

CareCapital Annual Report 2010 –

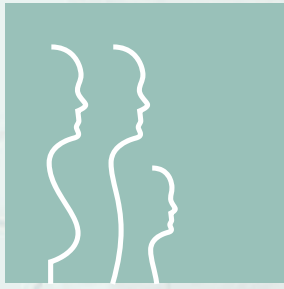
Proof 29

15 December 2011

Contact

Miles Hutchins or Simon Peyto

Fourth Quarter
79 Weston Street
London SE1 3RS
Tel: (0)20 7234 8960



CareCapital

CareCapital Group Plc

Annual Report 2010



Contents

1	Group highlights	18	Consolidated statement of cash flows
2	Chairman's and Chief Executive's statement	19	Principal accounting policies – Group
6	Board of Directors	23	Notes to the accounts – Group
8	Directors' report	39	Company statement of financial position
12	Statement of Directors' responsibilities	40	Company statement of changes in equity
13	Independent Auditor's report	40	Company statement of cash flows
15	Consolidated statement of comprehensive income	41	Notes to the accounts – Company
16	Consolidated statement of financial position	45	Company information
17	Consolidated statement of changes in equity		

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

Group highlights



Highlights

- The Group progressed its development programme of medical office buildings in both the UK and Germany in spite of the challenging economic conditions prevailing in 2009 continuing through 2010
 - Interim working capital and development funding was provided through the sale, in February 2010, of 14 smaller, older medical centres in the UK and the securing of additional short term loan finance
 - Outline planning consent was obtained for projects in Buckley and Glynneath, North Wales
 - Construction commenced on developments in Allesley, Coventry, which includes a library for the City Council, and West Wirral; both with scheduled completion in early to mid 2012
- At 31 December 2010 the value of our completed investment properties was £31.0 million (2009: £49.8 million) and developments in progress £4.9 million (2009: £10.2 million)
 - Rental income from the completed investment properties decreased to £2.2 million (2009: £3.4 million) following the disposal of the bulk of the UK portfolio in February 2010
 - Six operating companies which owned the substantial proportion of the UK portfolio were sold for net consideration of £4.4 million after repayment of associated senior debt
 - The net cash proceeds from the disposal were used to pay down other short term debts and fund working capital
 - The loss for the year after tax was £4.18 million (2009: loss £1.77 million after writing off goodwill of £1.75 million). The loss included revaluation losses of £1.6 million, losses on disposal of six operating companies of £1.1 million and the write off of £0.6 million development costs
 - In November 2011 the Group disposed of the German portfolio of medical office buildings for €27.35 million
 - A new initiative led to the Group playing a leading role in the International development and operation of Proton Beam Therapy Centres. The construction of the first project, a 50,000 sq. ft. new building in Central London, is planned to start in the third quarter of 2012. Planning consent for this project was granted in September 2011. Combined with a California based project the gross development value including equipment is some £150 million
- There are similar sized projects in Los Angeles, Kansas City, Memphis and Portland

Chairman's and Chief Executive's statement



Dr. Michael Sinclair
Chairman



Paul Stacey
Chief Executive

“The Group has progressed its development programme in spite of challenging economic conditions in 2010.”

We are pleased to present our report on the 2010 financial results of CareCapital Group Plc and the Group's activities since our last year end statement published on 30 June 2010.

As presented in more detail below, the Group progressed its development programme of medical office buildings in both the UK and Germany in spite of, as reported in our last statement, the challenging economic conditions prevailing throughout 2009 continuing through 2010. Interim working capital and development funding requirements have been provided through the sale, in February 2010, of 14 smaller, older medical centres in the UK and the securing of additional short term loan finance.

Following the above sale and raising of further short term finance the Board has carefully considered the options for the Group's future business strategy in order to ensure the ability to progress its healthcare property development pipeline and other opportunities as well as being able to repay short term borrowings and provide working capital. The Board has taken into account the long term cash requirement of both developing and investing in property assets as opposed to the



forward sale and financing of developments. As a consequence it has been decided to dispose of the Group's German property assets, realising cash and thereby significantly reducing both debt and the funding requirement for the future. During 2011 a number of potential offers for the German property portfolio have been considered and it was decided to accept an offer from a Canadian fund specialising in the investment in medical office real estate. This offer values the German property holding companies at €27.35 million.

This transaction was approved by shareholders on 19 September 2011 and notarised in November 2011.

The development programme for both the UK and Germany has been progressed during the year. As mentioned above, in February we disposed of 14 older, smaller UK medical centres together with associated pharmacies and other buildings for a total sum of £23.5 million; this transaction produced £4.4 million in net cash which was used to pay down a substantial proportion of the then outstanding short term debt together with providing working capital to enable the completion of the 3,500 sq m medical office building

development in Adlershof, south east of Berlin, in which the tenants started to occupy their space in early May and, in the UK, to reach financial close and commence construction in May on the 2,500 sq m community/ neighbourhood centre in Allesley, Coventry and the 2,000 sq m medical centre in Thingwell, West Wirral with construction starting on site in December. The Coventry project comprises a library which is being fully funded by the Local Authority to be completed as part of the first phase of the development in June 2011; a medical centre and pharmacy which have been forward sold to a specialist investor and ancillary medical/ community areas that we are retaining; the target completion date for the second phase being June 2012. The West Wirral project has also been forward sold and is therefore fully funded by the purchasing investment fund; completion is scheduled for January 2012. The other projects in the development pipeline also progressed during 2010 are medical centre projects in Buckley and Swansea valued at £13 million on completion that are part of the joint venture in Wales with Gaufron Healthcare Limited and where construction will commence in 2012; together with a 2,000 sq m scheme in Bishops Stortford which is also scheduled to commence in 2012. To deliver these

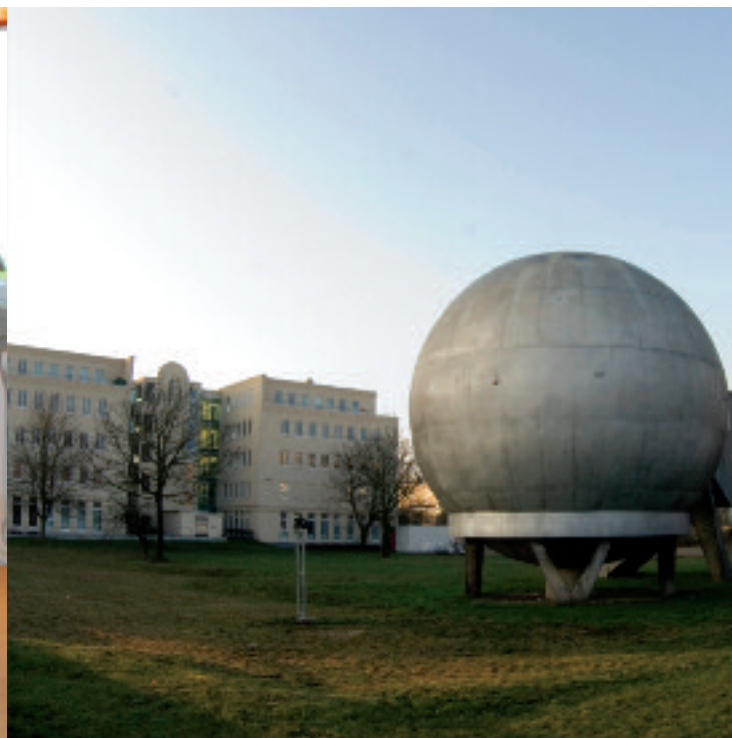
Chairman's and Chief Executive's statement



opportunities the Company will need to raise new equity in 2012. The Directors are currently in discussion with current and new investors.

In short, in 2010 the Group completed developments valued at €6.7 million (£5.88 million); commenced on site projects with a gross completion value of £10.3 million and had capital commitments at the year end of £6.2 million (fully funded). The remaining development programme has a gross completion value of £34.6 million of which it is anticipated projects to the value of £15.4 million will start on site during early/mid 2012. In addition we are actively involved in the progression of an advanced cancer centre in Central London for which planning was granted in September 2011 which has a total development value of £50 million.

The financial results for 2010, prepared under IFRS, show that Group turnover was £3.4 million made up of rents receivable £2.2 million (2009: £3.3 million); asset sales under forward funding arrangements £1.2 million (2009: £nil). Cost of sales were £1.7 million (2009: £0.5 million). Administrative and other operating costs in 2010 were £1.7 million compared with £1.8 million in 2009; of this direct salary and



associated employment costs were £1.1 million in 2010 down from £1.5 million in 2009. The loss before tax for the year was £4.5 million; (2009: £3.5 million), £2.2 million of this loss related to loss on revaluation and loss on disposal of the UK portfolio. Total fixed assets at 31 December 2010 were £34.2 million: (2009: £60.2 million reflecting the disposal of UK assets in February 2010). Net Asset Value at the year end was £7.2 million (9.0p per share) compared with £11.5 million (15.0p per share at 31 December 2009). This reduction in NAV per share was as a result of the operating loss for the year including the revaluation of investment properties under IFRS.

As previously announced our Company is playing a leading role in the International development and operation of Proton Beam Therapy Centres. This activity is being carried out through our associate company Advanced Proton Solutions Holdings Limited ("APS") in which CareCapital has a 28.75% shareholding. Our first project, at a 50,000 sq. ft. new building in Central London, is planned to open for treating patients in the fourth quarter of 2013. APS also has similar projects in Los Angeles, Kansas City, Memphis and one other major US city.

The rationalisation of Healthcare Real Estate is a phenomenon throughout the world. The separation of the development and ownership of Healthcare properties from the operational activities that take place within them is part of that process. We believe this will provide real opportunities for new developments both in the UK and elsewhere.

Dr. Michael Sinclair
Chairman

Paul Stacey
Chief Executive
15 December 2011

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).



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.



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 2010.

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.

Results, business review and future developments

During the year the Group achieved a turnover of £3,395,568 (2009: £3,414,698). The loss before taxation was £4,294,376 (2009: £3,464,986 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 operations and will also pursue the leadership roles in advanced 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 (2009: £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 2010	At 31 December 2009
Dr M J Sinclair	50,000	50,000
P Q C Stacey	4,338,364	4,338,364
S K Wilden (<i>resigned 15 July 2010</i>)	100,000	100,000
C M Hyman (<i>appointed 15 July 2010, resigned 31 August 2011</i>)	-	-
Lord Evans	-	-
K G Gibbs	-	-
Baroness McDonagh (<i>resigned 31 Dec 2010</i>)	-	-

Dr M J Sinclair and P Q C Stacey have an interest in Sinclair Montrose Trust Limited which owns 27.56% 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, who resigned on 15 July 2010, 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 M J Sinclair. Of these warrants 10,600,000 were issued to Dr M J Sinclair, 7,066,667 to P Q C Stacey and 1,000,000 to S K Wilden. These warrants may be exercised at any time from the date of grant to 27 October 2013.

The following is a table summarising the warrants in issue:

Warrants	Date of issue	Number of warrants	Exercise price	Exercise period
Michael Sinclair	27/10/2008	10,600,000	15p	27/10/2008 27/10/2013
Paul Stacey	27/10/2008	7,066,667	15p	27/10/2008 27/10/2013
Steve Wilden	27/10/2008	1,000,000	15p	27/10/2008 27/10/2013
BHI	27/10/2008	8,000,000	15p	27/10/2008 27/10/2013
Eve Trust	24/05/2010	4,000,000	4.5p	24/05/2010 21/12/2014
Eve Trust	28/08/2010	4,000,000	6p	28/08/2010 21/12/2014
Littman	10/01/2011	166,000	5p	10/01/2011 10/12/2016

The warrants issued in 2008 were issued as part of the loan facility arrangements put in place by Dr M J Sinclair, the Chairman as part of the shareholders circular issued at that time. The warrants issued in the year ended 31 December 2010 were issued as part of the short term funding agreement put in place with Eve Trust for a loan of £300,000 which will be repaid from the proceeds of the disposal of the German property portfolio.

In addition, post year end another £500,000 was raised from an external party and warrants issued as part of an agreement entered into on 19 January 2011 and referred to in the Post Balance Sheet event in note 31 to the accounts on page 37.

Details of Directors' remuneration are set out in note 9 to the accounts.

Substantial shareholdings

At 31 December 2010 the following parties had substantial shareholdings in CareCapital Plc.

Trevor Brown* and Free Association Books	27.38%
Sinclair Montrose Trust Limited	27.56%
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 2010 was 162 days (2009: 43 days).

Donations

The Group made charitable donations of £nil (2009: £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 Auditor is 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 Auditor is 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 21).

Going concern

The Directors have prepared trading and cash flow forecasts for the Group to 31 December 2012. These forecasts are based on existing projects for which sources of funding have been identified.

The Board has considered the financial viability of the business and is satisfied the business can continue for more than 12 months. This is based on trading and cash flow forecasts for the Group for the period to 31 December 2012 as part of a five year plan. The forecasts indicate that additional funding will be required within the next twelve months to deliver the business plans and the Directors are in discussions with current and potential new investors to raise new equity to provide the necessary funding. The Directors believe that the trading forecasts are realistic and that a fund raising will be able to be completed

However, due to the need to successfully identify investors and complete a placing, including obtaining shareholder consent in general meeting for the issue of new equity, there is a material uncertainty which may cast doubt about the ability of the Group and the Company to continue as a going concern.

Post balance sheet events

As set out in the Chairman's and Chief executive's joint statement the board has received and accepted an offer for €27.35 million for the whole of its investment portfolio sites in Germany. This transaction was approved by shareholders at a general meeting held on 19 September 2011 and notarised in November 2011.

Annual General Meeting

The notice convening the 2011 Annual General Meeting of the Company is being sent to shareholders separately.

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, one Executive Director and two Non-Executive Directors, both 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 (resigned on 31 December 2010) who are Non-Executive Directors. The Executive Directors and representatives from the Auditor 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 14 December 2011.



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; and
- 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, to disclose with reasonable accuracy at any time the financial position of the Company and to 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 Auditor's report

To the members of CareCapital Group Plc

We have audited the financial statements of CareCapital Group plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated and Parent Company statements of financial position, the consolidated and Parent Company statements of changes in equity, the consolidated and parent company statements of cash flows 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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 and express an opinion on 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 of the financial statements

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2010 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 modified, we have considered the adequacy of the disclosure made in note 1(a) to the financial statements concerning the group and the Company's ability to continue as a going concern. The Company incurred a net loss of £4.2 million during the year ended 31 December 2010 and, at that date, the group's net current liabilities were £7.3 million. The Group has identified a requirement to raise additional funds through the issue of new equity to 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. These conditions, along with the other matters explained in note 1(a) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's 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.

Independent Auditors' report continued

To the members of CareCapital Group Plc

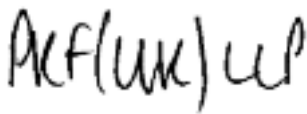
Opinion on other matter prescribed by the Companies Act 2006

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.



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

15 December 2011

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Notes	Group 2010 £	Group 2009 £
Revenue	1,2	3,395,568	3,414,698
Cost of sales		(1,698,278)	(455,296)
Gross profit		1,697,290	2,959,402
Administrative expenses		(1,765,751)	(1,808,043)
Impairment of goodwill		–	(1,751,960)
Net (loss)/gain on revaluation of investment properties		(1,064,863)	596,807
Loss on disposal of UK portfolio	3	(1,050,205)	–
Net portfolio (losses)/gains		(2,115,068)	596,807
Development costs written off	12	(504,172)	(502,032)
Operating loss	4	(2,687,701)	(505,826)
Finance income	5	648	4,303
Finance costs	6	(1,607,323)	(2,963,463)
Loss on ordinary activities before taxation		(4,294,376)	(3,464,986)
Taxation	7	118,888	1,696,466
Loss after taxation		(4,175,488)	(1,768,520)
Loss for the period			
Attributable to equity shareholders		(4,094,292)	(1,903,049)
Non-controlling interests		(81,196)	134,529
		(4,175,488)	(1,768,520)
Other comprehensive income			
Exchange differences on translation of foreign operations		(332,071)	(648,614)
Total comprehensive loss for the year net of tax		(4,507,559)	(2,417,134)
Total comprehensive loss attributable to:			
Equity shareholders		(4,393,156)	(2,486,802)
Non-controlling interest		(114,403)	69,668
		(4,507,559)	(2,417,134)
Loss per ordinary share			
Basic and diluted	11	(5.33)p	(2.48)p
Weighted average number of shares (000s)		76,754	76,754

Consolidated statement of financial position

As at 31 December 2010

	Notes	Group 2010 £	Group 2009 £
Non-current assets			
Investment properties	12	31,009,083	55,982,399
Development properties	12	3,072,761	4,074,198
Leasehold improvements	13	64,087	73,908
Plant and equipment	14	37,951	47,199
		34,183,882	60,177,704
Current assets			
Amounts recoverable on contracts	15	1,789,648	–
Trade and other receivables	16	759,658	512,571
Cash and cash equivalents	17	148,442	268,573
		2,697,748	781,144
Total assets		36,881,630	60,958,848
Current liabilities			
Trade and other payables	18	(2,617,938)	(2,453,857)
Borrowings	19	(7,383,476)	(9,207,414)
		(10,001,414)	(11,661,271)
Non-current liabilities			
Borrowings	19	(19,439,878)	(37,376,534)
Deferred tax	20	(288,066)	(406,954)
		(19,727,944)	(37,783,488)
Total liabilities		(29,729,358)	(49,444,759)
Net assets		7,152,272	11,514,089
Equity			
Share capital	22	767,541	767,541
Share premium reserve	24	1,397,500	1,397,500
Share option reserve	25	557,996	412,254
Reverse acquisition reserve	26	11,038,204	11,038,204
Exchange movements reserve	27	(439,213)	(140,349)
Accumulated losses		(6,300,810)	(2,206,518)
Equity attributable to shareholders of the Parent Company		7,021,218	11,268,632
Non-controlling interests		131,054	245,457
Total equity		7,152,272	11,514,089

These consolidated financial statements have been approved and were authorised for issue by the Board of Directors on 15 December 2011.



P Q C Stacey
Director

Registered number: 05564418

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital £	Share premium £	Share options reserve £	Reverse acquisition reserve £	Exchange movement reserve £	Accumulated losses £	Equity share-holders' interest £	Non-controlling interest £	Total £
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
Balance at									
1 January 2010	767,541	1,397,500	412,254	11,038,204	(140,349)	(2,206,518)	11,268,632	245,457	11,514,089
Exchange rate movement	–	–	–	–	(298,864)	–	(298,864)	(33,207)	(332,071)
Loss for the year	–	–	–	–	–	(4,094,292)	(4,094,292)	(81,196)	(4,175,488)
Total comprehensive income	–	–	–	–	(298,864)	(4,094,292)	(4,393,156)	(114,403)	(4,570,559)
Share based payment – employee services	–	–	21,648	–	–	–	21,648	–	21,648
– cost of raising finance	–	–	124,094	–	–	–	124,094	–	124,094
Balance at									
31 December 2010	767,541	1,397,500	557,996	11,038,204	(439,213)	(6,300,810)	7,021,218	131,054	7,152,272

Consolidated statement of cash flows

For the year ended 31 December 2010

	Group 2010 £	Group 2009 £
Cash flow from operating activities		
Loss after taxation	(4,175,488)	(1,768,520)
Adjustments:		
Taxation	(118,888)	(1,696,466)
Finance costs	1,607,323	2,963,463
Finance income	(648)	(4,303)
Net portfolio losses/(gains)	2,115,068	(596,807)
Impairment of goodwill	–	1,751,959
Depreciation	27,318	33,132
Write-off of development costs incurred	504,172	502,032
Share based payments	145,742	21,648
Cash flows from operations before changes in working capital	104,599	1,206,138
Change in amounts recoverable on contracts	(1,789,648)	–
Change in trade and other receivables	(247,086)	(47,389)
Change in trade and other payables	362,276	556,477
Cash (used)/generated from operations	(1,569,859)	1,715,226
Interest paid	(1,678,472)	(2,457,309)
Costs associated with disposal of companies	(1,050,205)	–
Cash flows from operating activities	(4,298,536)	(742,083)
Cash flows from investing activities:		
Disposal of investment properties	23,249,001	–
Disposal of development property	296,497	–
Capital expenditure on investment properties	(115,844)	–
Capital expenditure on development properties	(82,697)	(6,305,031)
Purchase of leasehold improvements	–	(3,815)
Purchase of plant and equipment	(8,532)	(13,199)
Interest received	648	4,303
Cash flows from investment activities	23,339,073	(6,317,742)
Cash flows from financing activities:		
New mortgage loans raised (net of transaction costs)	742,950	4,446,523
Development loans	1,524,120	–
Repayment of loans	(22,084,771)	(823,382)
Directors' loans (net of costs)	26,816	300,000
Other short term loans	243,000	950,000
Cash flows from financing activities	(19,547,885)	4,873,141
Decrease in cash and cash equivalents	(507,348)	(2,186,684)
Cash and cash equivalents at 1 January 2010	268,573	2,455,257
Cash and cash equivalents at 31 December 2010	(238,775)	268,573

The negative figure of £238,775 for cash and cash equivalents at 31 December 2010 is stated after offsetting overdrawn balances of £387,217 against cash and cash equivalents of £148,442.

Principal accounting policies – Group

For the year ended 31 December 2010

a. Accounting convention, basis of preparation and going concern

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 financial statements have been prepared on the historical cost basis modified to include certain assets and liabilities at fair value.

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 12 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.

As at 31 December 2010, the Group had current liabilities of £10.0 million including a Director’s loan of £1.98 million and other short term loans of £0.5 million which, at the date of approval of these accounts were overdue. This figure also includes the £2.5 million proportion of a loan which is due in over 1 year, but where several covenant breaches have occurred, putting the loan into default. The position is being managed with the lender although a formal waiver of the covenant breaches has not been received. Current liabilities also includes an amount of £0.7 million in respect of a development loan. This loan represents pre-funding of costs associated with the Allesley development by one of the parties to whom the substantial proportion of the development has been pre-sold.

On 31 August 2011, the Group announced that it had agreed to sell its German property portfolio for a consideration of €27.35 million, payable in cash on completion, subject to compliance with usual commercial obligations. Under AIM rules, this transaction was deemed to be a disposal resulting in a fundamental change of business and was therefore subject to Shareholder approval which was granted on 19 September 2011.

The cash proceeds of the disposal will be used to repay the debt secured on the property assets within the German Portfolio amounting to €26.31 million at the date of the announcement. This amount includes £1.9 million in respect of the outstanding amount of the loan provided by Dr Michael Sinclair and £500,000 will be applied to the repayment of a second loan due to a private investor. The remainder of the proceeds from the disposal amounting to approximately £1.04 million will be used to discharge professional fees, to progress the development of the Company’s UK healthcare property pipeline and for working capital purposes.

In addition, the Directors have prepared trading and cash flow forecasts for the Group for the period to 31 December 2012 as part of a five year plan. The forecasts indicate that additional funding will be required within the next twelve months to deliver the business plans and the Directors are in discussions with current and potential new investors to raise new equity to provide the necessary funding. The Directors believe that the trading forecasts are realistic and that a fund raising will be able to be completed and, accordingly, the Financial Statements have been prepared on a going concern basis. However, due to the need to successfully identify investors and complete a placing, including obtaining shareholder consent in general meeting for the issue of new equity, there is a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern.

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.

Principal accounting policies – Group continued

For the year ended 31 December 2010

c. 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, costs to complete, 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.

d. 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. Land and properties under development are revalued at the balance sheet date to fair value. 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 practical completion of construction, development properties to be held for long term rental income and capital appreciation are transferred to investment property.

When agreement to pre-sell a development to an external party is reached, the costs accumulated to date are transferred to amounts recoverable on contracts (see f below).

e. 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% of cost
Computer equipment	–	33.3% to 50% of cost
Leasehold Improvements	–	are written off over the term of the lease

f. Amounts recoverable on contracts

Amounts recoverable on contracts represents the cost including external interest and development margin (see d above), of properties under development which have been pre-purchased by external parties, less progress billings made to date.

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.

j. Revenue recognition

There are two principal sources of revenue:

- (i) Revenue consists of gross rental income and service charges received in 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.
- (ii) From development properties built for resale – revenue and profit on properties built for sale is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned when the outcome of work under the contract can be assessed with reasonable certainty. All foreseeable losses are provided for in full. Where the property being constructed forms part of a larger overall property and part is being retained by the Company as an investment property, the costs of construction are allocated to the different components on a consistent basis.

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 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.

Principal accounting policies – Group continued

For the year ended 31 December 2010

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 2010.

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

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

As the Group's business activities are not complex, being the development and sale or 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. Adoption of standards effective in 2010

No material changes to accounting policies arose as a result of new standards applied by the Group from 1 January 2010 except for the following, which has resulted in recognition of non-controlling interests.

IAS 27 (Amendment) "consolidated and separate financial statements" which introduces new guidance on accounting for changes in non-controlling interests (previously 'minority interests'). This will result in total comprehensive income being attributed to non-controlling interests even in the event that this results in the non-controlling interest having a deficit balance.

u. New standards and interpretations issued but not yet applied

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 2010

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	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
Total segment revenue						
Revenue from external customers	1,379,812	1,511,018	2,015,754	1,903,680	3,395,566	3,414,698
Operating (loss)/profit	(2,739,603)	(2,028,474)	51,902	1,522,648	(2,687,701)	(505,826)
Included in operating (loss)/profit:						
Depreciation and amortisation	22,423	27,689	4,895	6,460	27,318	34,149
Net (loss)/gain from fair value adjustment on investment property	–	(412,006)	(1,010,012)	1,008,813	(1,010,012)	596,807
Loss on disposal of UK portfolio	(1,050,205)	–	–	–	(1,050,205)	–
Not included in operating profit:						
Interest income	149	4,303	499	–	648	4,303
Interest expense	742,331	1,785,785	864,992	738,906	1,607,323	2,524,691
Income tax expense/(credit)	–	(1,795,705)	(118,888)	99,239	(118,888)	(1,696,466)
Capex	748,314	1,409,994	569,294	4,895,037	1,317,608	6,305,031
Total assets	8,035,289	30,456,738	28,846,341	30,502,110	36,881,630	60,958,848
Total liabilities	(2,595,973)	(21,680,377)	(27,133,385)	(27,764,382)	(29,729,358)	(49,444,759)

2. Revenue

	Group 2010 £	Group 2009 £
Revenue from rental income	2,161,527	3,316,948
Revenue recognised on properties under construction	1,162,914	–
Other income	71,125	97,750
Total	3,395,566	3,414,698

Revenues from transactions with a single customer exceeding 100% of total revenues are £408,837.

3. Loss on disposal of UK portfolio

	Group 2010 £	Group 2009 £
Legal fees	233,151	–
Other transaction costs	24,611	–
Senior debt redemption fees	728,340	–
Arrangement fees written off	42,230	–
Costs of redemption of other loans	21,873	–
Total	1,050,205	–

Notes to the accounts – Group continued

For the year ended 31 December 2010

4. Operating loss

	Group 2010 £	Group 2009 £
Operating loss is arrived after charging:		
Staff costs (see note 7)	710,943	1,094,986
Depreciation	27,318	33,132
Operating lease costs	113,336	120,251
Costs associated with abortive fund raising initiatives	–	94,982
Net portfolio movements	2,115,068	(596,807)
Development costs written off	504,172	502,032
Impairment of goodwill	–	1,751,959
Amounts payable to the Company's Auditor and their associates for:		
– audit of the Company's annual accounts	24,000	21,980
– audit of the Company's subsidiaries	41,000	33,020
– taxation services	15,000	13,000
– corporate finance services	–	16,565
Total	3,550,837	3,085,100

During 2009, the Board took the decision to write off the goodwill balance of £1,751,959 as it was created in respect of assets no longer held by the Group after 5 February 2010.

5. Finance income

	Group 2010 £	Group 2009 £
Interest receivable on deposits	648	4,303
Total	648	4,303

6. Finance costs

	Group 2010 £	Group 2009 £
On bank overdrafts and loans	18,380	330
On mortgage finance (see note 19)	1,177,726	2,106,672
On Director's loan	328,745	283,024
On other short term loans	76,627	134,665
Amortisation of arrangement and associated costs of Director's loan	–	410,751
Exchange rate losses	5,845	28,021
Total	1,607,323	2,963,463

7. Taxation on profit for ordinary activities

	Group 2010 £	Group 2009 £
(a) Tax (credit)/charge comprises		
Current tax		
UK corporation tax on loss for the year	–	–
Deferred tax		
Origination and reversal of temporary differences	(118,888)	(26,881)
Benefit arising from previously unrecognised tax loss	–	(1,669,585)
Total	(118,888)	(1,696,466)

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.

7. 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%) (2009: 28.0%).

The differences are explained below:

	Group 2010 £	Group 2009 £
Loss on ordinary activities before tax	(4,294,376)	(3,464,986)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK at 28.0% (2009: 28.0%)	(1,202,425)	(970,196)
Effects of:		
Permanent differences	136,266	113,441
Goodwill	–	490,549
Capital allowances in excess of depreciation	(17,702)	(37,947)
Short term timing differences	(350,521)	–
Unprovided losses carried forward/(utilised)	486,604	–
Indexation allowance	(173,197)	–
Disposal of subsidiary companies	570,212	–
Losses sold with investments	217,852	–
Property revaluation/impairment	214,023	(104,237)
Recognition of losses brought forward	–	(1,188,076)
Tax credit for the year	(118,888)	(1,696,466)

	Group 2010 £	Group 2009 £
(c) Unprovided deferred tax assets at 27% (2009: 28%)		
Losses carried forward	(1,690,482)	(1,203,878)
Accelerated capital allowances	24,792	207,785
Total	(1,665,690)	(996,093)

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.

8. Staff costs

	Group 2010 £	Group 2009 £
Wages and salaries	930,798	1,309,313
Social security costs	74,353	110,262
Other pension costs	36,517	68,937
Share based payment	21,648	21,648
Total	1,063,316	1,510,160

Staff costs include amounts of £352,973 (2009: £415,174) which have been capitalised within development properties during the year.

Details of employee share options are set out in note 23.

The monthly average number of persons employed during 2010 was 10 (2009: 14), categorised as follows:

	Group 2010	Group 2009
Managerial	3	4
Operational	5	8
Administrative	2	2
Total	10	14

Notes to the accounts – Group continued

For the year ended 31 December 2010

9. Directors' remuneration

The salaries and benefits of the Directors of CareCapital Group Plc for the year ended 31 December 2010 were as follows. P Q C Stacey's main contract of employment is with CareCapital Limited.

	Base salary £	Car allowance £	Director's fee £	Pension £	Other benefits £	Total 2010 £	Total 2009 £
Dr M J Sinclair	135,000	–	–	–	–	135,000	150,969
P Q C Stacey	160,000	10,000	–	9,750	8,700	188,450	200,700
S K Wilden (<i>resigned 15 July 2010</i>)	73,744	5,000	–	5,530	600	84,874	179,750
C M Hyman (<i>appointed 15 July 2010, resigned 31 Aug 2011</i>)	59,900	–	–	–	600	60,500	–
Lord Evans	–	–	20,000	–	–	20,000	20,000
K G Gibbs	–	–	20,000	–	–	20,000	20,000
Baroness McDonagh (<i>resigned 31 Dec 2010</i>)	–	–	20,000	–	–	20,000	20,000
Total	428,644	15,000	60,000	15,280	9,900	528,824	591,419
Share based payments						–	–
Total Directors' remuneration						528,824	591,419

In the year ended 31 December 2010, the Executive Directors received the following reduced salaries and benefits: Dr M J Sinclair – £68,920; P Q C Stacey – £79,167; S K Wilden £65,422; C M Hyman – £50,250. Payment of the balance to the contracted salary level has been deferred.

10. Pensions

The Group operates a defined contribution pension scheme. Contributions payable for the period are charged in the statement of comprehensive income. Two Directors (2009: two) accrued retirement benefits during the year.

11. 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 2010	Group 2009
Loss attributable to equity holders of the Company (£)	(4,094,292)	(1,903,049)
Weighted average number of ordinary shares in issue (000s)	76,754	76,754
Loss per share (pence per share) – continuing operations	(5.33)p	(2.48)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 2010 and 2009. 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 (loss)/gain on revaluation of investment properties.

	Group 2010	Group 2009
Loss attributable to equity holders of the Company (£)	(4,094,292)	(1,903,049)
Loss/(gain) on revaluation of investment properties (£)	1,064,863	(596,807)
Deferred tax in respect of investment properties (£)	(118,888)	(1,696,466)
Loss used for calculation of adjusted earnings per share (£)	(3,148,317)	(4,196,323)
Adjusted loss per share (pence)	(4.10)p	(5.47)p

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

12. Investment and development properties

	Freehold £	Leasehold over 50 years £	Under construction £	Total £
Investment properties				
At 1 January 2009	40,466,873	11,864,951	–	52,331,824
Additions	–	–	5,138,182	5,138,182
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
Investment properties				
At 1 January 2010	39,275,132	10,560,272	6,146,995	55,982,399
Additions	–	60,993	714,271	775,264
Reclassification	6,479,863	–	(6,479,863)	–
Foreign exchange fluctuations	(654,917)	(172,007)	(209,862)	(1,036,786)
Disposal	(20,634,001)	(2,615,000)	(296,497)	(23,545,498)
Deficit on valuation	(987,928)	(303,324)	226,389	(1,064,863)
Costs written-off	–	–	(101,433)	(101,433)
At 31 December 2010	23,478,149	7,530,934	–	31,009,083
Development properties				
	Freehold £	Leasehold over 50 years £		Total £
At 1 January 2009		3,454,810	57,906	3,512,716
Additions		158,980	157,714	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
Development properties				
At 1 January 2010		3,195,795	878,403	4,074,198
Additions		362,151	180,191	542,342
Transfer to amounts recoverable on contracts		(188,008)	(931,059)	(1,119,067)
Costs written-off		(402,739)	–	(402,739)
Exchange rate movement		(21,973)	–	(21,973)
At 31 December 2010		2,945,226	127,535	3,072,761

During the year, agreements were reached to pre-sell several development properties. Consequently, the accumulated costs of these projects were reclassified under amounts recoverable on contracts (see note 15).

Costs written off during the year of £101,433 on investment properties under construction and £402,739 on development properties, represented either irrecoverable costs on projects which are proceeding or abortive costs on cancelled projects.

Notes to the accounts – Group continued

For the year ended 31 December 2010

12. Investment and development properties continued

	Freehold £	Leasehold over 50 years £	Under construction £	Total £
Total investment and development properties				
At 31 December 2009	42,470,927	11,438,675	6,146,995	60,056,597
At 31 December 2010	26,423,375	7,658,469	–	34,081,844
		UK £	Germany £	Total £
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
Geographical analysis				
Investment properties		3,049,356	27,959,727	31,009,083
Development properties		2,361,638	711,123	3,072,761
At 31 December 2010		5,410,994	28,670,850	34,081,844

The medical facility at Folkestone which was completed in August 2008 has remained vacant. It was valued at cost of £3,599,859 for the 2008 financial statements, based on a Directors' valuation. The Directors reviewed the valuation based upon negotiations with potential tenants, and reduced the valuation by £550,502 to £3,049,357 for the 2009 financial statements. The valuation has been reviewed by the Directors again and considered to be appropriate for the 2010 financial statements, given ongoing negotiations with potential tenants and a prospective purchaser.

A full valuation of the Group's German property portfolio was carried out by Colliers CRE, Chartered Surveyors and valuers on 19 August 2009. The valuation of €26,641,493 represented an average initial investment yield of 6.38%. 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 performed a subsequent desk top review of the German portfolio on 23 September 2010 at €32,629,000 (£27,948,709). The average initial investment yield used in this valuation is 6.82%. The Group has two German development sites valued by Colliers CRE at €1,570,000 (£1,344,800) of which €829,882 (£711,124) is recognised in the carrying value of the assets based on a lower valuation by the Directors. This updated valuation has resulted in an impairment of the German portfolio of €1,178,684 (£1,010,012) which has been recognised in the consolidated statement of comprehensive income.

The total sterling value of the completed German investment portfolio at 31 December 2010, converted at the year end exchange rate of 1.1670, was £27,959,726.

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 £2,995,945 was £1,242,332 (2009: £1,208,393). Following the enhancement of IAS 40, investment properties under construction are now included at fair value.

The historical cost of investment properties at 31 December 2010 was £29,513,235 (2009: £39,040,181).

13. Leasehold improvements

	Cost £	Accumulated depreciation £	Net book value £
At 1 January 2009	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
At 1 January 2010	100,520	(26,612)	73,908
Additions	–	–	–
Charge for the year	–	(9,821)	(9,821)
At 31 December 2010	100,520	(36,433)	64,087

14. Plant and equipment

	Cost £	Accumulated depreciation £	Net book value £
Fixtures and fittings			
At 1 January 2009	63,155	(23,537)	39,618
Additions	9,049	–	9,049
Disposals	(425)	425	–
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 1 January 2009	70,405	(51,082)	19,323
Additions	4,150	–	4,150
Disposals	(1,701)	1,701	–
Charge for the year	–	(5,397)	(5,397)
At 31 December 2009	72,854	(54,778)	18,076
Fixtures and fittings			
At 1 January 2009	70,149	(41,026)	29,123
Additions	9,093	–	9,093
Charge for the year	–	(6,259)	(6,259)
At 31 December 2010	79,242	(47,285)	31,957
Computer equipment			
At 1 January 2009	72,854	(54,778)	18,076
Foreign exchange fluctuations	–	(844)	(844)
Charge for the year	–	(11,238)	(11,238)
At 31 December 2010	72,854	(66,860)	5,994
Total as at 31 December 2009	143,003	(95,804)	47,199
Total as at 31 December 2010	152,096	(114,145)	37,951

Notes to the accounts – Group continued

For the year ended 31 December 2010

15. Amounts recoverable on contracts

	Group 2010 £	Group 2009 £
Amounts recoverable on contracts	1,789,648	–
Total	1,789,648	–

The amount of attributable internal costs included within amounts recoverable on contracts at 31 December 2010 was £648,399. Amounts recoverable on contracts represents the costs of properties under development which have been pre-purchased by external parties, less progress billings made to date.

16. Trade and other receivables

	Group 2010 £	Group 2009 £
Current		
Trade receivables	280,649	173,410
VAT recoverable	261,172	170,492
Other receivables	136,830	40,674
Prepayments	81,007	127,995
Total	759,658	512,571

17. Cash and cash equivalents

The total cash and cash equivalents of the company were £148,442 (2009: £268,573 of which £191,499 were ring fenced deposits). The negative figure of £238,775 for 2010 in the consolidated statement of cash flows is reported after offsetting overdrawn balances of £387,217.

18. Trade and other payables

	Group 2010 £	Group 2009 £
Current		
Trade payables	1,282,698	348,917
VAT payable	307,994	479,676
Other taxes and social security	130,132	50,508
Other payables	2,871	306,457
Accruals and deferred income	894,243	1,268,299
Total	2,617,938	2,453,857

19. Borrowings, including finance leases

	Group 2010 £	Group 2009 £
Amounts falling due within one year		
Bank overdraft	387,217	–
Bank loans	3,733,257	3,957,414
Development loan	737,686	–
Short term loans	543,000	950,000
Director's loan	1,982,316	4,300,000
Total amounts falling due within one year	7,383,476	9,207,414
Amounts falling due after more than one year		
Bank loans	18,653,444	37,376,534
Development loan	786,434	–
Total amounts falling due after more than one year	19,439,878	37,376,534
Total borrowings including finance leases	26,823,354	46,583,948
Cash and cash equivalents	(148,442)	(268,573)
Net borrowings	26,674,912	46,315,375
The maturity profile of gross debt is as follows:		
Repayable within one year	7,383,476	9,207,414
Repayable in more than one year but not more than two years	1,611,030	1,046,843
Repayable in more than two years but not more than three years	857,557	1,095,220
Repayable in more than three years but not more than four years	891,688	1,145,804
Repayable in more than four years but not more than five years	954,021	1,197,711
Repayable after more than five years	15,125,582	32,890,956
Total borrowings	26,823,354	46,583,948

The majority of the Director's loans were provided by Dr M J Sinclair and were £1,982,316 at 31 December 2010. They are to be repaid from the proceeds of the disposal of the German investment property portfolio.

20. 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 27% (2009: 28%) to the surplus on UK properties without indexation allowance. The appropriate composite tax rate for the German investment properties is 13.57% (2009: 13.57%).

Analysis of deferred tax:

	Revaluation of investment properties £
At 31 December 2009	(2,076,539)
Deferred asset recognised in 2009, in respect of investment properties disposed of in 2010	1,669,585
Charged to the statement of comprehensive income	118,888
At 31 December 2010	(288,066)

Notes to the accounts – Group continued

For the year ended 31 December 2010

21. 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 2010 would increase the interest charge on the Euro denominated loans by £198,707. 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 2010.

For a 1% change in the €/£ the effect would be a change of £31,728 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.

Maturity of loan facilities is as set out in the table in note 19.

The original loan facility from Dr M J 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 19, a significant part of the loan was repaid on 5 February 2010, and a reduced loan facility of £1,900,000 was made available to the Group. The interest cover covenant was removed in respect of the amended 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 2010 and 31 December 2009 were not past due and were not, thus impaired.

21. Financial instruments continued

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 2010		Group 2009	
	Loans and receivables £	Amortised cost £	Loans and receivables £	Amortised cost £
Trade and other receivables	417,479	–	248,377	–
Cash and cash equivalents	148,442	–	268,573	–
Trade and other payables	–	(2,487,806)	–	(1,923,673)
Borrowings – current	–	(7,383,476)	–	(9,207,414)
Borrowings – non-current	–	(19,439,878)	–	(37,376,534)
	565,921	(29,311,160)	516,950	(48,507,620)

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 2010 £	Group 2009 £
Bank debt		
Sterling denominated		
Fixed (average rate 6.5% (2009: 6.5%))	3,008,557	20,884,556
Euro denominated		
Floating with rates capped at average rate of 3.5% (2009: 4.98%)	19,765,361	20,449,392
Other debt		
Short term loans		
Director's loan (15% (2009: LIBOR +7%))	1,982,316	4,300,000
Development loan – under 1 year (5%)	737,686	–
Other short term loans (average rate 10.3% (2009: 24.5%))	543,000	950,000
Loans due in over 1 year		
Development loan (6%)	786,434	–
	26,823,354	46,583,948

Bank debt totalling £22,408,429 is secured on the Group's Investment portfolio, whilst £321,337 is secured on a development site in Germany. The Director's loan is secured by a second charge over certain investment properties valued at £27,959,727.

The Group had an overdraft facility of £300,000 as at 31 December 2010, with HSBC. This will be repaid from the proceeds of the sale of the German investment property portfolio.

Notes to the accounts – Group continued

For the year ended 31 December 2010

21. Financial instruments continued

On 28 October 2008, Dr M J 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 originally 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 “share 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 3 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 in February 2010.

On the 4 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 was amended to 15% per annum and the amount of interest charged was £328,748.

Additional sums of £100,000 have been advanced to the Group by the Chairman outside the facility referred to above. Of this £47,500 was repaid in 2010, and the balance is to be repaid from the German portfolio sale referred to above.

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 Marktrechwitz, 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 was repayable on 31 December 2010 and the Group will repay this loan out of the proceeds of the disposal of the German portfolio.

Loans under one year include the £2.5 million proportion of a loan which is due in over 1 year, but was the subject of several covenant breaches during the year. Post year end there were breaches relating to non-payment of interest. The position is being actively managed with the lender.

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 2010 and comparing these with estimates of the present value of the cash flows using market rates as at 31 December 2010.

	Book value 2010 £	Fair value 2010 £	Book value 2009 £	Fair value 2009 £
Trade and other receivables	417,479	417,479	248,377	248,377
Trade and other payables	(2,487,806)	(2,487,806)	(1,923,672)	(1,923,672)
Cash and cash equivalents	148,442	148,442	268,573	268,573
Bank overdraft	(387,217)	(387,217)	–	–
Bank debt	(22,386,701)	(22,704,363)	(41,333,948)	(42,448,320)
Development loans	(1,524,120)	(1,524,120)	–	–
Short term loans	(543,000)	(543,000)	(950,000)	(950,000)
Director's loan	(1,982,316)	(1,982,316)	(4,300,000)	(4,300,000)

22. Share capital

	Group 2010 £	Group 2009 £
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 2010 £	31 December 2009 £
Assets		
Total assets	36,881,630	60,958,848
Debt		
Bank borrowings	24,006,752	41,333,948
Director's and other loans	2,816,602	5,250,000
	26,823,354	46,583,948
Equity		
Share capital and share premium	2,165,041	2,165,041
Reserves	4,856,177	9,103,591
Minority interest	131,054	245,457
	7,152,272	11,514,089
Total capital	33,975,626	58,098,037
Debt as a % of total capital	78.9%	80.2%
Debt as a % of total assets	72.7%	76.4%

23. Share based payments

During the year ended 31 December 2010, two tranches of warrants, each of 4,000,000 options, were issued to Eve Trust as part of a short term funding agreement. Eve Trust loaned an amount of £300,000 which will be repaid from the proceeds of the disposal of the German property portfolio. Using the Black-Scholes formula, a calculated charge of £124,094 has been charged to the consolidated statement of comprehensive income, under administrative expenses.

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 2010	Share options held at 31 December 2009	Option price	Exercise period
3,864,634	3,864,634	15.0p	01/12/2007 to 01/12/2014
2,400,000	2,400,000	29.0p	12/09/2011 to 13/09/2018
100,000	100,000	16.5p	12/03/2012 to 13/03/2021

Notes to the accounts – Group continued

For the year ended 31 December 2010

23. Share based payments continued

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

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at the beginning of the period	20.4p	6,364,634	20.4p	7,071,436
Lapsed during the period	–	–	15.0p	706,802
Outstanding at the end of the period	20.3p	6,364,634	20.3p	6,364,634
Exercisable at the end of the period	15.0p	3,864,634	17.6p	5,497,967

The options outstanding at 31 December 2010 have an exercise price in the range of 15 pence to 29 pence (2009: 15 pence to 29 pence) and a weighted average contractual life of 5 years (2009: 6 years).

24. 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.

25. Share option reserve

The share option reserve of £557,996 (2009: £412,254) arises owing to the provision in respect of IFRS 2 “Share based payments” as set out in note 23.

26. 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.

27. 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.

28. Capital commitments

The Group and its subsidiaries had capital commitments of £6,461,562 (2009: £845,471) in respect of development projects in progress at 31 December 2010.

29. Contingent liabilities

The Directors are not aware of any contingent liabilities at the 31 December 2010 (2009: £Nil).

30. Related party transactions

Identity of related parties

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

Related party transactions

Dr M J Sinclair provided loans of £200,000 gross to CareCapital Group Plc, in addition to the loan of £4,000,000 drawn down in October 2008. He received interest of £328,745, during the period to 31 December 2010. The current loan payable stands at £1,982,136.

31. Operating leases

a) As lessee

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

	2010 £	2009 £
Not later than one year	113,336	109,650
Later than one year and not later than five years	12,564	100,512

Lease payments recognised as an expense in the period amounted to £102,964 (2009: £109,650).

The lease payments arise owing to the rental commitments due on the Group's office premises in London.

b) As lessor

Rental and related income

Turnover comprises rental income receivable from property investments in Germany, which is exclusive of VAT. Turnover is derived from one reportable operating segment. Details of the lease is given below.

Group as lessor

i) The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

2010				2009			
Less than one year £	1-5 years £	More than 5 years £	Total £	Less than one year £	1-5 years £	More than 5 years £	Total £
1,789,903	6,386,438	2,038,429	10,214,770	1,483,500	5,375,481	1,706,298	8,567,279

The future minimum lease payments includes amounts due in future years from investment properties under development at the year end.

ii) There were no contingent rents recognised as income in the period.

The rental income earned on operating leases is recognised on a straight line basis over the lease term.

The Group leases medical centres to GPs, NHS organisations and other healthcare users in the UK and Germany, typically on long term occupational leases which provide for regular reviews of rent on an effectively upwards only basis. As the UK portfolio has been disposed of, this has not been included in the disclosure note above.

Notes to the accounts – Group continued

For the year ended 31 December 2010

32. Post balance sheet events

On 11 January 2011, the Group raised additional short term finance of £0.5 million secured against Adlershof 2 and Pankow. These funds bear an interest rate of 10%.

The Group will look to raise an additional £3 million to fund business development and future projects.

The Group via CareCapital Group Plc has entered into an agreement on 24 January 2011 to subscribe for 28.75% of the Common Stock of Advanced Proton Global Solutions Inc, a Delaware Corporation, and will work alongside its partners on establishing the global Proton Beam Therapy business.

As set out in the Chairman's and Chief Executive's joint statement, the board has received and accepted an offer of €27.35 million for the whole of its investment portfolio sites in Germany. This transaction was approved by shareholders at a general meeting held on 19 September 2011.

The disposal of the German activities marks a significant change in the nature of the Group's activities, which will be significantly weighted towards achieving development profits on the rolling out of its development pipeline in England, and in Wales in conjunction with its JV Partner, Gaufron Healthcare. Rental income, following the disposal, will comprise a comparatively minor component of turnover.

The proceeds of €27.4 million receivable for the German property portfolio represent a €6.1 million shortfall against the valuation in the Balance Sheet of the Group as at 31 December 2010, and this loss will be booked to the Consolidated statement of comprehensive income in the 2011 financial year. In addition, arrangement fees on the associated senior debt of €0.2 million, which were being amortised over the life of the loans, will be written off owing to early repayment. However, an associated deferred tax liability of €0.5 million, will be released to profit. The sum total of €5.8 million, diminution in assets (£5.0 million at the year end exchange rate of 1.167), represents 71% of the Net Asset Value of the Group as at 31 December 2010. The senior debt to APO Bank of £23 million and the mezzanine debt of £3.1 million to Bank Hapoalim and a private individual will be settled from the proceeds.

Company statement of financial position

As at 31 December 2010

	Notes	Company 2010 £	Company 2009 £
Non-current assets			
Leasehold improvements	C	64,087	73,908
Plant and equipment	D	13,735	14,995
Investment in subsidiaries	E	706,958	706,958
		784,780	795,861
Current assets			
Trade and other receivables	F	810,966	4,831,020
Cash and cash equivalents		3,567	51
		814,533	4,831,071
Total assets		1,599,313	5,626,932
Current liabilities			
Trade and other payables	G	(468,536)	(739,769)
Borrowings	H	(1,982,136)	(4,950,000)
Total liabilities		(2,450,672)	(5,689,769)
Net assets		(851,359)	(62,837)
Equity			
Share capital		767,541	767,541
Share premium reserve		1,397,500	1,397,500
Share option reserve		557,996	412,254
Accumulated loss		(3,574,396)	(2,640,132)
Total equity		(851,359)	(62,837)

These financial statements have been approved and were authorised for issue by the Board of Directors on 15 December 2011.



P Q C Stacey
Director

Registered number: 05564418

Company statement of changes in equity

For the year ended 31 December 2010

	Share capital £	Share premium £	Share options reserve £	Accumulated loss £	Total £
Balance at 1 January 2009	767,541	1,397,500	390,606	(1,273,979)	1,281,668
Loss for the year	–	–	–	(1,366,153)	(1,366,153)
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)
Balance at 1 January 2010	767,541	1,397,500	412,254	(2,640,132)	(62,837)
Loss for the year	–	–	–	(934,264)	(934,264)
Total comprehensive income	–	–	–	(934,264)	(934,264)
Share based payment	–	–	–	–	–
– employee services*	–	–	21,648	–	21,648
– cost of raising finance	–	–	124,094	–	124,094
Balance at 31 December 2010	767,541	1,397,500	557,996	(3,574,396)	(851,359)

Notes:

* See note 23 of the Group accounts for further details.

Company statement of cash flows

For the year ended 31 December 2010

	Company 2010 £	Company 2009 £
Cash flow from operating activities		
Loss after taxation	(934,264)	(1,366,153)
Adjustments:		
Finance costs	365,859	378,480
Amortisation of Directors' loan costs	–	378,156
Depreciation	17,316	19,937
Share based payments	145,742	21,648
Cash flows from operations before changes in working capital	(405,347)	(567,932)
Change in trade and other receivables	4,020,054	(2,566,324)
Change in trade and other payables	(147,050)	500,352
Cash (used) from operating activities	3,467,657	(2,633,904)
Interest paid	(490,042)	(291,371)
Cash flows from operating activities	2,977,615	(2,925,275)
Cash flows from investing activities		
Purchase of leasehold improvements	–	(3,815)
Purchase of plant and equipment	(6,235)	–
Cash flows from investment activities	(6,235)	(3,815)
Cash flows from financing activities		
Directors' loans (net of transaction costs)	(2,317,864)	300,000
Other short term borrowings	(650,000)	650,000
Cash flows from financing activities	(2,967,864)	950,000
Net increase/(decrease) in cash and cash equivalents	3,516	(1,979,090)
Cash and cash equivalents at 1 January 2010	51	1,979,141
Cash and cash equivalents at 31 December 2010	3,567	51

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 2010

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 £934,264 (2009: £1,366,153 loss).

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

C. Leasehold improvements

	Cost £	Accumulated depreciation £	Net £
At 1 January 2009	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
At 1 January 2010	100,520	(26,612)	73,908
Additions	–	–	–
Charge for the year	–	(9,821)	(9,821)
At 31 December 2010	100,520	(36,433)	64,087

Notes to the accounts – Company continued

For the year ended 31 December 2010

D. Plant and equipment

	Cost £	Accumulated depreciation £	Net £
Fixtures and fittings			
At 1 January 2009	40,097	(25,102)	14,995
Additions	–	–	–
Charge for the year	–	–	–
At 31 December 2009	40,097	(25,102)	14,995
Fixtures and fittings			
At 1 January 2010	40,097	(25,102)	14,995
Additions	6,235	–	6,235
Charge for the year	–	(7,495)	(7,495)
At 31 December 2010	46,332	(32,597)	13,735

E. Investment in subsidiaries

	Company 2010 £
At 1 January 2010	706,958
Additions	–
At 31 December 2010	706,958

The Company owned the following principal subsidiary and affiliated companies as at 31 December 2010, all of which are involved in development and investment in and the management of healthcare related properties:

Subsidiary Company	Country of Incorporation	Share class	% Holding
CareCapital Ltd	United Kingdom	Ordinary	100%
CareCapital (Folkestone) Ltd	United Kingdom	Ordinary	100%
Care Capital (Allesley) Ltd	United Kingdom	Ordinary	100%
Care Capital (West Wirral) Ltd	United Kingdom	Ordinary	100%
Care Capital (Southampton) Ltd [†]	United Kingdom	Ordinary	100%
Healthcare Property Company Wales Ltd	United Kingdom	Ordinary	50%
CareCapital Gesundheitsimmobilien Verwaltungs GmbH*	Germany	Ordinary	90%
CareCapital Gesundheitsimmobilien GmbH*	Germany	Ordinary	90%
Gesundheitszentrum Adlershof 1 GmbH & Co. KG*	Germany	Ordinary	90%
Gesundheitszentrum Adlershof 2 GmbH & Co. KG*	Germany	Ordinary	89%
Gesundheitszentrum Adlershof 2 Minderheitsbeteiligungs GmbH & Co. KG*	Germany	Ordinary	89%
Gesundheitszentrum Königs Wusterhausen 1 GmbH & Co. KG*	Germany	Ordinary	90%
Gesundheitszentrum Berlin – Neukölin 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%
Other subsidiaries disposed of during the year			
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%
Sinclair Montrose Properties Limited ^{††}	United Kingdom	Ordinary	100%

Associates

Advance Proton Holdings Limited	Jersey	Ordinary	23.5%
---------------------------------	--------	----------	-------

Notes:

* Indirectly held

† Disposed of in February 2010 – the results have been consolidated until the date of disposal

†† Name changed to CareCapital (Southampton) Limited

F. Trade and other receivables

	Company 2010 £	Company 2009 £
Current		
Amounts owed by subsidiary undertakings	646,976	4,725,206
VAT recoverable	32,378	–
Prepayments	131,612	105,814
Total	810,966	4,831,020

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 2010 £	Company 2009 £
Current		
Amounts owed to subsidiary undertakings	28,266	–
Trade payables	363,010	180,165
Other taxes and social security	–	311,235
Accruals and deferred income	77,262	247,368
Total	468,538	738,768

H. Borrowings

	Company 2010 £	Company 2009 £
Current		
Loan due to Group undertaking	–	650,000
Director's loan*	1,982,136	4,300,000
Total	1,982,136	4,950,000

Notes:

* See note 18 of the Group accounts.

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 M J Sinclair.

Related party transactions

CareCapital Group Plc supplied services to CareCapital Limited of £137,900 (2009: £134,400), PatientFirst Partnerships Limited of £3,000 (2009: £36,000) and Sinclair Montrose Properties Limited of £500 (2009: £6,000). These services related to the provision of office accommodation and associated services.

At 31 December 2010 CareCapital Group Plc had year end debtors of £646,976 (2009: £4,720,447) due from CareCapital Limited and £3,573 due to CareCapital (Folkestone) Limited (2009: £4,760) and £18,010 due to CareCapital (Allesley) Limited (2009: £nil).

Dr M J Sinclair provided a loan of £1,900,000 gross to CareCapital Group Plc and received interest of £328,746 during the period to 31 December 2010 (2009: £283,024).

Notes to the accounts – Company continued

For the year ended 31 December 2010

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.

Credit risk

There is a credit risk associated with the finance provided to CareCapital Limited insofar as adverse trading conditions or the realisation of assets at less than book value might impair CareCapital Limited's ability to repay the loan.

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 2010		Company 2009	
	Loans and receivables £	Amortised cost £	Loans and receivables £	Amortised cost £
Trade and other receivables	614,598	–	4,725,206	–
Cash and cash equivalents	3,567	–	51	–
Trade and other payables	–	(468,538)	–	(430,204)
Borrowings – current	–	(1,982,136)	–	(4,950,000)
Total	618,165	(2,450,674)	4,725,257	(5,380,204)

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 £614,598 (2009: £4,725,206).

Debt analysis

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

	Company 2010 £	Company 2009 £
Bank debt		
Director's loan (15% (2009: LIBOR +7%))	1,982,136	4,300,000
Other short term loans (average rate 24.5%)	–	650,000
	1,982,136	4,950,000

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 18 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 2010 £	Fair value 2010 £	Book value 2009 £	Fair value 2009 £
Trade and other receivables	677,795	677,795	4,789,625	4,789,625
Trade and other payables	(180,165)	(180,165)	(430,204)	(430,204)
Cash and cash equivalents	3,567	3,567	51	51
Director's loan	(1,982,136)	(1,982,136)	(4,300,000)	(4,300,000)
Other short term loans	–	–	(650,000)	(650,000)

Company information

Directors

Dr. Michael Sinclair *Executive Chairman*

Paul Stacey *Chief Executive*

Clive Hyman *Group Finance Director* (appointed 15 July 2010, resigned 31 August 2011)

Steve Wilden *Finance Director* (resigned 15 July 2010)

Keith Gibbs *Non-Executive Director**†

Lord David Evans *Non-Executive Director**†

Baroness Margaret McDonagh *Non-Executive Director**† (resigned 31 December July 2010)

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 (resigned 15 July 2010)

Dr. Ina Ottmann

Registered Office

6th Floor

54 Baker Street

London, W1U 7BU

Registered number

05564418 (England and Wales)

Nominated Adviser and Broker

Libertas

16 Berkeley Street

London, W1J 8DZ

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

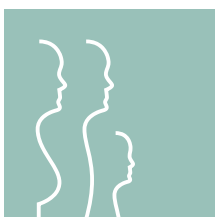
Head and registered office

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

T 020 7034 1949

F 020 7034 1941

E info@carecapital.co.uk



CareCapital