

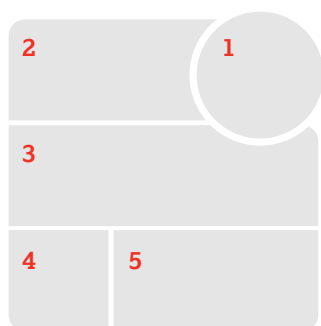
# Supporting change in health and social care

Ashley House plc  
Report and  
accounts 2010



# Strength – in depth and reliability

Ashley House is a leading health & social care infrastructure company, with almost 20 years experience in delivering healthcare development projects efficiently and cost effectively. Our approach is based on building lasting working partnerships with our clients and their local communities. These relationships remain central to the business sustaining consistent and ongoing growth for all our stakeholders. This has been a year of challenges but the group is evolving to benefit from changes in the NHS and public sector.....



## Cover images

**1. Nurse and patient**  
Meriden Surgery, Watford

**2. Meriden Surgery, Watford – Completion date: October 2009**  
Ashley House provided a replacement Primary Care Centre for the branch surgery of a large town centre based GP practice. The part single, part two storey building now provides a much improved base for the practice. It comprises 428m<sup>2</sup> of primary care accommodation and has a 100m<sup>2</sup> pharmacy.

**3. Topping out ceremony at Goscote, Walsall**  
NHS Walsall's £5.4 million Palliative Care Centre currently being built in conjunction with Wolverhampton & Walsall LIFTco. See pages 6 & 7.

**4. Achievement of ISO14001 – Certificate Presentation by BSI: May 2010**  
Michelle Timpson, Customer Services Manager of the BSI Group presented Nigel Croxford, Technical Director and Mark Marston, Marketing Manager of Ashley House with the ISO14001 award for meeting the requirements for Environmental Management Systems. For further information see our CSR review pages 12 & 13.

**5. Hartfield Surgery, Sussex – Completion date: December 2009**  
The Practice previously provided care for its patients from a modular building. Ashley House delivered a purpose built surgery within budget and on programme with functional and wider environmental objectives being met in a contemporary building responsive in terms of form and materials to its rural setting.

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# Highlights

## Financial

- Revenue up 5% to £24.9m (2009: £23.8m)
- Pre-Tax Profit before exceptionals fell 55% to £2.5m (2009: £5.5m)
- Earnings per share down 75% to 2.5p (2009: 10.0p)
- Final Dividend 3.0p per share, giving a total for the year of 4p (2009: 4.0p)
- Net Assets up 19% to £46.0m (2009: £38.7m)

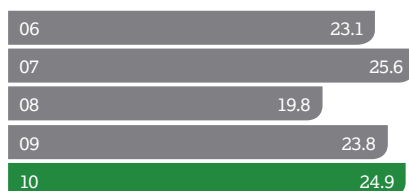
## Operational

- Strong underlying business with forward pipeline of £264m of project value (2009: £245m)
- Successful acquisitions of Sapphire Primary Care Developments and Strategic Property Solutions
- No scheme cancellations despite delays from Government spending reviews

Strong  
underlying  
business

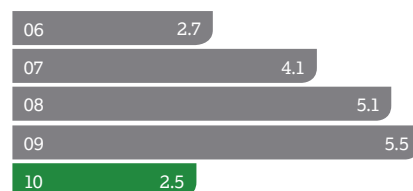
### Revenue £m

**+5%**



### Pre-tax profit (before exceptionals) £m

**-55%**



### Net assets £m

**+19%**



Period shown is from 2006 to 2010.

# Evolution

## developing an adaptable business

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

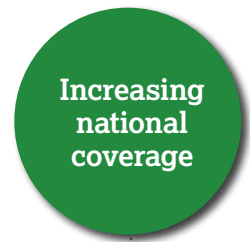


**Our activities:**

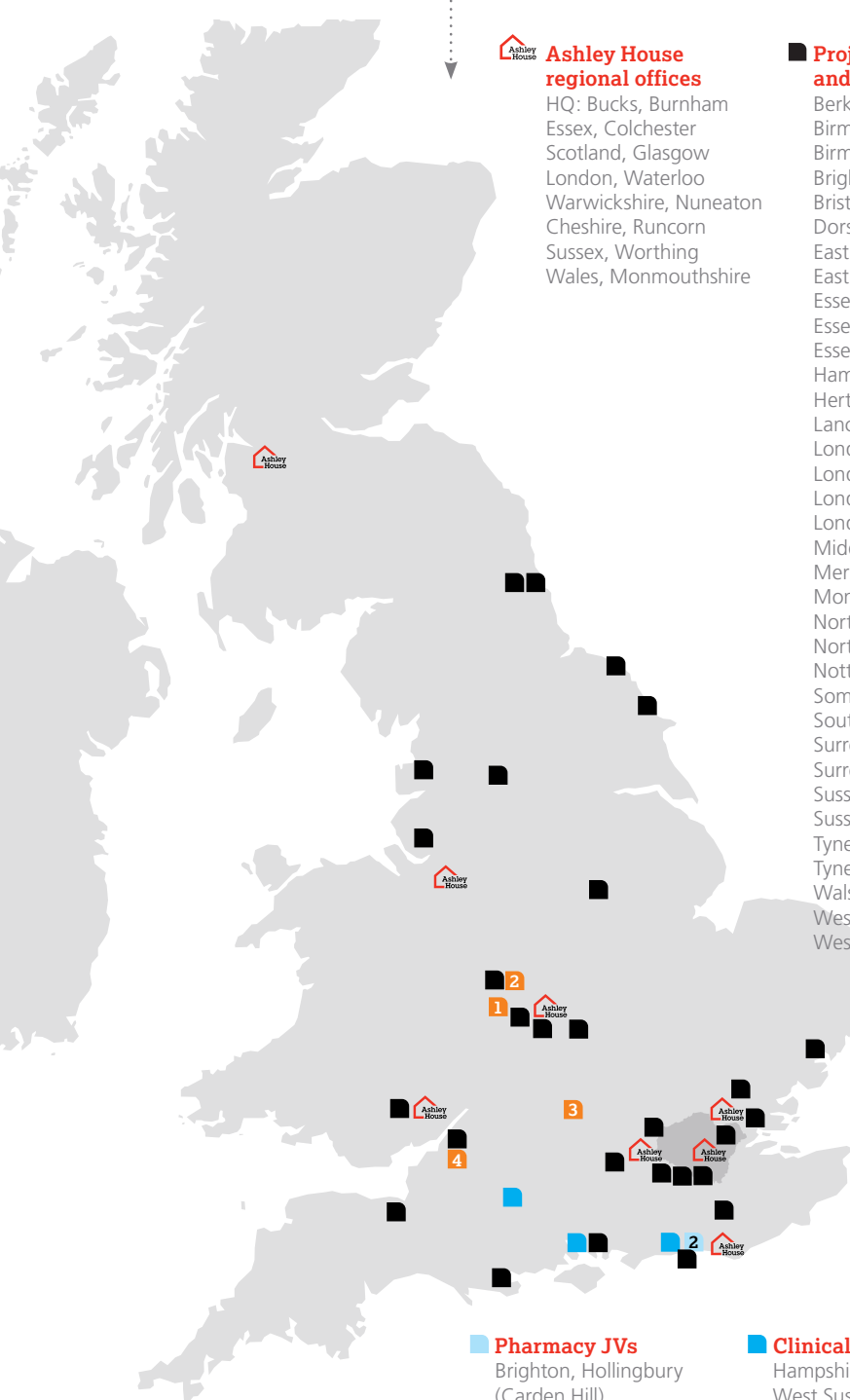
Design & Construction	Management Services
<p>Ashley House has nearly 20 years experience as one of the UK's leading specialists in project management, consultancy and design &amp; construction of medical property facilities. Our in house team of surveyors, architects and project managers deliver a complete 'one stop' service incorporating feasibility, site acquisition, planning and design &amp; build. This is delivered for:</p> <ul style="list-style-type: none"> <li>→ Primary and Intermediate Healthcare</li> <li>→ NHS LIFT Companies</li> <li>→ Community and Social Care</li> </ul> <p>We offer a complete 'one stop' professional design and construction service from site finding through feasibility assessment, design, planning, and construction.</p> <p>Ashley House is the development partner in 7 NHS LIFT Companies. Each LIFT company has an exclusive right to deliver infrastructure projects for a total of 14 PCTs and an ability to work for the Local Authorities.</p> <p>These long term arrangements, with at least 16 years left to run, provide the opportunity to develop long term partnerships with PCTs and local communities to develop service and estates strategies from which a sustainable programme of development emerges.</p> <p>Ashley House combines expert property services with complimentary specialist operational knowledge to deliver modern, person centred buildings in a diverse range of settings. More efficient locally provided services can often be provided at lower cost.</p> <p>Our team understands the issues faced by the public sector in the delivery of services to the communities they serve and applies guiding principles such as choices, rights, independence and inclusion, bringing a fresh and innovative approach to the health and social care sectors.</p>	<p>The management of assets and operations for primary care related activities comprises property portfolio asset management, whole estate management; operation of NHS LIFT companies and operation, back office and bidding services for clinical service joint venture companies. The areas covered by these activities are:</p> <ul style="list-style-type: none"> <li>→ NHS LIFT Companies</li> <li>→ Asset and Estate Management</li> <li>→ Clinical Services</li> <li>→ Pharmacy Joint Ventures</li> </ul> <p>With our team of estates professionals, Ashley House has the ability to deliver expert asset and estate management services to PCTs and LIFTCos.</p> <p>The team manages the portfolio of AH Medical Properties plc which offers sale and leaseback opportunities to GPs.</p> <p>We help NHS bodies to explore the possibilities of whole estates management structures whereby estates can be acquired through JVs and then developed and managed by Ashley House.</p> <p>Ashley House has a healthy working relationship with Lloydspharmacy with some of our completed schemes hosting Lloyds as their pharmacy partner. Through the acquisition of Sapphire Primary Care Developments the relationship has been fully consolidated into an effective strategic partnership, wherein we are JV partners in new Lloyds Pharmacies opened in our surgeries.</p> <p>The philosophy behind the Ashley House Clinical Services division is to partner with NHS associated bodies, in particular GP consortia, to support clinicians to develop and deliver solutions to meet the NHS' demands without losing local sovereignty.</p>

**The stakeholders**  
 We work with a broad range of stakeholders within the public sector, including GPs, Local Councils, Primary Care, Foundation and other NHS Trusts and Strategic Health Authorities.

# Projects and pipeline



Our portfolio continues to expand nationwide through our NHS LIFT partners and following the acquisitions of Sapphire Primary Care Developments and Strategic Property Solutions.



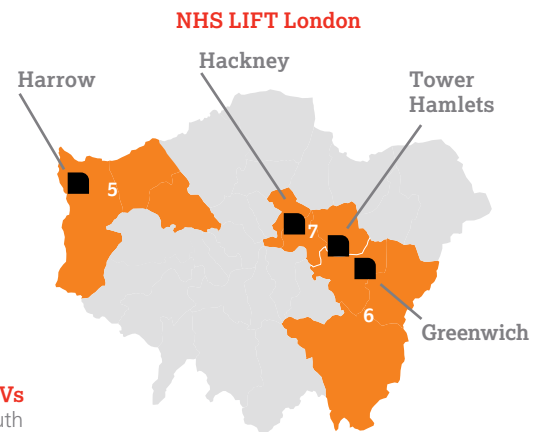
**Ashley House regional offices**  
 HQ: Bucks, Burnham  
 Essex, Colchester  
 Scotland, Glasgow  
 London, Waterloo  
 Warwickshire, Nuneaton  
 Cheshire, Runcorn  
 Sussex, Worthing  
 Wales, Monmouthshire

**Projects recently completed and in progress**  
 Berkshire, Bracknell  
 Birmingham, Ley Hill  
 Birmingham, Soho  
 Brighton, Whitehawk (Wellsbourne)  
 Bristol, Downend  
 Dorset, Corfe Castle  
 East Cleveland, Loftus  
 East Sussex, Hartfield  
 Essex, Doddinghurst  
 Essex, Great Yeldham  
 Essex, Witham  
 Hampshire, Cowplain  
 Hertfordshire, Watford  
 Lancashire, Garstang  
 London, Greenwich  
 London, Hackney  
 London, Harrow  
 London, Tower Hamlets  
 Middlesex, Stanwell  
 Merseyside, St. Helens  
 Monmouthshire, Trellech  
 North Yorks, Scarborough  
 Northamptonshire, Duston  
 Nottinghamshire, Sutton-in-Ashfield  
 Somerset, Bridgwater  
 South Humberside, Grimsby  
 Surrey, New Malden  
 Surrey, Surbiton  
 Sussex, Hartfield  
 Sussex, Wellsbourne  
 Tyne and Wear, Crawcrook  
 Tyne and Wear, Chapel House  
 Walsall, Goscote  
 West Midlands, Balsall Common  
 West Yorkshire, Silsden

- NHS LIFT interests**
- Dudley Infracare LIFT**  
SHA area: West Midlands  
PCTs covered: NHS Dudley
  - Healthcare Improvement Partnership (Wolverhampton City & Walsall)**  
SHA area: West Midlands  
PCTs covered: Wolverhampton City NHS, NHS Walsall
  - Oxford Infracare LIFT**  
SHA area: South Central  
PCTs covered: NHS Oxfordshire
  - Bristol Infracare LIFT**  
SHA area: South West  
PCTs covered: NHS Bristol
  - BHH LIFT Company**  
SHA area: London  
PCTs covered: NHS Brent, NHS Harrow, NHS Hillingdon
  - Bexley, Bromley and Greenwich LIFT Company**  
SHA Area: London  
PCTs covered: NHS Bromley, Bexley NHS Care Trust, NHS Greenwich
  - East London LIFT Company**  
SHA area: London  
PCTs covered: NHS City & Hackney, NHS Newham, NHS Tower Hamlets

**Pharmacy JVs**  
 Brighton, Hollingbury (Carden Hill)  
 Brighton, Whitehawk (Wellsbourne)

**Clinical services JVs**  
 Hampshire, Portsmouth  
 West Sussex, Worthing  
 Wiltshire, Salisbury



Dudley Infracare LIFT



Healthcare Improvement Partnership (Wolverhampton City and Walsall)



Oxford Infracare LIFT



Bristol Infracare LIFT



BHH LIFT Co



Bexley, Bromley and Greenwich LIFT Co



East London LIFT Co

# Chairman's statement



Sir William Wells, Chairman

With our revenues growing from a solid pipeline of opportunities, we look forward to the future with confidence.

## Results and dividend

I am pleased to confirm that our final results are in line with the guidance given at our pre-close announcement made on 4 May 2010. Revenue grew to £24.9m (2009: £23.8m) whilst profit before exceptionals and tax fell to £2.5m (2009: £5.5m). Underlying profit was in excess of £4m but reported profit held back principally due to retained schemes being financed within the group as outlined in the pre close announcement. The year was challenging because concerns within the NHS over public spending led to delays and re-assessment of commitments in most areas. This was compounded by political uncertainty leading up to the May general election. Both of these factors have led to delays to many of the projects we are working on, slowing our revenue growth and reducing profitability. Despite the delays in schemes we have not had any project cancellations and the business has both grown and remained profitable. Consequently the Board has proposed a final dividend of 3.0p per share, resulting in a total of 4.0p for the year (2009: 4.0p).

## Our market

NHS Trusts continue to be cautious about their budgets. Despite commitment from the new Government to the NHS, there remains a lack of clarity around a number of policy areas. Nonetheless current policy seems to be committed to the shift of care towards care out of hospital into GP led settings, a market in which we specialise. We have also been encouraged that our LIFT partnerships with Councils and NHS Trusts appear to be regarded as important delivery vehicles in local estate change.

As we announced in our pre-close statement we have not to date experienced any project cancellations. Even in London where the new Government showed some concern around NHS London's plans for polyclinics it is emerging that where schemes have GP support and deliver clear benefits, in terms of both service and cost, then they are proceeding. This is the case with most of the schemes we have been working on with our partners. Change in the NHS presents an opportunity for us. Shifting care to community settings means estate needs to change and Ashley House is positioning itself as a partner to help deliver that change. This is not just happening in the NHS but in other areas of public service, hence the importance to us of our involvement in the LIFT market which allows us to work in partnership with Local Authorities and other public bodies. Indeed, as part of our diversification plan, we announced in February the conditional acquisition of the specialist mental health and extra care developer Strategic Partnership Solutions ("SPS"), widening our skills and expertise in an important market closely aligned to the NHS.

## Outlook

As a result of the delays and uncertainty in our core market we are continuing to explore opportunities to broaden our service offer and client base and in so doing increase revenues. Growth is expected to continue to be slow during the current financial year given the uncertain environment in which we are operating. Our diversification plan is designed to enable the Group to benefit from NHS and general Public Sector change and this is expected to position the business for future growth.

## Sir William Wells

Chairman  
5 July 2010

Positioned  
for growth

# Enhanced services and consolidation of our market position

The acquisitions of Sapphire Primary Care Developments and Strategic Property Solutions have enabled Ashley House to strengthen its position in its established market and enter a new growth sector.

## Combining the strengths of two established companies Sapphire acquisition November 2009

The acquisition of the assets and business of Sapphire Primary Care Developments (SPCD) from Lloydspharmacy further established Ashley House's strength in the health centre development market. The deal provided Lloyds Pharmacy with a strategic partnership and equity stake in Ashley House. A joint venture for pharmacies will provide Ashley House with a regular income stream.

The fully integrated operation sees the creation of:

- A single combined team of professionals from two established providers.
- Additional levels of expertise and increased capacity.
- The close relationship with Lloyds Pharmacy will bring to us a network of 1,650 community Pharmacists each with local knowledge and Healthcare contacts.
- A wider geographic presence with an office in Scotland

### Jonathan Holmes, Chief Executive of Ashley House said:

*"This is a very attractive deal for both Ashley House and Lloydspharmacy playing to each of our strengths,"*

*"The deal boosts our already significant pipeline of projects while providing us with a long term partner in our new joint venture."*

Lloydspharmacy built up the SPCD business from start-up in 2001. Andrew Willetts, Finance Director of Lloydspharmacy, joined the Ashley House board as non-executive director.

Following the acquisition, Antony Walters, former Managing Director of Sapphire joined the Ashley House board as Finance Director. At the same time, David Hartshorne, Chief Operating Officer, also became a Director. These two appointments have strengthened the board and provided further expertise and strong industry experience.

## New expertise and knowledge Strategic Property Solutions acquisition January 2010

The acquisition of the business of Strategic Property Solutions (SPS), a developer of community based mental health facilities forms part of a two pronged strategy of diversifying the Ashley House business away from its reliance on PCTs and NHS (mental health, work with Councils through LIFT etc) and increasing recurrent, fee based, more predictable revenues (asset and estate management work, partnering services in LIFT, fee based client side project work in LIFT).

Ashley House is now able to develop services for vulnerable people. By working with the additional expertise of SPS, the group is able to further develop its expert property services with complimentary specialist operational knowledge. Research suggests that poor health and vulnerability are associated with not only the levels and quality of the support package, but also with the style and standard of accommodation. We are currently working with a number of commissioning partners from local authority social services and NHS Trusts in planning and delivering a number of projects including dementia care centres and supported living centres. New projects in this area are driven by national strategy, guidance documents and reports such as the national dementia strategy, 'Living Well with Dementia'. We endorse this strategy and recognise that by combining the same with local conditions, and working closely with our partners, we can deliver bespoke provision wherever we work.



Developing  
by acquisition

# Delivering better quality healthcare through our partnerships in NHS LIFT

The Goscote Palliative Care Centre is a key part of the NHS Walsall strategic plan for the development of community-based Palliative Care services for Walsall.



"The Goscote Palliative Care Centre development has been an exciting project for NHS Walsall, especially as the first Walsall LIFT scheme. Having been Walsall estates lead on numerous Primary Care 3PD schemes, I can confirm that the level of consultation and face to face contact has been a really positive aspect of this scheme, including a strong sense of continuity and 'can do' approach amongst all the partners."

**Mike Lyden**  
Estates Manager, NHS Walsall



a working  
partnership  
with



Pictured laying the topping out ceremonial stone is from left; Julian Rainsford, Director of Estates and Facilities, NHS Walsall, David Hartshorne, Chief Operating Officer, Ashley House plc, Dr. Archenhold, Chairman, NHS Walsall and Carol Southall, Patient, NHS Walsall.



## ● Goscote Palliative Care Centre, Walsall, West Midlands

Construction of the Palliative Care Centre began in October 2009 as part of the implementation of a new integrated End of Life Care Strategy for the residents of Walsall. The new in-patient hospice, due for completion in November 2010, will be the first dedicated hospice facility for adults within Walsall.

It is being delivered through a Public Private Partnership established under the LIFT initiative and will provide the community of Walsall with 12 in-patient Hospice beds, a day hospice and out-patient rehabilitation services and a range of specialist Palliative Care support services, including complementary therapies.

The £5.5m scheme will see the construction of a new two storey building of 2,500 m<sup>2</sup> providing a range of new in-patient and out-patient Adult Palliative Care services under a 25 year concession to build and manage the new facility.

The unit will accommodate the following:

- In-patient Palliative Care services (12 beds)
- Out-patient Therapies including Blood Transfusions, Palliative Chemotherapy and Day Hospice services
- Specialist Nursing across a range of disciplines
- Lymphoedema Services e.g. for swollen limbs and side effects of cancer treatment
- Complementary Therapy services
- Allied Health and Social Care workers
- Bereavement, Counselling and Psychology services
- Information services
- Training and Development facilities
- Voluntary services

As part of a successful £100,000 Arts Council bid, the Goscote development will include a range of newly commissioned artwork, to include:

- A 3D centre piece within the internal courtyard of the building
- A stained glass window to the Spiritual Space
- A sculpture and land art trail in the grounds of the building including a folly, gazebo and garden
- A variety of artwork and photographs for display within the building

*"I am delighted to see the progress that has been made towards the construction of the Palliative Care Centre. This new facility will be a major improvement in the care and support patients and their families receive. This new development will be a centre of excellence that the residents of Walsall can be proud of."*

**Dr Archenhold**  
Chairman, NHS Walsall



# Effective partnering through a pharmacy joint venture and the development of innovative new health centres

Our Health Centre at Wellsbourne, an environmentally advanced scheme, was the first to benefit from a Joint Venture Lloydspharmacy.

## Wellsbourne Health Centre, Brighton, East Sussex

As part of the redevelopment of the old Wellsbourne School site in Whitehawk, Ashley House was tasked with developing phase two.

This building provides new premises for two local GP Surgeries, a base for District Nurses and dental and podiatry services provided by South Downs Health. A pharmacy completes the range of services that will be available to the local community.

Ashley House worked closely with the Council, PCT and existing users of the site (Childrens Centre) to ensure future flexibility. As a result Phase three, further community facilities, are currently at the design stage.

The innovatively designed building is linked to the existing children's Centre, built as phase one, and incorporates sustainable features such as:

- bio-diverse roof
- ground source heat pump
- sun pipes to allow natural light and ventilation

The valued contribution of each of the key stakeholders involved has helped create a truly community focused health centre.

Additionally the Wellsbourne Health Centre is the first Ashley House project to benefit from a Joint Venture pharmacy, realised through Ashley House's partnership with Lloydspharmacy.

*"Having worked with Ashley House on three other schemes over the last five years the Wellsbourne Health Centre shows how building relationships between the public and private sectors delivers results that we can be both proud of and confident that services to the local community will be provided for many years to come."*

**Ms. Chris Naylor**  
Estates Strategy Manager, NHS Brighton and Hove





“This partnership plays very much to the strengths of both Ashley House plc and Lloydspharmacy and will provide both companies with a long term partner with common objectives of improving the nation’s health. The close relationship with Lloydspharmacy will allow Ashley House to boost its already significant pipeline by being able to tap into the healthcare expertise and local knowledge of the pharmacy teams across our network of over 1,650 pharmacies. Having a strategic partnership with Ashley House plc, as a respected developer in the market, will provide excellent pharmacy opportunities for Lloydspharmacy while allowing us to focus on our core business of providing ‘healthcare for life’ to our customers.”



**Andrew Willetts**  
Finance Director, Lloyds Pharmacy Limited  
Non-Executive Director, Ashley House plc



working in partnership with



# Chief Executive's statement



Jonathan Holmes, Chief Executive

## Current trading is on track so far in the new financial year and our teams are all focused on the year ahead.

### Business review

This has been a difficult year for Ashley House characterised by exceptional delays to projects caused by both political uncertainty and budget concerns. Further difficulties were experienced as a result of an unsolicited bid approach for our property partner AH Medical Properties plc.

These issues have led to delays though not cancellations and projects continue to reach financial close. At the end of April 2010 we were on site with eight schemes with a total value of £20m compared to six in April 2009 with a value of £11m. Of the five we reported as delayed at the half year, three have now reached financial close and are on site. The remaining two are expected to achieve financial close in the coming weeks, realising c.£1.5m in cash and enabling construction (and the associated revenues) to commence. Our project pipeline has grown in recent months to £264m (January £238m, May £244m), re-enforcing our belief that our business will benefit from the continuing shift of care from secondary to community and GP-led settings.

Our asset management contract with AH Medical Properties plc ("AHMP") has driven strong growth for AHMP, with gross assets growing 34% in the year to close to £120m and rental revenues growing from £6m to £7m. This strong performance has, for the first time, triggered an out-performance fee. In support of AHMP, we have agreed to take half the performance fee in cash and half in AHMP shares.

As mentioned in our February trading update, AHMP received an unsolicited bid approach during the year which resulted in a hiatus in our ability to pass on pipeline schemes to them. This approach has recently been withdrawn and the immediate need for us to harbour assets on our own balance sheet has gone. However, we continue to explore the options open to us and our property partners to avoid a repeat of this situation in future.

The delays have led us to look at the cost and structure of our business. Our market is continuing to evolve and we are developing our business accordingly. We continue to reduce costs in certain areas of the business to allow us to reinvest in growth areas.

### Acquisitions

At the end of November last year we acquired the business and assets of Sapphire Primary Care Developments Limited ("Sapphire") from Lloydspharmacy ("Lloyds") for a total consideration of £7.4m. Sapphire was a developer of primary care infrastructure and a competitor of Ashley House. The team and pipeline has now been fully and successfully integrated into the group and several new project wins have followed.

As part of this acquisition, a pharmacy joint venture was created with Lloyds which gives Lloyds first option on pharmacies in our pipeline in exchange for a 25% profit share in those pharmacies. This also gives the Group opportunities for future projects from access to the healthcare teams at Lloydspharmacy estate of over 1,650 pharmacies. We have three joint venture pharmacies open and we hope to grow this number over the coming year.

At the end of the year the group exchanged on a conditional deal to acquire the business of Strategic Property Solutions Limited ("SPS"), a developer of community mental health and associated infrastructure for which Ashley House has seen an increasing demand. The deal is conditional on the granting of planning permission on the lead scheme which is expected to be achieved in the next few weeks. The acquisition brings us experience in a differently funded market as well as the skills and expertise to develop our offering into a growing sector.

### Key performance targets

Whilst the business remains profitable, reported profit before tax has fallen. Net assets have grown 19% from £38.7m to £46.0m following the acquisitions of Sapphire and SPS. In the new financial year we expect to get a significant number of schemes (including three from the Sapphire pipeline and one from SPS) to reach financial close. We also expect to realise the profit on the schemes that we were unable to sell to AHMP at the end of the financial year. The factors that reduced the profit in this financial year should not be repeated next year providing more confidence in the profit numbers for the coming year. We have agreed a new client side approach to working within LIFT with four of our seven LIFT companies including the two biggest in our stable. This will transform our revenues to a fee based model and will take hard construction out of our results. Construction management revenues will remain. These agreements will also lead to some protection on the length of time it takes us to convert revenues into cash. Profit next year will therefore come from the extended traditional or 3PD pipeline and from LIFT income both from the client side approach and by getting schemes past financial close. This will be augmented by the asset management income and revenues that will start to come through from the pharmacy joint venture.

### Quality

We were delighted that we have recently achieved ISO 14001 accreditation in recognition of the effectiveness of our Environmental Management System. In addition, one of our Harrow LIFT schemes was recognised with an architectural and environment award. We have had 'Investor in People' status for 3 years which has recently been reconfirmed and we gained ISO 9001 accreditation for our management system last year. These accreditations are important for our clients and stakeholders and demonstrate the professionalism across the business.

### Staff

Following the acquisition of Sapphire, it was important that the business carried out a small reorganisation to ensure the synergies of the acquisition were achieved. As a result of this there were a number of redundancies and the closure of offices in Newcastle, Abergavenny and Worcester. Our new staff from the acquisition of Sapphire and SPS are already making a valuable contribution to the business. The Board's thanks go to all our people who continue to show their professionalism and dedication to the business in these changing times.

### Outlook

Despite challenging market conditions our pipeline remains strong as we continue Ashley House's evolution into an estates partner for both primary and community health and the wider public sector.

### Jonathan Holmes

Chief Executive  
5 July 2010



A strong  
forward  
pipeline

# Sustainability

## our approach to community healthcare

Ashley House is aware of its wider responsibility to the community. Our projects are all designed to improve communities with environmental impacts very much in mind. We strive to ensure our relationships are positive and constructive, creating partnerships with all stakeholders to provide improved healthcare delivery. We work closely with local Councils and their planning departments in understanding and conserving the interests of local communities.

### Protecting our planet, people and profits ISO 14001 certificate: Presented by BSI May 2010



Ashley House recognises that its operations can significantly impact on the environment. Our Environmental Policy sets out our objectives to reduce that impact and is the core document in the Ashley House Environmental Management System (EMS). We are very pleased that in April of this year the EMS was registered by the British Standards Institution (BSI) as being compliant with the International Standard ISO 14001. ISO 14001 sets out the specific requirements that an Environmental Management System must meet in order to comply with the Standard and in turn ensure the effectiveness of the System. The award of ISO 14001 follows our similar achievement last year in the Ashley House Management System (AHMS) receiving ISO 9001 Registration. The EMS is also an integral part of the AHMS.

Robust audited management systems focused on quality and environment give our clients and stakeholders confidence in Ashley House's ability to deliver to the highest level.

Pictured above from left: Nigel Croxford, Technical Director, Michelle Timpson, Customer Services Manager of the BSI Group and Mark Marston, Marketing Manager of Ashley House



## Contributing to support the care of cancer care to patients

### Corporate charity fundraising

#### Our 1st year and looking ahead



Ashley House and Marie Curie Cancer Care launched its Corporate Charity Partnership in November 2009. Since that time Ashley House and our employees have been helping the charity through a programme of company led and staff fund raising events.

One such event has involved seven of our employees completing the Three Peaks Challenge. This is a hike, of 26 miles, incorporating the three highest peaks in the Yorkshire Dales. Our people have raised sufficient funds in its first year to pay for over 250 hours of care and support from a Marie Curie nurse.

One of Marie Curie's objectives is to improve referrals from GPs and Ashley House is in a great position to help them work with our GPs and NHS clients. Whilst the charity has contracts with 96% of health trusts across the UK recent research shows that many people don't know if there is a Marie Curie Nursing Service available to them locally, and even fewer know how to get the support of a Marie Curie Nurse. Working with Ashley House, Marie Curie can achieve greater contact and involvement with Doctors and PCTs. This co-operation will see Fields of Hope being planted at our surgeries, information and contacts being available to patients GPs and Nursing staff and even space for Marie Curie nurses to provide a support and counselling service to patients.



Employing more than 2,700 nurses, doctors and other healthcare professionals, Marie Curie Cancer Care is the largest provider of hospice beds outside the NHS and during this year, 2010, expects to provide care to around 29,000 terminally ill patients in the community and in its hospices.

## Improving the quality of local healthcare estates

### Winners at the Harrow Architectural and Environmental Awards Ceremony

#### May 2010



This represents a fitting reward for the partnership behind the Neighbourhood Resource Centre projects, comprising Harrow Council, BHH LIFTco and Ashley House. Three individually designed buildings in Harrow, of which Byron Park is one, were delivered via LIFT for Harrow Council.

Each centre was designed to provide flexible day support services for adults with severe learning disabilities, helping them integrate into the local community. Byron Park services have links to the local leisure building and the building also has facilities for cultural and educational activities, meetings and other types of gatherings involving the local community.

The development has been designed to be energy efficient with a range of innovative features. Run in conjunction with Harrow Heritage Trust and Harrow Town Council, the biennial scheme aims to reward the best-looking developments that make an outstanding contribution to their neighbourhood

Pictured above holding the award certificate from left to right are John Graveling, Chairman of BHH LIFTco, Simon Duffy, Chief Architect, Ashley House plc, Marilyn Mayhew and Josephine Mahaffey of Harrow Town Council, Mark Grinnoneau, Chief Executive Officer, BHH LIFTCo and Raj Mandalia, Architectural Technologist, Ashley House plc.

## A commitment to partnerships that delivers quality results

Stanwell Health and Community Centre demonstrates the power of partnership working, with Spelthorne Borough Council, Surrey County Council, NHS Surrey and the voluntary sector all involved in making it a reality.



"Having worked with Ashley House for the past three years I can say it has been a fantastic working relationship. The Stanwell Health and Community project has been extremely complex with a few major issues arising along the way such as GP led health centres and Ashley House showed a real willingness to be pragmatic to ensure a top class facility is built for the local community. Spelthorne Borough Council would certainly wish to work with Ashley House again."

**Liz Borthwick**  
Assistant Chief Executive  
Spelthorne Borough Council



a working  
partnership  
with





## ◆ Stanwell Health and Community Centre, Stanwell, Surrey

The centre will be the new home for St David's Family Practice and teams from Surrey Community Health. It also houses the Stanwell library, a community café and a pharmacy. Patients will also benefit from the new treatment facilities and dedicated space for therapy services and facilities for minor surgery.

**Building size:** 1,500 m<sup>2</sup>

**Project brief:** Following a competitive tender Ashley House was successfully selected in 2007, as preferred developer, to design and build a new Health and Community Centre for the residents of Stanwell. Ashley House purchased a redundant Community Centre from Spelthorne Borough Council upon which to develop the new facility.

**Project solution:** Our architects have designed a purpose built state of the art Community Centre, from which the community will benefit from integrated health and social care facilities.

**Points of interest:** This community care focused project, is being led jointly by Spelthorne Borough Council and NHS Surrey. The project is the first of several which make up the 'Stanwell New Start' initiative. Ashley House as project manager has undertaken extensive consultation alongside the Council and the PCT to ensure the building will serve the expanding population of Stanwell and the surrounding area well into the future.

*"This project shows our long term commitment to provide excellent healthcare for our patients."*

**Nigel Westbury**

Practice Manager, St David's Family Practice

*"This is great news for patients and all the staff currently based at St David's Family Practice with so much under one roof, the new centre is going to be a vibrant and exciting development for the community."*

**Paul Bennett**

Deputy Chief Executive, NHS Surrey

*"This is a great community focused project and it clearly demonstrates what can be achieved with strong working partnerships in place. We're delighted construction is now underway and look forward to the opening ceremony next year."*

**Ian Shrimpton**

Regional Development Manager, Ashley House plc

# Working together with local stakeholders to meet community healthcare needs

A new modern surgery designed to help improve service quality and develop the capacity to serve over 8,000 patients.

## Brent House Surgery, Bridgwater, Somerset

When completed in early 2011, the surgery will be able to offer patients a family friendly service with easy access to a team of highly trained health professionals.

**Building size:** 1,202 m<sup>2</sup>

**Description:** 4 Partner Practice including pharmacy, owned by the Doctors

**Project brief:** The practice had outgrown its existing premises and was operating from a converted school in the town centre with limited parking. Ashley House was appointed to design and build new, modern practice premises from which Brent House Surgery could deliver enhanced services to its ever expanding patient list. Retaining a town centre presence was of the utmost importance for NHS Somerset, as other centrally based practices had moved away during recent years.

**Project solution:** Two storey, modern, BREEAM 'Excellent' premises, offering flexible accommodation, expansion space and ample parking all within half a mile of the existing premises. Developing close working relationships with Local Authorities was key to securing a perfect town centre site for the new health centre. It is hoped that this new surgery development will be seen as the first important step towards the much needed regeneration of the Eastover area.

*"This is a very exciting development for patients and the practice. Your family doctor is still the main provider of people's day to day healthcare and it is therefore important that local facilities are modern and big enough to meet the ever growing health needs and demands of patients."*

**David Slack**

**Director of Primary Care Services, NHS Somerset**

*"We have enjoyed working with Brent House Surgery, NHS Somerset and Sedgemoor District Council for the last three years. Having planned and designed the new medical centre we now look forward to it being used and enjoyed by the local community."*

**Marc Kerridge**

**Commercial Development Manager,  
Ashley House plc**

*"As a local councillor for the Eastover Ward it has been a pleasure for us to work with Ashley House as the project leaders for the new Brent House Surgery. They were able to listen to our concerns, meet the residents and deal with all aspects of the project without difficulty."*

**Cllr Julian Taylor**

**Bridgwater Eastover Ward**



Photo (left to right):  
(Back row) Marc Kerridge, (Ashley House plc), Ian Shrimpton (Ashley House plc), Tim Mander, (Team Leader, Property Management and Income Generation, Sedgemoor District Council), Alison Lee, (Practice Manager), Dr Andy Soltys, Dr Shona Gilmour-white, Dr Jon Upton, Dr Ananda Pal, Alan Kitch (member of the Patient Participation Group – PPG), David Ward (Primary Care Commissioning Manager, NHS Somerset) (Front Row) Jean Rawlinson (chair of the PPG), Edwina Vickery, (Lead District Nurse) Margaret O'Callaghan, Dianne Mitchell (Member of PPG) and Catriona Topliss (Deputy Practice Manager).



"Sedgemoor District Council worked very closely with Ashley House over a number of years to identify an appropriate site to accommodate a new medical centre for the Brent House Doctors Surgery. Once a site was identified the close co-operation between the Council and Ashley House helped ensure all the various obstacles and challenges that are thrown up by any large development project was dealt with professionally and in a spirit of co-operation to ensure the development was able to start on site within the agreed timetable."



**Tim Mander**  
Team Leader, Property Management and Income Generation  
Sedgemoor District Council



a working  
partnership  
with



# Board of directors

## Executives



**Jonathan Holmes**  
Chief Executive

Aged 42 – prior to joining Ashley House in 1998 he 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.



**Stephen Minion**  
Executive Deputy Chairman

Aged 63 – a chartered engineer with a long career in design and development of commercial property. Following his BSc degree 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.



**Antony Walters**  
Finance Director

Aged 43 – 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

Aged 56 – 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.

# Board of directors

## Non-executives



**Sir William Wells** <sup>(1)(2)</sup>

### Non-executive Chairman

Aged 70 – 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); Member of the General Council of the King's Fund (1995-to date).



**Andrew Willetts** <sup>(3)</sup>

### Non-executive director

Aged 47 – Andrew graduated from Keble College, Oxford in 1985 with a degree in Modern History before going on to qualify 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 Booksellers, and most recently as Director of Shared Services at Hagemeyer (now Rexel SA). He joined Lloyds Pharmacy in July 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.



**John Coghlan** <sup>(2)(3)</sup>

### Non-executive director

Aged 52 – John is Chairman of Inchcape Shipping Services and a Non-Executive Director of DX Group, both private equity owned businesses. 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.



**Andrew Gibson MBE** <sup>(1)(2)(3)</sup>

### Non-executive director

Aged 59 – his 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. He now holds a number of posts acting as a consultant to both the public and private sectors with approximately half of his time spent with Ashley House, which he joined in January 2006.



**Jake Arnold-Forster** <sup>(1)</sup>

### Non-executive director

Aged 46 – 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.

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

## Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 April 2010.

### Principal activity

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

### Business review

The consolidated statement of comprehensive income for the year is set out on page 22. 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 Chief Executive's statement.

The Group is required by 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 2010 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 and Chief Executive's statements on pages 4 and 10. 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 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 19 March 2010 (no interim dividend was paid in the year to April 2009). The directors propose a final dividend of 3.0 pence per share amounting to £1,671,000 (4.0 pence per share on 16 October 2009, £1,884,000).

### 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		
J Holmes		
B L Walker	(Resigned 22 February 2010)	
A J Walters	(Appointed 23 November 2009)	
D J M Hartshorne	(Appointed 22 February 2010)	
J Arnold-Forster	(Non-executive director)	
J Coghlan	(Non-executive director)	
C Cook	(Non-executive director)	(Resigned 1 June 2009)
G Frost	(Non-executive director)	(Resigned 1 June 2009)
A F Gibson	(Non-executive director)	
A J Willetts	(Non-executive director)	(Appointed 23 November 2009)
S W Gray	(Non-executive director alternate to A J Willetts)	(Appointed 1 June 2010)

D J M Hartshorne, A J Walters, A J Willetts being newly appointed offer themselves for election and Sir W Wells, J Holmes and J Arnold-Forster retire by rotation and being eligible offer themselves for re-election.

### Directors' and officers' liability insurance

The Company 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 company.

### 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 40 days (2009: 24) 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 were AH Medical Properties plc's subsidiary, Medical Properties Limited and Soho Health Plaza Limited.

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 the year from its bankers, Lloyds TSB Banking Group. The loan interest is charged at a variable 2.75% over three month Libor. At 30 April 2010 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 at 2.75% over three month Libor and exposes the Group to any increase in the three month Libor. The Group's share of loans and cash deposits in joint venture NHS LIFT companies 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 notes to the accounts 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 2010. 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 LIFT companies, which are joint ventures between the company and the NHS, or AH Medical Properties plc, which is well known to the Group.

#### **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.

#### **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 reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

On behalf of the Board

#### **Jonathan Holmes**

Chief Executive  
5 July 2010

## Consolidated statement of comprehensive income

for the year ended 30 April 2010

	Note	2010 £000	2009 £000
<b>Revenue</b>	1	<b>24,876</b>	23,834
Cost of sales		<b>(16,651)</b>	(12,575)
<b>Gross profit</b>		<b>8,225</b>	11,259
Administrative expenses		<b>(5,632)</b>	(5,726)
Depreciation and impairment		<b>(107)</b>	(114)
Exceptional items	5	<b>(733)</b>	–
<b>Operating expenses</b>		<b>(6,472)</b>	(5,840)
<b>Operating profit</b>	2	<b>1,753</b>	5,419
Interest payable		<b>(82)</b>	–
Investment income	4	<b>65</b>	107
<b>Profit before taxation</b>		<b>1,736</b>	5,526
Tax expense	6	<b>(486)</b>	(1,361)
<b>Profit after tax for the year attributable to equity holders of the parent</b>		<b>1,250</b>	4,165
Other comprehensive income/(expense):			
Fair value movement on available for sale investments			
current year gains/(losses)		<b>870</b>	(584)
<b>Total comprehensive income for the year attributable to equity shareholders of the parent</b>		<b>2,120</b>	3,581
<b>Basic earnings per share</b>	7	<b>2.45p</b>	10.01p
Diluted earnings per share	7	<b>2.41p</b>	9.65p

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

# Consolidated balance sheet

for the year ended 30 April 2010

	Note	2010 £000	2009 £000
<b>Non-current assets</b>			
Goodwill	8	1,289	270
Other intangible	9	30,018	24,800
Property, plant and equipment	11	254	213
Available for sale investments	12	1,608	738
Deferred tax asset	22	65	210
		<b>33,234</b>	26,231
<b>Current assets</b>			
Work in progress	14	2,818	1,361
Trade and other receivables	15	24,892	20,905
Cash and cash equivalents	16	1,010	1,187
		<b>28,720</b>	23,453
<b>Total assets</b>		<b>61,954</b>	49,684
<b>Current liabilities</b>			
Trade and other payables	17	(9,904)	(7,664)
Bank borrowing	18	(1,692)	(2,127)
Current income tax	19	(477)	(1,219)
		<b>(12,073)</b>	(11,010)
<b>Net current assets</b>		<b>16,647</b>	12,443
<b>Non-current liabilities</b>			
Amounts falling due after more than one year	20	(2,750)	–
Deferred tax liabilities	22	(1,094)	–
		<b>(3,844)</b>	–
<b>Total liabilities</b>		<b>(15,917)</b>	(11,010)
<b>Net assets</b>		<b>46,037</b>	38,674
<b>Equity</b>			
Share capital	23	557	470
Share premium	24	33,523	31,627
Merger relief reserve	25	4,395	–
Other reserve		1,400	–
Share-based payments reserve		496	608
Retained earnings		5,666	5,969
<b>Total equity</b>		<b>46,037</b>	38,674

The financial statements were approved by the board of directors and authorised for issue on 5 July 2010.

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.

## Consolidated statement of changes in equity

for the year ended 30 April 2010

	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 gains	–	–	–	–	–	870	870
Total comprehensive income for the year attributable to equity holders of the parent	–	–	–	–	–	2,120	2,120
<b>At 30 April 2010</b>	<b>557</b>	<b>33,523</b>	<b>4,395</b>	<b>1,400</b>	<b>496</b>	<b>5,666</b>	<b>46,037</b>

	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 2008	275	8,040	–	–	2,221	2,910	13,446
Issue of share capital	195	23,587	–	–	–	–	23,782
Transfer between reserves on conversion of warrants	–	–	–	–	(1,085)	1,085	–
Movement on deferred tax	–	–	–	–	(617)	–	(617)
Dividends	–	–	–	–	–	(1,607)	(1,607)
Share-based payment charge	–	–	–	–	89	–	89
Transactions with owners	195	23,587	–	–	(1,613)	(522)	21,647
Profit for the year	–	–	–	–	–	4,165	4,165
Other comprehensive income: Fair value movement on available for sale investments current year losses	–	–	–	–	–	(584)	(584)
Total comprehensive income for the year attributable to equity holders of the parent	–	–	–	–	–	3,581	3,581
At 30 April 2009	470	31,627	–	–	608	5,969	38,674

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 2010

	2010 £000	2009 £000
<b>Operating activities</b>		
Profit for the year before taxation	1,736	5,526
Adjustments for:		
Depreciation and impairment	377	114
Share-based payment charge	33	89
Dividend received	(65)	(44)
Interest paid	82	–
Interest income	–	(63)
Operating cash flows before movements in working capital	2,163	5,622
Increase in work in progress	(819)	(102)
Increase in trade and other receivables	(3,987)	(8,191)
Increase in trade and other payables	737	920
<b>Cash used by operations</b>	<b>(1,906)</b>	<b>(1,751)</b>
Income taxes paid	(1,228)	(1,395)
Interest paid	(82)	–
<b>Net cash used in operating activities</b>	<b>(3,216)</b>	<b>(3,146)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(122)	(19)
Acquisition of subsidiaries (net of acquired cash)	390	–
Acquisition of interest in jointly controlled entities net of cash	–	(12,824)
Dividend received	65	44
Interest received	–	63
<b>Net cash used in investing activities</b>	<b>333</b>	<b>(12,736)</b>
<b>Financing activities</b>		
Increase in borrowings	1,565	25
Proceeds from disposal of available for sale financial assets	1,636	–
Proceeds from issuance of ordinary share capital (net of costs)	1,928	11,782
Dividends paid to company's shareholders	(2,423)	(1,607)
<b>Net cash from financing activities</b>	<b>2,706</b>	<b>10,200</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(177)</b>	<b>(5,682)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,187</b>	<b>6,869</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,010</b>	<b>1,187</b>

The accompanying accounting policies and notes form an integral part of these 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 on the company information page 60. The nature of the Group's operations and its principal activities are set out in the Chief Executive's statement on page 10.

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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the Group's financial information, except for the adoption of IAS 1 Presentation of financial statements (Revised 2007), IFRS 8 Operating segments and Improvements to IFRSs. These are explained further below. The format adopted in the financial information has been amended from previously published financial statements to ensure compliance with IAS 1 and IFRS 8.

### 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 TSB 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 adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. IAS 1 (Revised 2007) also requires presentation of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. The adoption of this standard has resulted in no change to the previously reported accounts and so no comparative balance sheet has been provided.

The adoption of IFRS 8 has not changed the segments that are disclosed in the financial information as the segmental information previously disclosed complies with IFRS 8. Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker.

### 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

#### Fair value of acquisitions

On the acquisition of a business or an interest in a joint venture or associate, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. Adjustments to fair values include those made to bring accounting policies into line with those of the Group if required.

Provisional fair values subsequently finalised are adjusted by restatement of the comparative period in which the acquisition occurred.

### 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's 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 significant 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.

### 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. The Group's 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.

**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, 19 and 22).

**Share-based payments**

The fair values of share-based payments outstanding have been estimated using the basic Hull-White model and are based on an estimated expected turnover rate of employees as well as future share price volatility, dividend yield and risk free rate of return.

**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 this stage of completion of the contract and the timing of cashflows can be more accurately determined. The board regularly reviews the recoverability of accrued and invoiced income and will provide against any amounts that cannot be reasonably recovered.

**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 the Group 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 ensure consistency with the accounting policies adopted by the Group. Consolidated companies with non co-terminus year ends are consolidated based upon monthly management accounts. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Business combinations are dealt with by the purchase 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 (i.e. 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 statement of comprehensive income also shows the Group's share of the joint venture's revenue and the balance sheet shows the Group's proportion of the gross assets and liabilities of the joint ventures.

**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 and after elimination of sales within the Group. Revenue from long term contracts is detailed below.

**Construction contracts**

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 the Group's management by taking into consideration all the information 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 loss is recognised as an expense immediately.

## Principal accounting policies

continued

### 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 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.

### Asset management

Asset management fees relate 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.

The Group and Company have a performance linked management agreement with AH Medical Properties plc. Due to a substantial increase in AH Medical Properties plc share price the Group and Company benefited from an out-performance fee in addition to its standard asset management fee arrangements.

### 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 income statement 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 asset and liabilities of a subsidiary 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. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP carrying value, subject to being tested for impairment at that date and at least annually thereafter. On disposal of a subsidiary, the attributable net book value 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 LIFT companies, Sapphire Primary Care Developments Limited, and Strategic Property Solutions is reviewed at least annually. Estimates and judgements are reviewed every year with reference to anticipated future revenues, from the pipeline and the length of contracts remaining in the case of holdings in NHS LIFT companies, 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-down of the asset.

### 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	4 years
• motor vehicles	4 years
• mobile surgeries	4 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 change(s) 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 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 (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 (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, with the exception of goodwill where impairment of goodwill cannot be reversed. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually.

**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 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 are 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.

# Principal accounting policies

continued

## 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 company 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.

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 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.

## Dividends

Dividends are recognised as a liability in the period in which they are declared.

## Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision maker. The chief decision maker has been identified as the board, at which level strategic decisions are made. IFRS 8 'Operating Segments' has been adopted by the group and applied retrospectively.

## Equity and dividend payments

Share capital is determined using the nominal value of shares that have been issued. Share premium includes any premiums received on the initial issuing of share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits. Equity settled share-based employee remuneration is credited to the share-based payments reserve until related stock options are exercised. The share-based payment reserve is the reserve for the cumulative IFRS 2 adjustments and related deferred tax. The share premium reserve is the surplus of the amount paid over the nominal value of new shares issued.

## Share-based payments

The Group issues share options to its employees. The Group has applied the requirements of IFRS 2 Share-based Payments. 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. The Group issues equity-settled share-based payments to employees. 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 shares that will eventually vest, updated at each balance sheet date.

**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 s612 CA 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
- 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.

**Other reserve**

The company entered into a contract to purchase the trading assets and liabilities of a company called Strategic Property Solutions Limited (SPS) during the year. The form of consideration agreed was 2.3 million 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 are yet to be fulfilled.

**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 January 2010 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Amendment to IAS32 Classification of Rights Issues (effective 1 February 2010)
- IFRS 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011)
- 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.

# Notes to the financial statements

for the year ended 30 April 2010

## 1 Revenue and business segments

The Group operates entirely in design and 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 & Construction
- 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.

	Design & Construction £000	Management Services £000	Consolidated £000
<b>2010</b>			
<b>Revenue</b>			
Total revenue	18,108	6,768	24,876
<b>Result</b>			
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
<b>Other information</b>			
<b>Balance sheet</b>			
<b>Assets</b>			
Segment assets	21,653	2,826	24,479
Corporate assets	–	–	37,475
Consolidated total assets	21,653	2,826	61,954
<b>Liabilities</b>			
Segment liabilities	(7,608)	(339)	(7,947)
Unallocated corporate liabilities	–	–	(7,970)
Consolidated total liabilities	(7,608)	(339)	(15,917)

**1 Revenue and business segments (continued)**

<b>2009</b>	Design & Construction £000	Management Services £000	Consolidated £000
<b>Revenue</b>			
Total revenue	18,517	5,317	23,834
There are no inter-segment sales, so all revenue is from external customers.			
<b>Result</b>			
Segment result	7,125	4,134	11,259
Unallocated corporate expenses			(5,840)
Profit from operations			5,419
Investment income			107
			5,526
Profit before tax expense			
Tax expense			(1,361)
Profit after tax expense			4,165
<b>Other information</b>			
<b>Balance sheet</b>			
<b>Assets</b>			
Segment assets	11,623	2,795	14,418
Corporate assets	–	–	35,266
Consolidated total assets	11,623	2,795	49,684
<b>Liabilities</b>			
Segment liabilities	(6,783)	(185)	(6,968)
Corporate liabilities	–	–	(4,042)
Consolidated total liabilities	(6,783)	(185)	(11,010)

During the year the Group's main customers were AH Medical Properties plc group and Soho Health Plaza Limited. During the year the Group made total sales to AH Medical Properties plc group of £9,728,000 (2009: £4,333,000) with £426,000 due at the year end (2009: £3,000). During the year the Group made total sales to Soho Health Plaza Limited of £3,226,000 (2009: £5,162,000) with £12,000 due at the year end (2009: £478,000).

Supplies are made to AH Medical Properties plc group relating to the design and construction of medical centres. In every case, the rent for the building which drives the value of the scheme is set by the District Valuer acting for the Primary Care Trust (NHS). Transactions between the Group and AH Medical Properties plc are entered into on the basis of market equivalent pricing and are ratified by the independent non-executive directors of AH Medical Properties plc, who are not connected to the Group. Supplies are also made relating to the management of the property portfolio.

## Notes to the financial statements

continued

### 2 Operating profit

	2010 £000	2009 £000
Operating profit is arrived at after charging:		
Rental of premises – operating leases	348	267
Rental of motor vehicles – operating leases	39	28
Staff costs (see note 3)	4,401	3,377
Auditor's remuneration (see below)	161	161
Auditor's remuneration:		
– fees payable to Group's auditor for the audit of the Group's annual accounts	50	40
– the audit of the Group's subsidiaries pursuant to legislation	8	8
– taxation services (non audit services)	37	32
– corporate finance advice (non audit services)	66	81
	161	161

### 3 Directors and employees

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

	2010 £000	2009 £000
Wages and salaries	3,952	3,008
Social security costs	449	369
	4,401	3,377

The average number of employees of the Group during the year ended 30 April 2010 was 85 (2009: 69) including eight directors (2009: eight). The directors believe no further categorisation is appropriate.

Directors' emoluments amounted to £791,000 (2009: £858,000). Further details of emoluments paid to directors, including details of the highest paid director, are contained in the Remuneration committee report on pages 49-50. The directors are deemed to be key management. Pension contributions of £5,000 were made in respect of the directors during the year ended 30 April 2010 (2009: £Nil).

### 4 Investment income

	2010 £000	2009 £000
Dividends receivable from investments	64	44
Interest receivable	1	63
	65	107

### 5 Exceptional items

	2010 £000	2009 £000
Impairment of goodwill (see note 8)	270	–
Write down of non recoverable balances in closed subsidiary	40	–
Restructure costs	423	–
	733	–

## 6 Tax expense

A reconciliation from the standard rate of corporation tax in the UK of 28% (2009: 28%) to the actual rate is as follows:

	2010 £000	2009 £000
Profit before tax	1,736	5,526
Profit multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	486	1,547
Expenses not deductible for tax purposes	16	88
Depreciation for the period in excess of capital allowances	(16)	38
Revenue that is exempt from taxation	–	(12)
Adjustments to tax charge in respect of prior periods	–	(300)
Current tax charge for year	486	1,361
Comprising:	2010 £000	2009 £000
Current income tax	486	1,361
Deferred tax	–	–
	486	1,361

## 7 Earnings per ordinary share

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

	2010			2009		
	Profit £000	Weighted average number of shares	Per share amount pence	Profit £000	Weighted average number of shares	Per share amount pence
<b>Basic earnings per share</b>						
Profit attributable to ordinary shareholders	1,250	51,095,363	2.45	4,165	41,611,475	10.01
<b>Dilutive effect of securities</b>						
Options		630,131	(0.03)		923,475	(0.22)
Warrants		84,800	(0.01)		603,199	(0.14)
Diluted earnings per share	1,250	51,810,294	2.41	4,165	43,138,149	9.65

The average share price during the year was 75.6 pence per share, which meant that the dilutive securities shown in the table above were those which have exercise prices of 30, 40, and 75 pence per share.

The directors propose the payment of a final dividend of £1,671,000 (3 pence per share) following an interim dividend of £557,000 (1 pence per share) in the financial year 2010 in relation to the current year.

As the distribution of dividends by the Group requires approval at the Shareholders' meeting, no liability in this respect is recognised in the 2010 consolidated Group accounts. No tax expense consequences are expected to arise as a result of this transaction at the level of the Group.

## Notes to the financial statements

continued

### 8 Goodwill

	2010 £000	2009 £000
<b>Cost</b>		
As at 1 May	270	270
Additions in the year		
– Sapphire Primary Care Developments Limited (SPCD) – see note 10	1,094	–
– Strategic Property Solutions (SPS) – see note 10	195	–
	<b>1,289</b>	–
As at 30 April	<b>1,559</b>	270
<b>Impairment</b>		
Impairment charge	<b>(270)</b>	–
<b>Net book value</b>	<b>1,289</b>	270

The Group has reviewed the Goodwill on the activities of its Neil Niblett subsidiary, which were hived up in previous years, and following the closure of the office it was decided that no further economic benefit would be generated from the asset and therefore an impairment charge should be taken against its brought forward carrying value.

### 9 Other intangibles

The intangible asset of £30m principally relates to the LIFTCo intangibles discussed below and the purchase of two separate interests as outlined in Note 10 of the financial statements.

	£000
<b>Cost</b>	
As at 1 May 2009	24,800
Additions in year	5,218
– SPCD acquisition	3,898
– SPS acquisition	1,205
– IPC+ Limited	115
As at 30 April 2010	<b>30,018</b>
<b>Impairment</b>	
As at 1 May 2009 and 30 April 2010	–
<b>Net book value as at 30 April 2010</b>	<b>30,018</b>
	£000
<b>Cost</b>	
As at 1 May 2008	–
Additions in year	24,800
As at 30 April 2009	24,800
<b>Impairment</b>	
As at 30 April 2009	–
<b>Net book value as at 30 April 2009</b>	24,800

**9 Other intangibles (continued)****LIFTCo Intangibles**

The carrying value of the interests acquired has been reviewed with reference to the forecast earnings expected to be generated from them over the next ten years. The existing seven NHS LIFT agreements which underpin the value of the business have a further 16 years to run on average. Since the acquisition, the Group has been successfully approved as one of only seven private sector partners in Express LIFT, which represents an opportunity to secure further new NHS LIFT exclusive mandates.

The forecast earnings are based on the existing pipeline of projects acquired, which at acquisition had a build value of £300m. The discount rate used was 14% which represents the average weighted cost of capital for the Group.

The carrying value and any impairment to the intangible asset is reviewed annually on a similar basis, taking into account the expected future earnings, the amount of time left on the contracts in existence and the Group's cost of capital as a discount rate.

Value in use has been used to determine recoverable amount.

**10 Acquisition of interest in jointly controlled entities and newly acquired subsidiaries****Acquisition of Sapphire Primary Care Developments Limited**

On 20 November 2009 the Group completed the acquisition of the entire issued share capital of Sapphire Primary Care Developments Limited (SPCD) from Admenta Holdings Limited (Lloyds Pharmacy), the parent company of Lloyds Pharmacy one of the UK's largest community pharmacy operators, for a total consideration of £6.8m plus an additional cash adjustment for the value of work in progress of £638,000. Under the terms of the acquisition, Lloyds Pharmacy became a significant shareholder in the Group with approximately 10% of the enlarged equity and exclusive opportunity over the future pipeline of health centre pharmacy opportunities. SPCD's pipeline will supply the Group's pipeline of ongoing projects.

	£000		
Purchase consideration:			
– Costs of acquisition			310
– Work in progress			638
– Fair value of shares issued			4,450
– Deferred consideration			2,000
<b>Total purchase consideration</b>			<b>7,398</b>
	<b>Book value</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>			
Intangible (note 9)	–	3,898	3,898
Property plant & equipment	26	–	26
Available for sales investment	1,219	417	1,636
<b>Current assets</b>			
Work in progress	607	31	638
Trade and other receivables	6,912	(6,912)	–
Cash and cash equivalents	1,347	(147)	1,200
<b>Total assets</b>	<b>10,111</b>	<b>(2,713)</b>	<b>7,398</b>
<b>Liabilities</b>			
Deferred tax liability	–	(1,094)	(1,094)
Trade and other payables	(210)	210	–
<b>Total liabilities</b>	<b>(210)</b>	<b>(884)</b>	<b>(1,094)</b>
<b>Net assets</b>	<b>9,901</b>	<b>(3,597)</b>	<b>6,304</b>
<b>Goodwill</b>			<b>1,094</b>
<b>Purchase consideration and costs of acquisition</b>			<b>7,398</b>

## Notes to the financial statements

continued

### 10 Acquisition of interest in jointly controlled entities and newly acquired subsidiaries (continued)

#### Acquisition of Sapphire Primary Care Developments Limited (continued)

Deferred consideration of £2.0m has been analysed as £1.25m due within one year, and £0.75m due after more than one year. The amount will be paid in cash as and when specific developments are completed.

The intangible asset of £3.9m is directly attributable to the future pipeline acquired with the business. A discounted cashflow has been prepared by management, discounted back at the Group's weighted average cost of capital to support the intangible's valuation. Management expects that the intangible will have a finite life span in excess of ten years.

The acquisition contributed £2,000 to the Group's profit for the year. Revenue and profit before taxation would have been increased by £370,000 and £467,000 respectively had the acquisition occurred on 1 May 2009.

#### Acquisition of Strategic Property Solutions

As part of the Group's strategy of diversification and developing new and recurring revenue streams, it announced in January 2010 that it had entered into a contract to acquire the development pipeline of Strategic Property Solutions Limited (SPS). SPS is a developer of community mental health and associated infrastructure for which the Group has seen an increasing demand within its growing pipeline of major integrated developments. SPS's pipeline consists of assisted living schemes for mental health patients and the acquisition brings new technical expertise to the Group as it seeks to broaden its ability to secure opportunities in related mental health and social services care sectors. Two key employees of SPS transferred to the Group in January and are actively engaged in providing assistance on a number of the Group's existing schemes.

The consideration for the acquisition is to be satisfied by the issue of 2.3m new ordinary shares in the Company (valuing the SPS business at £1.4m at 60.8 pence share price at the end of January 2010 when the deal was agreed) subject to certain conditions including the issue of Planning Approval for a development of 28 assisted living units leased on a 20 year term to a Local Authority. The Group took control of the planning process in January and as such has accounted for the acquisition from that date.

The acquisition has contributed £Nil to both revenue and profit before taxation in the year. At the time of preparing this report the consideration for the acquisition was contingent and therefore its fair value has been estimated. The business combination has therefore been accounted for using the provisional values shown above. The fair values will be determined in the next accounting period and, if necessary, subsequently adjusted for.

	£000
Purchase consideration:	
– Deferred consideration (Fair value of shares to be issued at 60.8 pence each)	1,400
Total purchase consideration	1,400
	£000
	Re-valuation £000
	Fair value £000
<b>Non-current assets</b>	
Intangible (see note 9)	1,205
<b>Current assets</b>	–
<b>Total assets</b>	1,205
<b>Net assets</b>	1,205
<b>Goodwill</b>	195
<b>Purchase consideration and costs of acquisition*</b>	1,400

\* 2.3 million ordinary shares at 60.8 pence per share.

The intangible represents the management's expectation of the future return on achieving the completion of its first property development. A net initial yield of 7.5% has been applied to the expected rental stream in order to derive the intangible asset. The difference between the expected consideration (£1,400,000) and the carrying value of the intangible (£1,205,000) is the goodwill. Management will review the carrying value after practical completion of this first deal. The business combination has therefore been accounted for using the provisional values shown above. The fair values will be determined in the next accounting period and, if necessary, subsequently adjusted for.

### 11 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 2010 are reconciled as follows:

	Office, equipment furniture and fixtures £000	Motor vehicles £000	Mobile surgeries £000	Total £000
<b>Cost</b>				
As at 1 May 2009	418	31	305	754
Additions arising through business acquisition	26	–	–	26
Additions	122	–	–	122
As at 30 April 2010	566	31	305	902
<b>Accumulated depreciation</b>				
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
<b>Net book value at 30 April 2010</b>	<b>250</b>	<b>4</b>	<b>–</b>	<b>254</b>

	Office equipment, furniture and fixtures £000	Motor vehicles £000	Mobile surgeries £000	Total £000
<b>Cost</b>				
As at 1 May 2008	382	31	305	718
Additions	36	–	–	36
As at 30 April 2009	418	31	305	754
<b>Accumulated depreciation</b>				
As at 1 May 2008	127	16	284	427
Charge for the year	91	6	17	114
As at 30 April 2009	218	22	301	541
Net book value at 30 April 2009	200	9	4	213

### 12 Available for sale investments

All assets are stated at fair value:

	2010 £000	2009 £000
As at 1 May	738	1,321
Additions in year	1,636	–
Disposals in year	(1,636)	–
Movement in fair value	870	(583)
<b>As at 30 April</b>	<b>1,608</b>	<b>738</b>

At 30 April 2010 the investment in AH Medical Properties plc had a market value of £1,608,000 (2009: £738,000). During the year the Group acquired and subsequently disposed of SPCD's loan stock holdings.

	Nature of work	Class of share capital held	Proportion held
AH Medical Properties plc (Incorporated in England)	Investment Property	Ordinary shares of 0.01 pence each	6.8%

## Notes to the financial statements

continued

### 13 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%
AHLP Pharmacy Limited	25%

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

The Group holds 100% of the 'A' shares in the above companies, which gives 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 interests in underlying NHS LIFT companies, East London LIFT Investments Limited (ELLIL) and Lift Healthcare Investments Limited (LHIL) and the Infracare Group LIFT Companies, (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 on providing clinical services in West Sussex and Salisbury respectively.

The financial statements of joint controlled entities have been incorporated into the Group's 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+ Limited £000	Wilco+ Limited £000	AH Scarborough Health Park Limited £000	Total £000
<b>Statement of comprehensive income</b>								
Revenue	–	452	961	359	105	40	–	1,917
Operating profit/(loss)	–	(49)	(80)	121	(97)	27	(11)	(89)
Profit/(loss) before tax	–	(49)	(80)	121	(97)	27	(11)	(89)
Income tax expense/(credit)	–	14	(6)	(54)	28	(8)	–	(26)
<b>Share of profits/(losses) of joint ventures after tax</b>	<b>–</b>	<b>(35)</b>	<b>(86)</b>	<b>67</b>	<b>(69)</b>	<b>19</b>	<b>(11)</b>	<b>(115)</b>
<b>Balance sheet</b>								
Non-current assets	–	–	2	23	–	5	–	30
Current assets	–	836	1,475	2,201	52	3	1,792	6,359
Current liabilities	–	(401)	(493)	(124)	(34)	(9)	(1,527)	(2,588)
Non-current liabilities	–	(111)	(251)	–	–	–	–	(362)
<b>Net assets</b>	<b>–</b>	<b>324</b>	<b>733</b>	<b>2,100</b>	<b>18</b>	<b>(1)</b>	<b>265</b>	<b>3,439</b>

### 14 Work in progress

	2010 £000	2009 £000
Work in progress	2,818	1,361

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

**15 Trade and other receivables**

	<b>2010</b>	2009
	<b>£000</b>	£000
Trade receivables	<b>3,660</b>	1,585
Amounts recoverable on contracts	<b>16,022</b>	13,466
Retentions held on contracts	<b>544</b>	309
Other receivables	<b>3,806</b>	4,592
Prepayments and accrued income	<b>860</b>	953
	<b>24,892</b>	20,905

Trade and other receivables at the balance sheet date comprise amounts receivable from Design & 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 20 days (2009: 24 days).

The following table provides analysis of trade receivables that were past due at 30 April 2010 but not impaired. Management believes that the balances for both trade receivables and amounts recoverable on contracts 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 LIFT companies (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 Liftco companies, where there has historically 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.

Within 'Other receivables' there is £1,396,000 (2009: £2,127,000) which represents the Group's proportionate share of cash balances held in the Group's interest in its seven LIFTCo's. 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 feed through to the Group by way of payment for services provided. Upon wind up these cash proportions would be made available to the Group.

**Trade receivables**

Trade receivables post their due date are summarised as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
Past due up to 30 days	<b>159</b>	56
Past due 31-90 days	<b>131</b>	–
Past due over 90 days	<b>176</b>	365
Loans and receivables past due	<b>466</b>	421

**16 Cash and cash equivalents**

	<b>2010</b>	2009
	<b>£000</b>	£000
Cash at bank	<b>1,010</b>	1,187

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% (2009: 0.25%) under base from Lloyds TSB Banking Group.

## Notes to the financial statements

continued

### 17 Trade and other payables

	2010 £000	2009 £000
Trade payables	2,612	1,328
Social security and other taxes	–	185
Deferred consideration on the SPCD acquisition (2009: LIFT)	1,250	500
Other payables	639	1,296
Accrued expenses	5,403	4,355
	<b>9,904</b>	<b>7,664</b>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2009: 24 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.

### 18 Bank borrowings

	2010 £000	2009 £000
Share of joint venture loan – Scarborough	1,330	1,330
Share of joint venture loan – LIFT companies	362	797
	<b>1,692</b>	<b>2,127</b>

The Group has as at 30 April 2010 and 2009, borrowings of £1.3m relating to debt held within the joint venture company, AH Scarborough Health Park Limited. Loan interest is chargeable at a variable rate of 2.75% over three month Libor (currently 0.70%). 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 13.

The Group's share of various loans to the jointly controlled NHS LIFT companies of £362,000 (2009: £797,000) has been included in the balance sheet. These loans relate to the original set up of the NHS LIFT companies and are guaranteed by the relevant Primary Care Trust(s), should there be insufficient revenue generated from completed projects to repay these loans.

### 19 Current tax liabilities

Income tax liabilities comprise corporation tax liabilities, calculated or estimated by the Group companies.

	2010 £000	2009 £000
Current tax liabilities	477	1,219

### 20 Amounts falling due after more than one year

	2010 £000	2009 £000
Bank revolving credit facility	2,000	–
Deferred consideration on SPCD acquisition (note 10)	750	–
	<b>2,750</b>	<b>–</b>

During the year the Group secured a £2m revolving credit facility from the Lloyds TSB Banking Group. Interest is charged at 2.75% over three month LIBOR. The loan matures on 30 September 2012.

### 21 Financial risk management

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

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.

## 21 Financial risk management (continued)

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

	Other financial liabilities 2010 £000	Non financial liabilities 2010 £000	Total for balance sheet heading 2010 £000	Other financial liabilities 2009 £000	Non financial liabilities 2009 £000	Total for balance sheet heading 2009 £000		
<b>Balance sheet headings – liabilities</b>								
Trade payables	2,612	–	2,612	1,328	–	1,328		
Accruals	5,403	–	5,403	4,355	–	4,355		
Other payables	2,000	–	2,000	1,796	–	1,796		
VAT and taxation payables	–	639	639	–	185	185		
Tax payable	–	477	477	–	1,219	1,219		
Borrowings	3,692	–	3,692	2,127	–	2,127		
<b>Total</b>	<b>13,707</b>	<b>1,116</b>	<b>14,823</b>	<b>9,606</b>	<b>1,404</b>	<b>11,010</b>		
	Loans & receivables 2010 £000	Available for sale financial assets 2010 £000	Non financial assets 2010 £000	Total for balance sheet heading 2010 £000	Loans & receivables 2009 £000	Available for sale financial assets 2009 £000	Non financial assets 2009 £000	Total for balance sheet heading 2009 £000
<b>Balance sheet headings – assets</b>								
Cash and cash equivalents	1,010	–	–	1,010	1,187	–	–	1,187
Trade receivables – current	3,660	–	–	3,660	1,585	–	–	1,585
Amounts recoverable on contracts	16,022	–	–	16,022	13,466	–	–	13,466
Retentions held on contracts	–	–	544	544	–	–	309	309
Other receivables – current	3,806	–	–	3,806	4,592	–	–	4,592
Prepayments	–	–	860	860	–	–	953	953
Available for sale financial investments	–	1,608	–	1,608	–	738	–	738
<b>Total</b>	<b>24,498</b>	<b>1,608</b>	<b>1,404</b>	<b>27,510</b>	<b>20,830</b>	<b>738</b>	<b>1,262</b>	<b>22,830</b>

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.

All of the Group's assets and liabilities are held at amortised cost, with the exception of available for sale investments, which are held at fair value. Available for sale investments, which are shares in AH Medical Properties plc, are included in the consolidated statement of financial position at fair value. As the shares are listed on Plus they are considered to meet the criteria for level 1 in the fair value measurement hierarchy in IFRS7. Therefore they are held by the Group at the current bid price. 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.

### 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 £3,660,000 (2009: £1,585,000) and accrued income balances of £16,022,000 (2009: £13,466,000). 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.

During the year the Group's main customers were Medical Properties Limited, a subsidiary of AH Medical Properties plc and Soho Health Plaza Limited. During the year, the Group supplied design, contracting and asset management services to the AH Medical Properties plc Group totalling £9,728,000 (2009: £4,330,000) which represented 27% of the Group's revenue (2009: 19%) and design and contracting services to Soho Health Plaza Limited of £3,226,000 (2009: £293,000).

New customers are subject to an initial credit assessment using external credit reference agencies and trade references are confirmed.

## Notes to the financial statements

continued

### 21 Financial risk management (continued)

These credit limits are reviewed on an on-going 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 2010. 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 LIFT companies (which are joint ventures between the company and the NHS) or AH Medical Properties plc, which is well known to the Group.

The Group obtains sufficient liquidity at all times by efficient cash management, and by ensuring that only credit-worthy 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 cashflows.

#### 30 April 2010

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

#### 30 April 2009

	Up to 1 year £'000	1-2 years £'000	2-5 years £000	More than 5 years £000
<b>Non-derivative financial liabilities</b>				
Borrowings (excluding finance leases)	2,127	–	–	–
Deferred consideration	500	–	–	–
Trade payable and other payables	8,602	195	402	108
<b>Total</b>	<b>11,229</b>	<b>195</b>	<b>402</b>	<b>108</b>

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 loan 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 JV borrowing which has been guaranteed by Ashley House plc. The loan has a +/- 1% sensitivity of £13,300. During the year the Group converted its overdraft into a secured revolving credit facility. The interest rate is variable at 2.75% above three month LIBOR. The Group is therefore exposed to fluctuations in the underlying LIBOR rate.

### 22 Deferred tax

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

**22 Deferred tax (continued)**

	Arising on acquisitions £000	Share- based payments £000	Provisions £000	Total £000
Deferred tax asset				
As at 1 May 2008	–	800	27	827
Charged to equity	–	(617)	–	(617)
As at 30 April 2009	–	183	27	210

Disclosed as:

	2010 £000	2009 £000
Deferred tax asset	65	210
Deferred tax liability	(1,094)	–
	<b>(1,029)</b>	210

Deferred tax assets have been calculated using the expected future tax rate of 28%. Any changes in the future would affect these amounts proportionately.

**23 Share capital**

	2010 £000	2009 £000
Authorised 67,000,000 (2009: 67,000,000) Ordinary shares of 1 pence each	670	670
Allotted, called up and fully paid 55,689,755 (2009: 47,094,379) Ordinary shares of 1 pence each	557	470

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 2009	47,094,379
Shares issued re 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
<b>At 30 April 2010</b>	<b>55,689,755</b>
At 1 May 2008	27,544,379
Warrants exercised to finance acquisition (120 pence per share)	7,880,000
Shares issued re acquisition (150 pence per share)	8,000,000
Options and other warrants exercised during the year (30 pence per share)	170,000
Shares issued for cash (65 pence per share)	3,500,000
At 30 April 2009	47,094,379

## Notes to the financial statements

continued

### 23 Share capital (continued)

Options	Price (pence)	2010	Issued	Lapsed	Exercised	2009
Issued 2004 expire 2014	30	<b>1,040,000</b>	–	–	–	1,040,000
Issued 2005 exercisable from 2008, expire 2015	85	<b>100,000</b>	–	–	–	100,000
Issued 2005 exercisable from 2008, expire 2015	98	<b>90,000</b>	–	–	–	90,000
Issued 2005 exercisable from 2008, expire 2015	108	<b>170,000</b>	–	(10,000)	–	180,000
Issued 2007 exercisable from 2007, expire 2017	150	<b>1,672,500</b>	–	(15,000)	–	1,687,500
Issued 2007 exercisable from 2009, expire 2017	159	<b>100,000</b>	–	–	–	100,000
Issued 2007 exercisable from 2009, expire 2017	175	<b>50,000</b>	–	–	–	50,000
Issued 2007 exercisable from 2009, expire 2017	152	<b>50,000</b>	–	–	–	50,000
Issued 2007 exercisable from 2009, expire 2017	152	<b>227,500</b>	–	(27,500)	–	255,000
Issued 2008 exercisable from 2010, expire 2018	150	<b>485,000</b>	–	(172,500)	–	657,500
Issued 2009 exercisable from 2011, expire 2019	75	<b>320,000</b>	–	–	–	320,000
Total options		<b>4,305,000</b>	–	(225,000)	–	4,530,000

Weighted average price 111.8 pence per option (2009: 136.6 pence per option).

Warrants	Price (pence)	2010	Issued	Exercised	2009
Issued 2004, expire 2009	30	–	–	(660,000)	660,000
Issued 2007, expire 2010	40	<b>180,000</b>	–	–	180,000
Total warrants		<b>180,000</b>	–	(660,000)	840,000

Weighted average price: 40.0 pence per warrant (2009: 32.7 pence per warrant).

Between 1 May 2009 and 30 April 2010 the company issued 660,000 new shares for warrants exercised. The share price at the date of exercise was 80.5 pence. Exercise of an option is subject to continued employment and warrants are subject to time limitation. The fair value per option and warrant granted and the assumptions used in the calculation of fair value for awards made after 7 November 2002 are set out in the table overleaf.

At 30 April 2010 options and warrants over unissued ordinary 1 pence shares were as follows:

Date of grant	Number	Option, warrant price per share (pence)	Options, warrant periods ending	Closing share price at grant (pence)	Exercise price (pence)	Expected volatility %	Risk free interest rate %	Dividend yield %	Fair value per share (pence)
2004	1,040,000	30	2014	30	30	19.97	5.25	5	5
2004	180,000*	40	2010	40	40	19.97	5.25	5	5
2006	100,000	85	2016	85	85	19.97	5.25	5	13
2006	90,000	98	2016	98	98	19.97	5.25	5	9
2006	170,000	108	2016	108	108	19.97	5.25	5	10
2007	55,000	150	2017	150	150	19.97	5.25	5	24
2007	12,500	150	2017	150	150	19.97	5.25	5	19
2007	1,105,000	150	2017	150	150	19.97	5.25	5	22
2007	120,000	150	2017	150	150	19.97	5.25	5	14
2007	187,500	150	2017	150	150	19.97	5.25	5	11
2007	142,500	150	2017	150	150	19.97	5.25	5	8
2007	50,000	150	2017	150	150	19.97	5.25	5	6
2007	100,000	159	2017	159	159	17.68	5.25	3.5	21
2007	50,000	175	2017	175	175	17.68	5.25	3.5	23
2007	50,000	152	2017	152	152	17.68	5.25	3.5	20
2007	227,500	152	2017	152	152	17.68	5.25	3.5	20
2008	485,000**	150	2018	150	150	17.15	5.25	3.5	8
2009	320,000**	75	2019	75	75	17.15	5.25	3.5	6

\* These are warrants, all others are options.

\*\* These options are not yet vested; all others have vested and are exercisable at the balance sheet date.

The market price of the Group's shares at 30 April 2010 was 52.5 pence (2009: 70.5 pence) and the range during the year was between 51.5 pence and 85.0 pence (2009: 67.0 pence and 148.5 pence). The weighted average exercise price of the options and warrants is 108.9 pence (2009: 100.8 pence).

**23 Share capital (continued)**

The vesting period of an option is assumed to be commensurate with the exercise period and this varies between being immediately exercisable and five years. 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 Company. The dividend yield of 3.5% is based on the dividends paid during the period. Options and warrants are valued using the basic Hull-White model.

**24 Share premium**

	<b>2010</b>	2009
	<b>£000</b>	£000
As at 1 May	<b>31,627</b>	8,040
Issue of share capital	<b>1,896</b>	23,587
As at 30 April	<b>33,523</b>	31,627

**25 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 s612 CA 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
- 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.

**26 Capital commitments**

The Group did not have any capital commitments at 30 April 2010 or 30 April 2009.

**27 Commitments under operating leases**

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Less than one year	<b>342</b>	219
Between one and five years	<b>481</b>	597
Five years or more	<b>67</b>	108
	<b>890</b>	924

Lease payments recognised as an expense during the year amount to £387,000 (2009: £295,000). 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.

## Notes to the financial statements

continued

### 28 Contingent liabilities

Under the terms of a loan by Lloyds TSB Banking Group to AH Scarborough Health Park Limited for £2,660,000 (see note 18). The Group provided a corporate guarantee for the whole of the loan amount secured on the land. The Group has provided a limited guarantee to WilcoPlus of £100,000 in respect of the contract with the Primary Care Trust, the Equitable Access Centre. There is no recourse to the Group in respect of the loans in the jointly controlled NHS LIFT entities.

### 29 Related party transactions

During the year the Group received invoices totalling £124,000 (2009: £213,000) from Layland Walker Limited, a company controlled by B Walker in respect of consultancy services and rent contribution for the London office. At 30 April 2010 the balance due to Layland Walker Limited was £Nil (2009: £Nil). In addition, the Company made payments of £101,000 (2009: £205,000) to Gibson Freake Edge, a partnership of which A F Gibson is a partner in respect of consultancy services. At 30 April 2010 the balance due to Gibson Freake Edge was £13,000 (2009: £12,000).

During the year the Group traded with the following joint controlled group entities in respect of construction, Bexley, Bromley and Greenwich LIFT £81,000 (2009: £Nil), Brent, Harrow and Hillingdon LIFT £1,039,000 (2009: £5,162,000) with £Nil due at 30 April 2010 (2009: £480,000), East London LIFT of £1,139,000 (2009: £Nil) with £158,000 due at 30 April 2010 (2009: £Nil) and Wolverhampton and Walsall LIFT of £1,882,000 (2009: £Nil) with £154,000 due at 30 April 2010. The following amounts were invoiced this year for management services to jointly controlled entities, Bexley Bromley and Greenwich NHS LIFT £305,000 (2009: £53,000), Brent, Harrow and Hillingdon LIFT £201,000 (2009: £89,000), East London NHS LIFT (2009: £272,000) and Wolverhampton City and Walsall Lift £27,000 (2009: £Nil).

### 30 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 on-going in new areas of activity such as management services and also to support activities such as asset management, for example with the capital investment in 6.8% of AH Medical Properties plc and interests in NHS LIFT companies. 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.

### 31 Dividends

Subsequent to the year end but prior to the approval of the financial statements, the directors have recommended the payment of a final dividend of 3.0 pence per share, totalling £1,671,000.

# Remuneration committee report

## Remuneration policy for the executive directors

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 remuneration committee's revised policy, developed with PwC support, has been circulated to and discussed with major shareholders.

## Service agreements

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

## Directors' remuneration

	<b>Salaries, fees and benefits 2010 Total £</b>	Salaries, fees and benefits 2009 Total £
N K Croxford (Resigned 19 May 2008)	–	5,181
D J M Hartshorne (Appointed 22 February 2010)*	<b>22,301</b>	–
J Holmes	<b>201,462</b>	232,040
S G Minion	<b>180,221</b>	225,095
G Mosley (Resigned 19 May 2008)	–	2,802
B L Walker (Resigned 22 February 2010)	<b>171,406</b>	200,222
A J Walters (Appointed 23 November 2009)**	<b>27,143</b>	–
R E L Warner (Resigned 19 May 2008)	–	6,438
<b>Executive</b>	<b>602,533</b>	671,778
J Arnold-Forster	<b>28,000</b>	22,500
J Coghlan	<b>25,000</b>	23,750
A C Cook (Resigned 1 June 2009)	–	–
G J Frost (Resigned 1 June 2009)	–	–
A F Gibson	<b>89,988</b>	98,088
Sir W Wells	<b>45,000</b>	41,875
A J Willetts (Appointed 23 November 2009)	–	–
<b>Non-executive</b>	<b>187,988</b>	186,213
	<b>790,521</b>	857,991

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

## Company pension contributions

	<b>2010 Total £</b>	2009 Total £
D J M Hartshorne (Appointed 22 February 2010)*	<b>669</b>	–
J Holmes	<b>2,000</b>	–
S G Minion	<b>1,600</b>	–
B L Walker (Resigned 22 February 2010)	–	–
A J Walters (Appointed 23 November 2009)**	<b>808</b>	–
<b>Executive</b>	<b>5,077</b>	–

\* This remuneration only refers to the period as a director.

\*\* This remuneration only refers to the period as an executive director.

## Remuneration committee report

continued

### 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 2010 according to the register of directors' interests:

	Number of shares of 1 pence held at 30 April 2010	% of issued share capital	Acquired during year	Number of shares of 1 pence held at 30 April 2009
A F Gibson	50,000	0.1%	–	50,000
D J M Hartshorne	5,978	<0.1%	5,978	–
J Holmes	1,140,736	2.4%	41,132	1,099,604
S G Minion	3,774,825	8.0%	–	3,774,825
Sir W Wells	60,000	0.1%	–	60,000

### Connected persons' interest 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 2010	Exercise Price pence	Number Granted	Options held at 30 April 2009
J Arnold-Forster	50,000	175	–	50,000
J Coghlan	50,000	152	–	50,000
A F Gibson	100,000	85	–	100,000
	100,000	150	–	100,000
D J M Hartshorne	160,000	75	–	160,000
J Holmes	330,000	30	–	330,000
	300,000	150	–	300,000
S G Minion	330,000	30	–	330,000
	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 and the 108 pence options were granted on 6 February 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 2010.

### Market value of shares

Between 1 May 2009 and 30 April 2010 the shares traded in the range 51.5 pence to 85.0 pence. At 30 April 2010 the share price was 52.5 pence per share.

# Statement of directors' responsibilities

## Directors' responsibilities for the financial statements

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

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 (UK GAAP). 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 those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 Group will continue in operational existence for the foreseeable future.

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

The directors are also responsible for the preparation of the Report of the directors and other information in the annual report.

In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps deemed necessary to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors confirm that the accounting policies adopted in the preparation of the financial statements are appropriate to the Group, have been consistently applied and are supported by reasonable prudent judgements and estimates. All applicable accounting standards have been followed.

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

# Report of the independent auditor

## Report of the independent auditor to the members of Ashley House plc

We have audited the financial statements of Ashley House plc for the year ended 30 April 2010 which comprise the consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated statement of changes in equity, consolidated statement of cash flows, and other related notes. The financial reporting framework that has been applied in the preparation of the Group 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 auditors

As explained more fully in the Directors' responsibilities statement, 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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## 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 2010 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS 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.

## 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:

Under the Companies Act 2006 we are required 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

5 July 2010

# Company balance sheet

at 30 April 2010

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Goodwill	2	195	69
Other intangible assets	2	1,205	–
Tangible assets	3	211	189
Investments	4	36,734	28,466
		<b>38,345</b>	28,724
<b>Current assets</b>			
Work in progress	5	750	–
Debtors	6	21,161	18,014
Cash at bank and in hand		958	1,117
		<b>22,869</b>	19,131
<b>Creditors: amounts falling due within one year</b>	7	<b>(11,987)</b>	(8,142)
		<b>10,882</b>	10,989
<b>Creditors: amounts falling due after more than one year</b>		<b>(2,750)</b>	–
<b>Net assets</b>		<b>46,477</b>	39,713
<b>Capital and reserves</b>			
Called up share capital	8	557	470
Share premium account	9	33,523	31,627
Merger reserve	9	4,395	–
Other reserve	9	1,400	–
Share-based payments reserve	9	433	425
Profit and loss account	9	6,169	7,191
<b>Shareholders' funds</b>		<b>46,477</b>	39,713

The financial statements were approved by the board of directors and authorised for issue on 5 July 2010.

They were signed on its behalf by:

**Jonathan Holmes**

Chief Executive

Company number: 2563627

## Company principal accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards (UK GAAP) and under the historical cost convention.

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. Revenue is shown, net of value-added tax rebates and discounts. Revenue 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 the Company's management by taking into consideration all the information at the balance sheet date. The Company's 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. In situations where the outcome cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are recoverable.

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.

### Asset management

Asset management fees relate 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.

The Company has a performance linked management agreement with AH Medical Properties plc. Due to a substantial increase in AH Medical Properties plc share price the Company benefited from an out-performance fee in addition to its standard asset management fee arrangements.

### 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 | 4 years |
| • motor vehicles                           | 4 years |
| • mobile surgeries                         | 4 years |

### Investments

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

### Work in progress and construction contracts

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.

**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.

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 other comprehensive income. Deferred income tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

**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. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

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.

**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 on a straight line basis over its estimated useful economic life of four years.

**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 s612 CA 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
- 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.

**Other reserve**

The company entered into a contract to purchase the trading assets and liabilities of a company called Strategic Property Solutions Limited during the year. The form of consideration agreed was 2.3 million Ashley House plc shares at a share price that was to be contingent on the date that a set of requirements had been fulfilled.

**Share-based payments**

The company issues share options to its employees. The company has applied the requirements of FRS 20 Share-based Payments. FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006. The company issues equity-settled share-based payments to employees. 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 shares that will eventually vest, updated at each balance sheet date.

## Notes to the company financial statements

### 1 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 profit for the year after tax was £1,401,000 (2009: £3,775,000).

Details of directors' remuneration and employee costs are set out in note 3 to the Group financial statements and in the remuneration committee report.

### 2 Intangible assets

	Other intangible assets £000	Goodwill £000
<b>Cost</b>		
At 1 May 2009 and at 30 April 2010	–	425
Additions in the period – SPS (see note 9)	1,205	195
<b>At 30 April 2010</b>	<b>1,205</b>	<b>620</b>
<b>Amortisation</b>		
At 1 May 2009	–	356
Charged to the year	–	69
At 30 April 2010	–	425
<b>Net book value as at 30 April 2010</b>	<b>1,205</b>	<b>195</b>
Net book value as at 30 April 2009	–	69

### Acquisition of jointly controlled entities and newly acquired subsidiaries

See note 10 of Group accounts.

### 3 Tangible assets

	Office equipment, furniture and fixtures £000	Motor vehicles £000	Mobile surgeries £000	Total £000
<b>Cost</b>				
At 30 April 2009	385	21	305	711
Additions	120	–	–	120
<b>At 30 April 2010</b>	<b>505</b>	<b>21</b>	<b>305</b>	<b>831</b>
<b>Depreciation</b>				
At 30 April 2009	209	12	301	522
Charge to the year	89	5	4	98
At 30 April 2010	298	17	305	620
<b>Net book amount at 30 April 2010</b>	<b>207</b>	<b>4</b>	<b>–</b>	<b>211</b>
Net book amount at 30 April 2009	176	9	4	189

#### 4 Investments

	Subsidiary undertakings and joint ventures £000	Listed investments £000	Total £000
At 1 May 2009	27,728	738	28,466
Acquisition in year (See note 10 in Group accounts)	7,398	–	7,398
Reversal of previous recognised impairment loss	–	870	870
<b>At 30 April 2010</b>	<b>35,126</b>	<b>1,608</b>	<b>36,734</b>

	Nature of work	Class of share capital held	Proportion held
<b>Subsidiaries</b>			
Neil Niblett and Associates Limited	Architects	Ordinary shares of £1 each	100%
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%
<b>Joint Ventures</b>			
<b>Ashley House plc</b>			
AH Scarborough Health Park Limited	Property development	Ordinary shares of £1 each	50%
AHLP Pharmacy Limited	Pharmacy development	Ordinary shares of £1 each	25%
<b>Ashley House Clinical Services Limited</b>			
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 LIFT companies.

At 30 April 2010 the investment in AH Medical Properties plc had a market value of £1,608,000 (2009: £738,000).

	Nature of work	Class of share capital held	Proportion held
AH Medical Properties plc	Investment Property	Ordinary shares of 0.01 pence each	6.8%

#### 5 Work in progress

	2010 £000	2009 £000
Land	750	–

#### 6 Debtors

	2010 £000	2009 £000
Trade debtors	1,286	1,539
Amounts owed by Group undertakings	329	1,326
Amounts recoverable on contracts	18,766	14,160
Prepayments and other debtors	780	989
	<b>21,161</b>	<b>18,014</b>

Amounts owed by Group undertakings due greater than one year: £Nil (2009: £Nil).

## Notes to the company financial statements

continued

### 7 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	1,677	1,296
Amounts owed to Group undertakings	3,483	643
Social security and other taxes	–	216
Corporation tax	158	1,178
Other creditors	1,250	500
Accrued expenses	5,419	4,309
	<b>11,987</b>	<b>8,142</b>

### 8 Share capital

Detailed disclosure of the company's share capital, options and warrants is included in note 23 of the consolidated financial statements of the Group.

### 9 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 2009	425	31,627	–	–	7,191	39,243
Profit for the year	–	–	–	–	1,401	1,401
Dividends paid	–	–	–	–	(2,423)	(2,423)
Issue of shares	–	1,896	–	–	–	1,896
Merger relief reserve	–	–	4,395	–	–	4,395
Other reserve	–	–	–	1,400	–	1,400
Share-based payment charge	8	–	–	–	–	8
<b>At 30 April 2010</b>	<b>433</b>	<b>33,523</b>	<b>4,395</b>	<b>1,400</b>	<b>6,169</b>	<b>45,920</b>

During the year, the company paid a final dividend of 4.0 pence per share for the year ended 30 April 2009; an interim dividend of 1 pence per share for the year ended 30 April 2010 and is proposing a final dividend for the year to 30 April 2010 of 3.0 pence per share.

### 10 Capital commitments

The Company did not have any capital commitments at 30 April 2010 or 30 April 2009.

**11 Commitments under operating leases**

Operating lease payments amounting to £236,000 (2009: £236,000) are due within one year. The leases to which these amounts relate expire as follows:

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	25	2	21	1
Between one and five years	259	39	145	25
In five years or more	17	–	44	–
	<b>301</b>	<b>41</b>	210	26

**12 Contingent liabilities**

The Company did not have any contingent liabilities at 30 April 2010 or 30 April 2009.

**13 Share-based payments**

Details of options and warrants over the Company's shares are set out in note 23 to the Group financial statements.

**14 Related party transactions**

During the year the Group received invoices totalling £124,000 (2009: £213,000) from Layland Walker Limited, a company controlled by B Walker in respect of consultancy services and rent contribution for the London office. At 30 April 2010 the balance due to Layland Walker Limited was £Nil (2009: £Nil). In addition, the company made payments of £101,000 (2009: £205,000) to Gibson Freake Edge, a partnership of which A F Gibson is a partner in respect of consultancy services. At 30 April 2010 the balance due to Gibson Freake Edge was £13,000 (2009: £12,000).

During the year the Company traded with the following joint controlled group entities in respect of construction, Bexley, Bromley and Greenwich LIFT of £81,000 (2009: £Nil), Brent, Harrow and Hillingdon LIFT £1,039,000 (2009: £5,162,000) with £Nil due at 30 April 2010 (2009: £480,000), East London LIFT of £1,139,000 (2009: £Nil) with £158,000 due at 30 April 2010 (2009: £Nil) and Wolverhampton and Walsall LIFT of £1,882,000 (2009: £Nil) with £154,000 due at 30 April 2010. The following amounts were invoiced this year to jointly controlled entities, Bexley Bromley and Greenwich NHS LIFT £305,000 (2009: £53,000), Brent, Harrow and Hillingdon LIFT £201,000 (2009: £89,000), East London NHS LIFT (2009: £272,000) and Wolverhampton City and Walsall Lift £27,000 (2009: £Nil).

## 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 W Gray	Non-executive director (alternate to A J Willetts)

### Secretary

S Ronaldson

### Nominated Advisor 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

Hammonds LLP  
2 Park Lane  
Leeds LS3 1ES

### Auditor

Grant Thornton UK LLP  
1 Westminster Way  
Oxford OX2 0PZ

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