

Press Release
26 July 2011



**Ashley House plc
Preliminary results**

Ashley House plc ("Ashley House" or the "Company") the health and social care infrastructure specialist today announces its preliminary results for the year ended 30 April 2011.

HIGHLIGHTS

FINANCIAL

- Gross revenue up 10% to £27.5m (2010: £24.9m)
- EBITDA before provision up 14% to £3.0m (2010: £2.7m)
- Pre-Tax profit before provision up 6% at £1.8m (2010: £1.7m)
- Adjusted earnings per share (before provision) 3.9p (2010: 2.5p)
- Provision against accrued income of £8.9m made in period
- Net assets down 15% to £38.9m (2010: £46.0m)
- Net cash at the year end of £1.3m (2010: Net debt £2.3m)

OPERATIONAL

- Increased level of activities with 9 schemes completed and a further 9 currently on site
- Successful sale of asset owning partner, AH Medical Properties plc which delivered receipts of over £4m significantly improving the Company's cash position
- Forward pipeline of £131m of design and build value upon which we will be able to recognise revenues in the next two financial years

Ashley House plc Chairman Sir William Wells said:

"This has been a difficult and uncertain year for Ashley House. The NHS re-organisation is ongoing and in view of the continuing uncertainty your Company is not expecting to grow in the short term. However, we have taken the necessary steps to ensure that it is well positioned, in commercial and financial terms, to deliver growth in the longer term."

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Chairman's Statement

Results

Change and uncertainty have become an integral part of the healthcare market at present, with the NHS undergoing a significant and as yet unfinished reorganisation. Despite this, your Company has been able to establish a stable position in the market and demonstrated good progress during the year with improved revenue coming from increased on-site activity. Gross revenue grew 10% to £27.5m compared to £24.9m last year. EBITDA before provisions was up 14% to £3.0m (2010: £2.7m). In view of the on-going change in the NHS, the Board has decided to make an £8.9m provision against accrued income. As a result net revenue for the year has significantly reduced creating a loss on the face of the income statement. Net assets are also reduced. Despite this necessary write down the business finished the year with net cash of £1.3m compared with net debt of £2.3m last year.

Reconciliation from Reported loss before tax to EBITDA before provision

	Year to 30/4/11		Year to 30/4/10
	£000		£000
Reported (loss) / profit before tax	(7,024)		1,736
Provision against accrued income	8,871		-
PBT before provision	1,847		1,736
Depreciation & amortisation	784		107
Restructuring costs	393		733
Interest payable	81		82
Profit on sale of available for sale investment	(68)		-
EBITDA before provision	3,037		2,658

Provision against accrued income

As previously announced, as a result of the on-going uncertainty and change within the NHS, the Company undertook a detailed review of the income it has accrued on all its schemes. Although design work was completed on a number of projects, there have been a number of requests from the PCTs to change the scope of schemes that have yet to reach site and some have been significantly or indefinitely delayed. As a result of a detailed review at the year end, the Company has provided £8.9m against its previously accrued income. Net assets following the adjustment for the provision are £38.9m.

LIFTCo intangible

The Board also reviewed the carrying value of the LIFTCo intangible asset held on the balance sheet which was the amount paid for the seven LIFTCo interests on acquisition in 2008. After careful consideration of the discounted future cashflows, it decided that no impairment was necessary. However, in the light of the on-going uncertainties the Board will keep the intangible under review and may need to impair this balance in future periods.

Our Market and Strategy

A brief glance at the press coverage of the NHS reform will have given shareholders an understanding of the real difficulties faced by your Company in the last couple of years. This reform is neither concluded nor are the likely outcomes clear. As a result Ashley House faces tough trading conditions for at least the next 18 to 24 months. However, there are two reasons for longer term optimism:

1. The reform of the NHS is centered around shifting care into a more local setting. This brings the dual benefits of care being more accessible to patients and cheaper for the NHS to deliver. The current condition of community based

estate is poor and will need a significant upgrade to facilitate this change. Ashley House's core business is the improvement of community health facilities and the Company therefore expects an upturn in business as the NHS restructuring is settled.

2. The Company has been pro-active in developing opportunities to deliver its expertise in adjacent markets and is currently on site with its first housing scheme for residents with learning difficulties and care needs. This development is being delivered in partnership with a specialist Registered Social Landlord partner. The Company is also working on a number of projects with private healthcare providers to deliver healthcare premises. More progress is expected during the year as the Company seeks to broaden its business thereby reducing its direct reliance on NHS providers.

Dividends

Following the recorded loss, the Company has negative distributable reserves which prevent the payment of a dividend meaning that the Board is unable to pay a final dividend for the year to 30 April 2011. However, the Board is considering a capital restructure to remedy this situation and will report further in due course.

Outlook

The NHS reorganisation is on-going and in view of the continuing uncertainty your Company is not expecting to grow in the short term. However, we have taken the necessary steps to ensure that it is well positioned, in commercial and financial terms, to deliver growth in the longer term.

Sir William Wells

Chairman

26 July 2011

Business Review

The Company has as expected, faced difficult conditions in the year to 30 April 2011 but has emerged in a stronger position both in financial (ie available cash) and market terms.

Trading

Despite the external market uncertainty, the Company has completed nine schemes during the year and delivered its highest ever gross revenue of £27.5m. High activity levels continue and at the year end there were nine schemes in the construction phase with a design and build value of £32m. A further four schemes are expected on site in the first half of 2011/12.

The flow of new schemes however, remains slow as a result of the difficulties our NHS clients are facing. This means design fees, which support higher profit margins are at relatively low levels.

Asset management income is running at lower levels than last year following the termination of the Asset Management contract the Company had with AH Medical Properties plc on its sale to Assura. The Company has however, replaced part of these revenues by re-organising the way it works with its LIFT partners.

Pipeline

The Company is currently working on a significant number and value of projects with clients seeking to deliver the improved community based estate which will allow the continuing shift of care from Hospitals into the community. Although we are working on the majority of these as the appointed partner our quoted pipeline figure represents only the design and build value of the schemes currently on site or on which revenue will be recognised in the next two years. With the prevailing market conditions and schemes moving to close at a very slow pace the Board has taken a rigorous approach to reviewing this number. The pipeline on this basis stands at £131m (2010: £174m). This number, which represents 32 schemes, supported by a further 25 schemes the Company is working on as appointed partner underpins the Board's belief that although the next two years will continue to be difficult there is real and tangible growth to come in the longer term.

Property Partner

As announced in January, Assura Group Limited ("Assura") has acquired the Company's property partner, AH Medical Properties plc. This deal resulted in over £4m in funds being paid to Ashley House for outstanding design and management fees thereby significantly improving the Company's cash position. The Company is now able to work with Assura and other investors as Property Partners where clients (ie GPs and other healthcare professionals) do not wish to own their own buildings. This flexibility offered to clients on asset ownership remains one of Ashley House's key competitive advantages in a market where flexibility is becoming increasingly important.

Key Performance Targets

The uncertainty in the NHS has caused a number of difficulties for the Company which have been dealt with during the year under review. These issues are discussed in more detail in the Chairman's statement. The business has recorded a significant loss for the year following the provision against previously accrued income. However, at a trading level, EBITDA has been positive and the business has achieved an improved level of gross revenue. Furthermore net debt of £2.3m has been turned into net cash of £1.3m during the year with the sale of AH Medical Properties plc. We believe that these varying factors position us well for the future.

The Board believes that the Company is at present significantly undervalued and as a consequence it is exploring with its advisers ways in which to maximise shareholder value in the short term.

Future Direction

The Company is well set to take advantage of the outcome of the NHS reforms and has a strong market position, having already been appointed on over 20 schemes waiting to be developed in the coming years. Furthermore Ashley House has entered new markets where it can apply the expertise it has developed over the last 20 years. The Company has also been selected as the property development partner to a private provider of pathology services and has a number of laboratory developments at the planning stage. In order to ensure the business is fit to enable it to take advantage of these new opportunities it has undergone a re-structuring which, although reducing the headcount, has allowed the establishment of a dedicated business development team tasked to grow the business in these new areas. We look forward to the long term future with confidence.

Jonathan Holmes

Chief Executive

26 July 2011

Antony Walters

Finance Director

Consolidated statement of comprehensive income
for the year ended 30 April 2011

	Note	2011 £000	2010 £000
Gross revenue		27,542	24,876
Changes in estimate - provision		(8,871)	–
Net revenue		18,671	24,876
Cost of sales		(19,139)	(16,651)
Gross (loss)/ profit		(468)	8,225
Administrative expenses		(5,400)	(5,632)
Depreciation and amortisation		(784)	(107)
Exceptional items		(393)	(733)
Operating expenses		(6,577)	(6,472)
Operating (loss) / profit		(7,045)	1,753
Interest payable		(81)	(82)
Investment income		34	65
Profit on disposal of available for sale asset		68	–
(Loss)/ profit before taxation		(7,024)	1,736
Tax credit / (expense)		385	(486)
(Loss)/ profit after tax for the year attributable to equity holders of the parent		(6,639)	1,250
Other comprehensive income/(expense):			
Fair value movement on available for sale investments current year (losses) / gains		(242)	870
Total comprehensive (expense)/ income for the year attributable to equity shareholders of the parent		(6,881)	2,120
Basic earnings per share	2	(11.66)p	2.45p
Diluted earnings per share	2	(11.66)p	2.41p

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

Consolidated balance sheet
for the year ended 30 April 2011

	Note	2011 £000	2010 £000
Non-current assets			
Goodwill	3	1,289	1,289
Other intangibles	4	30,776	31,433
Property, plant and equipment		173	254
Available for sale investments		–	1,608
Deferred tax asset		27	65
		32,265	34,649
Current assets			
Work in progress		1,864	2,818
Trade and other receivables		15,723	23,477
Cash and cash equivalents		4,666	1,010
		22,253	27,305
Total assets		54,518	61,954
Current liabilities			
Trade and other payables		(10,930)	(9,904)
Bank borrowings and overdrafts		(1,585)	(1,692)
Current income tax		–	(477)
		(12,515)	(12,073)
Net current assets		9,738	15,232
Non current liabilities			
Amounts falling due after more than one year		(2,000)	(2,750)
Deferred tax liabilities		(1,094)	(1,094)
		(15,609)	(15,917)
Total liabilities		(15,609)	(15,917)
Net assets		38,909	46,037
Equity			
Share capital		583	557
Share premium		34,996	33,523
Merger relief reserve		4,395	4,395
Other reserve		–	1,400
Share-based payments reserve		491	496
Retained earnings		(1,556)	5,666
Total equity		38,909	46,037

The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2011.

Consolidated statement of changes in equity

for the year ended 30 April 2011

	Share capital £000	Share premium £000	Merger relief reserve £000	Other reserve £000	Share-based payment reserve £000	Retained earnings £000	Total £000
At 1 May 2010	557	33,523	4,395	1,400	496	5,666	46,037
Issue of share capital	26	1,473	–	(1,400)	–	–	99
Movement on deferred tax	–	–	–	–	(38)	–	(38)
Dividends	–	–	–	–	–	(583)	(583)
Share-based payment charge	–	–	–	–	33	–	33
Transactions with owners	26	1,473	–	(1,400)	(5)	(583)	(489)
Loss for the year	–	–	–	–	–	(6,881)	(6,881)
Transfer previously recorded fair value movements to profit and loss	–	–	–	–	–	242	242
Total comprehensive expense for the year attributable to equity holders of the parent	–	–	–	–	–	(6,639)	(6,639)
At 30 April 2011	583	34,996	4,395	–	491	(1,556)	38,909

	Share capital £000	Share premium £000	Merger relief reserve £000	Other reserve £000	Share-based payment reserve £000	Retained earnings £000	Total £000
At 1 May 2009	470	31,627	–	–	608	5,969	38,674
Issue of share capital	87	1,896	4,395	–	–	–	6,378
Deferred consideration equity settled	–	–	–	1,400	–	–	1,400
Movement on deferred tax	–	–	–	–	(145)	–	(145)
Dividends	–	–	–	–	–	(2,423)	(2,423)
Share-based payment charge	–	–	–	–	33	–	33
Transactions with owners	87	1,896	4,395	1,400	(112)	(2,423)	5,243
Profit for the year	–	–	–	–	–	1,250	1,250
Other comprehensive income:							
Fair value movement on available for sale investments current year losses	–	–	–	–	–	870	870
Total comprehensive income for the year attributable to equity holders of the parent	–	–	–	–	–	2,120	2,120
At 30 April 2010	557	33,523	4,395	1,400	496	5,666	46,037

Consolidated statement of cash flows

for the year ended 30 April 2011

	2011	2010
	£000	£000
Operating activities		
(Loss) / profit for the year before taxation	(7,024)	1,736
Adjustments for:		
Depreciation and amortisation	784	377
Share-based payment charge	33	33
Dividend received	(34)	(65)
Interest paid	81	82
Profit on disposal of available for sale asset	(68)	—
Operating cash flows before movements in working capital	(6,228)	2,163
Decrease / (increase) in work in progress	954	(819)
Decrease / (increase) in trade and other receivables	7,743	(3,987)
Increase in trade and other payables	855	737
Cash from / (used by) operations	3,324	(1,906)
Income taxes paid	(110)	(1,228)
Interest paid	(81)	(82)
Net cash generated from / (used in) operating activities	3,133	(3,216)
Investing activities		
Purchase of property, plant and equipment	(23)	(122)
Purchase of intangibles	(23)	—
Acquisition of subsidiary (net of acquired cash)	—	390
Proceeds from disposal of available for sale financial assets	1,676	1,636
Dividend received	34	65
Net cash generated from investing activities	1,664	1,969
Financing activities		
(Repayment of)/ increase in borrowings	(107)	1,565
Payment of deferred consideration	(550)	—
Proceeds from issuance of ordinary share capital net of costs	99	1,928
Dividends paid to Company's shareholders	(583)	(2,423)
Net cash (used in) / generated from financing activities	(1,141)	1,070
Net increase/ decrease in cash and cash equivalents	3,656	(177)
Cash and cash equivalents at beginning of the year	1,010	1,187
Cash and cash equivalents at the end of the year	4,666	1,010

Notes to the financial statements

1 Basis of Preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The preliminary announcement has been prepared in accordance with applicable standards as stated in financial statements for the year ended 30 April 2011.

2 Earnings per ordinary share

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

	Loss £000	2011 Weighted average number of shares	Per share amount pence	Profit £000	2010 Weighted average number of shares	Per share amount pence
Basic earnings per share						
(Loss) / profit attributable to ordinary shareholders	(6,639)	56,952,002	(11.66)	1,250	51,095,363	2.45
Dilutive effect of securities						
Options		—	—		630,131	(0.03)
Warrants		—	—		84,800	(0.01)
Diluted earnings per share	(6,639)	56,952,002	(11.66)	1,250	51,810,294	2.41

The average share price during the year was 30.8 pence per share.

An interim dividend of £583,000 was paid in the financial year 2011 (2010: £557,000).

3 Goodwill

	2011 £000	2010 £000
Cost		
As at 1 May	1,559	270
Additions in the year	—	1,289
– Sapphire Primary Care Developments Limited (SPCD)	—	1,094
– Strategic Property Solutions Limited (SPS)	—	195
Derecognised on closure of office	(270)	—
As at 30 April	1,289	1,559

Amortisation and impairment

As at 1 May	(270)	-
Impairment charge	-	(270)
Eliminated on closure of office	270	-
As at 30 April	-	(270)
Carrying amount	1,289	1,289

The Group has reviewed the Goodwill on the activities of its Neil Niblett subsidiary, which were hived up in previous years, and following the closure of the office it was decided that no further economic benefit would be generated from the asset and therefore the goodwill has been derecognised.

A full list of the Group's subsidiary companies is set out in note 4 of the Company financial statements.

4 Other intangibles

	2011	2010
	£000	£000
Cost		
As at 1 May	31,513	26,295
Additions in year	23	5,218
- SPS acquisition	23	1,205
- SPCD acquisition	-	3,898
- IPC+ Limited	-	115
As at 30 April	31,536	31,513
Amortisation		
As at 1 May	(80)	-
Amortisation of SPS	(600)	-
Amortisation of IPL	(80)	(80)
As at 30 April	(760)	(80)

	2011	2010
	£000	£000
Carrying amount		
LIFTCo	24,800	24,800
SPCD	3,898	3,898
Infracare Partnering Limited (LIFT)	1,335	1,415
SPS	628	1,205
IPC +	115	115
As at 30 April	30,776	31,433

The £23,000 addition to SPS related to capitalised legal fees on that acquisition.

LIFTCo Intangibles

The carrying value of the interests acquired has been reviewed with reference to the forecast earnings expected to be generated from them and the Group's weighted average cost of capital of 16.7%. The existing seven NHS LIFT agreements which underpin the value of the business have a further 13.5 years to run on average.

The forecast earnings are based on the pipeline of projects being worked on as a result of the 2008 LIFTCo acquisition.

SPCD Intangibles

The acquisition of SPCD in 2009 brought with it a joint venture arrangement with the vendor, Lloydspharmacy, whereby the Group has a 25% interest in the joint venture company AHLP Pharmacy Limited. SPCD also brought a pipeline of schemes and the expertise of personnel.

Other Intangibles

The acquisition of SPS in 2010 came with the expertise of personnel and a pipeline of schemes which has been recognised as an intangible asset.

Impairment

The carrying value and any impairment to each intangible asset is reviewed annually, taking into account the expected future earnings, the amount of time left on the contracts in existence and the Group's average weighted cost of capital of 16.7% as a discount rate. Value in use is used to determine recoverable amount.

As stated in the Chairman's statement, following the review of the LIFTCo schemes in the light of the climate of change in the health care market and the provision made to accrued income, the Group has reviewed the carrying value by calculating the discounted expected future cashflows. The carrying value of the LIFTCo intangible is conditional on the Group achieving its forecast profits and cashflows. The expected future cashflows are taken from the Board's current four year forecast and an assumption of the LIFT income recovering to 2009 levels in year 5. Current year and future forecasts are based on schemes in the existing extended pipeline, with estimates of future additional revenues based on management's expectations, utilising historical experience and management's knowledge of the current market place. The result of the exercise was that management did not believe there was a need to impair the LIFTCo intangible. The discount rate used was the Group's cost of capital of 16.7%. The Group will continue to review the carrying value, but there is risk that this intangible may need to be impaired in future periods. The intangible asset belongs to the Design and Construction segment.

The SPCD intangible has been reviewed for impairment against the future cashflows arising from the pipeline of schemes at acquisition and the revenues expected from the joint venture arrangement. The discount rate used was the Group's cost of capital of 16.7%. Management was satisfied that the future cashflows more than supported the carrying value of the intangible.

No impairment was deemed necessary for the SPCD or IPC+ intangibles. The SPS intangible is being amortised in line with the benefit being received from the acquired pipeline.

5 Publication of Non-Statutory Accounts

The above does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. It is an extract from the full accounts for the year ended 30 April 2011 on which the auditor has expressed an unqualified opinion, including the following emphasis of matter concerning the uncertainty regarding carrying value of intangibles:

'In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 4 to the financial statements concerning the carrying value of the LIFTCo intangible. No provision for impairment has been made to the carrying value of LIFTCo intangible, which is included in the financial statements at £24.8m. As explained in note 4, the carrying value of LIFTCo intangible is conditional on the Group achieving its forecast profits and cash flows. If these forecast increases in market activity or changes to Government policy either run later or deliver less value, then the directors may need to include an impairment charge in the future. The ultimate outcome of the matter cannot presently be determined, and no provision for any impairment that may result has been made in the financial statements'.

The accounts will be posted to shareholders and subsequently filed at Companies House.