Ashley House plc (the “Company” or “Group”), the health and community 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 2017.

Financial highlights:

- **Group remained profitable but behind last year**
  - Revenues reduced by 10% to £18,565,000 (2016: £20,737,000)
  - Gross profit of £3,631,000 (2016: £4,793,000)
  - Adjusted PBT (profit before tax, depreciation, impairment and other operating income) of £53,000 (2016: £1,160,000)
  - Profit before tax of £67,000 (2016: £241,000)

- **Continuing management of overheads and debt whilst strategic acquisition completed**
  - Administrative expenses reduced by 7% to £3,008,000 (2016: £3,226,000)
  - Cash generated from operations of £996,000 (2016: £559,000)
  - Net debt increased to £2,547,000 (2016: £1,987,000) partly to finance acquisition

Operating highlights:

- **Housing pipeline continues to build, although delivery still held up by Government**
  - Completion of two extra care housing schemes, in Harwich and Walton-on-the-Naze
  - Pipeline of 23 appointed schemes with £197.9m of revenue anticipated to be recognised
  - Almost two year delay to extra care housing pipeline as Government benefit policy on elderly and vulnerable people continues to be reassessed. The Company however now believes this may shortly be unlocked

- **Activity continues in Health market**
  - Pipeline of 5 schemes, on site (3) or appointed (2) with £14.1m of revenue anticipated to be recognised
  - Three health developments currently on site

- **Strategic capability enhanced through acquisition of off-site manufacturing business**
  - Through F1 Modular, the Group now has off-site manufacturing capability
  - The acquisition provides supply chain benefits as well as access to an extended range of sectors
  - Two modular social housing schemes currently on site
  - Growing pipeline of schemes across housing, education and retail

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

Ed Allsopp

James Sinclair-Ford

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 2017. 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 29 September 2017 and signed on its behalf by:

Antony Walters

Chief Executive

Chairman's statement

As expected the Company made a small profit for the year to 30 April 2017. With the continued back drop of a lack of clarity from Government on their policy on elderly care (the LHA cap issue mentioned below), the business continues to build its pipeline whilst a solution is found to unlock the development of these much needed facilities. Recent developments with funders and Registered Providers now being prepared to proceed despite the Government's procrastination, means there is a real expectation that schemes can start to be built out which will be the catalyst for growth in the coming months and years.

Results

Profit before tax for the year to 30 April 2017 was £67,000 (2016: £241,000) whilst adjusted PBT (profit before tax, depreciation, impairment and other operating income) for the year to 30 April 2017 was £53,000 (2016: £1,160,000). Revenue was slightly behind last year at £18,565,000 (2016: £20,737,000). The Company continued to further invest in its pipeline and completed an acquisition both partly financed by an increase in net debt to £2,547,000 (2016: £1,987,000) as detailed in the Strategic report.

Strategic acquisition of modular capability

A significant corporate development this year was the Company's increased involvement in F1 Modular Limited (F1M) and the acquisition by F1M in March this year of the assets of an experienced offsite manufacturer. F1M is now a 76% subsidiary of Ashley House plc with the remaining shares held by F1M management. The business operates from its leased 70,000 square feet factory in mid Wales. Modern Methods of Construction (MMC) is receiving a significant amount of positive press in relation to the housing crisis including the White Paper on Housing published in February this year. The quality and energy efficiency of the housing and other developments F1M produces is excellent and it has one of the few systems that meet 2015 Building Regulations. F1M has a growing pipeline with places on Local Authority frameworks LHC1 and LHC3 and most recently obtained a place (through Ashley House) on the new ESFA schools framework. The business works in the private sector building retail units and housing although it is increasingly focussing on satisfying demand in the affordable housing and education sectors. F1M is currently in production with a pilot scheme of affordable houses in Banbury and social housing bungalows in Consett, County Durham. Further information is provided in the Strategic report.

Housing

The last few months has seen the successful completion of two further extra care housing facilities in Harwich and Walton, both for Essex County Council and Tendring District Council. These two developments are leased to Season, a subsidiary of the Registered Provider One Housing Group. Both schemes were funded by Funding Affordable Homes and supported by grants from Essex County Council.

The Company has continued to extend its housing pipeline although the delivery of these schemes continues to be delayed by Government's intention to restrict Housing Benefit to the Local Housing Allowance ("LHA") rate, which is substantially below the re-imbursement tenants in extra care housing schemes require. As stated in last year's report, the Government's announcement relating to LHA had the unintended consequence of halting new extra care housing developments. Whilst Government subsequently agreed to support people needing extra care with 'top-up' funding it is still not clear what form this will take and without clarity funders, Local Authorities and Registered Providers have been unable to contract on schemes.

The ageing population coupled with the housing crisis ensure that the demand for extra care housing remains very strong. We believe a Government resolution to the issue of the cap is close but in the meantime the Company has been working with funders and Registered Providers to create contractual structures that allow us to proceed with developments despite the resolution of this issue remaining unclear. This means that schemes are at last being worked up to completion and will proceed to site in the coming months.

Health

Despite the continuing difficulties with Government funding in the health segment, the Company is currently on site with three health developments, including the Diagnostic and Treatment Centre in Durham.

Outlook

The challenges the business has faced over the last couple of years are clear as the resolution to the issue of the LHA cap is awaited. In that time the Company has continued to build its housing pipeline and has carefully managed its cost base. 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.The Company has increased its net debt and is working to extend and widen its financing options to ensure it is able to continue to invest in its pipeline as new agreements with funders and Registered Providers are developed and the delivery of the pipeline is accelerated. Coupled with the new investment in the modular business, the Company is well placed to benefit from the demands of the housing market and ageing population which have been well documented.

Christopher Lyons

Chairman

29 September 2017

Strategic report

Ashley House is a social developer with a rich history of making significant improvements to the health and social housing needs of our clients and their patients and residents. Working with commissioners and providers in the health, social housing and community sectors our property solutions help some of the most vulnerable in society with specialised social housing needs and improved health outcomes.

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. During the year the Group has added an offsite modular construction capability through its 76% subsidiary, F1 Modular Limited.

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 2017 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.

In recent years the Company has developed a significant pipeline of mostly housing schemes that rely on housing benefit for their rental streams. In the last few months the Company has completed two such extra care housing schemes in Harwich and Walton on the Naze. As detailed below the Board is confident that the delivery of the pipeline is now being unblocked and that will enable increased profitability to be derived in the coming years. Unless it is clear that it can be recovered, 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 2017 was £53,000 (2016: £1,160,000). The Group's pipeline has grown by 16% and information pertaining to this is shown and discussed below.

The Company operated in two main sectors in the year, housing and health:

Housing

During the past few months the two extra care housing schemes on site at Harwich and Walton on the Naze have completed and are now open. Both developments were funded by our partner, Funding Affordable Homes ("FAH") and leased to the Registered Provider One Housing. The Harwich development consists of two buildings with a total of 70 one and two bedroomed self-contained apartments spread over three floors, and also featuring communal facilities including a residents' lounge, restaurant and private courtyard garden. Walton on the Naze features 60 self-contained one and two bedroomed apartments with similar communal facilities. Both schemes enable local older people with care needs to continue to live independently with the added security of care and support from One Housing Group's Season Homes care and support service. These 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 two developments for the charity HFT, one a block of seven flats for people with learning disabilities and the other a twelve bed unit for residents with dementia.

Health

Despite the continuing limited Government funding in primary care the Company is currently on site with two GP surgeries in Swansea and Wivenhoe, Essex as well as a diagnostic and treatment centre located to the North East of Durham. The Swansea project also includes a family centre provided by the Council and supported by grant funding from the Welsh Assembly. All three health projects are funded by our partners Assura. In the year we also completed the refurbishment of laboratory facilities in Basildon Hospital.

Pipeline

The effective Government hold since late 2015 on funding extra care housing developments has restricted our ability to reach financial close on many of our pipeline schemes. However, we have continued to grow the pipeline during the year including adding schemes such as Care Homes that are not dependent on the resolution of the LHA cap. In addition to the pipeline below there are a growing number of schemes being worked on in both the Ashley House and the F1 Modular business.

Strategic report (continued)

Our housing (largely extra care) pipeline now stands at £197.9m across 23 schemes which has increased from £162.7m and 18 schemes last year. The health pipeline shows five schemes valued at £14.1m, compared with £20.6m across ten schemes last year as shown in the table below

	Housing		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	-	-	3	£8.7m	3	£8.7m
Appointed	23	£197.9m	2	£5.4m	25	£203.3m
TOTAL	**23**	**£197.9m**	**5**	**£14.1m**	**28**	**£212.0m**

To be an 'appointed' scheme on our pipeline, where relevant we will have the following: broad support from commissioners and occupiers; an identified site; planning consent or positive engagement with the planning authority; an identified expected end owner and a reasonable understanding of costs and revenues.

Schemes are typically on site for 6 to 18 months. The current schemes on site have a weighted average remaining life of approximately ten months. Where the Company is appointed the time frame to move to on site is likely to be between 6 and 24 months. Revenues are only recognised from when schemes are contracted 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, general bank facilities and borrowings from directors and connected parties. 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 at monthly Board meetings and in between meetings as required.

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 above. The Group employs experienced professionals 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, and the acquisition of F1 Modular this year has further advanced that policy. Health and social care are key issues for the UK and property solutions such as those Ashley House provides 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 Group has longstanding experience in the careful management of its cash resources. Despite a break even position the Company generated £996,000 (2016: £559,000) of cash from operations. Part of this was used to finance the F1 Modular acquisition but the continued inability to push on with the housing pipeline meant that net debt needed to increase. The Board was pleased to see that administrative overheads fell for the fifth year in a row to £3,008,000 (2016: £3,226,000). We continue to work to add more funding and financing capacity to enable the Company to continue to build and to deliver its significant pipeline of schemes.

The Lloyds Bank 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 will be used in a forthcoming extra care housing scheme at which point some of the loan may be repaid. During the year the debt provided by Rockpool was repaid and refinanced by a loan provided by Invescare, a related party. This was later supplemented by a further £500,000 loan from Deputy Chairman Stephen Minion. Net debt at the end of year and the previous year is shown below:

	2017	2016
	£000	£000
Cash in bank	**89**	23
Scarborough	**(527)**	(710)
Loan	**(1,500)**	(1,300)
Director's loan	**(500)**	**-**
Loan F1M	**(109)**	-
Net debt	**(2,547)**	(1,987)

Social impact

Ashley House is proud to be a 'Social Developer'. The Company strives to ensure that its work provides social value to the communities which benefit from its developments. Ashley House remains an active member of the Social Stock Exchange ("SSX") and maintains its listing on both AIM and the SSX social impact segment of the NEX Exchange 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. The acquisition of F1 Modular further strengthened this approach to social value as the quality and environmental performance of the modules is exceptional and its use with social housing in particular provides an additional benefit of tackling fuel poverty. The Company will issue its fifth annual social impact report in the next few weeks. Copies will be available at the registered office and on the website.

Summary

Whilst profitable in the year, the Company has not been able to advance anywhere near as fast as it would have liked due to the continuing uncertainty created by the LHA cap. However, new arrangements with specialist funders and Registered Providers mean that it is very likely that this will be unlocked in the coming months. In the meantime it is important that the Company continues to broaden its financing and funding options working with specialist funders, debt providers and others. The acquisition of F1 Modular is a key strategic development for the Company, not only providing control over part of its supply chain but also presenting additional access to new areas of development and especially education as demonstrated by the successful inclusion on two new frameworks.

The Company is now well diversified across the health and social care landscape and once the housing pipeline is fully unlocked there is expectation that the business will grow rapidly. This, coupled with the new modular business, means we look forward to the future with increasing confidence.

On behalf of the Board

Antony Walters
Chief Executive

Jonathan Holmes
Commercial Director

Consolidated statement of comprehensive income

for the year ended 30 April 2017

	Note	2017 £000	2016 £000
Revenue		**18,565**	20,737
Cost of sales		**(14,934)**	(15,944)
Gross profit		**3,631**	4,793
Administrative expenses		**(3,008)**	(3,226)
Depreciation		**(59)**	(59)
Reversal of impairment / (impairment charge)		**73**	(1,455)
Share of results of joint ventures		**185**	97
Other operating income		**—**	581
Operating expenses		**(2,809)**	(4,062)
Operating profit		**822**	731
Interest receivable		**—**	1
Interest payable		**(755)**	(491)
Profit before taxation		**67**	241
Profit before taxation		**67**	241
Other operating income		**—**	(581)
Depreciation		**59**	59
(Reversal of impairment) / impairment charge		**(73)**	1,455
Depreciation, amortisation and taxation included in share of results of joint ventures		**—**	(14)
Adjusted profit before taxation		**53**	1,160
Tax credit		**—**	6
Profit after tax for the year attributable to equity holders of the parent		**67**	247
Other comprehensive income		**—**	—
Total comprehensive income for the year		**67**	247
Attributable to:			
Equity shareholders on the parent company		**55**	247
Non-controlling interests		**12**	—
Basic and diluted profit per share	2	**0.11p**	0.42p
Basic profit per share on Adjusted PBT*	2	**0.09p**	1.99p

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 2017

	2017 £000	2016 £000
Non-current assets		
Property, plant and equipment	**226**	129
Investments in joint ventures	**1,137**	785
Deferred tax asset	**1,400**	1,400
Goodwill	**415**	—
Other receivables	**387**	760
	3,565	3,074
Current assets		
Inventories and work in progress	**2,953**	2,807
Trade and other receivables	**5,231**	5,616
Cash and cash equivalents	**89**	23
	8,273	8,446
Total assets	**11,838**	11,520
Current liabilities		
Trade and other payables	**(5,296)**	(5,450)
Bank borrowings and overdrafts	**(2,300)**	(1,483)
Provisions	**(79)**	(56)
	(7,675)	(6,989)
Net current assets	**598**	1,457
Non-current liabilities		
Bank borrowings and overdrafts	**(336)**	(527)
Long term provisions	**(137)**	(171)
Total liabilities	**(8,148)**	(7,687)
Net assets	**3,690**	3,833
Equity		
Share capital	**594**	588
Share premium	**82**	43
Share-based payment reserve	**31**	10
Special reserve	**3,113**	3,248
Non-controlling interest	**(4)**	—
Retained earnings	**(126)**	(56)
Total equity	**3,690**	3,833

Consolidated statement of changes in equity

for the year ended 30 April 2017

	Share capital £000	Share premium £000	Share-based payment reserve £000	Special reserve £000	Non-controlling interest £000	Retained earnings £000	Total £000
At 1 May 2016	588	43	10	3,248	—	(56)	3,833
Total comprehensive income for the year	—	—	—	(135)	12	190	67
Non-controlling interest adjustment arising on acquisition of F1 Modular Limited	—	—	—	—	(14)	—	(14)
Non-controlling interest adjustment arising on increase in shareholding in F1 Modular Limited	—	—	—	—	(2)	—	(2)
Charge to equity arising on increase in shareholding in F1 Modular Limited	—	—	—	—	—	(260)	(260)
Transactions with owners							
Issue of shares to Ashley House Share Incentive Plan	6	39	—	—	—	—	45
New share option scheme charge	—	—	21	—	—	—	21
At 30 April 2017	**594**	**82**	**31**	**3,113**	**(4)**	**(126)**	**3,690**

	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
Transactions with owners						
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
At 30 April 2016	588	43	10	3,248	(56)	3,833

Consolidated statement of cash flows

for the year ended 30 April 2017

	2017 £000	2016 £000
Operating activities		
Profit for the year before taxation	**67**	241
Adjustments for:		
Share-based payment charge/(credit)	**21**	(12)
Depreciation	**59**	59
(Reversal of impairment) / impairment charge	**(73)**	1,455
Share of results of joint ventures	**(185)**	(97)
Dividends received from joint ventures	**185**	174
Interest received	—	(1)
Interest paid	**755**	491
Operating cash flows before movements in working capital	**829**	2,310
(Increase)/decrease in work in progress	**(146)**	1,489
Decrease/(increase) in trade and other receivables	**478**	(2,514)
Decrease in trade and other payables	**(154)**	(805)
(Decrease)/increase in provisions	**(11)**	79
Cash generated from operations	**996**	559
Income tax received	—	6
Interest received	—	1
Interest paid	**(755)**	(491)
Net cash generated from operating activities	**241**	75
Investing activities		
Purchase of shares in subsidiary (2016: purchase of shares in joint venture)	**(262)**	(17)
Acquisition of trade and assets in Swift Manufacturing Solutions	**(415)**	—
Cash acquired	**(12)**	—
Purchase of property, plant and equipment	**(157)**	(66)
Net cash used by investing activities	**(846)**	(83)
Financing activities		
Issue of ordinary shares	**45**	48
Proceeds from borrowings	**2,000**	600
Repayment of borrowings	**(1,374)**	(1,473)
Net cash generated from/(used by) financing activities	**671**	(825)
Net increase/(decrease) in cash and cash equivalents	**66**	(833)
Cash and cash equivalents at the beginning of the year	**23**	856
Cash and cash equivalents at the end of the year	**89**	23

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 the financial statements for the year ended 30 April 2017, 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 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, borrowings from Lloyds Banking Group and other debt providers, and borrowings from directors and connected parties.

The current economic conditions create uncertainty particularly over:

a) the level of new schemes required by the Company's social housing clients;
b) the ability of the Company to progress its pipeline of extra care schemes due to the LHA rent cap, as described in the Chairman's statement and the Strategic report;
c) the level of new schemes required by the NHS and the level of funding available for those schemes;
c) the contribution earned to cover the cost base; and
d) the availability of corporate finance within the sector.

The Group's ability to progress its significant pipeline of extra care housing schemes has been stymied since 2015 due to the LHA rent cap. As the Government has still not provided a final resolution to the issue, during the post balance sheet period the Group has developed relationships with specialist funders and Registered Providers who are able to acquire extra care housing schemes on a forward-funding basis, ahead of the finalisation of a Government solution to the LHA rent cap. The Board expects these relationships to enable a number of the Group's extra care housing schemes to progress to contract in the second half of the year to 30 April 2018. In the first half of the year, the Group has continued to generate cash both from schemes on site and from increased net debt. The unlocking of the extra care housing pipeline will enable the business to commence the delivery of these schemes and to further in new opportunities for the Group.

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. Where possible the Group seeks to minimise its risk in this respect by agreeing progress payments during the design process 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 constraints of available finance on a project by project basis.

The Group has a proven record of managing its working capital carefully in order to ensure the Group continues to have adequate resources to both bring the schemes in its pipeline to contract and then delivery, and to generate new pipeline schemes. 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 attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	2017				2016			
	Adjusted PBT* £000	**Profit £000**	**Weighted average number of shares**	**Per share amount pence**	Adjusted PBT* £000	Profit £000	Weighted average number of shares	Per share amount pence
Basic and diluted profit per share		**67**	**59,102,203**	**0.11p**		247	58,355,706	0.42p
Profit per share based on adjusted PBT*	**53**		**59,102,203**	**0.09p**	1,160		58,355,706	1.99p

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

No dividend was paid in the year ended 30 April 2017 (2016: £nil).

Notes to the financial statements (continued)

3 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 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 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 29 September 2017**.**