

14 December 2006

ASHLEY HOUSE PROPERTIES LTD

PROPOSED ACQUISITION OF ASHLEY HOUSE INVESTMENTS LIMITED

PROPOSED ISSUE OF NEW SHARES WITH A VALUE OF UP TO GBP15 MILLION

PROPOSED REMOVAL OF STAPLED SHARE STRUCTURE

PROPOSED BOARD CHANGES

PROPOSED CHANGE OF NAME TO AH MEDICAL PROPERTIES PLC

The Board of Ashley House Properties Ltd ("AHP"), the Primary Care medical property investment company, is pleased to announce a number of important proposals which taken together are expected to have significant benefits for AHP, as it seeks to build on its recent rapid growth.

PROPOSED ACQUISITION OF ASHLEY HOUSE INVESTMENTS LIMITED

Firstly, it is announced that AHP has agreed terms for the acquisition of the entire issued share capital of AHIL. This acquisition would add ten properties to AHP's portfolio, which were designed and built by AH between 1998 and 2003, mainly for the provision of NHS primary care medical services. The vendors of AHIL are predominantly current or former directors and senior management of Ashley House plc ("AH"). AHP has signed a conditional agreement to acquire the entire issued share capital of AHIL for a consideration of approximately GBP7 million, to be satisfied in cash and by the issue of New Shares depending on the outcome of the Issue as described below.

INFORMATION ON AHIL

AHIL was formed in 1998 by the then directors and senior management of AH. When AH joined PLUS in September 2000, the prospectus stated that it designed and project managed the building of NHS doctors' surgeries and primary care health centres. It was intended that AH should be a trading company and should not participate in the ownership of investment property. At this time, AHIL, which had been established as a separate, private company, was already an investment partner for AH, agreeing to forward purchase land and completed buildings for certain projects that AH was bringing through the design and planning process and where the intended occupier wished to lease and not purchase the completed building.

However, the establishment of AHP and the Staple between AHP Shares and AH Shares in September 2004 gave shareholders in AH a means of owning shares in a property backed company, with an ascertainable net asset value in AHP as well as shares in a design and project management company with an earnings stream in AH. The establishment of AHP provided a natural platform for the acquisition by AHP in April 2005 of Medical Properties Limited and has paved the way to the proposal that AHP should acquire the entire issued share capital of AHIL. Completion of the acquisition of AHIL will bring into the ownership of AHP all of the properties which were originally built by AH and owned by current or former directors of AH and by their families.

At present AHIL owns ten properties in Chelsea, London; Maidenhead, Berkshire; Fairford Leys, Buckinghamshire; Mandeville, Buckinghamshire; Princes Risborough, Buckinghamshire; Whitchurch, Buckinghamshire; Chinnor, Oxfordshire; Wantage, Oxfordshire; Bookham, Surrey; and Melksham, Wiltshire. Nine were designed and purpose built by AH between 1998 and 2003. All save one have been let to doctors' practices on 25 year leases with three yearly rent reviews, in accordance with standard practice in this sector. The unexpired terms of the

leases range from 17 years to 22 years, save for Chelsea which is held leasehold with an unexpired term of 7 years matching the terms of the underleases to the tenants.

#### FINANCIAL INFORMATION AND INDEPENDENT VALUATION OF PROPERTY PORTFOLIO

An independent market value of GBP19.6 million as at 13 December 2006 has been obtained of AHIL's property portfolio from DTZ. There are three rent reviews currently outstanding and three further properties are due for review in 2007.

AHIL has borrowings secured on these properties totalling approximately GBP11.75 million as at 31 October 2006: the loans financed the acquisition of the land and the construction of the buildings. In each case, the lender is The General Practice Finance Corporation Limited ("GPFC"), a subsidiary of Norwich Union, which specialises in financing primary healthcare premises. All borrowings are in the form of fixed long term loans with interest rates varying between 5.91% and 6.92% per annum.

The price which AHP is paying for AHIL will be equal to the resultant net assets of AHIL. This is expected to be approximately GBP7 million, but will be adjusted depending on the net asset value as actually determined on completion. It is expected that the Acquisition will be completed following the AHP EGM and in any event before 31 January 2007.

DTZ has also provided a valuation of the entire property portfolio of AHP, including those to be acquired from AHIL: the market valuation is GBP97.4 million applying current day values assuming the schemes under development are completed and income producing as at the date of DTZ's valuation.

#### BENEFITS OF THE ACQUISITION

The Acquisition will immediately increase the scale of AHP and the cash inflows from passing rents.

AHP currently has 32 schemes under contract comprising 22 completed properties, 3 due to reach practical completion in the next two months, 3 schemes on site under construction due to be completed within the next 10 months and a further four schemes due to go on site in early 2007, before the end of AHP's financial year in April 2007. The total value of these 32 properties (complete, under development and to be developed) assuming all are complete and income producing as at the date of DTZ's valuation is GBP77.8 million. The proposed purchase of AHIL will increase the portfolio to an estimated gross value of GBP97.4 million.

The Independent Directors consider that the Acquisition represents good value for shareholders in AHP, accelerating the growth of the asset base of AHP to a projected value approaching GBP100 million. It also removes any perceived ongoing conflict between those AHP Directors who are also shareholders in AHIL.

#### TERMS OF THE ACQUISITION

Under the terms of the Acquisition Agreement, AHP has agreed to purchase from the shareholders of AHIL the entire issued share capital of AHIL for an aggregate consideration of approximately GBP7.0 million. This is to be satisfied on completion by a combination of cash and/or New Shares at an issue price of 42 pence per New Share depending on the outcome of the Issue although a minimum of GBP2.4 million will be satisfied by the issue of 5,714,285 New Shares. The balance of the consideration payable will be dependent on the amount raised in the Issue with the first GBP4.6 million being applied in settling the balance of the consideration for AHIL in cash, failing which it will be satisfied by the issue of further New Shares.

The table below sets out the approximate total consideration payable (in cash

and/or New Shares) to the shareholders of AHIL who are also Directors of AHP or AH, and their related parties.

Name	Value of Consideration	Jonathan
Holmes	GBP0.350m	
Stephen Minion	GBP2.333m	
Gail Mosley	GBP1.170m	

In view of the fact that the Acquisition is being made from related parties and that the AHP Directors need authority to issue and allot the Consideration Shares, the Acquisition is conditional upon the approval of Shareholders. In view of their interest in the Acquisition, Stephen Minion and Jonathan Holmes and their related parties will abstain from voting on the AHP Resolution relating to the Acquisition.

#### PROPOSED ISSUE OF NEW SHARES

It is also announced today that the AHP Directors plan to issue up to 35,714,285 new AHP Shares, as summarized in the table below:

Description	Row	GBP	Number of AHP Shares**
AHIL - retained AHP Shares	A	2,400,000	5,714,285
AHIL - Shares to be placed *	B	4,600,000	10,952,382
AHIL - total consideration*		7,000,000	16,666,667
AHP - general working capital	C	8,000,000	19,047,618
Total		15,000,000	35,714,285
Note: Total of rows B & C		12,600,000	30,000,000
Note: AH subscription towards amount in row C		1,850,000	4,404,762

\*These figures are approximate depending on the net assets of AHIL on Completion, estimated to be GBP7.0 million.

\*\* Assuming an Issue Price of 42p per New Share

Up to 35,714,285 new AHP Shares are to be issued by AHP. Of these 5,714,285 will be issued as part consideration for the acquisition of AHIL. At the option of AHP the balance of the consideration will be satisfied either by the issue of an additional 10,952,382 AHP Shares or from the cash proceeds of the placing of such AHP Shares at an assumed price of 42p per share (or a combination thereof). An additional 19,047,618 AHP Shares are to be placed for cash to fund general working capital and finance expansion of AHP's business of which 4,404,762 AHP Shares will be subscribed for by AH.

#### PROPOSED DE-STAPLE AND CHANGE OF NAME

Further, it is announced that the directors of AHP and of AH have decided that the stapled share structure, whereby AH Shares and AHP Shares trade as Units, no longer suits either of the Companies. The nature and business models of the Companies differ already and will become increasingly divergent. AH generates cash and is valued on a multiple of its earnings per share, whereas AHP is likely to be valued mainly by reference to its net asset value per share.

Moreover, AHP may need to issue its shares as consideration for acquisitions or fundraisings without also triggering the parallel issue of shares in AH. The directors of AHP and AH also believe that the value of each of the Companies will be easier for investors to assess if AHP Shares and AH Shares trade independently.

The Staple was established in September 2004. The arrangements under which the Staple was put in place require that if at any time the Staple was to be broken, separate EGMs would be needed of the Companies to approve the breaking of the Staple and the cessation of dealing in Units.

It has also been announced today that AH will apply in January 2007 for its issued share capital to be admitted to AIM. Dealings in AHP Shares will be on PLUS.

Assuming that the appropriate resolutions are passed at the AH EGM and the AHP EGM on Thursday 11 January 2007 and that AH is admitted to AIM, the last day of dealing in the Existing Units on PLUS will be Friday 12 January 2007. Monday 15 January 2007 will be the first day of separate dealings in AH Shares (on AIM) and of AHP Shares (on PLUS).

In consequence of the proposed De-Staple and the future separate identities of the Companies, the AHP Directors think it sensible to identify more clearly the market which AHP is addressing and re-register Ashley House Properties Limited as a public limited company and change its name to AH Medical Properties plc.

#### PROPOSED BOARD CHANGES AND RELATIONSHIP BETWEEN AHP AND AH

In order to ensure there is transparency and independence in the dealings between AH and AHP, certain directors of AHP will retire and AHP proposes to appoint additional non-executive directors to its board.

David Burton will retire as chairman and director of AHP shortly after the AHP EGM. Jonathan Holmes will retire from the board of AHP and will become sole Chief Executive Officer of AH. Stephen Minion will continue as a director of AHP and will become Deputy Chairman of AH in an executive capacity.

The directors of AHP are pleased to announce that Peter Wilkinson FRICS has agreed to join the board of AHP following the AHP EGM. Peter Wilkinson is a highly experienced Chartered Surveyor, who has specialised in Primary Healthcare properties providing advice for property companies and lenders such as Norwich Union who are the largest lenders in this sector. AHP intends to appoint one or more non-executive directors, and is in discussions with a prospective chairman. AHP expects to make a further announcement regarding this matter in the near future.

Following these changes, the board of AHP is expected to comprise an independent, non-executive chairman, at least two other non-executive directors (John Gunn and Peter Wilkinson), and two executive directors, Stephen Minion and Bruce Walker.

#### MANAGEMENT AGREEMENT AND FUTURE TRADING RELATIONSHIP

The trading relationship between AH and AHP is governed by a management agreement, which is to be replaced following the AHP EGM and the AH EGM with a new asset management agreement. Under the current management agreement, AHP retains AH as the asset manager for the portfolio and pays a fee of 1% of the gross value of the completed assets. Under the new Asset Management Agreement, AHP will retain AH as asset manager for its portfolio of properties on the basis of a fee of: 1% of the first GBP50 million of gross completed assets, 0.6% of the value of gross completed assets in excess of GBP50 million and an incentive fee of 20% of the return in excess of a Total Return of 10% to shareholders, where Total Return is defined as the increase in share price of AHP Shares plus dividends paid per annum.

#### EXTRAORDINARY GENERAL MEETING

A circular will be posted to Shareholders to convene an EGM expected to be held

at 10.15 a.m. on Thursday 11 January 2007, at which the AHP Resolutions will be proposed to approve the De-Staple, the acquisition of AHIL, the renewal of authorities to issue AHP Shares generally as well as the Consideration Shares and the re-registration as a public limited company and change of name.

If the AHP Resolutions are passed, and following completion of the Acquisition and the issue of the New Shares, the share capital of AHP will be increased as shown below:

	Number of AHP Shares
Existing number of AHP Shares in issue	23,764,136
new AHP Shares for AHIL (retained)	5,714,285
new AHP Shares for AHIL (to be placed)	10,952,382
New AHP Shares for general working capital*	19,047,618
Increased number of AHP Shares in issue *	59,478,421

\* Assuming full subscription of the New Shares

In addition to the above AHP Shares and, subject to the relevant AHP Resolution being passed, as from 11 January 2007 there will also be 50,000 Redeemable Shares in issue.

A circular will also be sent to shareholders of AH to convene the relevant AH EGM which is also scheduled to be held on Thursday 11 January 2007.

#### CURRENT TRADING AND PROSPECTS

AHP has grown rapidly since its inception in September 2004. Its gross assets have grown to GBP53 million with net assets of GBP10 million and net asset value per share of 42p as at 31 October 2006. The future pipeline is strong and underpinned by the agreement with AH which is the asset manager of the portfolio. Under this agreement, AHP will be entitled to a first refusal to acquire all new Primary Care development opportunities which AH controls.

The Government's White Paper published in 2000 identified the need for a major overhaul of the Primary Care estate, which numbers over 9,000 properties, and much of this work remains to be done. In the more recent White Paper published in March 2006, entitled "Our Health, Our Care, Our Say", there was a recognition that many services currently delivered from Secondary Care hospitals were better and more efficiently delivered from Primary Care facilities and as a result, there would be an emphasis going forward on devolving an increasing range of services to Primary Care facilities. This devolvement of services into Primary Care and the poor condition of much of the existing estate is driving demand for larger, fit for purpose, premises.

Value generation from the existing portfolio will be derived from rent reviews which will take place every 3 years on all except one small property. On average one third of the properties are reviewed each year, which would represent almost GBP2 million p.a. of rent for review in the enlarged portfolio. The capital values of Primary Care assets are underpinned by strong demand as evidenced in recent portfolio acquisitions. Investors are attracted by the long term, secure nature of the income and the scope for rental growth.

The directors of Ashley House plc and Ashley House Properties Ltd accept responsibility for this announcement.

Further enquiries:

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#### DEFINITIONS

"ACQUISITION" the acquisition of AHIL by AHP

"ACQUISITION AGREEMENT" the agreement dated 13 December 2006 between AHP and the shareholders of AHIL providing for the acquisition of AHIL

"AHIL" Ashley House Investments Limited, a company incorporated in England & Wales with company number 3500122 and whose registered office is at Willow Place, Falcons Croft, Wooburn Moor, High Wycombe, Buckinghamshire HP20 8NP

"AH EGM" the Extraordinary General Meeting of AH convened for 10.00 a.m. on Thursday 11 January 2007

"AHP EGM" the Extraordinary General Meeting of AHP convened for 10.15 a.m. on Thursday 11 January 2007

"AHP RESOLUTIONS" the resolutions to be proposed at the EGM of AHP

"AH SHARES" ordinary shares of 1 penny each in the capital of AH

"AHP SHARES" ordinary shares of 0.01 of a penny each in the capital of AHP

"COMPANIES" AH and AHP

"DE-STAPLE" the termination of the structure under which one AH Share and one AHP Share are "stapled" together as a Unit and the cessation of dealing in Units

"DTZ" DTZ Debenham Tie Leung

"EXISTING UNITS" the 23,764,136 Units in issue at the date of this document

"FSA" the Financial Services Authority

"INDEPENDENT DIRECTORS" David Burton, John Gunn and Bruce Walker

"NEW SHARES" up to 35,714,285 new AHP Shares which are to be issued by AHP pursuant to the Issue and the Acquisition Agreement

"ISSUE" the Issue of up to 30,000,000 new AHP Shares arranged by Ludgate to raise up to GBP12,600,000, of which up to 10,952,382 may be retained by the vendors of AHIL

"PLUS " a market operated by Plus Markets plc, which is regulated by the Financial Services Authority, and which allows trading in the shares of unquoted companies

"REDEEMABLE SHARES" redeemable shares of GBP1 each in the capital of AHP

"SHAREHOLDERS" holders of Units

"STAPLE" the structure under which one AH Share and one AHP Share are "stapled" together and traded as a Unit

"UNIT" a unit comprising one AH Share and one AHP Share