Successful partnerships

2014
Interim report

Highlights

Six months ended 31 October 2014

"2014/15 should be seen as a transitional year whilst the platform for the sustained growth of the Extra Care business is completed. The establishment and funding of the property holding vehicle for Extra Care is a significant milestone in the transition to our refocused strategy. This strategy together with appropriate financing solutions will drive the business forward and deliver long term value creation and profitable growth."

Christopher Lyons
Chairman

Operational

- Provisional agreement with M&G to provide long term debt of up to £100m to fund Extra Care schemes once completed
- A new Extra Care investment vehicle has been established
- Business expected to be profitable at the full year at EBITDA level but likely to be loss making at PBT level
- Profits may be further depressed due to newly established fund being a subsidiary in the short term
- Four schemes currently on site with others ready when finance is in place (2013: four)
- Total forward pipeline, on-site or appointed, of scheme value yet to be recognised of £175.2m on 31 schemes (January 2014: 31 schemes £103.3m)

Financial

- Revenue of £5.6m (2013: £5.5m)
- EBITDA loss of £1.2m (2013: profit of £0.02m)
- Loss before taxation £1.9m (2013: £0.8m)
- Net assets of £13.8m (2013: £18.9m)
- Net debt £2.2m (2013: £1.2m)
- £8.2m of tax losses to be carried forward (2013: £4.0m)

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Chairman's statement

In my last report to Shareholders in September, I stated that "the strategy to focus on the significant growth in the Extra Care housing market will drive the recovery of the business". The first half of this year has remained challenging. Limited activity in the Health market persists whilst significant time and energy is being invested in driving forward the Extra Care business. As previously advised, and as a consequence, the half year period regrettably but as predicted delivered a loss.

The period has however seen significant progress in building the platform for growth and longer term revenue streams in the Extra Care market. More detail is shown below, however in summary:

As previously stated, we have reached initial agreement with a major institution to create an investment vehicle, the Extra Care fund. We are delighted to announce today that that institution is M&G Investment Management Limited ("M&G"). A new investment vehicle has been incorporated, AH Supported Living Limited ("AHSL") to acquire and fund the Extra Care schemes during construction and hold the completed developments for the long term.

M&G has provisionally agreed to provide long term senior debt to AHSL of up to £100m to fund the schemes once they are completed. Ashley House initially holds the equity in AHSL but is exploring means of bringing in additional funds to dilute its holding and particularly to fund the construction phase of the schemes. The fact that there is now clear visibility of such a well-funded end buyer is an important requirement for attracting construction finance for these schemes and good progress is being made in this respect.

Historically and in line with International Financial Reporting Standards, Ashley House has recognised profit at financial close and throughout construction. Going forward, the majority of Extra Care schemes will be sold to AHSL. Whilst we anticipate additional equity investment will come into AHSL, at the current time it remains owned by Ashley House plc. As a result, for the time being AHSL will be consolidated into our group financial results and consequently no profit would be recognised until completion of construction.

The Extra Care Fund

AHSL has been established as the investment vehicle initially as a wholly owned subsidiary of Ashley House plc. AHSL will fund the Extra Care schemes during construction and hold them once completed. Ashley House will act as the fund manager with an asset management agreement.

M&G has provisionally agreed to provide an initial £100m of long term debt to help fund completed schemes. M&G is very supportive of the establishment of AHSL and our business model. We have co-developed a financial model and documentation. M&G has over £5 billion invested in UK social housing and as one of the leading funders in the sector, has extensive knowledge and experience.

The Board is exploring routes to raise further equity and/or subordinated debt within AHSL, which may include listing that vehicle. We are currently holding discussions with a range of potential investors including those focused on social investment. Additionally other short term debt is being sourced to help fund the construction phase as the M&G funds will not be available until each scheme is completed. Completion of these funding arrangements is key to moving the Extra Care pipeline forward and we expect facilities to be in place to enable schemes to commence on-site prior to or around the year end.

It is anticipated that Ashley House's equity in AHSL will reduce to a holding of less than 25% in the medium term, however, whilst AHSL remains a subsidiary, it is expected that the recognition of profits on schemes sold to AHSL will be delayed until completion of those schemes as they will not have been sold outside the group. This would impact on profit recognition in the short term although will increase long term value. When Ashley House dilutes its holding and therefore no longer has control of AHSL, it is expected that future profit recognition will revert to the current basis of recognising profits partly at financial close with the remainder across the construction phase.

A number of national and local relationships have been created with established Registered Providers of Housing (RPs) to manage tenant relationships and these RPs are ready to proceed on a number of the pipeline schemes. In addition we have held discussions with the Government body, the Homes and Communities Agency (HCA), both to explore the grant regime which supports the level of rents payable by the tenants, and the feasibility of establishing AHSL itself as an RP in order to directly access grant funding for capital projects.

Net debt	Unaudited	Unaudited	Audited
	31 October 2014	31 October 2013	30 April 2014
	£000	£000	£000
Cash in bank	718	22	98
Overdraft	—	(111)	—
Scarborough	(967)	(1,130)	(1,049)
Loan	(2,000)	—	(600)
	(2,249)	(1,219)	(1,551)

Chairman's statement (continued)

Results

The Company made a loss of £1.2m at EBITDA level in the first half of 2014/15 (2013/14: profit £0.02m) leading to a loss before taxation of £1.9m (2013/14: £0.8m) following interest and the expected non-cash impairment of the LIFTCo intangible of £0.5m. This reflects both the ongoing challenges in the Healthcare business and the significant investment made in Extra Care. Whilst the Board expects that, subject to the potential change to the ability to recognise revenue as stated above, the business will be profitable at the full year at EBITDA level, it is likely to be loss making at PBT level.

Net debt

The table on the preceding page shows net debt of £2.2m at 31 October 2014 (2013: £1.2m). Whilst the Company has an overdraft facility with Lloyds Bank of £0.5m this was not utilised at the period end. All of the debt at the end of October relates to and is secured on amounts incurred on scheme related expenditure. This is largely land purchased for future schemes which stood at £3.8m (2013: £2.6m) as shown in work in progress on the balance sheet at the end of October.

Pipeline

Ashley House's current pipeline as at January 2015 is shown in the table below, analysed as "Extra Care" and "Health" for clarity. Within Extra Care the quality and value of schemes is increasing. Two new schemes in Essex have brought the number of appointed schemes to 16 with a value of £119.7m compared to 15 and £102.1m at September with a further scheme currently on site. We have either successfully secured planning consent or have planning applications registered and being assessed by Planning Departments on 11 of the 18 schemes. The first scheme in Grimsby is nearing completion; a scheme in Harwich, which is likely to be the first for AHSL is commencing on site and agreement has been reached to develop a scheme in Nottinghamshire on a partnership basis outside AHSL.

Within Health, work is commencing on our third pathology laboratory, and construction has commenced on a GP surgery in Danbury, Essex. Finally, a GP development in West London secured through one of our LIFT company partners, has been recently handed over to a pleased NHS client. There has not been any noticeable upturn in NHS approvals for new GP surgeries. GPs across the country have been approached by NHS England in recent weeks seeking applications for projects to spend the £250m per annum allocated in the next four years. Whilst an impressive number, this is spread across 8,000 GP practices in England and is likely to drive an increase in minor works from which we expect to benefit to some extent, but not the substantial renewal of the primary healthcare building programme that many consider necessary.

Outlook

Whilst much progress has been made, it has taken longer than the Board anticipated to progress our Extra Care developments due to the time being taken to raise the required funding, which is reflected in the result for the period, the outlook for the rest of the year and in the performance of the share price. We are very grateful to our shareholders for their forbearance.

2014/15 should be seen as a transitional year whilst the platform for the sustained growth of the Extra Care business is completed. The establishment and funding of the property holding vehicle for Extra Care is a significant milestone in the transition to our refocused strategy. The funding raise for that company and in particular the securing of development finance for our growing pipeline is our immediate focus along with the management of cash resources.

The Board continues to monitor and assess the Health market for opportunities arising from recent announcements by NHS England relating to the development of Primary Care and GP surgeries. The election in May will mean that activity with Government bodies, especially contract signings during the run up to the election, will inevitably slow and the Board is therefore expecting that the EBITDA result for the year may not reflect the progress being made.

It is clear however that the Extra Care market is both growing and sustainable over the long term. In addition to all the population predictions, Local Authorities and Government are concerned at the imbalance in housing stock provision for the growing elderly population and a variety of vulnerable and disadvantaged groups. Our belief remains that there is a real opportunity for Ashley House. In order to meet the changing needs of local populations, we have a unique offering of design and build for health and social care infrastructure projects. This strategy together with appropriate financing solutions will drive the business forward and deliver long term value creation and profitable growth.

Christopher Lyons
Chairman
29 January 2015

Pipeline	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	£13.9m	2	£6.0m	4	£19.9m
Appointed	16	£119.7m	11	£35.6m	27	£155.3m
TOTAL	18	£133.6m	13	£41.6m	31	£175.2m

Condensed consolidated interim statement of comprehensive income

	Note	Unaudited 6 months to 31 October 2014 £000	Unaudited 6 months to 31 October 2013 £000	Audited year to 30 April 2014 £000
Revenue		5,590	5,537	8,337
Cost of sales		(5,190)	(3,956)	(7,777)
Gross profit		400	1,581	560
Administrative expenses		(1,653)	(1,674)	(3,360)
Share of results of joint ventures & associates		84	103	188
Depreciation, amortisation & impairment of non-financial assets		(553)	(536)	(1,793)
Exceptional items – restructuring		—	(230)	(230)
Operating loss		(1,722)	(756)	(4,635)
Interest receivable		—	5	8
Interest payable		(147)	(37)	(80)
Loss before taxation		(1,869)	(788)	(4,707)
Loss before taxation		(1,869)	(788)	(4,707)
Depreciation, amortisation & impairment of non-financial assets		553	536	1,793
Exceptional items – restructuring		—	230	230
Depreciation, amortisation & taxation included in share of results of joint ventures & associates		(1)	12	15
Interest receivable		—	(5)	(8)
Interest payable		147	37	80
EBITDA		(1,170)	22	(2,597)
Tax credit		255	71	529
Total comprehensive expense for the period		(1,614)	(717)	(4,178)
Basic and diluted loss per share	3	(2.77)p	(1.23)p	(7.16)p
Basic and diluted (loss)/earnings per share on adjusted EBITDA*	3	(1.57)p	0.16p	(3.55)p

* Adjusted EBITDA = EBITDA plus adjustment for exceptional items and tax credit

Condensed consolidated interim balance sheet

	Note	Unaudited 31 October 2014 £000	*Restated Unaudited 31 October 2013 £000	Audited 30 April 2014 £000
ASSETS				
Non-current assets				
Investments in joint ventures and associates	4	9,369	11,189	9,990
Property, plant and equipment		158	115	90
Deferred tax asset		1,665	936	1,400
		11,192	12,240	11,480
Current assets				
Work in progress		3,796	2,556	2,781
Trade and other receivables		6,401	9,768	6,828
Cash and cash equivalents		718	22	98
		10,915	12,346	9,707
Total assets		22,107	24,586	21,187
LIABILITIES				
Current liabilities				
Trade and other payables		(5,300)	(4,454)	(4,095)
Bank borrowings and overdrafts		(167)	(273)	(167)
		(5,467)	(4,727)	(4,262)
Non-current liabilities				
Amounts falling due after more than one year		(2,800)	(968)	(1,482)
Total liabilities		(8,267)	(5,695)	(5,744)
Net assets		13,840	18,891	15,443
EQUITY				
Share capital		583	583	583
Special reserve		10,541	14,610	12,110
Share-based payment reserve		24	—	13
Retained earnings		2,692	3,698	2,737
Total equity		13,840	18,891	15,443

* In the previous Interim report for the 6 months to 31 October 2013, the Group recorded a loss of £1,340,000 against the special reserve. In the Group's results reported for the year to 30 April 2014, £60,000 profits earned by subsidiary companies, which had been previously included within the £1,340,000 recorded against the special reserve, were re-classified to retained earnings. The Condensed consolidated interim balance sheet as at 31 October 2013 shown above is restated accordingly.

Condensed consolidated interim statement of changes in equity

	Share capital £000	Share premium £000	Special reserve £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 May 2014	583	—	12,110	13	2,737	15,443
Loss for the period	—	—	(1,569)	—	(45)	(1,614)
Share based payments charge	—	—	—	11	—	11
Balance at 31 October 2014	583	—	10,541	24	2,692	13,840
Balance at 1 May 2013	583	34,996	—	—	(15,971)	19,608
Result for the period to date of capital restructure (restated)*	—	—	(1,400)	—	60	(1,340)
Result for the period post date of capital restructure	—	—	—	—	623	623
Cancellation of share premium						
Transfer of share premium to special reserve account	—	(34,996)	34,996	—	—	—
Transfer of accumulated losses to special reserve account	—	—	(18,986)	—	18,986	—
Balance at 31 October 2013	583	—	14,610	—	3,698	18,891
Balance at 1 May 2013	583	34,996	—	—	(15,971)	19,608
Result for the period to date of capital restructure	—	—	(1,400)	—	60	(1,340)
Result for the period post date of capital restructure	—	—	(2,500)	—	(338)	(2,838)
Cancellation of share premium						
Transfer of share premium to special reserve account	—	(34,996)	34,996	—	—	—
Transfer of accumulated losses to special reserve account	—	—	(18,986)	—	18,986	—
Share based payment charge	—	—	—	13	—	13
Balance at 30 April 2014	583	—	12,110	13	2,737	15,443

* In the previous Interim report for the 6 months to 31 October 2013, the Group recorded a loss of £1,340,000 against the special reserve. In the Group's results reported for the year to 30 April 2014, £60,000 profits earned by subsidiary companies, which had been previously included within the £1,340,000 recorded against the special reserve, were re-classified to retained earnings. The Condensed consolidated interim statement of changes in equity for the 6 months to 31 October 2013 shown above is restated accordingly.

Condensed consolidated interim cash flow statement

	Unaudited 6 months to 31 October 2014 £000	Unaudited 6 months to 31 October 2013 £000	Audited year to 30 April 2014 £000
Operating activities			
Loss before taxation	(1,869)	(788)	(4,707)
Adjustments for:			
Share-based payments charge	11	—	13
Depreciation, amortisation and impairment of non-financial assets	553	536	1,793
Share of results of joint ventures and associates	(84)	(103)	(188)
Dividends received from joint ventures and associates	200	142	205
Interest received	—	(5)	(8)
Interest paid	147	37	80
Operating cash flows before movements in working capital	(1,042)	(181)	(2,812)
Increase in work in progress	(1,015)	—	(225)
Decrease in trade and other receivables	427	3,097	6,037
Increase/(decrease) in trade and other payables	1,205	(1,360)	(1,719)
Cash from operations	(425)	1,556	1,281
Income tax paid	(10)	—	(6)
Interest receivable	—	5	8
Interest paid	(147)	(37)	(80)
Net cash (used by)/generated from operating activities	(582)	1,524	1,203
Investing activities			
Purchase of property, plant and equipment	(116)	—	(11)
Net cash used by investing activities	(116)	—	(11)
Financing activities			
Increase in/(repayment of) borrowings	1,318	(1,507)	(1,099)
Net cash generated from/(used by) financing activities	1,318	(1,507)	(1,099)
Net increase in cash and cash equivalents	620	17	93
Cash and cash equivalents at beginning of period	98	5	5
Cash and cash equivalents at end of period	718	22	98

Notes to the condensed consolidated interim financial statements

1 Nature of operations

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

Ashley House's condensed consolidated interim financial statements (the interim financial statements) are presented in pounds sterling (£), which is also the functional currency of the parent company. These interim financial statements were approved for issue by the Board of directors on 29 January 2015.

The financial information set out in these interim financial statements 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 2014 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 financial statements are for the six months ended 31 October 2014. 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 statement and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2014.

These interim 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.

These 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 2014.

Notes to the condensed consolidated interim financial statements (continued)

3 Earnings per share

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

6 months to 31 October 2014	Reported adjusted EBITDA* £000	Loss £000	Weighted average number of shares	Per share amount Pence
Loss after tax	(915)	(1,614)		
Loss attributable to ordinary shareholders				
Weighted average number of shares			58,319,755	
Basic loss per share				(2.77)p
Basic loss per share based on adjusted EBITDA*				(1.57)p

6 months to 31 October 2013	Reported adjusted EBITDA* £000	Loss £000	Weighted average number of shares	Per share amount Pence
Profit/(loss) after tax	93	(717)		
Profit/(loss) attributable to ordinary shareholders				
Weighted average number of shares			58,319,755	
Basic loss per share				(1.23)p
Basic earnings per share based on adjusted EBITDA*				0.16p

Year to 30 April 2014	Reported adjusted EBITDA* £000	Loss £000	Weighted average number of shares	Per share amount Pence
Loss after tax	(2,068)	(4,178)		
Profit attributable to ordinary shareholders				
Weighted average number of shares			58,319,755	
Basic loss per share				(7.16)p
Basic loss per share based on adjusted EBITDA*				(3.55)p

* Adjusted EBITDA = EBITDA plus adjustment for exceptional items and tax credit

Notes to the condensed consolidated interim financial statements (continued)

4 Investments in joint ventures and associates

	Unaudited 31 October 2014 £000	Unaudited 31 October 2013 £000	Audited 30 April 2014 £000
Investments in joint ventures and associates			
LIFTCo	9,273	11,000	9,778
Other joint ventures and associates	96	189	212
As at 31 October/30 April	9,369	11,189	9,990
Movement in joint ventures and associates in the reporting period			
As at 1 May	9,990	11,737	11,737
Share of comprehensive income	84	103	188
Reclassification of loan due from joint venture	—	(9)	(8)
Impairment charge	(505)	(500)	(1,722)
Dividends received	(200)	(142)	(205)
As at 31 October/30 April	9,369	11,189	9,990
Share of comprehensive income			
LIFTCo	—	—	—
Other joint ventures	84	103	188
As at 31 October/30 April	84	103	188

LIFTCo investment
The Group holds interests in seven NHS LIFT companies (Local Improvement Finance Trust). The exclusivity periods of these arrangements which underpin the value of the investment have a further ten years to run on average.

Impairment
The carrying value of the LIFTCo investment was reviewed at 31 October 2014, and an impairment of £505,000 was recorded. A full impairment review of the LIFTCo investment will be performed prior to 30 April 2015.

Company information

Company registration number
02563627

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R Darch	Non-executive Director
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