



15 December 2017

Ashley House plc

New joint venture with Morgan Sindall Investments Limited

Ashley House plc (“Ashley House” or the “Company”), the health and community care property partner, is delighted to announce that it has today signed a joint venture agreement with Morgan Sindall Investments Limited (“MSIL”) a wholly owned subsidiary of the construction and regeneration group, Morgan Sindall Group plc. Together through the new joint venture Ashley House and MSIL will develop extra care and supported living housing.

New joint venture

The Company has set up a new limited liability partnership, Morgan Ashley Care Developments LLP (“MACD”) into which it is transferring the majority of the pipeline schemes from its Housing division. MSIL has acquired a 50% interest in the new venture for a total consideration of £4 million (the “Transaction”). The Company has today received £2 million in cash from MSIL and will receive a further £500,000 at the beginning of January 2018 with the remaining £1.5 million contingent on certain completion mechanics but expected to be paid in early 2018.

The joint venture will enable Ashley House to accelerate and grow its pipeline of extra care and care scheme developments that are much needed by communities across the UK.

Reasons for the joint venture

Ashley House is a relatively small development company. In recent years the Company has created a significant pipeline of schemes especially in the extra care sector. The delivery of these schemes has taken longer than might have been expected mainly due to unforeseen Government action on extra care rental support. With the recent Budget changes signaling a positive change of policy in this area the Board believes that the creation of this joint venture with MSIL will accelerate delivery of that pipeline, providing a platform to significantly grow the business to the benefit of both partners.

Assets subject to the Transaction

Other than two current Housing division schemes which are shortly due to reach financial close, all extra care, care and supported living pipeline schemes will become part of the joint venture and will then constitute the entirety of the Company’s Housing division. The Company’s Housing division pipeline, as defined in the Company’s annual reports stood at £197.9m in scheme value as at 3 October 2017 as advised by the Company to the market on that date. Profits arising from that pipeline are dependent on the successful delivery of the schemes. As per the published accounts, in the year to 30 April 2017, the Housing division produced a turnover of £14.2m out of a total of £18.6m. The segment result for the same

period was £2.0m out of a total of £3.7m. Employees of the Company currently working in the Housing division will be provided by the Company to the joint venture as part of the agreement. It is not expected that any employees will transfer to MACD pursuant to Transfer of Undertakings (Protection of Employment) Regulations 2006.

Assets remaining following the Transaction

Following the Transaction, the Company will continue to operate across three divisions. Its existing modular business through its 76% shareholding in F1 Modular Limited and its Health property development divisions are unaffected by this Transaction. The Housing division will thereafter deliver the remaining two schemes and hold the 50% share in MACD. The Board intends to apply the consideration received by the Company in connection with the Transaction to pursuing the Company's strategy and providing working capital to all of its activities, accelerating the development of the MACD pipeline and further growing F1 Modular Limited.

Current trading and prospects

In the Chairman's statement contained within preliminary results published on 2 October 2017, Christopher Lyons stated that "*The first half of the current financial year has to date been challenging with no schemes reaching financial close, but an agreement with new partners will mean a much improved outlook for the second half and beyond.*" We will issue the interim report and accounts to 31 October 2017 in January 2018 which will as expected show a loss, although the Board believes that the Company will be profitable for the full financial year. The Board considers that the joint venture will enable the Company to de-risk a significant area of its business and build a stronger project pipeline, delivering schemes more quickly than were the business to continue to trade in the sector without a partner.

Information on our new partner

MSIL is a wholly owned subsidiary of Morgan Sindall Group plc, the construction and regeneration group. MSIL provides investment, funding, asset management, capital transaction advice and project management on projects throughout the UK. Subject to normal value for money measures, the Morgan Sindall group will be able to provide construction, scheme investment and funding to the joint venture.

Antony Walters, Chief Executive of Ashley House plc commented: "We are delighted to have signed this key partnership with Morgan Sindall Investments Limited. We are very much looking forward to working with our new partner in this strategically important joint venture to provide the scale and financial strength Ashley House requires to take advantage of our market leading position in this key and growing market."

Lisa Scenna, Managing Director of Morgan Sindall Investments Limited commented: "The joint venture with Ashley House is a key step in our focus to grow our business in the increasingly important and active extra care sector and we are excited to have found in Ashley House an experienced developer as our partner. Together we can grow the pipeline to deliver much needed housing for elderly people."

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