Developing new horizons for Health and Social Care

INTERIM REPORT 2015

Highlights

Six months ended 31 October 2015

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- Company returns to profit for the six months to 31 October 2015.
- Funding and Partnering Agreement signed with Funding Affordable Homes (FAH) with first two schemes on-site and funded.
- Delivery underway of Extra Care pipeline which currently stands at £158.0m.
- Challenges remain around new Government policy on capping Housing Benefit. Extra Care accommodation is much needed and expected to be exempted. Government announcements are expected in the coming weeks.
- Four schemes currently on-site (2014: four).
- Total forward pipeline, on-site or appointed of scheme value yet to be recognised of £186.7m on 32 schemes (January 2015: 31 schemes £175.2m).

Six months ended 31 October 2015

- Revenue significantly increased to £10.6m (2014: £5.6m).
- EBITDA of £0.6m (2014: loss of £1.2m).
- Profit before taxation £0.2m (2014: loss of £1.9m).
- Net debt £2.6m (2014: £2.2m).
- £10.7m of tax losses to be carried forward (2014: £8.2m).

"Risks remain but the Extra Care model is strong and the lack of suitable housing in the UK together with the ageing population means this is a sustainable, growing market. The Board remains confident that the Company will be profitable for the full year subject to the timing risk on the next Extra Care developments which is affected by the awaited confirmation of Government policy."

Christopher Lyons
Chairman

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Cover image: Ashley House's Extra Care development currently on-site at Harwich, Essex

Chairman's statement

I am pleased to report that Ashley House made a profit in the period to 31 October 2015 as our investment in the new business model starts to generate a return. Ashley House is celebrating twenty five years this year and the period since the end of April 2015 has been as significant as any stage in our history.

In June we opened our first Extra Care development in Grimsby firmly marking the Company's move into this market where we are making immediate improvements to people's lives. This was followed at the end of September by the signing of an agreement with our new Extra Care funding partner, Funding Affordable Homes (FAH). Just before Christmas we announced that we had reached financial close and had drawn down the first part of the funding for our next two Extra Care schemes in Harwich and Walton on the Naze. There are challenges ahead but it has been an important and potentially transformational trading period and we are now looking to push on with the delivery of our pipeline schemes and return the business to sustainable profit and growth.

Our Extra Care schemes are designed to help the elderly and often the most vulnerable in our society. These tenants generally rely on Housing Benefit to fund all of their rental costs. The rent in these developments is invariably higher than in normal social housing as the units are purpose built and carefully designed to allow for the independence of the resident to be coupled with the ability to access both brought in care and communal facilities and activities.

In his Autumn Statement the Chancellor announced that Housing Benefit for social housing tenants would be limited to the Local Housing Allowance rate from April 2018 for new or renewed tenancies taken out from 1 April 2016. Whilst the Department for Work and Pensions has signalled its commitment to supporting vulnerable people, it is still working on how the policy will be implemented and whether Extra Care and similar schemes should remain exempted from such measures. For our developments in Harwich and Walton on the Naze we were able to work in partnership with both FAH and the leaseholding Registered Provider to complete the deals. Further detail is expected from Government in March 2016 and we will continue to update shareholders appropriately.

Ashley House's Health business continues albeit at a steady pace. We will shortly complete a GP centre in Danbury, Essex and are ready to commence on-site with a further two schemes. Our partnership with Integrated Pathology Partnerships is performing well where we have recently completed a pathology laboratory in Basildon and are about to commence on a laboratory refurbishment in Southend whilst jointly pursuing further opportunities.

In December we announced that we had novated the non-core operations management element of our LIFT investment, which is a specialised service very different to the rest of our business. This has allowed our LIFT activities to be focussed on development activity, our key corporate strength. We remain committed to our LIFT joint ventures and are working with our partners to explore opportunities to provide further services within this framework.

Results

The Company made a profit of £0.6m at EBITDA level in the first half of 2015/16 (2014/15: loss £1.2m) on a significantly increased revenue of £10.6m (2014/15: £5.6m). This led to a profit before taxation of £0.2m (2014/15: loss of £1.9m) following interest and a small non-cash impairment of the LIFTCo intangible of £0.2m. The Board remains confident that the Company will be profitable for the full year subject to the timing risk on the next Extra Care developments as mentioned above.

Net debt	Unaudited 31 October 2015	Unaudited 31 October 2014	Audited 30 April 2015
	£000	£000	£000
Cash in bank	514	718	856
Loan on Scarborough land	(797)	(967)	(883)
Loan	(2,300)	(2,000)	(2,000)
	(2,583)	(2,249)	(2,027)

Chairman’s statement (continued)

Scheme funding

The signing of the Funding and Partnering Agreement with FAH was a key step in the rebuilding of the business. We now have a partner who is keen to acquire and forward fund our large Extra Care developments. FAH is a social impact investment company which enables long-term socially responsible private investment into the affordable housing sector. Last week FAH publicly announced the establishment of its fund and the cornerstone investment of £15m from Big Society Capital, a socially-driven financial institution that works to encourage investment which achieves both social and financial returns by investing in organisations that deliver social projects.

FAH is aiming to invest over £100m in 2016 and £500m during its first three years of operation becoming a significant participant in the sector and introducing new long-term sources of funding.

We are delighted to have found a partner with such a good fit with our objectives. FAH was introduced to us by the Social Stock Exchange (SSX) of which we are proud to be a founder member. Now that the SSX has a segment of its own on the ISDX markets we are applying for dual listing which would both raise our profile and provide a further platform should we wish to raise capital such as bonds to fund projects in the future.

Net debt

The table on page 1 shows net debt of £2.6m at 31 October 2015 (2014: £2.2m). The Company’s overdraft facility with Lloyds Bank of £0.5m has been renewed until 31 December 2016. The debt at the end of October was all secured on amounts incurred on scheme related expenditure. This is largely land purchased for future schemes which stood at £2.8m (2014: £3.8m) as shown in work in progress at the end of October. The management of our cash resources continues to be an important aspect of the business.

Pipeline

Ashley House’s pipeline as at January 2016 is shown in the table below. “Scheme value to come” has increased from the last pipeline information published in October 2015 despite the recognition of £9.7m of revenue from the pipeline in the period. The availability of funding from FAH should enable the Extra Care pipeline to grow further and this will be an area of focus in the coming months as our business relationship develops.

Outlook

The focus in the last few months has very much been on securing funding for our Extra Care pipeline and beginning to deliver that pipeline with both objectives being achieved. Risks remain but it is the Board’s belief that once the Housing Benefit issue is resolved as expected, the Extra Care model is strong and the lack of suitable housing in the UK together with the ageing population means this is a sustainable, growing market. The business also continues to ensure that adequate finance is in place to invest in the pipeline and deliver sustainable growth and we now have confidence that this will be the case.

The Board is pleased that the business returned to profit in the six months to 31 October 2015 and looks forward to the future with growing confidence.

Christopher Lyons
Chairman
25 January 2016

Pipeline	Extra Care		Health		TOTAL	
	No. of Schemes	Scheme value to come	No. of Schemes	Scheme value to come	No. of Schemes	Scheme value to come
On-site	2	£8.8m	2	£1.5m	4	£10.3m
Appointed	17	£149.2m	11	£27.2m	28	£176.4m
TOTAL	19	£158.0m	13	£28.7m	32	£186.7m

Condensed consolidated interim statement of comprehensive income

	Note	Unaudited 6 months to 31 October 2015 £000	Unaudited 6 months to 31 October 2014 £000	Audited Year to 30 April 2015 £000
Revenue		10,626	5,590	8,384
Cost of sales		(8,343)	(5,190)	(8,600)
Gross profit/(loss)		2,283	400	(216)
Administrative expenses		(1,584)	(1,653)	(3,357)
Share of results of joint ventures and associates		(42)	84	199
Depreciation and impairment of non-financial assets		(185)	(553)	(7,645)
Operating profit/(loss)		472	(1,722)	(11,019)
Interest receivable		—	—	1
Interest payable		(234)	(147)	(868)
Profit/(loss) before taxation		238	(1,869)	(11,886)
Profit/(loss) before taxation		238	(1,869)	(11,886)
Depreciation and impairment of non-financial assets		185	553	7,645
Taxation included in share of results of joint ventures and associates		(14)	(1)	—
Interest receivable		—	—	(1)
Interest payable		234	147	868
EBITDA		643	(1,170)	(3,374)
Tax credit/(charge)		—	255	(16)
Total comprehensive income/(expense) for the period		238	(1,614)	(11,902)
Basic and diluted earnings/(loss) per share	3	0.41p	(2.77)p	(20.41)p
Basic and diluted earnings/(loss) per share on adjusted EBITDA*	3	1.10p	(1.57)p	(5.81)p

* Adjusted EBITDA = EBITDA plus adjustment for exceptional items and tax charge/credit

Condensed consolidated interim balance sheet

	Unaudited 31 October 2015 £000	Unaudited 31 October 2014 £000	Audited 30 April 2015 £000
ASSETS			
Non-current assets			
Investments in joint ventures and associates	2,087	9,369	2,300
Property, plant and equipment	155	158	122
Deferred tax asset	1,400	1,665	1,400
Other receivables	827	—	807
	4,469	11,192	4,629
Current assets			
Work in progress	2,807	3,796	4,296
Trade and other receivables	5,129	6,401	3,055
Cash and cash equivalents	514	718	856
	8,450	10,915	8,207
Total assets	12,919	22,107	12,836
LIABILITIES			
Current liabilities			
Trade and other payables	(5,887)	(5,300)	(6,255)
Bank borrowings and overdrafts	(1,537)	(167)	(883)
Provisions	(31)	—	(31)
	(7,455)	(5,467)	(7,169)
Non-current liabilities			
Amounts falling due after more than one year	(1,560)	(2,800)	(2,000)
Long term provisions	(109)	—	(117)
	(1,669)	(2,800)	(2,117)
Total liabilities	(9,124)	(8,267)	(9,286)
Net assets	3,795	13,840	3,550
EQUITY			
Share capital	583	583	583
Special reserve	3,491	10,541	3,491
Share based payment reserve	29	24	22
Retained earnings	(308)	2,692	(546)
Total equity	3,795	13,840	3,550

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Condensed consolidated interim statement of changes in equity

	Share capital £000	Special reserve £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 May 2015	583	3,491	22	(546)	3,550
Profit for the period	—	—	—	238	238
Share based payment charge	—	—	7	—	7
Balance at 31 October 2015	583	3,491	29	(308)	3,795
Balance at 1 May 2014	583	12,110	13	2,737	15,443
Loss for the period	—	(1,569)	—	(45)	(1,614)
Share based payment charge	—	—	11	—	11
Balance at 31 October 2014	583	10,541	24	2,692	13,840
Balance at 1 May 2014	583	12,110	13	2,737	15,443
Loss for the year	—	(8,619)	—	(3,283)	(11,902)
Share based payment charge	—	—	9	—	9
Balance at 30 April 2015	583	3,491	22	(546)	3,550

Condensed consolidated interim cash flow statement

	Unaudited 6 months to 31 October 2015 £000	Unaudited 6 months to 31 October 2014 £000	Audited Year to 30 April 2015 £000
Operating activities			
Profit/(loss) before taxation	238	(1,869)	(11,886)
Adjustments for:			
Share based payment charge	7	11	9
Depreciation and impairment of non-financial assets	185	553	7,645
Share of results of joint ventures and associates	42	(84)	(199)
Dividends received from joint ventures and associates	34	200	334
Purchase of shares in associate issued under rights issue	(17)	—	—
Interest received	—	—	(1)
Interest paid	234	147	868
Operating cash flows before movements in working capital	723	(1,042)	(3,230)
Decrease/(increase) in work in progress	1,489	(1,015)	(1,515)
(Increase)/decrease in trade and other receivables	(2,094)	427	2,966
(Decrease)/increase in trade and other payables	(368)	1,205	2,160
(Decrease)/increase in provision	(8)	—	148
Cash from operations	(258)	(425)	529
Income tax paid	—	(10)	(16)
Interest receivable	—	—	1
Interest paid	(234)	(147)	(868)
Net cash used by operating activities	(492)	(582)	(354)
Investing activities			
Purchase of property, plant and equipment	(64)	(116)	(122)
Net cash used by investing activities	(64)	(116)	(122)
Financing activities			
Proceeds from borrowings	300	1,400	1,400
Repayment of borrowings	(86)	(82)	(166)
Net cash generated from financing activities	214	1,318	1,234
Net (decrease)/increase in cash and cash equivalents	(342)	620	758
Cash and cash equivalents at beginning of period	856	98	98
Cash and cash equivalents at end of period	514	718	856

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, consultancy and asset management services, primarily working with providers of healthcare 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 25 January 2016.

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 2015 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 2015. 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 statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2015.

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 have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 April 2015.

Notes to the condensed consolidated interim financial statements (continued)

3 Earnings per share

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

6 months to 31 October 2015	Adjusted EBITDA* £000	Profit £000	Weighted average number of shares	Per share amount Pence
Profit after tax	643	238		
Profit attributable to ordinary shareholders				
Weighted average number of shares			58,319,755	
Basic earnings per share				0.41p
Basic earnings per share based on adjusted EBITDA*				1.10p

6 months to 31 October 2014	Adjusted EBITDA* £000	Loss £000	Weighted average number of shares	Per share amount Pence
Loss after tax	(915)	(1,614)		
Loss attributable to ordinary shareholders				
Weighted average number of shares			58,319,755	
Basic loss per share				(2.77)p
Basic loss per share based on adjusted EBITDA*				(1.57)p

Year to 30 April 2015	Adjusted EBITDA* £000	Loss £000	Weighted average number of shares	Per share amount Pence
Loss after tax	(3,390)	(11,902)		
Loss attributable to ordinary shareholders				
Weighted average number of shares			58,319,755	
Basic loss per share				(20.41)p
Basic loss per share based on adjusted EBITDA*				(5.81)p

* Adjusted EBITDA = EBITDA plus adjustment for exceptional items and tax charge/credit

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