Ashley House plc
Interim Report
Six months ended 31 October 2018

Highlights

Financial highlights

- Revenue decreased to £4,766,000 (2017: £7,004,000) as contributions from Morgan Ashley (extra care pipeline) are now included within 'Share of results of joint ventures' as opposed to Revenue.
- Loss before taxation of £1,709,000 (2017: £1,734,000) for first six months is expected to become profitable for the full 14 month period to 30 June 2019, albeit uncertainty on timings of some scheme closures might result in revenue slipping into the next financial year. Accordingly, the Company expects profitability to be below current market expectations for the full financial year.
- Net debt significantly reduced to £1,490,000 (2017: £3,512,000).

Operating highlights

- Joint Venture with Morgan Sindall ("Morgan Ashley") is well established with schemes on site.
- Six extra care schemes recently won by Morgan Ashley through public tender, total expected scheme value in the region of £60m.
- F1 Modular delivering first modules on Aberdare extra care scheme.
- Health and housing pipeline grown to 26 schemes with £222.5m of gross development value.
- Modular pipeline increased to 12 projects with £19.1m of future value.

"The foundations have been laid for the next few months to deliver further scheme closures and enable the construction of some much needed accommodation for elderly people, to commence on site."

Christopher Lyons, Chairman

Chairman's Statement

In recent years Ashley House has undertaken an extensive diversification policy, from its primary healthcare origins, into adjacent areas. The acquisition of a 76% interest in F1 Modular Limited ("F1M") together with the creation of Morgan Ashley Care Developments LLP ("Morgan Ashley"), the joint venture with Morgan Sindall Investments, has complemented the existing health business to provide a wider range of activities to support people in their local communities. Whilst traditionally the vast majority of Ashley House's business has been conducted in conjunction with the public sector, the Company continues to seek opportunities which further expand the mix in client and tenure whilst continuing to utilise the skill sets established by the Company throughout its 28 year history.

Health and housing

The development business of the Ashley House Group, the major part of which sits within Morgan Ashley, is reliant on schemes reaching financial close such that all parties are legally committed and the development can progress to site. This involves complex commercial negotiations with multiple third parties and their legal teams. The Company has a large pipeline of schemes and has recently further increased this through bid successes, although the speed of financial closes has not been as fast as the Board would have liked. Morgan Ashley's first scheme, at Ryde, Isle of Wight reached financial close towards the end of the year to 30 April 2018 and construction is now well advanced.

However, whilst a large amount of work was undertaken on the pipeline of schemes, no financial closes were achieved in the six months to 31 October 2018, the pipeline having been significantly affected by the Government's threatened Local Housing Allowance Cap which was not finally removed until August 2018. Since that time, clients have re-engaged and there has been real progress with an extra care scheme in Grimsby (60 apartments, all for affordable rent) reaching financial close in November 2018 and further schemes expected to reach financial close in the coming months.

Morgan Ashley's most advanced extra care schemes include two developments in Leicester which will provide 155 extra care apartments over two sites; a 54 apartment scheme in Romsey, Hampshire and a 65 apartment scheme in Freshwater, Isle of Wight.

In addition, contracts for an 80 bed care home in Burnholme, York are all but complete with the funding documents for this scheme to be signed shortly and with work on site due to commence in February.

As a guide most of our extra care developments have a gross development value ("GDV") of around £10m with the six schemes at or around financial close within Morgan Ashley (including Grimsby) having a combined GDV in the region of £60m.

The majority of future pipeline schemes are with parties with whom Morgan Ashley now has established contractual structures which should significantly simplify and speed up the legal process. Morgan Ashley is also looking to further cement some of these relationships to reduce the time and cost taken to bring schemes to financial close. The Company finds that schemes are taking a longer period to reach financial close than initially expected and consequently expects profitability to be below market expectations for the full financial year. Since the end of October, Morgan Ashley has been successful in winning contracts for extra care schemes in Hampshire and Yorkshire with a combined GDV of c £60m. Two 60 apartment schemes in New Milton and Gosport were secured in conjunction with Places for People, whilst Morgan Ashley worked with another major national Registered Provider, Home Group to win four schemes in Leeds providing around 240 new affordable extra care apartments. The Leeds schemes have a combined GDV in the region of £40m with work on the first site starting towards the end of 2019 and all four sites to be completed and operational by 2021.

As mentioned, Morgan Ashley is currently on site in Ryde, Isle of Wight and the scheme at Grimsby is now commencing. Ashley House is on site and building in Scarborough (63 apartment extra care) and

Peterborough (twelve room care home for disabled young adults with complex needs). Peterborough is a modular construction with the modules currently being manufactured in F1M's factory. Furthermore, on land adjoining both the Scarborough and Ryde sites the team is working up two additional schemes of bungalows for elderly occupation for private sale, thus further diversifying the activities of the business with some private sector activity.

Modular

This week marked a significant milestone in the history of F1M with commencement of the transportation to site of the first modules for the 40 apartment extra care scheme in Aberdare. The scheme is for Linc Cymru Housing Association and Rhondda Cynon Taf Council and is the largest scheme to date undertaken by F1M. The development consists of 36 one-bedroom and four two-bedroom apartments for people aged 50 and over, within a single three-storey building. A total of 94 modules are being built in the factory and works have been undertaken to prepare the site for delivery of the modules. The scheme is expected to complete in Summer 2019.

Since the end of April 2018, F1M has completed school classrooms in Egham and retail units for Costa, Greggs and Evans Halshaw. Current schemes in the factory in addition to Aberdare and Peterborough include a second school under the Education and Skills Funding Agency framework; further Costa units to be housed in Moto service stations and a small modular housing pilot for a Registered Provider in North Wales. Further details can be seen on F1M's new website www.f1modular.co.uk.

F1M is known in the market for the quality of its product and it is now looking to achieve BOPAS (Build Offsite Product Assurance Scheme) accreditation which demonstrates to funders, lenders, valuers and purchasers that homes built with non-traditional methods will stand the test of time for at least 60 years. As part of this exercise, the business is seeking to further improve its efficiency and productivity. The next major scheme will be a 75 module, 150 room hotel in Doncaster where F1M is currently appointed to provide a pre-construction design service with the full order expected shortly.

Clinical Services

Ashley House, through its historic Clinical Services investment, was one of the founders of Partnering Health Limited ("PHL"). PHL currently runs the Hampshire Doctors on Call (Out of Hours) Service serving circa 1.7 million patients across Hampshire together with a range of other acute and primary care services. Ashley House still owns a third of the business although has no clinical responsibilities or any costs arising from its operations. Whilst the other, relatively small scale, partnerships that made up the Ashley House Clinical Services business have been sold or ended, PHL has now grown into a significant health business in the South of England. Ashley House is supporting the PHL business through a loan which continues to be repaid on a monthly basis. The loan had a balance of £575,000 at the end of October 2018 (2017: £987,000) and currently stands at £525,000. As PHL currently has a negative balance sheet it is not contributing to Group profits. However, as trading profit continues to improve, PHL is expected to move into a positive balance sheet position during this calendar year at which point it will start to become a contributor to the Group.

Change of Year End

As recently advised, it has been agreed that Ashley House plc will change its year end to 30 June with effect from this year, such that the current period will be for the fourteen months to 30 June 2019.

IFRS 15

International Financial Reporting Standard 15 ("IFRS 15") specifies how and when a company will recognise revenue as well as requiring more informative, relevant disclosures. IFRS 15 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore be applicable for Ashley House for the period to 30 June 2019. These interim figures have therefore been reported in accordance with IFRS 15. Ashley House's revenue recognition policy remains largely unchanged other than in order to comply with IFRS15, pre-construction costs must now be capitalised on the balance sheet when incurred and only released to profit when the relevant scheme achieves financial close. Previously all pre-construction costs were expensed as incurred. The comparative figures in this report have been restated in line with IFRS 15.

Results

As discussed above, Ashley House's reported results are sensitive to timings of financial closures. For the six months to 31 October 2018, no schemes reached financial close and therefore the Group posted a loss of £1,709,000 (2017: £1,734,000 (as restated for IFRS15)). However, the Grimsby scheme close and the further closures mentioned above should more than cover that loss. Whilst the Board expects that the Company will be profitable in the fourteen month period to 30 June 2019, as ever that profit level will depend on timings of financial closures. Likewise, the Company is expecting this trend to continue in the near term, with scheme closures reflecting a pace lower than initially anticipated. Accordingly, the Company expects that its profitability will be below market expectations for the full financial year and will continue to update the market as to progress.

Net debt

The table below shows net debt of £1,490,000 at 31 October 2018, which is significantly reduced from £3,512,000 at the end of October 2017. The Company's overdraft facility was recently renewed at £650,000 with the next review at 31 December 2019. The loan relating to Scarborough continues to be repaid by monthly instalment and will be fully repaid by 31 December 2019.

	Unaudited	Unaudited	Audited
	31 October 2018	31 October 2017	30 April 2018
	£000	£000	£000
Cash in bank	**151**	(820)	250
Loan on Scarborough land	**(237)**	(432)	(338)
Loan - Invescare	**(1,295)**	(1,560)	(1,295)
Loan - Other	**-**	(700)	-
Loan F1M	**(109)**	(109)	(109)
	(1,490)	(3,512)	(1,492)

Pipeline

The business is now segmented into Health & housing and Modular. Health & housing incorporates 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 Joint Venture, although similar future schemes are likely to 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 Statement of Comprehensive Income. Profit recognition and timing for the schemes under Morgan Ashley follows the normal Ashley House accounting policy. 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.

	Health & housing			Modular	
	Number of schemes	Development value (not Group Revenue)		Number of schemes	Development value
On site / in factory	4	£27.9m		5	£9.0m
Appointed / advanced	22	£194.6m		7	£10.1m
TOTAL	**26**	**£222.5m**		**12**	**£19.1m**

Outlook

Whilst, as last year, a loss has been reported for the first six months of the financial period, also as last year it is expected that this will be more than covered in the second part of the period. The foundations have been laid for the next few months to deliver further scheme closures and enable the construction of some much needed accommodation for elderly people, to commence on site.

The threat of the Local Housing Allowance Cap that had so affected Ashley House in recent times was removed in the period, which is now beginning to help our pipeline of developments to move forward at a faster pace. F1M is making good progress and the diversification of the business continues such that Ashley House is becoming a Group operation with two supporting pillars in Morgan Ashley and F1M supplemented by the traditional health activity through Ashley House along with some fledgling private sale developments and the growth of Partnering Health.

Christopher Lyons
January 2019

Condensed consolidated interim statement of comprehensive income

	Note	**Unaudited 6 months to 31 October 2018 £000**	Unaudited 6 months to 31 October 2017 Restated £000	Audited Year to 30 April 2018 Restated £000
Revenue		**4,766**	7,004	18,474
Cost of sales		**(4,074)**	(6,195)	(14,703)
Gross profit		**692**	809	3,771
Administrative expenses		**(1,810)**	(2,202)	(3,411)
Depreciation		**(46)**	(50)	(101)
Profit on disposal of property, plant & equipment		**-**	11	11
Reversal of impairment		**-**	-	512
Share of results of joint ventures		**(442)**	28	513
Operating (loss)/profit		**(1,606)**	(1,404)	1,295
Interest payable		**(103)**	(330)	(490)
(Loss)/profit before taxation		**(1,709)**	(1,734)	805
Tax credit		**-**	-	-
Total comprehensive (expense)/income for the period		**(1,709)**	(1,734)	805
Basic and diluted (loss)/earnings per share	3	**(2.85)p**	(2.91)p	1.35p

Condensed consolidated interim balance sheet

	Unaudited 31 October 2018 £000	Unaudited 31 October 2017 Restated £000	Audited 30 April 2018 Restated £000
Non-current assets			
Property, plant and equipment	**159**	187	139
Investments in joint ventures	**1,357**	1,140	1,952
Deferred tax asset	**1,400**	1,400	1,400
Goodwill	**415**	415	415
Other receivables	**-**	30	-
	3,331	3,172	3,906
Current assets			
Inventories and work in progress	**2,069**	4,043	1,877
Trade and other receivables	**5,537**	5,471	6,364
Cash and cash equivalents	**187**	11	250
	7,793	9,525	8,491
Total assets	**11,124**	12,697	12,397
Current liabilities			
Trade and other payables	**(5,388)**	(5,863)	4,888
Bank borrowings and overdrafts	**(1,680)**	(3,464)	(1,742)
Provisions	**(48)**	(47)	(48)
	(7,116)	(9,374)	(6,678)
Net current assets	**677**	151	1,813
Non-current liabilities			
Bank borrowings and overdrafts	**-**	(243)	-
Finance lease payable	**(79)**	-	(91)
Long term provisions	**(90)**	(115)	(108)
Total liabilities	**(7,285)**	(9,732)	(6,877)
Net assets	**3,839**	2,965	5,520
Equity			
Share capital	**600**	598	598
Share premium	**136**	108	116
Share-based payments reserve	**55**	41	49
Special reserve	**3,113**	3,113	3,113
Non-controlling interest	**(417)**	(137)	(294)
Retained earnings	**352**	(758)	1,938
Total equity	**3,839**	2,965	5,520

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 2018 (restated)	**598**	**116**	**49**	**3,113**	**(294)**	**1,938**	**5,520**
Total comprehensive expense for the period	-	-	-	-	(123)	(1,586)	**(1,709)**
Transaction with owners							
Issue of shares to Ashley House Share Incentive Plan	2	20	-	-	-	-	**22**
Share-based payments charge	-	-	6	-	-	-	**6**
Balance at 31 October 2018	**600**	**136**	**55**	**3,113**	**(417)**	**352**	**3,839**
Balance at 1 May 2017 (restated)	594	82	31	3,113	(4)	843	4,659
Total comprehensive income for the period	-	-	-	-	(133)	(1,601)	(1,734)
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 (restated)	598	108	41	3,113	(137)	(758)	2,965
Balance at 1 May 2017 (restated)	594	82	31	3,113	(4)	843	4,659
Total comprehensive income for the year	-	-	-	-	(290)	1,095	805
Transaction with owners							
Issue of shares to Ashley House Share Incentive Plan	4	34	-	-	-	-	38
Share-based payments charge	-	-	18	-	-	-	18
At 30 April 2018 (restated)	598	116	49	3,113	(294)	1,938	5,520

Condensed consolidated interim statement of cash flows

	Unaudited 6 months to 31 October 2018 £000	Unaudited 6 months to 31 October 2017 £000	Audited Year to 30 April 2018 £000
Operating activities			
(Loss)/profit before taxation	**(1,709)**	(1,734)	805
Adjustments for:			
Share-based payments charge	**6**	10	18
Depreciation	**46**	50	101
Profit on disposal of fixed assets	**-**	(11)	(11)
Reversal of impairment	**-**	-	(512)
Share of results of joint ventures	**442**	(28)	(513)
Dividends received from joint ventures	**153**	25	698
Interest paid	**103**	330	490
Operating cash flows before movements in working capital	**(959)**	(1,358)	1,076
(Increase)/decrease in work in progress	**(192)**	(121)	2,045
Decrease/(increase) in trade and other receivables	**827**	118	(1,234)
Increase/(decrease) in trade and other payables	**488**	567	(317)
Decrease in provision	**(18)**	(54)	(60)
Cash generated from/(used by) operations	**146**	(848)	1,510
Interest paid	**(103)**	(330)	(490)
Net cash generated from/(used by) operating activities	**43**	(1,178)	1,020
Investing activities			
Purchase of property, plant and equipment	**(66)**	(143)	(145)
Proceeds from disposal of property, plant and equipment	**-**	142	142
Net cash used by investing activities	**(66)**	(1)	(3)
Financing activities			
Issue of ordinary shares	**22**	30	38
Proceeds from borrowings	**-**	338	200
Repayment of borrowings	**(98)**	(93)	(1,094)
Net cash generated from/(used by) financing activities	**(76)**	275	(856)
Net (decrease)/increase in cash and cash equivalents	**(99)**	(904)	161
Cash and cash equivalents at beginning of period	**250**	89	89
Cash and cash equivalents at end of period	**151**	(815)	250

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.

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 [•] January 2019.

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 2018 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 2018. 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 2018.

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 are the first financial statements to have been prepared by the Company in accordance with IFRS15 Revenue from Contracts with Customers. The comparative information presented for the six months to 31 October 2017 and for the year to 30 April 2018 has been restated to be compliant with the requirements of IFRS15.

In the comparative period to 31 October 2017 profit before tax is £151,000 and net assets are £1,120,000 higher than previously reported. In the year to 30 April 2018 profit before tax is £947,000 lower and net assets are £22,000 higher than previously reported. Full details of the impact of the adoption of IFRS15 will be provided in the Annual Report and Accounts for the 14 months to 30 June 2019.

In all other respects 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 2018.

3 Earnings per share

The calculation of the basic earnings per share is based on the (loss)/profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

6 months to 31 October 2018	**Loss £000**	**Weighted average number of shares**	**Per share amount Pence**
Basic and diluted loss per share	**(1,709)**	**59,981,619**	**(2.85)p**

6 months to 31 October 2017 (restated)	Loss £000	Weighted average number of shares	Per share amount Pence
Basic and diluted loss per share	(1,734)	59,597,016	(2.91)p

Year to 30 April 2018 (restated)	Profit £000	Weighted average number of shares	Per share amount Pence
Basic and diluted earnings per share	805	59,696,089	1.35p

Company information

Company registration number
02563627

Registered office
Unit 1, Barnes Wallis Court
Wellington Road
Cressex Business Park
High Wycombe
HP12 3PS

Directors

C P Lyons	Non-executive Chairman
S G Minion	Non-executive Deputy Chairman
A J Walters	Chief Executive
J Holmes	Commercial Director
J A J Hathaway	Finance Director
A J Willetts	Non-executive director

Secretary
J A J Hathaway

Nominated Adviser and Broker
W H Ireland Limited
24 Martin Lane
London EC4R 0DR

Bankers
Lloyds Banking Group
High Street
Slough
Berkshire SL1 1DH

Solicitors
Addleshaw Goddard LLP
One St Peter's Square
Manchester M2 3DE

Auditor
Grant Thornton UK LLP
3140 Rowan Place
John Smith Drive
Oxford Business Park South
Oxford OX4 2WB