

Acquisition

Ashley House plc (“Ashley House” or “the Company”) has today announced that it has entered into a conditional agreement with international investment and specialised fund and asset management group, Babcock & Brown (ASX: BNB), to acquire a controlling interest in the private sector partner in seven NHS Local Improvement Finance Trust (“LIFT”) franchises (“the Acquisition”). Under the terms of the Acquisition Babcock & Brown will remain a property investment partner for the LIFT Companies (“LIFTCos”) and will become a substantial shareholder in Ashley House.

Highlights

- Initial cash consideration of £14 million and 8,000,000 new ordinary shares (“Ordinary Shares”) in Ashley House
- Of the initial consideration, £4.5 million will be funded from existing cash flows and £9.5 million will be funded by cash received following the exercise of the existing Warrant over 7,880,000 Ordinary Shares held by Babcock & Brown
- Deferred cash consideration of up to £19 million payable over the next 3.5 years dependent on the success of the venture
- The Acquisition gives Ashley House the opportunity to deliver design development and construction services to seven LIFTCos
- Each of the seven LIFTCos has the exclusive right to develop all PCT led Primary Care premises development in its geographical area for at least the next 15 years
- The seven LIFTCos have an identified pipeline of approximately £300m of total development costs over the next 3 years
- Babcock & Brown becomes a substantial shareholder in Ashley House with 2 proposed Non-Executive Directors on the Ashley House Board
- The Acquisition is expected to be earnings enhancing in the first full financial year following completion and thereafter
- The Acquisition requires the granting by the Independent Shareholders of a waiver from the application of Rule 9 of the City Code, as described in further detail below

- There will be a circular posted to Shareholders today to convene a General Meeting of the Company, to be held at 10 a.m. on 11 June 2008 at the office of Hammonds, 7 Devonshire Square, London EC2M 4YH to agree the resolutions pertaining to the Acquisition.

Commenting on the Acquisition Jonathan Holmes, Chief Executive of Ashley House said:

“We are delighted to announce this transaction which we firmly believe to be in the best interests of our stakeholders and the LIFTCos themselves. This positions Ashley House as one of the leading private sector participants in NHS LIFT, allows us to bring significant new resources to our LIFT partners and achieves a step change in size and scale of our business.”

Commenting on the Acquisition Giles Frost, Joint Head of European Public Infrastructure at Babcock & Brown said:

“This transaction is a major step forward for the NHS LIFT programme and for the primary care infrastructure businesses of Ashley House and Babcock & Brown. Our newly enhanced relationship plays to the strengths of each organisation and has the potential to deliver significant benefits to our public sector partners. Ashley House has very strong credentials in developing and delivering local health care facilities, and the core strength of Babcock & Brown is in the financing and structuring of infrastructure investments. The formal integration of Ashley House into the NHS LIFT areas in which we are both now investors together with Ashley House’s increased involvement in the existing LIFT supply chain should result in better and faster development of projects suited to the needs of the local communities the LIFTCos serve. We are delighted to be forging a closer relationship with Ashley House and are looking forward to working with them more closely at this exciting time for the future of primary care in the UK.”

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This summary should be read in conjunction with the full text of the circular which is expected to be posted to Shareholders today. The Acquisition will be subject to certain conditions including approval of Shareholders at a General Meeting which is expected to be convened for this purpose on 11 June 2008. Notice of this meeting is set out in the circular. The following words and expressions shall have the same meaning as in the circular unless the context otherwise requires.

Information on Ashley House plc

Established in 1991, the principal activity of Ashley House is the supply of project management and consultancy services, primarily allied to the provision of medical property facilities delivering NHS led Primary Care. Ashley House offers a complete 'one stop' professional design and construction service from site finding through viability assessment, design, planning, and finally construction using a fixed price 'Design and Build' contract. Post completion, the occupiers continue to benefit from the Ashley House customer care programme whilst the investment properties held by AH Medical Properties are fully serviced through a long term asset management contract.

Ashley House has a strong pipeline of projects at different stages of development from initial inquiry through to the later stages of construction. Projects range from the building of traditional GP surgeries, which was the mainstay of the Company's early growth, to integrated 'one stop shop' health centres. This includes an increasing number through the NHS LIFT (Local Improvement Finance Trust) initiative as a strategic supply chain partner to Babcock & Brown and Health Parks which incorporate a range of Primary Health and Social Care facilities co-located. Shares have been traded on the AIM market since January 2007.

Information on Babcock & Brown

Babcock & Brown is an international investment and specialised fund and asset management group with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown was founded in 1977 and is listed on the Australian Securities Exchange.

Babcock & Brown has had a longstanding commitment to the development of new primary and community care facilities in the UK through its involvement since 2002 in the NHS LIFT initiative where it is one of the

largest participants. NHS LIFT is an innovative form of infrastructure procurement where public infrastructure is procured through a long term partnering arrangement via a joint venture owned 60% by the private sector and 40% by the NHS and the Department of Health. Babcock & Brown sponsored LIFTCos have to date developed projects with a total development value in excess of £283 million through the NHS LIFT programme nationally.

Babcock & Brown operates from 32 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,400 employees worldwide. Babcock & Brown has four operating divisions including real estate, infrastructure, operating leasing, corporate and structured finance. The company has established a funds management platform across the operating division that has resulted in the creation of a number of focused investment vehicles in areas including real estate, renewable energy and infrastructure.

Background to and reasons for the Acquisition

NHS LIFT was established by the Department of Health as a method of delivering a significant upgrade and reconfiguration of the Primary Care estate. The initiative provided that the successful private sector bidder along with members of the local health economy and a national body (Partnerships for Health now Community Health Partnerships (CHP)) would incorporate a joint venture company (LIFTCo) which would have a 20 year exclusive agreement to deliver all PCT led Primary Care premises developments in a defined geographical area. Each LIFTCo is in essence a public private partnership for delivering Primary Care premises in the relevant locality.

Each LIFTCo was incorporated so that the private sector partners would own 60 per cent. of the LIFTCo, the local PCTs together with other members of the local health economy would own 20 per cent., and CHP would own the remaining 20 per cent.

Of the 152 PCTs, 94 have an involvement with LIFT. Babcock & Brown has interests in 7 of the 46 LIFTCos making it one of the largest private sector participants in NHS LIFT. The identified and anticipated pipeline of work over the next 3 years in these 7 LIFTCos amounts to approximately £300 million in total development cost.

In January 2007, the Company entered into a strategic alliance with Babcock & Brown whereby the Company and Babcock & Brown agreed to work together in the sub £20 million health and social care market place (including NHS LIFT, the community hospital initiative and health parks). This relationship has developed well over the past 12 months with the parties bringing complementary skills to the alliance. As a consequence the two parties are now seeking to strengthen their relationship and exposure to the wider health and social care market place.

Under the original agreement, Babcock & Brown agreed to provide certain management consulting services to Ashley House in relation to the provision by Ashley House of design and build services and construction management services to help Ashley House in its efforts to win more tendered government sponsored work, to increase its exposure to the delivery of LIFT schemes and to assist it in bidding for other health related infrastructure projects in the sub £20 million market. In return, Ashley House granted Babcock & Brown UK a Warrant over 7,880,000 Shares in Ashley House at an exercise price of 120p per share and agreed to pay Babcock & Brown UK consultancy fees for providing the relevant services to Ashley House.

Over the past 12 months it has become apparent to both parties that it would be beneficial to all, including the public sector partners in the LIFTCos, for Ashley House to take over Babcock & Brown's role as lead development partner in each of the 7 LIFTCos in which it invests. In order to do this Ashley House would take over operational control of the companies which control the relevant private sector shareholding entity for each LIFTCo. This would enable the LIFTCos to take advantage of the full range of Ashley House's in-house resources which are dedicated to the delivery of Primary Care infrastructure. Both parties believe that this should result in a more effective and efficient delivery process for individual schemes while at the same time enabling Ashley House and each of the LIFTCos to continue to benefit from Babcock & Brown's involvement as an investment partner, financial advisor and transaction structuring advisor (as appropriate).

The key benefits of the proposed transaction for Ashley House will be the increased exposure to a larger number of NHS LIFT projects with the increased opportunity to deliver design and construction services to the 7 LIFTCos (always having regard to the value for money framework within which NHS LIFT operates and any subsisting third party contracts), to earn development fees as a consequence of taking over the development responsibility and to bring in Babcock & Brown as a strategic shareholder in Ashley House as the business seeks to grow.

Ashley House is therefore proposing to acquire Babcock & Brown's controlling interest in companies which are responsible for the management of the private sector shareholding and/or the delivery of development schemes in the 7 LIFTCos (other than East London LIFT where the private sector partner is jointly controlled with a joint venture partner), thereby assuming the management responsibility for those companies together with the obligation to deliver development advice and services to the relevant LIFTCo, and, subject to value for money testing required in LIFT, the ability to deliver construction and design services to the pipeline of LIFT projects. Babcock & Brown will remain involved, sitting on LIFTCo boards and retaining their LIFT equity investments and the right to invest in future LIFT asset investment opportunities and, subject to delivering value for money, their role as financial adviser for LIFT projects. By undertaking this transaction and the associated pipeline of future work Ashley House, with Babcock & Brown, will become one of the largest participants in NHS LIFT.

The historical profits attributable to the assets being acquired by Ashley House are estimated, based on their respective last financial year ends, to be approximately £2 million in aggregate. Due to the nature of the Acquisition, the Directors do not believe that this is representative of the anticipated profit streams available to the Company as a result of the Acquisition.

The Directors believe that the Acquisition will be earnings enhancing in the first full financial year following completion and thereafter (however, this should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period).

Consideration

In consideration for the acquisition, Ashley House will pay Babcock & Brown Investment Holdings Pty Ltd ("BBIH") £14.0 million in cash and will issue 8.0 million new Shares to BBIH. Additional deferred consideration of up to £19.0 million in cash will become payable to BBIH depending upon the number of schemes completed and the gross profit achieved from the LIFT projects over the following 3.5 year period. Of the initial consideration, £4.5 million will be funded from existing cash flows and £9.5 million will be funded by cash received from BBIH following the exercise of the Warrant. BBIH is a wholly owned subsidiary of Babcock & Brown International Pty Ltd which is the operating holding company which is 87.77 per cent. owned by Babcock & Brown.

The New Ordinary Shares will, when issued and fully paid, rank parri passu in all respects with the Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Ordinary Shares.

In connection with the proposed arrangements Babcock & Brown has agreed to consider the provision of further funding to the Company by way of loan to assist future expansion and will be entering into an agreement relating to the provision of financial advisory services by Babcock & Brown to the Company.

Relationship Agreement

BBIH will also enter into a Relationship Agreement with the Company conditional on completion of the Acquisition under the terms of which BBIH will agree that a majority of the Board will remain independent of BBIH and that all dealings between the Company and BBIH will be undertaken on an arm's length basis. Babcock & Brown will have the right (subject to the approval of Shareholders at the Company's annual general meeting) to appoint two non executive directors to the board of directors of Ashley House. The provisions of the Relationship Agreement will cease to apply if Babcock & Brown's interest is reduced to below 25 per cent. of the Company's issued share capital (other than Babcock & Brown's right to appoint two non executive

directors which will cease to apply if Babcock & Brown's interest is reduced below 20 per cent. of the Company's issued share capital).

Babcock & Brown share the Directors' ambition to seek to grow the Company significantly as the changes to the delivery of primary healthcare continue to drive the reconfiguration of the Primary Care estate. By having a robust "third party developer" business as well as a significant design and development role in NHS LIFT, Ashley House should be well positioned to participate in the delivery of the new Primary Care estate and expand its wider healthcare infrastructure business.

Capital raising and reduction of shareholding

i. Reduction of Babcock & Brown shareholding

Following the completion of the Acquisition, Babcock & Brown will be interested in 15,880,000 Shares representing 36.6 per cent. of the Enlarged Share Capital. Babcock & Brown's current intention is to remain a long term investor in the Company and it will enter into a lock-in agreement on completion of the Acquisition pursuant to which it will agree not to sell any shares other than with the consent of Numis for a period of 12 months following the posting of the circular to Shareholders. Babcock & Brown's holding will also be subject to an orderly market provision for a further 12 months following the expiry of the lock-in period.

Notwithstanding their current intention to remain a long term strategic investor, Babcock & Brown has indicated that it wishes to reduce its strategic investment to not less than 20 per cent. of the Enlarged Share Capital. This will be undertaken through a placing which is expected to be completed, subject to market conditions, the day following completion of the Acquisition. To the extent such Ordinary Shares are not placed on behalf of Babcock & Brown, Numis and the Company have agreed that Numis will use its reasonable endeavours, on reasonable market terms, to place such Ordinary Shares subsequently.

ii. Potential capital raising by the Company

The Directors believe that the outlook for the Primary Care sector offers significant opportunities for the Company. Ashley House is therefore intending to raise further capital, the day following completion of the Acquisition, subject to market conditions, to enable the Company to participate in a number of investment opportunities which the Directors have identified.

The Directors are therefore seeking Shareholder approval pursuant to section 95 of the Act to disapply section 89(1) of the Act to issue up to 4,400,000 new Ordinary Shares representing approximately 10 per cent. of the Enlarged Share Capital, such authority to expire at the conclusion of the next Annual General Meeting.

The Company has agreed with Babcock & Brown and Numis that the reduction of Babcock & Brown's holding referred to above will take place in priority to the proposed raising of further capital by the Company to the extent that there is insufficient market appetite to satisfy in full the proposed reduction and capital raising.

Financial Trading and Prospects

The core business delivering Primary Care infrastructure continues to grow well with the Company now receiving design fees from the NHS LIFT programme. Ashley House is currently working on 21 NHS LIFT schemes, seven of which have achieved LIFTCo board and participant board approvals (it is at this point Ashley House's costs are underwritten subject to delivering value for money and achieving the agreed affordability of the scheme). This progress is a direct consequence of the strategic alliance with Babcock & Brown which the Proposals seek to strengthen.

The Company is also benefiting from the continued growth of the portfolio owned by AH Medical Properties plc which Ashley House has the contract to manage, and from the Clinical Services initiatives which are now generating revenue from the pharmacy joint venture business and from the first JV provider contracts.

As mentioned in the interim results announced on 4 December 2007, the Directors believe that the outlook for the Primary Care sector offers significant opportunity for the Company. Health Minister Lord Darzi's report identified the need for increased health and social care infrastructure investment and there has been a marked shift in Government policy away from the acute sector and towards the provision of as much care as possible in a primary and community care setting.

The Directors continue to believe that the Company is well positioned to benefit from this favourable market background and expects the pre-tax profit for the year ending 30 April 2008 to be in line with market expectations. The Directors believe that the Acquisition will be earnings enhancing in the first full financial year following completion and thereafter (however, this should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period).

Board Changes

It is proposed that Babcock & Brown appoint two non-executive Directors to the Ashley House Board. Currently, Ashley House has four non-executive Directors and six executive Directors. There will remain four non-executive Directors who are not nominated by Babcock & Brown and a Relationship Agreement has been entered into, which will ensure, while it remains in force, that there will remain a majority of independent Directors and that a majority of independent Directors must approve any matter involving BBIH. The provisions of the Relationship Agreement will apply so long as Babcock & Brown retains an interest of at least 25 per cent. in the share capital of the Company (other than in relation to Babcock & Brown's right to appoint two

non-executive Director's which will apply so long as Babcock & Brown retains an interest of at least 20 per cent. in the share capital of the Company).

It is proposed that the following are appointed to the Board of Ashley House as non-executive Directors on completion of the Acquisition:

(Allan) Cameron Cook

Cameron Cook is a principal financier with Babcock & Brown where he has been employed since 2001 working primarily in the PPP/PFI sector with a particular focus on NHS LIFT. He has worked on the development activity and financial closures for 23 separate LIFT primary and social care centres up to the end of March 2008, and is actively involved in all Babcock & Brown LIFT areas. Prior to joining Babcock & Brown he trained as a Chartered Accountant with Ernst & Young, where he qualified as an ACA in 1998 and worked within the project finance team of the corporate finance practice. He is a Director in the Bexley Bromley & Greenwich LIFT group of companies, of Infracare (Midlands) Limited, of Infracare (South West) Limited and also of Integrated Health Partners Limited.

Giles James Frost

Giles Frost is joint head of the European public infrastructure business unit at Babcock & Brown. He has been employed at Babcock & Brown since 2000 and has been involved in the development, investment in and management of projects in the public infrastructure sector throughout this time. Prior to joining Babcock & Brown he was a solicitor and partner in the law firm Wilde Sapte (now Denton Wilde Sapte). Giles is also a director of Babcock & Brown Public Partnerships Limited, a London Stock Exchange listed investment company which invests principally in infrastructure projects developed within the public sector around the world.

Giles Frost and Cameron Cook are to be appointed as non-executive directors of the Company with effect from completion of the Acquisition. The appointments will be for a term of three years, and may be extended beyond this time with the agreement of the Company and the Proposed Directors. The appointments will be terminable on three month's notice by either party and otherwise in accordance with the Articles. The Company may also terminate the appointments without notice and compensation if either of the Proposed Directors accepts a position or acquires an interest in another company, without Board approval, which in the Board's reasonable opinion, is likely to give rise to a material conflict of interest with his position as Director of the Company. Mr Frost and Mr Cook will each be entitled to an annual salary of £15,000 which they have agreed to waive whilst BBIH (or members of its group) control 20 per cent. or more of the issued Ordinary Shares.

A full announcement pursuant to paragraph (g) of Schedule 2 to the AIM Rules will be made conditional upon the completion of the Acquisition.

With two further directors set to join the board and in accordance with good corporate governance, it has been decided to reduce the number of executive directors on the Board of the Company. With effect from today, Nigel Croxford, Gail Mosley and Richard Warner have agreed to resign from the main Board of Ashley House plc. As the Company continues to grow Nigel and Richard's roles, leading respectively the delivery and development of health infrastructure, are becoming more intensive and are clearly crucial to the success of the Company's LIFT and traditional business. The change in their roles will allow them to achieve greater focus on their executive roles and both will assume greater responsibility on the Company's executive management group. Meanwhile Gail, with her substantial experience of the healthcare sector will continue to play a vital role in mentoring the Company's new business teams.

The Board wants to record its thanks to all three for their contribution in bringing the Company to where it is now and to their continued dedication at the core of the Company's activities.

The Takeover Code

The terms of the Proposals set out in the circular give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protection they afford to Shareholders are described below. The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions (and certain other related transactions), however effected, when the offeree company is, inter alia, a listed or unlisted public company resident in the United Kingdom (and to private companies in certain circumstances) and, where not listed on a regulated market, are considered by the Panel to have their place of central management and control in the United Kingdom. The Company is a public company resident in the United Kingdom and managed and controlled in the United Kingdom and as such its Shareholders are therefore entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, where any person acquires, whether by a single transaction or a series of transactions over a period of time, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company, that person is normally required by the Panel to make a general offer, in cash, to the shareholders of that company to acquire the balance of the equity share capital and any other class of transferable security carrying voting rights of the company at the highest price paid by that person or any person acting in concert with him in the previous 12 months.

Rule 9 of the City Code further provides that, inter alia, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any such person acting in concert with him, acquires an interest in additional shares which increase his

percentage of shares carrying voting rights, such person is normally required by the Panel to make a general offer to the shareholders of that company to acquire the balance of the equity share capital and every other class of transferable security carrying voting rights of the company at the highest price paid by that person or any person acting in concert with him in the previous 12 months.

Following the issue of the New Ordinary Shares, Babcock & Brown (and persons acting in concert with Babcock & Brown) will be interested in 15,880,000 Shares representing 36.6 per cent. of the Enlarged Share Capital but will not hold shares carrying more than 50 per cent. of such voting rights and any further increase in that interest in shares will be subject to the provisions of Rule 9.

The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of the Proposals, subject to the approval of independent Shareholders. Accordingly, Resolution 1 (as set out in the notice convening the General Meeting) is being proposed at the General Meeting to be passed on a poll by the independent Shareholders. To be passed, Resolution 1 will require a simple majority of the votes cast by the independent Shareholders. For the purposes of Resolution 1 all of the Shareholders are considered to be independent Shareholders (as defined by the Code).

General Meeting

The circular to Shareholders will convene a General Meeting of the Company, to be held at 10 a.m. on 11 June 2008 at the office of Hammonds, 7 Devonshire Square, London EC2M 4YH, at which the following Resolutions will be proposed:

Resolution 1 (the Whitewash Resolution)

The first Resolution is an ordinary resolution and relates to the waiver of the application of Rule 9 of the City Code in respect of the Proposals described above. The Panel has confirmed that, subject to the first Resolution being passed by the requisite majority of the independent Shareholders on a poll, no mandatory bid obligation under Rule 9 of the City Code would be triggered by virtue of the Proposals. Voting on the Whitewash Resolution will be by way of poll, and following the General Meeting, the Company will announce its result.

Resolution 2

The second Resolution is an ordinary resolution and relates to the share capital authorities required to provide flexibility for additional share issues in the future. If passed, the authorities granted by this Resolution will replace the prior share issue authorities of the Company obtained at the last general meeting of the Company and will:

(1) increase the authorised share capital of the Company by the creation of 16,000,000 Ordinary Shares; and

(2) provide your Board with authority to allot Ordinary Shares in connection with the Acquisition and otherwise up to a maximum aggregate nominal amount of £235,700.

Resolution 3

The third Resolution is a special resolution and relates to the share capital authorities required to enable the Company to issue additional shares for cash on a non pre-emptive basis. If passed, the authority granted by this Resolution will replace the prior shareholder authority of the Company to issue shares for cash and will provide your Board with authority to allot up to 4,400,000 Ordinary Shares for cash on a non pre-emptive basis.

Irrevocable commitments

The Directors have given irrevocable undertakings to Babcock & Brown to vote in favour of the Resolutions in respect of 8,838,143 Ordinary Shares, representing approximately 32.1 per cent. of the Ordinary Shares.

Recommendation

The Proposals constitute a related party transaction for the purposes of the AIM rules. The Directors having been so advised by Numis, the Company's nominated adviser, consider that the terms of the Proposals and the Code Waiver are fair and reasonable insofar as independent Shareholders are concerned and in the best interests of the Company and its Shareholders as a whole. In providing advice to the Directors, Numis has taken into account the Directors' commercial assessments.

The Directors recommend, for the reasons set out above, that you vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own shareholdings, which in aggregate amount to 8,838,143 Ordinary Shares representing approximately 32.1 per cent. of the issued voting share capital of the Company as at the date of this announcement.