



14 March 2017

Ashley House plc

Acquisition and Trading Update

Ashley House plc (the “Company”), the Extra Care Housing and Health Property Partner today announces an Acquisition and provides a Trading Update. The Trading Update highlights the risk of delays to the closing of certain projects arising from ongoing uncertainty of Government funding support for such projects which might result in revenues being delayed from the year ended 30 April 2017 into the subsequent financial period. As a result of this ongoing uncertainty, the Board has been actively seeking revenues less dependent on Government funding and consequently has today completed the Acquisition of the business and assets of a modular off-site construction partner with whom the Company has been working in the last year.

Acquisition

Ashley House is pleased to announce that its majority owned subsidiary, F1 Modular Limited (“F1M”) has completed the acquisition of the assets and business of its former modular off-site construction partner. Ashley House has simultaneously increased its ownership of F1M to 76%.

Ashley House first invested into F1M in May 2016 as a platform to win schemes for modular construction extending the Company’s range of activity. This provided Ashley House with good visibility of the existing market for modular construction and the opportunities specific to Ashley House. The opportunity to acquire the business and assets of F1M’s current modular partner has now arisen.

“Modern Methods of Construction” or “Offsite Construction” is poised to play an increasing part in the UK building and development industry. Highlighted in the recent white paper, Fixing Our Broken Housing Market, the Prime Minister stated in her foreword: “We will diversify the housing market, opening it up to smaller builders and those who embrace innovative and efficient methods”. The Homes and Communities Agency has now been tasked with stimulating this sector via a £2bn fund.

F1M (as enlarged by today’s acquisition) is the only modular contractor to hold a place on Local Government’s LHC national framework NH1 for Housing and is currently bidding to deliver mixed developments including private accommodation.

The short term pipeline includes contracted housing for two Local Authorities (one of which is currently in the factory) specialist units for a Welsh Council and a flow of work with an innovative retail developer delivering ready built retail pods. F1M is seeking to extend its reach into schools, student accommodation and other similar products which are well suited for building in a factory before being transported to site.

It is also capable of delivering a significant proportion of Ashley House's own pipeline as the Company will use a mixture of off-site and traditional build methods for its schemes. It is this ability to provide an integrated approach involving a modular solution which was a key benefit in the Company's recent bid win in York of a 70 bedroom Care Home. This scheme is expected to start onsite during the Company's next financial year.

The minority shareholders in F1M are individuals already involved in the modular business undertaking sales and technical management roles. Ashley House is confident that together it has the experience, management expertise and most importantly track record with potential clients to properly manage and grow the enlarged F1M business.

The business being acquired by F1M from administration produced a loss of £93,000 in the year to 31 December 2015 (the latest available financial statements). F1M has agreed to pay £113,500 for the plant, machinery and other assets of this business and is entering into a new lease on the 80,000 square foot factory with an option to acquire the freehold over the next six months and again after a further five years.

For the year to 31 May 2016, F1M produced a loss of £29,000. Ashley House has today increased its holding in F1M from 52% to 76% for a maximum consideration of £250,000, £240,000 of which is payable only when the enlarged F1M is profitable and a loan of £210,000 from Ashley House has been repaid. The additional 24% of shares can revert to the minority shareholders once the enlarged F1M has achieved profits of more than £4m over the next three years.

Acquisition funding is from Ashley House's own cashflow and will be supplemented in due course by debt to fund working capital on contracts and on plant and equipment.

Trading Update

As highlighted in the Interim Results statement of 25 January 2017, the Company has been working to agree arrangements with Local Authority and Housing Association partners in order to financially close enough of the supported housing or Extra Care pipeline schemes needed to achieve the anticipated levels of profit for the year to 30 April 2017.

These partners are hesitant to formally agree final arrangements whilst the current ongoing Government consultation relating to the funding for supported housing takes place. Despite continued positive discussions between partners, the agreements are still not in place and although they may yet conclude in time it is increasingly likely that they may fall into the following financial year.

Even if these discussions do not lead to the achievement of financial close of the schemes prior to the year end, the Board advises that it believes the business will still achieve a small profit at Profit before Tax level for the current financial year.

It is still very much believed that Extra Care will be an increasing and successful part of the business and will provide significant growth in the near future. The Board however is immensely frustrated at the continued impact of Government policy change on this key area of the business. Consequently the Company has been working to develop business streams less reliant on direct Government support and the Acquisition above leads directly into this.

Commenting on the acquisition Antony Walters, Chief Executive said "This is a key opportunity for Ashley House to broaden its scope of activity and exploit new opportunities in the housing, care, education, leisure and related markets. We have identified a significant market demand of off-site construction solutions and the need to create a new range of products that compliment those reliant on Government for funding. We look forward to working with our new colleagues within F1 Modular and building a socially sustainable business by integrating development and modular construction."

Enquiries:

Ashley House plc
Antony Walters
Jonathan Holmes

01628 600 340

WH Ireland Limited
(Nominated Adviser and broker to Ashley House plc)
Adrian Hadden
Nick Prowting

0207 220 1666