

Ashley House PLC  
06 July 2009

## **Ashley House plc**

Ashley House plc ("Ashley House" or the "Company") the Primary Care infrastructure specialist today announces its preliminary results for the year ended 30 April 2009

### **HIGHLIGHTS**

#### **FINANCIAL**

- **Revenue up 20% to £23.83m (2008: £19.79m)**
- **Pre-Tax Profit up 9% to £5.53m (2008: £5.07m)**
- **Earnings per share down 29% to 10.0p (2008: 12.9p) as a result of the share issue for the acquisition in June 2008**
- **Final Dividend 4p per share total 4p with scrip alternative (2008: 3.7p final, 6p total)**

#### **OPERATIONAL**

- **Successful settlement of Babcock & Brown deferred £19m liability for £1m**
- **Net Assets £38.7m (2008: £13.4m)**
- **Approved private sector partner for Express LIFT in Odyssey Healthcare joint venture**
- **Strong forward pipeline of £245m of project value over next 2 years**

Ashley House plc Chairman Sir William Wells said:

"This has been a challenging year for Ashley House but it has also been a year of opportunity. The favourable resolution of the £19m outstanding Babcock & Brown deferred consideration liability for £1m and our success in being selected as one of the seven private sector partners in the new Express LIFT procurement, positions us well for the future. With our revenues growing from a solid pipeline of opportunities we look forward to the future with confidence"

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## **CHAIRMAN'S STATEMENT**

### **Results and Dividend**

I am pleased to report that the company's financial performance showed a marked improvement in the second half of the year compared to the first half. For the full year, revenue increased by 20% to £23.83m (2008: £19.79m) and pre-tax profit increased 9% to £5.53m (2008: £5.07m). In June 2008 the Company acquired the NHS LIFT Company interests of Babcock & Brown for cash and a significant share issue which largely funded the acquisition. As a consequence earnings per share were down 29% at 10.01p per share (2008: 12.93p).

Subsequently Babcock & Brown went into administration and this provided the Company with the opportunity of arranging the placing of their shares and negotiating on the £19m deferred consideration liability which was finally settled for £1m. As a result the balance sheet reflects the acquisition completed in June 2008 and the benefit of settling the deferred consideration liability for £1m in April 2009. The balance sheet shows net assets of £38.7m (2008: £13.4m), net cash and no significant liabilities.

Due to the Company's improved trading position and because of the significant reduction in the deferred consideration liability the Board has decided to pay a final dividend of 4.0p per share (2008: 3.7p final, 6p total) with a scrip alternative. The details of the scrip dividend and approval are set out in a separate shareholders circular. It is the Board's intention to resume our progressive dividend policy in line with earnings growth.

### **Highlights of the Financial Year**

As a result of the acquisition of Babcock & Brown's NHS LIFT Companies interests we are now the private sector partner in 7 NHS LIFT Companies, making Ashley House one of the largest NHS LIFT Company operators. Following 12 months experience I am pleased to report that good progress is being made. The pipeline of projects has grown and our partners are seeing directly the impact of our team's involvement and the experience they bring.

Earlier in the year, largely as a result of the Company's significant and proactive presence in the NHS LIFT programme, we were chosen as one of

only 7 private sector organisations approved as partners in Express LIFT, via Odyssey Healthcare (our joint venture with partners Amber Infrastructure and GSL). This gives us the opportunity to win more NHS LIFT mandates and reinforces the strategic rationale for making the acquisition of the 7 NHS LIFT company interests.

As previously reported we were able to take the opportunity presented by Babcock & Brown's problems to rationalise our relationship with them by placing their shareholding with Invesco Perpetual, who we welcome as a significant new shareholder. We continue to work with the former Babcock & Brown infrastructure team in their buyout entity Amber Infrastructure, who are partners in Odyssey Healthcare for Express LIFT.

During the period we have expanded the team to deal with the much increased pipeline of projects and as a consequence our overhead has increased. The benefit of increased operational gearing should start to flow through in the new financial year.

### **Our Market**

The requirement for upgrading and reconfiguring the NHS primary and community care estate is on-going and our pipeline of projects reflects this need. The continuing shift of services from acute to primary care facilities is a key element of healthcare policy and has broad cross party support.

### **Outlook**

With interests in NHS LIFT, a major opportunity in Express LIFT and with a strong third party developer pipeline of new work, we are well positioned for the future. The recurring revenues from asset management continue to increase and revenues from our Clinical services management business are starting to flow.

Whilst the prospects of the economy remain uncertain we remain well positioned to continue the growth of the business.

**Sir William Wells**  
**Chairman**

**3 July 2009**

## **CHIEF EXECUTIVE'S STATEMENT**

### **Business Review**

This has been a year of significant progress for the business with the integration of the NHS LIFT interests acquired in June 2008. An indication of the significance of this new business stream is that whilst our largest client to date has been AH Medical Properties, revenue derived from it represented only 18% of this year's total as against 55% last year and 72% two years prior. This statistic demonstrates the broader spread of the business since the acquisition. Selection of our consortium Odyssey Healthcare as an approved

bidder for new LIFT Companies bodes well for this continued expansion of our revenue base.

## **Design & Construction**

Revenues from Design & Construction increased over the previous year and the margin has been maintained. We have benefitted from falling construction costs from our sub-contractors and been able to pass on some of this to our end users. Our cost driven focus aided by in-house design resource enables our team to drive costs hard wherever possible thereby helping to deliver value for money.

We were delighted to complete our first NHS LIFT project, one of 3 neighbourhood resource centres in Harrow for the Local Authority via the Brent Harrow and Hillingdon LIFT company. We will shortly be on site with 2 more NHS LIFT schemes in East London and Walsall. In the 3PD (third party developer) market we completed notable schemes in Portsmouth and Essex.

New design work made a significant contribution, in particular on NHS LIFT schemes in East London and Wolverhampton & Walsall LIFT areas. In Bracknell, Berkshire we are designing and building the Bracknell Healthspace which will accommodate a range of health and community services in a high rise urban scheme, including GP practices, community based services from the PCT and 2 acute NHS Trusts as well as some space for private sector operators. This once again demonstrates our ability to understand what our end users want and deliver appropriate affordable solutions.

At the time of our acquisition of the NHS LIFT interests in June 2008 we referred to a £300m NHS LIFT pipeline which represented projects identified as being required over a 3-5 year timeframe. We can now report that over the next 2 years alone the pipeline of schemes expected to contribute to our revenues has increased to £245m. This is a metric we intend to update in future reports.

## **Management Services**

Management services revenues grew materially during the year with management and development fees from the NHS LIFT companies making their first contributions.

Asset Management revenues were slightly ahead, notwithstanding the fact that AH Medical Properties plc's portfolio suffered a write down on its value at the half year in October 2008. The new assets and positive rent reviews achieved resulted in the portfolio performing markedly better than the wider commercial property market. AH Medical Properties remains well capitalised and able to continue acquiring new schemes.

Clinical Services Management made progress in winning its first Equitable Access contracts in joint ventures with GP groups. Our team is working with our partners to not only make these contracts successful but to expand the scope of the joint ventures from this platform and thus give the division suitable scale. This activity continues to support our ability to propose service led solutions to our clients across the whole business.

Health Park activities have progressed with the Scarborough scheme nearing the construction phase and the new Bracknell scheme being a major new addition. With falling land prices and construction costs we are pursuing further schemes.

### Key Performance Targets

We have achieved key performance targets of growing revenue and profit before tax, although not by as much as we had hoped at the start of the year. The pipeline growth is a material achievement as is our selection as a participant in the Express LIFT procurement. Following our achievement of Investor in People status last year we were pleased to achieve ISO 9001 accreditation at Year End, which validates our systems as we expand the business.

### Staff

We have expanded the team significantly during the year as we deal with the increased pipeline. We have strengthened our management with experienced hires in the positions of Chief Operating Officer and Head of Finance, both of whom have settled in well. We have opened a new office in Worcester which services our NHS LIFT interests in the Midlands. The headcount now stands at 80 people and the Board's thanks go to all in a challenging yet ultimately progressive year.

### Outlook

Current trading is on track so far in the new financial year and our teams are all focused on the year ahead.

**Jonathan Holmes**

**Chief Executive**

**3 July 2009**

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED

	Note	2009 £000	2008 £000
<b>Revenue</b>		<b>23,834</b>	19,793
Cost of sales		(12,575)	(10,533)
<b>Gross profit</b>		<b>11,259</b>	9,260

Administrative expenses		(5,726)	(4,338)
Depreciation and impairment		(114)	(176)
<b>Operating expenses</b>		<b>(5,840)</b>	<b>(4,514)</b>
<b>Operating profit</b>		<b>5,419</b>	<b>4,746</b>
Investment income		107	326
<b>Profit before taxation</b>		<b>5,526</b>	<b>5,072</b>
Tax expense	2	(1,361)	(1,510)
<b>Profit for the financial year</b>		<b>4,165</b>	<b>3,562</b>
<b>Basic earnings per share</b>	3	<b>10.01p</b>	12.93p
Diluted earnings per share	3	9.65p	11.56p

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

#### CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 2009

	Note	2009 £000	2008 £000
<b>Non-current assets</b>			
Goodwill		270	270
Other intangible	4	24,800	-
Property, plant and equipment		213	291
Available for sale investments		738	1,321
Deferred tax asset		210	827
		<b>26,231</b>	<b>2,709</b>
<b>Current assets</b>			
Work in Progress		1,361	1,259
Trade and other receivables		18,778	9,670
Cash and cash equivalents		3,314	6,869
		<b>23,453</b>	<b>17,798</b>
<b>Total assets</b>		<b>49,684</b>	<b>20,507</b>
<b>Current liabilities</b>			
Trade and other payables		(7,664)	(4,478)
Bank borrowing		(2,127)	(1,330)
Current income tax		(1,219)	(1,253)
		<b>(11,010)</b>	<b>(7,061)</b>

<b>Net current assets</b>		<b>12,443</b>	11,564
<b>Net assets</b>		<b>38,674</b>	13,446
<b>Equity</b>			
Share capital	6	470	275
Share premium		31,627	8,040
Share based payments reserve		608	2,221
Retained earnings		5,969	2,910
<b>Total equity</b>		<b>38,674</b>	13,446

The financial statements were approved by the board of directors and authorised for issue on the 3 July 2009.

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share premium £000	Share based Payment reserve £000	Retained Earnings £000	Total £000
At 1 May 2008	275	8,040	2,221	2,910	13,446
Fair value movement on available for sale investment	-	-	-	(584)	(584)
Income and expense recognised directly in equity				(584)	(584)
Profit for the year	-	-	-	4,165	4,165
Total recognised income and expense	-	-	-	3,581	3,581
Issue of share capital	195	23,587	-	-	23,782
Transfer between reserves on conversion of warrants	-	-	(1,085)	1,085	-
Movement on deferred tax	-	-	(617)	-	(617)
Dividends	-	-	-	(1,607)	(1,607)
Share based payment charge	-	-	89	-	89
<b>At 30 April 2009</b>	<b>470</b>	<b>31,627</b>	<b>608</b>	<b>5,969</b>	<b>38,674</b>
	Share Capital £000	Share premium £000	Share based Payment reserve £000	Retained Earnings £000	Total £000
At 1 May 2007	275	8,040	2,311	1,337	11,963

Fair value movement on available for sale investment	-	-	-	(529)	(529)
Income and expense recognised directly in equity				(529)	(529)
Profit for the year	-	-	-	3,562	3,562
Total recognised income and expense	-	-	-	3,033	3,033
Movement on deferred tax	-	-	(90)	-	(90)
Dividends paid	-	-	-	(1,460)	(1,460)
<b>At 30 April 2008</b>	<b>275</b>	<b>8,040</b>	<b>2,221</b>	<b>2,910</b>	<b>13,446</b>

## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Operating activities</b>		
Profit for the year before taxation	<b>5,526</b>	5,072
Adjustments for:		
Depreciation and impairment	<b>114</b>	176
Loss on disposal of property, plant and equipment	-	23
Share based payment charge	<b>89</b>	-
Dividend received	<b>(44)</b>	(22)
Interest income	<b>(63)</b>	(304)
Operating cash flows before movements in working capital	<b>5,622</b>	4,945
(Increase) in work in progress	<b>(102)</b>	(2,518)
(Increase) in trade and other receivables	<b>(6,064)</b>	(2,349)
Increase in trade and other payables	<b>920</b>	603
<b>Cash generated by operations</b>	<b>376</b>	681
Income taxes paid	<b>(1,395)</b>	(1,121)
<b>Net cash used in operating activities</b>	<b>(1,019)</b>	(440)
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(19)</b>	(290)
Acquisition of interest in jointly controlled entities net of cash	<b>(12,824)</b>	-
Dividend received	<b>44</b>	22

Interest received	<b>63</b>	304
<b>Net cash (used in)/from investing activities</b>	<b>(12,736)</b>	36
<b>Financing activities</b>		
Increase in bank loan	<b>25</b>	2,660
Issue of share capital	<b>11,782</b>	-
Dividends paid	<b>(1,607)</b>	(1,460)
<b>Net cash from financing activities</b>	<b>10,200</b>	1,200
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,555)</b>	796
<b>Cash and cash equivalents at beginning of the year</b>	<b>6,869</b>	6,073
<b>Cash and cash equivalents at the end of the year</b>	<b>3,314</b>	6,869

## 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 2008. The Company has also adopted the following additional accounting policy during the year

#### INTANGIBLES

The book value of intangible assets which relate to a future pipeline of contracts with regards to NHS LIFT companies is reviewed annually and estimates and judgements are reviewed every year with reference to anticipated future revenues, the length of contracts remaining in the case of holdings in NHS LIFT companies, appropriate discount rates for future revenue streams and also with reference to likely market values for such assets. If there is no impairment in the value calculated and in the Board's view no likely impairment in the immediate future, there is no write off of the asset.

### 2. TAX EXPENSE

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2008: 28%). The differences are explained as follows:

	<b>2009</b>	2008
	<b>£000</b>	£000
Profit before tax	<b>5,526</b>	5,072
Profit multiplied by standard rate of corporation tax in the UK of 28% (2008: 28%)	<b>1,547</b>	1,420

Expenses not deductible for tax purposes	<b>88</b>	143
Depreciation for the period in excess of capital allowances	<b>38</b>	5
Revenue that is exempt from taxation	<b>(12)</b>	(7)
Adjustments to tax charge in respect of prior periods	<b>(300)</b>	(24)
Deferred taxation	-	(27)
Current tax charge for year	<b>1,361</b>	1,510
Comprising:		
	<b>2009</b>	2008
	<b>£000</b>	£000
Current income tax	1,361	1,537
Deferred tax	-	(27)
	<b>1,361</b>	1,510

### 3. 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.

	2009			2008		
	Profit	Weighted	Per	Profit	Weighted	Per share
	£000	Average	Share	£000	Average	Amount
		number	Amount		number of	per share
		of	per		shares	per share
		shares	share			Amount
			pence			pence
<b>Basic earnings per share</b>						
Profit attributable to ordinary shareholders	<b>4,165</b>	<b>41,611,475</b>	<b>10.01</b>	3,562	27,544,379	12.93
<b>Dilutive effect of securities</b>						
Options		<b>923,475</b>	<b>(0.22)</b>		981,732	(0.44)
Warrants		<b>603,199</b>	<b>(0.14)</b>		2,291,974	(0.93)
Diluted earnings per share	<b>4,165</b>	<b>43,138,149</b>	<b>9.65</b>	3,562	30,818,085	11.56

The average share price during the year was 114.0p, which meant that the dilutive securities shown in the table above were those which have exercise prices of 30p, 40p, 75p, 85p, 98p and 108p per share.

The directors propose the payment of a dividend of £1,884,000 (4 p per share) in the financial year 2009 in relation to the current year.

As the distribution of dividends by Ashley House plc requires approval at the Shareholders' meeting, no liability in this respect is recognised. No tax expense consequences are expected to arise as a result of this transaction at the level of Ashley House plc.

#### 4. OTHER INTANGIBLES

The intangible asset of £24.8m relates to the purchase of the NHS LIFT interests from Babcock & Brown. This acquisition was completed on 12 June 2008, however the terms were renegotiated and settled on 30 April 2009.

	£000
<b>Cost</b>	
As at 1 May 2008	-
Additions in year	24,800
As at 30 April 2009	<b>24,800</b>
<b>Impairment</b>	
As at 1 May 2008 and 30 April 2009	-
<b>Net book value as at 30 April 2009</b>	<b>24,800</b>
Net book value as at 30 April 2008	-

The carrying value of the interests acquired has been reviewed with reference to the forecast earnings expected to be generated from them over the next 10 years. The existing 7 NHS LIFT agreements which underpin the value of the business, have a further 16 years to run on average. Since the acquisition, Ashley House has been successfully approved as one of only 7 private sector partners in Express LIFT, which represents an opportunity to secure further new NHS LIFT exclusive mandates.

The forecast earnings are based on the existing pipeline of projects acquired, which at acquisition had a build value of £300m. The discount rate used was 25% which represents the average cost of capital for a smaller public company with minimal debt.

The carrying value and any impairment to the intangible asset will be reviewed annually on a similar basis, taking into account the expected future earnings, the amount of time left on the contracts in existence and the Group's cost of capital as a discount rate. Value in use has been used to determine recoverable amount.

#### 5. ACQUISITION OF INTEREST IN JOINTLY CONTROLLED ENTITIES

On June 12 2008, Ashley House plc completed the acquisition of interests in 7 NHS Local Improvement Finance Trusts ("LIFT") companies from Babcock & Brown. The acquisition comprised interests in joint controlled companies which control the management of the private sector shareholder in seven NHS LIFT businesses. Due to there being contractually agreed sharing of control, these entities are deemed to be jointly controlled entities.

The total consideration comprised:

At Completion:

£14m in cash, financed in part by the exercise of the then outstanding Babcock & Brown warrant over 7.88m Ashley House plc shares at 120p per share, which raised £9.45m; and 8m new Ashley House plc shares, which were worth £12m at 150p per share.

**Deferred Consideration:**

There was an entitlement for up to a further £19m payable in cash dependent on the performance of the joint controlled entities acquired. Following Babcock & Brown falling into administration, this entitlement was settled early on 30 April 2009 for £1m payable with £0.5m paid on 30 April 2009 and £0.5m payable on 31 October 2009.

As it is within one year of acquisition, the value of the assets acquired has been amended to reflect the adjusted acquisition price of £27m and the liability of £19m has been removed from the balance sheet. The remaining £0.5m payable in October 2009 remains as a liability in the balance sheet.

Details of net assets acquired and intangible assets acquired in these joint controlled entities are as follows:

	<b>£000</b>
Purchase consideration:	
-Cash paid	14,000
-Direct costs relating to the acquisition	727
-Fair value of shares issued	12,000
-Deferred consideration	1,000
Total purchase consideration	<b>27,727</b>

The assets and liabilities as at 12<sup>th</sup> June 2008 arising from the acquisition of these joint controlled entities are as follows:

	<b>Fair value £000</b>	<b>Acquiree's Carrying amount £000</b>
<b>Cash and cash equivalents</b>		
Property, plant and equipment	15	15
Intangibles	2	2
Debtors	3,044	3,044
Cash	2,403	2,403
<b>Trade and other receivables</b>		
Trade and other payables	(1,765)	(1,765)
Borrowings	(772)	(772)
<b>Fair value of net assets</b>	<b>2,927</b>	<b>2,927</b>
Intangible assets (note 4)	24,800	
Total purchase consideration	<b>27,727</b>	
Cost of acquisition of these joint controlled entities settled in cash	14,727	
Cash and cash equivalent acquired	(2,403)	
<b>Cash outflow on acquisition of these joint controlled entities</b>	<b>12,324</b>	

**6. SHARE CAPITAL**

	<b>2009 £000</b>	<b>2008 £000</b>
Authorised		
51,000,000 (2007: 51,000,000) Ordinary shares of 1p each	<b>510</b>	510

Allotted, called up and fully paid 47,094,379 (2008: 27,544,379) Ordinary shares of 1p each	<b>470</b>	275
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The ordinary shares are entitled to receipt of dividends. Ordinary shares have full voting rights.

### **Shares issued in the period**

At 1 May 2008	<b>27,544,379</b>
Warrants exercised to finance acquisition (120p per share)	<b>7,880,000</b>
Shares issued re acquisition (150p per share)	<b>8,000,000</b>
Options and other warrants (30p per share)	<b>170,000</b>
Shares issued for cash (65p per share)	<b>3,500,000</b>
	<b>47,094,379</b>

## **7. PUBLICATION OF NON-STAUTORY ACCOUNTS**

The above does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. It is an extract from the full accounts for the year ended 30 April 2009 on which the auditor has expressed an unqualified opinion. The accounts will be posted to shareholders and subsequently filed at Companies House.

This information is provided by RNS  
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