ashley house

Annual report and accounts 2010–2011

understanding property

Welcome to the 2010–2011 Ashley House annual report

Building enduring partnerships. **Understanding** health and social care properties.

Since 1991 Ashley House has been delivering efficient and cost effective health and social care infrastructure solutions.

Our approach is based on building active and enduring partnerships with our clients. We work with clients and their communities at the outset to assess and understand both their requirements and the financial constraints within which they operate. We then provide turnkey solutions, delivering all services required to develop buildings that are individually tailored to each client's needs.

We support clients in all areas related to their estate. We undertake surveys and help develop estates strategies that respond to our clients changing requirements. We also supply property services, including supervising facilities management and providing asset management services.

Highlights

Year ended 30 April 2011

Our year

"This has been a difficult and uncertain year for Ashley House. The NHS reorganisation 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."

Sir William Wells, Chairman

Financial

- Gross revenue up 10% to £27.5m (2010: £24.9m)
- EBITDA before provision up 11% 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 nine schemes completed and a further nine 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

Inside this report

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Key metrics

for the year ended 30 April 2011

£27.5m	£3.0m	£1.3m	£38.9m
Gross revenue up from £24.9m in 2010	**EBITDA before provision** up from £2.7m in 2010	**Net cash** up from £2.3m net debt in 2010	**Net assets** down from £46.0m in 2010

At a glance

Adapting to a changing NHS landscape

Our business model continues to adapt in order to face the developing challenges of a changing market. Understanding change underpins all our strategic and operational planning whilst supporting the ongoing delivery of positive results.

What's happening

The current large scale upheaval in the NHS's operational structure has led to uncertainty in the market as to where and when new funding approvals for projects will come. However, regardless of the outcome of the current Bill, the shift of care towards community healthcare settings is unstoppable. This will support demand for modern community based health and social care infrastructure, where Ashley House is well positioned as a leading solutions provider.

Our key strengths

Ashley House is one of the UK's leading specialists in the development and delivery of healthcare property. Since its inception Ashley House has developed and grown an expertise and reputation for delivering buildings for GPs and others on a turnkey basis.

Our key strengths include:

- Lasting GP and partner relationships
- Trusted LIFT partner
- 20 years of experience
- Fixed price development service
- Flexible on ownership structure

Growing

Benefiting from current trends

Even before current NHS changes were announced, GP practices were moving away from single practitioners operating from a converted house towards multipurpose practices with multiple GPs and associated health and community services.

This trend is supported by a decreasing number of GP practices and an increasing number of patients per practice.*

Leveraging 3PD and LIFT relationships

As an experienced property partner in the healthcare market, Ashley House will be looking to lead the development of modern healthcare related premises as the NHS pushes for more services to be provided outside of hospitals.

75%

of GPs felt that their premises were not suitable for their anticipated future needs**

Key priorities

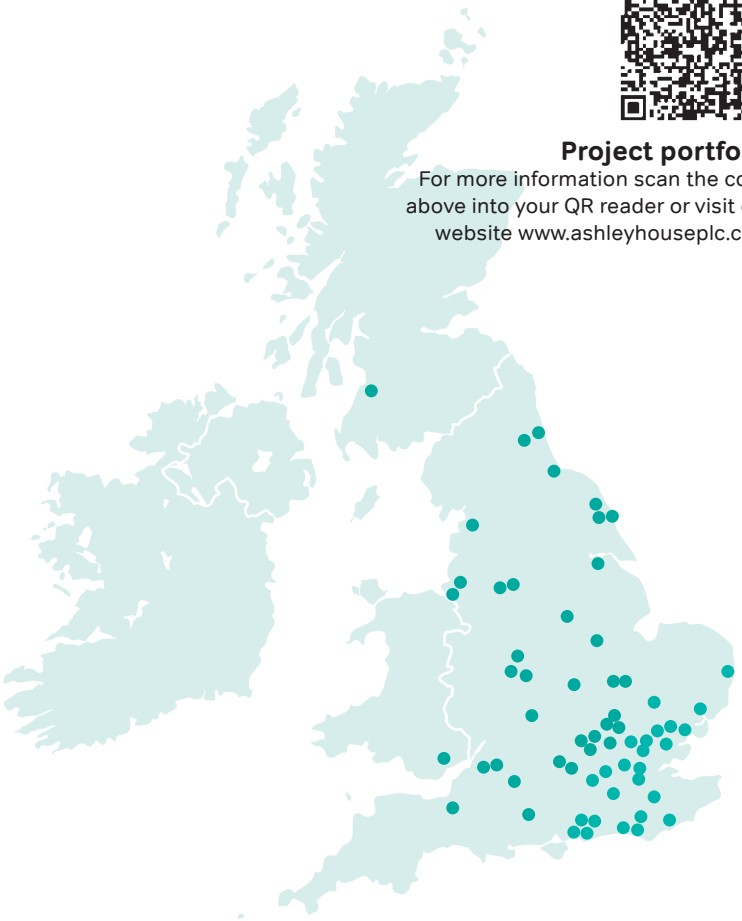
- Build on core expertise, interfacing with GPs and delivering their new surgeries
- Develop relationships within LIFT
- Use core skills and capabilities to build premises in adjacent markets with the NHS and Local Authorities

Current progress

- 3PD and LIFT market steady but slow
- Partnerships being developed with private providers and discussions being held with non PCT Trusts

* Source: The information centre for health and social care, General Practice Bulletin 2000-2010.
** Source: GVA Grimley, Sector Report, Overview of the UK primary care property sector (October 2010).

Project portfolio
For more information scan the code above into your QR reader or visit our website www.ashleyhouseplc.com



Our current estate

£131m+

Forward pipeline
design and build value for current and next two years

Our portfolio of projects encompasses projects in NHS Local Improvement Finance Trust (LIFT), Primary Care, Health and Social Care and Clinical Services joint ventures.

Extending

Widening potential markets

The current trend for convergence of health and social care opens up new opportunities for Ashley House in the delivery of community care facilities. We expect this to be a significant area of development in future years.

Ashley House is also in the position to leverage the skills and expertise developed within the primary and community care markets to generate opportunities within allied markets such as social care and alterations to the hospital estate.

The experience with mental health and social care acquired with Strategic Property Solutions (SPS) will present new opportunities with Mental Health Trusts and Local Authorities for the delivery of intermediate care facilities.

29%

of the UK population will be over 60 by 2033* increasing the demand for extra care and dementia services**

Key priorities

- Build on core expertise, skills and capabilities
- Establish and grow substantive partnerships with service delivery organisations
- Develop relationships with Partners to deliver extra care and dementia care services

Current progress

- First extra care scheme on site; 27 units in St Helens. See page 9
- Partnerships being established with housing and care providers
- Discussions underway with private health providers

*** Source: National population projections, 2008-based, Office for National Statistics, 2009.
Pages 2 to 3 and 8 to 9 do not form part of the annual financial statements.

Review of the year

Chairman's statement

Despite the uncertainty in the NHS your Company has been able to establish a stable position and demonstrated good progress with improved revenue coming from increased on-site activity.

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 ongoing 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 April 2011 £000	Year to 30 April 2010 £000
Reported (loss)/profit before tax	(7,024)	1,736
Provision against accrued income	8,871	—
PBT before provision	**1,847**	1,736
Depreciation and 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 ongoing 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 NHS LIFT companies (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 cash flows, it decided that no impairment was necessary. However, in the light of the ongoing uncertainties, the Board will keep the intangible under review and may need to impair this balance in future periods.

Sir William Wells

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 centred 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 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.

Sir William Wells
Chairman

25 July 2011

What we're doing

Building our offering

Following on from two key acquisitions last year (Sapphire Primary Care Developments and Strategic Property Solutions), Ashley House is proud to report excellent progress in integrating these businesses and capitalising on the new expertise within the Company.

The following schemes demonstrate the benefits already being seen by our broadened expertise:

> **Balsall Common p8**
Increasing patient choice and flexibility

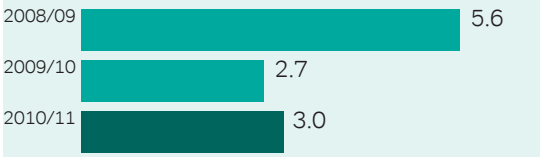
> **Sorogold Street p9**
Valuable services for vulnerable people

Gross revenue
£m

£27.5m

EBIDTA (before provision)
£m

£3.0m



Review of the year

Business review

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.

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 Group Limited (Assura). The Company has, however, replaced part of these revenues by reorganising 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 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

Jonathan Holmes

Antony Walters

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

Antony Walters
Finance Director

25 July 2011

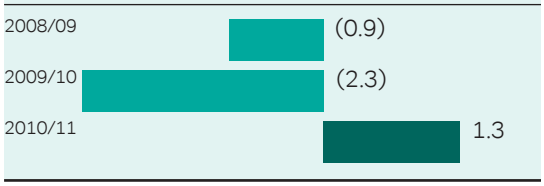
What we're doing

New branding

As our future direction builds on our proven expertise to enter into adjoining markets and to work with new customers, our brand has required a refresh giving us the ability to demonstrate our capabilities and experience. A new brochure has been produced which will be used to provide examples of how our enduring partnerships have and continue to deliver. Please email us at enquiries@ashleyhouseplc.com to order a copy.

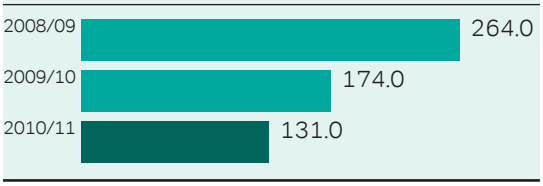
Net cash/(net debt)
£m

£1.3m



Pipeline
£m

£131.0m



Review of the year

Acquisitions update

Balsall Common

Increasing patient choice and flexibility

Since the acquisition of Sapphire Primary Care Developments from Lloyds Pharmacy in November 2009 Ashley House has:

- Strengthened its level of expertise in the health and social care development market.
- Placed and planned a number of new Lloyds Pharmacies at developments across the UK.
- Developed a range of healthcare facilities from the inherited Sapphire pipeline and created a new pipeline of opportunities via the expertise brought on board.

Description: Integrated primary care centre
Size: 1,691m² + 150m² of pharmacy
Services: One GP practice, PCT clinic with space for community nursing team. There is also an NHS dentist and Lloyds Pharmacy.
On site: June 2011
Completion: July 2012

Balsall Common and Meriden Group Practice will be relocated to the new premises as will the nearby Balsall Common Clinic, operated by Solihull Primary Care Trust. The current facilities in Balsall Common were not fit for purpose and the aim has been to bring services together and provide greater choice. On 9 June works for the new integrated primary care centre for Balsall Common began on site.

"The provision of primary healthcare is undergoing significant change; the new health centre will allow the practice and patients to take full advantage of these changes in the delivery and receipt of healthcare. Everyone at the practice is looking forward to working with patients and other agencies to make the most of this wonderful opportunity."

Joanne Hope
Practice Manager at Balsall Common and Meriden Group Practice

View from Hall Meadow Road. The building matches the planners' aspirations for a stunning building whilst maintaining affordability for the NHS.

Project portfolio
For more information scan the code above into your QR reader or visit our website www.ashleyhouseplc.com

Sorogold Street, St Helens

Valuable services for vulnerable people

Through the acquisition of Strategic Property Solutions in January 2010 Ashley House has diversified into providing specialist housing for vulnerable people.

Description: Extra care housing
Size: 2,000m²
Services: 27 bungalows and staff facilities
On site: April 2011
Completion: First phase February 2012, with second phase April 2012

A ceremony in August this year marked the official beginning of the construction of this important new development. The proposed development will provide a new extra care housing facility for St Helens Council. Ashley House is working in close partnership with the Council and Inclusion Housing to develop this new build extra care scheme, which will comprise 27 bungalows and staff facilities.

The specialist housing scheme will be leased to Inclusion Housing so that they can provide landlord and housing management services to the tenants with the care and support to be commissioned separately by the Council. Each of the 27 bungalow units are designed to meet full accessibility standards with an on-site staff support office and communal lounge.

"This project is an excellent example of true partnership working to improve community provision in St Helens. It has been a pleasure working with managers, practitioners, relatives and service users over the last couple of years to jointly plan and design this superb development. I'm confident that the tenants will have many happy years living here."

Steve Cullen
Healthcare Executive at Ashley House

Specially designed, constructed and adapted two bed bungalow for St Helens Council.

Corporate governance

Board of directors

Sir William Wells
Non-executive Chairman[1][2]

Sir William brings a wealth of experience to the Board having held numerous positions in both the public and private sectors in a career that has spanned more than 40 years. From 1964 Sir William worked as a property consultant becoming partner at Chesterton and Sons in 1966, managing partner in 1984 and chairman of the business, following incorporation in 1991, until his retirement in 1997. His board level experience commenced in 1972 and since that time he has held positions in many well known organisations. Sir William began a parallel career in the public sector in 1968 as a governor of the Royal Free Hospital in Grays Inn Road and has continued unbroken in the NHS to date, together with other posts in health, education and science including: chairman of the NHS Appointments Commission (2001–2007); chairman of the commercial advisory board to the Department of Health (2003-2007); and member of the General Council of the King's Fund (1995–to date). Sir William is Chairman of Ashley House's Appointments Committee.

Stephen Minion
Deputy Chairman

Stephen is a chartered engineer with a long career in design and development of commercial property. Following his BSc degree in engineering he initially joined the London Borough of Harrow, where he gained chartered engineer status. He worked for George Wimpey & Co where he learnt his main "stock in trade" as a property developer before starting his own company in 1978. In 1991 he co-founded Ashley House where his specialist area centres around the overall delivery of the Company's core product and the development of new services.

Jonathan Holmes
Chief Executive

Prior to joining Ashley House in 1998 **Jonathan** followed a career in sales and marketing with an emphasis on setting up new ventures. In the 1990s he worked in the City for Thomson Financial Services and latterly the capital markets and Eurobond regulator ISMA. At Ashley House he is responsible to all stakeholders, shareholders, employees, clients and trading partners, for ensuring the continued commercial success of the business.

Antony Walters
Finance Director

Antony has a BA in accounting and qualified as a chartered accountant in 1992. He gained an Executive MBA from Warwick University in 2004. He joined Ashley House in February 2010 having held various senior management positions within Celesio Group/Lloyds Pharmacy which he joined in 1996. Immediately prior to Ashley House, Antony was managing director of Sapphire Primary Care Developments which Ashley House acquired from Lloyds Pharmacy in November 2009.

David Hartshorne
Chief Operating Officer

David has been with Ashley House since November 2008 and is responsible for the operations of the Company. David is a chartered civil engineer and previously spent a number of years with John Laing where he established ExcellCare as a leading participant within LIFT. His career has involved leadership of client organisations participating in PFI and PPP infrastructure projects across a wide range of industries in the UK and overseas.

Andrew Gibson, MBE
Non-executive director[1][2][3]

Andrew's first career was as a high-ranking army officer specialising in logistics. From there he went on to become one of the top performing chief executives within the NHS gaining the coveted three-star rating in every year it was published, initially as chief executive of City Hospitals Sunderland and latterly as chief executive of Newcastle PCT before stepping down at the end of 2005. Andrew is Chairman of Ashley House's Remuneration Committee.

Jake Arnold-Forster
Non-executive director[1]

Jake is an independent consultant to NHS organisations, Local Authorities, UK and international companies and investor in a number of companies supplying products and services to the NHS. He is chairman of health marketing company Innovation 1st and clinical database company, Clinical Network Systems. He is the former CEO of Dr Foster Intelligence, a commercial provider of healthcare information.

John Coghlan
Non-executive director[2][3]

John is chairman of Inchcape Shipping Services a private equity owned business. He is a director of Yell plc, where he is the chairman of the audit committee. John is former deputy chief executive and group finance director of Exel plc, where he spent eleven years up to the time of its takeover by Deutsche Post in 2006. Prior to joining the board of Exel/Ocean Group plc in 1995, he spent seven years with Tomkins plc in various financial roles, having joined them after eight years with Arthur Andersen, where he qualified as a chartered accountant. John is Chairman of Ashley House's Audit Committee.

Andrew Willetts
Non-executive director[3]

Andrew graduated from Keble College, Oxford in 1985 with a degree in modern history before qualifying as a chartered accountant with what is now PricewaterhouseCoopers in 1991. Since then he has held senior financial roles in a number of companies in the retail and wholesale sectors, including Waterstones, and most recently as director of shared services at Hagemeyer (now Rexel SA). Andrew joined Lloyds Pharmacy in 2003 becoming finance director in 2007. He is also a director of the trustee companies for Admenta UK plc pension schemes and had main board responsibility for Sapphire Primary Care Developments until its sale to Ashley House plc.

Committees
(1) Appointments Committee
(2) Remuneration Committee
(3) Audit Committee

Steve Gray, trading director at Lloyds Pharmacy is alternate director for Andrew Willetts.

Corporate governance

Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 April 2011.

Principal activity

The principal activity of the Group is the supply of design, project management, consultancy services and asset management, primarily allied to the provision of medical infrastructure schemes delivering NHS-led primary care.

Business review

The consolidated statement of comprehensive income for the year is set out on page 18. A review of developments affecting the Group during the year and of its prospects for the future appears in the Chairman's statement and the Business review.

The Group is required by the Companies Act 2006 to set out in this report a fair review of the business of the Group during the financial year ended 30 April 2011 and the position of the Group at the end of the year along with principal risks and uncertainties facing the Group. This information is included within the Chairman's statement and the Business review on pages 4 and 7. The principal risk for the Group remains the possibility of reduced commissioning of new primary care premises by the NHS. The Group's ability to continue to deliver potential projects within cost parameters remains an ongoing operational risk in both NHS Local Improvement Finance Trust (LIFT) and third party developer (3PD) markets since failure to do this may result in the cancellation or delay of projects and the associated fees and revenues for the Group.

An interim dividend of 1.0 pence per share was paid on 15 April 2011 (1.0 pence per share was paid in the year ended April 2010). No final dividend has been proposed (2010: Nil pence).

Directors

The membership of the Board during the year is set out below. Except as noted, the directors served throughout the year.

Sir W Wells	(Non-executive Chairman)
S G Minion	(Executive director)
J Holmes	(Executive director)
A J Walters	(Executive director)
D J M Hartshorne	(Executive director)
J Arnold-Forster	(Non-executive director)
J Coghlan	(Non-executive director)
A F Gibson	(Non-executive director)
A J Willetts	(Non-executive director)
S W Gray	(Non-executive director) alternative to A J Willetts (appointed 1 June 2010)

S W Gray, being newly appointed, offers himself for election and J Coghlan retires by rotation and, being eligible, offers himself for re-election.

Directors' and officers' liability insurance

The Group has, as permitted by Section 236 of the Companies Act 2006, maintained insurance cover on behalf of the directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Group.

Supplier payment policy

The Group and Company policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment. Trade payables at the year end amount to 49 days (2010: 63) of average supplies for the year.

Employee involvement

The Group keeps its employees informed of matters affecting them as employees through regular briefings. Ashley House plc has been accredited Investors in People status.

Disabled persons

It is the Group's policy to give full and fair consideration to applications for employment made by disabled persons having regard to their aptitudes and abilities. The Group also uses reasonable endeavours to provide continuing employment for employees who are disabled whilst the Group employs them and, where appropriate, provides facilities for training and retraining for career development and promotion.

Financial risk management objectives and policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium-term cash flows. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant financial risks to which the Group is exposed are described below.

Credit risk

The Group's principal financial assets are cash, trade receivables and amounts recoverable on contracts. The amount of trade receivables presented in the balance sheet is net of any allowance for doubtful trade receivables, estimated by the directors. Amounts recoverable on contracts are presented net of provisions deemed necessary by the directors. The Group's largest customers in the year are set out in Note 1.

The Group has adopted a strict credit vetting policy based on track record payment history and externally available credit data.

Interest rate risk

The Group finances its operations principally through retained profits and has relatively low borrowings. The Group secured a £2,000,000 revolving credit facility during 2010 from its bankers, Lloyds TSB Bank PLC. The loan interest is charged at a variable 2.75% over three month LIBOR. At 30 April 2011 the Group had further borrowings of £1,330,000 relating to the debt held within the joint venture company, AH Scarborough Health Park Limited. Loan interest is variable 4.00% over the bank's base rate (currently 4.50%), which exposes the Group to any increase in the base rate. The Group's share of loans and cash deposits in joint venture NHS LIFT companies (LIFTCos) means that any material rise in interest rates would be broadly neutral between interest charged and received.

The Group operates a policy of seeking to optimise deposit interest earned, paying due regard to credit risk and ensuring the business has sufficient available cash to operate effectively.

Liquidity risk

The Group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs by investing cash assets safely and profitably. The Group's revenue recognition policy set out in the principal accounting policies is central to the way the Group values the work it has carried out in each financial year.

Amounts recoverable on contracts relate to projects that are largely ongoing as at 30 April 2011. A substantial proportion of the amounts have yet to be invoiced, however management's expectation is that it is highly probable that the schemes will be in a position within the next financial year such that the amounts net of any provision made can be invoiced, at which point the Group expects to collect the balances in full.

Going concern

After making enquiries and reviewing forecasts, the directors have, at the time of approving the financial statements, concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Cash flows are derived from construction and asset management services as well as project specific design and development fees. The pipeline of future projects is monitored constantly and necessary resource is matched to the requirements and with reference to the degree of progress and certainty of the individual projects.

Corporate governance

Report of the directors

continued

Application of principles of good governance

Corporate governance

The Board supports the principles of good governance. The Group is committed to high standards of corporate governance and has adopted procedures to institute good governance insofar as they are practical and appropriate for a business of this size at this stage in its development. The Board has a Remuneration Committee, an Audit Committee and an Appointments Committee, in each case comprising a majority of Non-executive directors and chaired by a Non-executive director.

Board effectiveness

The Group supports the concept of an effective Board, leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. Management supplies the Board with appropriate and timely information and the directors are free to seek any further information that they consider necessary. All directors have access to advice from the Company Secretary and independent professionals at the Group's expense.

Auditor

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006 a resolution to re-appoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

On behalf of the Board

Jonathan Holmes
Chief Executive

25 July 2011

Statement of directors' responsibilities

Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have elected to prepare parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Jonathan Holmes
Chief Executive

25 July 2011

Financial statements

Report of the independent auditor

We have audited the financial statements of Ashley House plc for the year ended 30 April 2011 which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – 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 9 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 9, 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, Oxford

25 July 2011

Financial statements

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	1	**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	2	**(393)**	(733)
Operating expenses		**(6,577)**	(6,472)
Operating (loss)/profit	3	**(7,045)**	1,753
Interest payable		**(81)**	(82)
Investment income	5	**34**	65
Profit on disposal of available for sale asset	11	**68**	—
(Loss)/profit before taxation		**(7,024)**	1,736
Tax credit/(expense)	6	**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	7	**(11.66)p**	2.45p
Diluted earnings per share	7	**(11.66)p**	2.41p

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

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet

at 30 April 2011

	Note	2011 £000	2010 £000
Non-current assets			
Goodwill	8	**1,289**	1,289
Other intangibles	9	**30,776**	31,433
Property, plant and equipment	10	**173**	254
Available for sale investments	11	**—**	1,608
Deferred tax asset	20	**27**	65
		32,265	34,649
Current assets			
Work in progress	13	**1,864**	2,818
Trade and other receivables	14	**15,723**	23,477
Cash and cash equivalents	15	**4,666**	1,010
		22,253	27,305
Total assets		**54,518**	61,954
Current liabilities			
Trade and other payables	16	**(10,930)**	(9,904)
Bank borrowings and overdrafts	17	**(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	18	**(2,000)**	(2,750)
Deferred tax liabilities	20	**(1,094)**	(1,094)
Total liabilities		**(15,609)**	(15,917)
Net assets		**38,909**	46,037
Equity			
Share capital	21	**583**	557
Share premium	22	**34,996**	33,523
Merger relief reserve	23	**4,395**	4,395
Other reserve	23	**—**	1,400
Share-based payment 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.

They were signed on its behalf by:

Jonathan Holmes
Chief Executive

Company number: 2563627

The accompanying accounting policies and notes form an integral part of these financial statements.

Financial statements

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

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 April 2011

	2011 £000	2010 £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

The accompanying accounting policies and notes form an integral part of these financial statements.

Financial statements

Principal accounting policies

Basis of accounting

Ashley House plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Company information on page 52. The nature of the Group's operations and its principal activities are set out in the Business review on pages 6 and 7.

The Group's financial statements consolidate those of the Company, its subsidiaries and its joint ventures (together referred to as the Group).

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the Group's financial statements.

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments, which are carried at fair value.

The Board regularly reviews the Group's resources to ensure they are sufficient to continue trading for the foreseeable future. It is therefore considered appropriate to use the going concern basis to compile these financial statements. The main requirement is for sufficient financial resources to maintain the overhead required to fulfil the pipeline of business. The Group finances itself from cash resources and has a revolving credit facility in place from Lloyds Banking Group.

These financial statements are presented in pounds sterling because that is the functional currency of the parent company and the presentational currency of the Group. The functional currency of the Group is considered to be pounds sterling as all the Group's cash flows are in that currency.

Accounting estimates and judgements

The preparation of financial statements in conforming with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities.

Information about the significant estimates, judgements and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is discussed below.

Estimates

Impairment

Impairment of goodwill and intangibles is based on management's expectation for the related asset to continue to be revenue generating in the future. An impairment loss is recognised for the amount by which an asset or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk.

Management has reviewed the LIFTCo asset's carrying value (see Note 9 for details) in the light of the climate of change in the healthcare environment. Management has not considered it necessary to impair the intangible asset in the year but the Group will continue to review the carrying value and there is risk that this intangible may need to be impaired in future periods.

Accounting estimates and judgements continued

Estimates continued

Revenue recognition

Revenue recognised from construction and design and development contracts reflects management's best estimate about each contract's outcome and stage of completion. Management assesses the profitability of ongoing contracts at least monthly. For more complex contracts, in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The Group's revenue recognition policy is given below.

Provision against accrued income

A detailed review of the income accrued on all schemes is regularly performed and where it is believed that the revenue that is recoverable from a scheme is lower than the accrued balance, a provision against the income is made. A time value of money adjustment is also made against any accrued or invoiced income that is not expected to be received in the current accounting period. The reasons for the provision made in the current year's financial statements are detailed in the Chairman's statement on page 4.

Taxation

To complete provisions for taxation, estimates have been applied. These estimates involve assessing the probability that deferred tax assets resulting from deductible temporary differences and the tax losses can be utilised to offset taxable income (Notes 6 and 20).

Judgements

Revenue recognition

The recognition of design and development revenue requires management to exercise its judgement in assessing how complete contracts are as the Group's policy is not to recognise design and development revenue until the design or development element of the contract is at least 50% complete, at which stage the outcome of the contract and the timing of cash flows can be more accurately determined. Directors regularly review the recoverability of accrued and invoiced income and will provide against any balances to their recoverable amounts.

Joint ventures

Management have had to exercise their judgement in concluding that the acquisition of interests in the LIFTCos during the year are joint ventures and have therefore proportionately consolidated their share of the assets and liabilities that the Group control.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year.

Intra-group transactions, balances, income and expenses are eliminated fully on consolidation. Intra-group losses are eliminated except to the extent that they provide evidence of impairment of the asset transferred. Control is achieved where Ashley House plc has the power to directly or indirectly govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to bring the accounting policies used in line with those used by the Group.

The financial statements of joint ventures have been incorporated into the Group's consolidated financial statements using the proportionate consolidation method.

Business combinations are dealt with by the acquisition method. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at the fair values at the date of acquisition. On initial recognition any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (ie discount on acquisition) is credited to profit or loss in the period of acquisition.

Investment in joint ventures

Investments in joint ventures are carried in the consolidated balance sheet at the Group's share of their net assets at the date of acquisition and of their post-acquisition retained profits or losses using the proportionate consolidation method together with any goodwill arising on the acquisition, net of any impairment. The consolidated statement of comprehensive income also shows the Group's share of the joint ventures revenue and the balance sheet shows the Group's proportion of the gross assets and liabilities of the joint ventures.

Financial statements

Principal accounting policies

continued

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, rebates and discounts. Revenue from long-term contracts is detailed below.

Construction contracts

The Group acts as principal in the construction contracts it enters in to but does not own the land associated with the development. Where the outcome of a construction contract can be reliably estimated, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

This is normally assessed by management by taking into consideration all the information available at the balance sheet date. The Group's construction contracts usually define milestone payments for the project work to be carried out. The maximum amount of revenue to be recognised for each milestone is determined by estimating relative contract fair values of each project phase. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred and where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected total loss is recognised as an expense immediately.

Design and development fees

Where the outcome of a design and development contract can be estimated reliably and it is probable that the contract will be profitable, revenue and cost are recognised over the period of the contract. The Group does not consider that the outcome of a design or development contract can be reliably determined until it is at least 50% complete. Where it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. In situations where the outcome cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are recoverable.

The Group uses the "percentage of completion" method for design and development contracts to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the actual contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract. Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.

The Group regularly reviews the recoverability of the amounts recognised but yet to be received. Where the Group believes that the amounts will be receivable but beyond the current accounting period, a time value of money adjustment is made. Where the Group does not believe the amount will be recovered in full, an immediate provision is made to reduce the accrued balance to the amount expected to be recovered.

Asset management

Asset management fees relate to the provision of services to manage property assets. Income is recognised evenly throughout the period based upon the value of the managed assets in accordance with the asset management agreement.

Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the consolidated statement of comprehensive income in accordance with IAS 1 (Revised 2007).

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment on indication of impairment and at least annually. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed. On disposal of a subsidiary, the attributable carrying amount of goodwill is included in the determination of the profit or loss on disposal.

Intangibles

The book value of intangible assets which relate to a future pipeline of contracts with regards to NHS LIFTCos, Sapphire Primary Care Developments (SPCD) and Strategic Property Solutions (SPS) is reviewed at least annually. Estimates and judgements are reviewed every year with reference to anticipated future revenues from the pipeline, the length of contracts remaining in the case of holdings in LIFTCo, and appropriate discount rates for future revenue streams. If there is no impairment in the value calculated and in the Board's view no likely impairment in the immediate future, there is no write off of the asset.

In 2010 an intangible asset in relation to Infracare Partnering Limited of £1,415,000 was incorrectly included within trade and other receivables. This amount has been reclassified within the comparative figures in these financial statements in order to correct this.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment, other than freehold land, on the straight-line basis over their expected useful economic lives. The periods generally applicable are:

> office equipment, furniture and fixtures	four years
> motor vehicles	four years
> mobile surgeries	four years

The residual value and the useful life of each asset are reviewed at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Leased assets

Leases where the third party lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance are expensed as incurred. Lease incentives received are recognised in the statement of comprehensive income on a straight-line basis as an integral part of the total lease expense.

Impairment

At each balance sheet date the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, with the exception of goodwill where impairment cannot be reversed. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually.

Amortisation

Where a business acquisition is of a pipeline of projects, the intangible asset is amortised in line with the benefit received.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Costs associated with construction contracts are included in inventories to the extent that they cannot be matched with contract work recognised in revenue. Long-term contract balances included in inventories are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account. No element of profit is included in the carrying value of work in progress. Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Financial statements

Principal accounting policies

continued

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised initially at fair value plus transaction costs. Financial liabilities are recorded initially at fair value net of transaction costs.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at amortised cost using the effective interest method, less provision for impairment. Impairment of trade and other receivables is recorded when there are indicators that suggest that the debts are not fully recoverable, or the fair value is impaired at the balance sheet date.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs. Investments are classified as available for sale and are measured at subsequent reporting dates at fair value.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the net profit or loss for the period.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade and other payables

Trade and other payables are not interest-bearing and are recognised initially at fair value and thereafter at amortised cost using the effective interest method.

Equity instruments

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

Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less attributable costs. In subsequent years, the carrying amount is stated at amortised cost obtained using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Income taxes

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is the income tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred income tax is provided in full and is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or any discount on acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Income taxes continued

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in other comprehensive income. Deferred income tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board, at which level strategic decisions are made.

Share-based payments

The Group issues equity-settled share-based payments to employees. In accordance with IFRS 2, the fair value of share awards and options granted is recognised as an employee expense with a corresponding increase in equity. Equity-settled share-based payments are measured at fair value at the date of grant. Options and warrants are valued using the basic Hull-White model. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that are expected to vest, updated at each balance sheet date.

In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

Short-term employee benefit costs

The undiscounted amount of short-term benefits attributable to services that have been rendered in the period are recognised as an expense, unless specifically required or permitted within the scope of IFRS reporting to be included in the cost of an asset. Any difference between the amount of cost recognised and cash payments made is treated as a liability or prepayment as appropriate.

Standards and interpretations not yet applied

New standards and interpretations, currently in issue but not effective for accounting periods commencing on 1 May 2010 are:

- IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011);
- IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosures of Interests in Other Entities; IFRS 13 Fair Value Measurement (effective 1 January 2013);
- IAS 12 Income Taxes – Limited Scope Amendment (Recovery of Underlying Assets) (effective 1 January 2012);
- IAS 24 Related Party Disclosures – Revised Definition of Related Parties (effective 1 January 2011);
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective 1 January 2013);
- IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective 1 January 2013);
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010); and
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011).

The introduction of these standards and interpretations is not expected to have a material effect on the financial statements with the exception of IFRS 11 Joint Arrangements. This will result in the joint venture companies' contribution and net assets being disclosed on a single line basis in the consolidated statement of comprehensive income and the consolidated balance sheet as opposed to the existing proportional consolidation basis as shown in Note 12.

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for the year ended 30 April 2011

1 Revenue and business segments

The Group operates entirely in design construction and management services 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 and construction; and

> Management services.

Segment reporting is presented in respect of the Group's business and geographical segments. The reporting is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, and current and deferred tax balances.

Segment information about these businesses is presented below:

2011	Design and construction £000	Management services £000	Consolidated £000
Revenue			
Total revenue	13,706	4,965	18,671
Gross revenue	22,577	4,965	27,542
Changes in estimate – provision	(8,871)	—	(8,871)

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

Result			
Segment result	(4,996)	2,489	(2,507)
Unallocated corporate expenses			(3,361)
Unallocated depreciation and amortisation expense			(784)
Loss from operations			(6,652)
Interest payable			(81)
Investment income			34
Other gains			68
Loss before exceptional item and tax expense			(6,631)
Exceptional items			(393)
Loss before tax expense			(7,024)
Tax expense			385
Loss after tax expense			(6,639)

Other information	Design and construction £000	Management services £000	Consolidated £000
Balance sheet			
Assets			
Segment assets	31,586	1,900	33,486
Unallocated corporate assets			21,032
Consolidated total assets			54,518
Liabilities			
Segment liabilities	(9,433)	(1,753)	(11,186)
Unallocated corporate liabilities			(4,423)
Consolidated total liabilities			(15,609)

1 Revenue and business segments continued

Business segments continued

2010	Design and construction £000	Management services £000	Consolidated £000
Revenue			
Total revenue	18,108	6,768	24,876

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

Result			
Segment result	4,100	4,125	8,225
Unallocated corporate expenses			(5,632)
Unallocated depreciation expense			(107)
Profit from operations			2,486
Interest payable			(82)
Investment income			65
Profit before exceptional item and tax expense			2,469
Exceptional items			(733)
Profit before tax expense			1,736
Tax expense			(486)
Profit after tax expense			1,250

Other information	Design and construction £000	Management services £000	Consolidated £000
Balance sheet			
Assets			
Segment assets	21,653	2,826	24,479
Unallocated corporate assets			37,475
Consolidated total assets			61,954
Liabilities			
Segment liabilities	(7,608)	(339)	(7,947)
Unallocated corporate liabilities			(7,970)
Consolidated total liabilities			(15,917)

During the year the Group's main customers were East London LIFT Company and AH Medical Properties plc. Both entities were customers in both of the Group's segments. During the year the Group made total sales to East London LIFT Company of £8,013,000 with £25,000 due at the year end. During the year the Group made total sales to AH Medical Properties plc of £3,689,000 with £Nil due at the year end.

2 Exceptional items

	2011 £000	2010 £000
Impairment of goodwill (see Note 8)	**—**	270
Write down of non-recoverable balances in closed subsidiary	**—**	40
Restructuring costs	**393**	423
	393	733

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for the year ended 30 April 2011
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3 Operating (loss)/profit

	2011 £000	2010 £000
Operating (loss)/profit is arrived at after charging:		
Rental of premises – operating leases	109	348
Rental of motor vehicles – operating leases	40	39
Exceptional items (see Note 2)	393	733
Staff costs (see Note 4)	4,350	4,401
Auditor's remuneration (see below)	92	161
Depreciation	104	107
Amortisation	680	80
Auditor's remuneration:		
– fees payable to Group's auditor for the audit of the Group's annual accounts	69	50
– the audit of the Group's subsidiaries pursuant to legislation	8	8
– taxation services (non-audit services)	15	37
– corporate finance advice (non-audit services)	—	66
	92	161

4 Directors and employees

Staff costs during the year for the Group were as follows:

	2011 £000	2010 £000
Wages and salaries	3,930	3,952
Social security costs	324	449
Pension costs	96	—
	4,350	4,401

The average number of employees of the Group during the year ended 30 April 2011 was 81 (2010: 85), including eight remunerated directors (2010: eight). The directors believe no further categorisation is appropriate.

Directors' emoluments amounted to £920,000 (2010: £726,000). Further details of emoluments paid to directors, including details of the highest paid director, are contained in the Remuneration Committee report on pages 43 to 45. The directors are deemed to be key management. Pension contributions of £18,000 were made in respect of the directors during the year ended 30 April 2011 (2010: £5,000).

5 Investment income

	2011 £000	2010 £000
Dividends receivable from investments	34	64
Interest receivable	—	1
	34	65

6 Tax expense

A reconciliation from the standard rate of corporation tax in the UK of 26% (2010: 28%) to the actual rate is as follows:

	2011 £000	2010 £000
(Loss)/profit before tax	(7,024)	1,736
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 26% (2010: 28%)	(1,826)	486
(Income)/expenses not deductible for tax purposes	(27)	16
Depreciation for the period in excess of capital allowances	—	(16)
Tax losses to carry forward	1,468	—
Current tax (credit)/charge for year	(385)	486

6 Tax expense continued

Comprising:

	2011 £000	2010 £000
Current income tax	(385)	486
Deferred tax	—	—
	(385)	486

7 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.

	2011			2010		
	Loss £000	Weighted average number of shares	Per share amount pence	Profit £000	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).

8 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 Nibblett 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.

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for the year ended 30 April 2011
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9 Other intangibles

	2011 £000	2010 £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 Plus Limited	**—**	115
As at 30 April	**31,536**	31,513
Amortisation		
As at 1 May	**(80)**	—
Amortisation of SPS	**(600)**	—
Amortisation of Infracare Partnership Limited	**(80)**	(80)
As at 30 April	**(760)**	(80)
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 Plus Limited	**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, Lloyds Pharmacy, 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 on page 4, following the review of the LIFTCo schemes in the light of the climate of change in the healthcare market and the provision made to accrued income, the Group has reviewed the carrying value by calculating the discounted expected future cash flows. The carrying value of the LIFTCo intangible is conditional on the Group achieving its forecast profits and cash flows. The expected future cash flows are taken from the Board's current four year forecast and an assumption of the LIFT income recovering to 2009 levels in year five. 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 marketplace. 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.

9 Other intangibles continued

Impairment continued

The SPCD intangible has been reviewed for impairment against the future cash flows 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 cash flows more than supported the carrying value of the intangible.

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

10 Property, plant and equipment

The carrying amounts of property, plant and equipment for the periods presented in the Group's consolidated financial statements as at 30 April 2011 are reconciled as follows:

	Office equipment, furniture and fixtures £000	Motor vehicles £000	Mobile surgeries £000	Total £000
Cost				
As at 1 May 2010	566	31	305	902
Additions	23	—	—	23
Disposals	—	(9)	—	(9)
As at 30 April 2011	589	22	305	916
Accumulated depreciation				
As at 1 May 2010	316	27	305	648
Charge for the year	100	4	—	104
Disposals	—	(9)	—	(9)
As at 30 April 2011	416	22	305	743
Carrying amount at 30 April 2011	**173**	**—**	**—**	**173**

	Office equipment, furniture and fixtures £000	Motor vehicles £000	Mobile surgeries £000	Total £000
Cost				
As at 1 May 2009	418	31	305	754
Additions arising through business acquisitions	26	—	—	26
Additions	122	—	—	122
As at 30 April 2010	566	31	305	902
Accumulated depreciation				
As at 1 May 2009	218	22	301	541
Charge for the year	98	5	4	107
As at 30 April 2010	316	27	305	648
Carrying amount at 30 April 2010	250	4	—	254

11 Available-for-sale investments

All assets are stated at fair value:

	2011 £000	2010 £000
As at 1 May	**1,608**	738
Additions in year	**—**	1,636
Disposals in year	**(1,608)**	(1,636)
AH Medical Properties Limited shareholding	**(1,608)**	—
SPCD loan stock	**—**	(1,636)
Movement in fair value	**—**	870
As at 30 April	**—**	1,608

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11 Available-for-sale investments continued

During the year the Group disposed of its 6.8% shareholding in AH Medical Properties plc to Assura Group Limited in return for 3.7m shares in Assura Group Limited. These shares were disposed of during the year. The net gain on disposals of £68,000 is recognised in the consolidated statement of comprehensive income.

12 Jointly controlled entities

The Group has the following jointly controlled entities which are all incorporated in England and Wales:

	Proportion held
AH Scarborough Health Park Limited	50%
IPC Plus Limited	50%
Wilco Plus Limited	50%
Portsmouth Health Limited	33%
AHLP Pharmacy Limited	25%

Infracare Group Limited, AHBB ELL Holdings Limited, AHBB LHIL Holdings Limited

These companies operate in the NHS LIFT arena. LIFT stands for Local Improvement Finance Trust and the companies are public private partnerships which provide purpose-built premises for health and local authority services in England. The companies are jointly held and controlled with Amber Infrastructure Group (Amber). The Group owns 100% of the "A" shares in these companies, which gives operational control. Amber owns 100% of the "B" shares which entitles them to protect existing income streams from underlying investments and gives them the right to future investment opportunities from the NHS LIFT pipeline of projects. These companies do not trade but hold interests in underlying NHS LIFTCos, East London LIFT Investments Limited (ELLIL) and Lift Healthcare Investments Limited (LHIL) and the Infracare Group LIFTCos, Bristol Infracare LIFT Limited, Dudley Infracare LIFT Limited and Oxford Infracare LIFT Limited.

The Group also jointly controls IPC Plus Limited and Wilco Plus Limited with groups of General Practitioners. These entities are engaged in providing clinical services in West Sussex and Salisbury respectively.

The Group also owns a share in Portsmouth Health Limited which provides some clinical services in Portsmouth. The company is owned with the General Practitioners and Care UK.

The financial statements of joint controlled entities have been incorporated into the consolidated financial statements using proportionate consolidation. The aggregate amounts relating to these jointly controlled entities that have been included in the Group's financial statements are as follows:

Investment in joint ventures

	AHLP Pharmacy Limited £000	ELLIL £000	LHIL £000	Infracare Group Limited £000	IPC Plus Limited £000	Wilco Plus Limited £000	AH Scarborough Health Park Limited £000	Total £000
Statement of comprehensive income								
Revenue	—	458	624	160	159	112	—	**1,513**
Operating profit/(loss)	—	102	(124)	(110)	(28)	53	(9)	**(116)**
Profit/(loss) before tax	—	102	(124)	(110)	(28)	53	(9)	**(116)**
Income tax expense	—	(4)	(6)	—	—	—	—	**(10)**
Share of profits/(losses) of joint ventures after tax	—	98	(130)	(110)	(28)	53	(9)	**(126)**
Balance sheet								
Non-current assets	—	—	2	1,363	116	—	—	**1,481**
Current assets	—	800	1,488	902	73	269	1,688	**5,220**
Current liabilities	—	(379)	(635)	(274)	(297)	(196)	(1,791)	**(3,572)**
Non-current liabilities	—	—	(255)	—	—	—	—	**(255)**
Net assets/(liabilities)	—	421	600	1,991	(108)	73	(103)	**2,874**

13 Work in progress

	2011 £000	2010 £000
Work in progress	**1,864**	2,818

Work in progress is the value of land and contracted works at the balance sheet date.

14 Trade and other receivables

	2011 £000	2010 £000
Trade receivables	**4,381**	2,245
Amounts recoverable on contracts	**8,486**	16,022
Retentions held on contracts	**874**	544
Other receivables	**1,560**	3,806
Prepayments and accrued income	**422**	860
	15,723	23,477

Trade and other receivables at the balance sheet date comprise amounts receivable from Design and construction and Management services. The directors consider that the carrying amount of trade and other receivables approximates to their fair value due to their short-term nature. The average credit period taken on sales of services is 48 days (2010: 31 days).

The following table provides analysis of trade receivables that were past due at 30 April 2011 but not impaired. Management believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers, which are typically NHS bodies, NHS LIFTCos (which are joint ventures between the Company and the NHS) or AH Medical Properties plc, which is well known to the Group. In relation to amounts recoverable from NHS LIFTCos, where there has been a larger than anticipated period to collect revenues, the amount paid has been in excess of the original amount and has covered the time cost of the debt.

Trade receivables

Trade receivables past their due date are summarised as follows:

	2011 £000	2010 £000
Past due up to 30 days	**418**	159
Past due 31–90 days	**1**	131
Past due over 90 days	**385**	176
Loans and receivables past due	**804**	466

Within "Other receivables" there is £1,560,000 (2010: £1,396,000) which represents the Group's proportionate share of cash balances held in the Group's interest in its seven LIFTCos. The joint venture companies operate a number of bank accounts with different banks and their deposit rates vary with the duration of the deposit maturity.

This cash is not immediately available to the Group, but feeds through to the Group by way of payment for services provided. Upon wind up these cash proportions would be made available to the Group.

15 Cash and cash equivalents

	2011 £000	2010 £000
Cash at bank	**4,666**	1,010

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Total cash and cash equivalents are used for the statement of Group cash flows. The carrying amount of these assets approximates to their fair value.

The cash balances held by the Group at the bank are held within current accounts and earn interest of 0.25% (2010: 0.25%) under base from Lloyds TSB Banking Group.

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16 Trade and other payables

	2011 £000	2010 £000
Trade payables	3,241	2,612
Deferred consideration on the SPCD acquisition	1,450	1,250
Other payables	1,614	639
Accrued expenses	4,625	5,403
	10,930	9,904

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2010: 63 days).

The directors consider that the carrying amount of trade payables approximates to their fair value due to their short-term non-interest bearing nature.

17 Bank borrowings and overdrafts

	2011 £000	2010 £000
Share of joint venture loan – Scarborough	—	1,330
Share of joint venture overdraft – Scarborough	1,330	—
Share of joint venture loan – LIFTCos	255	362
	1,585	1,692

The Group has as at 30 April 2011, borrowings of £1.33m relating to an overdraft facility held within the joint venture company, AH Scarborough Health Park Limited. This facility was converted from a loan of the same value held in 2010. Interest on the facility is chargeable at a variable rate of 4.00% over the bank's base rate (currently 4.50%). The security comprises a first charge over the 3.7 acre site and a guarantee from Ashley House plc. The Group has a 50% interest in the joint venture, AH Scarborough Health Park Limited, as shown in Note 12.

The Group's share of various loans to the jointly controlled NHS LIFTCos of £255,000 (2010: £362,000) has been included in the balance sheet. These loans relate to the original set up of the NHS LIFTCos and are guaranteed by the relevant Primary Care Trust(s), should there be insufficient revenue generated from completed projects to repay these loans.

18 Amounts falling due after more than one year

	2011 £000	2010 £000
Bank revolving credit facility	2,000	2,000
Deferred consideration on SPCD acquisition (Note 10)	—	750
	2,000	2,750

The £2m revolving credit facility is with Lloyds TSB Banking Group and interest is charged at 2.75% over three month LIBOR. The loan matures on 30 September 2012 and is secured by a floating charge over the Group's assets.

19 Financial instruments

Capital management

The business model operated by the Group is not particularly capital intensive. Construction projects are not typically owned and there is little timing difference between payment and income on contracting. However, as the design and development income is not receivable until the scheme has reached financial close, there is a requirement for working capital for the design work and for the overhead required to deliver the pipeline of projects.

Investment has been made and is ongoing in new areas of activity such as management services and also to support activities such as asset management. Equity capital is regarded as a scarce and valued resource. Investment in new ventures and in the business is made with a regard to returns over a reasonable and relevant period taking account of the nature of the investment.

Debt is employed in the financing of the business from time to time but typically where there is asset backing to support it, other than for the Group revolving credit facility of £2m, which is secured by a floating charge over the Group's assets.

19 Financial instruments continued

Categories of financial instruments

Financial liabilities and assets included in the balance sheet relate to the following IAS 39 categories:

	2011			2010		
	Other financial liabilities £000	**Non-financial liabilities £000**	**Total for balance sheet heading £000**	Other financial liabilities £000	Non-financial liabilities £000	Total for balance sheet heading £000
Balance sheet headings – liabilities						
Trade payables	**3,241**	**—**	**3,241**	2,612	—	2,612
Accruals	**4,625**	**—**	**4,625**	5,403	—	5,403
Deferred consideration	**1,450**	**—**	**1,450**	2,000	—	2,000
Sundry creditors	**311**	**—**	**311**	—	—	—
VAT and taxation payables	**—**	**1,303**	**1,303**	—	639	639
Tax payable	**—**	**—**	**—**	—	477	477
Borrowings	**3,585**	**—**	**3,585**	3,692	—	3,692
Total	**13,212**	**1,303**	**14,515**	13,707	1,116	14,823

	2011				2010			
	Loans and receivables £000	**Available-for-sale financial assets £000**	**Non-financial assets £000**	**Total for balance sheet heading £000**	Loans and receivables £000	Available-for-sale financial assets £000	Non-financial assets £000	Total for balance sheet heading £000
Balance sheet headings – assets								
Cash and cash equivalents	**4,666**	**—**	**—**	**4,666**	1,010	—	—	1,010
Trade receivables – current	**4,381**	**—**	**—**	**4,381**	2,245	—	—	2,245
Amounts recoverable on contracts	**8,486**	**—**	**—**	**8,486**	16,022	—	—	16,022
Retentions held on contracts	**—**	**—**	**874**	**874**	—	—	544	544
Other receivables – current	**1,560**	**—**	**—**	**1,560**	3,806	—	—	3,806
Prepayments	**—**	**—**	**422**	**422**	—	—	860	860
Available-for-sale financial investments	**—**	**—**	**—**	**—**	—	1,608	—	1,608
Total	**19,093**	**—**	**1,296**	**20,389**	23,083	1,608	1,404	26,095

All of the Group's assets and liabilities are held at amortised cost. The directors are of the opinion that there is no material difference between the book value and the fair value of any of the Group's assets or liabilities.

Financial risk management

The Group's financial instruments comprise cash resources and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest fluctuation risks.

There is no exchange rate risk and the fair values of the assets and liabilities of the Group are not materially different from their carrying amounts.

The Board reviews and determines policies for managing each of these risks and they are summarised below. These policies have been consistently applied throughout the period.

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for the year ended 30 April 2011
continued

19 Financial instruments continued

Credit risk

Credit risk is the risk that the counterparty will fail to discharge its obligation.

The Group's principal financial assets are bank balances and cash and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is attributable to its trade receivables of £5,796,000 (2010: £3,660,000) and accrued income balances of £8,429,000 (2010: £16,022,000). The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group's main customers during the year are set out in Note 1.

New customers are subject to an initial credit assessment using external credit reference agencies and trade references are confirmed. These credit limits are reviewed on an ongoing basis and subject to senior management oversight. The payment position of past due trade receivables is monitored daily and actively managed.

No collateral is held by the Group in relation to its financial assets.

Liquidity risk

Amounts recoverable on contracts relate to projects that are largely ongoing as at 30 April 2011. A substantial proportion of the amounts have yet to be invoiced; however, management believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers, which are typically NHS bodies, NHS LIFTCos (joint ventures between the Group and the NHS) or Assura Group Limited, which is well known to the Group.

The Group obtains sufficient liquidity at all times by efficient cash management and by ensuring that only creditworthy customers are engaged with.

The table below analyses the Group's financial liabilities into relevant maturity groupings based upon the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 April 2011	Up to 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000
Non-derivative financial liabilities				
Borrowings (excluding finance leases)	1,654	2,069	—	—
Deferred consideration	1,450	—	—	—
Trade payable and other payables (including finance leases)	9,787	228	172	—
Total	12,891	2,297	172	—

30 April 2010	Up to 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000
Non-derivative financial liabilities				
Borrowings (excluding finance leases)	1,761	69	2,069	—
Deferred consideration	1,250	750	—	—
Trade payable and other payables (including finance leases)	9,443	248	233	67
Total	12,454	1,067	2,302	67

The cash outflows required to settle these financial liabilities are the same amounts as presented in the Group balance sheet.

Interest rate risk

The Group is liable for the overdraft facility provided to its joint venture company AH Scarborough Health Park Limited from Lloyds TSB Banking Group for £2.66m for the Group's proportionate share of the joint venture borrowing which has been guaranteed by Ashley House plc. The overdraft has a +/–1% sensitivity of £13,300. The Group has a £2m secured revolving credit facility on which the interest rate is variable at 2.75% above three month LIBOR. The Group is therefore exposed to fluctuations in the underlying LIBOR rate.

20 Deferred tax

	Arising on acquisitions £000	Share-based payments £000	Provisions £000	Total £000
Deferred tax asset/(liability)				
As at 1 May 2010	(1,094)	38	27	(1,029)
Charged to equity	—	(38)	—	(38)
As at 30 April 2011	**(1,094)**	**—**	**27**	**(1,067)**

	Arising on acquisitions £000	Share-based payments £000	Provisions £000	Total £000
Deferred tax asset/(liability)				
As at 1 May 2009	—	183	27	210
Charged to equity	—	(145)	—	(145)
Arising on the acquisition of SPCD	(1,094)	—	—	(1,094)
As at 30 April 2010	(1,094)	38	27	(1,029)

Disclosed as:

	2011 £000	2010 £000
Deferred tax asset	**27**	65
Deferred tax liability	**(1,094)**	(1,094)
	(1,067)	(1,029)

Deferred tax assets have been calculated using the expected future tax rate of 26%. (2010: 28%) Any changes in the future would affect these amounts proportionately. At 30 April 2011 the Group had significant tax losses available to carry forward against future taxable profits. No deferred tax asset has been recognised on these losses due to uncertainty surrounding the timing of their reversal.

21 Share capital

	2011 £000	2010 £000
Authorised		
67,000,000 (2010: 67,000,000) ordinary shares of 1 pence each	**670**	670
Allotted, called up and fully paid		
58,319,755 (2010: 55,689,755) ordinary shares of 1 pence each	**583**	557

The ordinary shares are entitled to receipt of dividends. Ordinary shares have full voting rights.

Shares issued in the period	Number of shares
At 1 May 2010	55,689,755
Shares issued regarding acquisition of SPS (61 pence per share)	2,300,000
Options exercised during the year (30 pence per share)	330,000
At 30 April 2011	**58,319,755**
At 1 May 2009	47,094,379
Shares issued regarding acquisition of SPCD (81 pence per share)	5,493,827
Shares issued in lieu of dividend	54,549
Warrants exercised during the year (30 pence per share)	660,000
Shares issued for cash (75 pence per share)	2,387,000
At 30 April 2010	55,689,755

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for the year ended 30 April 2011
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21 Share capital continued

The Group has an equity-settled share option scheme. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting periods are shown below. Details of the share options outstanding during the year are as follows:

Options	Price (pence)	2011	Issued	Lapsed	Exercised	2010
Issued 2004, expire 2014	30	**710,000**	—	—	(330,000)	1,040,000
Issued 2005, exercisable from 2008, expire 2015	85	**100,000**	—	—	—	100,000
Issued 2005, exercisable from 2008, expire 2015	98	**60,000**	—	(30,000)	—	90,000
Issued 2005, exercisable from 2008, expire 2015	108	**170,000**	—	—	—	170,000
Issued 2007, exercisable from 2007, expire 2017	150	**1,642,500**	—	(30,000)	—	1,672,500
Issued 2007, exercisable from 2009, expire 2017	159	**100,000**	—	—	—	100,000
Issued 2007, exercisable from 2009, expire 2017	175	**50,000**	—	—	—	50,000
Issued 2007, exercisable from 2009, expire 2017	152	**50,000**	—	—	—	50,000
Issued 2007, exercisable from 2009, expire 2017	152	**192,500**	—	(35,000)	—	227,500
Issued 2008, exercisable from 2010, expire 2018	150	**377,500**	—	(107,500)	—	485,000
Issued 2009, exercisable from 2011, expire 2019	75	**320,000**	—	—	—	320,000
Total options		**3,772,500**	—	(202,500)	(330,000)	4,305,000

Weighted average price 117.3 pence per option (2010: 111.8 pence per option).

Warrants	Price (pence)	2011	Issued	Lapsed	Exercised	2010
Issued 2007, expire 2010	40	**—**	—	(180,000)	—	180,000
Total warrants		**—**	—	(180,000)	—	180,000

Weighted average price: Nil pence per warrant (2010: 40.0 pence per warrant).

Between 1 May 2010 and 30 April 2011 the Company issued 330,000 new shares for options exercised. The share price at the date of exercise was 26 pence. Exercise of an option is subject to continued employment and warrants are subject to time limitation.

There were no options or warrants granted during the year to 30 April 2011 (2010: Nil).

Options and warrants are valued at grant date using the basic Hull-White model. Inputs to the model are disclosed during the year in which options are granted. Expected volatility is a measure of the amount by which a share price is expected to fluctuate during a period. The volatility of the Company's share price was calculated using the basic Hull-White model. The risk free rate is the yield on deposits held by the Group. The dividend yield is based on the dividends paid during the period.

The market price of the Group's shares at 30 April 2011 was 19.50 pence (2010: 52.50 pence) and the range during the year was between 19.25 pence and 52.50 pence (2010: 51.50 pence and 85.00 pence). The weighted average exercise price of the options and warrants is 117.30 pence (2010: 108.90 pence).

The Group recognised total expenses of £33,000 and £33,000 related to equity-settled share-based payment transactions in 2010 and 2011 respectively.

22 Share premium

	2011 £000	2010 £000
As at 1 May	**33,523**	31,627
Issue of share capital	**1,473**	1,896
As at 30 April	**34,996**	33,523

23 Other reserves

Merger relief reserve

Merger relief is relief from setting up a share premium account, when shares are issued as part or all of the consideration for acquiring a subsidiary. Under Section 612 of the Companies Act 2006 the conditions for merger relief are:

> equity shares are issued as part of an acquisition arrangement;

> the issuing company has secured at least 90% equity holding in the counterparty; and

> where the acquired company has more than one class of equity shares, the 90% condition must be met for each type of equity shares.

This relief has been applied to the acquisition of Sapphire Primary Care Developments Limited (SPCD) in 2010.

Other reserve

The Group entered into a contract to purchase the trading assets and liabilities of Strategic Property Solutions (SPS) during 2010. The form of consideration agreed was 2.3m Ashley House plc shares at a share price that is contingent on the date that a set of contractual requirements had been fulfilled. These requirements were fulfilled on 15 October 2010.

24 Capital commitments

The Group did not have any capital commitments at 30 April 2011 or 30 April 2010.

25 Commitments under operating leases

The Group's future minimum operating lease payments are as follows:

	2011 £000	2010 £000
Less than one year	**283**	342
Between one and five years	**400**	481
Five years or more	**—**	67
	683	890

Lease payments recognised as an expense during the year amount to £109,000 (2010: £387,000). No sub-lease income is expected as all assets held under lease agreements are used exclusively by the Group.

Operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or any restrictions. The leases may be renewed when due.

26 Contingent liabilities

Under the terms of an overdraft facility by Lloyds TSB Banking Group to AH Scarborough Health Park Limited for £2,660,000 (see Note 17), the Group provided a corporate guarantee for a principal amount of £2,800,000 plus interest and other costs, secured on the land. The Group has provided a limited guarantee to Wilco Plus of £100,000 in respect of the contract with the Primary Care Trust for the Equitable Access Centre. There is no recourse to the Group in respect of the loans in the jointly controlled NHS LIFT entities.

During the year the Group provided two commitments for part of the rent of two schemes currently under construction. One is to take a lease for ten years at £31,000 per annum and the other is a guarantee for £189,000 per annum for 25 years. These commitments are expected to be paid by healthcare providers and as such no provision has been included in these financial statements.

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for the year ended 30 April 2011
continued

27 Related party transactions

Layland Walker Limited, a company controlled by a former director, B Walker, is no longer a related party in 2011. During 2010 whilst still a related party, the Group received invoices totalling £124,000 from Layland Walker Limited in respect of consultancy services and rent contribution for the London office and had a balance due to Layland Walker Limited of £Nil. The Group made payments of £111,000 (2010: £101,000) to Gibson Freake Edge, a partnership of which A F Gibson is a partner in respect of consultancy services. At 30 April 2011 the balance due to Gibson Freake Edge was £17,000 (2010: £13,000).

During the year the Group and Company traded with the following jointly controlled Group entities:

	2011		2010	
	Transactions	**Balance**	Transactions	Balance
Debtors				
Bexley, Bromley and Greenwich LIFT	**128,000**	**25,000**	386,000	—
Brent, Harrow and Hillingdon LIFT	**345,000**	**56,000**	1,240,000	—
East London LIFT	**299,000**	**25,000**	1,139,000	158,000
Wolverhampton and Walsall LIFT	**70,000**	**—**	1,909,000	154,000
Infracare Partnering LIFT	**25,000**	**—**	—	—
Creditors				
East London LIFT	**8,000**	**1,000**	—	—
Loans				
Infracare Partnering LIFT	**160,000**	**669,000**	—	—

Remuneration Committee report

Remuneration Committee statement

The Group's policy on Executive directors' remuneration is to:

> attract and retain high quality executives by paying competitive remuneration packages relevant to each director's role, experience and the external market. The packages include contributions to private medical insurance; and

> give incentive to directors to maximise shareholder value through a long-term reward approach, mainly through the award of shares, which are not exercisable immediately, against key performance indicators.

The revised pay structure for directors and senior staff (including a long-term incentive plan), agreed by the Board and endorsed by major shareholders in 2009-2010, has not been progressed. Market conditions have rendered the targets unachievable and the Remuneration Committee believes it was inappropriate to amend directors' packages in this uncertain and constantly changing environment.

The Remuneration Committee has therefore only needed to meet on one occasion during the year to confirm its position on director pay and conditions including a freeze on staff salaries (apart from usual realignments on restructuring) and to agree a performance related approach for staff below Board level for the year ahead.

Shareholders will note the Chief Executive's pay appears to show a significant increase. This increase relates solely to his exercise of options in AH Medical Properties plc, the taxable benefit of which passed through Ashley House plc's PAYE system.

The Committee will reconsider remuneration for Executive directors in line with the Board's approval of the business plan for 2011–2016 over the coming months.

Service agreements

No director has a service agreement with a notice period that exceeds three months.

Directors' remuneration

		Salaries, fees and benefits 2011 Total £	Salaries, fees and benefits 2010 Total £
D J M Hartshorne		**120,411**	22,301
J Holmes	– recurring	**202,044**	201,462
	– sale of AHMP share options	**131,967**	—
S G Minion		**158,900**	180,221
B L Walker (resigned 22 February 2010)		**—**	171,406
A J Walters		**147,033**	27,143
Executive		**760,355**	602,533
J Arnold-Forster		**25,000**	28,000
J Coghlan		**25,000**	25,000
A F Gibson	– recurring	**25,000**	25,000
	– sale of AHMP share options	**39,990**	—
Sir W Wells		**45,000**	45,000
A J Willetts		**—**	—
S W Gray		**—**	—
Non-executive		**159,990**	123,000
		920,345	725,533

The total employer's National Insurance for directors was £88,000 (2010: £89,000).

Financial statements

Remuneration Committee report

continued

Group pension contributions

The Group made the following contributions on behalf of Executive directors to the Group's pension fund during the year:

	2011 Total £	2010 Total £
D J M Hartshorne	3,600	669
J Holmes	6,000	2,000
S G Minion	4,375	1,600
A J Walters	4,350	808
Total	18,325	5,077

Directors' interests

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary share capital of Ashley House plc at 30 April 2011 according to the register of directors' interests:

	Number of shares of 1 pence held at 30 April 2011	% of issued share capital	Acquired during year	Number of shares of 1 pence held at 30 April 2010
A F Gibson	118,000	0.2	68,000	50,000
D J M Hartshorne	37,978	0.1	32,000	5,978
J Holmes	1,659,736	2.8	519,000	1,140,736
S G Minion	3,862,825	6.6	88,000	3,774,825
Sir W Wells	148,000	0.3	88,000	60,000
A J Walters	88,000	0.2	88,000	—

Connected persons' interests in share capital

M Holmes holds 709,328 shares; G Holmes holds 100,000 shares (parents of J Holmes).

Interests in share options

The interests of the directors and persons connected to the directors in options over shares in Ashley House plc are set out below:

	Number of options at 30 April 2011	Exercise price pence	Number exercised	Options held at 30 April 2010
J Arnold-Forster	50,000	175	—	50,000
J Coghlan	50,000	152	—	50,000
A F Gibson	100,000	85	—	100,000
A F Gibson	100,000	150	—	100,000
D J M Hartshorne	160,000	75	—	160,000
J Holmes	—	30	(330,000)	330,000
J Holmes	300,000	150	—	300,000
S G Minion	330,000	30	—	330,000
S G Minion	300,000	150	—	300,000
W Wells	100,000	159	—	100,000

The 30 pence options were granted on 15 August 2004 and are exercisable within ten years from the date of grant. The 85 pence options were granted on 11 January 2006. These options vest in three years and expire within ten years from the date of grant. The 150 pence options were granted on 16 January 2007. These options vest in five years and expire within ten years from the date of grant. The 159 pence options were granted on 25 April 2007, the 175 pence options were granted on 5 June 2007, the 152 pence options were granted on 19 September 2007 and the 75 pence options were granted on 8 April 2009. These options vest in two years and expire within ten years from the date of grant.

Interests in warrants

There were no interests held by directors or persons connected to the directors in warrants over shares in Ashley House plc at 30 April 2011.

Market value of shares

Between 1 May 2010 and 30 April 2011 the shares traded in the range 19.25 pence to 52.50 pence. At 30 April 2011 the share price was 19.50 pence per share (2010: 52.50 pence per share).

Highest paid director

The Companies Act 2006 requires certain disclosures about the remuneration of the highest paid director taking into account emoluments, gains on exercise of share options and amounts receivable under long-term incentive schemes. On this basis, the highest paid director in year was J Holmes and details of his remuneration are disclosed on page 43.

Andrew Gibson
Chairman of the Remuneration Committee

25 July 2011

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Company balance sheet

at 30 April 2011

	Note	2011 £000	2010 £000
Fixed assets			
Goodwill	2	**195**	195
Other intangible assets	2	**628**	1,205
Tangible assets	3	**126**	211
Investments	4	**35,126**	36,734
		36,075	38,345
Current assets			
Work in progress	5	**80**	750
Debtors	6	**14,122**	21,161
Cash at bank and in hand		**4,583**	958
		18,785	22,869
Creditors: amounts falling due within one year	7	**(13,246)**	(11,987)
Net current assets		**5,539**	10,882
Creditors: amounts falling due after more than one year		**(2,000)**	(2,750)
Net assets		**39,614**	46,477
Capital and reserves			
Called up share capital	9	**583**	557
Share premium account	9	**34,996**	33,523
Merger reserve	9	**4,395**	4,395
Other reserve	9	**—**	1,400
Share-based payment reserve	9	**464**	433
Profit and loss account	9	**(824)**	6,169
Shareholders' funds		**39,614**	46,477

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

They were signed on its behalf by:

Jonathan Holmes
Chief Executive
Company number: 2563627

The accompanying accounting policies and notes form an integral part of these financial statements.

Company principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (UK GAAP) and under the historical cost convention and remain unchanged from the prior year.

The principal accounting policies of the Company are set out below.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Turnover is shown, net of value-added tax rebates and discounts. Turnover from long-term contracts is detailed below.

Construction contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

This is normally assessed by management by taking into consideration all the available information at the balance sheet date. The long-term contracts usually define milestone payments for the project work to be carried out. The maximum amount of revenue to be recognised for each milestone is determined by estimating relative contract fair values of each project phase. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred and where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Design fees and development fees

Where the outcome of a design and development contract can be estimated reliably and it is probable that the contract will be profitable, revenue and cost are recognised over the period of the contract. The Company does not consider that the outcome of a design or development contract can be reliably determined until it is at least 50% complete. Where it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company uses the "percentage of completion" method for design and development contracts to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the actual contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract. Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.

The Company regularly reviews the recoverability of the amounts recognised but yet to be received. Where the Company believes that the amounts will be receivable but beyond the current accounting period, a time value of money adjustment is made. Where the Company does not believe the amount will be recovered in full, an immediate provision is made to reduce the accrued balance to the amount expected to be recovered.

Asset management

Asset management fees related to the provision of services to manage the property assets of AH Medical Properties plc and AH Scarborough Health Park Limited. Income is recognised evenly throughout the period based upon the value of the managed assets in accordance with the asset management agreement.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets, other than freehold land, on the straight-line basis over their expected useful economic lives. The periods generally applicable are:

> office equipment, furniture and fixtures	four years
> motor vehicles	four years
> mobile surgeries	four years

Investments

Investments are included at cost less provision for amounts written off to the profit and loss account.

Financial statements

Company principal accounting policies

continued

Intangible assets

Goodwill

Goodwill, representing the excess of the fair value of consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised over its estimated useful economic life.

Other intangibles

The book value of intangible assets that relate to a future pipeline of contracts with regards to Strategic Property Solutions (SPS) is reviewed at least annually. The SPS intangible asset is being amortised over the period that the income is recognised.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Costs associated with construction contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account. No element of profit is included in the carrying value of work in progress. Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Share-based payments

The Company issues equity-settled share-based payments to employees in the form of share options. The Company has applied the requirements of Financial Reporting Standard (FRS) 20 Share-based Payments to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006. Equity-settled share-based payments are measured at fair value at the date of grant. Options and warrants are valued using the basic Hull-White model. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that are expected to vest, updated at each balance sheet date.

Notes to the Company financial statements

for the year ended 30 April 2011

1 Loss/profit for the financial year

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company's loss for the year after tax was £6,410,000 (2010: profit of £1,401,000).

Details of directors' remuneration and employee costs are set out in Note 4 to the Group financial statements and in the Remuneration Committee report.

2 Intangible assets

	Other intangible assets £000	Goodwill £000
Cost		
At 1 May 2010	1,205	620
Additions in the period – SPS (see Note 9 to the Group accounts)	23	—
At 30 April 2011	**1,228**	**620**
Amortisation		
At 1 May 2010	—	425
Charged to the year	(600)	—
At 30 April 2011	**(600)**	**425**
Net book value as at 30 April 2011	**628**	**195**
Net book value as at 30 April 2010	1,205	195

3 Tangible assets

	Office equipment, furniture and fixtures £000	Motor vehicles £000	Mobile surgeries £000	Total £000
Cost				
At 30 April 2010	505	21	305	831
Additions	19	—	—	19
Disposals	—	(9)	—	(9)
At 30 April 2011	**524**	**12**	**305**	**841**
Depreciation				
At 30 April 2010	298	17	305	620
Charge to the year	100	4	—	104
Disposals	—	(9)	—	(9)
At 30 April 2011	**398**	**12**	**305**	**715**
Net book amount at 30 April 2011	**126**	**—**	**—**	**126**
Net book amount at 30 April 2010	207	4	—	211

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Notes to the Company financial statements

for the year ended 30 April 2011
continued

4 Investments

	Subsidiary undertakings and joint ventures £000	Listed investments £000	Total £000
At 1 May 2010	35,126	1,608	36,734
Acquisition in year (see Note 11 to the Group accounts)	—	1,713	1,713
Disposal in year (see Note 11 to the Group accounts)	—	(3,321)	(3,321)
At 30 April 2011	**35,126**	**—**	**35,126**

The directors have considered the carrying value of the Company's investments as part of the impairment review of the associated intangible assets in the Group. See Note 9 to the Group accounts for more details.

The Company has investments in the following subsidiaries and joint ventures which principally affected the profits of the Group. To avoid statements of excessive length, details of investments which are not significant have been omitted.

	Nature of work	Class of share capital held	Proportion held
Subsidiaries			
Ashley House Clinical Services Limited	Management services	Ordinary shares of £1 each	100%
Sapphire Primary Care Developments Limited	Property development	Ordinary shares of £1 each	100%
Joint ventures			
Ashley House plc			
AH Scarborough Health Park Limited	Property development	Ordinary shares of £1 each	50%
AHLP Pharmacy Limited	Pharmacy development	Ordinary shares of £1 each	25%
Ashley House Clinical Services Limited			
IPC Plus Limited	Management services	Ordinary shares of £1 each	50%
Wilco Plus Limited	Management services	Ordinary shares of £1 each	50%

Infracare Group Limited, AHBB ELL Holdings Limited, AHBB LHIL Holdings Limited

Ashley House owns 100% of the "A" shares in these companies, which give operational control. Amber Infrastructure Group Limited owns 100% of the "B" shares in these companies which entitles them to protect existing income streams from underlying investments and gives them the right to future investment opportunities from the NHS LIFT pipeline of projects. These companies do not trade but hold interest in underlying NHS LIFTCos.

5 Work in progress

	2011 £000	2010 £000
Land	**80**	750

6 Debtors

	2011 £000	2010 £000
Trade debtors	**3,395**	1,286
Amounts owed by Group undertakings	**—**	329
Amounts recoverable on contracts	**10,343**	18,766
Prepayments and other debtors	**384**	780
	14,122	21,161

Amounts owed by Group undertakings due greater than one year £Nil (2010: £Nil).

7 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	**2,063**	1,677
Amounts owed to Group undertakings	**4,308**	3,483
Sundry creditors, VAT and taxation payables	**999**	158
Deferred consideration on SPCD acquisition	**1,450**	1,250
Accrued expenses	**4,426**	5,419
	13,246	11,987

8 Amounts falling due after more than one year

	2011 £000	2010 £000
Bank revolving credit facility	2,000	2,000
Deferred consideration on SPCD acquisition	—	750
	2,000	2,750

The £2m revolving credit facility is with Lloyds TSB Banking Group and interest is charged at 2.75% over three month LIBOR. The loan matures on 30 September 2012.

9 Share capital

Detailed disclosure of the Company's share capital, options and warrants is included in Note 21 of the consolidated financial statements of the Group.

10 Reserves

	Share-based payment reserve £000	Share premium account £000	Merger relief reserve £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 May 2010	433	33,523	4,395	1,400	6,169	45,920
Loss for the year	—	—	—	—	(6,410)	(6,410)
Dividends paid	—	—	—	—	(583)	(583)
Issue of shares	—	1,473	—	(1,400)	—	73
Share-based payment charge	31	—	—	—	—	31
At 30 April 2011	**464**	**34,996**	**4,395**	**—**	**(824)**	**39,031**

During the year, the Company paid an interim dividend of 1 pence per share for the year ended 30 April 2011.

11 Capital commitments

The Company did not have any capital commitments at 30 April 2011 or 30 April 2010.

12 Commitments under operating leases

Operating lease payments amounting to £274,000 (2010: £342,000) are due within one year. The leases to which these amounts relate expire as follows:

	2011		2010	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	16	7	25	2
Between one and five years	232	19	259	39
In five years or more	—	—	17	—
	248	26	301	41

13 Contingent liabilities

The Company's contingent liabilities are set out in Note 26 of the consolidated financial statements of the Group.

14 Related party transactions

The Company's related party transactions are set out in Note 27 of the consolidated financial statements of the Group.

The Company is exempt under FRS 8 Related Party Disclosures from disclosing transactions with other Group undertakings on the grounds that the Company is included in its own published consolidated financial statements.

Financial statements

Company information

Company registration number

2563627

Registered office

The Priory
Stomp Road
Burnham
Buckinghamshire SL1 7LW

Directors

Sir W Wells	Non-executive Chairman
S G Minion	Executive Deputy Chairman
J Holmes	Chief Executive
A J Walters	Finance Director
D J M Hartshorne	Chief Operating Officer
J Arnold-Forster	Non-executive director
J Coghlan	Non-executive director
A F Gibson	Non-executive director
A J Willetts	Non-executive director
S Gray	Non-executive director (alternate to A J Willetts)

Secretary

S Ronaldson

Nominated Adviser and Broker

Numis Securities Limited

The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Bankers

Lloyds TSB Banking Group

High Street
Slough
Berkshire SL1 1DH

Solicitors

Squire, Sanders & Dempsey (UK) LLP

2 Park Lane
Leeds LS3 1ES

Auditor

Grant Thornton UK LLP

3140 Rowan Place
Oxford OX4 2WB

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Ashley House plc
The Priory
Stomp Road
Burnham
Buckinghamshire
SL1 7LW

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01628 600345

www.ashleyhouseplc.com

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