Ashley House plc
Interim Report 2017

Ashley House plc ("Ashley House" or the "Company"), the health and community care property partner today announces its interim results for the six months ended 31 October 2017.

Highlights

Financial highlights

- Revenue reduced to £7.0m (2015/6: £10.7m)
- Statutory loss before taxation £1.9m (2015/6: profit £0.8m)
- Adjusted loss before taxation £1.8m (2015/6: profit £0.2m)
- Net debt £3.5m (2016: £2.4m) but decreased since the period end

Operating highlights

- Joint venture established with Morgan Sindall Investments to grow and deliver the Housing pipeline
- Government makes housing the centre piece of the last budget and relaxed its plans to cap housing benefit to Local Housing Allowance rates
- The above two factors will enable the Company to remain profitable in the full year
- Two schemes currently on site (2016: three) being the diagnostic and treatment centre in Durham and the GP surgery and family centre in Swansea
- Completion of the Wivenhoe health scheme in the period

"As previously signalled, the Company showed a loss for the period to 31 October 2017. In the last couple of months the removal of the threat of the LHA cap along with the establishment of the joint venture with Morgan Sindall were key events for the future of the Company enabling it to press forward in the growth and delivery of its significant housing pipeline as well as the other activity in the business."

Christopher Lyons, Chairman

Enquires:

Ashley House plc	01628 600 340
Antony Walters	
Jonathan Holmes	
WH Ireland Ltd	0207 220 1666
(Nominated Adviser and broker to Ashley House plc)	
Adrian Hadden	
Ed Allsopp	
James Sinclair-Ford	

Chairman's Statement

Ashley House stands at a significant juncture in this its 27th year. The joint venture agreement signed last month with Morgan Sindall Investments and last year's acquisition of a majority stake in the modular business through F1 Modular are key events for the business which will drive the future growth of the Company. Although as expected the half year to 31 October 2017 resulted in a loss, the Government's relaxation of the Local Housing Allowance ("LHA") cap together with the stability afforded by the joint venture should enable the Company to achieve its profit targets for the full year.

In the period under review, no schemes reached financial close. Financial close is the key point in each scheme's development and the point where, under the Company's accounting policies, the majority of profit is recognised. The lack of schemes reaching financial close was principally due to the Government's policy relating to the LHA cap. In October 2017 the Government announced that it was dropping its plans announced in 2015 to cap housing benefit to LHA rates, enabling the business now to proceed with the delivery of its housing pipeline.

On 15th December the Company announced it had signed a joint venture with Morgan Sindall Investments. The joint venture is now established as a 50:50 Limited Liability Partnership, Morgan Ashley Care Developments LLP which will trade under the brand "Morgan Ashley". By drawing on the market presence, delivery capability and financial strength of the Morgan Sindall Group together with the in-house expertise, relationships and brand of Ashley House, this joint venture will be able to push forward with delivering the Housing pipeline that the Company has built over the last few years. The two teams are also now working together to further grow that pipeline utilising Ashley House networks and via the relationships and frameworks held by the Morgan Sindall group. In the last month Ashley House has won a bid for a 54 apartment extra care scheme in Hampshire which will be delivered by Morgan Ashley.

Morgan Ashley is a 50:50 limited liability partnership. Neither party has control of the entity and neither will therefore consolidate the results and financial position of Morgan Ashley, but the Company will include its proportion of the joint venture's results in the 'share of results of joint ventures' line, just above 'other operating income'. This means that turnover from schemes in the joint venture will not be recognised in Ashley House's income statement but the profit arising will be included gross of corporation tax. The Company has received £2.5m of the consideration from the transaction and expects to receive the remaining £1.5m deferred consideration in the next few weeks.

In November the Company advised that it had two housing schemes that would reach financial close in the coming weeks. Due to this the schemes were excluded from the joint venture with Morgan Sindall. The first of these schemes, in Scarborough should reach financial close this week and work continues on a smaller scheme in Peterborough which is being built in the factory via the subsidiary F1 Modular.

F1 Modular, a business acquired last year, continues to build its pipeline. The Company has recently delivered a six house scheme for Cherwell District Council and an eight bungalow development on former council garage sites for a specialist developer in the North East. The prospective order book for the modular business is growing with two large schemes, one an extra care facility and the other a hotel, both well advanced at the time of writing. Modular construction continues to receive a significant amount of publicity and has a role to play in solving the national housing crisis. Whilst it is still early days for Ashley House in the modular industry, on the assumption that this business is able to deliver these two key schemes, the board believes that the F1 Modular business has a strong future.

Results

The Company expected to make a loss before taxation in the first half of 2017/18 as clients delayed decisions on projects pending Government clarify of the rental cap. That loss was £1.9m (2016/17: profit £0.8m) on revenue of £7.0m (2016/17: £10.7m). The adjusted loss before tax was £1.8m (2016/17: profit £0.2m).

Net debt

The table below shows net debt of £3.5m at 31 October 2017 (2015: £2.4m) which has reduced since the period end. 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 (2016: £2.8m) as shown in work in progress at the end of October.

	Unaudited	Unaudited	Audited
	31 October 2017	31 October 2016	30 April 2017
	£000	£000	£000
Cash in bank	**(820)**	(476)	89
Loan on Scarborough land	**(432)**	(619)	(527)
Loan - Invescare	**(1,560)**	(1,300)	(1,500)
Loan - Other	**(700)**	-	(500)
Loan F1M	**(109)**	-	(109)
	(3,512)	(2,395)	(2,547)

Since the period end the loan from Maureen Moy for £200,000, included in 'Loan – Other' above, has been repaid. Following financial close on the Scarborough scheme, the Company's overdraft facility will reduce from £950,000 to £650,000 whilst the loan relating to Scarborough continues to be repaid at the rate of £17,500 per month.

Pipeline

Following the joint venture with Morgan Sindall Investments, the presentation of the Company's pipeline has changed. The table below shows the activity in the four main areas of the business, with an estimate of the development value of the schemes in each area. The "Housing (outside the Joint Venture)" column will be removed once the schemes in Scarborough and Peterborough are built out as similar schemes will be delivered by Morgan Ashley in the future. As the Morgan Ashley joint venture is a 50% partnership, the results will not be consolidated and therefore the scheme value will not show as turnover of the Company, but profit from those schemes will be included as share of profits within the income statement. Profit recognition and timing for the schemes under Morgan Ashley will follow the normal Ashley House accounting policy.

	Morgan Ashley Joint Venture		**Housing (outside Joint Venture)**		**Health**		**F1 Modular**	
	Number of schemes	Total development value	Number of schemes	Total development value, less income recognised	Number of schemes	Total development value, less income recognised	Number of schemes	Total development value, less income recognised
On Site	-	-	-	-	2	£3.83m	-	-
Appointed	20	£203.33m	2	£13.14m	2	£5.44m	3	£13.13m
Total	**20**	**£203.33m**	**2**	**£13.14m**	**4**	**£9.27m**	**3**	**£13.13m**

Outlook

In recent times the Company has suffered delays in getting its much needed extra care housing pipeline to financial close. This has been due to the Government's changing policy on rents which has made the last few periods extremely difficult for the Company. Since the Government's announcement at the end of October this pipeline has now started to be unlocked although some residual risk remains on rent levels. We are excited to be working with our new colleagues in Morgan Sindall. This joint venture, whilst it will take time to evolve, provides a real impetus to the delivery of the current pipeline and establishes a significant platform for our future development and growth capabilities.

The board remains confident that the Company should achieve its profit expectations for the full year. However risk still remains on the timing of closing of the schemes due to the inherent difficulties of dealing with public bodies. This week's expected financial close on Scarborough does highlight the fact that schemes can now progress which means the Company is well placed to grow in the coming months and years.

Christopher Lyons
30 January 2018

Condensed consolidated interim statement of comprehensive income

	Note	**Unaudited 6 months to 31 October 2017 £000**	Unaudited 6 months to 31 October 2016 £000	Audited Year to 30 April 2017 £000
Revenue		**7,004**	10,744	18,565
Cost of sales		**(6,346)**	(9,059)	(14,934)
Gross profit		**658**	1,685	3,631
Administrative expenses		**(2,202)**	(1,269)	(3,008)
Depreciation		**(50)**	(55)	(59)
Profit on disposal of property, plant & equipment		**11**	-	-
Reversal of impairment		**-**	-	73
Share of results of joint ventures		**28**	165	185
Exceptional adjustment		**-**	655	-
Operating (loss)/profit		**(1,555)**	1,181	822
Interest payable		**(330)**	(401)	(755)
(Loss)/profit before taxation		**(1,885)**	780	67
(Loss)/profit before taxation		**(1,885)**	780	67
Depreciation		**50**	55	59
Profit on disposal of property, plant & equipment		**(11)**	-	-
Reversal of impairment		**-**	-	(73)
Exceptional adjustment		**-**	(655)	-
Adjusted (loss)/profit before taxation*		**(1,846)**	180	53
Tax credit		**-**	-	-
Total comprehensive (expense)/income for the period		**(1,885)**	780	67
Basic and diluted (loss)/earnings per share	3	**(3.16)p**	1.32p	0.11p
Basic and diluted (loss)/earnings per share on Adjusted PBT*	3	**(3.10)p**	0.31p	0.09p

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

Condensed consolidated interim balance sheet

	Unaudited 31 October 2017 £000	Unaudited 31 October 2016 £000	Audited 30 April 2017 £000
Non-current assets			
Property, plant and equipment	**187**	106	226
Investments in joint ventures	**1,140**	764	1,137
Deferred tax asset	**1,400**	1,400	1,400
Goodwill	**415**	-	415
Other receivables	**30**	760	387
	3,172	3,030	3,565
Current assets			
Inventories and work in progress	**2,923**	2,807	2,953
Trade and other receivables	**5,471**	6,687	5,231
Cash and cash equivalents	**11**	-	89
	8,405	9,494	8,273
Total assets	**11,577**	12,524	11,838
Current liabilities			
Trade and other payables	**(5,863)**	(5,303)	(5,296)
Bank borrowings and overdrafts	**(3,464)**	(1,962)	(2,300)
Provisions	**(47)**	(56)	(79)
	(9,374)	(7,321)	(7,675)
Net current (liabilities)/assets	**(969)**	2,173	598
Non-current liabilities			
Amounts falling due after more than one year	**(243)**	(433)	(336)
Long term provisions	**(115)**	(128)	(137)
Total liabilities	**(9,732)**	(7,882)	(8,148)
Net assets	**1,845**	4,642	3,690
Equity			
Share capital	**598**	590	594
Share premium	**108**	59	82
Share-based payments reserve	**41**	21	31
Special reserve	**3,113**	3,248	3,113
Non-controlling interest	**(137)**	-	(4)
Retained earnings	**(1,878)**	724	(126)
Total equity	**1,845**	4,642	3,690

Condensed consolidated interim statement of changes in equity

	Share capital £000	Share Premium £'000	Share-based payment reserve £000	Special reserve £000	Non-controlling Interest £000	Retained earnings £000	Total equity £000
Balance at 1 May 2017	**594**	**82**	**31**	**3,113**	**(4)**	**(126)**	**3,690**
Total comprehensive expense for the period	-	-	-	-	(133)	(1,752)	**(1,885)**
Transaction with owners							
Issue of shares to Ashley House Share Incentive Plan	4	26	-	-	-	-	**30**
Share-based payments charge	-	-	10	-	-	-	**10**
Balance at 31 October 2017	**598**	**108**	**41**	**3,113**	**(137)**	**(1,878)**	**1,845**
Balance at 1 May 2016	588	43	10	3,248	-	(56)	3,833
Total comprehensive income for the period	-	-	-	-	-	780	780
Transaction with owners							
Issue of shares to Ashley House Share Incentive Plan	2	16	-	-	-	-	18
Share-based payments charge	-	-	11	-		-	11
Balance at 31 October 2016	590	59	21	3,248	-	724	4,642
Balance 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)
Transaction with owners							
Issue of shares to Ashley House Share Incentive Plan	6	39	-	-	-	-	45
Share-based payments charge	-	-	21	-	-	-	21
At 30 April 2017	594	82	31	3,113	(4)	(126)	3,690

Condensed consolidated interim statement of cash flows

	Unaudited 6 months to 31 October 2017 £000	Unaudited 6 months to 31 October 2016 £000	Audited Year to 30 April 2017 £000
Operating activities			
Profit before taxation	**(1,885)**	780	67
Adjustments for:			
Share-based payments charge	**10**	11	21
Depreciation	**50**	55	59
Profit on disposal of fixed assets	**(11)**	-	-
Reversal of impairment	**-**	-	(73)
Share of results of joint ventures	**(28)**	(165)	(185)
Dividends received from joint ventures	**25**	159	185
Interest paid	**330**	401	755
Operating cash flows before movements in working capital	**(1,509)**	1,241	829
Decrease/(increase) in work in progress	**30**	-	(146)
Decrease/(increase) in trade and other receivables	**118**	(1,071)	478
Increase/(decrease) in trade and other payables	**567**	(147)	(154)
Decrease in provision	**(54)**	(43)	(11)
Cash (used by)/generated from operations	**(848)**	(20)	996
Interest paid	**(330)**	(401)	(755)
Net cash (used by)/generated from operating activities	**(1,178)**	(421)	241
Investing activities			
Purchase of shares in subsidiary	**-**	-	(262)
Acquisition of trade and assets of Swift Manufacturing Solutions	**-**	-	(415)
Cash acquired	**-**	-	(12)
Purchase of property, plant and equipment	**(143)**	(5)	(157)
Proceeds from disposal of property, plant and equipment	**142**	-	-
Net cash used by investing activities	**(1)**	(5)	(846)
Financing activities			
Issue of ordinary shares	**30**	18	45
Proceeds from borrowings	**338**	-	2,000
Repayment of borrowings	**(93)**	(90)	(1,374)
Net cash generated from / (used by) financing activities	**275**	(72)	671
Net (decrease)/increase in cash and cash equivalents	**(904)**	(498)	66
Cash and cash equivalents at beginning of period	**89**	23	23
Cash and cash equivalents at end of period	**(815)**	(475)	89

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 health and social care on infrastructure developments from project inception to completion of construction and beyond. During the year to 30 April 2017 the Group added an offsite modular construction capability through its 76%, F1 Modular Limited.

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 30 January 2018.

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 2017 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 2017. 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 2017.

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 2017.

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 2017	**Adjusted PBT* £000**	**Profit £000**	**Weighted average number of shares**	**Per share amount Pence**
Basic and diluted loss per share		**(1,885)**	**59,597,016**	**(3.16)p**
Loss per share based on Adjusted PBT*	**(1,846)**		**59,597,016**	**(3.10)p**

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

Year to 30 April 2017	Adjusted PBT* £000	Profit £000	Weighted average number of shares	Per share amount Pence
Basic and diluted earnings per share		67	59,102,203	0.11p
Profit per share based on Adjusted PBT*	53		59,102,203	0.09p

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