Ashley House plc, the health and community care property partner, announces that, further to the Trading Update released on 1st August 2019 and its process of reviewing various financing and strategic options, the Company has completed on a sale of its 50 per cent interest in Morgan Ashley Care Developments LLP (“Morgan Ashley”), to its joint venture partner Morgan Sindall Investments Limited (“MSI”), (the “Transaction”).

Consideration for the Transaction is £2,000,000 payable in cash, £500,000 of which is to be deferred and expected to be received in instalments over the next twelve months including £200,000 which is dependent on the monies being generated from a particular scheme. In addition, the Company has signed an agreement with MSI for Ashley House to work on a pipeline of health, wellbeing and primary care developments across established health partnerships within which MSI are already working. The Company views this as an opportunity to work closely with the NHS and partners (very much the origins of the Ashley House business) to deliver much needed innovative health, wellbeing and primary care facilities.

As previously announced, delays to Morgan Ashley schemes reaching financial close have had a significant impact on the cash requirements of that business. Since the creation of Morgan Ashley it has required funding from Ashley House and MSI. Notwithstanding this, Ashley House’s share of the profits from the Morgan Ashley joint venture contributed £310,000 in the year to 30 April 2018. Having explored a number of funding solutions including both debt and equity, the Company has concluded that the Transaction is in the best interests of shareholders. The Transaction will satisfy the short term cash requirements and enable Ashley House to restructure and return its focus to its key strengths as a developer of health and wellness buildings, as well as driving opportunities for its majority owned modular business, F1 Modular.

The terms of the Transaction restrict Ashley House from working in the elderly care housing sector for a period of three years, but the Board is developing a strategy to enable it to broaden its sphere of activity to adjacent markets, such as affordable housing and healthcare which are not restricted by the terms of the Transaction. Twelve staff members will transfer to Morgan Sindall under TUPE and the central management function of the Group is being restructured to be appropriate going forward, resulting in cost savings. The proceeds of the Transaction will be deployed within key areas of focus and used to support the Group’s working capital requirements.

Antony Walters, Chief Executive, said: “The Board has reviewed funding and strategic opportunities available for the Company and has concluded that the Transaction and a re-focus on its key strengths in health development and modular construction are the most suitable options. We look forward to being able to exploit opportunities in these sectors and further developing the Company’s strategic reach.”
This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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