



The small company specialists

# COMPANY INFORMATION

**Ashley House plc (LSE:ASH)**

Info sheet compiled in January 2007

**Company Eye Ranking**

**40/50**

## EDITOR'S NOTE

Ashley House plc is a provider of purpose built medical facilities such as doctors' surgeries and medical centres. The company established Ashley House Properties Ltd to purchase properties developed by Ashley House and other Primary care facilities before leasing them back to the relevant parties.

Ashley Hose plc has dramatically increased profits on the same period last year, up to £1.032 million after Taxation and turnover has almost doubled.

ASH made the move to AIM in January 2007 and de-stapled Ashley House Property Ltd, which continues to trade on PLUS as AH Medical Properties plc.

In our opinion Ashley House plc is a decent looking short to mid term investment and is being managed well. The move to AIM should open up more exposure for the shares. The company has a strong looking order book which should see profits continuing in the near future. We see this as a relatively low risk company.

## DEVELOPMENT HIGHLIGHTS

**15<sup>th</sup> January 2007** – Start of trading on AIM and removal of stapled AH Medical Properties plc (formerly Ashley House Properties Ltd)

**2<sup>nd</sup> September 2005** - Acquisition of Primary Care Assets and Northern Office

**28th April 2005** - Acquisition of Medical Properties Ltd

**11th August 2004** - Formation of Ashley House Properties

**12th May 2003** - Sale of Acton.Shapiro

**7th November 2000** - Start of Trading on OFEX

## FUNDAMENTALS

Company Name	Ashley House plc
Current Price	175.00
Status	AIM
Market Cap	41.23
Shares in Issue	23,764,136
Activities	The supply of project management and consultancy services, primarily allied to the provision of medical facilities delivering NHS-led primary care.
Sector	Construction & Building Materials
Corporate advisor	Ludgate Investments Ltd.
Registrar	Capita Registrars (Beckenham)

## HISTORY

Ashley House plc was established in 1991 and grew through specialising in the design and development of new purpose built doctors surgeries and medical centres.

In 2001 the company's shares were admitted to trading on the Ofex market. In September 2004, a new company Ashley House Properties Ltd was set up to purchase properties designed by Ashley House

plc and other Primary Care facilities.

The shares in AH Properties were stapled to those in Ashley House plc on a one for one basis but are now traded separately, with ASH traded on AIM and AH Medical Properties plc traded on PLUS. Ashley House Clinical Services was created early in 2006 as a response to the latest NHS guidelines, on the continued devolvement of services.



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### THE BUSINESS

Ashley House is a property investment and development company. It is building a substantial portfolio of primary healthcare properties, mostly doctors' surgeries, which are let to doctors and whose rent is reimbursed by the local Primary Care Trust - effectively the NHS.

It provides a 'one-stop shop' service. It employs the wide range of professionals who deliver its services, including site finders, architects, project managers, interior designers, consultants, contract managers, construction managers, financial experts and lawyers. Ashley House retains greater control of projects, thus reducing costs, improving quality and accelerating delivery times.

Design and construction within the primary and social care sectors is a specialist activity. Ashley House's knowledge of the constraints and opportunities in government policies enable it to optimise space, focus on customer needs and understand the relationship between different service

providers. Projects range from £50,000 for the extension of a GP surgery to care centres worth over £7 million.

Ashley House has sought to consolidate its position as the leading all-rounder in primary care infrastructure development. It has related business in management, smart buildings technology and mobile surgeries. Ashley House provides an integrated premises development service to primary care professionals. As the primary care sector becomes the recipient of 75% of NHS funding, the development of premises for primary care delivery is progressively more important.

Historically, if the occupier of a property built by the company decided against ownership, which is the case in the majority of developments, an outside investment company assumed ownership. This ownership is now being assumed by a sister company, Ashley House Properties, whose shares are stapled to Ashley House Plc.

### ACTIVITIES

#### Primary care design and development

Ashley House's expertise lies in managing the development of medical centres from project inception to handover. The company is expert in partnering with all key stakeholders from both the Public and Private sectors (Local Government, Landowners, PCTs, LHBs, Valuation Office etc). They provide the traditional third party developer solution for Practices and other users to lease buildings, while also offering the option for GP practices to own their building through a Guaranteed Price Design & Build Service.

#### Integrated health and care villages

Currently Ashley House is working on a number of Health Village schemes across the UK, anchored by a GP practice with the inclusion of other services such as private hospitals, other medical services, community retail units and, a range of retirement accommodation, benefiting from on-site domiciliary care and available on a mix of tenures, providing the preferred independent living option, alongside other

various types of assisted and extra care accommodation.

#### Clinical services

The clinical services division specialises in becoming a key partner in joint ventures offering business expertise, clinical modelling and financial support to primary healthcare providers including PBC groups, OOH providers and individual GP practices. The aim is to develop flexible solutions to service provision with the move to greater care outside hospital.

#### Sale and leaseback

The company have worked with a number of GP practices to buy their existing surgery sites and lease them back to the Practice, or on occasions the PCT or LHB. As well as freeing up capital for the existing owners and providing Partnership flexibility, working with Ashley House gives the Practice long term access to unique property development and business partnering skills, opening up opportunities for the future.



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## PROJECT LOCATIONS

Berkshire, Wokingham  
 Birmingham, Leyhill  
 Birmingham, Soho Road  
 Brighton, Old Steine  
 Bristol, Downend  
 Bristol, Emersons Green  
 Buckinghamshire, Brill  
 Buckinghamshire, Milton Keynes  
 Buckinghamshire, Stoke Poges  
 Derbyshire, Bolsover  
 East Sussex, Uckfield  
 East Sussex, Stone Cross  
 East Yorkshire, Beverley

Essex, Braintree  
 Essex, Colchester  
 Essex, Great Baddow  
 Hampshire, Havant  
 Lancashire, Garstang  
 Leicestershire, Syston  
 Middlesex, Twickenham  
 Newcastle upon Tyne, Byker  
 North Yorkshire, Danby  
 Northamptonshire, Higham  
 Ferrers  
 Oxfordshire, Cropredy  
 Oxfordshire, Chalgrove

Oxfordshire, Shipton-under-Wychwood  
 Portsmouth, Somerstown  
 Scarborough, Trafalgar House  
 Scarborough, Eastfields  
 South London, Balham  
 South London, Wandsworth  
 Suffolk, Haverhill  
 Suffolk, Lowestoft  
 Surrey, Dorking  
 Surrey, Hampton Wick  
 Surrey, New Malden (The Groves)  
 Surrey, New Malden (Holmwood Corner)

## MARKET APPROACH

Ashley House claims it stands apart from its competitors for two reasons:  
 1. Clients can own or lease premises and take advantage of Ashley House's guaranteed design and build service, or they can follow the architect-led approach. In many cases, Ashley House shoulders much of the financial risk of failure to obtain planning permission. Where the premises are being leased,

Ashley House retains responsibility for external repair.  
 2. Ashley House controls the project because it employs most of the professionals. Developments invariably require perseverance and Ashley House absorbs much of the day-to-day management, which enables the client to provide healthcare.

## EXPANSION

The Board has been exploring the best corporate structure to achieve shareholder value and as a result it intends to have the Company's shares introduced to trading on AIM in the near future.

To continue its separate expansion, AHMP needs to raise new capital and the Board believed that in order to achieve this it would be more appropriate to de-staple its shares from those of Ashley House plc.

## DIRECTORS

### A D Burton (Non-Executive Chairman)

David Burton held a wide range of senior positions in financial services, including being a Director at SG Warburg. He was Chairman of the London International Financial Futures & Options Exchange (LIFFE). He was Chairman and CEO of Marshalls Finance, a foreign exchange broker. He is Chairman of Ludgate 181 (Jersey), an investment company.

### N K Croxford (Operations Director)

### J Holmes (Joint Chief Executive)

### S G Minion (Joint Chief Executive)

### G Mosley (Executive Director)

### R Warner (Director)

### A Gibson (Non-Executive Director)

### B L Walker (Finance Director)

Bruce Walker is a part time Finance Director and has a background in property and finance with Johnson Fry and Brown Shipley. He was a Director of FairBriar, a residential development company.

### J H Gunn (Non-Executive Director)

John Gunn has extensive experience in venture capital and has private advisory companies Scheidegg and Wengen. He is a director of several companies, including Turbo Genset, Corac, SunBlush Technologies and Hiflux. He was CEO of Exco International, and Chairman of Telerate and of British and Commonwealth.



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## SHAREHOLDINGS

	Number	%
S G Minion	4,085,636	18.3
Guinness Peat Group	3,882,838	17.4
W B (Nominees) Limited	3,680,362	16.4
G Mosley	2,404,662	1.7

	Number	%
J Holmes	1,267,914	5.7
N K Croxford	837,565	3.7
Ludgate 181 (Jersey) Limited	833,332	3.7
M Holmes	709,328	3.2

## FINANCIAL HISTORY

### Profit and loss account for year ended 31<sup>st</sup> October 2006

£000	6 Months to 31 <sup>st</sup> October 2006	Year ended 30 <sup>th</sup> April 2006
Turnover	12,765	23,126
Cost of sales	(9,844)	(17,995)
Gross profit	2,921	5,131
Administrative expenses	(1,531)	(2,857)
Operating profit	1,390	2,274
Net interest	25	(30)
Profit on ordinary activities before taxation	1,415	2,244
Profit on disposal of fixed assets	137	-
Tax on profit on ordinary activities	(520)	(454)
Profit retained and transferred to Reserves	1,032	1,790
Basic earnings per share	4.60p	8.22p
Diluted earnings per share	4.20p	7.47p

### Balance Sheet as at 31<sup>st</sup> October 2006

£000	31 <sup>st</sup> October 2006	30 <sup>th</sup> April 2006
Intangible assets	236	270
Tangible assets	211	1,427
Fixed assets	447	1,697
Stocks	-	15
Debtors	5,354	6,753
Cash at bank and in hand	2,896	1,502
Current assets	8,250	8,270
Creditors: amounts falling due within one year	(3,572)	(5,405)
Net current assets	4,678	2,865
Total assets less current liabilities	5,125	4,562
Creditors: amounts falling due after more than one year	-	(50)
Provision for liabilities	(13)	(15)
Net assets	5,112	4,497
Capital and reserves		
Called up share capital	238	224
Share premium account	3,250	2,771
Revaluation reserve	-	187
Share based payment reserve	184	165
Profit and loss account	1,440	1,315
Shareholders' funds	5,112	4,497

## RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/

her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable.



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In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

If the Company has not undertaken an acquisition or a significant investment within 24 months of the start of trading on PLUS, there is no guarantee that the Company can maintain an PLUS trading facility if the Directors do not

deem any acquisitions or investments to be suitable within any such period.

It is likely that the Company will need to raise further funds in the future, either to complete a proposed investment or acquisition or to raise further working or development capital for such a transaction. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that the new investors will be prepared to subscribe for Ordinary Shares at prices that are the same or greater than the price at which they are being introduced.

## CONTACT

Chalfont Hall  
Gravel Hill  
Chalfont St Peter  
Gerrards Cross  
Buckinghamshire  
SL9 0NP  
England

## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	40
Customers	40
Low cost	35
Management	45
- corporate governance	
- quality	
- shareholding	
Product	35
Sector	35
<b>Financial evaluation</b>	
Early and profitable exit potential	40
Financial strength	45
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	40
Risk	45
<b>Overall average rating</b>	<b>40</b>



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### FURTHER INFORMATION ABOUT THE RANKING

#### Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

### THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

#### Competition

How intense is the competition and are there barriers to entry?

#### Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

#### Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

#### Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

#### Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

#### Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

#### Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

#### Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

#### Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

#### Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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