**Ashley House plc ('the Company'), the health and community care property partner**
**Preliminary results**

Ashley House plc, the health and community care property partner today announces its preliminary results for the year ended 30 April 2014.

**Operating highlights:**

- **Diversification strategy on track**
    - Value being created through focus on the Extra Care market
    - Progress on early schemes not as quick as hoped, however, pipeline strong and growing
    - Health sector remains slow – but with latent potential
    - Four schemes completed in the year with two on site at the year end
    - Total forward pipeline of 33 on site (2) or appointed (31) schemes with £156m of scheme value yet to be recognised

**Financial highlights:**

- **Delay in schemes resulting in loss for year**
    - Revenues of £8,337,000 (2013: £15,782,000)
    - Gross profit decreased to £560,000 (2013: £5,662,000)
    - EBITDA before exceptionals showing a loss of £2,597,000 (2013: profit £2,004,000)
    - Loss before tax £4,707,000 (2013: profit £400,000)

- **Continuing decreases in overheads and improvement in net debt**
    - Decrease of £569,000 (14.5%) in administrative expenses to £3,360,000 (2013: £3,929,000)
    - Cash generated from operations of £1,281,000 (2013: £4,151,000)
    - Net debt reduced to £1,551,000 (2013: £2,743,000)

**Enquires:**


| | |
|---|---|
| Ashley House plc<br>Jonathan Holmes, Chief Executive<br>Antony Walters, Finance Director | 01628 600 340 |
| WH Ireland Ltd<br>(Nominated Adviser and broker to Ashley House plc)<br>Adrian Hadden<br>Mark Leonard | 0207 220 1666 |

# Statement of directors' responsibilities

The responsibility statement below has been prepared in connection with the Company's Annual Report and Accounts for the year to 30 April 2014. Certain parts thereof are not included within this preliminary announcement.

**Responsibility statement**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 23 September 2014 and signed on its behalf by:

Jonathan Holmes
Chief Executive

# Chairman's statement

Although the Company is poised to make significant progress with its revised strategy I am very disappointed to have to report a trading loss for the year to April 2014. Despite a continuing difficult time in the health market exacerbated by the abolition of the NHS Primary Care Trusts, and with indications that health will remain slow for the next couple of years, it is considered that the strategy to focus on the significant growth in the Extra Care housing market will drive the recovery of the business.

**Results**
The results for the year to 30 April 2014 were clearly disappointing, however the Company holds a strong pipeline of schemes to be delivered in the coming months and years. Revenue for the year fell to £8,337,000 (2013: £15,782,000) leading to an EBITDA loss of £2,597,000 (2013: profit £2,004,000). Despite this, as detailed in the Strategic Report, and with the settlement of the last of the legacy NHS debts, the Group's net debt position has shown improvement, falling to £1,551,000 at 30 April 2014 from a figure of £2,743,000 at the end of last year.

**Current trading**
The Company's recent trading updates have documented progress in the first six Extra Care schemes being progressed as the first wave of schemes emanating from our new strategy. The Board had expected that these would reach financial close earlier in the year with the profit recognition stage prior to the year end. Whilst none of the schemes did so, they have not been lost and the extra time taken will enable improved commercial agreements which will provide stronger value for our shareholders in the longer term. The pipeline shows a further nine appointed Extra Care schemes, including those recently won in Hampshire, and we are aware that interest is growing in our emerging model.

**Outlook**
Despite this year's disappointing results, driven by a historic downturn in the business cycle and NHS activity, the Board remains confident in its medium and longer term strategy. The focus on Extra Care in the last year has been the correct one as our traditional business streams have slowed. A key to accelerating growth in Extra Care remains the provision of specialised funding to match the requirements for affordable Extra Care housing and our recent work on securing longer term funding solutions and associated development finance is a turning point. It will not only drive profitable delivery but also assist in the continual building of the scheme pipeline.

The underlying strength of our primary markets is beginning to emerge driven by a number of fundamental factors coupled to changes in the UK economy. The clear evidence from changes underway in the NHS point to a transformation agenda focused on the delivery of local GP services involving economies of scale, consolidation of practices and small scale health centres and urgent care facilities designed to alleviate pressure on A&E and after care services. We aim to take advantage of this significant latent potential.

In addition, economic and structural pressures over the next 20 years are well documented based upon population growth, an aging demographic, increased life expectancy and persistent health inequalities. It is estimated that 1.4 million people over the age of 85 will live alone by 2032. However, the current housing stock has a significant imbalance and mismatch in the light of these future demands and this presents a major opportunity for the Company.

These changes place increased pressure on financing the UK health system and social and elderly care housing sector. Ashley House has developed its business model to deliver such projects to meet that demand. In future the interlinked demands of health and social care, increasingly constrained by a reducing budget, provides real opportunity for Ashley House, with its unique offering of design and build of health and social care infrastructure, to meet the changing needs of local populations. This is particularly important for vulnerable and disadvantaged groups such as those with mental or physical disabilities and the over 75s.

This social element to our business focus is a core value of the business and an important differentiator in consultations with public decision making bodies, as is our membership of the Social Stock Exchange. There is a growing and important body of evidence to support the correlation between health and social care outcomes and the provision of high quality built environments.

Despite the recent recessionary pressures on the public purse, Ashley House has continued to build its pipeline in both quality and quantity, but we do remain partly dependent on public sector decision making, which adds risk to the business model. However it is the Board's view that the underlying urgency to reform health and social care is so important that it outweighs the risks and will drive growth in the medium to longer term.

In the immediate future it is likely that that our revenue streams will be variable and difficult to predict as a result of our project based model although as volumes increase this should help to smooth this volatility. Cash management is a highly developed core competence in the business which allows us to continue to invest in developing appointed schemes and spend on winning bids. The Board therefore concludes at the time of signing these financial statements it is appropriate to do so on a going concern basis.

# Chairman's statement (continued)

It is also the Board's view that, notwithstanding short term pressures and risks, we are beginning to see the early positive signs of growth in our primary markets as the business cycle turns. The Board has concentrated its recent efforts on putting in place the appropriate resources to take advantage of the potential upturn by arranging long term funding and building strategic competence in Extra and Social care housing. There is now a clear alignment of the main elements for a successful and profitable long term business providing increasing value for the Company's shareholders.

The Board does not underestimate the challenges which lie ahead and I must pay tribute to, and thank, all of the staff for their efforts, energy and enthusiasm throughout a period of change. I know that they are eager to support Ashley House's efforts to grow the business. In addition, the Board wishes to record its thanks to the shareholders, many of whom are long term supporters of the Company. Your patience, loyalty and understanding are very much appreciated.

Christopher Lyons
Chairman
23 September 2014

# Strategic Report

**Principal activity**

The principal activity of the Group is the supply of design, construction management, consultancy and asset management services, primarily working with providers of health and social care on infrastructure developments from project inception to completion of construction and beyond.

**Business review**

The consolidated statement of comprehensive income for the year is set out on page 8. A review of developments affecting the Group during the year and of its prospects for the future appears in the Chairman's statement and in this Strategic Report.
The Group is required by the Companies Act 2006 to set out a fair review of the business of the Group during the financial year ended 30 April 2014 and the position of the Group at the end of the year along with principal risks and uncertainties facing the Group. This information is included within the Chairman's statement on pages 3 and 4 and in this Strategic Report.

Despite the disappointing financial performance in the year, the Company continues to deliver schemes in health and Extra Care Housing, although clearly not at the pace it would like. The Company has reduced costs whilst it increases its pipeline of schemes to deliver in the coming years. Inter alia, the inflow of monies from the LIFT scheme at Eltham that reached financial close and the payments received relating to aborted LIFT schemes enabled the Company to have a positive cash inflow from operations in the year which has been used to reduce debt. This has been further improved since the year end as the first Extra Care scheme in Grimsby has been forward funded, bringing a significant cash inflow into the business. Finally, a capital reorganisation has enabled the Board to position the Company ready for the growth it expects to see from the delivery of the Extra Care pipeline.

**Schemes**

Schemes completed during the year included two large GP schemes, one at Chapel House, Newcastle upon Tyne and the other at Silsden, West Yorkshire. A new type of development was delivered for Open Door in Grimsby, a social enterprise providing a nurse led GP service, health trainers and fitness activities. Open Door's services are aimed at vulnerable or marginalised local people, who may find themselves unable to access mainstream health services due to homelessness or other factors. We were also very pleased to deliver a second Pathology laboratory in Taunton and a further but much larger project is planned for late 2014.

At the year end our first Extra Care scheme in Grimsby was on site adjacent to the Open Door facility mentioned above. The 60 flats will provide secure accommodation that meets the needs of older people, supporting their health and everyday requirements, and including an outdoor garden and internal community spaces. We also have a LIFT scheme in Hillingdon on site which is a sizeable extension and re-furbishment to GP premises.

**Pipeline**

The growth in the Company's pipeline is dominated by Extra Care, which has increased significantly to £102.1m from £37.3m this time last year for 'appointed' schemes. The 12 schemes in the GP appointed section are largely unchanged from last year (13 schemes; £36.0m) which whilst strong, reflect the fact that the NHS reorganisation has resulted in an increased time being taken to progress these schemes. The current pipeline is summarised as follows:

| | **Extra Care** | | **GP** | | **Other Projects** | | **LIFT** | | **TOTAL** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Schemes | Scheme value to come | No. of Schemes | Scheme value to come | No. of Schemes | Scheme value to come | No. of Schemes | Scheme value to come | **No. of Schemes** | **Scheme value to come** |
| On-site | 1 | £4.7m | - | - | - | - | 1 | £0.5m | 2 | £5.2m |
| Appointed | 15 | £102.1m | 12 | £33.7m | 4 | £14.7m | - | - | 31 | £150.5m |
| **TOTAL** | **16** | **£106.8m** | **12** | **£33.7m** | **4** | **£14.7m** | **1** | **£0.5m** | **33** | **£155.7m** |

As a guide, revenues from on-site schemes will continue to flow for up to 18 months. Where the Company is appointed the time frame to move to on-site is likely to be between 6 and 36 months. Revenues are only recognised from on-site schemes and on appointed schemes to the extent that the Company would recover its fees in the circumstances of the scheme not progressing. 'Scheme value to come' represents the likely investment value of the scheme less any revenue already recognised.

**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. 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.

# Strategic Report (continued)

***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, as estimated by the directors. Amounts recoverable on contracts are presented net of provisions deemed necessary by the directors. The Group's largest customer in the year is set out in Note 1 to the financial statements. The Group employs 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 earnings, project-specific borrowings and general bank borrowings, as set out in Notes 14 and 15 to the financial statements. The interest rates applicable to these borrowings, where variable in nature, expose the Group to interest rate risk. The Group seeks to minimise such risk by entering into fixed interest rate arrangements only where it is financially viable to do so. The Group does not undertake interest rate hedging on its general borrowings and only considers undertaking interest rate hedging for project-specific term loans. 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 nature of the Group's business is such that it is exposed to risks associated with cash flow timings, particularly the receipt of design and development fees. The liquidity of the Group is monitored by senior management and reported to the Chief Executive and Finance Director daily.

**Revenue recognition**
The Group's revenue recognition policy set out in the principal accounting policies is central to the way the Group values the work it has carried out in each financial year. Amounts recoverable on contracts relate to projects that are ongoing as at 30 April 2014. A substantial proportion of these amounts had yet to be invoiced at the year end date. Management's expectation is that these amounts will be invoiced net of any provision within the next financial year, at which point the Group expects to collect the balances in full.

**Cash management**
During the year the Company's LIFT scheme at Eltham, where it acted as Development Partner to the Bromley Bexley and Greenwich LIFT company that Ashley House co-owns, reached financial close providing a significant cash inflow. In addition, with the receipt of the monies owed relating to LIFT schemes previously aborted by the NHS in the Midlands, the Company has cleared all items of accrued income or outstanding payment from its balance sheet that were significantly impacted by the abolition of the PCTs. Overheads continued to be carefully managed, resulting in a decrease of 14.5% (£569,000) in administrative expenses to £3,360,000 (2013: £3,929,000). These factors have enabled the Group to generate £1,281,000 (2013: £4,151,000) from operations leading to a reduction in net debt to £1,551,000 (2013: £2,743,000) as shown in the table below. Since the year end the forward funding of the first Grimsby Extra Care scheme has brought in a significant inflow which has enabled an improved cash position as well as investment in the next tranche of schemes.

| | 30/04/2013 | 30/04/2014 | Unaudited 18/09/2014 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Cash in bank | 5 | 98 | 1,858 |
| Overdraft | (1,418) | - | - |
| Scarborough | (1,330) | (1,049) | (981) |
| Loan | - | (600) | (2,000) |
| **Net debt** | (2,743) | (1,551) | (1,123) |

**Investments in joint ventures**
A further review of the LIFT investment was undertaken at 30 April 2014. At the year end the exclusivity periods had an average of 10.5 years remaining and the directors considered that the value had been impaired by a further £1,722,000. This non-cash impairment has therefore reduced the carrying value of the LIFT investment at the year end to £9,778,000 (2013: £11,500,000).

# Strategic Report (continued)

**Dividends**
A capital restructure was undertaken in the year which has cleared the negative distributable reserves and therefore restored the Company's ability to pay dividends from future retained earnings when it is appropriate.

**Social impact**
Our admission to the Social Stock Exchange (SSE) as one of the founding members in June 2013 has provided Ashley House with a raised profile with potential investors and financiers interested in the creation of social value and with our core client groups. The SSE is a new initiative designed to connect the public financial markets with social impact investment.

Ashley House is proud of the social value its work creates and was honoured to be nominated as Social Impact Company of the Year at the Small Cap Awards which seeks to recognise outstanding achievement in the quoted UK Small-Cap market. Further recognition was achieved when the South Bristol Community Hospital that the Company developed for Bristol LIFTCo won the Royal Institute of Chartered Surveyors' (RICS) South West award for Community Benefit and the Company was Highly Commended by the RICS Awards for its Grimsby Open Door project also under Community Benefits.

The Company will shortly publish its second social impact report on its website and again encourages all stakeholders to access it.

**Summary**
Clearly the Group has had a difficult year, but the momentum in Extra Care has built and the Board is confident that this is the right strategy for the Group. The delayed schemes should all reach financial close in the coming months which will add significant value to the business. The long term funding solutions being established will provide a significant competitive advantage as the Group strives to win more schemes and drive the growth of the Group in the medium term.

Jonathan Holmes
Chief Executive
Date: 23 September 2014

Antony Walters
Finance Director

# Consolidated statement of comprehensive income

for the year ended 30 April 2014

| | Note | 2014 £000 | Restated** 2013 £000 |
|---|---|---|---|
| **Revenue** | | **8,337** | 15,782 |
| Cost of sales | | **(7,777)** | (10,120) |
| **Gross profit** | | **560** | 5,662 |
| Administrative expenses | | **(3,360)** | (3,929) |
| Share of results of joint ventures | | **188** | 214 |
| Depreciation and impairment | | **(1,793)** | (1,072) |
| Exceptional items – restructuring | | **(230)** | (311) |
| **Operating expenses** | | **(5,195)** | (5,098) |
| **Operating (loss)/profit** | | **(4,635)** | 564 |
| Interest receivable | | **8** | 19 |
| Interest payable | | **(80)** | (183) |
| **(Loss)/profit before taxation** | | **(4,707)** | 400 |
| **(Loss)/profit before taxation** | | **(4,707)** | 400 |
| Depreciation and impairment | | **1,793** | 1,072 |
| Exceptional items – restructuring | | **230** | 311 |
| Depreciation, amortisation and taxation included in share of results of joint ventures | | **15** | 57 |
| Interest receivable | | **(8)** | (19) |
| Interest payable | | **80** | 183 |
| **EBITDA before exceptionals** | | **(2,597)** | 2,004 |
| Tax credit | | **529** | 865 |
| **(Loss)/profit after tax for the year attributable to equity holders of the parent** | | **(4,178)** | 1,265 |
| | | | |
| **Basic and diluted (loss)/earnings per share** | 2 | **(7.16)p** | 2.17p |
| Basic (loss)/earnings per share on adjusted EBITDA* | 2 | **(3.55)p** | 4.92p |

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

* Adjusted EBITDA = EBITDA before exceptionals plus income tax credit.

** Two presentational adjustments have been made to the Statement of Comprehensive Income for the year ended 30 April 2013:

1) Costs of employees engaged wholly in the provision of external services (£835,000) have been moved from Administrative expenses to Cost of sales. Gross profit has consequently reduced to £5,662,000. Other profit levels remain unchanged;
2) An impairment charge of £1,004,000 has been removed from Exceptional items and included in Depreciation and impairment. There is no change to profit.

# Consolidated balance sheet

at 30 April 2014

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **90** | 150 |
| Investments in joint ventures | **9,990** | 11,737 |
| Deferred tax asset | **1,400** | 865 |
| | **11,480** | 12,752 |
| **Current assets** | | |
| Work in progress | **2,781** | 2,556 |
| Trade and other receivables | **6,828** | 12,857 |
| Cash and cash equivalents | **98** | 5 |
| | **9,707** | 15,418 |
| **Total assets** | **21,187** | 28,170 |
| **Current liabilities** | | |
| Trade and other payables | **(4,095)** | (5,814) |
| Bank borrowings and overdrafts | **(167)** | (2,748) |
| | **(4,262)** | (8,562) |
| **Net current assets** | **5,445** | 6,856 |
| **Non-current liabilities** | | |
| Amounts falling due after more than one year | **(1,482)** | - |
| **Total liabilities** | **(5,744)** | (8,562) |
| **Net assets** | **15,443** | 19,608 |
| **Equity** | | |
| Share capital | **583** | 583 |
| Share premium | **-** | 34,996 |
| Special reserve | **12,110** | - |
| Share-based payment reserve | **13** | - |
| Retained earnings | **2,737** | (15,971) |
| **Total equity** | **15,443** | 19,608 |

# Consolidated statement of changes in equity

for the year ended 30 April 2014

| | Share capital £000 | Share premium £000 | Special reserve £000 | Share-based payment reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 1 May 2013 | 583 | 34,996 | — | — | (15,971) | 19,608 |
| **Cancellation of share premium** | | | | | | |
| Transfer of share premium to special reserve | — | (34,996) | 34,996 | — | — | — |
| Transfer of accumulated losses at 30 April 2013 to special reserve | — | — | (18,986) | — | 18,986 | — |
| (Loss)/profit for the period to date of capital restructure | — | — | (1,400) | — | 60 | (1,340) |
| Loss for the period post date of capital restructure | — | — | (2,500) | — | (338) | (2,838) |
| Share-based payment charge | — | — | — | 13 | — | 13 |
| **At 30 April 2014** | **583** | **—** | **12,110** | **13** | **2,737** | **15,443** |

| | Share capital £000 | Share premium £000 | Special reserve £000 | Share-based payment reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 1 May 2012 | 583 | 34,996 | — | — | (17,236) | 18,343 |
| Profit for the year | — | — | — | — | 1,265 | 1,265 |
| At 30 April 2013 | 583 | 34,996 | — | — | (15,971) | 19,608 |

# Consolidated statement of cash flows

for the year ended 30 April 2014

| | 2014<br>£000 | Restated<br>2013<br>£000 |
|---|---|---|
| **Operating activities** | | |
| (Loss)/profit for the year before taxation | **(4,707)** | 400 |
| Adjustments for: | | |
| Share-based payment charge | **13** | — |
| Depreciation and impairment | **1,793** | 1,072 |
| Share of results of joint ventures | **(188)** | (214) |
| Dividends received from joint ventures | **205** | 319 |
| Interest received | **(8)** | (19) |
| Interest paid | **80** | 183 |
| Operating cash flows before movements in working capital | **(2,812)** | 1,741 |
| (Increase)/decrease in work in progress | **(225)** | 118 |
| Decrease in trade and other receivables | **6,037** | 2,649 |
| Decrease in trade and other payables | **(1,719)** | (357) |
| **Cash generated from operations** | **1,281** | 4,151 |
| Income tax paid | **(6)** | — |
| Interest received | **8** | 19 |
| Interest paid | **(80)** | (183) |
| **Net cash generated from operating activities** | **1,203** | 3,987 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(11)** | (44) |
| **Net cash used by investing activities** | **(11)** | (44) |
| **Financing activities** | | |
| Repayment of borrowings | **(1,099)** | (4,795) |
| **Net cash used by financing activities** | **(1,099)** | (4,795) |
| **Net increase/(decrease) in cash and cash equivalents** | **93** | (852) |
| **Cash and cash equivalents at the beginning of the year** | **5** | 857 |
| **Cash and cash equivalents at the end of the year** | **98** | 5 |

# Notes to the financial statements

### 1 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The preliminary announcement has been prepared in accordance with applicable standards as stated in financial statements for the year ended 30 April 2014, being based on the Group's financial statements which are prepared in accordance with International Financial Reporting Standards as adopted for use in the EU.

### 2 Earnings per ordinary share

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

| | **2014** | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Adjusted EBITDA £000** | **Loss £000** | **Weighted average number of shares** | **Per share amount pence** | Adjusted EBITDA £000 | Profit £000 | Weighted average number of shares | Per share amount pence |
| Basic and diluted (loss)/earnings per share | | **(4,178)** | **58,319,755** | **(7.16)p** | | 1,265 | 58,319,755 | 2.17p |
| **(Loss)/earnings per share based on adjusted EBITDA*** | **(2,068)** | | **58,319,755** | **(3.55)p** | 2,869 | | 58,319,755 | 4.92p |

* Adjusted EBITDA = EBITDA after exceptionals plus income tax credit.

No dividend was paid in the year ended 30 April 2014 (2013: £nil).

### 3 Publication of non-statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 April 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) Companies Act 2006.

The preliminary announcement was approved by the Board of directors on 23 September 2014**.**