

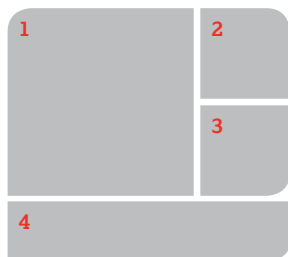
Property based solutions for partners in health and social care

Ashley House plc
Interim report
for the six months
ended
31 October 2010



Property based solutions for partners in health and social care

Ashley House is a leading health and social care infrastructure Company, with almost 20 years' experience in delivering healthcare development projects efficiently and cost effectively.



Cover images

1. Grand Opening for Douglas Grove Surgery, Witham, Essex

The new purpose-built surgery opened its doors on 29 September 2010. Priti Patel, MP for Witham, was the guest of honour at the ceremony, which was also attended by local residents and current patients. One of their special guests, a patient of 100 years young, did the surgery the honour of cutting the ribbon. The Douglas Grove Surgery team of three doctors and two nurses work together to deliver a range of first-class medical services to people in the town.

2. Corporate Charity

Ashley House is proud to support Marie Curie Cancer Care. During 2010 our people have raised £6,740 through various activities including the Three Peaks Challenge. This support has helped to provide 337 hours of Nursing Care for patients with Cancer and other illnesses.

3. Ashfield Medical Centre, Sutton in Ashfield, Nottingham

A new integrated health centre accommodating six GP medical practices, the DAAT (Drugs and Alcohol Advice Team) Support Group and a pharmacy unit. The site also allows for the construction of supported residential accommodation adjacent to the health centre. The development was fully supported by the Nottinghamshire City PCT who was keen to encourage the merger of two small GP medical practices together with the inclusion of the DAAT Support Group. This is a fully integrated and modern facility which improves accessibility and extends service provision for the patients and local community. A minor operation suite is included within the development which will improve the availability of minor procedures available to patients.

4. Nightingale Clinic, Hackney, East London

A new purpose-built development which will give local patients greater access to improved clinical and community facilities. Building work started in September 2010, following extensive patient and public involvement in the new designs. This new healthcare development is part of the NHS City and Hackney Strategic Services Development Plan to improve clinical facilities for Hackney patients. At just under 1,000 square metres the new surgery will provide purpose-built clinical facilities at an approximate cost of £2.3m. It is being built and maintained by East London LIFCo who have been working closely with Ashley House to help bring the project to fruition.

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Highlights

Financial

- Gross revenue up 1% to £13.5m (2009: £13.3m)
- EBITDA before provision down 61% to £0.6m (2009: £1.5m)
- Pre-tax profit before provision down 65% to £0.5m (2009: £1.5m)
- Adjusted earnings per share (before provision) 1.8 pence (2009: 2.2 pence)
- Provision against accrued income of £5.1m made in period
- Net assets up 9% to £41.8m (2009: £38.4m)

Operational

- Eight schemes currently on site with others shortly to commence
 - Conditional bid agreed for asset owning partner, AH Medical Properties expected to deliver cash receipts of over £4m
 - Forward pipeline of £174m of design and build value
-

Chairman's statement

Ashley House is well positioned to take advantage from the opportunities presented by the change happening in the NHS.

Results

Despite the climate of change surrounding the healthcare market at present the Company was able to demonstrate some good progress during the first six months of the financial year with improved revenue coming from increased on-site activity. Revenue grew 1% to £13.5m compared to £13.3m for the same period last year. EBITDA before provisions was £0.6m (2009: £1.5m). A £5.1m provision has been made against accrued income which has reduced net revenue and profits for the period.

As previously reported, following July's White Paper, the Company undertook a detailed review of the income it has accrued on all its schemes. The Company has been encouraged by its partners' response to impending structural change to the NHS, which has resulted in a number of requests to change the scope of schemes that have yet to reach site rather than to cancel them. As a result the Company has provided £5.1m against its accrued income. Net assets following the adjustment for the provision are £42m, an increase of 9% on the 2009 interim result due to the acquisitions made in the second half of last year.

Pipeline

Along with accrued income the Board has reviewed the Company's pipeline of projects. The pipeline has always represented the design and build value of schemes the Company is currently working on and where the Company expects to recognise revenue in the next two years. In line with the reduction in accrued income this has been reduced to £174m from £264m. About half of this reduction is attributable to a downsizing of projects and about half to timing as projects are pushed backwards. This core pipeline gives the business good visibility on a sustainable and profitable short-term outlook.

	Unaudited 6 months to 31 October 2010 £000	Unaudited 6 months to 31 October 2009 £000
(Loss)/profit before tax	(4,577)	1,465
Provision	5,095	—
PBT before provision	518	1,465
Depreciation and amortisation	48	55
Interest payable	34	—
EBITDA before provision	600	1,520

Trading

Despite the climate of change in the NHS, the Company is delighted that it has completed seven schemes since the end of April 2010 and currently has eight schemes in the construction phase with a design and build value of £29m. In addition the Company has a strong pipeline of schemes that are due on site in the coming months.

Property partner

The Board was pleased to note last week's recommended offer announced by Assura Group Limited (Assura) for AH Medical Properties Plc (AHMP) Ashley House's property partner. Subject to the conditions being satisfied, the completion of the offer would see over £4m in funds being paid to Ashley House thereby significantly improving the Company's capital position as well as providing it with a new larger development partner. The Company has recognised income in the form of design and development fees for three schemes in this period that will now be bought by Assura, illustrating the importance of having a well capitalised property partner.

Dividend

It has always been the intention of the Board to maintain a progressive dividend policy and, at present, it still intends to pay a special interim dividend as indicated in our statement of 27 September 2010. Once the Assura deal has completed and the implications of the Health Bill are clearer, the Board will update shareholders as to quantum and timing.

Outlook

The White Paper, "Equity and Excellence, Liberating the NHS", published on 12 July 2010 was more radical than expected in transferring healthcare commissioning to GPs and announcing the abolition of PCTs by 2013.

The Health Bill published last week has further confirmed much of the White Paper. Whilst we believe this will be of long-term benefit to Ashley House given our strength in the GP market, it will inevitably mean the current slow pace in approving schemes will continue in the shorter term.

With the confidence and cash flow generated by having a well capitalised property partner and a good level of schemes on site, the Board is able to focus on positioning the Company to take advantage of the opportunities presented by the change happening in the NHS. Slow progress will continue in the short term with the Company well positioned to return to growth in the longer term.

Sir William Wells

Chairman
Ashley House plc
24 January 2011

Condensed consolidated interim statement of comprehensive income

	Unaudited 6 months to 31 October 2010 £000	Unaudited 6 months to 31 October 2009 £000	Audited year to 30 April 2010 £000
	Note		
Gross revenue	13,485	13,345	24,876
Change in estimate – provision	(5,095)	–	–
Net revenue	8,390	13,345	24,876
Cost of sales	(10,308)	(9,055)	(16,651)
Gross (loss)/profit	(1,918)	4,290	8,225
Administrative expenses	(2,610)	(2,801)	(5,632)
Depreciation, amortisation and impairment of non-financial assets	(48)	(55)	(107)
Exceptional items	–	–	(733)
Operating (loss)/profit	(4,576)	1,434	1,753
Interest payable	(34)	–	(82)
Investment income	33	31	65
(Loss)/profit before taxation	(4,577)	1,465	1,736
Income tax on (loss)/profit	486	(412)	(486)
(Loss)/profit for the period	(4,091)	1,053	1,250
Other comprehensive income			
Fair value movement on available for sale investment	(110)	341	870
Total comprehensive (expense)/income for the period	(4,201)	1,394	2,120
Earnings per share:			
Basic (loss)/earnings per share	5	(7.33)p	2.22p
Diluted (loss)/earnings per share		(7.33)p	2.19p

Condensed consolidated interim balance sheet

	Unaudited 31 October 2010 £000	Restated unaudited 31 October 2009 £000	Audited 30 April 2010 £000
Note			
ASSETS			
Non-current assets			
Goodwill	1,289	270	1,289
Other intangible assets	30,018	24,800	30,018
Property, plant and equipment	230	194	254
Available for sale investments	1,498	1,079	1,608
Deferred tax asset	173	210	65
	33,208	26,553	33,234
Current assets			
Work in progress	1,334	1,402	2,818
Trade and other receivables	21,965	23,856	24,892
Cash and cash equivalents	4 1,637	580	1,010
	24,936	25,838	28,720
Total assets	58,144	52,391	61,954
LIABILITIES			
Current liabilities			
Trade and other payables	(10,762)	(8,558)	(9,904)
Bank borrowings and overdrafts	(1,690)	(2,000)	(1,692)
Current income tax	–	(1,319)	(477)
	(12,452)	(11,877)	(12,073)
Non-current liabilities			
Bank borrowings	(2,000)	(2,127)	(2,000)
Deferred consideration	(750)	–	(750)
Deferred tax liabilities	(1,094)	–	(1,094)
Total non-current liabilities	(3,844)	(2,127)	(3,844)
Total liabilities	(16,296)	(14,004)	(15,917)
Net assets	41,848	38,387	46,037
EQUITY			
Share capital	580	478	557
Share premium account	34,900	31,818	33,523
Merger relief reserve	4,395	–	4,395
Other reserve	–	–	1,400
Share-based payment reserve	508	614	496
Retained earnings	1,465	5,477	5,666
Total equity	41,848	38,387	46,037

Condensed consolidated interim statement of changes in equity

	Share capital £000	Share premium account £000
Balance at 1 May 2010	557	33,523
Issue for share capital	23	1,377
Equity settled acquisition consideration	—	—
Share-based payment charge	—	—
Transaction with owners	23	1,377
Other comprehensive income		
(Loss) on ordinary activities after tax	—	—
Fair value movement on available for sale investment	—	—
Total comprehensive (expense) for the period	—	—
Balance at 31 October 2010	580	34,900
Balance at 1 May 2009	470	31,627
Issue of share capital	87	1,896
Deferred consideration equity settled	—	—
Movement on deferred tax	—	—
Dividends	—	—
Share-based payment charge	—	—
Transaction with owners	87	1,896
Other comprehensive income		
Profit on ordinary activities after tax	—	—
Fair value movement on available for sale investment	—	—
Total comprehensive income for the year	—	—
Balance at 30 April 2010	557	33,523
Balance at 1 May 2009	470	31,627
Dividends	—	—
Issue of share capital	8	191
Share-based payment charge	—	—
Transaction with owners	8	191
Other comprehensive income		
Profit on ordinary activities after tax	—	—
Fair value movement on available for sale investment	—	—
Total comprehensive income for the period	—	—
Balance at 31 October 2009	478	31,818

Merger relief reserve £000	Other reserve £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
4,395	1,400	496	5,666	46,037
—	—	—	—	1,400
—	(1,400)	—	—	(1,400)
—	—	12	—	12
—	(1,400)	12	—	12
—	—	—	(4,091)	(4,091)
—	—	—	(110)	(110)
—	—	—	(4,201)	(4,201)
4,395	—	508	1,465	41,848
—	—	608	5,969	38,674
4,395	—	—	—	6,378
—	1,400	—	—	1,400
—	—	(145)	—	(145)
—	—	—	(2,423)	(2,423)
—	—	33	—	33
4,395	1,400	(112)	(2,423)	5,243
—	—	—	1,250	1,250
—	—	—	870	870
—	—	—	2,120	2,120
4,395	1,400	496	5,666	46,037
—	—	608	5,969	38,674
—	—	—	(1,886)	(1,886)
—	—	—	—	199
—	—	6	—	6
—	—	6	(1,886)	(1,681)
—	—	—	1,053	1,053
—	—	—	341	341
—	—	—	1,394	1,394
—	—	614	5,477	38,387

Condensed consolidated interim cash flow statement

	Unaudited 6 months to 31 October 2010 £000	Restated unaudited 6 months to 31 October 2009 £000	Audited year to 30 April 2010 £000
Operating activities			
(Loss)/profit before taxation	(4,577)	1,465	1,736
Adjustments for:			
Depreciation and impairment	48	55	377
Interest paid	34	—	82
Investment income	(33)	(31)	(65)
Share-based payment charge	12	6	33
Operating cash flows before movements in working capital	(4,516)	1,495	2,163
Reduction/(increase) in work in progress	1,484	(41)	(819)
Reduction/(increase) in trade and other receivables	2,714	(2,952)	(3,987)
Increase in trade and other payables	970	894	737
Cash generated/(used) from operations	652	(604)	(1,906)
Income taxes paid	—	(312)	(1,228)
Interest paid	(34)	—	(82)
Net cash generated from/(used) in operating activities	618	(916)	(3,216)
Investing activities			
Purchase of property, plant and equipment	(24)	(35)	(122)
Acquisition of subsidiaries (net of acquired cash)	—	—	390
Investment income	33	31	65
Interest received	—	—	—
Net cash generated from/(used) in investing activities	9	(4)	333
Financing activities			
Proceeds from issue of share capital	—	199	1,928
Proceeds from disposal of available for sale financial assets	—	—	1,636
Increase in bank loan	—	2,000	1,565
Dividends paid	—	(1,886)	(2,423)
Net cash from financing activities	—	313	2,706
Net increase/(decrease) in cash and cash equivalents	627	(607)	(177)
Cash and cash equivalents at beginning of period	1,010	1,187	1,187
Net cash and cash equivalents at end of period	1,637	580	1,010

Notes to the condensed consolidated interim financial statements

1 Nature of operations and general information

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

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

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

These consolidated condensed interim financial statements have been approved for issue by the Board of directors on 24 January 2010.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 April 2010 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) of the Companies Act 2006.

2 Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 31 October 2010. They have been prepared following the recognition and measurement principles of IFRS. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2010.

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

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 April 2010.

Notes to the condensed consolidated interim financial statements

continued

3 Share issue

On 15 October 2010, 2,300,000 shares were issued at a premium of £1.377m in non-cash consideration of the purchase of certain assets and liabilities of SPS (Strategic Property Solutions) Limited following satisfactory settlement of the acquisition conditions.

4 Cash and cash equivalents

	Unaudited 31 October 2010 £000	Restated unaudited 31 October 2009 £000	Audited 30 April 2010 £000
Cash at bank	1,637	580	1,010

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash held by the Group and short term Bank deposits with an original maturity of three months or less. 31 October 2009 cash balances have been restated to transfer joint venture cash balances to trade and other receivables. This has led to a transfer of £2.085m from cash at bank to trade and other receivables.

5 (Loss)/earnings per share

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

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

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

6 months to 31 October 2010	Loss £000	Weighted average number of shares	Per share amount Pence
(Loss) after tax	(4,091)		
Earnings attributable to ordinary shareholders			
Weighted average number of shares (used for basic earnings per share)		55,791,577	
Dilutive effect of options and warrants		—	
Diluted weighted average number of shares (used for diluted earnings per share)		55,791,577	
Basic loss per share			(7.33)p
Diluted loss per share			(7.33)p

5 Earnings per share (continued)

Year to 30 April 2010	Earnings £000	Weighted average number of shares	Per share amount Pence
Profit after tax	1,250		
Earnings attributable to ordinary shareholders			
Weighted average number of shares (used for basic earnings per share)		51,095,363	
Dilutive effect of options and warrants		714,931	
Diluted weighted average number of shares (used for diluted earnings per share)			
		51,810,294	
Basic earnings per share			2.45p
Diluted earnings per share			2.41p
<hr/>			
6 months to 31 October 2009	Earnings £000	Weighted average number of shares	Per share amount Pence
Profit after tax	1,053		
Earnings attributable to ordinary shareholders			
Weighted average number of shares (used for basic earnings per share)		47,389,369	
Dilutive effect of options and warrants		750,318	
Diluted weighted average number of shares (used for diluted earnings per share)			
		48,139,687	
Basic earnings per share			2.22p
Diluted earnings per share			2.19p

6 Dividends

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

Year to 30 April 2010		£000s	
Interim dividend	1.0p	557	19 March 2010
Final dividend	Nil p	Nil	
Total dividend	Nil p	Nil	
<hr/>			
Year to 30 April 2009		£000s	
Final dividend	4.0p	1,886	15 October 2009
Total dividend	4.0p	1,886	

Independent review report to Ashley House plc

Introduction

We have been engaged by the Company to review the financial information in the half-yearly financial report for the six months ended 31 October 2010 which comprises the Condensed consolidated interim statement of comprehensive income, the Condensed consolidated interim balance sheet, the Condensed consolidated interim statement of changes in equity, the Condensed consolidated interim cash flow statement and Notes to the condensed consolidated interim financial statements. We have read the other information contained in the half-yearly financial report which comprises only the Chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

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

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 2.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 31 October 2010 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

GRANT THORNTON UK LLP

Auditor
Oxford
24 January 2011

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

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London EC4M 7LT

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