



Ashley House plc

Preliminary Announcement of Results for the Year Ended April 2008

HIGHLIGHTS

- Pre-tax profit up 24% to £5.1m (2007: £4.1m pre non-recurring items)
- EPS up 13% to 12.9p per share (2007: 11.4p pre non-recurring items)
- Final Dividend up 23% to 3.7p (2007: 3p) making 6p per share for the year (2007: 5p)
- Acquisition of 7 NHS LIFT company interests from Babcock & Brown with an identified pipeline of work over the next three years of £300m in total development cost
- First revenues from Health Parks division
- First Clinical Services joint venture signed with 60 GP practices servicing 480,000 patients

Ashley House plc Chairman Sir William Wells said:

“As a result of the NHS LIFT acquisition together with real progress in our new business areas, we look forward to the coming years with confidence. The integrated business and property related services we provide are in demand and we have strong partnerships with our customers and end users. Whilst the economic background looks challenging, there is increasing activity in our markets and our strategy and focus should enable the business to continue its growth.”

Enquiries:

Ashley House plc

Tel: 01628 600340

Jonathan Holmes, Chief Executive

Bruce Walker, Finance Director

Citigate Dewe Rogerson

Tel: 020 7638 9571

Ged Brumby

Numis Securities (Nominated Adviser and broker to Ashley House)

Tel: 020 7260 1000

David Poutney / Oliver Cardigan / Simon Blank

CHAIRMAN'S STATEMENT

Results

I am pleased to report another year of growth for the group with pre-tax profit up 24% to £5.1m (2007: £4.1m pre non-recurring items *). Earnings per share rose to 12.9p up 13% (2007: 11.4p pre non-recurring items). As a result the Board propose a final dividend of 3.7p (2007: 3p) per share bringing the total for the year to 6p per share (2007: 5p), an annual increase of 20%. This will be paid on 16 September 2008 to those on the share register as at 22 August 2008.

Acquisition

Shortly after our financial year end, on 19 May 2008, we announced that we had agreed to acquire from Babcock & Brown their interests in 7 NHS LIFT companies. This acquisition further establishes Ashley House at the forefront of the Primary Care Infrastructure sector. Under the agreement, the Company is now responsible for the delivery of the Primary Care estate for 7 NHS LIFT companies which include 14 Primary Care Trusts. These NHS LIFT Companies are in East London; Bexley Bromley & Greenwich; Brent Harrow & Hillingdon; Wolverhampton & Walsall; Dudley; Bristol, and Oxford. Both Babcock & Brown and Ashley House believe that we are best placed to provide the specialist services to the LIFT companies due to the extensive specialist in-house experience of the Ashley House team. Babcock & Brown remain a key partner in the NHS LIFT process and continue to provide financial advice and investment to the LIFT companies.

As a result of the transaction, Babcock & Brown have become a major shareholder in Ashley House plc holding 20% of the issued share capital of the Company and I am delighted to welcome Giles Frost and Cameron Cook of Babcock & Brown onto our board as Non-Executive Directors.

Further details of the acquisition are set out in note 4 to this statement.

Primary and Community Care

The extension and modernisation of primary and community care is a corner stone of the Government's Health Policy and, as a result, activity to achieve this end is ongoing. Although there is a continuing debate as to whether this should be achieved through the construction of polyclinics or the enhancement/expansion of existing GP premises and community clinics, it is common ground with all the relevant stakeholders that primary and community care must be improved and its scope enhanced in order to provide the patient with a choice of appropriate care. Your company is well placed to provide the necessary upgrade required by the estate to ensure that there is a more efficient and higher quality of service for patients.

An integral part of the Company's policy is to work in close partnership with all the relevant parties with an interest in delivering primary and community care. In NHS LIFT we work with the Primary Care Trusts, Local Authorities and Community Health Partnerships; in traditional procurement we work with GPs in delivering their new facilities; in Clinical Service management we work with groups of GPs and other relevant

providers to bid for services being out-sourced. It is this pragmatic and partnering approach that allows us to grow our presence in a changing and expanding market.

Outlook

As a result of the NHS LIFT acquisition together with real progress in our new business areas, we look forward to the coming years with confidence. The integrated business and property related services we provide are in demand and we have strong partnerships with our customers and end-users. Whilst the economic background looks challenging, there is increasing activity in our markets and our strategy and focus should enable the business to continue its growth.

Sir William Wells

Chairman

2 July 2008

(* In the year to 30 April 2007 non-recurring items relate to transaction costs of £1.6m and a profit on disposal of £0.1m)

CHIEF EXECUTIVE OFFICER'S STATEMENT

Business Review

Over the year the business has progressed well. The margin achieved has been high due to contribution from health parks, asset management and the additional design work carried out, all of which is higher margin activity. Revenue is down as a consequence of fewer projects on site during the year, as reported at the interim stage. We anticipate this trend to be reversed in the coming year with more projects coming on site, where the design process was done last year. This is likely to lead to a significant increase in revenue with lower margin but overall profits should continue to increase.

Design and Contracting

Performance has been generally strong with a significant contribution from design work for the NHS LIFT companies in particular. Our traditionally procured work has been steady with fewer projects on site but we have a strong pipeline in the process of being delivered as evidenced by the healthy level of design work undertaken this year.

We were pleased to deliver completed schemes in Beverley, Havant, Higham Ferrers, Richmond, Syston, Stoke Poges, and Brighton. We have also recently commenced construction of our first 3 NHS LIFT schemes in Harrow where we are delivering three Neighbourhood Resource Centres for Harrow Council.

We continue to steadily increase our resources to deliver the pipeline which is very strong over the coming 2-3 years. The pipeline has been considerably enhanced by the acquisition of NHS LIFT interests, which have an identified pipeline of work with £300m of total development cost over the next 3 years. As the main private sector partner now in 7 NHS LIFT companies, we are working ever closer with the 14 PCTs involved with these NHS LIFT companies to help deliver the enhanced Primary Care estate that is needed to bring about the necessary reform and change in Primary Care delivery.

Management Services

We were pleased to derive our first revenues from our Health Park business following the successful creation of our first joint venture with AH Medical Properties to develop the Scarborough scheme. We are in advanced negotiations with occupiers for the primary care centre, treatment centre, various smaller health facilities and a care home on the site. Further projects are under negotiation on the South Coast and in the South Midlands.

As expected, Asset Management revenues grew well with the progress of AH Medical Properties plc. The portfolio has performed well with rent reviews achieving positive uplifts, and c. 95% of the income paid directly or indirectly by the NHS. Although capital

values may shift, this portfolio is performing well at the asset level and there is scope for it to continue its growth.

In April we announced the signing of our first Clinical Services joint venture - a very significant endorsement of our partnering approach. This is with the Innovations in Primary Care group (IPC) in Worthing who comprise 60 GP practices caring for c. 480,000 patients and we are bidding with them to deliver a wide range of primary and community services in the area.

Key Performance

We have achieved our key performance targets of NHS LIFT contributing to the year's results, Health Parks generating revenues, and establishing the first Clinical Services joint venture. Investors in People status was achieved during the year and we successfully moved to our new Head Office giving us the space we need for our continued expansion. We are currently working towards ISO 9001 accreditation.

Management Staff and Social Responsibility

As the business grows and the demands on key management expand, there has been a recognition of a need to reshape our board's executive team. Nigel Croxford, Richard Warner and Gail Mosley have all now stepped off the main board and I would like to record my thanks to them all for their major contribution in building the business. They will all remain key members of the management team with Richard and Nigel in particular playing enhanced roles on our Executive Management Group. This change will allow them more time to focus on the delivery of our NHS LIFT pipeline.

The team has grown through the year and we now have 64 people across 7 offices including new colleagues from the Infracare group who we welcome as part of the NHS LIFT acquisition from Babcock & Brown. Our team are vital to the continuing growth of the business and we thank everyone for their continuing hard work.

As a business we are proud of our role in improving people's access to healthcare. In designing the facilities we also take account of environmental issues to minimise impact ranging from location (proximity to patients and access to public transport), to materials and technologies used reducing environmental cost of construction and on-going use.

We have also chosen to support a start up Social Enterprise, The Bridge, which is seeking to establish second stage addiction re-habilitation centres of which there are currently only 2 in the UK. With drug and alcohol problems costing an estimated £60bn a year we feel that by giving non-paid use of our people's business and property skills we can make a real difference to an area that is of considerable interest to our wider stakeholders.

Current Trading and Outlook

We have enjoyed a good start to the new financial year and are very focused on the delivery of the substantial pipeline of work. Growth will be fuelled from more schemes in the design and construction business as well as the new business areas becoming more significant contributors.

We continue to grow as a key player in a primary and community care market that has strong fundamentals, with a very experienced team delivering the business and property services our partners increasingly require.

J Holmes

Chief Executive Officer

2 July 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2008

	Note	2008 £000	2007 £000
Revenue	1	19,793	25,644
Cost of sales		<u>(10,533)</u>	<u>(18,307)</u>
Gross profit		9,260	7,337
Administrative expenses		(4,338)	(3,228)
Depreciation and impairment		(176)	(112)
Profit on sale of asset		-	137
Non recurring transaction costs		-	(1,551)
Operating expenses		<u>(4,514)</u>	<u>(4,754)</u>
Operating profit		4,746	2,583
Investment income		326	142
Finance costs		<u>-</u>	<u>(15)</u>
Profit before taxation		5,072	2,710
Income tax on profit	2	(1,510)	(1,325)
Profit for the financial year		<u>3,562</u>	<u>1,385</u>
Basic earnings per share	3	12.93p	5.76p
Diluted earnings per share	3	11.56p	5.00p

All of the activities of the group are classed as continuing.

CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 2008

	Note	2008 £000	2007 £000
Non-current assets			
Goodwill		270	270
Property, plant and equipment		291	200
Available for sale investments		<u>1,321</u>	1,850
		<u>1,882</u>	<u>2,320</u>
Current assets			
Work in Progress		1,259	-
Trade and other receivables		9,670	7,392
Deferred tax asset		827	890
Cash and cash equivalents		<u>6,869</u>	6,073
		<u>18,625</u>	14,355
Total assets		<u>20,507</u>	<u>16,675</u>
Current liabilities			
Trade and other payables		(4,478)	(3,875)
Bank borrowing		(1,330)	-
Current income tax		<u>(1,253)</u>	(837)
		<u>(7,061)</u>	<u>(4,712)</u>
Net current assets		<u>11,564</u>	9,643
Net assets		<u>13,446</u>	<u>11,963</u>
Equity			
Share capital		275	275
Share premium		8,040	8,040
Share based payments reserve		2,221	2,311
Retained earnings		<u>2,910</u>	1,337
Total equity		<u>13,446</u>	<u>11,963</u>

The financial statements were approved by the board of directors and authorised for issue on the 2 July 2008.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium £000	Share based payment reserve £000	Retained Earnings £000	Total £000
At 1 May 2007	275	8,040	2,311	1,337	11,963
Profit on ordinary activities after tax	-	-	-	3,562	3,562
Fair value movement on available for sale investment	-	-	-	(529)	(529)
Total recognised income and expense	<u>275</u>	<u>8,040</u>	<u>2,311</u>	<u>4,370</u>	<u>14,996</u>
Movement on deferred tax	-	-	(90)	-	(90)
Dividends paid	-	-	-	(1,460)	(1,460)
At 30 April 2008	<u>275</u>	<u>8,040</u>	<u>2,221</u>	<u>2,910</u>	<u>13,446</u>

	Share Capital	Share premium £000	Share based payment reserve £000	Retained Earnings £000	Total £000
At 1 May 2006	224	2,771	165	436	3,596
Profit on ordinary activities after tax	-	-	-	1,385	1,385
Issue of share capital	51	5,269	-	-	5,320
Movement on deferred tax	-	-	890	-	890
Share based payment reserve	-	-	1,256	-	1,256
Dividends paid	-	-	-	(1,374)	(1,374)
Valuation gain taken to equity	-	-	-	890	890
At 30 April 2007	<u>275</u>	<u>8,040</u>	<u>2,311</u>	<u>1,337</u>	<u>11,963</u>

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2008

	2008 £000	2007 £000
Operating activities		
Profit on ordinary activities before taxation	5,072	2,710
Adjustments for:		
Gain on sale of investment	-	(52)
Share base payment adjustment	-	1,256
Depreciation and impairment	176	181
Loss/(profit) on disposal of property, plant and equipment	23	(137)
Interest expense	-	15
Interest income	(326)	(142)
Operating cash flows before movements in working capital	<u>4,945</u>	<u>3,831</u>
(Increase)/Decrease in inventories	(2,518)	15
(Increase) in trade and other receivables	(2,349)	(639)
(Decrease)/increase in trade and other payables	603	(818)
Cash generated by operations	<u>681</u>	<u>2,389</u>
Interest paid	-	(14)
Income taxes paid	(1,121)	(937)
Net cash from operating activities	<u>(440)</u>	<u>1,438</u>
Investing activities		
Proceeds on sale of property, plant and equipment	-	1,337
Purchase of property, plant and equipment	(290)	(87)
Purchase of available for sale investments	(0)	(1,850)
Investment income	22	-
Interest received	304	137
Net cash from/(used) in investing activities	<u>36</u>	<u>(463)</u>
Financing activities		
Increase in bank loan	2,660	-
Issue of share capital	-	4,970
Dividends paid	(1,460)	(1,374)
Net cash (used in)/from financing activities	<u>1,200</u>	<u>3,596</u>
Net increase/(decrease) in cash and cash equivalents	<u>796</u>	<u>4,571</u>
Cash and cash equivalents at beginning of the year	<u>6,073</u>	<u>1,502</u>
Cash and cash equivalents at the end of the year	<u>6,869</u>	<u>6,073</u>

NOTES TO THE FINANCIAL STATEMENTS

1 REVENUE AND BUSINESS SEGMENTS

The group operates entirely in project management and consultancy in the United Kingdom.

Business segments

These divisions are the basis on which the group reports its primary segment information.

Principal activities are as follows:

- design & construction
- management services

Segment information about these businesses is presented below.

2008	Design & Construction £000	Management Services £000	Consolidated £000
Revenue			
Total revenue	18,287	1,506	19,793
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Result			
Segment result	6,485	1,004	7,489
<hr/>			
Unallocated corporate expenses			(2,743)
<hr/>			
Profit from operations			4,746
Investment income			326
<hr/>			
Profit before income tax			5,072
<hr/>			
Income tax			(1,510)
<hr/>			
Profit after income tax			3,562
<hr/>			
Other information			
	Design & Construction £000	Management Services £000	Consolidated £000
Balance sheet			
Assets			
Segment assets	9,210	30	9,240
<hr/>			
Unallocated corporate assets			11,267
<hr/>			
Consolidated total assets			20,507
<hr/>			
Liabilities			
Segment liabilities	(3,311)	(34)	(3,345)
<hr/>			
Unallocated corporate liabilities			(3,716)
<hr/>			
Consolidated total liabilities			(7,061)
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2007	Design & Construction £000	Management Services £000	Consolidated £000
Revenue			
Total revenue	25,165	479	25,644

There are no inter-segment sales, so all revenue is from external customers.

Result			
Segment result	6,011	334	6,345
Unallocated corporate expenses			3,762
Profit from operations			2,583
Investment income			142
Finance costs			(15)
Profit before income tax			2,710
Income tax			(1,325)
Profit after income tax			1,385

Other information	Design & Construction £000	Management Services £000	Consolidated £000
Balance sheet			
Assets			
Segment assets	7,198	1	7,199
Unallocated corporate assets			8,586
Consolidated total assets			15,785
Liabilities			
Segment liabilities	(2,852)	(32)	(2,884)
Unallocated corporate liabilities			(1,828)
Consolidated total liabilities			(4,712)

Ashley House plc has a significant customer, A H Medical Properties plc group. During the year Ashley House plc made total sales of £10,826,000 (2007: £18,446,000) with £1,768,000 due at the year end (2007: £3,185,000).

Supplies are made to A H Medical Properties plc group relating to the design and construction of medical centres. In every case, the rent for the building which drives the value of the scheme, is set by the District Valuer acting for the Primary Care Trust (NHS). Transactions between Ashley House plc and A H Medical Properties plc are entered into on the basis of market equivalent pricing and are ratified by the independent

Non Executive Directors of A H Medical Properties plc, who are not connected to Ashley House plc. Supplies are also made relating to the management of the property portfolio.

2 INCOME TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2007: 30%). The differences are explained as follows:

	2008	2007
	£000	£000
Profit on ordinary activities before tax	<u>5,072</u>	<u>2,710</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007: 30%)	1,420	813
Expenses not deductible for tax purposes	143	591
Depreciation for the period in excess of capital allowances	5	14
Chargeable gains		53
Revenue that is exempt from taxation	(7)	(41)
Relief for share options exercised	-	(63)
Adjustments to tax charge in respect of prior periods	(24)	(27)
Deferred taxation	(27)	(15)
		-
Current tax charge for year	<u>1,510</u>	<u>1,325</u>
Comprising:		
	2008	2007
	£000	£000
Current income tax	1,537	1,340
Deferred tax	<u>(27)</u>	<u>(15)</u>
	<u>1,510</u>	<u>1,325</u>

In 2007, a charge of £1.08m in respect of the Babcock & Brown warrant was treated as disallowable for tax purposes.

3 EARNINGS PER ORDINARY SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	Profit £000	2008 Weighted average number of shares	Per share amount pence	Profit £000	2007 Weighted average number of shares	Per share amount pence
Basic earnings per share						
Profit attributable to ordinary shareholders	3,562	27,544,379	12.93	1,385	24,124,075	5.76
Dilutive effect of securities						
Options		981,732	(0.44)		1,114,318	(0.22)
Warrants		2,291,974	(0.93)		2,713,100	(0.54)
Convertible loans					-	-
Diluted earnings per share	<u>3,562</u>	<u>30,818,085</u>	<u>11.56</u>	<u>1,385</u>	<u>27,951,493</u>	<u>5.00</u>

The average share price during the year was 148.5p, which meant that the dilutive securities shown in the table above were those which have exercise prices of 30p, 40p, 85p, 98p, 108p and 120p per share.

The directors propose the payment of a dividend of £1,607m (3.7pence per share) in the financial year 2009 in relation to the current year.

As the distribution of dividends by Ashley House plc requires approval at the Shareholders' meeting, no liability in this respect is recognised in 2008 consolidated group accounts. No income tax consequences are expected to arise as a result of this transaction at the level of Ashley House plc.

The calculation of normalised earnings per share of 11.4p on operating profit for the year to 30 April 2007, excluding non recurring transaction costs, assumes that the non recurring costs are not allowable for tax and is therefore based upon a post tax profit of Profit for the year plus the non recurring costs.

	Profit £000	2007 Weighted average number of shares	Per share amount pence
Basic earnings per share			
Profit before tax	2,710		
Add Non recurring transaction costs	1,551		
Deduct Profit on sale of asset	(137)		
	<u>4,124</u>		
Assumed taxation	(1,373)		
Profit attributable to ordinary shareholders	<u>2,751</u>	24,124,075	11.40
Dilutive effect of securities			
Options		1,114,318	(0.45)
Warrants		2,713,100	(1.11)
Convertible loans		-	-
Diluted earnings per share	<u>2,751</u>	<u>27,951,493</u>	<u>9.84</u>

4 EVENTS AFTER THE BALANCE SHEET DATE

On 19 May 2008 the Company announced that it had agreed to acquire the interests in seven NHS LIFT companies from Babcock & Brown. The acquisition was completed on 12 June 2008 and comprised controlling interests in companies which control the management of the private sector shareholder in seven NHS Local Improvement Finance Trusts (“LIFT”), other than one company where the private sector shareholder is jointly controlled with a joint venture partner.

The total consideration comprised:

At completion:

£14m in cash, financed in part by the exercise of the outstanding Babcock & Brown warrant over 7.88m Ashley House plc shares at 120p per share, which raised £9.45m; and 8m new Ashley House plc shares, which were worth £12m at 150p per share.

Deferred consideration:

Babcock & Brown may be entitled to up to a further £19m payable in cash dependent on the performance of the business acquired. The amount payable will be calculated with reference to the number of NHS LIFT schemes that reach financial close and the excess over a minimum amount of gross profit achieved by the NHS LIFT business acquired.

The total consideration payable assuming the full deferred consideration targets are achieved would be £45m.

The unaudited pro forma statement of net assets of the group has been prepared to show the effect of the acquisition on the latest published balance sheet of the group. The information required in order to complete IFRS 3 disclosures was not available to be included within these financial statements. This pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the enlarged group. It has been compiled on the basis described below.

Unaudited pro forma statement of net assets	Consolidated Ashley House plc 30 April 2008	Consideration (based on £45 million)	Proportionate assets and liabilities acquired	Elimination of investment	Enlarged Group Pro forma Net Assets
	Note A	Note B	Note C	Note D	
	£'000	£'000	£'000	£'000	£'000
Goodwill and other intangible assets	270	-	-	42,803	43,073
Property plant and equipment	291	-	41	-	333
Non-current Investments	1,321	45,000	(0)	(45,000)	1,322
Work in progress	1,259	-	-	-	1,259
Trade and other receivables	9,670	-	1,193	-	10,861
Current investments	827	-	0	-	827
Cash and cash equivalents	6,869	(4,544)	2,039	-	4,364
Trade and other payables and taxation	(5,731)	-	61	-	(5,670)
Non current liabilities	(1,330)	(19,000)	(1,137)	-	(21,467)
Provisions	-	-	-	-	-
Net assets	13,446	21,456	2,197	(2,197)	34,902
Share capital	275	159	35	(35)	434
Share premium	8,040	21,297	-	-	29,337
Share based payment reserve	2,221	-	-	-	2,221
Retained earnings	2,910	-	2,162	(2,162)	2,910
Total equity	13,446	21,456	2,197	(2,197)	34,902
Total assets	20,507	40,456	3,273	(2,197)	62,039
Total liabilities	(7,061)	(19,000)	(1,076)	-	(27,137)
Net assets	13,446	21,456	2,197	(2,197)	34,902

Notes:

- A. The statement of net assets of the group is extracted from the audited consolidated balance sheet as at 30 April 2008.
- B. The consideration represents the maximum consideration payable in cash and shares in respect of the Acquisition.
- C. The proportionate assets and liabilities acquired represent the group's estimate of its share of the assets and liabilities of the entities in which Ashley House plc is acquiring an interest based on the audited financial information of these companies at 30 September 2006, with the exception of IGL, ICL, IPL, LHIL, BBG Lift, BHH Lift, Wolverhampton & Walsall Lift, ELLIL and East London Lift which is based on the audited financial information at 31 December 2006.
- D. The elimination of investment represents an estimate of the consolidation accounting adjustment that will be required to replace Ashley House plc's investment in the relevant net assets with its share of the underlying assets and liabilities acquired.
- E. It has been assumed for the purpose of this pro forma that no fair value adjustments are required.
- F. The pro forma statement of net assets does not take into account any trading or other activity save as disclosed above since 30 April 2008.

PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The consolidated balance sheet at 30 April 2008 and the consolidated profit and loss account, consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group's 2008 statutory financial statements upon which the auditors opinion is unqualified and does not include any statement under Section 237 of the Companies Act 1985. Those financial statements have not yet been delivered to the registrar of companies.