Ashley House plc

("Ashley House" or the "Company")

Change to Accounting Year End

Trading Update

Unaudited Interim Report Twelve months ended 30 April 2019

Ashley House plc, the health, housing and community property partner announces that it has changed its accounting year-end from 30 June to 31 October with immediate effect.

The Company announced on 16 January 2019 that it was changing its year-end to 30 June to better align its reporting period with the half year of its then joint venture, Morgan Ashley Care Developments LLP ("Morgan Ashley"). It was therefore due to report on the fourteen months to 30 June 2019. On 21 October 2019, the Company announced that it had sold its entire interest in Morgan Ashley to its joint venture partner Morgan Sindall Investments Limited.

Changing the Company's year-end to 31 October allows the full accounts for the 18 month period to 31 October 2019 to include the Company's complete share of the performance of Morgan Ashley up to the date of its sale, together with the impact of the sale itself. The directors believe that this will provide greater clarity for shareholders and other users of the Company's accounts as the finances relating to both the operations of and sale of interest in Morgan Ashley will be contained within the same set of financial statements and remove the requirement to spread this information across separate financial accounting periods. The Company has accordingly commenced the new financial year on 1 November 2019, refocusing its activities on health, affordable housing and on its modular construction business.

The decision to change the year-end has been approved by Companies House and the Department of Business, Energy and Industrial Strategy. As a consequence of this, the Company is today publishing its unaudited Interim Report for the twelve month period to 30 April 2019. The report and accounts for the 18 month period from 1 May 2018 to 31 October 2019 will be released by the end of March 2020.

Trading update

The Company also announces a trading update for the period up to 31 October 2019.

The Company provided a trading update on 9 May, 25 June, 5 July, 1 August and 2 September 2019. On 21 October 2019, the Company completed the sale of its 50 per cent interest in Morgan Ashley, to its then joint venture partner Morgan Sindall Investments Limited ("Transaction"). The total consideration for the Transaction was £2,000,000 payable in cash, £500,000 of which is deferred and expected to be received in instalments over the next twelve months, including £200,000 which is dependent on monies being generated from a particular scheme. The proceeds of the Transaction have been deployed within key areas of focus and used to support the Group's working capital requirements. Net debt at 31 October 2019 was £1.5m, reduced from £1.8m at the end of April 2019. The terms of the Transaction restrict Ashley House from working in the elderly care housing sector for a period of three years. The Company is therefore focussing its efforts on both driving opportunities in the affordable housing market and on returning to its core strength of developing schemes in the health and wellbeing sector.

The affordable housing market is considerable and affords the Company opportunities to work in conjunction with its majority owned modular business, F1 Modular. The health and wellbeing sector is where Ashley House commenced its activities in 1991 and where the Company has an unparalleled track record and has retained significant expertise. Furthermore, as part of the Transaction, the Company acquired a pipeline of health and wellbeing developments across established health partnerships within which Morgan Sindall

Investments is 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.

F1 Modular continues to grow and in the summer of 2019 achieved the industry standard BOPAS (Build-offsite Property Assurance Scheme) accreditation at the first attempt. The Company has recently delivered two school classroom developments for the Department of Education and is currently completing a 40 apartment extra care facility in Aberdare, South Wales, a social housing scheme in Corby and the Ashley House disabled living scheme in Peterborough. More information can be found on F1 Modular's website, www.f1modular.co.uk. A hotel is expected to commence in the factory prior to the end of the calendar year.

The Company is currently undertaking a review of its skills and resources across all levels and areas of the Business, whilst reducing overheads in order to ensure that it is best placed to refocus the business and exploit the various opportunities presented to it. Twelve staff members transferred to Morgan Sindall Investments under TUPE regulations and the central management function of the Company is being restructured to be appropriate going forward, resulting in cost savings.

Interim results for the twelve months ended 30 April 2019

The Company also announces its interim results for the unaudited twelve month period to 30 April 2019 with the comparatives being the audited twelve months to 30 April 2018.

Financial highlights

- Revenue of £11.9m (2017/18: £18.5m) the reduction reflecting that revenues earned in Morgan Ashley did not contribute to Group revenues as the joint venture profits and losses were reported only within share of results of joint ventures.
- Loss before taxation £2.9m (2017/18: profit £0.8m).
- Net debt £1.8m (2018: £1.5m).

Operating highlights

- Focus in the period was to achieve financial close on Morgan Ashley developments.
- Financial close was achieved on the Morgan Ashley schemes in Grimsby and in Freshwater on the Isle of Wight in the twelve months to 30 April 2019.
- Ashley House was on site with schemes in Scarborough and Peterborough at the end of April, together with two Morgan Ashley schemes on the Isle of Wight and the scheme in Grimsby.
- Morgan Ashley was sold to Morgan Sindall Investments in October 2019. The Company is now refocusing its activity 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.

Christopher Lyons, Chairman, said:

"The delays experienced in closing schemes in Morgan Ashley along with the commensurate increase in the cash investment required, placed a significant burden on the Company and despite exploring other avenues, it ultimately proved unsustainable. This led to the disposal of the Company's interest in that joint venture. The Company is now refocusing its interests in health development and housing and looks to maximise the significant potential seen in F1 Modular and particularly in the affordable housing market."

The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014

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Chairman's Statement

In the last few months, the Company experienced an extremely challenging period precipitated largely by continued delays to schemes within Morgan Ashley Care Developments LLP ("Morgan Ashley"), at a time when F1 Modular was using rather than generating cash. The delays within Morgan Ashley meant that rather than that business being cash generative for the Group, it required both joint venture partners to provide further working capital to enable it to continue to invest in the schemes prior to them reaching Financial Close. (Note, Financial Close is the key point in each scheme's development and the point where, under the Company's accounting policies, the majority of profit is recognised). The effect was to place a significant and increasing burden on the Company. This position ultimately proved to be unsustainable and following a thorough examination of a number of funding options, including both debt and equity, the disposal of the Company's share in Morgan Ashley to Morgan Sindall Investments was agreed and completed.

Results

The interim accounts show the unaudited results for the twelve month period to 30 April 2019, incorporating the results for the six month period to 31 October 2018 which were announced on 31 January 2019. In the six month period to 30 April 2019 financial close was achieved on the Morgan Ashley schemes in Grimsby and Freshwater, Isle of Wight. The schemes in Burnholme, York and in Romsey achieved financial close in the following period and will be included in the results of the eighteen months to 31 October 2019.

The loss before taxation in the six months to 30 April 2019 was £1.2m, on revenue of £7.2m giving a total loss for the twelve month period to that date of £2.9m on revenue of £11.9m (year to 30 April 2018 profit £0.8m on revenue of £18.5m). Note, revenues earned in Morgan Ashley did not contribute to Group revenues as the joint venture profits and losses were reported only within share of results of joint ventures.

Net debt

The table below shows net debt of £1.8m at 30 April 2019 (2018: £1.5m) which reduced to £1.5m at the end of October 2019.

	Unaudited	**Unaudited**	Audited
	31 October 2019	**30 April 2019**	30 April 2018
	£000	**£000**	£000
Cash in bank	**(286)**	**(257)**	250
Loan on Scarborough land	**(35)**	**(137)**	(338)
Loan - Invescare	**(1,085)**	**(1,295)**	(1,295)
Loan F1M	**(109)**	**(109)**	(109)
	(1,515)	**(1,798)**	(1,492)

The loan relating to Scarborough continues to be repaid at the rate of £17,500 per month and will be fully repaid during December 2019. The Invescare loan balance has reduced since 30 April 2019 and will reduce further over the coming months. The Company's bank overdraft facility is currently set at £950,000 until 31 December 2019 and it is expected to be renewed for a further twelve months, albeit potentially at a slightly reduced level.

Annual General Meeting

The notice of the Annual General Meeting, scheduled to be held in London on Tuesday 10 December 2019, is being posted to shareholders today and will shortly be available on the Company's website www.ashleyhouseplc.com.

Outlook

The Company has weathered a very difficult trading period. The delays in scheme closures were a significant issue for the Company leading to the sale of its interest in Morgan Ashley. The resultant reduction in head count and in overheads is enabling the Company to refocus the business. Whilst this process will take some time the Board wishes to thank the Company's shareholders and staff for their continued patience and will ensure they remain updated as the revised strategy is finalised and implemented.

Christopher Lyons
14 November 2019

Condensed consolidated interim statement of comprehensive income

	Note	**Unaudited 12 months to 30 April 2019 £000**	Audited Year to 30 April 2018 Restated £000
Revenue		**11,923**	18,474
Cost of sales		**(10,329)**	(14,703)
Gross profit		**1,594**	3,771
Administrative expenses		**(4,083)**	(3,411)
Depreciation		**(96)**	(101)
Profit on disposal of property, plant & equipment		**2**	11
Reversal of impairment		**-**	512
Share of results of joint ventures		**(153)**	513
Operating (loss)/profit		**(2,736)**	1,295
Interest payable		**(210)**	(490)
(Loss)/profit before taxation		**(2,946)**	805
Tax credit		**-**	-
Total comprehensive (expense)/income for the period		**(2,946)**	805
Basic and diluted (loss)/earnings per share	3	**(4.90)p**	1.35p

Condensed consolidated interim balance sheet

	Unaudited 30 April 2019 £000	Audited 30 April 2018 Restated £000
Non-current assets		
Property, plant and equipment	**151**	139
Investments in joint ventures	**1,646**	1,952
Deferred tax asset	**1,400**	1,400
Goodwill	**415**	415
	3,612	3,906
Current assets		
Inventories and work in progress	**2,077**	1,877
Trade and other receivables	**5,564**	6,364
Cash and cash equivalents	**21**	250
	7,662	8,491
Total assets	**11,274**	12,397
Current liabilities		
Trade and other payables	**(6,643)**	(4,888)
Bank borrowings and overdrafts	**(1,819)**	(1,742)
Provisions	**(48)**	(48)
	(8,510)	(6,678)
Net current assets	**(848)**	1,813
Non-current liabilities		
Finance lease payable	**(65)**	(91)
Long term provisions	**(56)**	(108)
Total liabilities	**(8,631)**	(6,877)
Net assets	**2,643**	5,520
Equity		
Share capital	**604**	598
Share premium	**172**	116
Share-based payments reserve	**56**	49
Special reserve	**1,184**	3,113
Non-controlling interest	**(535)**	(294)
Retained earnings	**1,162**	1,938
Total equity	**2,643**	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	-	-	-	(1,929)	(241)	(776)	**(2,946)**
Transaction with owners							
Issue of shares to Ashley House Share Incentive Plan	6	56	-	-	-	-	**62**
Share-based payments charge	-	-	7	-	-	-	**7**
Balance at 30 April 2019	**604**	**172**	**56**	**1,184**	**(535)**	**1,162**	**2,643**
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
Balance at 30 April 2018 (restated)	598	116	49	3,113	(294)	1,938	5,520

Condensed consolidated interim statement of cash flows

	Unaudited 12 months to 30 April 2019 £000	Audited Year to 30 April 2018 £000
Operating activities		
(Loss)/profit before taxation	**(2,946)**	805
Adjustments for:		
Share-based payments charge	**7**	18
Depreciation	**96**	101
Profit on disposal of fixed assets	**(2)**	(11)
Reversal of impairment	**-**	(512)
Share of results of joint ventures	**153**	(513)
Dividends received from joint ventures	**153**	698
Interest paid	**210**	490
Operating cash flows before movements in working capital	**(2,329)**	1,076
(Increase)/decrease in work in progress	**(200)**	2,045
Decrease/(increase) in trade and other receivables	**800**	(1,234)
Increase/(decrease) in trade and other payables	**1,729**	(317)
Decrease in provision	**(52)**	(60)
Cash (used by)/generated from operations	**(52)**	1,510
Interest paid	**(210)**	(490)
Net cash (used by)/ generated from operating activities	**(262)**	1,020
Investing activities		
Purchase of property, plant and equipment	**(108)**	(145)
Proceeds from disposal of property, plant and equipment	**2**	142
Net cash used by investing activities	**(106)**	(3)
Financing activities		
Issue of ordinary shares	**62**	38
Proceeds from borrowings	**-**	200
Repayment of borrowings	**(201)**	(1,094)
Net cash used by financing activities	**(139)**	(856)
Net (decrease)/increase in cash and cash equivalents	**(507)**	161
Cash and cash equivalents at beginning of period	**250**	89
Cash and cash equivalents at end of period	**(257)**	250

Notes to the condensed consolidated interim financial statements

1 Nature of operations

The principal activity of the Group during the period was 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 13 November 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 unaudited interim financial statements are for the twelve months ended 30 April 2019. 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 year to 30 April 2018 has been restated to be compliant with the requirements of IFRS15.

In the comparative period 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 18 months to 31 October 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.

12 months to 30 April 2019	**Loss £000**	**Weighted average number of shares**	**Per share amount Pence**
Basic and diluted loss per share	**(2,946)**	**60,118,299**	**(4.90)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
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J Holmes	Commercial Director
J A J Hathaway	Finance Director
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