

CareCapital

CareCapital Group Plc
Annual Report 2007

Medical Centre



CareCapital Group Plc

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

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Group highlights

Highlights

- Profit before tax (“PBT”) of £1.65 million (2006: £1.46 million)
- Group rental income up 58% to £2.12 million (2006: £1.34 million)
- Portfolio value up 35% to £39.9 million (2006: £29.5 million)
- Net assets increased by 11.6% to £14.93 million (2006: £13.38 million)
- Adjusted diluted net asset value* (“NAV”) per share increased by 5% to 22.3p (2006: 21.25p)
- Appointment as preferred developer on two projects in England and three projects in Wales. (50% partner in Wales)
- Acquisition of two German health centres completed for a combined consideration of €9.2 million
- Significant development pipeline in place

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



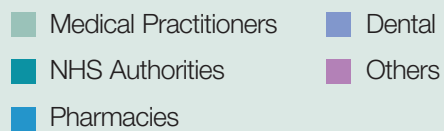
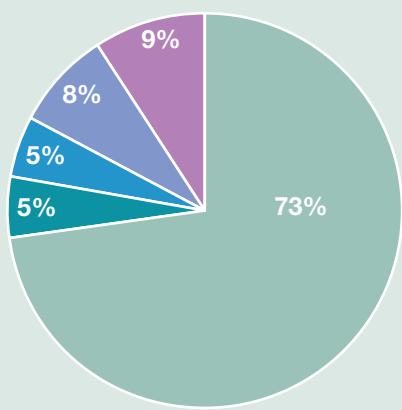
“2007 has been a successful year for the Group with significant progress on a number of our development projects, further acquisitions and progressed developments in Germany and selection as preferred developer on two projects in England and three in Wales (as a 50% partner with Gaufron Healthcare in HPC Wales). This success has continued into 2008.”

Dr. Michael Sinclair, Chairman

CareCapital at a glance

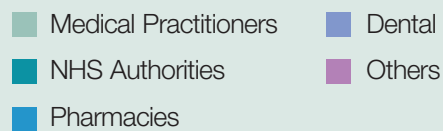
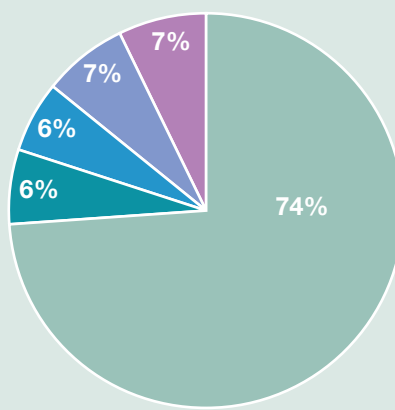
Occupation of property portfolio

Occupation of the Group's properties by tenant category, expressed as a % of floor area:



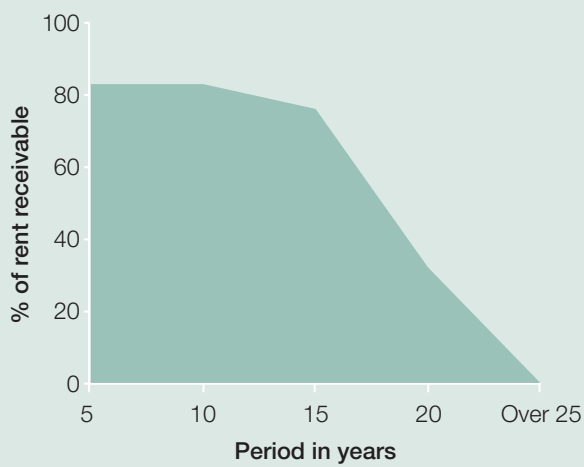
Tenants by annual rents

Analysis of Group portfolio in terms of rent roll by tenant category:



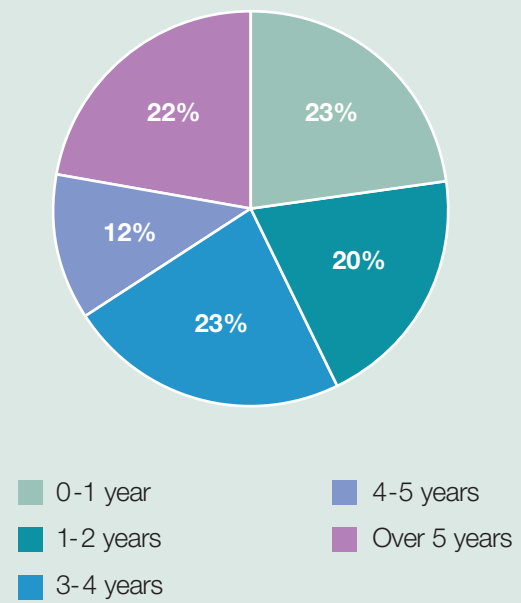
Security of income by lease term certain

Analysis of rental income by lease term certain:



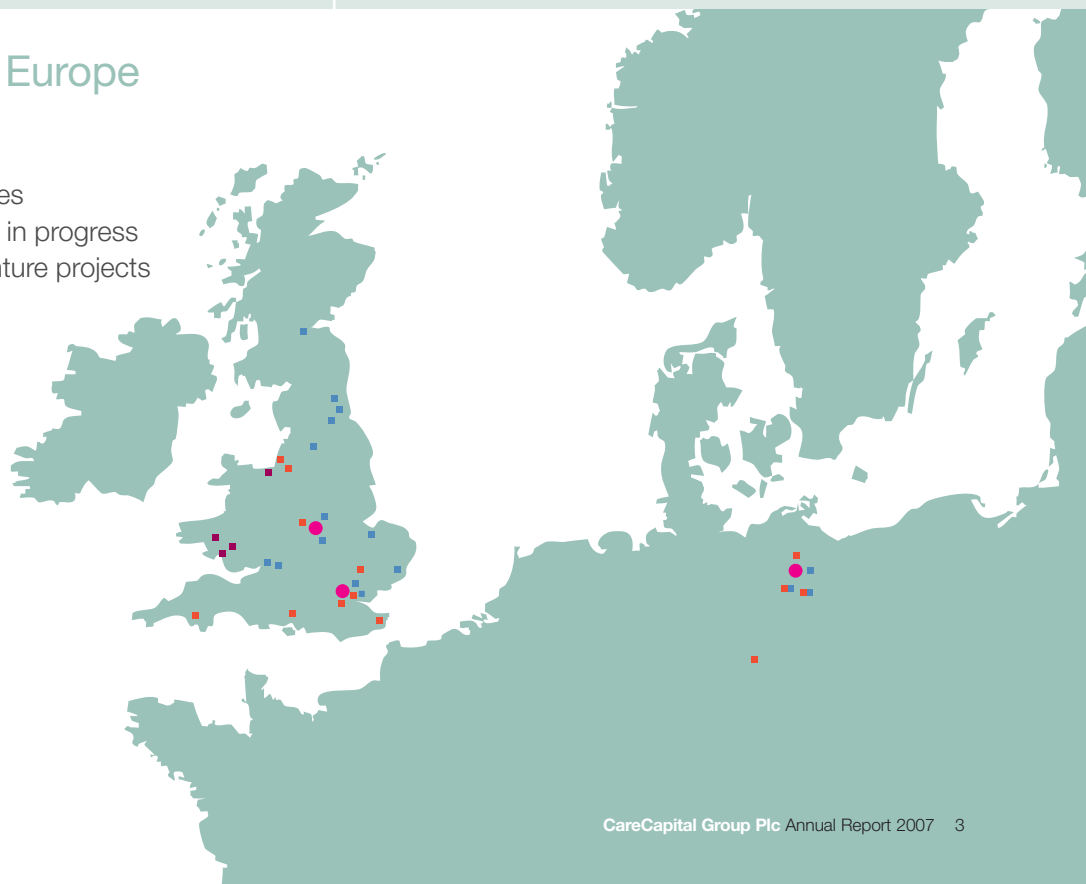
Rent reviews

The future rent review pattern by annual rent:



CareCapital in Europe

- CareCapital offices
- CareCapital properties
- CareCapital projects in progress
- CareCapital joint venture projects



Chairman's statement



Dr. Michael Sinclair
Chairman

“I believe this success stems from our track record of partnering our tenants and their sponsors for the long term, together with our experience of managing mixed economy, multi-tenanted buildings.”

I am pleased to present the 2007 financial results for CareCapital Group plc and report on the Group's activities during the year.

2007 has been a successful year for the Group with significant progress on a number of our development projects, further acquisitions and progressed developments in Germany and selection as preferred developer on two projects in England and three in Wales (as a 50% partner with Gaufron Healthcare in HPC Wales). This success has continued into 2008.

As a consequence of this activity the value of the completed portfolio of medical office buildings increased by 35% from £29.5 million to £39.9 million; profits before tax on continuing operations increased to £1.65 million (2006: £1.46 million). Profits after tax were £1.48 million; (2006: £0.68 million).

Independent revaluation reviews were conducted towards the end of the year on the portfolios in both the UK and Germany. As a consequence, there was a valuation surplus of £2.5 million. This surplus takes in to account the five rent reviews completed during 2007 which resulted in an average uplift in rents reviewed of 19.5%. Of course, there can be no guarantee that this level of increase will be sustained into the future.

We continue to progress our development pipeline in the UK with completion of the fit-out of our 1,200m² dental centre in Folkestone and a number of projects due to commence construction during 2008.

CareCapital is establishing itself as a significant participant in a European healthcare real estate market which is undergoing a fundamental transformation created by increasing Institutional interest. The Company is exploiting these changes by building and investing in a high quality, low risk portfolio characterised by modern purpose built facilities. Development risk is managed by reaching agreements with tenants in advance of making capital commitments.

In Germany we completed the acquisition of two medical office buildings in Berlin and commenced

construction on a 3,000m² project in Northern Bavaria. This is due for completion in December 2008. We have also completed the purchase of a development site in central Berlin and will commence construction in the summer of 2008 of a 3,600m² medical office building. Currently we have 88 tenants in our portfolio of 23 completed properties.

Whilst the majority of our development pipeline comes from referral and recommendation we continue to bid for competitively procured NHS projects. We have now been selected as preferred developer on six such projects with a capital value of £34 million. This means that the total value of projects now being progressed is £82 million. I believe this success stems from our track record of partnering our tenants and their sponsors for the long term, together with our experience of managing mixed economy, multi tenanted buildings.

As I have mentioned above our success rate, in 2007 and continuing into 2008, in securing preferred developer status in NHS competitive tenders has exceeded our expectations and the scale of these and other projects has grown significantly. This requires additional financing over and above that which was originally anticipated. Given the strength of the Company's' balance sheet, there are a number of options which we can pursue in order to raise the required equity element of this financing.

We have agreed terms to refinance the senior debt on our existing UK property portfolio, raising just under £4 million on competitive terms and are progressing the securing of further financing which will ensure our development pipeline can be progressed in line with current targets. In the event that the terms of such loan financing are not acceptable to the Company, I and the Chief Executive will underwrite a loan facility up to £4 million. Details of the loan finance option proposed by the Board will be circulated to shareholders for approval at an EGM later in the year.

2007 has been a year of considerable progress which has been due, in no small part, to our team of experienced and skilled staff.



Dr. Michael Sinclair

Chairman

25 June 2008

The total value of projects
being progressed is

£82 million





Paul Stacey
Chief Executive

“At 31 December the Group had 23 long term investment properties accommodating 88 Tenants”

Activities

The Group's principal activities are the development of and investment in healthcare related properties, predominantly in the Primary Care Sector. These business activities are conducted throughout the UK and in Germany. Development projects and acquisitions are secured by direct negotiation and by bids submitted in competitive tendering processes.

The Group is listed on the AIM Market of the London Stock Exchange.

The Group's revenues are derived from rents receivable on its investment properties, the income from the provision of facilities management services and development margin.

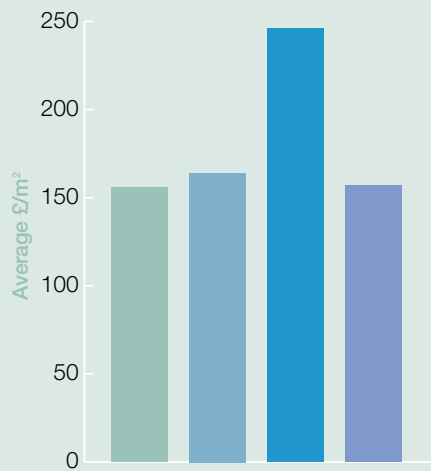
During 2007 the Group completed the acquisition of a 2,850m² medical office building in Königs Wusterhausen, a south eastern suburb of Berlin and a 2,865m² medical office building in Neukölln, central Berlin. At 31 December 2007 the number of fully let investment properties in Germany was three (2006: one) totalling 10,215m² (2006: 4,500m²) with 68 tenants (2006: 33 tenants). The tenants are predominantly medical practitioners but also include dentists, dental laboratories, pharmacies and other medical retailers.



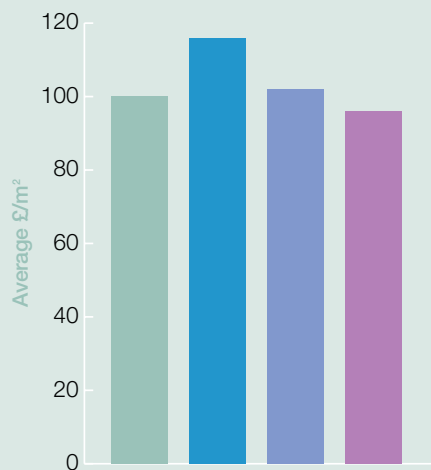
Rental levels

Average rents per m²
by tenant category:

UK



Germany



- Medical Practitioners
- NHS Authorities
- Pharmacies
- Dental
- Others



Above:
Some illustrations of CareCapital's development program in the UK. All of these are long term partnering projects which involve site assembly, design, construction, development and long term investment.

Property portfolio

At 31 December 2007 the Group had 23 long term investment properties accommodating 88 Tenants (2006: 21 properties, 53 Tenants); these properties are valued at £39.9 million (2006: £29.5 million). The UK properties were subject to an external desktop review of the valuation carried out in 2006 and the German portfolio was independently valued in November 2007.

Developments

At 31 December 2007 the Group was progressing 13 projects in the UK (2006: 7 projects) and 4 projects in Germany (2006: 2 projects). The estimated value of the current development programme on completion is £87 million (2006: £43.4 million).

Included in this programme is the dental centre in Folkestone and the development of a medical office building in Marktredwitz, Northern Bavaria, due to be completed before the end of 2008, together with the six projects where the Group is preferred developer as reported in the Chairman's statement. It is anticipated the current development programme will be completed by end 2010. In addition there are a number of pipeline projects in both the UK and Germany.

Disposals

As previously reported the property in Southampton providing patient hotel services was sold in April 2007 for £1.65 million against its book value of £1.5 million.

Rent reviews

Five rent reviews were completed during 2007 resulting in an uplift in rents receivable of £55,731. This represented an increase of 19.53% of the rents reviewed. (2006: increase £46,011; 14.84%).

“At 31 December 2007 the Group was progressing 13 projects in the UK and 4 in Germany.”

Development Financing

The Group increased its long term borrowings by £6.42 million during the year to 31 December 2007 (2006: £1.64 million). Debt financing in respect of development projects is sourced from a panel of banks and financial institutions on a project by project basis. Interest rate risk is mitigated through the use of hedging instruments and long term fixed rate borrowing.



Paul Stacey

Chief Executive

25 June 2008

Board of Directors CareCapital Group Plc



Dr. Michael Sinclair, Executive Chairman

Dr. Michael Sinclair 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 two other AIM listed companies: YooMedia Plc and Totally Plc.



Paul Stacey FCIS, Chief Executive

Paul Stacey qualified as a Chartered Secretary in 1971 and was admitted as a Fellow of the Institute of Chartered Secretaries in 1980.

Following management training with the Acrow Group Limited, he joined Nuffield Hospitals, where he worked for almost 20 years, as Deputy Secretary and later as Executive Director of Nuffield Healthcare.

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



Stephen Wilden FCA, Finance Director and Company Secretary

Stephen ("Steve") Wilden qualified as a chartered accountant with Josolyne Layton Bennett & Co in 1975, gaining industrial experience with TI Group Plc and Rockwell International Plc before joining Courtaulds Plc in 1982.

He held senior positions in a number of businesses and sectors, in the UK, USA and Italy. From 1997, he was Group Finance Director of Sinclair Montrose Healthcare Plc (SMH), which was admitted to AIM in 1996 before being taken to a Main Listing in 1998.

Steve left SMH in 2000 to jointly set up and become Chief Executive Officer of Staffing Ventures Plc, now renamed Supporta Plc. He joined CareCapital as Finance Director in 2004.



Keith Gibbs, Non Executive Director

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

Lord Evans began his career as an apprentice printer and in 1971 founded Centurion Press Group Limited, which was sold in 2004.

He currently holds directorships with several companies in publishing and insurance and is involved with various charities and institutes.

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

Baroness Margaret McDonagh, Non Executive Director

Margaret McDonagh was the first woman and youngest ever General Secretary of the Labour Party from 1998-2001. After 15 years at the Labour Party, Margaret stepped down to undertake new challenges in the private sector, taking a position as General Manager for Express Newspapers in 2001.

She has since established her own consultancy firm BBM, has held Non Executive Directorships on a number of company boards, including TBI Plc, Standard Life Plc and more recently, CareCapital, where she was appointed in April 2008.

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



Board of Directors CareCapital Limited

Allan Weiner, Executive Director CareCapital Limited

Allan Weiner is on the board of the main operating company, CareCapital Limited. Having spent 7 years as a management consultant with Roland Berger & Partners (from 1990), he subsequently gained experience in private equity, mainly with Speed Ventures, as an investment director in London and Stockholm.

In 2001 he set up a London based healthcare service operation called Euro Clinics, offering cardiovascular screening and echocardiography. Allan joined CareCapital Limited in 2004, becoming Managing Director of CareCatalyst and Executive Director of CareCapital Limited in 2006. He has an MBA from the Stockholm School of Economics.



Rick Hayes, Director UK Operations

Rick Hayes began his career in construction, forming Hayes Contractors in 1989. In 1993 he moved to Lovellford Contract Ltd as business development manager. He joined Ashley House Plc in 2000 as Regional Manager responsible for business development, site finding and evaluation and then Sapphire Primary Care Developments Ltd in 2003 as Regional Manager.

Rick joined CareCapital Limited in 2005 as Director of Medical Centre Developments with specific responsibility for Primary Care premises business development, including GP relationships. He also specialises in site finding and planning-related matters. In 2007 Rick became Director of UK Operations and a Director on the CareCapital Limited Board.



Directors' report

The Directors' present their report with the financial statements of the Group and the Company for the year ended 31 December 2007.

Principal activities

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

Results, business review and future developments

During the year the Group achieved a turnover on continuing operations of £2,115,026 (2006: £1,335,733). The profit before taxation was £1,653,878 (2006: £1,460,513), which was higher than Directors' expectations.

Following the closure of "The Manor House" Patient hotel in November 2006, the Company continued active discussions with healthcare organisations in respect of the provision of similar services from different locations. In the event, no other contracts were secured, and the decision was made to concentrate on other areas of activity. Consequently, the results in respect of the Patient Hotel activity have been shown as a discontinued operation. The Directors are confident that the Group will continue to develop in the coming year by concentrating on core activities and look forward to strong growth in rolling out the current project pipeline.

During the year the Group continued its expansion into Europe with the purchase of two further Medical facilities in Berlin complementing the purchase of the Adlershof medical centre in 2006.

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

The average rental yield on the new German investment properties acquired during 2007 was 8.1% (2006: 7.0%).

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

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; and
- competition from similar companies.

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 (2006: £nil). The profit 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 2007	At 31 December 2006
Dr M J Sinclair	50,000	–
P Q C Stacey	4,338,364	5,238,364
S K Wilden	100,000	–
Lord Evans	–	–
K G Gibbs	–	–

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

S K Wilden has options to acquire 881,408 ordinary shares at a price of £0.15 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 £0.29 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 £0.29 per share. These were granted on 13 September 2007 under the same terms as the second grant to S K Wilden.

Directors remuneration

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

	Base salary £	Car allowance £	Directors fee £	Pension £	Other benefits £	Total £
Dr M J Sinclair	35,000	–	–	–	–	35,000
P Q C Stacey	148,250	10,000	10,000	11,119	1,200	180,569
K G Gibbs	–	–	20,000	–	–	20,000
Lord Evans	–	–	20,000	–	–	20,000
S K Wilden	122,500	10,000	10,000	9,188	1,200	152,888

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

Substantial shareholdings

At 7 April 2008 CareCapital Group Plc had the following substantial shareholdings.

Sinclair Montrose Trust Limited	27.61%
Credo Capital Ltd	12.07%
Axa Framlington	8.69%
Solera Holdings Ltd	7.27%
Canada Life	3.69%

Group policy on payment of creditors

It is the Group's policy to agree terms of payment with suppliers, and to adhere to them. At the year end trade creditors were on average 25 days old (2006: 26 days).

Donations

The Group made charitable donations of £1,699 (2006: £nil) during the year.

Disabled persons

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

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

Statement of information provided to Auditors

Each of the Directors has confirmed that:

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

Financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates on borrowing. The Group enters into derivative transactions such as interest rate swaps and forward foreign exchange contracts in order to manage the risks arising from its activities. (see note 20).

Annual General Meeting

The notice convening the 2008 Annual General Meeting of the Company is distributed separately with the annual report to shareholders.

Corporate governance

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

The Board of Directors is responsible for approving Company policy and strategy. It meets at least every two months, and all major business or financial decisions are submitted for approval. The current Board consists of the executive Chairman, two executive Directors and 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) and K G Gibbs who are non executive Directors. The executive Directors and representatives of the Auditors attend Committee meetings by invitation.

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

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual 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, prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Company financial statements in accordance with those standards. The financial statements are required to 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of 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.

Approved by the Board of Directors and signed on behalf of the Board on 25 June 2008.



Dr. Michael Sinclair

Director

Independent Auditors' report

To the members of CareCapital Group Plc

We have audited the Group and parent Company financial statements ('the financial statements') of CareCapital Group PLC for the year ended 31 December 2007 which comprise the consolidated income statement and the consolidated and Company balance sheets, cash flow statements and statements of changes in equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information in the Directors' report includes that specific information presented in the business review that is cross referenced from the business review section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the business review and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' report is consistent with the financial statements.

PKF (UK) LLP

PKF (UK) LLP

Registered auditors

London, UK

25 June 2008

Consolidated income statement

For the year ended 31 December 2007

	Notes	Group 2007 £	Group 2006 £
Continuing operations			
Revenue	2	2,115,026	1,335,733
Cost of sales		(162,806)	(48,813)
Gross profit		1,952,220	1,286,920
Administrative expenses		(1,845,788)	(1,891,647)
Other operating income	4	126,180	–
Net surplus on revaluation of investment properties		2,507,319	3,528,023
Operating profit before exceptional items		2,739,931	2,923,296
Exceptional costs of AIM listing	3	–	(589,574)
Operating profit after exceptional items		2,739,931	2,333,722
Finance income	5	257,872	186,608
Finance costs	6	(1,351,164)	(1,088,898)
Change in fair value of financial instruments		7,239	29,081
Net finance costs		(1,086,053)	(873,209)
Profit before tax		1,653,878	1,460,513
Taxation	7	(144,290)	(1,029,967)
Profit on ordinary activities after taxation		1,509,588	430,546
Discontinued operations			
(Loss)/profit from discontinued operations		(27,965)	247,277
Profit for the period			
– attributable to equity shareholders		1,353,187	677,823
– attributable to minority interest		128,436	–
		1,481,623	677,823
Earnings per ordinary share			
Basic		1.76p	0.93p
– continuing operations		1.76p	0.59p
– discontinued operations		–	0.34p
Diluted		1.72p	0.92p
– continuing operations		1.72p	0.58p
– discontinued operations		–	0.34p
Weighted average number of shares (000)	10	76,754	73,197

Consolidated balance sheet

As at 31 December 2007

	Notes	Group 2007 £	Group 2006 £
Non-current assets			
Intangible assets	11	1,950,075	1,751,959
Investment properties	12	39,931,316	29,517,118
Development properties	12	2,888,297	504,916
Leasehold improvements	13	89,315	–
Plant and equipment	14	56,467	28,156
		44,915,470	31,802,149
Current assets			
Trade and other receivables	15	546,145	567,160
Cash and cash equivalents		118,680	2,321,933
		664,825	2,889,093
Non-current assets classified as held for sale	16	–	1,500,000
Total assets		45,580,295	36,191,242
Current liabilities			
Trade and other payables	17	(790,472)	(1,091,623)
Tax liabilities		–	(292)
Borrowings, including finance leases	18	(2,393,676)	(340,878)
Derivative financial instruments	20	(92,256)	(99,495)
		(3,276,404)	(1,532,288)
Non-current liabilities			
Borrowings, including finance leases	18	(24,745,982)	(18,329,421)
Deferred tax	19	(2,627,615)	(2,249,127)
		(27,373,597)	(20,578,548)
Liabilities directly associated with non-current assets held for sale	16	–	(702,735)
Total liabilities		(30,650,001)	(22,813,571)
Net assets		14,930,294	13,377,671
Equity			
Share capital	21	767,541	767,541
Reverse acquisition reserve	23	11,038,204	11,038,204
Share option reserve	24	209,332	143,055
Share premium account	25	1,397,500	1,397,500
Profit and Loss account		1,388,611	31,371
Equity shareholders interest		14,801,188	13,377,671
Minority interest		129,106	–
Total equity		14,930,294	13,377,671

These consolidated financial statements have been approved and were authorised for issue by the Board of Directors on 25 June 2008.



P Q C Stacey
Chief Executive



S K Wilden
Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2007

	Total £	Share capital £	Share premium £	Share options reserve £	Reverse acquisition reserve £	Profit and loss account £	Minority interest £
Balance at 1 January 2006	11,162,666	706,958	–	63,956	11,038,204	(646,452)	–
Profit for the year	677,823	–	–	–	–	677,823	–
Total recognised income and expenditure	11,840,489	706,958	–	63,956	11,038,204	31,371	–
Issue of share capital (net)	1,447,500	50,000	1,397,500	–	–	–	–
Cost of acquisition	10,583	10,583	–	–	–	–	–
Share based payment – employee services *	59,099	–	–	59,099	–	–	–
– services received	20,000	–	–	20,000	–	–	–
Balance at 31 December 2006	13,377,671	767,541	1,397,500	143,055	11,038,204	31,371	–
Balance at 1 January 2007	13,377,671	767,541	1,397,500	143,055	11,038,204	31,371	–
Exchange rate movement	4,503	–	–	–	–	4,053	450
Profit for the year	1,481,623	–	–	–	–	1,353,187	128,436
Total recognised income and expenditure	14,863,797	767,541	1,397,500	143,055	11,038,204	13,886,611	128,886
Share based payment – employee services *	66,277	–	–	66,277	–	–	–
Minority interest in subsidiary	220	–	–	–	–	–	220
Balance at 31 December 2007	14,930,294	767,541	1,397,500	209,332	11,038,204	1,388,611	129,106

*See note 22 for further details.

Consolidated cash flow statement

For the year ended 31 December 2007

	Group 2007 £	Group 2006 £
Cash flows from operating activities		
Profit after taxation	1,481,623	677,823
Adjustments:		
Taxation	144,290	1,029,967
Change in fair value of financial instruments	(7,239)	(29,081)
Finance costs	1,351,164	1,088,898
Finance income	(257,872)	(186,608)
Unrealised net revaluation gains on investment properties	(2,507,319)	(3,528,023)
Profit on sale of property	(126,180)	–
Depreciation	33,709	33,005
Write off of development costs incurred	15,456	40,261
Share based payments	66,277	79,099
Cash flows from operations before changes in working capital	193,909	(794,659)
Change in inventories	–	1,200
Change in trade and other receivables	13,325	(187,829)
Change in trade and other payables	(281,429)	405,544
Cash generated/(used) from operations	(74,195)	(575,744)
Interest paid	(1,338,024)	(1,088,898)
Cash flows from operating activities	(1,412,219)	(1,664,642)
Cash flows from investing activities		
Purchase of intangible assets	(198,116)	–
Purchase of investment property	(7,349,714)	(6,058,524)
Sale of non-current asset held for sale	1,626,180	–
Capital expenditure on development properties	(2,398,837)	(481,960)
Purchase of leasehold improvements	(96,305)	–
Purchase of plant and equipment	(55,470)	(14,293)
Sale of plant and equipment	440	–
Interest received	59,564	186,608
Cash flows from investing activities	(8,412,258)	(6,368,169)
Cash flows from financing activities		
New mortgage loans raised (net)	6,519,028	5,129,723
Repayment of loans	(403,651)	(312,664)
Repayment of finance leases	(8,041)	(18,434)
Repayment of loan on non-current asset held for sale	(468,539)	–
Repayment of investor's loan	–	(2,857,092)
Proceeds on issue of new shares	–	1,458,083
Cash flows from financing activities	5,638,797	3,399,616
Net decrease in cash and cash equivalents	(4,185,680)	(4,633,195)
Cash and cash equivalents at 1 January	2,321,933	6,955,128
Cash and cash equivalents at 31 December	(1,863,747)	2,321,933

Principal accounting policies – Group

For the year ended 31 December 2007

(a) Accounting convention and basis of preparation

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

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

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

There were a number of rent reviews during the course of 2008, following which the valuations of the relevant properties were rebased on the basis of a 5.5% yield. The revaluation gain arising of £1.0 million was booked to the income statement. German properties were revalued during December 2008 by professional valuers, and a revaluation gain of £2.5 million was taken to the income statement.

The Directors have taken advantage of the exemption offered by Section 230 of the Companies Act not to present a separate income statement for the parent Company. The financial statements have been prepared on the historical cost basis modified to include certain assets at fair value.

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

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

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

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

(b) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Goodwill

Goodwill arising on acquisition of Group undertakings is carried as an intangible asset at cost less accumulated impairment losses. An impairment review is carried out annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed (see note 11).

(d) Investment properties

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

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

(e) Development properties

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

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

(f) Depreciation

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

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

(g) Non-current assets held for sale

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

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

(h) Trade and other receivables

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

(i) Trade and other payables

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

(j) Cash and cash equivalents

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

(k) Revenue recognition

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

(l) Exceptional items

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

Principal accounting policies – Group continued

For the year ended 31 December 2007

(m) Income taxes

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

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

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

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

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

(n) Pensions

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

(o) Share based payments

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

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

(p) Foreign currencies

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

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

(q) Other operating income

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

(r) Financial instruments

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

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

(s) Equity instruments

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

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to complete for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Leases

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

Group as lessee

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

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

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

Group as lessor

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

No assets are leased out under finance leases.

(v) Segmental reporting

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

(w) New standards

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

(x) New standards issued but not yet effective

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

Notes to the accounts – Group

For the year ended 31 December 2007

1 Discontinued operations

As noted in the Directors' report, the Company, having not been successful in securing further Patient Hotel management contracts after the closure of its "Manor House" facility, decided to concentrate on its core development activities.

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

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

2 Geographical segments

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

3 Exceptional costs

	Group 2007 £	Group 2006 £
External costs associated with the listing of the Group on AIM	–	589,574

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

4 Profit on ordinary activities before taxation

	Group 2007 £	Group 2006 £
Profit on ordinary activities before taxation is arrived at after charging		
Staff costs (see note 8)	1,437,290	1,392,446
Depreciation – owned assets	33,709	16,968
Depreciation – assets held under finance leases	–	16,037
Other operating income	(126,180)	(251,418)
Operating lease costs	109,646	48,793
Amounts payable to the Company's auditors and their associates for:		
– audit of the Company's annual accounts	9,000	7,000
– audit of the Company's subsidiaries	51,552	21,000
– taxation services	41,652	22,575
– corporate finance services	–	99,987
– other services	44,736	10,700

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

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

5 Finance income

	Group 2007 £	Group 2006 £
Interest receivable on money market deposits	51,874	183,222
Exchange rate gains	205,998	3,386
	257,872	186,608

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

6 Finance costs

	Group 2007 £	Group 2006 £
Interest payable:		
On bank overdrafts and loans	11,876	–
On mortgage finance	1,339,288	986,651
On loan from participating interest	–	102,247
Interest payable	1,351,164	1,088,898

Notes to the accounts – Group continued

For the year ended 31 December 2007

7 Taxation on profit for ordinary activities

(a) The tax charge comprises	Group 2007 £	Group 2006 £
Current tax		
UK corporation tax on loss for the period	–	–
Deferred tax	144,290	1,029,967
	144,290	1,029,967

(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 (30%).

The differences are explained below:

	Group 2007 £	Group 2006 £
Profit/(loss) on ordinary activities before tax	1,653,878	1,460,513
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	496,163	438,154
Effects of:		
Permanent differences	53,504	172,200
Capital allowances in excess of depreciation	(71,252)	(34,725)
Unprovided losses carried forward/(utilised)	81,453	454,338
Tax impact of capital disposal	(37,855)	–
Lower rates of taxation	(377,723)	–
Current tax charge for period	144,290	1,029,967

(c) Unprovided deferred tax assets at 28% (2006: 30%)	Group 2007 £	Group 2006 £
Losses carried forward	(2,332,711)	(1,976,358)
Accelerated capital allowances	138,785	86,538
Deferred tax (asset)/liability	(2,193,926)	(1,889,820)

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

8 Staff costs

	Group 2007 £	Group 2006 £
Wages and salaries	1,168,675	1,155,908
Social security costs	131,746	128,620
Other pension costs	70,592	48,819
Share based payment	66,277	59,099
	1,437,290	1,392,446

Details of employee share options are set out in note 21.

The average number of persons employed during 2007 was 16 (2006: 22), categorised as follows:

	Group 2007	Group 2006
Managerial	4	3
Operational	8	7
Administrative	4	3
Discontinued activities	–	9
	16	22

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

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

9 Pensions

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

Notes to the accounts – Group continued

For the year ended 31 December 2007

10 Earnings per share

Basic earnings per share

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

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

Diluted earnings per share

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

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

Adjusted earnings per share

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

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

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

11 Intangible assets

	Goodwill £
At 31 December 2006 and 31 December 2005	1,751,959
Acquired during the year	198,116
Amortisation	–
At 31 December 2007	1,950,075

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

Prior to the injection of funds from CareCapital Ltd the acquired company had developments in progress of £715.4k, other assets of £51.5k, net development loans of £492.0k, bank borrowings of £469.3k and other liabilities of £3.7k. This gave goodwill of £198.1k which had arisen owing to early stage project expenditure and the securing of tenants for the completed development.

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

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

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

12 Investment and development properties

	Freehold £	Leasehold over 50 years £	Total £
Investment properties			
At 31 December 2005	20,543,346	884,615	21,427,961
Additions	6,058,524	–	6,058,524
Disposals	–	–	–
Transfers from development properties	2,610	–	2,610
Transfers to non-current assets held for resale	(1,500,000)	–	(1,500,000)
Foreign exchange fluctuations	–	–	–
Surplus on valuation	3,372,638	155,385	3,528,023
At 31 December 2006	28,477,118	1,040,000	29,517,118
Investment properties			
At 31 December 2006	28,477,118	1,040,000	29,517,118
Additions	7,349,714	–	7,349,714
Reclassification	(2,208,000)	2,208,000	–
Foreign exchange fluctuations	557,165	–	557,165
Surplus on valuation	2,507,319	–	2,507,319
At 31 December 2007	36,683,316	3,248,000	39,931,316

Notes to the accounts – Group continued

For the year ended 31 December 2007

12 Investment and development properties continued

	Freehold £	Leasehold over 50 years £	Total £
Development properties			
At 31 December 2005	56,717	7,500	64,217
Additions	98,596	383,364	481,960
Transfers to investment properties	(2,610)	–	(2,610)
Costs written off	(38,651)	–	(38,651)
At 31 December 2006	114,052	390,864	504,916
Development properties			
At 31 December 2006	114,052	390,864	504,916
Additions	2,023,523	375,314	2,398,837
Costs written off	(15,456)	–	(15,456)
At 31 December 2007	2,122,119	766,178	2,888,297
Total investment and development properties			
At 31 December 2006	28,591,170	1,430,864	30,022,034
At 31 December 2007	38,805,435	4,014,178	42,819,613
Geographical analysis			
	UK £	Germany £	Total £
Investment properties	23,458,594	6,058,524	29,517,118
Development properties	504,916	–	504,916
At 31 December 2006	23,963,510	6,058,524	30,022,034
Geographical analysis			
Investment properties	24,487,950	15,443,366	39,931,316
Development properties	1,673,377	1,214,920	2,888,297
At 31 December 2007	26,161,327	16,658,286	42,819,613

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

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

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

Expenditure on projects in course of development is recognised at cost until the property is completed and transferred to investment properties. (see principal accounting policies (e).) Under this policy, the amount of attributable internal costs included within the total cost of development properties of £2,888,297 was £468,551 (2006: £nil).

The historical cost of investment properties at 31 December 2007 was £29,827,413 (2006: £21,936,333). Development properties are stated at historical cost.

13 Leasehold improvements

	Cost £	Accumulated depreciation £	Net £
At 31 December 2006 and 31 December 2005	–	–	–
Additions	96,305	–	96,305
Charge for the year	–	(6,990)	(6,990)
At 31 December 2007	96,305	(6,990)	89,315

14 Plant and equipment

	Cost £	Accumulated depreciation £	Net £
Fixtures and fittings			
At 31 December 2005	87,164	(63,749)	23,415
Additions	7,129	–	7,129
Disposals	(11,348)	11,347	(1)
Charge for the year	–	(19,614)	(19,614)
At 31 December 2006	82,945	(72,016)	10,929
Computer equipment			
At 31 December 2005	35,427	(11,974)	23,453
Additions	7,171	–	7,171
Disposals	(3,821)	3,815	(6)
Charge for the year	–	(13,391)	(13,391)
At 31 December 2006	38,777	(21,550)	17,227
	Cost £	Accumulated depreciation £	Net £
Fixtures and fittings			
At 31 December 2006	82,945	(72,016)	10,929
Additions	39,929	–	39,929
Disposals	(70,459)	70,459	–
Charge for the year	–	(9,232)	(9,232)
At 31 December 2007	52,415	(10,789)	41,626
Computer equipment			
At 31 December 2006	38,777	(21,550)	17,227
Additions	15,541	–	15,541
Disposals	(2,838)	2,398	(440)
Charge for the year	–	(17,487)	(17,487)
At 31 December 2007	51,480	(36,639)	14,841
Net book value at 31 December 2006	121,722	(93,566)	28,156
Net book value at 31 December 2007	103,895	(47,428)	56,467

Notes to the accounts – Group continued

For the year ended 31 December 2007

15 Trade and other receivables

	Group 2007 £	Group 2006 £
Amounts falling due within one year		
Trade receivables	151,825	360,232
VAT recoverable	37,370	144,931
Other receivables	105,034	19,726
Prepayments	251,916	42,271
	546,145	567,160

16 Non-current assets classified as held for sale and directly associated liabilities

	Group 2007 £	Group 2006 £
Non-current assets		
Freehold property transferred from Investment property	–	1,500,000
Total non-current assets	–	1,500,000
Directly associated liabilities		
Bank loans:		
– falling due within one year	–	103,632
– falling due after one year	–	364,907
Deferred tax provision	–	234,196
Total directly associated liabilities	–	702,735

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

17 Trade and other payables

	Group 2007 £	Group 2006 £
Amounts falling due within one year		
Trade payables	205,327	138,888
VAT payable	11,018	149,651
Other taxes and social security	70,253	62,739
Other payables	10,988	150,356
Accruals and deferred income	492,886	589,989
Total	790,472	1,091,623

18 Borrowings, including finance leases

	Group 2007 £	Group 2006 £
Amounts falling due within one year		
Bank overdraft	1,982,427	–
Bank loans	411,249	332,837
Finance lease obligations	–	8,041
Total amounts due within one year	2,393,676	340,878
Amounts falling due after more than one year		
Bank loans	24,745,982	18,329,421
Amounts falling due after more than one year:	24,745,982	18,329,421
Total borrowings including finance leases	27,139,658	18,670,299
Cash and cash equivalents	(118,680)	(2,321,933)
Net borrowings	27,020,978	16,348,366
The maturity profile of gross debt is as follows		
Repayable within one year	2,393,676	340,878
Repayable in more than one year but not more than two years	426,123	346,748
Repayable in more than two years but not more than three years	442,551	365,416
Repayable in more than three years but not more than four years	460,113	385,410
Repayable in more than four years but not more than five years	478,894	406,827
Repayable after more than five years	22,938,301	16,825,020
Total borrowings	27,139,658	18,670,299

19 Deferred tax liabilities

Income taxes

Under IAS 12 (Income taxes) provision is made for the deferred tax liability associated with the revaluation of investment properties. As the Group currently has no intention to dispose of its investment properties, it has provided for deferred tax on the revaluation of investment properties by applying the standard corporation tax rate of 28% (2006: 30%) to the surplus on UK properties without indexation allowance. The appropriate composite tax rate for the German investment properties is 16.27%.

Analysis of deferred tax:

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

The taxation charge of £144,290 (see note 7) in the income statement is calculated after the release of the deferred tax provision of £234,196 on the sale of the property held for resale at 31 December 2006, which is no longer required (see note 16).

Notes to the accounts – Group continued

For the year ended 31 December 2007

20 Financial instruments

Treasury policy

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

Interest rate risk

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

Exchange rate risk

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

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

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

Liquidity risk

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

Credit risk

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

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

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

Management of risks

This risk is managed as follows:

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

20. Financial instruments continued

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

	Group 2007			Group 2006		
	Fair value through profit and loss £	Loans and receivables £	Amortised cost £	Fair value through profit and loss £	Loans and receivables £	Amortised cost £
Trade and other receivables	–	294,229	–	–	524,889	–
Cash and cash equivalents	–	118,680	–	–	2,321,933	–
Trade and other payables	–	–	(790,472)	–	–	(1,091,623)
Borrowings – current	–	–	(2,393,676)	–	–	(340,878)
Borrowings – non-current	–	–	(24,475,982)	–	–	(18,329,421)
Borrowings directly associated with assets held for resale	–	–	–	–	–	(468,539)
Derivative financial instruments	(92,256)	–	–	(99,495)	–	–
	(92,256)	412,909	(27,660,130)	(99,495)	2,846,822	(20,230,461)

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

Debt analysis

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

	Group 2007 £	Group 2006 £
Sterling denominated		
Overdraft at 1.5% over base rate	1,982,427	–
Fixed (average rate 7.1%)	11,233,160	11,417,241
Floating hedged by swap instruments (average hedged rate 6.45%)	2,073,349	2,115,297
Euro denominated		
Floating with rates capped at 4.5% or 4.9%	11,850,722	5,129,720
	27,139,658	18,662,258
Current liabilities		
Financial instruments	92,256	99,495

Representing fair value of swap instruments held by the Group.

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

Fair values of financial assets and financial liabilities

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

	Book value 2007 £	Fair value 2007 £	Book value 2006 £	Fair value 2006 £
Trade and other receivables	546,145	546,145	567,160	567,160
Trade and other payables	(790,472)	(790,472)	(1,091,623)	(1,091,623)
Cash and cash equivalents	118,680	118,680	2,321,933	2,321,933
Bank overdraft	(1,982,427)	(1,982,427)	–	–
Bank debt	(13,306,509)	(14,236,658)	(13,532,538)	(14,671,479)
Financial instruments	(92,256)	(92,256)	(99,495)	(99,495)

Notes to the accounts – Group continued

For the year ended 31 December 2007

21 Share capital

	2007 £	2006 £
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

Options to subscribe for ordinary shares of 1 pence each

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

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

Capital management

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

22 Share based payments

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

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

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

Summary of financial assumptions used for the pricing model

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

All options are expected to vest.

22 Share based payments continued

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

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 2007	Share options held at 31 December 2006	Option price	Exercise period
4,271,436	4,271,436	15p	01/12/2007 to 01/12/2014
2,700,000	2,700,000	29p	12/09/2011 to 13/09/2018

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

	Weighted average exercise price 2007	Number of options 2007	Weighted average exercise price 2006	Number of options 2006
Outstanding at the beginning of the period	15p	4,271,436	15p	4,271,436
Lapsed during the period		–		–
Granted during the period	29p	2,700,000		–
Outstanding at the end of the period	20.4p	6,971,436	15p	4,271,436
Exercisable at the end of the period		4,271,436		–

The options outstanding at 31 December 2007 have an exercise price in the range of 15 pence to 29 pence (2007: 15 pence) and a weighted average contractual life of 8.00 years (2006: 7.92 years)

23 Reverse acquisition reserve

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

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

24 Share option reserve

The share option reserve of £209,332 (2006: £143,055) arises owing to the provision in respect of IFRS 2 "Share based payments" as set out in note 22.

25 Share premium account

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

26 Capital commitments

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

27 Contingent liabilities

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

28 Related party transactions

There were no related party transactions during the year.

29 Operating leases

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

	£
Not later than one year	109,650
Later than one year and not later than five years	319,812
Later than five years	–

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

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

Company balance sheet

As at 31 December 2007

	Notes	Company 2007 £	Company 2006 £
Non-current assets			
Investment in Group companies	5	706,958	706,958
Leasehold Improvements		89,315	–
Plant and equipment		34,188	–
		830,461	706,958
Current assets			
Trade and other receivables	6	1,034,831	1,275,414
Cash and cash equivalents		–	–
		1,034,831	1,275,414
Total assets		1,865,292	1,982,372
Current liabilities			
Trade and other payables	7	(80,057)	(42,612)
Tax liabilities		–	–
Borrowings, including finance leases	8	(195,070)	(8,015)
Total liabilities		(275,127)	(50,627)
Net assets		1,590,165	1,931,745
Equity			
Share capital		767,541	767,541
Share premium account		1,397,500	1,397,500
Profit and loss account		(784,208)	(376,351)
Share option reserve		209,332	143,055
Total equity		1,590,165	1,931,745

These financial statements have been approved and were authorised for issue by the Board of Directors on 25 June 2008.



P Q C Stacey
Chief Executive



S K Wilden
Finance Director

Company statement of changes in equity

For the year ended 31 December 2007

	Total £	Share capital £	Share premium £	Share options reserve £	Profit and loss account £
Balance at 1 January 2006	–	–	–	–	–
Loss for the year	(376,351)	–	–	–	(376,351)
Share capital issued on incorporation	706,958	706,958	–	–	–
Share based payment provision on conversion to IFRS	63,956	–	–	63,956	–
Issue of share capital (net)	1,447,500	50,000	1,397,500	–	–
Cost of acquisition	10,583	10,583	–	–	–
Share based payment					
– employee services*	59,099	–	–	59,099	–
– services received	20,000	–	–	20,000	–
Balance at 31 December 2006	1,931,745	767,541	1,397,500	143,055	(376,351)
Balance at 1 January 2007	1,931,745	767,541	1,397,500	143,055	(376,351)
Loss for the year	(407,857)	–	–	–	(407,857)
Total recognised income and expenditure	1,523,888	767,541	1,397,500	143,055	(784,208)
Share based payment					
– employee services*	66,277	–	–	66,277	–
Balance at 31 December 2007	1,590,165	767,541	1,397,500	209,332	(784,208)

*See note 22 in Group notes.

Company cash flow statement

For the year ended 31 December 2007

	Company 2007 £	Company 2006 £
Cash flows from operating activities	(407,857)	(312,395)
Profit after taxation		
Adjustments		
Depreciation	11,954	–
Share based payments	66,277	79,099
Cash flows from operations before changes in working capital	(329,626)	(233,296)
Change in trade and other receivables	240,583	(1,275,414)
Change in trade and other payables	37,445	42,612
Cash flows from operating activities	(51,598)	(1,466,098)
Cash flows from investing activities		
Purchase of leasehold improvements	(96,305)	–
Purchase of plant and equipment	(39,152)	–
Cash flows from investing activities	(135,457)	–
Cash flows from financing activities		
Proceeds on issue of new shares	–	1,458,083
Cash flows from financing activities	–	1,458,083
Net increase in cash and cash equivalents	(187,055)	(8,015)
Cash and cash equivalents at 1 January	(8,015)	–
Cash and cash equivalents at 31 December	(195,070)	(8,015)

Notes to the accounts – Company

For the year ended 31 December 2007

1 Principal accounting policies

(a) Company

The separate financial statements of the Company are presented as required by the Companies Act 1985 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.

(b) Interests in subsidiary undertakings

Interests in subsidiary undertakings are carried in the Company's balance sheet at cost less, where appropriate, provisions for impairment, in accordance with IAS 27 Consolidated and Separate Financial Statements.

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 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 account.

2 Company results

As permitted by Section 230 of the Companies Act 1985, the income statement for the parent Company is not presented as part of these financial statements.

The parent Company's loss for the financial year was £407,857 (2006: £376,351).

The audit fee for the Company is set out in note 4 of the Group's financial statements.

The following Directors received the following remuneration from the Company. Total remuneration from the Group is set out in note 8 of the Group's financial statements.

	2007 £	2006 £
Dr M J Sinclair	35,000	14,583
P Q C Stacey	10,000	4,167
S K Wilden	10,000	4,167
Lord Evans	20,000	8,333
K Gibbs	20,000	8,333

3 Leasehold improvements

	Cost £	Accumulated depreciation £	Net £
At 31 December 2006 and 31 December 2005	–	–	–
Additions	96,305	–	96,305
Charge for the year	–	(6,990)	(6,990)
At 31 December 2007	96,305	(6,990)	89,315

4 Plant and equipment

	Cost £	Accumulated depreciation £	Net £
Fixtures and fittings			
At 31 December 2006 and 31 December 2005	–	–	–
Additions	39,152	–	39,152
Charge for the year	–	(4,964)	(4,964)
At 31 December 2007	39,152	(4,964)	34,188

5 Investment in Group companies

	Company 2007 £
At 31 December 2005	–
Additions	706,958
At 31 December 2006	706,958
At 31 December 2006	706,958
Additions	–
At 31 December 2007	706,958

The Company owned the following principal subsidiary companies as at 31 December 2007:

Company	Country of Incorporation	Share Class	% Holding
CareCapital Limited	United Kingdom	Ordinary	100%
CareCapital (Folkstone) Ltd	United Kingdom	Ordinary	100%
PatientFirst Partnerships Limited	United Kingdom	Ordinary	100%
PatientFirst (Burnley) Limited	United Kingdom	Ordinary	100%
PatientFirst (Hinckley) Limited	United Kingdom	Ordinary	100%
PatientFirst (Wingate) Limited	United Kingdom	Ordinary	100%
PatientFirst (Leamington Spa) Limited	United Kingdom	Ordinary	100%
Healthcare Property Company Wales Ltd	United Kingdom	Ordinary	50%
Sinclair Montrose Properties Limited	United Kingdom	Ordinary	100%
CareCapital Gesundheits-immobilien Vervaltungs GmbH	Germany	Ordinary	90%
CareCapital Gesundheitsimmobilien GmbH	Germany	Ordinary	90%
Gesundheitszentrum Adlershof 1 GmbH & Co. KG	Germany	Ordinary	90%
Gesundheitszentrum Königs Wusterhausen 1 GmbH & Co. KG	Germany	Ordinary	90%
Gesundheitszentrum Berlin – Neukölln GmbH & Co. KG	Germany	Ordinary	90%
Gesundheitszentrum Berlin – Pankow GmbH & Co. KG	Germany	Ordinary	90%
Schütz Bau GmbH & Co. Projektgesellschaft Atztehaus am klinikum Fichtelgebirge KG	Germany	Ordinary	85%

Notes to the accounts – Company continued

For the year ended 31 December 2007

6 Trade and other receivables

	Company 2007 £	Company 2006 £
Amounts falling due within one year:		
Trade receivables	705	–
Amounts owed by subsidiary undertakings	898,428	1,227,473
VAT recoverable	16,667	32,381
Other receivables	–	3,810
Prepayments	119,031	11,750
Total trade and other receivables	1,034,831	1,275,414

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.

7 Trade and other payables

	Company 2007 £	Company 2006 £
Amounts falling due within one year:		
Trade payables	40,948	24,178
Other taxes and social security	2,500	2,851
Accruals and deferred income	36,609	15,583
	80,057	42,612

8 Borrowings

	Company 2007 £	Company 2006 £
Amounts falling due within one year:		
Bank overdraft	195,070	–
Finance leases	–	8,015
	195,070	8,015

9 Related party transactions

Identity of related parties

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

Related party transactions

CareCapital Group Plc supplied services to CareCapital Limited of £100,800 (2006: nil), PatientFirst Partnerships Limited of £33,840 (2006: nil) and Sinclair Montrose Properties Limited of £10,800 (2006: nil). These services related to the provision of office accommodation and associated services.

10 Financial instruments

The Company's policies with regard to financial instruments are in line with those for the Group (see note 20 of the Group's financial statements).

Notice of Annual General Meeting

NOTICE is hereby given that the annual general meeting of the Company will be held at 10.00 a.m. at 6th floor, 54 Baker Street, London, W1U 7BU on 28 July 2008 for the purpose of considering and, if thought fit, passing the following resolutions which will be Ordinary Business of the Meeting and will be proposed as Ordinary Resolutions.

Ordinary Business

1. To receive and adopt the audited accounts for the Company for the year ended 31 December 2007 and the reports of the Directors and auditors thereon.
2. To re-appoint Baroness Margaret McDonagh as a director of the Company, who having filled a casual vacancy retires by rotation in accordance with the Company's Articles of Association and who, being eligible, offers herself for re-election.
3. To re-appoint PKF (UK) LLP, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix the remuneration of the auditors of the Company.

By order of the Board

Stephen Wilden
Company Secretary

Registered Office:
6th Floor
54 Baker Street
W1U 7BU

27 June 2008

Notes

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

4. If a member is a corporation, this form must be executed either under its common seal or under the hand of an officer or agent duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent, duly authorised in writing.

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

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

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Pursuant to regulation 41 (1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the company has specified that only those members registered on the register of members of the Company at 6 p.m. on 26 July 2008 shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to the register of members after 6 p.m. on 26 July 2008 shall be disregarded in determining the rights of any person to attend and vote at the AGM.

Company information

Directors

Dr. Michael Sinclair *Executive Chairman*

Paul Stacey *Managing Director*

Steve Wilden *Finance Director*

Keith Gibbs *Non Executive Director*

Lord David Evans *Non Executive Director*

Baroness Margaret McDonagh* *Non Executive Director*

*Appointed 16 April 2008

Company Secretary

Steve Wilden

Registered Office

6th Floor

54 Baker Street

London, W1U 7BU

Registered number

5564418 (England and Wales)

Nominated Adviser and Broker

Daniel Stewart & Company Plc

36 Old Jewry

London, EC2R 8DD

Auditors

PKF (UK) LLP

Farringdon Place

20 Farringdon Road

London, EC1M 3AP

Solicitors to the Company

Finers Stephens Innocent LLP

179 Great Portland Street

London, W1W 5LS

Public Relations

Tavistock Communications Ltd

131 Finsbury Pavement

London, EC2A 1NT

Registrars

Capita Registrars plc

The Registry

34 Beckenham Road

Beckenham Kent, BR3 4TU



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For further information visit our website at

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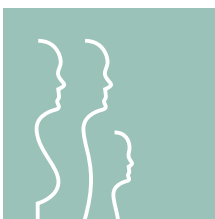
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