ashley house

Interim Report 2016

CELEBRATING

25 YEARS

Ashley House plc

FOUNDED IN 1991

Highlights

Six months ended 31 October 2016

Financial Highlights

- Company remains profitable in period.
- Revenue in line with prior year at £10.7m (2015: £10.6m).
- Statutory profit before taxation £0.8m (2015: £0.2m).
- Adjusted profit before taxation £0.2m (2015: £0.4m).
- Net debt £2.4m (2015: £2.6m).

Operating Highlights

- Government in consultation on funding for supported housing which is expected to be positively resolved in 2017 but does challenge timing of scheme delivery.
- Award of £11.5m grant funding by the Homes and Communities Agency for future Extra Care schemes with a further £7.5m for other Ashley House schemes via partner.
- Three schemes currently on site (2015: four) being Walton on the Naze (Extra Care) and the Health schemes in Swansea & Wivenhoe.
- Completion of the Harwich Extra Care scheme in December 2016.
- Total forward pipeline, on-site or appointed of 25 schemes with £170.7m of revenue anticipated to be recognised (January 2016: 32 schemes £186.7m).

"The Board is pleased that the business remains profitable and, whilst there are still challenges to overcome considers the business is well placed to grow again in the near future."

Christopher Lyons
Chairman

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Chairman's statement

I am pleased to advise that Ashley House has produced a profit before tax for the six months to 31 October 2016 on a turnover in line with the previous year.

In September last year we celebrated the Company's 25 year anniversary and Ashley House continues to expand its product and service offering, applying its skills and experience to the development of health, housing and other community projects.

We continue to wait for full clarity on the Government's proposal to top up housing benefit at a local level to fund supported housing. A consultation process commenced in November jointly commissioned by the Department for Communities & Local Government and the Department for Work & Pensions. In its introduction to the consultation document, the Government reiterates that it is "committed to protecting and boosting the supply of supported housing". We continue to work with our clients, both Councils and Registered Providers, to find solutions to enable at least some of our pipeline schemes to proceed whilst this consultation continues.

This month's announcement by the Homes and Communities Agency of grant funding for the next five years included Ashley House with £11.5m of funding for five of our current schemes. In addition, a Registered Provider partner has been awarded £7.5m for another three of our schemes. The total of £19m of grant funding is a strong indication of the progress the Company has made in this area and of the real opportunity for the business to develop out these schemes once the Government's position on social rents becomes clear.

In each case the grant funding allows the rents to be around 20% lower than they would have been and makes the schemes acceptable to the Local Authority Housing Benefits team. It does not in itself close the gap created by the capping of Housing Benefits to Local Housing Allowance levels, but it should help unlock schemes. Having successfully completed our Extra Care scheme in Harwich last month, we remain on site with the scheme in Walton on the Naze which is due to complete in the coming weeks.

We currently believe that three schemes in our Extra Care pipeline will be able to reach contract before our year end thereby qualifying for revenue recognition, although they all still require Local Authority and partner board final approvals.

Whilst our existing products are much required, the Company will continue to diversify in order to lessen the exposure to the risk of Government making changes that affect the fundamental elements of the business.

As mentioned in my last statement in July, we continue to work with a modular construction contractor through a joint venture company in order to increase the speed and efficiency of our existing build programmes. This is enabling us to tap into a new range of products and development opportunities that utilise our skills set and importantly start to move us away from a reliance on Government funded schemes. We hope to be able to announce more concerning this venture in the coming months.

Net debt	Unaudited 31 October 2016	Unaudited 31 October 2015	Audited 30 April 2016
	£000	£000	£000
Cash in bank	(476)	514	23
Loan on Scarborough land	(619)	(797)	(710)
Loan	(1,300)	(2,300)	(1,300)
	(2,395)	(2,583)	(1,987)

Chairman's statement (continued)

In our Health segment we have commenced construction on two new schemes, a fully integrated GP surgery and family centre complex in Swansea and the redevelopment of an old school building into new surgery premises in Wivenhoe, Essex. The diagnostics and treatment centre in Durham will commence on site in the coming weeks. In addition we continue to support our partners Integrated Pathology Partnerships in their programme of creating new pathology laboratories.

Results

The Company made a profit before taxation of £0.8m in the first half of 2016/17 (2015/16: £0.2m) on revenue of £10.7m (2015/16: £10.6m). The gross margin percentage generated was lower than last year due to the increase in construction income which typically has a lower margin than pre-construction income. The adjusted profit before tax was £0.2m (2015/16: £0.4m). The Company also reached agreement to cancel a significant historic liability with the counterparty, enabling a stronger statutory result to be achieved.

The ongoing Government consultation relating to funding for supported housing means that a further complication is added to the process of contracting on schemes. Subject to the timing risk on some of our schemes as referred to above, the Board expects that the Company will be profitable at the full year.

Net debt

The table on page 1 shows net debt of £2.4m at 31 October 2016 (2015: £2.6m). The Company's overdraft facility with Lloyds Bank has recently been extended to £0.75m and renewed until 31 December 2017. As in previous periods all debt at the end of October was secured on amounts incurred on scheme related expenditure. This is largely land purchased for future schemes which stood at £2.8m (2015: £2.8m) as shown in work in progress at the end of October.

In December we announced the refinancing of our loan through a facility with the related party, Invescare Limited. The management of our cash resources continues to be an important aspect of the business.

Pipeline

Ashley House's pipeline as at January 2017 is shown in the table below. The value of the stated pipeline has decreased from the previous information published in July 2016 largely due to the recognition of £10m of revenue from the pipeline in the period.

Outlook

We continue to make good progress on schemes in our Extra Care segment although this is not helped by delays caused by the Government's consultation process. Despite this we continue to work with our clients to find solutions to enable schemes to progress to site. We continue to broaden the outlook of the business and once this is achieved and the funding of supported housing is resolved as expected, the Board considers that the opportunities for Ashley House are very strong.

The Board is pleased that the business remains profitable and, whilst there are still challenges to overcome considers the business is well placed to grow again in the near future.

Christopher Lyons
Chairman
25 January 2017

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	1	£4.1m	2	£3.5m	3	£7.6m
Appointed	16	£145.4m	6	£17.7m	22	£163.1m
TOTAL	17	£149.5m	8	£21.2m	25	£170.7m

Condensed consolidated interim statement of comprehensive income

	Note	Unaudited 6 months to 31 October 2016 £000	Unaudited 6 months to 31 October 2015 £000	Audited Year to 30 April 2016 £000
Revenue		10,744	10,626	20,737
Cost of sales		(9,059)	(8,343)	(15,944)
Gross profit		1,685	2,283	4,793
Administrative expenses		(1,269)	(1,584)	(3,226)
Depreciation and impairment		(55)	(185)	(1,514)
Share of results of joint ventures		165	(42)	97
Other operating income		—	—	581
Exceptional adjustment		655	—	—
Operating profit		1,181	472	731
Interest receivable		—	—	1
Interest payable		(401)	(234)	(491)
Profit before taxation		780	238	241
Profit before taxation		780	238	241
Depreciation and impairment		55	185	1,514
Taxation included in share of results of joint ventures		—	(14)	(14)
Other operating income		—	—	(581)
Exceptional adjustment		(655)	—	—
Adjusted profit before taxation*		180	409	1,160
Tax credit		—	—	6
Total comprehensive income for the period		780	238	247
Basic and diluted earnings per share	3	1.32p	0.41p	0.42p
Basic and diluted earnings per share on Adjusted PBT*	3	0.31p	0.70p	1.99p

* Adjusted PBT = Profit before taxation, depreciation, impairment, other operating income and exceptional adjustments

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Condensed consolidated interim balance sheet

	Unaudited 31 October 2016 £000	Unaudited 31 October 2015 £000	Audited 30 April 2016 £000
Non-current assets			
Property, plant and equipment	106	155	129
Investments in joint ventures	764	2,087	785
Deferred tax asset	1,400	1,400	1,400
Other receivables	760	827	760
	3,030	4,469	3,074
Current assets			
Work in progress	2,807	2,807	2,807
Trade and other receivables	6,687	5,129	5,616
Cash and cash equivalents	—	514	23
	9,494	8,450	8,446
Total assets	12,524	12,919	11,520
Current liabilities			
Trade and other payables	(5,303)	(5,887)	(5,450)
Bank borrowings and overdrafts	(1,962)	(1,537)	(1,483)
Provisions	(56)	(31)	(56)
	(7,321)	(7,455)	(6,989)
Net current assets	2,173	995	1,457
Non-current liabilities			
Amounts falling due after more than one year	(433)	(1,560)	(527)
Long term provisions	(128)	(109)	(171)
Total liabilities	(7,882)	(9,124)	(7,687)
Net assets	4,642	3,795	3,833
Equity			
Share capital	590	583	588
Share premium	59	—	43
Share-based payment reserve	21	29	10
Special reserve	3,248	3,491	3,248
Retained earnings	724	(308)	(56)
Total equity	4,642	3,795	3,833

Condensed consolidated interim statement of changes in equity

	Share capital £000	Share premium £000	Share-based payment reserve £000	Special reserve £000	Retained earnings £000	Total equity £000
Balance at 1 May 2016	588	43	10	3,248	(56)	3,833
Total comprehensive income for the year	—	—	—	—	780	780
Issue of shares to Ashley House Share Incentive Plan	2	16	—	—	—	18
Share-based payment charge	—	—	11	—	—	11
Balance at 31 October 2016	590	59	21	3,248	724	4,642
Balance at 1 May 2015	583	—	22	3,491	(546)	3,550
Total comprehensive income for the year	—	—	—	—	238	238
Share-based payment charge	—	—	7	—	—	7
Balance at 31 October 2015	583	—	29	3,491	(308)	3,795
Balance at 1 May 2015	583	—	22	3,491	(546)	3,550
Total comprehensive income for the year	—	—	—	(243)	490	247
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
Balance at 30 April 2016	588	43	10	3,248	(56)	3,833

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Condensed consolidated interim statement of cash flows

	Unaudited 6 months to 31 October 2016 £000	Unaudited 6 months to 31 October 2015 £000	Audited Year to 30 April 2016 £000
Operating activities			
Profit before taxation	780	238	241
Adjustments for:			
Share-based payment charge/(credit)	11	7	(12)
Depreciation and impairment	55	185	1,514
Share of results of joint ventures	(165)	42	(97)
Dividends received from joint ventures	159	34	174
Interest received	—	—	(1)
Interest paid	401	234	491
Operating cash flows before movements in working capital	1,241	740	2,310
Decrease in work in progress	—	1,489	1,489
Increase in trade and other receivables	(1,071)	(2,094)	(2,514)
Decrease in trade and other payables	(147)	(368)	(805)
(Decrease)/increase in provision	(43)	(8)	79
Cash (used by)/generated from operations	(20)	(241)	559
Income tax paid	—	—	6
Interest receivable	—	—	1
Interest paid	(401)	(234)	(491)
Net cash (used by)/generated from operating activities	(421)	(475)	75
Investing activities			
Purchase of shares in joint venture	—	(17)	(17)
Purchase of property, plant and equipment	(5)	(64)	(66)
Net cash used by investing activities	(5)	(81)	(83)
Financing activities			
Issue of ordinary shares	18	—	48
Proceeds from borrowings	—	300	600
Repayment of borrowings	(90)	(86)	(1,473)
Net cash (used by)/generated from financing activities	(72)	214	(825)
Net decrease in cash and cash equivalents	(498)	(342)	(833)
Cash and cash equivalents at beginning of period	23	856	856
Cash and cash equivalents at end of period	(475)	514	23

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 and consultancy, 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 25 January 2017.

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 2016 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 2016. 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 2016.

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 2016.

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 attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

6 months to 31 October 2016	Adjusted PBT* £000	Profit £000	Weighted average number of shares	Per share amount Pence
Basic and diluted earnings per share		780	58,932,721	1.32p
Profit per share based on Adjusted PBT*	180		58,932,721	0.31p

6 months to 31 October 2015	Adjusted PBT* £000	Profit £000	Weighted average number of shares	Per share amount Pence
Basic and diluted earnings per share		238	58,319,755	0.41p
Profit per share based on Adjusted PBT*	409		58,319,755	0.70p

Year to 30 April 2016	Adjusted PBT* £000	Profit £000	Weighted average number of shares	Per share amount Pence
Basic and diluted earnings per share		247	58,355,706	0.42p
Profit per share based on Adjusted PBT*	1,160		58,355,706	1.99p

* Adjusted PBT = Profit before taxation, depreciation, impairment, other operating income and exceptional adjustments

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