21,430,981
Development properties		904,542	504,916	403,501
		36,133,547	31,773,993	23,586,441
Leasehold improvements		93,300	–	–
Plant and equipment		68,003	28,156	36,083
		36,294,850	31,802,149	23,622,524
Current assets				
Inventories		–	–	1,200
Trade and other receivables		677,827	567,160	509,142
Cash and cash equivalents		1,576,299	2,321,933	5,674,133
Financial instruments		336,825	206,781	–
Total current assets		2,590,951	3,095,874	6,184,475
Non-current assets classified as held for sale	2	–	1,500,000	–
Total assets		38,885,801	36,398,023	29,806,999
Current liabilities				
Trade and other payables		(1,136,091)	(1,091,623)	(901,909)
Tax liabilities		(292)	(292)	(292)
Borrowings, including finance leases		(395,583)	(365,801)	(379,568)
Derivative financial instruments		–	(99,495)	(106,926)
Total current liabilities		(1,531,966)	(1,557,211)	(1,388,695)
Non-current liabilities				
Borrowings, including finance leases		(20,828,479)	(18,511,279)	(13,770,305)
Loan from investor		–	–	(2,953,824)
Deferred tax provision		(2,576,603)	(2,249,127)	(1,459,851)
		(23,405,082)	(20,760,406)	(18,183,980)
Liabilities directly associated with non-current assets held for sale		–	(702,735)	–
Total liabilities		(24,937,048)	(23,020,352)	(19,572,675)
Net assets		13,948,753	13,377,671	10,234,324
Equity				
Share capital		767,541	767,541	706,958
Reverse acquisition reserve		11,038,204	11,038,204	11,038,204
Share option reserve		172,604	143,055	93,506
Share premium account		1,397,500	1,397,500	–
Profit and loss account		572,904	31,371	(1,604,344)
Total equity		13,948,753	13,377,671	10,234,324

Consolidated statement of changes in equity

	Balance at 1 January 2006 £	Share based payment – value of employee services £	Profit for the period £	Balance at 30 June 2007 £
Share capital	767,541	–	–	767,541
Share premium	1,397,500	–	–	1,397,500
Share option reserve	143,055	29,549	–	172,604
Reverse acquisition reserve	11,038,204	–	–	11,038,204
Accumulated profit	31,371	–	541,533	572,904
Total equity	13,377,671	29,549	541,533	13,948,753

Consolidated cash flow statement

for the six months ended 30 June 2007

	Six months ended 30 Jun 2007 Unaudited £	Six months ended 30 Jun 2006 Unaudited £	Year ended 31 Dec 2006 Audited £
Cash flows from operating activities			
Profit/(loss) after taxation	541,533	(957,892)	677,823
Adjustments			
Taxation	93,168	6,495	1,029,967
Change in fair value of financial instruments	(132,585)	(21,650)	(29,081)
Finance costs	622,235	587,643	1,094,027
Finance income	(42,383)	(111,188)	(186,608)
Unrealised net revaluation gains on investment properties	(959,000)	–	(3,528,023)
Depreciation	13,628	15,850	33,005
Profit on disposal of property held for resale	(126,180)	–	–
Write off of development properties	–	–	40,261
Share based payments	29,550	29,550	79,099
Cash flows from operations before changes in working capital	39,966	(451,192)	(789,530)
Change in inventories	–	–	1,200
Change in trade and other receivables	(25,627)	(119,957)	(187,829)
Change in trade and other payables	44,468	215,946	405,544
Cash (used)/generated from operations	58,807	(355,203)	(570,615)
Interest paid	(622,235)	(587,643)	(1,094,027)
Cash flows from operating activities	(563,428)	(942,846)	(1,664,642)
Cash flows from investing activities			
Purchase of investment property	(3,000,237)	(3,020)	(6,058,524)
Capital expenditure on development properties	(500,410)	(349,253)	(481,960)
Capital expenditure on leasehold improvements	(96,305)	–	–
Purchase of plant and equipment	(50,473)	(5,065)	(14,293)
Disposal of property held for resale	1,626,180	–	–
Interest received	42,383	111,188	186,608
Cash flows from investing activities	(1,978,862)	(246,150)	(6,368,169)
Cash flows from financing activities			
New mortgage loans raised (net)	2,273,236	(179,514)	4,817,059
Repayment of finance leases	(8,041)	(9,217)	(18,434)
Increase/repayment of investors' loan	–	96,732	(2,857,092)
Repayment of loan on property held for resale	(468,539)	–	–
Proceeds on issue of new shares	–	–	1,458,083
Cash flows from financing activities	1,796,656	(91,999)	3,399,616
Net decrease in cash and cash equivalents	(745,634)	(1,280,995)	(4,633,195)
Cash and cash equivalents at 1 January	2,321,933	6,955,128	6,955,128
Cash and cash equivalents at closing	1,576,299	5,674,133	2,321,933

Notes to the accounts

(Unaudited)

1 Status of financial information

The half year results of the Group for the six months ended 30 June 2007 were approved by the Board on 7 September 2007.

The half year financial statements for the six months ended 30 June 2007 are unaudited and do not constitute statutory accounts as defined under section 240 of the Companies Act 1985.

The half year financial statements have been prepared in accordance with applicable accounting standards and are consistent with those adopted in the Consolidated statutory accounts of CareCapital Group Plc for the year ended 31 December 2006. Those accounts upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

2 Disposal of non-current asset held for sale

At 31 December 2006 the Group owned a property "The Manor House" which was held for sale following the termination of a contract to operate a Patient Hotel from the premises. During the period to 30 June 2007, the property was sold, realising a profit of £126,180 in excess of valuation after costs of disposal. A deferred tax provision of £234,196 was released to profit, as there are expected to be sufficient allowable tax losses in the year to offset the taxable profit on disposal.

3 Discontinued operations

Despite the closure of "The Manor House" Patient Hotel, the Group continued to engage in active discussions with healthcare organisations regarding the potential provision of similar services from different locations. In the event no other contracts were secured, and the decision was made to concentrate on other areas of activity. Consequently, the results in respect of the Patient Hotel activity have been shown as a discontinued operation. There were no residual liabilities in respect of this income stream as at 30 June 2007. The detailed financial results for discontinued activities are set out below.

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Revenue	-	282,740	496,280
Cost of sales	-	(26,969)	(34,747)
Gross profit	-	255,771	461,533
Administrative expenses	(38,519)	(233,222)	(623,265)
Other operating income	-	-	251,418
Operating profit	(38,519)	22,549	89,686
Finance costs	(1,806)	(2,072)	(4,154)

4 Earnings per share

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
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.			
Profit/(loss) attributable to equity holders of the Company (£)	541,533	(957,892)	677,823
Weighted average number of ordinary shares in issue (thousands)	76,754	70,696	73,544
Earnings/(loss) per share (pence per share)	0.71	(0.14)	0.93
– Continuing operations	0.76	(0.14)	0.81
– Discontinued operations	(0.05)	–	0.12

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.

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Profit/(loss) attributable to equity holders of the Company (£)	541,533	(957,892)	677,823
Weighted average number of ordinary shares in issue (thousands)	76,754	70,696	73,544
Adjustment for share options (thousands)	347	–	347
Weighted average number of ordinary shares for diluted earnings (thousands)	77,101	70,696	73,891
Diluted Earnings/(loss) per share (pence per share)	0.70	(0.14)	0.92
– Continuing operations	0.75	(0.14)	0.80
– Discontinued operations	(0.05)	–	0.12

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.

Notes to the accounts continued

(Unaudited)

4 Earnings per share continued

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Profit/(loss) attributable to equity holders of the Company (£)	541,533	(957,892)	677,823
Less gain on revaluation of investment properties	(959,000)	–	(3,528,023)
Add deferred tax in respect of investment properties	287,700	–	1,058,407
Less fair value movement on derivative financial instruments	(132,585)	(21,650)	(29,081)
Add deferred tax in respect of derivative financial instruments	39,776	6,495	8,724
Earnings/(loss) used for calculation of adjusted earnings per share	(222,576)	(973,047)	(1,812,150)
Adjusted earnings per share	(0.29)	(1.38)	(2.46)

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

5 Restatement of comparative financial statements for the period ended 30 June 2006 from UK GAAP to IFRS

For its results for the year ended 31 December 2006, the Group adopted IFRS, and adjusted those comparative financial statements previously reported under UK GAAP accordingly. The following tables set out the adjustments required to the previously reported results for the period ended 30 June 2006, in order to effect the necessary conversion from UK GAAP to IFRS.

(a) Adjustment to retained earnings

	£ Dr/(Cr)
Reversal of goodwill amortisation	141,040
Employee share options	(105,476)
Reclassification of revaluation reserve	–
Deferred tax – Investment properties	(84,350)
Movement on derivative financial instruments	(106,926)
Deferred tax – derivative financial instruments	32,078
Total adjustment to equity	(123,634)
Attributable to equity holders of the parent	(123,634)

5 Restatement of comparative financial statements for the period ended 30 June 2006 from UK GAAP to IFRS continued

(b) Reconciliation of equity at 30 June 2006

	UK GAAP £	IFRS adjustments £	IFRS £
Non-current assets			
Intangible assets	240,505	1,511,454	1,751,959
Property, plant and equipment	21,882,534	(21,846,451)	36,083
Investment properties	–	21,430,981	21,430,981
Development properties	–	403,501	403,501
Investments	–	–	–
	22,123,039	1,499,485	23,622,524
Current assets			
Inventories	1,200	–	1,200
Trade and other receivables	509,142	–	509,142
Cash and cash equivalents	5,674,133	–	5,674,133
	6,184,475	–	6,184,475
Total assets	28,307,514	1,499,485	29,806,999
Current liabilities			
Trade and other payables	(901,909)	–	(901,909)
Tax liabilities	(292)	–	(292)
Borrowings, including finance leases	(379,568)	–	(379,568)
Derivative financial instruments	–	(106,926)	(106,926)
	(1,281,769)	(106,926)	(1,388,695)
Non-current liabilities			
Borrowings, including finance leases	(13,770,305)	–	(13,770,305)
Loan from investor	(2,953,824)	–	(2,953,824)
Deferred tax provision	(37,164)	(1,422,687)	(1,459,851)
	(16,761,293)	(1,422,687)	(18,183,980)
Total liabilities	(18,043,062)	(1,529,613)	(19,572,675)
Net assets	10,264,452	(30,128)	10,234,324
Equity			
Share capital	706,958	–	706,958
Reverse acquisition reserve	11,038,204	–	11,038,204
Share options reserve	–	93,506	93,506
Share premium account	–	–	–
Profit and loss account	(1,480,710)	(123,634)	(1,604,344)
Total equity	10,264,452	(30,128)	10,234,324

Notes to the accounts continued

(Unaudited)

5 Restatement of comparative financial statements for the period ended 30 June 2006 from UK GAAP to IFRS continued

(c) Reconciliation of loss for the period to 30 June 2006

	UK GAAP £	IFRS adjustments £	IFRS £
Continuing operations			
Revenue	623,456	–	623,456
Cost of sales	(24,532)	–	(24,532)
Gross profit	598,924	–	598,924
Administrative expenses	(829,406)	5,132	(824,274)
	(230,482)	5,132	(225,350)
Other operating income	–	–	–
Gain on revaluation of investment properties	–	–	–
Operating profit before exceptional items	(230,482)	5,132	(225,350)
Exceptional costs of AIM listing	(293,791)	–	(293,791)
Operating profit after exceptional items	(524,273)	5,132	(519,141)
Interest receivable and similar income	111,188	–	111,188
	(413,085)	5,132	(407,953)
Interest payable and similar charges	(585,571)	21,650	(563,921)
Loss on ordinary activities before taxation	(998,656)	26,782	(971,874)
Tax on loss on ordinary activities	–	(6,495)	(6,495)
Loss for year	(998,656)	20,287	(978,369)
Discontinued operations			
Profit from discontinued operations	20,477	–	20,477
Loss for the period	(978,179)	20,287	(957,892)

(d) Cash flows

Under IFRS, the consolidated cash flow statement reconciles the movements in cash and cash equivalents, whereas in the UK GAAP financial statements it reconciled the movements in cash only. Other than this, there are no material differences in the restated consolidated statement of cash flows from that previously published.

Shareholder information

Directors

Dr. Michael Sinclair – *Executive Chairman*

Paul Stacey FCS – *Chief Executive*

Steve Wilden FCA – *Finance Director*

Lord Evans of Watford – *Non Executive Director*

Keith Gibbs – *Non Executive Director*

Company Secretary

Steve Wilden

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Financial calendar

2008

Announcement of annual results

March

Annual General Meeting

May



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