**Ashley House plc ("Ashley House", the "Company or "Group"), the health and community care property partner and modular contractor**

**Preliminary results**

Ashley House plc today announces its preliminary results for the year ended 30 April 2018.

**Financial highlights:**

- **Significant increase in profits following strategic developments**
  - Revenues of £18,474,000 (2017: £18,565,000)
  - Gross profit increased by 31% to £4,740,000 (2017: £3,631,000)
  - Profit before tax increased to £1,752,000 (2017: £67,000)

- **Improving cash performance**
  - Cash generated from operations of £1,510,000 (2017: £996,000)
  - Net debt reduced to £1,492,000 (2017: £2,547,000)
  - Individual related party debt repaid; Invescare loan reduced

**Operating highlights:**

- **Key joint venture signed with Morgan Sindall Investments**
  - 50:50 venture to deliver extra care housing, care homes and supported living housing
  - Both partners bring significant skills, experience and existing partnerships to the venture
  - First scheme at Ryde, Isle of Wight, already on site

- **Establishment and growth of in-house modular construction capability**
  - Establishment and acceleration of modular capability in the year
  - Supply chain benefits as well as access to an extended range of sectors
  - 40 bed extra care scheme contracted along with a strong pipeline of schemes across housing, leisure, education and retail

- **Pipeline numbers reflect the two business segments, housing & health and modular**
  - Housing & health shows 22 schemes with a development value of £206.4m
  - Modular pipeline which contains 11 developments with a total value of £18.5m

**Enquires:**


| | |
|---|---|
| Ashley House plc | 01628 600 340 |
| Antony Walters, Chief Executive | |
| James Hathaway, Finance Director | |
| | |
| WH Ireland Ltd | 0207 220 1666 |
| (Nominated Adviser and broker to Ashley House plc) | |
| Adrian Hadden | |
| James Sinclair-Ford | |

## Statement of directors' responsibilities

The responsibility statement below has been prepared in connection with the Group's Annual Report and Financial Statements for the year to 30 April 2018. 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 15 August 2018 and signed on its behalf by:

**Antony Walters**

***Chief Executive***

# Chairman's statement

I am pleased to report in my statement this year on two key strategic events orchestrated by the Group that are making significant positive change to the business, together with a reversal by the UK Government on a restriction to housing benefit that had effectively stalled development in this area and would have been detrimental to the long term prospects of the whole sector. Whilst trading during the twelve months under review as measured by scheme closures has been difficult due to the threat of Government intervention mentioned above, the Group was able to close four major schemes in the latter part of the year which together with the joint venture agreement with Morgan Sindall Investments, as detailed below, has enabled the Group to provide a much improved performance for the year to 30 April 2018.

**Results**

Revenue for the year was in line with the previous period at £18,474,000 (2017: £18,565,000) but a more positive sales mix as well as other contributory factors such as the reversal of an impairment as detailed in the Strategic report, led to a significant increase in operating profit resulting in a rise in profit before tax to £1,752,000 (2017: £67,000). Following the completion of the joint venture transaction which created Morgan Ashley, net debt has been reduced to £1,492,000 from £3,621,000 as at 31 October 2017 and £2,547,000 as at 30 April 2017.

**Local Housing Allowance Cap**

On 25th October 2017 during Prime Minister's Questions, Theresa May announced that the Local Housing Allowance (LHA) Cap, that had threatened to restrict the amount of housing benefit available for schemes such as those developed by the Group, would not after all be imposed. The Group was subsequently able to take three extra care schemes to financial close and on to site. On 9th August the Government confirmed that it will not change the current funding model but will instead introduce an oversight regime to ensure better quality and value for money. This outcome is very positive for Ashley House, Morgan Ashley and for the sector as a whole. This key event for the Group has enabled the unblocking of its pipeline of extra care developments. With the threat to rental streams significantly diminished, the improved investability of those schemes has stimulated demand and we have seen an increasing number of Real Estate Investment Trusts (REITs) as well as Housing Association clients themselves keen to acquire this type of property.

This threat of the LHA Cap had been a catalyst for the diversification strategy recently undertaken by the Group and which continues today. The following two key strategic events of the last fifteen months have begun the transformation of the business and established a broader platform to enable its growth.

**Morgan Ashley**

In December 2017 a 50:50 joint venture was established with Morgan Sindall Investments Limited (MSIL) to deliver extra care housing, care homes and supported living housing for some of the most vulnerable in society. The strengths which the two businesses bring to the new entity (Morgan Ashley Care Developments LLP, trading as Morgan Ashley) are compelling.

Ashley House brings its experience, reputation and expertise in this sector, its strong relationships with Local Authorities, Homes England, Registered Providers (Housing Associations) and Care Providers as well as a pipeline of schemes with gross development value in excess of £200m.

MSIL is part of Morgan Sindall Group plc, the construction and regeneration group, and thus brings complementary qualities and skills in supported living, long term strategic property partnerships with Local Authorities and the NHS, and a broad range of expertise and experience in investing and managing institutional capital. MSIL also brings its financial strength and the capabilities of national construction and house building through its group companies.

The relationship between the two parties has developed well during its short existence and Morgan Ashley is already extending MSIL's offer to Local Authority partners which is further extending its pipeline. With the first scheme already on site the future prospects are healthy.

**Modular construction**

This time last year we reported a significant corporate development having taken place being the Group's increased involvement in F1 Modular Limited (F1M) and the acquisition by F1M in March 2017 of the assets of an experienced offsite manufacturer. F1M is now a 76% owned subsidiary of Ashley House plc with the remaining shares held by F1M management. We have recently signed an agreement with the minority shareholders that fixes their investment at 24% with their buyback agreements, that may have further extended this percentage, having now been waived.

F1 Modular is a specialist developer of high quality, energy efficient modular buildings, used for a wide range of products which are created in its 70,000 square feet factory in Newtown, Powys. These products range from the single module cabins utilised by a number of major retailers, school classrooms for the Education and Skills Funding Agency (ESFA), housing projects for Councils,

# Chairman's statement (continued)

extra care apartments for Housing Associations and, in the pipeline, plans for a hotel for a private leisure company. Whilst F1M was lossmaking in the year to 30 April 2018, recent orders have secured its activity for the coming months and the Board fully expects it to contribute to profits in the year to 30 April 2019 and beyond.

More detail on F1 Modular and Morgan Ashley is contained in the Strategic report**.**

**Board composition**

Last week with great sadness, we advised that, following his retirement from the Board at the end of June, John Moy passed away following a battle with cancer. John had provided invaluable support and advice to the Group over the past three and a half years and will be greatly missed by everyone at Ashley House.

In March 2018 we were delighted to welcome James Hathaway to the Board as finance director. Since the promotion of Antony Walters to chief executive in 2014, James has played an increasing role within the business and now joins Antony and Jonathan Holmes as an executive director.

The skills, competencies and the balance of the Board is regularly under review to ensure it serves Ashley House appropriately.

**Outlook**

Ashley House is an experienced developer across the health and social care sectors. There is no doubt that Government policy in recent times has hampered development opportunities in these sectors, however recent changes have enabled the Group to push forward with its extra care and supported living pipeline, whilst at the same time it has continued to diversify its product range, in part through its modular capability, into new sectors including education and retail.

The outlook for the Group has improved, starting with the financial performance for the year and further enhanced by schemes commencing on site, a significant reduction in the Group's net debt position and a focus on building a broader pipeline of opportunities which are not so contingent upon Government policy and funding.

The Board looks forward to working with our new partners at Morgan Ashley and F1 Modular to take advantage of the recent strategic developments and changing landscape to grow the business whilst making a real positive difference to people's lives in the social development space and the new markets in which the Group's capabilities are well suited.

**Christopher Lyons**

***Chairman***

15 August 2018

# Strategic report

Ashley House plc is a social developer and modular contractor with a core base in the health and community care markets. The Group works largely with the public sector through commissioners and providers in the health, social housing and community sectors. The solutions provided by the Group improve the lives of an increasingly wide selection of the population ranging from specialised social housing for some of the most vulnerable in society to improved health and education facilities for the wider population.

**Principal activity**

The principal activity of the Group is the supply of design, construction management, consultancy, and modular construction primarily working with providers of housing, health and community care on infrastructure developments from project inception to completion of construction and beyond.

**Business review**

The consolidated statement of comprehensive income for the year is set out on page 9. 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 2018 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.

The key developments in the year were the abandonment of the implementation of the proposed Local Housing Allowance (LHA) Cap to housing benefits and the joint venture established with Morgan Sindall Investments. The modular business acquired by F1 Modular in 2017 has begun to stabilise with much increased activity, including a 40 apartment extra care housing development currently being built in the factory.

The Board is confident that the pipeline that has been built up in recent years can now be unblocked following the change in Government policy and that the Group's delivery capability has been enhanced through the creation of Morgan Ashley. This along with the growing modular business should enable profitability to grow in the coming years as the pipeline starts to be delivered.

The profit for the year to 30 April 2018 includes the write back of an impairment previously recorded against the carrying value of a loan receivable from an associated company. The Group holds 33% of Partnering Health Limited which provides out of hours and other medical services. Whilst management had expected to recover the full value of the loan in due course, the performance of that company improved during the past year such that is was able to advance significant repayments ahead of when it had been previously expected. An amount of £512,000 was consequently written back to debtors during the year.

**Key Performance Indicators**

The Key Performance Indicators (KPIs) for the Group are Profit Before Taxation and the forward pipeline of the business. As shown in the Highlights and Chairman's statement above, Profit Before Taxation for the year to 30 April 2018 was £1,752,000 (2017: £67,000). The Group's pipeline at the current date stands at £206.4m for housing & health and £18.5m for modular. Information pertaining to this is shown and discussed below.

The Group operated in two main sectors in the year, being housing & health and modular:

**Housing & health**

The Board was delighted in December 2017 to agree a joint venture with Morgan Sindall Investments Limited. This new partnership, Morgan Ashley, is developing housing in the extra care, care home and supported living sectors. In the months preceding that agreement the Government finally agreed to relax the imposition of a cap on housing benefit to Local Housing Allowance rates. Morgan Ashley has a unique ability to offer its Local Authorities and Registered Provider clients considerable and robust resource and expertise to assist them in their response to the massive challenges they are facing in delivering care and housing to vulnerable and elderly people across the UK.

In the year to 30 April 2018 Morgan Ashley's first scheme, an extra care facility at Ryde, Isle of Wight reached financial close and commenced on site. The Ryde scheme comprises 75 extra care apartments with communal areas providing much needed accommodation for older local residents with care needs, together with 27 affordable bungalows. The scheme will be operated by Southern Housing and owned and financed by Funding Affordable Homes. The scheme is part funded by a grant from Homes England.

Ashley House has commenced on site with an extra care scheme in Scarborough. This is a collaboration with one of the UK's largest Housing Associations, Home Group, Scarborough Borough Council and North Yorkshire County Council and will provide 63 apartments for over 55s and those with extra care needs. The scheme will also see a full range of on site communal facilities including a restaurant and café. Contracts have also been signed with the care provider HSN Care for a second care facility, this one located in Peterborough. The scheme will provide specialist accommodation for twelve disabled young adults with complex needs. The modular component of the development is being built by F1 Modular. Both Scarborough and Peterborough sit outside

## Strategic report (continued)

the Morgan Ashley joint venture. Despite the continuing limitations on Government funding in primary care, the Group is pleased to have recently completed three health schemes. The first a diagnostic treatment centre near Durham for City Hospitals Sunderland. The scheme allows patients to be seen for diagnostics and treatment at this facility rather than in an acute hospital environment, thus reducing cost and waiting times. The second is a GP surgery development in Wivenhoe, Essex and the third Wales' first fully integrated family centre and primary care centre at Mayhill, Swansea. All three schemes were funded by our partner, the healthcare real estate investment trust, Assura plc.

**Modular**

The acquisition by F1 Modular of the assets of an experienced offsite manufacturer was undertaken for two reasons. First it was to provide an element of vertical integration in order that some of the Ashley House pipeline can be delivered using such modern methods of construction. The second was to further diversify and lessen the reliance on Government funding structures for the business. The Group's scheme at Peterborough mentioned above is an example of the vertical integration in action. Modular works well where there is uniformity that is to say where a number of the same modules can be produced.

Our diversification strategy is already delivering schemes, such as those under the ESFA schools framework. Education is well suited to modular construction, as the reduced on site time means site works can be restricted to the school holidays. Not only does this significantly reduce disruption to children's education, but the quality of F1M's product is vastly superior to the 'pre-fabricated' classrooms that some of us remember from our childhoods in the second half of the 20$^{th}$ century.

**Pipeline**

The business is now segmented into housing & health and modular. Housing & health incorporates the Morgan Ashley activity as well as the health schemes to be developed by Ashley House. It also includes the Scarborough and Peterborough housing schemes which are outside the Morgan Ashley venture, but similar future schemes will be provided by Morgan Ashley.

Revenue earned by Morgan Ashley is not consolidated into Ashley House group revenue. Instead, the Group's share (50%) of the net profit of Morgan Ashley is included in Share of Income from Joint Ventures and Associates in the Group's Consolidated Income Statement. As such, the pipeline schedule should only provide the reader with a sense of the scale and estimated development value of the Group's pipeline and not as an indication of future Group revenues.

No revenue is recognised on schemes until financial close unless it would be recovered were a scheme to be cancelled, with all expenditure (other than land) expensed immediately.

The table below seeks to provide an estimate of the gross development value of the schemes, noting for the reasons stated above in accounting for the joint venture, much of this will not feed into the Group's revenue line. Our housing & health (largely extra care) pipeline now stands at £206.4m across 22 schemes (2017: £212.0m from 28 schemes). Currently four schemes are in the factory with a total development value of £8.6m. There are a further seven identified schemes at advanced stages although not formally appointed, with a total development value of £9.9m.

| | Housing & health | | Modular | |
|---|---|---|---|---|
| | Number of schemes | Development value | Number of schemes | Development value |
| On site / in factory | 3 | £22.7m | 4 | £8.6m |
| Appointed / advanced | 19 | £183.7m | 7 | £9.9m |
| **TOTAL** | **22** | **£206.4m** | **11** | **£18.5m** |

To be an 'appointed' scheme on our housing & health pipeline, where relevant the Group 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. Where the Group is appointed the time frame to move to on site is likely to be between 6 and 24 months. 'Development value' represents the likely investment or sale value of the scheme less any scheme revenue already recognised.

# Strategic report (continued)

## 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 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 to the executive directors daily. The Board discusses liquidity and cash flow projections at monthly Board meetings and otherwise as required.

### *Operating risk*

The Group's business model is based upon the advancement of its pipeline of schemes to financial close and then onto site. In the majority of cases it is only when a scheme reaches financial close that any income is received. Whilst bringing schemes to financial close is a principal strength of the Group, the time taken to progress schemes to financial close due to their complexity and the need for a number of parties to agree extensive legal documentation, presents operating risk. The Group seeks to mitigate this risk through its diversification policy, taking a partnering approach with key stakeholders and prioritising and advancing its large pipeline as appropriate.

### *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 demonstrated by the effects of the previously proposed LHA Cap outlined above. The Group employs experienced professionals at Board and senior level as well as seeking knowledge and advice from external advisers and partners 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 as demonstrated by the recent diversification policy including the acquisition of F1 Modular and the Morgan Ashley joint venture. Health and social care are key issues for the UK and property solutions such as those Ashley House provides are much needed for our ageing population and the housing shortage.

## 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. 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 revenue of the Group, but the Group's share of profits from Morgan Ashley will be included as share of profits from joint ventures and associates within the income statement. Revenue and profit recognition for Morgan Ashley follow the normal Ashley House accounting policies.

## Strategic report (continued)

### Cash management

The net debt position of the Group is much improved from previous years. In the year, the Group generated £1,510,000 cash from operations (2017: £996,000). The cash inflows have been partly used to reduce net debt by £1,055,000 with the related party loan repaid in full and the loan from Invescare reduced. The loan at Scarborough is being amortised at £17,500 per month. Net debt at the end of year and the previous year is shown below:

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Cash in bank | **250** | 89 |
| Scarborough | **(338)** | (527) |
| Invescare loan | **(1,295)** | (1,500) |
| Related party loan | **-** | (500) |
| Loan F1M | **(109)** | (109) |
| **Net debt** | **(1,492)** | (2,547) |

### Social impact

Ashley House is proud to be a 'Social Developer'. Whilst unashamedly a profit making public company, Ashley House also 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 Impact Investment Network (Social Stock Exchange (SSX)) and maintains its listing on both AIM and the SSX social impact segment of the NEX Exchange Growth Market. Ashley House provides an annual social impact report, copies of which are available at the registered office and on the website.

### Summary

The lifting of the threat of the LHA Cap, the diversification through F1 Modular and the joint venture with Morgan Sindall have all significantly improved the prospects of the Group as it looks to grow over the coming years. The improved profit performance, reduction in debt and significant pipeline of schemes to be developed provide a solid basis for future growth. The Board is indebted to its shareholders, staff and other stakeholders for their patience over the past few years. We believe that the business is now well placed to benefit from the growing need for health and social care property, whether built traditionally or in modular form, and therefore look forward with increasing confidence.

On behalf of the Board

| | |
|---|---|
| **Antony Walters** | **Jonathan Holmes** |
| ***Chief Executive*** | ***Commercial Director*** |

15 August 2018

# Consolidated statement of comprehensive income

for the year ended 30 April 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Revenue** | | **18,474** | 18,565 |
| Cost of sales | | **(13,734)** | (14,934) |
| **Gross profit** | | **4,740** | 3,631 |
| Administrative expenses | | **(3,411)** | (3,008) |
| Depreciation | | **(101)** | (59) |
| Profit on disposal of property, plant & equipment | | **11** | - |
| Reversal of impairment | | **512** | 73 |
| Share of results of joint ventures | | **491** | 185 |
| **Operating expenses** | | **(2,498)** | (2,809) |
| **Operating profit** | | **2,242** | 822 |
| Interest receivable | | - | - |
| Interest payable | | **(490)** | (755) |
| **Profit before taxation** | | **1,752** | 67 |
| Tax charge | | - | - |
| **Profit after tax for the year attributable to equity holders of the parent** | | **1,752** | 67 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year** | | **1,752** | 67 |

| | | | |
|---|---|---|---|
| Attributable to: | | | |
| Equity shareholders of the parent company | | **2,042** | 55 |
| Non-controlling interests | | **(290)** | 12 |

| | | | |
|---|---|---|---|
| **Basic and diluted profit per share** | 2 | **2.93p** | 0.11p |

All of the activities of the Group are classed as continuing.

# Consolidated balance sheet

at 30 April 2018

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **139** | 226 |
| Investments in joint ventures | **1,930** | 1,137 |
| Deferred tax asset | **1,400** | 1,400 |
| Goodwill | **415** | 415 |
| Other receivables | **-** | 387 |
| | **3,884** | 3,565 |
| **Current assets** | | |
| Inventories and work in progress | **1,877** | 2,953 |
| Trade and other receivables | **6,364** | 5,231 |
| Cash and cash equivalents | **250** | 89 |
| | **8,491** | 8,273 |
| **Total assets** | **12,375** | 11,838 |
| **Current liabilities** | | |
| Trade and other payables | **(4,888)** | (5,296) |
| Bank borrowings and overdrafts | **(1,742)** | (2,300) |
| Provisions | **(48)** | (79) |
| | **(6,678)** | (7,675) |
| **Net current assets** | **1,813** | 598 |
| **Non-current liabilities** | | |
| Bank borrowings and overdrafts | **-** | (336) |
| Finance lease payable | **(91)** | - |
| Long term provisions | **(108)** | (137) |
| **Total liabilities** | **(6,877)** | (8,148) |
| **Net assets** | **5,498** | 3,690 |
| **Equity** | | |
| Share capital | **598** | 594 |
| Share premium | **116** | 82 |
| Share-based payment reserve | **49** | 31 |
| Special reserve | **3,113** | 3,113 |
| Non-controlling interest | **(294)** | (4) |
| Retained earnings | **1,916** | (126) |
| **Total equity** | **5,498** | 3,690 |

# Consolidated statement of changes in equity

for the year ended 30 April 2018

| | 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 2017 | 594 | 82 | 31 | 3,113 | (4) | (126) | 3,690 |
| Total comprehensive income for the year | - | - | - | - | (290) | 2,042 | 1,752 |
| **Transactions with owners** | | | | | | | |
| Issue of shares to Ashley House Share Incentive Plan | 4 | 34 | - | - | - | - | 38 |
| New share option scheme charge | - | - | 18 | - | - | - | 18 |
| **At 30 April 2018** | **598** | **116** | **49** | **3,113** | **(294)** | **1,916** | **5,498** |

| | 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 |

# Consolidated statement of cash flows

for the year ended 30 April 2018

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year before taxation | **1,752** | 67 |
| Adjustments for: | | |
| Share-based payment charge | **18** | 21 |
| Depreciation | **101** | 59 |
| Profit on disposal of property, plant & equipment | **(11)** | - |
| Reversal of impairment | **(512)** | (73) |
| Share of results of joint ventures | **(491)** | (185) |
| Dividends received from joint ventures | **698** | 185 |
| Interest received | - | - |
| Interest paid | **490** | 755 |
| Operating cash flows before movements in working capital | **2,045** | 829 |
| Decrease/(increase) in work in progress | **1,076** | (146) |
| (Increase)/decrease in trade and other receivables | **(1,234)** | 478 |
| Decrease in trade and other payables | **(317)** | (154) |
| Decrease in provisions | **(60)** | (11) |
| **Cash generated from operations** | **1,510** | 996 |
| Interest paid | **(490)** | (755) |
| **Net cash generated from operating activities** | **1,020** | 241 |
| **Investing activities** | | |
| Proceeds from disposal of property, plant & equipment | **142** | - |
| Purchase of property, plant and equipment | **(145)** | (157) |
| Purchase of shares in subsidiary | **-** | (262) |
| Acquisition of trade and assets in Swift Manufacturing Solutions | **-** | (415) |
| Cash acquired | **-** | (12) |
| **Net cash used by investing activities** | **(3)** | (846) |
| **Financing activities** | | |
| Issue of ordinary shares | **38** | 45 |
| Proceeds from borrowings | **200** | 2,000 |
| Repayment of borrowings | **(1,094)** | (1,374) |
| **Net cash (used by)/generated from financing activities** | **(856)** | 671 |
| **Net increase in cash and cash equivalents** | **161** | 66 |
| **Cash and cash equivalents at the beginning of the year** | **89** | 23 |
| **Cash and cash equivalents at the end of the year** | **250** | 89 |

# 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 2018, 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 on pages 5 to 8, 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. In the recent past, the Company has utilised personal loans from directors of the Company or their spouses, all of which were repaid during the year to 30 April 2018. These facilities are set out in Note 15 to the financial statements.

The current economic conditions create uncertainty particularly over:

- the level of new schemes required by the Company's social housing clients and the level of Government funding available for those schemes;
- the level of new schemes required by the NHS and the level of Government funding available for those schemes;
- the contribution earned to cover the cost base; and
- the availability of corporate finance within the sector.

The Group's ability to progress the significant pipeline of extra care housing schemes has been restricted since 2015 due to the proposed introduction of the LHA Cap. As detailed in the Chairman's statement and Strategic report, the Government has now confirmed that it will not change the current funding model but will instead introduce an oversight regime to ensure better quality and value for money. This outcome is very positive for the Group as it improves financial viability and thus attractiveness to investors.

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 the initial payments received at financial close. Such payments are normally significant, occurring at the end of the design process when a scheme reaches contract, by which point the Group has incurred and paid the majority of the professional fees associated with the scheme. 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. Once a scheme starts on site, its cash flows become more regularised, usually with a positive net monthly cash flow and often a balloon payment receivable at or shortly after practical completion.

The Group has consistently demonstrated its ability to participate in projects within constraints of available finance on a project by project basis, and has a proven record of managing its borrowings carefully in order to ensure that it continues to have the working capital 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.

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Profit £000** | **Weighted average number of shares** | **Per share amount pence** | Profit £000 | Weighted average number of shares | Per share amount pence |
| Basic and diluted profit per share | **1,752** | **59,696,089** | **2.93p** | 67 | 59,102,203 | 0.11p |

No dividend was paid in the year ended 30 April 2018 (2017: £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 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 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 15 August 2018**.**