

Delivering solutions
Ashley House plc Interim report 2007
for the 6 months ended 31 October 2007



Ashley House plc, the primary care specialist,
provides design, project management, construction,
asset and clinical services management.

For further information visit
www.ashleyhouseplc.com

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Front cover (left to right)

- > Bosmere Medical Centre, Havant, Portsmouth, Hampshire
- > Turf Cutting at Blandford House Surgery, Braintree, Essex
- > Waiting room area at the Molineux NHS Centre, Newcastle-upon-Tyne

Highlights

- > Profit before tax and exceptional items up 22% to £1.77m (2006: £1.45m)
- > Earnings per share before exceptional items steady 4.5p (2006:4.3p)
- > Interim Dividend up 15% to 2.3p (2006: 2p)
- > First revenues from the NHS LIFT programme delivered through the Strategic Alliance with Babcock & Brown
- > Successful completion of 6 projects in the period
- > Planning approval granted for £25m Health Park in Scarborough



- > On November 26th 2007 the Molineux Health Centre was officially opened by Ann Keen MP, Parliamentary Under Secretary for Health Services. Joining her at the opening as shown in the picture (left to right) are Nick Brown, Newcastle East and Wallsend MP; Jonathan Holmes, Chief Executive Officer, Ashley House plc; Chris Read, Chief Executive of Newcastle PCT; and Gina Tiller, Chair of Newcastle PCT.

“The business progress provides an excellent base to capitalise on the Company’s involvement in NHS LIFT, Health Parks and Clinical Services which should reflect materially on the revenue and profit of the Company in the year to April 2009.”

Results

The interim results for the six months to 31 October 2007 show continued progress maintaining the profit growth achieved over the last two years. The pre-tax and pre-exceptionals profit has moved ahead to £1.77m (2006: £1.45m) an increase of 22%. The net profit after tax and exceptionals was £1.24m (2006: £1.07m) some 16% ahead.

The reorganisation of the NHS earlier in the year resulted in delay in PCTs approving the funding for some new primary care schemes. As a result there has been a short term reduction in revenue but the effect of the reorganisation has contributed to a substantial pipeline of new business which should lead to a significant increase in turnover in both 2008 and 2009. During the period, our overall margin has improved, due to a broader mix and increase of income from other activities in particular design fees and asset management, despite a significant investment in management staff to undertake the increased business going forward. Earnings per share were steady at 4.5p (2006: 4.3p excluding exceptionals) on an increased number of shares following the AIM floatation and fundraising in January 2007.

These are the first accounts produced under IFRS but as demonstrated in comparative figures prepared in earlier years' results reports, there is little impact of adopting IFRS on Ashley House plc. Full detailed notes on the adoption of IFRS are available on the Company's website at www.ashleyhouseplc.com

Dividend

Due to the positive outlook for the business, the Board has decided to increase the interim dividend to 2.3p per share (2006: 2p), an increase of 15% over the interim dividend last year. This interim dividend will be paid on 14 January 2008 to shareholders on the register as at 14 December 2007.

Business progress

In addition to good progress on the Company's core business of the design and delivery of GP surgeries for future years, the first six months of the financial year reflects the first design fees from the NHS LIFT programme which is now flowing as a consequence of the Strategic Alliance with Babcock & Brown. There will be a significant impact on both revenue and profit in the next two financial years from the 21 NHS LIFT schemes now being worked on. Shortly after the period end, two more NHS LIFT schemes with a total construction value of approximately £12m achieved LIFTCo Board approval, at which point our costs are underwritten. There are now six schemes of the 21 which have achieved this stage.

The Company's revenues from the contract to manage the portfolio owned by AH Medical Properties plc ("AHMP") continues to grow following the completion of four additional properties during the period. AHMP also completed a highly beneficial £58.5m refinance during the period, reducing its interest cost as well as raising a further £14m of new money securing its ability to continue to acquire new schemes under the agreement with Ashley House. However despite a significant increase in the underlying asset value of AHMP, underpinned by a recent revaluation, this has not been reflected in the AHMP share price which has fallen as with most property companies at this time. As a consequence an adjustment to the value of the Ashley House's 6.8% equity stake in AHMP is reflected in these accounts.

In July full planning approval was granted for the Health Park in Scarborough. This is a major scheme providing a 1,900 m² Primary Care centre, an elective care centre, a 93 bed care home for the elderly and 14 sheltered apartment units. The scheme is estimated to have a gross development value of £25m and will be undertaken in a joint venture with a third party.

Clinical Services has made good progress and is beginning to generate some revenue from its pharmacy joint venture business and from its first JV provider contracts. Positive discussions are on-going with a number of groups of GPs who are keen to bid for a wide range of devolved services. The Company joins them as their commercial partner to provide additional resource and management skills.

Primary Care – the outlook

As set out in our recent Trading Statement, the Board welcomed Lord Darzi's Interim Report "Our NHS Our Future" which specifically identified the need for at least 100 more GP surgeries and 150 new 'Polyclinics' which adds to the significant amount of replacement and reconfiguration work which has already been earmarked for the primary care estate. Ashley House is well placed to contribute positively to this next phase of health and social care infrastructure investment.

Government policy is to shift the emphasis of care away from the Acute Sector, (and indeed has scaled back ISTC contracts in which the Company has never been involved) and to concentrate on the provision of as much care as possible in a primary and community care setting. This shift is clearly to the benefit of the Company.

The current financial year is one of consolidation following strong growth in previous periods, at the same time good progress has been made on profitability by improving margins. This provides an excellent base to capitalise on the Company's involvement in NHS LIFT, Health Parks and Clinical Services which should reflect materially on the turnover and profit of the Company in the year to April 2009. Ashley House has a first rate team and is now well placed to deliver its true growth potential underpinned by the favourable market background.

Sir William Wells
Chairman
Ashley House plc
3 December 2007

Condensed consolidated interim income statement

	Unaudited six months to 31 October 2007	Unaudited six months to 31 October 2006	Unaudited* year to 30 April 2007
Note	£000	£000	£000
Revenue	9,978	12,765	25,644
Cost of sales	(6,458)	(9,844)	(18,307)
Gross profit	3,520	2,921	7,337
Administrative expenses	(1,837)	(1,440)	(3,228)
Depreciation, amortisation and impairment of non-financial assets	(97)	(57)	(112)
Profit on sale of asset	–	137	137
Non recurring costs	4	–	(1,551)
Operating profit	1,586	1,561	2,583
Finance income	188	40	142
Finance expense	–	(15)	(15)
Profit on ordinary activities before tax	1,774	1,586	2,710
Income tax expense	(532)	(520)	(1,325)
Profit for the period	1,242	1,066	1,385
Earnings per share:	6		
Basic earnings per share	4.51p	4.75p	5.76p
Diluted earnings per share	3.98p	4.36p	4.97p

* Unaudited under IFRS

Condensed consolidated interim balance sheet

	Unaudited as at 31 October 2007 £000	Unaudited as at 31 October 2006 £000	Unaudited* as at 30 April 2007 £000
ASSETS			
Non-current assets			
Property, plant and equipment	348	211	200
Available for sale investments	1,387	–	1,850
Goodwill	270	270	270
	2,005	481	2,320
Current assets			
Trade and other receivables	6,732	5,374	7,392
Cash and cash equivalents	6,666	2,896	6,073
	13,398	8,270	13,465
Total assets	15,403	8,751	15,785
LIABILITIES			
Current liabilities			
Trade and other payables	(4,379)	(3,572)	(4,712)
	(4,379)	(3,572)	(4,712)
Non-current liabilities			
Deferred tax liabilities	–	(13)	–
Total non-current liabilities	–	(13)	–
Total liabilities	(4,379)	(3,585)	(4,712)
Net assets	11,024	5,166	11,073
EQUITY			
Share capital	275	238	275
Share premium account	8,040	3,250	8,040
Share based payment reserve	1,421	184	1,421
Retained earnings	1,288	1,494	1,337
Total equity	11,024	5,166	11,073

* Unaudited under IFRS

Condensed consolidated interim statement of changes in equity (unaudited)

	Share capital £000	Share premium account £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 May 2006	224	2,771	165	1,326	4,486
Changes in equity for first half of 2006					
Change in share based payment reserve	–	–	19	–	19
Profit for the period	–	–	–	1,066	1,066
Total recognised income and expense for the period	–	–	19	1,066	1,085
Dividends	–	–	–	(898)	(898)
Issue of share capital	14	479	–	–	493
Balance at 31 October 2006	238	3,250	184	1,494	5,166
Balance at 1 May 2006	224	2,771	165	1,326	4,486
Changes in equity for year					
Change in share based payment reserve	–	–	1,256	–	1,256
Profit for the year	–	–	–	1,385	1,385
Total recognised income and expense for the year	–	–	1,256	1,385	2,641
Dividends	–	–	–	(1,374)	(1,374)
Issue of share capital	51	5,269	–	–	5,320
Balance at 30 April 2007	275	8,040	1,421	1,337	11,073
Balance at 1 May 2007	275	8,040	1,421	1,337	11,073
Changes in equity for first half of 2007					
Available-for-sale investments: Valuation (losses) taken to equity	–	–	–	(463)	(463)
Total recognised changes in equity for the period	–	–	–	(463)	(463)
Profit for the period	–	–	–	1,242	1,242
Total recognised income and expense for the period	–	–	–	1,242	1,242
Dividends	–	–	–	(828)	(828)
Balance at 31 October 2007	275	8,040	1,421	1,288	11,024

Condensed consolidated interim cash flow statement

	Unaudited six months to 31 October 2007 £000	Unaudited six months to 31 October 2006 £000	Unaudited year to 30 April 2007 £000
Cash flows from operating activities			
Profit after taxation	1,242	1,032	1,337
Adjustments for:			
Share based payment adjustment	–	19	1,256
Depreciation	97	94	181
(Profit)/loss on sale of fixed assets	18	(274)	(137)
Finance income	(188)	(40)	(142)
Finance expense	–	15	15
Taxation expense recognised in income statement	532	520	1,321
Decrease in stock	–	15	15
(Increase)/decrease in trade and other receivables	660	1,399	(639)
Decrease in trade and other payables	(361)	(1,950)	(818)
Cash generated from operations	2,000	830	2,389
Interest paid	–	–	(14)
Income taxes paid	(504)	–	(937)
Net cash from operating activities	1,496	830	1,438
Cash flows from investing activities			
Purchase of property, plant and equipment	(265)	–	(87)
Purchase of investments	–	–	(1,850)
Proceeds from sale of property and equipment	–	1,291	1,337
Interest received	188	25	137
Net cash (used in)/from investing activities	(77)	1,316	(463)
Cash flows from financing activities			
Proceeds from issue of share capital	–	143	4,970
Dividends paid	(826)	(895)	(1,374)
Net cash used in financing activities	(826)	(752)	3,596
Net increase in cash and cash equivalents	593	1,394	4,571
Cash and cash equivalents at beginning of period	6,073	1,502	1,502
Cash and cash equivalents at end of period	6,666	2,896	6,073

Notes to the condensed consolidated interim financial statements

1 Nature of operations and general information

Ashley House plc and subsidiaries' ('the Group') principal activities consist of the design and project management of primary care infrastructure construction and asset management.

Ashley House plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of Ashley House plc's registered office, which is also its principal place of business, is The Priory, Stomp Road, Burnham, Buckinghamshire, SL1 7LW. Ashley House plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

Ashley House's consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 3 December 2007.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 30 April 2007, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

2 Summary of significant accounting policies

This interim financial information has been prepared by applying the IFRS-compliant accounting policies published on the group's website, www.ashleyhouseplc.com.

3 Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 31 October 2007. They have been prepared following the recognition and measurement principles of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ending 30 April 2008. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2007.

These financial statements have been prepared on the going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 30 April 2008 or are expected to be adopted and effective at 30 April 2008, our first annual reporting date at which we are required to use IFRS accounting standards as adopted by the EU.

Ashley House plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 30 April 2007. The date of transition to IFRS was 1 May 2006. The comparative figures in respect of 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules published on the group's website.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

4 Non recurring costs

The non recurring costs relate to the IFRS 2 share based payment charge relating to the issue of the warrant to Babcock and Brown and the expensed costs of the Company's placing and admission to AIM in January 2007.

5 Share issue

During the period to 31 October 2007, no shares were issued. (31 October 2006 1,166,667 shares were issued at a premium of £338,000 in total, 16 January 2007 3,333,333 shares were issued at a premium of £4,967,000, between 4 May 2006 and 14 March 2007, 629,976 shares were issued at a premium of £549,000).

6 Earnings per share

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

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and warrants and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Earnings £000	Weighted average number of shares	Per share amount pence
6 months to 31 October 2007			
Profit after tax	1,242		
Earnings attributable to ordinary shareholders			
Weighted average number of shares (used for basic earnings per share)		27,544,379	
Dilutive effect of options and warrants		3,698,810	
Diluted weighted average number of shares (used for diluted earnings per share)		31,243,189	
Basic earnings per share			4.51p
Diluted earnings per share			3.98p

Notes to the condensed consolidated interim financial statements continued

6 Earnings per share continued

	Earnings £000	Weighted average number of shares	Per share amount pence
6 months to 31 October 2007			
Profit after tax	1,066		
Earnings attributable to ordinary shareholders	–		
Weighted average number of shares (used for basic earnings per share)		22,443,453	
Dilutive effect of options and warrants		1,984,371	
Diluted weighted average number of shares (used for diluted earnings per share)		24,427,824	
Basic earnings per share			4.75p
Diluted earnings per share			4.36p

7 Dividends

The dividends paid to equity shareholders over the past two years are set out below:

Year to 30 April 2006		£000	Date paid
Interim dividend	–	–	
Final dividend	4p	898	29 September 2006
Total dividend	4p	898	

Year to 30 April 2007

Interim dividend	2p	476	26 January 2007
Final dividend	3p	828	24 August 2007
Total dividend	5p	1,304	

Independent review report to Ashley House plc

Introduction

We have been instructed by Ashley House plc (“the Company”) to review the financial information for the six months ended 31 October 2007 which comprises the condensed consolidated interim income statement, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in equity and the condensed consolidated interim cash flow statement and the related notes 1 to 7 set out on pages 10 to 12. We have read the other information contained in the interim report which comprises only the Chairman’s Statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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 for our review work, for this report, or for the conclusion we have formed.

Directors’ responsibilities

The interim report, including the financial information therein, is the responsibility of, and has been approved by the directors. The AIM Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable to such accounts.

Review work performed

We conducted our review in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards of Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2007.

Grant Thornton UK LLP

Registered Auditor
Chartered Accountants
Oxford
3 December 2007



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This paper is manufactured using a paper that is 75% recycled with the remainder being made from environmentally-friendly Elemental Chlorine Free (ECF) wood pulp sourced from well-managed sustainable forests. The paper is also bio-degradable and recyclable. All inks used are vegetable based.

If you have finished reading this report and no longer wish to retain it please pass it on to other interested readers, return it to Ashley House plc or dispose of it in your recycled paper waste. Thank you.

Company information

Company registration number

2563627

Registered office:

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Directors

Sir W Wells	Non-executive Chairman
S G Minion	Executive Deputy Chairman
J Holmes	Chief Executive Officer
N K Croxford	Construction Director
G Mosley	Executive Director
B L Walker	Finance Director
R E L Warner	Commercial Director
J Arnold-Forster	Non-executive Director
J Coghlan	Non-executive Director
A Gibson	Non-executive Director

Secretary

S Ronaldson

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