

CareCapital

CareCapital Group Plc
Annual Report 2009



CareCapital Group Plc

Contents

01	Group highlights	17	Consolidated statement of cash flows
02	Chairman's and Chief Executive's statement	18	Principal accounting policies – Group
06	Board of Directors	22	Notes to the accounts – Group
08	Directors' report	37	Company statement of financial position
11	Statement of Directors' responsibilities	38	Company statement of changes in equity
12	Independent Auditors' report	38	Company statement of cash flows
14	Consolidated statement of comprehensive income	39	Notes to the accounts – Company
15	Consolidated statement of financial position	43	Notice of AGM
16	Consolidated statement of changes in equity	45	Company information

CareCapital is a developer and investor in primary healthcare real estate, partnering GPs, dentists and other clinical providers – in the UK and Germany – to develop uniquely tailored, cost-effective and sustainable care facilities.

Group highlights



Highlights

- A year of successful consolidation in difficult market conditions
- In the UK, entered into agreement for development of the Southampton Gateway development
- Outline planning consent for Buckley, North Wales obtained
- Financial/legal completion of a development in Coventry, which includes a library for the City Council
- At 31 December 2009 the value of our completed investment properties was £49.8 million (2008: £52.3 million) and developments in progress was £10.2 million (2008: £3.5 million)
- Rental income from the completed investment properties increased to £3.4 million (2008: £2.86 million)
- Disposed of the bulk of UK portfolio for consideration of £23.5 million
- Rental income from the properties disposed in February 2010 amounted to £1.4 million on an annualised basis
- Net cash proceeds after repayment of associated senior debt of £4.4 million used to pay down other short term debts
- The loss for the year after tax was £1.77 million after writing off goodwill (£1.75 million) and development costs (£0.5 million) together with a reduction in the deferred tax provision of £1.7 million (2008: loss £1.69 million)
- Valuation of portfolio in August 2009 shows an increase and progression over previous year showing stability of our property sector niche
- German portfolio being actively marketed
- Participation in leadership roles in a number of advanced cancer treatment centres

Chairman's and Chief Executive's statement



Dr. Michael Sinclair
Chairman



Paul Stacey
Chief Executive

“2009 proved to be a year of challenges given the prevailing economic conditions and uncertainties.”

We are pleased to present our report on the 2009 financial results for CareCapital Group plc and the Group's activities since our last year end statement which was published on 29 June 2009.

2009 proved to be a year of challenges given the prevailing economic conditions and uncertainties. However the market for medical office buildings both in the UK and Germany, the Group's operational territories, has remained more stable than that of other property sectors and Senior Debt for quality projects is readily available on commercial terms. The particular challenge for a Company such as ours has been to secure equity finance on terms that are minimally dilutive to existing shareholders. Consequently, in order to make progress in achieving this aim, we decided to dispose of the bulk of our UK built portfolio and make selected realisations from our German portfolio. The proceeds have and will continue to reduce our short term debt and provide working capital and equity funding to enable us to develop our very considerable development pipeline.

On 8 February 2010 we announced that we had disposed of 14 primary care investment properties for a cash consideration of £23.5 million and realising net cash proceeds of £4.4 million after the repayment of the senior debt attributable to these properties. These proceeds were used for the



The total value of projects
being progressed is

£56.3 million

repayment of a substantive proportion of the Group's short term debt and the balance retained as working capital. In addition, instructions have been given for the marketing of the German portfolio.

Our development programme has been progressed since the last Chairman's statement. In Germany, the 3,600 sq m Adlershof 2 project was completed on 1 May 2010 and is being tenanted with further progress being made on other projects. In the UK we have entered an agreement with a major international development company whereby that company assumes responsibility for the development of the residential element of the Southampton Gateway project; obtained outline planning consent for the 4,000 sq m project in Buckley, North Wales and financial/legal completion of the 2,500 sq m development on Coventry where work will start on site this month with completion of the scheme, which includes a library for the City Council, in August of next year.

The emphasis on progressing the development pipeline and other opportunities has enabled a rationalisation of the Group's staffing and other central overhead costs. The benefit of these reductions in cost will be principally realised in 2010.

At 31 December 2009 the value of our completed investment properties was £49.8 million

(2008: £52.3 million) and developments in progress was £10.2 million (2008: £3.5 million). Rental income from the completed investment properties increased to £3.4 million (2008: £2.86 million). Rental income from the properties disposed of in February 2010 amounts to £1.4 million on an annualized basis. The loss for the year after tax was £1.77 million after writing off goodwill (£1.75 million) and development costs (£0.5 million) together with a reduction in the deferred tax provision of £1.7 million (2008: loss £1.69 million).

As in previous years valuations of the investment properties have been independently carried out. These valuation exercises were conducted in August 2009 in respect of both the UK and German properties and showed an increase in value over previous valuations as a consequence of slightly firmer capital yields. This outcome further demonstrates the underlying stability within this particular part of the property market.

Whilst of modest corporate size, Care Capital has a team of senior management with very many decades of experience of Healthcare Real Estate development throughout the world. These skills have enabled us to take a leading role in a number of specialist Healthcare projects over the last twelve months, particularly in the area of advanced Cancer therapies.

Chairman's statement



CareCapital has entered into a joint venture as a 25% shareholder in Proton Therapy Global Management (PTGM). The company will design, develop and manage a global network of proton beam therapy centres, providing access to this specialised and highly effective treatment to the world's growing population of cancer patients. Proton beam therapy is a precise form of radiation treatment that has been very successful in treating a wide range of localised tumors, while leaving healthy tissue mostly intact. To date, letters of intent have been signed to build four centres in the US in partnership with some of the world's most prominent hospitals, and one in the UK, at a site in central London. It is anticipated that PTGM will develop and manage fifteen centres over the next seven years.

CareCapital has spent 12 months investigating opportunities in auxiliary healthcare services in order to extend our existing tenant portfolio. We are pleased to announce collaboration with Professor David Sinclair (no relation to Dr Michael Sinclair) and Dr Roy Eskapa who we will be working with us to launch a new programme for the treatment of alcoholism. This programme, "The Sinclair Programme", will run from healthcare centres across London, expanding over the coming years to sites across the UK and possibly further afield.



“The market for medical office buildings in the UK and Germany has remained more stable than that of other property sectors.”

CareCapital's board is in receipt of an offer for two of its developments in Germany and is in discussions with its major shareholders to raise additional equity by means of a placing as a result of an approach from a third party. It is likely one or other or both events will take place and on this basis the Directors are of the opinion that the Group can continue to meet its obligations when they fall due for at least the next 12 months.

At the appropriate time we will provide shareholders with further information.

Following the publication of these accounts, Steve Wilden, our Finance Director, will be stepping down from his position, whilst continuing as a consultant to the company. Steve has been a colleague of both Paul Stacey and myself, for many years. Paul and I would like, publicly, to record our appreciation to Steve for his dedication and contribution to the company. Steve's replacement as Finance Director will be Clive Hyman, who has been working with us since the start of this year.

Clive is joining us as Group Finance Director and as Chief Executive Officer of our German business. His international skills in deal related areas and experience in the property development world have already proved to be highly valuable. He was interim Chief Operating Officer and Group Finance

Director of Candy and Candy Limited in 2005 and prior to this a partner with KPMG in London for 10 years being one of the founder partners of their transaction services, private equity and early stage advisory businesses. In addition he ran a private equity fund for KPMG between 1999 and 2003.

Our compact and dedicated team of professionals in the UK and Germany has much to be proud of. They have built up one of the largest development pipelines in our sector, successfully disposed of the bulk of our UK built portfolio and maximised rental income from our properties. Paul and I would like them to know how grateful we are for all their efforts.

Dr. Michael Sinclair
Chairman

Paul Stacey
Chief Executive
30 June 2010

Board of Directors CareCapital Group Plc



Dr. Michael Sinclair, Executive Chairman

Dr. Michael Sinclair has held a number of senior appointments in the healthcare field, after qualifying in medicine in 1967. He founded Nestor Healthcare in 1971, held a number of board positions with Allied Investments Limited between 1971 to 1977 and in 1979 founded Sinclair Montrose Trust Limited (a private investment vehicle). He was previously Chairman of Lifetime Corporation Inc. (NY Stock Exchange listed healthcare company) and Chairman of US based Atlantic Medical Management LLP (managed NY based healthcare venture fund).

He is currently on the Board of Overseers of the Tufts University School of Medicine and Chairman of Ark Home Healthcare Limited and one AIM listed company: Totally Plc.



Paul Stacey FCIS, Chief Executive

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, where he worked for almost 20 years, as Deputy Secretary and later as Executive Director of Nuffield Healthcare.

He is Managing Director of Sinclair Montrose Trust Limited, as well as a Director of a number of its subsidiary and associated companies. Paul became Managing Director of CareCapital Limited in 2004 and Chief Executive of CareCapital Group Plc in 2006. He is also Managing Director of HPC Wales (a joint venture between CareCapital and Gaufron Healthcare Limited).



Stephen Wilden FCA, Finance Director and Company Secretary (resigned 18 June 2010)

Stephen ("Steve") Wilden qualified as a chartered accountant with Josolyne Layton Bennett & Co in 1975, gaining 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 left SMH in 2000 to jointly set up and become Chief Executive Officer of Staffing Ventures Plc, now renamed Supporta Plc. He joined CareCapital as Finance Director in 2004.



Clive Hyman FCA, Group Finance Director

Clive Hyman qualified as a chartered accountant in 1986 with Peat Marwick Mitchell & Co which became KPMG. He became a partner in 1995 and was one of the founder partners who established several of KPMG's businesses: Transaction Services, Private Equity in the UK and USA where he established the market position for the firm, K-Ventures (an early stage investment fund), Early Stage Advisory 1999 – 2003, as well as playing a significant role in a number of major listed clients. He retired from KPMG in 2005 to establish his own business, Hyman Capital Services Limited where he is Chairman and Group Chief Executive.

He is currently Chair of Young Enterprise East of England and a director of their trading arm Green Y Ventures Limited. He is also Treasurer of the Old Haberdashers' Association.

Keith Gibbs, Non-Executive Director

Chairman of Remuneration Committee and member of the Audit Committee

Keith Gibbs, a qualified actuary and mathematics graduate from the University of Kent, was appointed Chief Executive of AXA PPP healthcare in 2001. He has wide-ranging skills and knowledge in the healthcare and insurance markets, having previously held the positions of Product Development Actuary and later Marketing Director at Citibank Life and Sales and Marketing Director at Lloyds TSB Insurance Plc.

He previously worked at Sun Life PLC and Sentinel Life PLC, as well as running his own management consultancy, which had significant banking and financial clients.



Lord Evans of Watford, Non-Executive Director

Chairman of Audit Committee and member of Remuneration Committee

Lord Evans began his career as an apprentice printer and in 1971 founded Centurion Press Group Limited, which was sold in 2004. He currently holds directorships with several companies in publishing and insurance and is involved with various charities and institutes.

He is a director of Redactive Publishing Limited, Personnel Publications Limited, PP & Partners Telemedia BV and Senate Consulting Limited. He was awarded a Life Peerage in 1998 for services to charity.



Baroness Margaret McDonagh, Non-Executive Director

Member of the Audit Committee and Remuneration Committee

Margaret McDonagh was the first woman and youngest ever General Secretary of the Labour Party from 1998-2001. After 15 years at the Labour Party, Margaret stepped down to undertake new challenges in the private sector, taking a position as General Manager for Express Newspapers in 2001. She has since established her own consultancy firm BBM, has held Non-Executive Directorships on a number of company boards, including TBI Plc, Standard Life Plc and more recently, CareCapital, where she was appointed in April 2008.

Margaret received her Life Peerage in 2004, as Baroness McDonagh, of Mitcham and of Morden in the London Borough of Merton.



Dr. Ina Ottmann, Company Secretary (appointed 23 June 2010) and member of the Management Team

Ina Ottmann qualified as a lawyer in Austria in 2000. She joined CareCapital in spring 2009 from her post as contracts administrator for the Hilton Hotels International and Operations Centre Legal Department where she worked as an active member in the company's core business development strategy group. Ina is bi-lingual in English and German, has worked in both Europe and the United States and holds a PhD in Trust Law and a Postgraduate Diploma in Management.



Directors' report

The Directors present their report with the financial statements of the Group and the Company for the year ended 31 December 2009.

Principal activities

The principal activities of the Group and Company in the year under review were those of developing, financing and managing health related properties for the long term.

Results, business review and future developments

During the year the Group achieved a turnover of £3,414,698 (2008: £2,856,110). The loss before taxation was £3,464,986 (2008: £2,214,356 loss).

In assessing the performance of the business the Board have regard to a number of key performance indicators, "KPI's". These include rental yields and development margin recovery achieved, conversion rate in respect of opportunities sourced and deviation from timetable in respect of pipeline projects.

At corporate level, the Board recognise the importance of maximising earnings per share and net asset value.

Future developments

The Group will expand its core UK and German operations and will also pursue the leadership roles in novel cancer treatments.

Operating risks

The Directors consider the following to be principal risks and uncertainties facing the Group:

- economic recession;
- changes to government regulations, including legislation in respect of employee matters, environmental matters, health and safety and accessibility;
- natural disasters, acts of terrorism and consequent impact on the Group's activities;
- loss of key contracts;
- competition from similar companies; and
- reduced options for credit finance owing to turbulence in world financial markets.

The Directors take measures to minimise the Group's exposure to these risks on an ongoing basis.

Dividends

The Directors do not recommend the payment of a dividend (2008: £nil). The loss for the year is to be transferred to reserves.

Directors' beneficial interests

The Directors who served during the year and their interests (including family interests) in the issued ordinary shares of the Company were as follows:

	At 31 December 2009	At 31 December 2008
Dr M J Sinclair	50,000	50,000
P Q C Stacey	4,338,364	4,338,364
S K Wilden	100,000	100,000
Lord Evans	-	-
K G Gibbs	-	-
Baroness McDonagh	-	-

Dr M J Sinclair and P Q C Stacey have an interest in Sinclair Montrose Trust Limited which owns 27.61% of the issued share capital of CareCapital Group PLC. Of P Q C Stacey's shareholding in the Company, 4,238,364 shares are held by Sinclair Montrose Trust Limited, of which he is a Director. P Q C Stacey is not a shareholder of Sinclair Montrose Trust Limited, and the shares referred to above are held beneficially in trust on his behalf. Sinclair Montrose Trust Limited holds 16,953,454 shares in the Company, and is a Company in which Dr M J Sinclair and his immediate family have a controlling interest.

S K Wilden has options to acquire 881,408 ordinary shares at a price of 15 pence per share. These were granted on 1 December 2004, and have vested. The options are exercisable at any time between 1 December 2007 and 1 December 2014. He also has options to acquire 500,000 shares at a price of 29 pence per share. These were

granted on 13 September 2007, and vest over a three year period. The options are exercisable at any time between 13 September 2010 and 13 September 2017.

Dr M J Sinclair and P Q C Stacey each have options to acquire 800,000 ordinary shares at a price of 29 pence per share. These were granted on 13 September 2007 under the same terms as the second grant to S K Wilden.

On 27 October 2008, 26,666,667 warrants to subscribe for ordinary shares of 1 pence each in the Company at a subscription price of 15 pence per share were issued under the terms of a loan facility of £4,000,000 made available to the Company by its Chairman, Dr Michael Sinclair. Of these warrants 10,600,000 were issued to Dr Michael Sinclair, 7,066,667 to Paul Stacey and 1,000,000 to Steve Wilden. These warrants may be exercised at any time from the date of grant to 27 October 2013.

Directors' remuneration

The annual base salaries and benefits of the Directors of CareCapital Group PLC as at 31 December 2009 were as follows. Paul Stacey and Steve Wilden's main contracts of employment are with CareCapital Limited.

	Base salary £	Car allowance £	Directors fee £	Pension £	Other benefits £	Total £
Dr M J Sinclair	135,000	–	–	10,125	–	145,125
P Q C Stacey	160,000	10,000	10,000	12,000	8,700	200,700
S K Wilden	147,488	10,000	10,000	11,062	1,200	179,750
Lord Evans	–	–	20,000	–	–	20,000
K G Gibbs	–	–	20,000	–	–	20,000
Baroness McDonagh	–	–	20,000	–	–	20,000

A Remuneration Committee of Non-Executive Directors, chaired by K G Gibbs, meets periodically to consider Executive Directors' and other employees' salary and other benefits.

On 1 January 2010, the base salaries of the Executive Directors were reduced as follows. Dr M J Sinclair (£108,000), P Q C Stacey (£130,000) and S K Wilden (£120,600). In addition, neither P Q C Stacey nor S K Wilden will receive Directors' fees from that date.

Substantial shareholdings

At 17 June 2010 CareCapital Group Plc had the following substantial shareholdings.

Sinclair Montrose Trust Limited	27.61%
Trevor Brown* and Free Association Books	26.36%
European Clearing	6.27%
Credo Capital Ltd	5.87%
Canada Life	3.69%

*Trevor Brown is the sole beneficial owner of Free Association Books.

Group policy on payment of creditors

It is the Group's policy to agree terms of payment with suppliers, and to adhere to them. The average creditors' days for 2009 was 43 days (2008: 30 days).

Donations

The Group made charitable donations of £nil (2008: £nil) during the year.

Disabled persons

It is Group policy to give fair consideration to the needs of disabled people, both in terms of employment and in the design and construction of its properties, and to comply with current legislation with regard to disabled persons.

With regard to existing disabled persons and those who have become disabled during their employment with the Group, the Group will continue to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion where possible.

Statement of information provided to Auditors

Each of the Directors has confirmed that:

- so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates on borrowing. 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 (see note 20).

Going concern

The Board has considered the financial viability of the business and is satisfied the business can continue for more than 12 months as explained in the Chairman's and Chief Executive's joint statement, and the accounting convention and basis of preparation note to the financial statements.

Post balance sheet

As set out in the Chairman's and Chief executive's joint statement the board has received an offer for two of its developments in Germany. In addition, the Group is in discussions with its major shareholders on raising equity through a placing.

Annual General Meeting

The notice convening the 2010 Annual General Meeting of the Company on page 43.

Corporate governance

The Company is committed to applying high standards of corporate governance, integrity and business ethics to all activities.

The Board of Directors is responsible for approving Company policy and strategy. It meets at least every two months, and all major business or financial decisions are submitted for approval. The current Board consists of the Executive Chairman, two Executive Directors and three Non-Executive Directors, all of whom are independent of management and any business or other relationship which could interfere with the exercise of their independent judgement.

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. It therefore holds regular meetings and presentations in order to keep institutional shareholders informed of progress.

The Board seeks to present a balanced and understandable assessment of the Group position and prospects in all reports and announcements. The Audit Committee comprises Lord Evans of Watford (Chairman), K G Gibbs and Baroness McDonagh who are Non-Executive Directors. The Executive Directors and representatives of the Auditors attend Committee meetings by invitation.

The Board of Directors has responsibility for the Group's system of internal control and for reviewing its effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate risk, but are subject to continual review in view of the Group's growth and business agenda.

A system of continual review of business risk identification, assessment and evaluation is in place within the management process throughout the Group. Frequent management meetings are held at which all of the Group's operational activities are reviewed.

Approved by the Board of Directors and signed on behalf of the Board on 30 June 2010.



P Q C Stacey
Director

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with those standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditors' report

To the members of CareCapital Group Plc

We have audited the financial statements of CareCapital Group Plc for the year ended 31 December 2009 which comprise the consolidated and Parent Company statements of financial position, the consolidated statement of comprehensive income, the consolidated and Parent Company statements of cash flows, the consolidated and Parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in accounting policy (a) to the financial statements concerning the Company's ability to continue as a going concern. The Group had net current liabilities of £10.9 million as at 31 December 2009 and has identified a requirement to raise additional funds through a combination of asset disposals and new equity from existing and potential investors, the issue of which requires the Directors to successfully identify investors and complete a placing which will require the consent of shareholders in general meeting. Moreover, the trading forecasts prepared by the Directors assume an increase in existing activities and the exploitation of new ventures available to the Group. These conditions, along with the other matters explained in accounting policy (a) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company was unable to continue as a going concern.

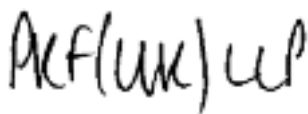
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Handwritten signature in black ink, appearing to read 'PKF(UK) LLP'.

Jason Homewood (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors
London, UK

30 June 2010

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Notes	Group 2009 £	Group 2008 £
Revenue	2	3,414,698	2,856,110
Cost of sales		(455,296)	(416,025)
Gross profit		2,959,402	2,440,085
Administrative expenses		(1,808,043)	(1,733,893)
Impairment of goodwill		(1,751,960)	–
Net gain/(loss) on revaluation of investment properties		596,807	(1,655,932)
Development costs written off		(502,032)	(16,933)
Operating loss	3	(505,826)	(966,673)
Finance income	4	4,303	1,208,929
Finance costs	5	(2,963,463)	(2,548,868)
Change in fair value of financial instruments		–	92,256
Loss on ordinary activities before taxation		(3,464,986)	(2,214,356)
Taxation		1,696,466	524,195
Loss after taxation		(1,768,520)	(1,690,161)
Loss for the period			
– attributable to equity shareholders		(1,903,049)	(1,688,027)
– attributable to minority interest		134,529	(2,134)
		(1,768,520)	(1,690,161)
Other comprehensive income			
Exchange differences on translating foreign operations		(648,614)	488,168
Total comprehensive loss for the year		(2,417,134)	(1,201,993)
Total comprehensive income/(loss) attributable to:			
– Equity shareholders		(2,486,802)	(1,248,676)
– Minority interest		69,668	46,683
		(2,417,134)	(1,201,993)
Loss per ordinary share	10		
Basic and diluted – total		(2.48)p	(2.20)p
Weighted average number of shares (000s)		76,754	76,754

Consolidated statement of financial position

As at 31 December 2009

	Notes	Group 2009 £	Group 2008 £
Non-current assets			
Goodwill	11	–	1,751,959
Investment properties	12	55,982,399	52,331,824
Development properties	12	4,074,198	3,512,716
Leasehold improvements	13	73,908	79,914
Plant and equipment	14	47,199	58,941
		60,177,704	57,735,354
Current assets			
Trade and other receivables	15	512,571	465,181
Cash and cash equivalents	16	268,573	2,519,519
		781,144	2,984,700
Total assets		60,958,848	60,720,054
Current liabilities			
Trade and other payables	17	(2,453,857)	(1,940,940)
Borrowings	18	(9,207,414)	(4,438,452)
		(11,661,271)	(6,379,392)
Non-current liabilities			
Borrowings	18	(37,376,534)	(38,327,667)
Deferred tax	19	(406,954)	(2,103,420)
		(37,783,488)	(40,431,087)
Total liabilities		(49,444,759)	(46,810,479)
Net assets		11,514,089	13,909,575
Equity			
Share capital	21	767,541	767,541
Share premium reserve	23	1,397,500	1,397,500
Share option reserve	24	412,254	390,606
Reverse acquisition reserve	25	11,038,204	11,038,204
Exchange movements reserve		(140,349)	443,404
Profit and loss account		(2,206,518)	(303,469)
Equity attributable to shareholders of the Parent Company		11,268,632	13,733,786
Minority interest		245,457	175,789
Total equity		11,514,089	13,909,575

These consolidated financial statements have been approved and were authorised for issue by the Board of Directors on 30 June 2010.



P Q C Stacey
Director

Registered number: 5172369

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Share capital £	Share premium £	Share options reserve £	Reverse acquisition reserve £	Exchange rate movement reserve £	Profit and loss account £	Equity share-holders interest £	Minority interest £	Total £
Balance at									
1 January 2008	767,541	1,397,500	209,332	11,038,204	4,053	1,384,558	14,801,188	129,106	14,930,294
Exchange rate movement	–	–	–	–	439,351	–	439,351	48,817	488,168
Loss for the year	–	–	–	–	–	(1,688,027)	(1,688,027)	(2,134)	(1,690,161)
Total comprehensive income	–	–	–	–	439,351	(1,688,027)	(1,248,676)	46,683	(1,201,993)
Share based payment									
– employee services*	–	–	21,649	–	–	–	21,649	–	21,649
– costs of raising finance	–	–	159,625	–	–	–	159,625	–	159,625
Balance at									
31 December 2008	767,541	1,397,500	390,606	11,038,204	443,404	(303,469)	13,733,786	175,789	13,909,575
Balance at									
1 January 2009	767,541	1,397,500	390,606	11,038,204	443,404	(303,469)	13,733,786	175,789	13,909,575
Exchange rate movement	–	–	–	–	(583,753)	–	(583,753)	(64,861)	(648,614)
Loss for the year	–	–	–	–	–	(1,903,049)	(1,903,049)	134,529	(1,768,520)
Total comprehensive income	–	–	–	–	(583,753)	(1,903,049)	(2,486,802)	69,668	(2,417,134)
Share based payment									
– employee services*	–	–	21,648	–	–	–	21,648	–	21,648
Balance at									
31 December 2009	767,541	1,397,500	412,254	11,038,204	(140,349)	(2,206,518)	11,268,632	245,457	11,514,089

Note:

* See note 22 for further details.

Consolidated statement of cash flows

For the year ended 31 December 2009

	Group 2009 £	Group 2008 £
Cash flow from operating activities		
(Loss)/profit after taxation	(1,768,520)	(1,690,161)
Adjustments:		
Taxation	(1,696,466)	(524,195)
Change in fair value of financial instruments	–	(92,256)
Finance costs	2,963,463	2,548,868
Finance income	(4,303)	(1,208,929)
Unrealised net revaluation (gains)/losses on investment properties	(596,807)	1,655,932
Impairment of goodwill	1,751,959	–
Depreciation	33,132	38,460
Write-off of development costs incurred	502,032	16,933
Share based payments	21,648	21,649
Cash flows from operations before changes in working capital	1,206,138	766,301
Change in trade and other receivables	(47,389)	(13,770)
Change in trade and other payables	556,477	808,538
Cash generated/(used) from operations	1,715,226	1,561,069
Interest paid	(2,457,309)	(2,186,557)
Cash flows from operating activities	(742,083)	(625,488)
Cash flows from investing activities		
Purchase of investment property	–	(520,845)
Capital expenditure on development properties	(6,305,031)	(8,461,421)
Purchase of leasehold improvements	(3,815)	(400)
Purchase of plant and equipment	(13,199)	(31,133)
Interest received	4,303	10,933
Cash flows from investment activities	(6,317,742)	(9,002,866)
Cash flows from financing activities		
New mortgage loans raised (net of transaction costs)	4,446,523	22,868,788
Repayment of loans	(823,382)	(12,588,154)
Directors' loans (net of costs)	300,000	3,666,724
Other short term loans	950,000	–
Cash flow from financing activities	4,873,141	13,947,358
Increase/(decrease) in cash and cash equivalents	(2,186,684)	4,319,004
Cash and cash equivalents at 1 January	2,455,257	(1,863,747)
Cash and cash equivalents at 31 December	268,573	2,455,257

Cash and cash equivalents at 31 December 2008 are stated net of an overdrawn position of £64,262.

Principal accounting policies – Group

For the year ended 31 December 2009

a. Accounting convention and basis of preparation

These financial statements have been prepared under International Financial Reporting Standards (“IFRS”) as adopted by the European Union and applied in accordance with the Companies Act 2006.

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 revaluation movements in respect of investment properties held. The valuations undertaken are set out in detail in note 11 to the accounts.

The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act not to present a separate statement of comprehensive income for the Parent Company. The financial statements have been prepared on the historical cost basis modified to include certain assets and liabilities at fair value.

As at 31 December 2009, the Group had net current liabilities of £10.9 million including a Director’s loan of £4.3 million and other short term loans of £0.95 million which, at the date of approval of these accounts were overdue. This figure also includes the £2.6 million proportion of a loan which is due in over 1 year, but was the subject of a technical covenant breach during the year. The Company have not breached any substantive terms of the loan such as repayments, and have received written assurances from the bank that the loan will not be recalled. However, this does not amount to a formal waiver as the bank has reserved its position, as is customary in these circumstances. In addition to the borrowings described, the Group has operating overheads and several development projects progressing which will require additional working capital in order to fund the initial development work.

During January 2010 the Group received an offer for the substantial part of its UK portfolio which was accepted. This transaction completed during February 2010 and enabled the Group to repay £3.2 million of its short term loans and £17.8 million of loans due in over one year, as well as releasing £1.3 million for working capital requirements. The Group has also received an offer on two of its German properties which the Directors are considering. In addition, the same purchaser has indicated they will buy two other properties when the rent reviews have been completed next year in 2011, if the Directors determine to sell the properties. The Group is also in discussions with its own existing shareholders and other interested outside parties on raising new equity via a placing and the Directors are confident that there is sufficient investor interest to support such a placing.

The lenders of the short term borrowings which are overdue have indicated they will not seek repayment of their loans until adequate funds have been raised from the disposal of the German properties to be sold. The disposal proceeds from the sale of the two German properties will enable short term debt to be repaid and the second charge over the German portfolio to be released and further funding to be negotiated in Germany.

In addition, the Directors have prepared trading and cash flow forecasts for the Group for the period to 31 December 2011 as part of a five year plan. The forecasts incorporate trading assumptions, including increased development activity in the UK and Germany and the exploitation of new ventures available to the Group as discussed in the Chairman’s Statement, as well as assumptions regarding the funding of the business in future. The Directors believe these forecasts to be realistic, and consequently have prepared the financial statements on the going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. However, due to the need to successfully identify investors and complete the placing, including obtaining shareholder consent for the issue of new shares, there is a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

If the fund raising efforts are unsuccessful the remaining German portfolio will be disposed of as soon as practical and will provide further working capital whilst other funding options are considered.

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 all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 11).

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.

Investment properties under construction are valued having regard to their eventual market value. In arriving at this valuation, the Directors consider costs to date, adherence to timetable and potential risks as well as market evidence on yields.

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

For financial years commencing on or after 1 January 2009, the scope of IAS 40 has been extended to the extent that property under construction for future use as an investment property is classified as an investment property. Such assets are now measured at fair value, with changes in fair value being recognised in the Consolidated Statement of Comprehensive Income where such changes can be reliably measured. The Group has an investment property under construction in Germany which was substantially complete at 31 December 2009, and have ascribed a fair value which exceeds cost by £1,008,813 at that date.

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 commencement of construction, development properties to be held for long term rental income and capital appreciation are transferred to investment property.

f. Other fixed assets – cost basis

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

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. 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 and other short-term highly liquid investment maturities of three months or less, net of short term bank overdrafts.

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.

Principal accounting policies – Group continued

For the year ended 31 December 2009

j. 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.

k. 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 profit or loss 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.

l. Pensions

The Group makes defined contributions to employees' personal pension plans. Contributions payable to the employees' schemes are recognised as an expense in the statement of comprehensive income as incurred.

m. Share based payments

The cost of granting share options and other share based remuneration to employees and Directors is recognised through the statement of comprehensive income 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.

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

n. 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 statements of comprehensive income 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 an entity'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 profit or loss.

o. Financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Where appropriate the Group enters into derivative transactions such as interest rate swaps 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 statement of comprehensive income as a finance cost. No such contracts were in place at 31 December 2009.

Loans are initially recognised net of associated transaction costs. Subsequent to initial recognition, they are stated at amortised cost.

p. Equity instruments

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

q. 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.

r. 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 statement of financial position 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 statement of financial position at fair value, gross of the recognised finance lease liability.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the 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.

s. Segmental reporting

IFRS 8 replaces IAS 14 "Segment Reporting" upon its effective date of 1 January 2009. It requires a direct link between the segment disclosures in the financial statements and the information reported to the Board of Directors or operational management. As the Group's business activities are not complex, being the development and rental of healthcare related property in a number of markets, management reviews information based on geographical markets and, accordingly, the operating segments are based on such a geographical split.

t. New standards or amendments adopted during the year

IFRS 8 as set out above.

IAS 40 – Investment property – IAS 40 has been revised effective from 1 January 2009 and requires development property to be included at fair value at the balance sheet date.

IAS 1 – Presentation of Financial Statements – an amendment to IAS 1 effective from 1 January 2009 redefined the primary statements and expanded on certain disclosures within the primary statements.

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the Group in these financial statements. Application of these standards and interpretations are not expected to have a material effect of the financial statements in the future.

Notes to the accounts – Group

For the year ended 31 December 2009

1. Segment reporting

The Group operates in one business segment being the development and rental of healthcare related properties, which is monitored by the management team on a geographical basis. The Group's Chief Executive reviews the business based on the following operating segments:

	UK		Germany		Total	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
Revenue from external customers	1,511,018	1,499,319	1,903,680	1,356,791	3,414,698	2,856,110
Operating profit	(2,028,474)	(2,040,787)	1,522,648	1,574,1114	(505,826)	(966,673)
Included in operating profit						
Depreciation and amortisation	27,689	38,460	6,460	–	34,149	38,460
Net gain/(loss) from fair value adjustment on investment property	(412,006)	(1,880,960)	1,008,813	225,028	596,807	(1,655,932)
Not included in operating profit						
Interest income	4,303	10,564	–	369	4,303	10,933
Interest expense	1,785,785	1,290,990	738,906	695,742	2,524,691	1,986,732
Income tax expense/(credit)	(1,795,705)	(500,834)	99,239	(23,361)	(1,696,466)	524,195
Capex	1,409,994	5,020,085	4,895,037	3,962,181	6,305,031	8,982,266
Total assets	30,456,738	34,077,793	30,502,110	26,642,261	60,958,848	60,720,054
Total liabilities	(21,680,377)	(22,118,661)	(27,764,382)	(24,691,818)	(49,444,759)	(46,810,479)

No key customers account for more than 10% of revenue.

2. Revenue

	Group 2009 £	Group 2008 £
Revenue from rental income	3,316,948	2,856,110
Other income	97,750	–
Total	3,414,698	2,856,110

3. Operating loss

	Group 2009 £	Group 2008 £
Operating loss is arrived at after charging		
Staff costs (see note 7)	1,094,986	1,016,281
Depreciation	33,132	38,460
Operating lease costs	120,251	121,233
Costs associated with abortive fundraising initiatives	94,982	–
Portfolio refinancing costs	–	74,534
Development costs written off	502,032	16,933
Impairment of goodwill	1,751,959	–

Amounts payable to the Company's Auditors and their associates for:

– audit of the Company's annual accounts	21,980	10,000
– audit of the Company subsidiaries	33,020	63,831
– taxation services	13,000	21,286
– corporate finance services	16,565	7,500

4. Finance income

	Group 2009 £	Group 2008 £
Interest receivable on deposits	4,303	10,933
Exchange rate gains	–	1,197,996
Total	4,303	1,208,929

The exchange rate gains in 2008 arose on conversion of the Euro denominated loans made from CareCapital Limited, to its German subsidiary undertakings. During the year, the Directors assessed that as settlement of these loans is neither likely nor planned to occur in the foreseeable future, the loans effectively represent part of the net investment in the German operations. Consequently, in accordance with IAS 21, foreign exchange gains and losses arising on conversion of these loans during 2009 have been taken to the exchange movements reserve.

5. Finance costs

	Group 2009 £	Group 2008 £
On bank overdrafts and loans	330	109,375
On mortgage finance (see note 17)	2,106,672	1,800,645
On Director's loan	283,024	76,712
On other short term loans	134,665	–
Amortisation of arrangement and associated costs of Director's loan	410,751	82,150
Mortgage loan and swaps termination penalties	–	479,986
Exchange rate losses	28,021	–
Total	2,963,463	2,548,868

6. Taxation on profit for ordinary activities

	Group 2009 £	Group 2008 £
(a) Tax (credit)/charge comprises		
Current tax		
UK corporation tax on loss for the year	–	–
Deferred tax		
Origination and reversal of temporary differences	(26,881)	(445,648)
Benefit arising from previously unrecognised tax loss	(1,669,585)	–
Lower rates of taxation	–	(78,547)
Total	(1,696,466)	(524,195)

The deferred tax credit/(charge) arises owing to fluctuations in the provision required for property valuation gains and losses and movements in rates of taxation.

Notes to the accounts – Group continued

For the year ended 31 December 2009

6. Taxation on profit for ordinary activities continued

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (28.0%) (2008: 28.5%).

The differences are explained below:

	Group 2009 £	Group 2008 £
Loss on ordinary activities before tax	(3,464,986)	(2,214,356)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (28.0%) (2008: 28.5%)	(970,196)	(631,090)
Effects of:		
Permanent differences	113,441	5,698
Goodwill	490,549	–
Capital allowances in excess of depreciation	(37,947)	–
Unprovided losses carried forward/(utilised)	–	179,744
Lower rate of taxation	–	(78,547)
Property revaluation/impairment	(104,237)	–
Recognition of losses brought forward	(1,188,076)	–
Tax credit for year	(1,696,466)	(524,195)

(c) Unprovided deferred tax assets at 28% (2008: 28%)

	Group 2009 £	Group 2008 £
Losses carried forward	(1,203,878)	(2,184,710)
Accelerated capital allowances	207,785	170,289
Deferred tax asset	(996,093)	(2,014,421)

No deferred tax asset has been recognised on the grounds that it is uncertain when taxable profits will arise against which losses carried forward may be utilised.

7. Staff costs

	Group 2009 £	Group 2008 £
Wages and salaries	1,309,313	1,231,311
Social security costs	110,262	145,196
Other pension costs	68,937	73,033
Share based payment	21,648	21,649
Total	1,510,160	1,471,189

Staff costs include amounts of £415,174 (2008: £454,908) which have been capitalised within development properties during the year.

Details of employee share options are set out in note 22.

The monthly average number of persons employed during 2009 was 14 (2008: 15), categorised as follows:

	Group 2009	Group 2008
Managerial	4	4
Operational	8	8
Administrative	2	3
Total	14	15

8. Directors' remuneration

The salaries and benefits of the Directors of CareCapital Group Plc paid during the year ended 31 December 2009 were as follows. Paul Stacey and Steve Wilden's main contracts of employment are with CareCapital Limited.

	Base salary £	Car allowance £	Director's fee £	Pension £	Other benefits £	Total 2009 £	Total 2008 £
Dr M J Sinclair	135,000	–	–	15,969	–	150,969	51,666
P Q C Stacey	160,000	10,000	10,000	12,000	8,700	200,700	183,603
S K Wilden	147,488	10,000	10,000	11,062	1,200	179,750	170,800
Lord Evans	–	–	20,000	–	–	20,000	20,000
K G Gibbs	–	–	20,000	–	–	20,000	20,000
Baroness McDonagh	–	–	20,000	–	–	20,000	13,332
Total	442,488	20,000	80,000	39,031	9,900	591,419	459,401
Share based payments						–	16,839
Total Directors' remuneration						591,419	476,240

* The 2008 totals include pension contributions of £11,330 for P Q C Stacey and £10,437 for S K Wilden. No share options were exercised in respect of the Directors during the year.

* The pension contributions of £15,969 paid to Dr MJ Sinclair during the year, included unpaid amounts from the previous year.

9. Pensions

The Group operates a defined contribution pension scheme. Contributions payable for the period are charged in the statement of comprehensive income. Two Directors (2008: two) accrued retirement benefits during the year.

10. Loss per share

Basic loss per share

Basic loss 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.

	Group 2009	Group 2008
Loss attributable to equity holders of the Company (£)	(1,903,049)	(1,688,027)
Weighted average number of ordinary shares in issue (000s)	76,754	76,754
Loss per share (pence per share) – continuing operations	(2.48)p	(2.20)p

Diluted loss per share

The Company has two categories of dilutive potential ordinary shares – share options and warrants. Both the Group's share options and warrants have been excluded from the calculation of diluted loss per share as they are anti dilutive for 2009 and 2008. These instruments could potentially be dilutive in the future.

Adjusted loss per share

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

	Group 2009	Group 2008
Loss attributable to equity holders of the Company (£)	(1,903,049)	(1,688,027)
(Loss)/gain on revaluation of investment properties (£)	(596,807)	1,655,932
Deferred tax in respect of investment properties (£)	(1,696,466)	(550,030)
Fair value movement on derivative financial instruments (£)	–	(92,256)
Deferred tax in respect of derivative financial instruments (£)	–	25,835
Loss used for calculation of adjusted earnings per share (£)	(4,196,322)	(648,546)
Adjusted loss per share (pence)	(5.47)p	(0.84)p

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

Notes to the accounts – Group continued

For the year ended 31 December 2009

11. Goodwill

Goodwill
£

At 31 December 2007 and 31 December 2008	1,751,960
Impairment	(1,751,960)
At 31 December 2009	–

Goodwill of £1,751,960 relates to the Group's cash generating activities in the UK. Of the total £381,544 was originally created on the acquisition of Sinclair Montrose Properties Ltd and the PatientFirst Group of Companies by CareCapital Ltd in 2004. In 2006 CareCapital Group Plc adopted IFRS, which led to the creation of a deferred tax provision of £1,370,415 and the enhancement of goodwill by the same amount, as the provision arose owing to revaluation gains in those Companies acquired in 2004.

On February 5 2010, the Group sold Sinclair Montrose Properties Ltd and the PatientFirst Group of Companies (with the exception of PatientFirst (Southampton) Ltd). Consequently, whilst the Group retains cash generating activities through its development operations, the Board have taken the decision to write off the Goodwill balance as it was originally created in respect of assets no longer held by the Group after 5 February 2010.

12. Investment and development properties

	Freehold £	Leasehold over 50 years £	Under construction £	Total £
Investment properties				
At 31 December 2007	36,683,316	3,248,000	–	39,931,316
Additions	520,845	–	–	520,845
Transfers from development properties	–	8,547,659	–	8,547,659
Reclassification	144,264	–	–	144,264
Foreign exchange fluctuations	4,843,672	–	–	4,843,672
Surplus on valuation	(1,725,224)	69,292	–	(1,655,932)
At 31 December 2008	40,466,873	11,864,951	–	52,331,824
Investment properties				
At 31 December 2008	40,466,873	11,864,951	–	52,331,824
Additions	–	–	5,138,182	5,138,182
Reclassification	–	–	–	–
Foreign exchange fluctuations	(1,672,370)	(412,044)	–	(2,084,414)
Surplus on valuation	480,629	(892,635)	1,008,813	596,807
At 31 December 2009	39,275,132	10,560,272	6,146,995	55,982,399

12. Investment and development properties continued

	Freehold £	Leasehold over 50 years £	Total £	
Development properties				
At 31 December 2007	2,122,119	964,294	3,086,413	
Additions	1,813,580	6,647,841	8,461,421	
Reclassification	(620,623)	715,407	94,784	
Transfers to investment properties	–	(8,547,659)	(8,547,659)	
Costs written-off	(16,933)	–	(16,933)	
Exchange rate movement	156,667	278,023	434,690	
At 31 December 2008	3,454,810	57,906	3,512,716	
Development properties				
At 31 December 2008	3,454,810	57,906	3,512,716	
Additions	808,980	357,869	1,166,849	
Reclassification	(649,257)	615,661	(33,596)	
Costs written-off	(348,999)	(153,033)	(502,032)	
Exchange rate movement	(69,739)	–	(69,739)	
At 31 December 2009	3,195,795	878,403	4,074,198	
	Freehold £	Leasehold over 50 years £	Under construction £	Total £
Total investment and development properties				
At 31 December 2008	43,921,683	11,922,857	–	55,844,540
At 31 December 2009	42,470,927	11,438,675	6,146,995	60,056,597
	UK £	Germany £	Total £	
Geographical analysis				
Investment properties	26,722,860	25,608,964	52,331,824	
Development properties	2,655,443	857,273	3,512,716	
At 31 December 2008	29,378,303	26,466,237	55,844,540	
Geographical analysis				
Investment properties	26,680,727	29,301,672	55,982,399	
Development properties	3,240,726	833,472	4,074,198	
At 31 December 2009	29,921,453	30,135,144	60,056,597	

A full valuation of the substantive proportion of the Group's UK property portfolio was carried out by Colliers CRE, Chartered Surveyors and valuers on 19th August 2009. The valuation was underpinned by the sale of those properties in February 2010 at a similar valuation which obviated the need for a desktop review at 31 December 2009. The medical facility at Folkestone which was completed in August 2008, remained vacant during the year and was excluded from the valuation exercise. It was valued at cost of £3,599,859 for the 2008 financial statements, based on a Directors' valuation. The Directors have again reviewed the valuation based upon current negotiations with potential tenants, and have reduced the valuation by £550,502 to £3,049,357.

Notes to the accounts – Group continued

For the year ended 31 December 2009

12. Investment and development properties continued

Those UK properties included within the valuation exercises were valued at £23,074,000 representing an initial yield of 6.07% compared with a comparable yield of 6.11% at 31 December 2008.

A full valuation of the Group's German property portfolio was also carried out by Colliers CRE, Chartered Surveyors and valuers on 19th August 2009. The valuation of €26,641,493 represented an average initial investment yield of 6.38%, compared with 6.40% at 31 December 2008. During January 2010, the Company was informed by Colliers CRE of significant interest in its German portfolio. The Directors decided to follow up this interest by allowing Colliers CRE to market the portfolio, with a view to sale in the event of an acceptable offer. Colliers subsequent review of its earlier valuation exercise supported that valuation.

The total sterling value of the completed German investment portfolio at 31 December 2009, converted at the year end exchange rate of 1.1260, was £23,537,045.

Colliers CRE 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 the course of development is recognised at cost until construction commences. Under this policy, the amount of attributable internal costs included within the total cost of development properties of £4,074,198 was £1,208,393 (2008: £1,058,335). Following the enhancement of IAS 40, properties under construction are now included at fair value.

The historical cost of investment properties at 31 December 2009 was £39,040,181 (2008: £39,040,181). The cost of Investment properties under construction was £5,138,182.

13. Leasehold improvements

	Cost £	Accumulated depreciation £	Net book value £
At 31 December 2007	96,305	(6,990)	89,315
Additions	400	–	400
Charge for the year	–	(9,801)	(9,801)
At 31 December 2008	96,705	(16,791)	79,914
At 31 December 2008	96,705	(16,791)	79,914
Additions	3,815	–	3,815
Charge for the year	–	(9,821)	(9,821)
At 31 December 2009	100,520	(26,612)	73,908

14. Plant and equipment

	Cost £	Accumulated depreciation £	Net book value £
Fixtures and fittings			
At 31 December 2007	62,415	(10,789)	41,626
Additions	10,740	–	10,740
Disposals	–	–	–
Charge for the year	–	(12,748)	(12,748)
At 31 December 2008	63,155	(23,537)	39,618
Computer equipment			
At 31 December 2007	51,480	(36,639)	14,841
Additions	20,393	–	20,393
Disposals	(1,468)	1,468	–
Charge for the year	–	(15,911)	(15,911)
At 31 December 2008	70,405	(51,082)	19,323
Fixtures and fittings			
At 31 December 2008	63,155	(23,537)	39,618
Additions	9,049	–	9,049
Disposals	(425)	425	0
Charge for the year	–	(17,914)	(17,914)
Exchange rate movement	(1,630)	–	(1,630)
At 31 December 2009	70,149	(41,026)	29,123
Computer equipment			
At 31 December 2008	70,405	(51,082)	19,323
Additions	4,150	–	4,150
Disposals	(1,701)	1,701	0
Charge for the year	–	(5,397)	(5,397)
Exchange rate movement	–	–	0
At 31 December 2009	72,854	(54,778)	18,076
Total as at 31 December 2008	133,560	(74,619)	58,941
Total as at 31 December 2009	143,003	(95,804)	47,199

15. Trade and other receivables

	Group 2009 £	Group 2008 £
Current		
Trade receivables	173,410	128,630
VAT recoverable	170,492	128,718
Other receivables	40,674	28,921
Prepayments	127,995	178,912
Total	512,571	465,181

Notes to the accounts – Group continued

For the year ended 31 December 2009

16. Cash and cash equivalents

The total cash and cash equivalents of £268,573 stated in 2009, included an amount of £191,499 deposited in a ring fenced development account available for drawdown against expenditure on a specific development project.

17. Trade and other payables

	Group 2009 £	Group 2008 £
Current		
Trade payables	348,917	441,156
VAT payable	479,676	147,757
Other taxes and social security	50,508	47,165
Other payables	306,457	492,737
Accruals and deferred income	1,268,299	812,125
Total	2,453,857	1,940,940

18. Borrowings, including finance leases

	Group 2009 £	Group 2008 £
Amounts falling due within one year		
Bank overdraft	–	64,261
Bank loans	3,957,414	784,941
Short term loans	950,000	–
Director's loan	4,300,000	3,589,250
Total amounts falling due within one year	9,207,414	4,438,452
Amounts falling due after more than one year		
Bank loans	37,376,534	38,327,667
Total amounts falling due after more than one year	37,376,534	38,327,667
Total borrowings including finance leases	46,583,948	42,766,119
Cash and cash equivalents	(268,573)	(2,519,518)
Net borrowings	46,315,375	40,246,601
The maturity profile of gross debt is as follows:		
Repayable within one year	9,207,414	4,438,452
Repayable in more than one year but not more than two years	1,046,843	1,195,444
Repayable in more than two years but not more than three years	1,095,220	877,991
Repayable in more than three years but not more than four years	1,145,804	924,893
Repayable in more than four years but not more than five years	1,197,711	975,137
Repayable after more than five years	32,890,956	34,354,202
Total borrowings	46,583,948	42,766,119

The Director's loan was provided by Dr Michael Sinclair and was repayable as set out in note 20.

19. 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. The Group has provided for deferred tax on the revaluation of investment properties by applying the standard corporation tax rate of 28% (2008: 28%) to the surplus on UK properties without indexation allowance. The appropriate composite tax rate for the German investment properties is 13.57% (2008: 13.57%).

The Group has also recognised an asset in respect of available tax losses at the standard corporation tax rate of 28%.

Analysis of deferred tax:

	Revaluation of investment properties £	Tax losses £	Total £
At 31 December 2008	(2,103,420)	–	(2,103,420)
Charged to the statement of comprehensive income	26,881	1,669,585	1,696,466
At 31 December 2009	(2,076,539)	1,669,585	(406,954)

20. 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 long term gilt rates or LIBOR for the relevant currency. In the case of the UK, the loans were fixed at that rate for the entire period of the loan. The interest rate on loans in respect of the Group's properties in Germany, which are denominated in Euros, are capped and collared.

A rise in interest rates of 1% over those rates applicable at 31 December 2009 would increase the interest charge on the Euro denominated loans by £38,732. As interest rates were at the bottom of their capped ranges, the interest charge cannot reduce further.

Exchange rate risk

The Group holds assets and liabilities denominated in Euros, principally property and associated loans. A review was undertaken during 2007 in order to consider minimisation of exchange rate risk, and the Board periodically reconsider the decisions arising from this review in the light of market conditions and innovations. 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. No foreign exchange contracts were in place at 31 December 2009.

For a 1% change in the €/£ the effect would be a change of £19,834 in the net assets.

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. As set out in accounting policy (a), the Group has a requirement to raise funding in order to meet its debt repayment, development programme and working capital requirements.

The Group had undrawn committed bank loan facilities of €973,015 at 31 December 2009 in respect of a development project in Germany.

Maturity of loan facilities is as set out in the table in note 17.

Notes to the accounts – Group continued

For the year ended 31 December 2009

20. Financial instruments continued

The loan from Michael Sinclair of £4,200,000 was subject to two financial covenants being loan to value of secured properties and a cash flow covenant in respect of loan interest cover. The second of these covenants was breached at 31 December 2009. As set out in note 18, this loan was repaid at 5 February 2010, and a revised loan of £1,900,000 was made to the Group. No interest cover covenant exists in respect of this loan.

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.

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.

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 receivables. The Group's receivables at 31 December 2009 and 31 December 2008 were not past due and were not, thus impaired.

The failure of the counterparty to a transaction in meeting its obligations under that transaction could result in the Group suffering a financial loss. The Group has extremely limited experience of bad debts amongst its established tenant base. In the UK, a significant proportion of tenants occupy primary healthcare premises in respect of which rent reimbursement is received from the local Primary Care Trust. This is effectively a Government backed covenant. The client base of the Group's German properties are primarily healthcare professionals of excellent financial standing.

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

	Group 2009		Group 2008	
	Loans and receivables £	Amortised cost £	Loans and receivables £	Amortised cost £
Trade and other receivables	384,525	–	286,269	–
Cash and cash equivalents	268,573	–	2,519,518	–
Trade and other payables	–	(2,453,857)	–	(1,940,940)
Borrowings – current	–	(9,207,414)	–	(4,438,452)
Borrowings – non-current	–	(37,376,534)	–	(38,327,667)
	653,098	(49,037,805)	2,805,787	(44,707,059)

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

Debt analysis

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

	Group 2009 £	Group 2008 £
Bank debt		
Sterling denominated		
Fixed (average rate 6.5% (2008: 6.5%))	20,884,556	20,760,696
Euro denominated		
Overdraft	–	64,261
Floating with rates capped at average rate of 4.98% (2008: 5.18%)	20,449,392	18,351,912
Other debt		
Short term loans		
Director's loan (LIBOR +7%)	4,300,000	3,589,250
Other short term loans (average rate 24.5%)	950,000	–
	46,583,948	42,766,119

20. Financial instruments continued

Bank debt totalling £41,000,911 is secured on the Group's Investment portfolio, whilst £333,037 is secured on a development site in Germany. The Director's loan is secured by a second charge over investment properties valued at £44,939,489.

The Group had no overdraft facility at 31 December 2009.

On 28 October 2008, Dr Michael Sinclair, the Executive Chairman advanced a loan of £4,000,000 to the Group.

Full details of this loan facility were set out in a document which was forwarded to Shareholders in accordance with the notice requirements ahead of an Extraordinary General Meeting held on 27 October 2008. The loan was repayable 1 year from drawdown with CareCapital holding an option to renew for a further 6 months. The interest was based on 3 month LIBOR + 5% increasing to 3 month LIBOR + 7% if renewed for a further 6 months. The total costs associated with the loan, representing arrangement fees, legal and advisors costs, warrants etc were £333,276. These costs were amortised over the initial period of the loan. Accordingly, £55,546 was charged to the income statement for the year ended 31 December 2008 and the balance of £277,730 was written off in the financial year ended 31 December 2009. In addition to these costs a "shared based payment" arose under IFRS 2 in connection with warrants granted under the terms of the loan. This charge amounted to £159,625 and was also being amortised over the initial period of the loan. Accordingly, £26,604 was charged to the statement of comprehensive income for the year ended 31 December 2008 and the balance of £133,021 was charged to the statement of comprehensive income in the financial year ended 31 December 2009.

On 3rd August 2009, the original facility letter was amended to allow a further £200,000 loan to be drawn down under the facility.

Under the facility letter, the loan was subject to covenants in respect of fair value of investment properties to loans and interest cover in respect of the facility interest. At 31 December 2009, the interest cover covenant was not met. This covenant fell away following the repayment referred to below.

Loans under one year include the £2.6 million proportion of a loan which is due in over 1 year, but was the subject of a technical covenant breach during the year. The Company have not breached any substantive terms of the loan such as repayments, and have received written assurances from the bank that the loan will not be recalled. However, this does not amount to a formal waiver as the bank has reserved its position.

On the 4th February 2010, the Group disposed of the substantial proportion of its UK portfolio, and repaid £2,300,000 of the enhanced facility. The interest rate on the residual facility of £1,900,000, repayable on 30 April 2010, was amended to 15% per annum.

Additional sums of £100,000 have been advanced to the Group by the Chairman outside the facility referred to above. Of this £20,000 was repaid in February 2010, and the balance is repayable by 30 June 2010.

On 28 July 2009, the Group received a short term loan of £650,000 from Rockridge Investments, which was secured by a second charge over the German statutory entities owning the Investment property in Marktredwitz, Bavaria and a development site at Pankow, Berlin. This loan was repaid on 5 February 2010.

On 23 December 2009, the Group received a short term loan of £300,000 from Eve Trust, secured on an Investment Property under construction in Berlin. This loan is repayable on 30 June 2010.

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 redeeming the current loan arrangements at 31 December 2009 and comparing these with estimates of the present value of the cash flows using market rates as at 31 December 2009.

	Book value 2009 £	Fair value 2009 £	Book value 2008 £	Fair value 2008 £
Trade and other receivables	512,521	512,521	465,181	465,181
Trade and other payables	(2,453,857)	(2,453,857)	(1,940,940)	(1,940,940)
Cash and cash equivalents	268,573	268,573	2,519,518	2,519,518
Bank overdraft	-	-	(64,261)	(64,261)
Bank debt	(41,333,948)	(42,448,320)	(39,112,608)	(41,863,607)
Short term loans	(950,000)	(950,000)	-	-
Director's loan	(4,300,000)	(4,300,000)	(3,589,250)	(4,000,000)

Notes to the accounts – Group continued

For the year ended 31 December 2009

21. Share capital

	Group 2009 £	Group 2008 £
Authorised		
500,000,000 ordinary shares of 1 pence each	5,000,000	5,000,000
Issued and fully paid		
76,754,096 ordinary shares of 1 pence each	767,541	767,541

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.

The Group's capital at year end comprised:

	31 December 2009 £	31 December 2008 £
Assets		
Total assets	60,958,848	60,720,054
Debt		
Bank borrowings	41,333,948	39,112,608
Director's and other loans	5,250,000	3,589,250
	46,583,948	42,701,858
Equity		
Share capital and share premium	2,165,041	2,165,041
Reserves	9,103,591	11,568,745
Minority interest	245,457	175,789
	11,514,089	13,909,575
Total capital	58,098,037	56,611,433
Debt as a % of total capital	80.2%	75.4%
Debt as a % of total assets	76.4%	70.3%

22. 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.

No share options or warrants were issued during the financial year.

22. Share based payments continued

Share options held by Directors are disclosed in the Directors' report. The total number of options held at the year end are as follows:

Share options held at 31 December 2009	Share options held at 31 December 2008	Option price	Exercise period
3,864,634	4,271,436	15.0p	01/12/2007 to 01/12/2014
2,400,000	2,700,000	29.0p	12/09/2011 to 13/09/2018
100,000	100,000	16.5p	12/03/2012 to 13/03/2021

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

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the period	20.4p	7,071,436	20.4p	6,971,436
Lapsed during the period	–	706,802	–	–
Granted during the period	–	–	16.5p	100,000
Outstanding at the end of the period	20.3p	6,364,634	20.3p	7,071,436
Exercisable at the end of the period	17.6p	5,497,967	17.6p	5,171,436

The options outstanding at 31 December 2009 have an exercise price in the range of 15 pence to 29 pence (2007: 15 pence) and a weighted average contractual life of 6 years (2008: 7 years).

23. Share premium reserve

Company law restricts the applicability of the Share premium reserve 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.

24. Share option reserve

The share option reserve of £412,254 (2008: £390,606) arises owing to the provision in respect of IFRS 2 "Share based payments" as set out in note 22.

25. 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. 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.

26. Exchange movement reserve

The foreign exchange movement reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operations.

27. Capital commitments

The Group and its subsidiaries had capital commitments of £845,471 in respect of development projects in progress at 31 December 2009.

Notes to the accounts – Group continued

For the year ended 31 December 2009

28. Contingent liabilities

The Directors are not aware of any contingent liabilities at the 31 December 2009.

29. Related party transactions

Identity of related parties

CareCapital Group Plc (the Company) has a related party relationship with Dr Michael Sinclair.

Related party transactions

Dr Michael Sinclair provided loans of £300,000 gross to CareCapital Group Plc, in addition to the loan of £4,000,000 drawn down in October 2008. He received interest of £283,024, during the period to 31 December 2009.

30. Operating leases

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

	2009 £	2008 £
Not later than one year	109,650	109,650
Later than one year and not later than five years	100,512	210,162
Later than five years	–	–

Lease payments recognised as an expense in the period amounted to £109,650 (2008: £121,233).

The lease payments arise owing to the rental commitments due on the Group's office premises in London, and for part of 2008 only, Leamington Spa.

31. Post Balance Sheet event

On 5 February 2010 the Group sold a number of UK trading subsidiaries which owned the substantive proportion of the Group's UK Investment property portfolio. The agreed valuation of the Investment property portfolio was £23,500,000. The gross proceeds were reduced by the outstanding loans to Aviva (£17,980,559), and early repayment fees in respect of those loans (£726,289).

Of the balance of proceeds, £2,970,000 was applied to the repayment of short term borrowings.

Company statement of financial position

As at 31 December 2009

	Notes	Company 2009 £	Company 2008 £
Non-current assets			
Leasehold improvements	C	73,908	79,914
Plant and equipment	D	14,995	25,111
Investment in subsidiaries	E	706,958	706,958
		795,861	811,983
Current assets			
Trade and other receivables	F	4,831,020	2,264,696
Cash and cash equivalents		51	1,979,141
		4,831,071	4,243,837
Total assets		5,626,932	5,055,820
Current liabilities			
Trade and other payables	G	(739,769)	(152,308)
Borrowings	H	(4,950,000)	(3,621,844)
Total liabilities		(5,689,769)	(3,774,152)
Net assets		(62,837)	1,281,668
Equity			
Share capital		767,541	767,541
Share premium reserve		1,397,500	1,397,500
Share option reserve		412,254	390,606
Accumulated loss		(2,640,132)	(1,273,979)
Total equity		(62,837)	1,281,668

These financial statements have been approved and were authorised for issue by the Board of Directors on 30 June 2010.



P Q C Stacey
Director

Registered number: 5172369

Company statement of changes in equity

For the year ended 31 December 2009

	Share capital £	Share premium £	Share options reserve £	Accumulated loss £	Total £
Balance at 1 January 2008	767,541	1,397,500	209,332	(784,208)	1,590,165
Profit for the year	–	–	–	(489,771)	(489,771)
Total comprehensive income	–	–	–	(489,771)	(489,771)
Share based payment					
– employee services*	–	–	21,649	–	21,649
– costs of raising finance	–	–	159,625	–	159,625
Balance at 31 December 2008	767,541	1,397,500	390,606	(1,273,979)	1,281,668
Balance at 1 January 2009	767,541	1,397,500	390,606	(1,273,979)	1,281,668
Profit for the year	–	–	–	(1,366,153)	(1,353,704)
Total comprehensive income	–	–	–	(1,366,153)	(1,353,704)
Share based payment					
– employee services*	–	–	21,648	–	21,648
Balance at 31 December 2009	767,541	1,397,500	412,254	(2,640,132)	(62,837)

Notes:

* See note 21 for further details.

Company statement of cash flows

For the year ended 31 December 2009

	Company 2009 £	Company 2008 £
Cash flow from operating activities		
Profit after taxation	(1,366,153)	(489,771)
Adjustments:		
Finance costs	378,480	76,712
Amortisation of Director's loan costs	378,156	75,631
Depreciation	19,937	19,823
Share based payments	21,648	21,649
Cash flows from operations before changes in working capital	(567,932)	(295,956)
Change in trade and other receivables	(2,566,324)	(1,229,865)
Change in trade and other payables	500,352	(4,461)
Cash (used) from operating activities	(2,633,904)	(1,530,282)
Interest paid	(291,371)	–
Cash flows from operating activities	(2,925,275)	(1,530,282)
Cash flows from investing activities		
Purchase of leasehold improvements	(3,815)	(400)
Purchase of plant and equipment	–	(945)
Cash flows from investment activities	(3,815)	(1,345)
Cash flows from financing activities		
Director's loans (net of transaction costs)	300,000	3,705,838
Other short term borrowings	650,000	–
Cash flows from financing activities	950,000	3,705,838
Net increase/(decrease) in cash and cash equivalents	(1,979,090)	2,174,211
Cash and cash equivalents at 1 January	1,979,141	(195,070)
Cash and cash equivalents at 31 December	51	1,979,141

Cash and cash equivalents at 31 December represented cash deposits with the Company's main bankers.

Notes to the accounts – Company

For the year ended 31 December 2009

A. Principal accounting policies

(i) Company

The separate financial statements of the Company are presented as required by the Companies Act 2006 and in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Group's financial statements except as noted below.

(ii) Investment in subsidiaries

Investments in subsidiaries are carried in the Company's statement of financial position at cost less, where appropriate, accumulated impairment.

Where the investments in subsidiaries are acquired in a share for share transaction, the Company applies merger relief in accordance to S131 of the Companies Act 1985 the provisions of which continue under S611 of the Companies Act 2006. The excess of fair value of the shares issued over their nominal value is credited to a separate reserve within equity called "merger reserve" instead of credited to share premium reserve.

B. Company results

As permitted by Section 408 of the Companies Act 2006, the income statement for the Parent Company is not presented as part of these financial statements.

The Company's loss for the financial year was £1,366,153 (2008: £489,771).

The audit fee for the Company is set out in note 3 of the Group's financial statements.

The following Directors received the following remuneration from the Company. Total remuneration from the Group is set out in note 7 of the Group's financial statements.

	2009 £	2008 £
Dr M J Sinclair	150,969	51,666
P Q C Stacey	10,000	10,000
S K Wilden	10,000	10,000
Lord Evans	20,000	20,000
K G Gibbs	20,000	20,000
Baroness McDonagh	20,000	13,332
Total	230,969	124,998

C. Leasehold improvements

	Cost £	Accumulated depreciation £	Net £
At 31 December 2007	96,305	(6,990)	89,315
Additions	400	–	400
Charge for the year	–	(9,801)	(9,801)
At 31 December 2008	96,705	(16,791)	79,914
At 31 December 2008	96,705	(16,791)	79,914
Additions	3,815	–	3,815
Charge for the year	–	(9,821)	(9,821)
At 31 December 2009	100,520	(26,612)	73,908

Notes to the accounts – Company continued

For the year ended 31 December 2009

D. Plant and equipment

	Cost £	Accumulated depreciation £	Net £
Fixtures and fittings			
At 31 December 2007	39,152	(4,964)	34,188
Additions	945	–	945
Charge for the year	–	(10,022)	(10,022)
At 31 December 2008	40,097	(14,986)	25,111
Fixtures and fittings			
At 31 December 2008	40,097	(14,986)	25,111
Additions	–	–	–
Charge for the year	–	(10,116)	(10,116)
At 31 December 2009	40,097	(25,102)	14,995

E. Investment in Group companies

	Company 2009 £
At 1 January 2009	706,958
Additions	–
At 31 December 2009	706,958

The Company owned the following principal subsidiary companies as at 31 December 2009, all of which are involved in development and investment in and the management of healthcare related properties.

Company	Country of Incorporation	Share class	% Holding
CareCapital Limited	United Kingdom	Ordinary	100%
CareCapital (Folkestone) Limited*	United Kingdom	Ordinary	100%
CareCapital (Allesley) Ltd	United Kingdom	Ordinary	100%
PatientFirst Partnerships Limited**†	United Kingdom	Ordinary	100%
PatientFirst (Burnley) Limited**†	United Kingdom	Ordinary	100%
PatientFirst (Hinckley) Limited**†	United Kingdom	Ordinary	100%
PatientFirst (Wingate) Limited**†	United Kingdom	Ordinary	100%
PatientFirst (Leamington Spa) Limited**†	United Kingdom	Ordinary	100%
PatientFirst (Southampton) Ltd	United Kingdom	Ordinary	100%
Healthcare Property Company Wales Limited*	United Kingdom	Ordinary	50%
Sinclair Montrose Properties Limited**†	United Kingdom	Ordinary	100%
CareCapital Gesundheitsimmobilien Verwaltungs GmbH*	Germany	Ordinary	90%
CareCapital Gesundheitsimmobilien GmbH*	Germany	Ordinary	90%
Gesundheitszentrum Adlershof 1 GmbH & Co. KG*	Germany	Ordinary	90%
Gesundheitszentrum Königs Wusterhausen 1 GmbH & Co. KG*	Germany	Ordinary	90%
Gesundheitszentrum Berlin – Neukölln GmbH & Co. KG*	Germany	Ordinary	90%
Gesundheitszentrum Berlin – Pankow GmbH & Co. KG*	Germany	Ordinary	90%
Schultz Bau GmbH & Co. Projektgesellschaft Atztehaus am klinikum Fichtelgebirge KG*	Germany	Ordinary	85%

Notes:

* Indirectly held

† Disposal of after the date of the consolidated statement of financial position

F. Trade and other receivables

	Company 2009 £	Company 2008 £
Current		
Amounts owed by subsidiary undertakings	4,725,206	2,090,311
VAT recoverable	–	30,699
Prepayments	105,814	143,686
Total	4,831,020	2,264,696

Amounts due from subsidiary undertakings are interest free and are repayable on demand. The Directors do not expect the amounts to be called for payment within the next 12 months.

G. Trade and other payables

	Company 2009 £	Company 2008 £
Current		
Trade payables	180,165	24,675
Other taxes and social security	312,236	2,776
Accruals and deferred income	247,368	124,857
Total	739,769	152,308

H. Borrowings

	Company 2009 £	Company 2008 £
Current		
Loan due to Group undertaking	650,000	–
Director's loan*	4,300,000	3,621,844
Total	4,950,000	3,621,844

Notes:

* See note 19 of the Group accounts. The net amount for 2008 varies as a proportion of the transaction costs were charged to other Group companies.

I. Related party transactions

Identity of related parties

CareCapital Group Plc (the Company) had a related party relationship with CareCapital Limited, PatientFirst (Partnerships) Limited, Sinclair Montrose Properties Limited, and Dr Michael Sinclair.

Related party transactions

CareCapital Group Plc supplied services to CareCapital Limited of £134,400 (2008: £134,400), PatientFirst Partnerships Limited of £36,000 (2008: £39,040) and Sinclair Montrose Properties Limited of £6,000 (2008: £8,800). These services related to the provision of office accommodation and associated services.

At 31 December 2009 CareCapital Group Plc had year end debtors of £4,720,447 due from CareCapital Limited and £4,760 due from CareCapital (Folkestone) Limited.

Dr Michael Sinclair provided a loan of £4,300,000 gross to CareCapital Group Plc and received interest of £283,024 during the period to 31 December 2009 (2008: £76,712).

The £650,000 loan due to Group undertaking is CareCapital Gesundheitsimmobilien GmbH and the interest charged on their loan is £85,764.

Notes to the accounts – Company continued

For the year ended 31 December 2009

J. Financial instruments

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company has provided finance to its trading subsidiary Company, CareCapital Limited in order to enable it to progress its development programme. This finance was by way of a Director's loan (see note 19 of the Group accounts) scheduled for repayment, following the exercise of an option to renew, on 28 April 2010.

Interest rate risk

The Company's bank loans were set up at interest rates linked to long term gilt rates or LIBOR. A rise in interest rates of 1% over those rates applicable at 31 December 2010 would increase the interest charge by £42,000.

Management of risks

Credit risk is managed as follows:

Cash at bank is held only with reputable banks with high quality external credit ratings.

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

	Company 2009		Company 2008	
	Loans and receivables £	Amortised cost £	Loans and receivables £	Amortised cost £
Trade and other receivables	4,831,020	–	2,264,696	–
Cash and cash equivalents	51	–	1,979,141	–
Trade and other payables	–	(739,769)	–	(152,308)
Borrowings – current	–	(4,950,000)	–	(3,621,844)
Total	4,831,071	(5,689,769)	4,243,837	(3,774,152)

Financial assets and liabilities are as designated under the criteria set out in IAS 39. Loans and receivables included amounts due by subsidiary companies of £4,725,207 (2008: £2,090,311).

Debt analysis

The Company's debt can be analysed under the following categories.

	Company 2009 £	Company 2008 £
Bank debt		
Director's loan (LIBOR +7%)	4,300,000	3,621,844
Other short term loans (average rate 24.5%)	650,000	–
	4,950,000	3,621,844

The Director's loan is secured by a second charge over the Group's investment properties. Details of the loan are set out in note 19 of the Group accounts.

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.

	Book value 2009 £	Fair value 2009 £	Book value 2008 £	Fair value 2008 £
Trade and other receivables	–	–	–	–
Trade and other payables	(739,769)	(739,769)	(152,308)	(152,308)
Cash and cash equivalents	51	51	1,979,141	1,979,141
Director's loan	(4,300,000)	(4,300,000)	(3,621,844)	(4,000,000)
Other short term loans	(650,000)	(650,000)	(3,621,844)	(4,000,000)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CareCapital Group Plc ("the Company") will be held at 54 Baker Street, London W1U 7BU on Tuesday, 27 July 2010 at 10.00 a.m. for the transaction of the following business:

Ordinary Business

To consider, and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Directors' report of the Company and the audited accounts for the Company for the year ended 31 December 2009.
2. To reappoint Michael Sinclair as a Director of the Company, who retires in accordance with the Company's Articles of Association.
3. To reappoint Keith Gibbs as a Director of the Company, who retires in accordance with the Company's Articles of Association.
4. To reappoint Lord Evans of Watford as a Director of the Company, who retires in accordance with the Company's Articles of Association.
5. To appoint Clive Hyman as a Director of the Company, his having been appointed to fill a casual vacancy in accordance with the Company's Articles of Association.
6. To reappoint PKF (UK) LLP, as auditors of the Company and to authorise the Directors to fix their remuneration.
7. Authority to Allot Relevant Securities

THAT the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in section 551, Companies Act 2006):

(i) comprising equity securities (as defined by section 560 Companies Act 2006) up to an aggregate nominal amount of £383,720 (such amount to be reduced by the nominal amount of Relevant Securities allotted under sub-paragraph (ii) below) in connection with an offer by way of a rights issue:

(A) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(B) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(ii) in any other case, up to an aggregate nominal amount of £383,720

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date of this resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted 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 resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

By order of the Board

Ina Ottmann
Company Secretary

Registered office:
6th Floor
54 Baker Street
London
W1U 7BU

2 July 2010

Notice of Annual General Meeting continued

Notes

1. Please indicate how you wish your votes to be cast in respect of the resolutions to be proposed at the said meeting. If you do not indicate how you wish your proxy to use your votes, the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting. Your proxy will have the authority to vote at his discretion on any amendment or other motion proposed at the meeting, including any motion to adjourn the meeting.
2. If you prefer to appoint some other person or persons as your proxy, strike out the words "the Chairman of the Meeting, or" and insert in the blank space the name or names preferred and initial the alteration. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting in person.
3. In the case of joint holders, the signature of the holder whose name stands first in the relevant register of members will suffice as the vote of such holder and shall be accepted to the exclusion of the votes of the other joint holders. The names of all joint holders should, however, be shown.
4. If a member is a corporation, this form must be executed either under its common seal or under the hand of an officer or agent duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent, duly authorised in writing.

This form of proxy has been sent to you by post, it may be returned by post or courier or by hand to the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. CREST members should use the CREST electronic proxy appointment service and refer to note 5 below in relation to the submission of a proxy appointment via CREST.

In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or a notarially certified copy of such authority) under which it is signed.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members who have appointed a voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. 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 Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited 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 joint 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.

6. Pursuant to regulation 41 (1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the register of members of the Company at 6pm on 25 July 2010 shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at the time. Changes to the register of members after 6pm on 25 July 2010 shall be disregarded in determining the rights of any person to attend and vote at the AGM.

Company information

Directors

Dr. Michael Sinclair *Executive Chairman*

Paul Stacey *Chief Executive*

Steve Wilden *Finance Director*

Clive Hyman *Group Finance Director*

Keith Gibbs *Non-Executive Director*^{*†}

Lord David Evans *Non-Executive Director*^{*†}

Baroness Margaret McDonagh *Non-Executive Director*^{*†}

Dr. Ina Ottmann *Company Secretary and member of the Management Team*

* *Member of the Audit Committee*

† *Member of the Remuneration Committee*

Company Secretary

Steve Wilden

Registered Office

6th Floor

54 Baker Street

London, W1U 7BU

Registered number

5172369 (England and Wales)

Nominated Adviser and Broker

Daniel Stewart & Company Plc

36 Old Jewry

London, EC2R 8DD

Auditors

PKF (UK) LLP

Farringdon Place

20 Farringdon Road

London, EC1M 3AP

Solicitors to the Company

Finers Stephens Innocent LLP

179 Great Portland Street

London, W1W 5LS

Public Relations

Tavistock Communications Ltd

131 Finsbury Pavement

London, EC2A 1NT

Registrars

Capita Registrars plc

The Registry

34 Beckenham Road

Beckenham, Kent, BR3 4TU

For further information visit our website at

www.carecapital.co.uk

CareCapital Group Plc

Head and registered office

6th Floor, 54 Baker Street, London W1U 7BU

T 020 7034 1949

F 020 7034 1941

E info@carecapital.co.uk



CareCapital