

**Ashley House plc (the “Company” or “Group”), the Health and Extra 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 2016.

**Financial highlights:**

- **Significant revenue growth and return to profit**
  - Revenues increased by 147% to £20,737,000 (2015: £8,384,000)
  - Gross profit of £4,793,000 (2015: gross loss £216,000)
  - Adjusted PBT (profit before tax, depreciation, impairment and other operating income) of £1,160,000 (2015: adjusted loss before tax of £4,241,000)
  - Profit before tax £241,000 (2015: loss before tax £11,886,000)
  
- **Continuing management of overheads and debt**
  - Administrative expenses reduced by 4% to £3,226,000 (2015: £3,357,000)
  - Cash generated from operations of £559,000 (2015: £529,000)
  - Net debt reduced to £1,987,000 (2015: £2,027,000)

**Operating highlights:**

- **Extra Care business is establishing itself**
  - Completion of first Extra Care scheme in Grimsby
  - Signing of Funding and Partnering Agreement with Funding Affordable Homes (“FAH”)
  - Two Extra Care developments on site, fully funded by FAH
  - Pipeline of 18 schemes, on site (2) or appointed (16) with £162.7m of revenue anticipated to be recognised
  - Pipeline temporarily delayed as Government Benefit Policy on elderly and vulnerable people being reassessed
  
- **Activity continues in Health market**
  - Pipeline of 10 schemes, on site (1) or appointed (9) with £20.6m of revenue anticipated to be recognised
  - Three Health developments to go to site this year
  - Write down (non-cash) of LIFT investment to a book value of £768,000 (2015: £2,223,000)
  - Disposal of LIFT Operations Management service

**Enquires:**

Ashley House plc 01628 600 340  
Antony Walters, Chief Executive  
Jonathan Holmes, Commercial Director

WH Ireland Ltd 0207 220 1666  
(Nominated Adviser and broker to Ashley House plc)  
Adrian Hadden  
Mark Leonard

## **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 2016. 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 Strategic 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 12 July 2016 and signed on its behalf by:

**Antony Walters**  
*Chief Executive*

## Chairman's statement

I am delighted to report a return to profit for the Company for the twelve months to 30 April 2016, in this our 25<sup>th</sup> year, reflecting our continuing and focussed efforts in repositioning the business in recent years. Whilst it has been a positive period for the Company we continue to be frustrated by change and lack of clarity in Government policy on elderly care as detailed below. Despite this the Extra Care segment is now well established within the business and is contributing positively to the Company's results. The recent win at the Small Cap Awards where Ashley House plc was named Social Impact Company of the year, is testament to the progress we have made and the positive social impact our schemes are delivering.

### Results

Adjusted PBT (profit before tax, depreciation, impairment and other operating income) for the year to 30 April 2016 was £1,160,000 (2015: adjusted loss before tax of £4,241,000) whilst revenue was almost two and a half times as much as the prior year at £20,737,000 (2015: £8,384,000). Additionally we continued to further invest in our pipeline as well as reducing net debt slightly to £1,987,000 (2015: £2,027,000) as detailed in the Strategic report.

Funding of the Company's pipeline through to completion is key for our future success. A corollary of our business growth is a rise in interest payable, and this has resulted in the Board reconsidering its key profit metric. We have therefore moved away from EBITDA (Earnings before interest, taxation, depreciation and impairment) as our primary measure. EBITDA ignores the interest charges which are now significant, and in future we will utilise 'Adjusted PBT' as the key metric. This still eliminates the fluctuations from future impairments of the LIFT asset (which has now been written down to £768,000) from the measure which is now, other than taxation, the only major adjustment.

### Extra Care

The completion of our first Extra Care scheme in Grimsby together with last September's signing of the Funding and Partnering Agreement with Funding Affordable Homes ("FAH") and its property advisor SHA Housing Limited, were landmark events for the Company. FAH is a social impact company which acquires affordable housing to deliver financial and social returns for both communities and investors. December saw the business enter into its first contracts with FAH for the provision of full funding for design and construction of two Extra Care developments in Essex where upon completion FAH will become the long term owner. These two schemes will generate revenues of around £21,000,000 by the end of April 2017, of which only £8,880,000 has been recognised in the year to April 2016.

The Extra Care pipeline is now providing a positive contribution to the Company's results. In my report with the interim results in January, I noted that the Chancellor had announced in the Autumn Statement that Housing Benefit for tenants would be limited to the Local Housing Allowance ("LHA") rate from April 2018 for new or renewed tenancies taken out from 1 April 2016. This announcement created the unintended consequence of depressing expected returns on new social housing developments funded with third party finance resulting in delays to new build projects whilst funders and Local Authorities seek clarity. It is now clear that the Government believes that the LHA rental cap does not work for Sheltered and Supported Housing and is seeking a resolution to this issue. Extensive industry consultations are in progress and a positive solution is currently expected this autumn. Naturally, this has caused delays in pushing forward some of the Extra Care pipeline and may impact on our half year results. Despite this LHA cap issue, the case for Extra Care is strong and we continue to demonstrate the wider economic case to local councils. The resolution of the cap, or the agreement of capital based models that we are currently exploring, is expected to unlock our Extra Care pipeline and enable the business to grow significantly.

### Health

After a number of fallow years, we are now beginning to see some limited activity return in this segment. Medical and health professionals agree that there has been significant underinvestment in primary care in recent years. Whilst activity has been low this year, it has been profitable as the Company positions itself for an upturn in the market.

### Outlook

The Company is delighted to be celebrating 25 years since its incorporation. Clearly the resolution of the LHA cap is a key issue for the business, although the Company continues to work with Local Authorities, Registered Providers and our specialist funder FAH to find alternative and innovative ways of working together irrespective of how this issue is resolved. Our ability to meet our market expectations for the year to 30 April 2016 despite the LHA cap issue is very encouraging, although it is important that this is resolved soon to enable us to maximise the value from our Extra Care pipeline and beyond.

### Auditors

During the year the Board appointed Grant Thornton as the Company's auditors. I would like to thank Deloitte for their work over the past few years and welcome Grant Thornton.

**Christopher Lyons**

**Chairman**

12 July 2016

# Strategic report

Formed 25 years ago, Ashley House is a social developer. Working with commissioners and providers in the Health, Extra Care and Community sectors we provide property solutions to help improve outcomes for users of public sector services and those with specialised social housing needs.

## Principal activity

The principal activity of the Group is the supply of design, construction management and consultancy, 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 2016 and the position of the Group at the end of the year along with principal risks and uncertainties facing the Group. This information is included within the Chairman's statement and in this Strategic report.

We are delighted that the investment in previous periods in building up our scheme pipeline has resulted in the Company returning to profit this year. The business maintains a strong pipeline and the ability to deliver the schemes will determine the profitability of the Company in future periods. No income is recognised on schemes until financial close and all expenditure (other than land) is expensed immediately.

## Key Performance Indicators

The Key Performance Indicators (KPIs) for the Company are Adjusted Profit before Taxation (PBT) and the forward pipeline of the business. As shown in the Highlights and Chairman's statement above, Adjusted PBT (profit before tax, depreciation, impairment and other operating income) for the year to 30 April 2016 was £1,160,000 (2015: adjusted loss before tax of £4,241,000). The Group's pipeline information is shown and discussed below.

## Extra Care

The two Extra Care schemes on site, both funded by our new funder for Extra Care, Funding Affordable Homes ("FAH") and leased to the Registered Provider One Housing, are progressing well. The first scheme in Harwich is on schedule to be completed by the end of 2016 and consists of two buildings. The main building will provide 58 stylish self-contained apartments spread over three floors, and will also feature communal facilities including a residents' lounge, restaurant and private courtyard garden. All of the apartments will be available for affordable rent. The second building will provide twelve self-contained apartments specifically for adults with learning difficulties. The second scheme is in Walton on the Naze and is due for completion in Spring 2017. This independent living complex will feature 60 self-contained one and two bed apartments which again will be available at affordable rent. Both schemes will enable local older people with a care need to continue to live independently with the added security of care and support from One Housing Group's Season Homes. Both developments were supported by a combined £4.1 million of grant funding from Essex County Council through its Independent Living programme. In the year we also completed a first scheme for HSN Care for profoundly disabled adults and are proud to continue to work with the charity Hft on schemes for people with learning difficulties.

## Health

Despite the limited Government funding in Primary Care, the Company's Health segment performed well. We completed one GP surgery in the year and two pathology laboratory schemes for our partners Integrated Pathology Partnerships ("iPP"). We have also signed contracts and gained planning permission and funding for a major new diagnostic and treatment centre to the North East of Durham. This is a creative building delivered via an innovative contract structure and is a fine example of the combination of knowledge experience and flexibility we bring to the NHS in these difficult times.

## Pipeline

The challenge of a large pipeline is not only to deliver it but also to maintain it by bringing in new schemes. Our tender success rate is good with our efficient offer supported by strong social values, a key determinate in public tendering. We are pleased that the pipeline has continued to grow notwithstanding almost £21m of turnover having been realised and therefore removed from the pipeline. We have sought to take a cautious view on pipeline schemes removing a number where we remain appointed but can see no obvious route to gaining NHS funding. Through a new joint venture with a modular contractor we are discussing a 60 bed Extra Care development and other housing schemes. Modern methods of construction, including modular, are something we are exploring as a way of increasing the speed and efficiency of the build programme as well as improving the environmental impact and performance of our developments which are of significant value to our clients.

## Strategic report (continued)

Our Extra Care pipeline now stands at £162.7m across 18 schemes which has increased in value from £148.5m and 19 respectively in October of last year. The Health pipeline shows 10 schemes valued at £20.6m, compared with £31.9m across 13 schemes in October of last year as shown in the table below

	Extra Care		Health		Total	
	No. of schemes	Scheme value to come	No. of schemes	Scheme value to come	No. of schemes	Scheme value to come
On site	2	£12.2m	1	£0.1m	3	£12.3m
Appointed	16	£150.5m	9	£20.5m	27	£171.0m
<b>TOTAL</b>	<b>18</b>	<b>£162.7m</b>	<b>10</b>	<b>£20.6m</b>	<b>30</b>	<b>£183.3m</b>

As a guide, revenues from on site schemes will continue to flow for up to 18 months. The current schemes on site have a weighted average life of approximately six 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.

### Principal risks and uncertainties

The Group is exposed to a variety of risks which result from both its operating and investing activities. The Board, through its Audit & Risk Committee 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.

#### **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 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. 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 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 by the Director of Finance to the Chief Executive and Commercial Director daily. The Board discusses liquidity and cash flow projections monthly.

#### **Political risk**

Most of the Group's activities are ultimately funded by the public sector and the Group is therefore exposed to risk of changes to Government and to its policy as currently demonstrated by the LHA cap outlined in the Chairman's statement. The Group employs experience at Board and senior level as well as seeking knowledge and advice from external advisers to enable it to remain aware and to influence the outcome of the potential risks and to enable lobbying to help mitigate them. The Group also strives to ensure it maintains several distinct revenue streams in order to reduce the impact on the Group's business as a whole arising from an adverse change in any one Government policy. Other than the general uncertainty and impact on Government resources and speed of decision making, the result of the EU referendum is expected to have a limited impact on the Group as our activities have minimal exposure to clients or suppliers outside of the UK. Health and social care are key issues for the UK and property solutions such as those we provide are much needed for our aging population and the housing shortage.

## Strategic report (continued)

### 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 the period end. 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

The agreements signed with FAH mentioned above which gave us the ability to forward fund our developments at Harwich and Walton provided important cash income into the business. The Group prides itself on the careful management of its cash resources, which this year has enabled it to make a small reduction in its net debt to £1,987,000 (2015: £2,027,000) as shown in the table below, whilst the Group generated £559,000 (2015: £529,000) of cash from operations. Elsewhere administrative overheads fell for the fourth year in a row to £3,226,000 (2015: £3,357,000).

The borrowing on the land at Scarborough is held on a six year loan, which is reducing at the rate of £17,500 per month, although the land is expected to be used in a forthcoming Extra Care scheme when the loan will be repaid. The continued focus on cash management has to date enabled the Company to rebuild the business without seeking further equity from shareholders. Net debt at the end of year and the previous year is shown below:

	2016	2015
	£000	£000
Cash in bank	23	856
Scarborough	(710)	(883)
Loan	(1,300)	(2,000)
<b>Net debt</b>	<b>(1,987)</b>	<b>(2,027)</b>

### Employee share incentive scheme

In March 2016 the Company established a tax efficient employee share scheme to improve employee engagement and staff retention. In the last few years we have necessarily reduced headcount and staff have faced uncertain times including two major redundancy programmes. The future, whilst still challenging, is positive and staff buy-in to what we are doing is crucial for future success. Under the scheme, employees can invest up to £150 per month under salary sacrifice. For every share he or she buys each employee receives two "Matching shares" free of charge. The Matching shares are available to the staff after three years assuming they remain with the Company. We are delighted that more than 50% of staff have signed up to the scheme across all levels and all functions in the business. This take up is strong and reflects the commitment of the staff to the Company.

### Investments in joint ventures

The Company holds investments in seven LIFT Companies, a public private partnership in the health sector. In December the Company completed the novation of the rights under the operational management service agreements with all seven LIFT Companies to MAMG Limited, a major provider in this area. The Company retains its shareholding in the LIFT Joint Ventures together with its rights as development partner. As the LIFT investments have an exclusivity period, which at the year end stood at 8.5 years, and as there is currently limited work coming from LIFT, the directors considered a further impairment was necessary. This non-cash impairment has reduced the carrying value of the LIFT investment at the year end to £768,000 (2015: £2,223,000).

### Social impact

Ashley House remains very proud of the social value its work creates, believing that positive social impact can be delivered hand in hand with financial return. Ashley House is a founder member of the Social Stock Exchange ("SSX") which seeks to connect socially minded investors with companies socially accredited for the work they undertake. During the year the Company's shares were admitted to trading on the SSX social impact segment of the ISDX Growth Market, the world's first regulated exchange dedicated to businesses and investors seeking to achieve a positive social and environmental impact through their activities. This dual listing operates alongside our existing listing on AIM. We welcome shareholders who have joined us this year through this exchange and trust that Ashley House is now more visible to investors seeking shares in companies with strong social values.

Ashley House was delighted to be named as Social Impact Company of the year at the Small Cap Awards last month. This award underlines the direct positive effect the Company's activities have on the most vulnerable in society. The Small Cap awards seek to recognise outstanding achievement in the quoted UK Small Cap market (ie Companies with market capitalisation of less than £150m). Examples of improvements to people's health and lives that have directly resulted from the Company's activities will be provided in this year's annual report and social impact report.

## Strategic report (continued)

### Summary

We are delighted to have returned to profit in this our 25<sup>th</sup> year. The focus on our core business of developing Health, Extra Care and Community properties and the reductions in corporate overheads in recent years have positioned the business to take advantage of its strong pipeline. We are now well diversified across the health and social care landscape. Once the LHA rent cap issue is resolved, as the industry expects, the improvements in living standards, health outcomes and contribution to solving the housing crisis that our Extra Care developments provide should enable that area of the business to grow rapidly. This, coupled with an increasing Health and Community development business, means we look forward to the future with increasing confidence.

On behalf of the Board

**Antony Walters**

***Chief Executive***

*12 July 2016*

**Jonathan Holmes**

***Commercial Director***

# Consolidated statement of comprehensive income

for the year ended 30 April 2016

	Note	2016 £000	2015 £000
<b>Revenue</b>		<b>20,737</b>	8,384
Cost of sales		(15,944)	(8,600)
<b>Gross profit/(loss)</b>		<b>4,793</b>	(216)
Administrative expenses		(3,226)	(3,357)
Depreciation and impairment		(1,514)	(7,645)
Share of results of joint ventures		97	199
Other operating income		581	—
<b>Operating expenses</b>		<b>(4,062)</b>	(10,803)
<b>Operating profit/(loss)</b>		<b>731</b>	(11,019)
Interest receivable		1	1
Interest payable		(491)	(868)
<b>Profit/(loss) before taxation</b>		<b>241</b>	(11,886)
<b>Profit/(loss) before taxation</b>		<b>241</b>	(11,886)
Other operating income		(581)	—
Depreciation and impairment		1,514	7,645
Depreciation, amortisation and taxation included in share of results of joint ventures		(14)	—
<b>Adjusted profit/(loss) before taxation</b>		<b>1,160</b>	(4,241)
Tax credit/(charge)		6	(16)
<b>Profit/(loss) after tax for the year attributable to equity holders of the parent</b>		<b>247</b>	(11,902)
<b>Other comprehensive income</b>		<b>—</b>	—
<b>Total comprehensive income/(loss) for the year</b>		<b>247</b>	(11,902)
<b>Basic and diluted profit/(loss) per share</b>	2	<b>0.42p</b>	(20.41)p
Basic profit/(loss) per share on Adjusted PBT*	2	<b>1.99p</b>	(7.27)p

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

\* Adjusted PBT = Profit before taxation, depreciation, impairment and other operating income.



# Consolidated balance sheet

at 30 April 2016

	2016 £000	2015 £000
<b>Non-current assets</b>		
Property, plant and equipment	129	122
Investments in joint ventures	785	2,300
Deferred tax asset	1,400	1,400
Other receivables	760	807
	<b>3,074</b>	<b>4,629</b>
<b>Current assets</b>		
Work in progress	2,807	4,296
Trade and other receivables	5,616	3,055
Cash and cash equivalents	23	856
	<b>8,446</b>	<b>8,207</b>
<b>Total assets</b>	<b>11,520</b>	<b>12,836</b>
<b>Current liabilities</b>		
Trade and other payables	(5,450)	(6,255)
Bank borrowings and overdrafts	(1,483)	(883)
Provisions	(56)	(31)
	<b>(6,989)</b>	<b>(7,169)</b>
<b>Net current assets</b>	<b>1,457</b>	<b>1,038</b>
<b>Non-current liabilities</b>		
Bank borrowings and overdrafts	(527)	(2,000)
Long term provisions	(171)	(117)
	<b>(7,687)</b>	<b>(9,286)</b>
<b>Net assets</b>	<b>3,833</b>	<b>3,550</b>
<b>Equity</b>		
Share capital	588	583
Share premium	43	—
Share-based payment reserve	10	22
Special reserve	3,248	3,491
Retained earnings	(56)	(546)
<b>Total equity</b>	<b>3,833</b>	<b>3,550</b>

## Consolidated statement of changes in equity

for the year ended 30 April 2016

	Share capital £000	Share premium £000	Share-based payment reserve £000	Special reserve £000	Retained earnings £000	Total £000
At 1 May 2015	583	—	22	3,491	(546)	3,550
Total comprehensive income for the year	—	—	—	(243)	490	247
<b>Transactions with owners</b>						
Issue of shares to Ashley House Share Incentive Plan	5	43	—	—	—	48
Cancellation of previous share option scheme	—	—	(22)	—	—	(22)
New share option scheme charge	—	—	10	—	—	10
<b>At 30 April 2016</b>	<b>588</b>	<b>43</b>	<b>10</b>	<b>3,248</b>	<b>(56)</b>	<b>3,833</b>

	Share capital £000	Share-based payment reserve £000	Special reserve £000	Retained earnings £000	Total £000
At 1 May 2014	583	13	12,110	2,737	15,443
Total comprehensive loss for the year	—	—	(8,619)	(3,283)	(11,902)
<b>Transactions with owners</b>					
Share-based payment charge	—	9	—	—	9
At 30 April 2015	583	22	3,491	(546)	3,550

# Consolidated statement of cash flows

for the year ended 30 April 2016

	2016 £000	2015 £000
<b>Operating activities</b>		
Profit/(loss) for the year before taxation	241	(11,886)
Adjustments for:		
Share-based payment (credit)/charge	(12)	9
Depreciation and impairment	1,514	7,645
Share of results of joint ventures	(97)	(199)
Dividends received from joint ventures	174	334
Interest received	(1)	(1)
Interest paid	491	868
Operating cash flows before movements in working capital	2,310	(3,230)
Decrease/(increase) in work in progress	1,489	(1,515)
(Increase)/decrease in trade and other receivables	(2,514)	2,966
(Decrease)/increase in trade and other payables	(805)	2,160
Increase in provisions	79	148
<b>Cash generated from operations</b>	<b>559</b>	<b>529</b>
Income tax received/(paid)	6	(16)
Interest received	1	1
Interest paid	(491)	(868)
<b>Net cash generated from/(used by) operating activities</b>	<b>75</b>	<b>(354)</b>
<b>Investing activities</b>		
Purchase of shares in joint venture	(17)	—
Purchase of property, plant and equipment	(66)	(122)
<b>Net cash used by investing activities</b>	<b>(83)</b>	<b>(122)</b>
<b>Financing activities</b>		
Issue of ordinary shares	48	—
Proceeds from borrowings	600	1,400
Repayment of borrowings	(1,473)	(166)
<b>Net cash (used by)/generated from financing activities</b>	<b>(825)</b>	<b>1,234</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(833)</b>	<b>758</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>856</b>	<b>98</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>23</b>	<b>856</b>

# 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 2016, 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.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report as above, which also describes the financial position of the Group, its cash flows, liquidity position and borrowings. The Strategic report also gives details of the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Group finances itself from cash resources, project-specific debt finance and borrowings from Lloyds Banking Group and other debt providers. The Group holds an overdraft and a loan with Lloyds Banking Group, and a loan with Novus Lending Limited.

Ashley House plc's Lloyds overdraft facility remains at £500,000 in line with the Group's borrowing requirements. This overdraft, which is repayable on demand, is in place until 31 December 2016.

AH Scarborough Health Park Limited, a wholly-owned subsidiary company, holds a bank loan with Lloyds Banking Group totalling £710,000. The loan is secured by a first charge over the freehold land and buildings held by that company and a debenture over the Group's assets, and is being repaid over the period to February 2019.

The Group holds a £1,300,000 development finance facility with Novus Lending Limited, a company administered by Rockpool Investments LLP. The facility is repayable on 23 November 2016 and is secured by a charge over certain of the Group's assets, and a second charge over the land owned by AH Scarborough Health Park Limited.

The current economic conditions create uncertainty particularly over:

- a) the level of new schemes required by the Company's social housing clients;
- b) the level of new schemes required by the NHS;
- c) the contribution earned to cover the cost base; and
- d) the availability of finance within the sector.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, demonstrate that the Group expects to operate within the level of its current facilities. The nature of the Group's business is such that it is exposed to risks around the timing of cash inflows, in particular for design fees. Such payments are normally significant, occurring at the end of the design process when a scheme reaches financial close. The Group seeks to minimise its risk in this respect by agreeing progress payments during the design process where possible and by delivering design work in line with agreed timetables. Where the Group acts as principal in construction contracts, the projects' cash flows become regularised after financial close, usually with a positive net monthly cash flow. The Group has consistently demonstrated its ability to participate in projects within any constraints of available finance on a project by project basis.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

## 2 Earnings per ordinary share

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

	2016			2015			
	Adjusted PBT* £000	Profit £000	Weighted average number of shares	Adjusted PBT* £000	Loss £000	Weighted average number of shares	Per share amount pence
Basic and diluted profit/(loss) per share		247	58,355,706	0.42p	(11,902)	58,319,755	(20.41)p
<b>Profit/(loss) per share based on adjusted PBT*</b>	<b>1,160</b>		<b>58,355,706</b>	<b>1.99p</b>	<b>(4,241)</b>	<b>58,319,755</b>	<b>(7.27)p</b>

\* Adjusted PBT = Profit before taxation, depreciation, impairment and other operating income.

No dividend was paid in the year ended 30 April 2016 (2015: £nil).

## Notes to the financial statements (continued)

### 3 Adoption of Financial Reporting Standard (FRS) 101 - Reduced Disclosure Framework

A new UK Generally Accepted Accounting Practice (GAAP) accounting framework introduced by the Financial Reporting Council (FRC) becomes effective for the financial statements of UK companies with accounting periods commencing on or after 1 January 2015. Under this new framework, Ashley House plc (the Company) is required to elect to prepare its parent company financial statements on one of the bases permitted by the FRC.

The Company proposes to adopt FRS 101 "Reduced Disclosure Framework" for the preparation of the Company financial statements for the year ended 30 April 2016 and on an ongoing basis until such time as the Company notifies shareholders of any change.

There are no changes in accounting policies which have required a restatement of the loss of the Company for the financial year ended 30 April 2015, no changes to the Company's statement of financial position, nor are any notes to the Company's financial statements no longer required.

The consolidated Group financial statements of the Company will continue to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are unaffected by this new accounting framework.

The Company's election to adopt FRS 101 for its Company financial statements does not require shareholder approval. However, as stipulated in FRS 101, the Company is required to notify all shareholders of this election. Any shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in the Company may serve an objection to the use of the disclosure exemptions. Objections must be served in writing and delivered to the Company Secretary not later than 27 July 2016.

### 4 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 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 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 12 July 2016.