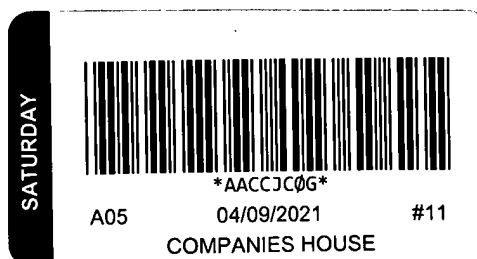


Registered number: 04166444

Audley Willicombe Limited

Annual report and financial statements

For the year ended 31 December 2020



Audley Willicombe Limited

Company Information

Directors	M N Sanderson P D Morgan K A Shaw (resigned 30 April 2021) J W Nettleton J M Austen (resigned 30 June 2021) G L Burton (appointed 2 November 2020)
Registered number	04166444
Registered office	65 High Street Egham Surrey TW20 9EY
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Audley Willicombe Limited

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Directors' Report For the year ended 31 December 2020

The directors present their report and the audited financial statements of Audley Willicombe Limited (the "Company") for the year ended 31 December 2020.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements for the company in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Principal activities

The Company's principal activity during the financial year was the ownership of the freehold interest in Willicombe House, Royal Turnbridge Wells, Kent; and the landlord to subsequent occupiers of a retirement village and provider of services through an associated management company.

Results

The profit for the year, after taxation, amounted to £252,698 (2019 – profit of £436,854).

Directors

The directors who served during the year and up to the approval of the financial Statements were:

M N Sanderson

P D Morgan

K A Shaw (resigned 30 April 2021)

J W Nettleton

J M Austen (resigned 30 June 2021)

G L Burton (appointed 2 November 2020)

Audley Willicombe Limited

Directors' Report For the year ended 31 December 2020

Going concern

The Directors' consideration of the factors affecting the Company's going concern assessment are detailed in note 3.2 of the Financial Statements. Given the uncertainty impacting the Group and the impact on the Company, the Directors have concluded that this indicates there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern in the disclosure of the basis of preparation to the financial statements.

No adjustments have been made to the financial statements that would result if the Group were unable to continue as a going concern.

Future Developments

The Company's principal activity during the financial year was the ownership of the freehold interest in Willicombe House, Royal Turnbridge Wells, Kent; and the landlord to subsequent occupiers of a retirement village and provider of services through an associated management company.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' report is approved:

- So far as the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- The director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

This report was approved by the board and signed on its behalf.



G L Burton

Director

Date: 26 AUGUST 2021

Independent auditors' report to the members of Audley Willicombe Limited

Report on the audit of the financial statements

Opinion

In our opinion, Audley Willicombe Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income, and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.2 to the financial statements concerning the Company's ability to continue as a going concern.

The Directors of the Company's intermediate parent Audley Group Limited have concluded that there is a material uncertainty which may cast significant doubt on the ability of the Audley Group Limited Group (the 'Group') to continue as a going concern.

In forming their conclusions in respect of the going concern of the Company the Directors have relied on confirmation from Audley Group Limited that it intends to support the Company for a period of at least 12 months from the date of approval of the financial statements. The material uncertainties that exist in respect of the Audley Group Limited Group's going concern indicate that, in the event that the Company was required to call on the support of the intermediate parent company, such support may not be available.

Independent Auditors' Report

In addition, as disclosed in note 18 to the financial statements, the Company is a guarantor to the Group's £95m debt facility and therefore in assessing the going concern of the Company it has been necessary to consider the obligations of the parent company under that debt.

The Group has a £95m debt facility including amortising and revolving credit tranches that is secured on the net assets of Audley Court Limited and its subsidiaries. Audley Court Limited is a subsidiary of Audley Group Limited. The Group is also a joint guarantor to debt facilities held by its joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained. The Directors have performed a detailed review of the current and projected financial position of the Group which involved preparing two forecast scenarios: a Base case and a Severe but plausible 'downside' case. Under that 'downside' case:

- The Group's available cash is fully utilised by August 2022 and failure to achieve sufficient mitigating actions or secure additional funding for the Group would mean that the Group will be unable to repay its liabilities as they fall due from this date;
- The Group would breach the loan-to-value covenant on one specific tranche of the facility. The failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due;
- The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under loan-to-value covenant (attached to the land tranche element of the overall loan) and results in a breach of the covenant. The failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due; and
- The forecast valuation decline on the unsold stock held by Audley Nightingale Lane Limited reduces the headroom under loan-to-value covenant and would result in a breach of covenant. In addition, under the Severe but plausible downside case, Audley Nightingale Lane Limited and Audley Group Developments 1 Limited do not meet the minimum number of exchanged property sales defined in the loan agreement and this would result in a breach of covenant. Failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due.

These uncertainties resulted in the Directors concluding that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Consequently, the Group may be unable to provide support to the Company, should such support be required, and this condition, along with the other matters explained in note 3.2 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude

Independent Auditors' Report

that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with tax legislation, health and safety regulations and building regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals, specifically to increase revenue, and management bias in accounting estimates and judgemental areas of the financial statements specifically related to the valuation of investment property. Audit procedures performed by the engagement team included:

- Identifying and testing unusual journal entries posted with unusual account combinations and journal entries where the descriptions are indicative of transactions with related parties, where any such journal entries were identified;

Independent Auditors' Report

- Challenging assumptions and judgements made by the Directors in their significant accounting estimates, specifically in relation to the valuation of investment property;
- Testing the tax provisions of the Company;
- Reviewing relevant meeting minutes, including Board minutes and management's summary of known and potential legal claims; and
- Enquiries with the Board and with management, about compliance with laws and regulations, including consideration of any known or suspected fraud or instances of non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 August 2021

Audley Willicombe Limited

Statement of Comprehensive Income For the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	5	676,915	301,036
Cost of sales		(286,877)	(59,000)
Gross profit		<u>390,038</u>	<u>242,036</u>
Administrative Expenses		(960)	(123)
Other operating (expense)/income	6	(168,383)	297,083
Operating profit		<u>220,695</u>	<u>538,996</u>
Interest received and similar income	10	10	26
Profit before tax		<u>220,705</u>	<u>539,022</u>
Tax on profit	11	31,993	(102,169)
Profit for the financial year		<u>252,698</u>	<u>436,853</u>
Total comprehensive income for the year		<u>252,698</u>	<u>436,853</u>

The notes on pages 10 to 17 form part of these financial statements.

Audley Willicombe Limited

Registered number: 04166444

Statement of Financial Position As at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Investment property	12	<u>5,103,560</u>	<u>5,208,142</u>
		5,103,560	5,208,142
Current assets			
Stocks	13	-	275,000
Debtors: amounts falling due after more than one year	14	513,939	446,441
Debtors: amounts falling due within one year	14	934,643	738,817
Cash at bank and in hand	15	<u>1,878</u>	<u>5,585</u>
		1,450,460	1,465,843
Creditors: amounts falling due within one year	16	<u>(1,617,006)</u>	<u>(1,957,676)</u>
Net current liabilities		(166,546)	(491,833)
Total assets less current liabilities		4,937,014	4,716,309
Provisions for liabilities			
Deferred tax	17	<u>(329,672)</u>	<u>(361,665)</u>
Net assets		4,607,342	4,354,644
Capital and reserves			
Called up share capital	19	2	2
Profit and loss account		4,607,340	4,354,642
Total Equity		4,607,342	4,354,644

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 AUGUST 2021



G L Burton
Director

The notes on pages 10 to 17 form part of these financial statements.

Audley Willicombe Limited

Statement of Changes in Equity For the year ended 31 December 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2019	2	3,917,789	3,917,791
Comprehensive income for the year	-	436,853	436,853
Profit for the financial year	-	436,853	436,853
Total comprehensive income for the year	-	436,853	436,853
At 31 December 2019	2	4,354,642	4,354,644
Comprehensive income for the year	-	252,698	252,698
Profit for the year..	-	252,698	252,698
Total comprehensive income for the year	-	252,698	252,698
At 31 December 2020	2	4,607,340	4,607,342

The notes on pages 10 to 17 form part of these financial statements.

1. General information

The Company's principal activity during the financial year was the ownership of the freehold interest in Willicombe House, Royal Tunbridge Wells, Kent; and the landlord to subsequent occupiers of a retirement village and provider of services through an associated management company. The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is 65 High Street, Egham, Surrey, TW20 9EY.

2. Statement of compliance

The financial statements of Audley Willicombe Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies**Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.1. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions subject to certain conditions, which have been complied with, including notification of, and no objections to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- (i) The company has taken advantage of the exemption, under FRS 102 section 7, from preparing a statement of cash flows, on the basis that it is a small company;
- (ii) From the financial disclosure, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- (iii) From disclosing the Company key management compensation, as required by FRS 102 paragraph 33.7.

3.2 Going concern**Introduction**

The Directors of the Company's intermediate parent Audley Group Limited have concluded that there is a material uncertainty which may cast significant doubt on the ability of the Audley Group Limited Group (the 'Group') to continue as a going concern.

In forming their conclusions in respect of the going concern of the Company, the Directors have relied on confirmation from Audley Group Limited that it intends to support the Company for a period of at least 12 months from the date of approval of the financial statements. The material uncertainty that exists in respect of the Group's going concern indicates that, in the event that the Company was required to call on the support of the intermediate parent company, such support may not be available.

In addition, the Company is a guarantor to the Group's £95m debt facility and therefore in assessing the going concern of the Company it has been necessary to consider the obligations of the parent company under that debt.

To ascertain whether it was appropriate to prepare the financial statements on a going concern basis, the Directors of the Group have performed a robust assessment of the principal risks facing the Group, including those risks that would threaten the Group's business model, future performance and liquidity. The principal risks facing the Group and how the Group addresses such risks are described in the Principal Risk Review section of the Strategic Report on pages 25 to 28 of the Audley Group Limited's financial statements.

As the Directors have to make the going concern assessment over at least a 12-month period from the date of signing the financial statements, the scenario modelling has been undertaken over the period to 31 December 2022.

The assessment involved the preparation of two forecast scenarios: a 'Base case' and a Severe but plausible 'downside' case. In response to unprecedented levels of uncertainty in the market, caused by the coronavirus pandemic, the Severe but plausible downside case considers a more significant impact on the core drivers of performance than previously might have been assumed. The Group's experience of the trading environment since the first lockdown in March 2020 has been less severe than the 'downside' scenario assumes.

3 Accounting policies (continued)

Financing overview

As explained in note 23 of the Group financial statements, the Group has a £95m debt facility including amortising and revolving credit tranches that is secured on the net assets of Audley Court Limited and its subsidiaries. Audley Court Limited is a subsidiary of Audley Group Limited. The Group is also a joint guarantor to debt facilities held by its joint venture, RELF Audley Retirement Living LLP, and by Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained and tested on a quarterly basis. At the date of approval of these financial statements the Group had complied with all applicable borrowing covenants. The Group had cash and cash equivalents of £14.8m at 31 December 2020 (2019: £20.6m).

At 31 December 2020, the Group's joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group has an investment, had £238.3m of secured facilities, of which the Group's proportionate share was £49.8m. These relate to loans secured against the property assets of these entities being the villages under development, completed villages and unsold stock at the joint venture sites at Stanbridge Earls, Sunningdale, Cobham, Scarcroft and Clapham; in addition, subsequent to the year end, the Group's new joint venture with Blackrock secured a £40.5m (Group's share £10.1m) facility for the financing of the development at Mayfield Watford. The Mayfield Watford site is owned by Audley Group Developments 1 Limited which also holds the debt facility. The Group is a joint guarantor to these facilities in proportion to its shareholding in the respective entities that own the assets. The facilities contain a number of financial covenants that are generally tested quarterly in March, June, September and December. At the date of approval of these financial statements, the RELF Audley Retirement Living LLP joint venture and Audley Nightingale Lane Limited complied with all applicable borrowing covenants.

Scenario assumptions and outcomes

The Base case was based on the 2021 Board approved budget with sales volumes and prices updated for the actual performance of the Group in the first half of 2021. The forecast assumes equity funding injected into the joint venture in line with the contractual terms of the shareholder agreement and the underlying debt arrangements. Over the going concern period to 31 December 2022 the Severe but plausible downside case included the following key considerations: owned unit sales are 28% fewer (33% over the 12 month period to 31 August 2022) than what is assumed in the Base case scenario and a 15% fall in the fair value of inventory and consequently in the selling prices from currently achieved levels. The Severe but plausible downside case does not include the impact of the mitigating actions identified by management as outlined below.

Under the Severe but plausible scenario the Group's available cash is fully utilised by August 2022 and requires cash mitigating actions to maintain liquidity thereafter.

Under the Severe but plausible downside case, the reduction in the valuation of the Audley Court Limited Group's unsold stock would reduce the headroom under the loan-to-value covenant on a specific tranche of the facility and would result in a breach of one of the covenants. In these circumstances, and in the absence of a waiver from the lenders or the Group delivering a cash cure, the lenders could demand repayment of these facilities. If the loans were not repaid, the lenders could enforce their security interests over the secured properties. The covenant was set based on the 2019 stock valuations at the time the facility was revised and the valuation obtained at 31 December 2020 would not cause a covenant breach as it was above the 2019 valuation. The Directors have a reasonable expectation that it is unlikely that the lenders would call for a valuation during the going concern period.

Under the Severe but plausible downside case, the forecast valuation decline on the land at the Cobham site reduces the headroom under loan-to-value covenant (attached to the land tranche element of the overall loan) and would result in a breach of covenant. In these circumstances the potential consequences would be the same as those summarised in the paragraph above for the main Group facility. The Directors have a reasonable expectation that it is unlikely that the lenders would call for a valuation during the going concern period.

Under the Severe but plausible downside case, the forecast valuation decline on the unsold stock held by Audley Nightingale Lane Limited reduces the headroom under loan-to-value covenant and would result in a breach of covenant. In addition, under the Severe but plausible downside case, Audley Nightingale Lane Limited and Audley Group Developments 1 Limited do not meet the minimum number of exchanged property sales defined in the loan agreement and this would result in a breach of covenant. In these circumstances the potential consequences would be the same as those summarised in the paragraph above for the main Group facility. The Directors have a reasonable expectation that it is unlikely that the lenders would call for a valuation during the going concern period.

Mitigating actions

There are two principal mitigating actions available to the Group. A reduction of discretionary costs or a deferral of costs such as capital expenditure which would improve the liquidity position. In respect of the covenant compliance, the Group continues to have supportive lenders as was demonstrated in August 2021 with an agreed reduction to the proportion of mandatory debt repayments and release of the restricted cash under the Group's banking facility. The Directors have confidence that should they be required, covenant waivers could be obtained.

Conclusion

Based on the scenarios modelled by the Group and given the availability of the mitigating actions to provide sufficient liquidity over the going concern period, the Directors of the Group have considered that it is reasonable to conclude that the Group will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. As such, the Directors of the Company have considered it reasonable to conclude that the Company will be able to rely on the support of the Group and fulfil their obligations under the borrowing facilities and have considered that it is reasonable to conclude that the Company will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, the financial statements have been prepared on a going concern basis.

However, as explained at the beginning of this assessment, the Group is facing levels of uncertainty, principally caused by the Covid-19 pandemic, and the Group's financial modelling is sensitive to material changes in UK house prices and volumes of transactions.

Under the Severe but plausible downside case the Group would require additional funding and there would be a breach of the Group's loan covenants, including those held within joint ventures and investments. The Directors have concluded that attention should be drawn to the following factors, that under the Severe but plausible downside case give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern:

The Group's available cash is fully utilised by August 2022 and failure to achieve sufficient mitigating actions or secure additional funding for the Group would mean that the Group will be unable to repay its liabilities as they fall due from this date.

3 Accounting policies (continued)**3.1 Going concern (continued)**

The Group would breach the loan-to-value covenant on one specific tranche of the facility. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due;

The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under loan-to-value covenant (attached to the land tranche element of the overall loan) and results in a breach of the covenant. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due; and

The forecast valuation decline on the unsold stock held by Audley Nightingale Lane Limited reduces the headroom under loan-to-value covenant and would result in a breach of covenant. In addition, under the Severe but plausible downside case, Audley Nightingale Lane Limited and Audley Group Developments 1 Limited do not meet the minimum number of exchanged property sales defined in the loan agreement and this would result in a breach of covenant. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due.

Given the uncertainty impacting the Group described above and the impact on the Company, the Directors have concluded that this indicates there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern in the disclosure of the basis of preparation to the financial statements.

No adjustments have been made to the financial statements that would result if the Group were unable to continue as a going concern.

3.3 Revenue recognition

The company recognises revenue from the following major sources:

- Property sales
- Ground rent
- Intercompany charges

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered net of discounts and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the company's revenue streams have been met, as described below.

Revenue for each stream recognised as follows:

Property sales

Sales of residential units are recognised on legal completion.

Intercompany Charges

Intercompany charges are recognised on an accrual basis for the use of the freehold property during the period to which it relates.

Ground rent

Owners of the Company's properties pay an annual ground rent fee that is defined in the lease agreement. The ground rent is invoiced annually in advance and recognised on a straight-line basis over the period to which it relates.

3.4 Interest Income

Interest income is recognised in the profit or loss using the effective interest method.

3.5 Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

3.6 Stocks

Stocks, comprises residential units under construction and completed units ready for sale and is stated at the lower of cost and net realisable value. Cost comprises of land, cost, materials, wages and other construction costs. Net realisable value is defined as estimated selling price less all further costs of development and estimated selling expenses.

3.7 Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in nature, location or condition of the specific assets. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

3 Accounting policies (continued)**3.8 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.10 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in equity. In this case tax is also recognised in equity. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in period different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.11 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including other receivables and cash and bank balances, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction where it is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate.

The impairment loss is recognised in the statement of comprehensive income. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (i) the contractual rights to the cash flow from the asset expire or are settled, or (ii) substantially all the risk and rewards of the ownership of the asset are transferred to another party, or (iii) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due with one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the Financial Statements for the year ended 31 December 2020

4. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors, the directors believe are reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The directors consider the key estimates and critical judgements made in the financial statements to be related to:

4.1 Valuation of investment properties

The fair value of investment properties is based on a valuation model using a cash flow methodology that reflects future income streams included in the village apartment leases. The future income streams are estimated based on current contractual and non contractual arrangements. The initial cost of the investment property is dependent on an equitable allocation of costs to develop village, split between the shared facilities and the saleable apartments.

The company has adopted a external valuation from an independent firm of chartered surveyors (CBRE Ltd).

4.2 Valuation of stocks- Work in progress

Stocks are carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion, renovation and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required.

4.3 Cost allocation and margin recognition

Upon construction of the retirement village, costs are allocated to the central facilities and the residential units for sale on a gross development value basis. The central facilities are retained and upon sale of each residential unit the cost, estimated on the per square foot basis, is transferred from finished goods to the statement of comprehensive income as a cost of sales.

The allocation of cost takes into account costs and forecast margin of the whole site, which are output of the site valuation. The valuation are frequently updated throughout life of the site, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market condition.

4.4 Accrued income

The company accrues deferred management charge income based on each village apartment's lease agreement which include a provision for the management company to earn a fixed percentage based on the selling price of the apartment that crystallises upon resale of the apartment in the future. Given the contingent timing of the event, the charge is accrued each period based on the two year average realised selling price at the village on a per square foot basis. The timing of the apartment resale and receipt of accrued income, has been modelled to be every 10 years based on actuarial data.

5. Turnover

	2020 £	2019 £
Property sales	375,000	-
Estate Management Fees	198,720	122,749
Ground rent	6,552	6,600
Intercompany rent	198,643	171,687
	<u>676,915</u>	<u>301,036</u>

Turnover is attributable to the company's main activity which is carried out in the United Kingdom.

Property sales are recognised at a point in time. Estate management fees, ground rent and intercompany rent are recognised over time.

6. Other operating (expense)/income

	2020 £	2019 £
(Loss)/Gain on revaluation of investment property	(168,383)	297,083
	<u>(168,383)</u>	<u>297,083</u>

7. Operating profit

Audit fees were borne by the immediate parent company, Audley Court Limited, in both years and not recharged to subsidiaries.

8. Employees

The average monthly number of employees, excluding the directors, during the year was as follows:

	2020 Number	2019 Number
Sales and marketing	1	-
	<u>1</u>	<u>-</u>

All employees were employed by Audley Court Limited, the immediate parent company. The above information reflects the number of employees whose services were attributable to Audley Willicombe Limited. The cost relating to the services provided were recharged to the Company.

Notes to the Financial Statements For the year ended 31 December 2020

9. Directors' remuneration

There was no remuneration paid to the directors by the Company during the year (2019 - £nil). There were no retirement benefits accruing to the directors (2019 - £nil).

Directors' remuneration was paid by the immediate parent company, Audley Court Limited, in both years and not recharged to subsidiaries.

10. Interest received and similar income

	2020	2019
	£	£
Bank interest receivable	10	-
Interest receivable from group companies	-	26
	<u>10</u>	<u>26</u>

11. Tax on profit

	2020	2019
	£	£
Corporation tax	-	-
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(31,993)	59,002
Impact of change in tax rates	-	45,944
Adjustment to tax charge in respect of prior years	-	(2,777)
Total deferred tax	<u>(31,993)</u>	<u>102,169</u>
Taxation on profit	<u>(31,993)</u>	<u>102,169</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	£	£
Profit before tax	<u>220,705</u>	<u>539,022</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	41,934	102,414
Effects of:		
Group relief surrendered and not paid	(73,927)	(43,412)
Impact in change in tax rate	-	45,944
Adjustment to tax charge in respect of prior years	-	(2,777)
Total tax (credit)/charge for the year	<u>(31,993)</u>	<u>102,169</u>

12. Investment property

	Freehold investment property
	£
Valuation	
At 1 January 2020	5,208,142
Additions	63,801
Loss on revaluation	<u>(168,383)</u>
At 31 December 2020	<u>5,103,560</u>

The investment properties were valued by CBRE Limited (CBRE) at 31 December 2020 and at 31 December 2019, an independent firm of chartered surveyors, on the basis of fair value. The valuation was carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. Fair value represents the estimated amount that should be received for selling an investment property in an orderly transaction between market participants at the valuation date. The fair value has been arrived at by a valuation model using either an income capitalisation method or a discounted cashflow method dependent on the revenue stream which are included in the included in the village apartment leases and other ancillary income streams. The future income streams are estimated based on contractual leasehold arrangements (deferred and monthly management fees, administration fees and ground rent) with an allowance made for future sales rates and non-contractual ancillary (restaurant, club and care services) income.

Notes to the Financial Statements For the year ended 31 December 2020

12. Investment property (continued)

The key inputs to the valuation model included:

Event fees (deferred management charges) (discounted cashflow methodology)

- house price inflation (HPI) of 3%
- discount rate assumptions of 9.5%
- average length of stay of 8 Years
- exit yield of 6.5%
- deferred management charges, average 1.0% of gross development value
- estate management and lifecycle costs

Operations, including management fees, restaurant and club (discounted cashflow methodology)

- management charges at an average £823 per unit per month
- discount rate assumptions of 9.5%
- exit yield of 6.5%

Administration fees (discounted cashflow methodology)

- discount rate assumptions of 9.5%
- exit yield of 6.5%
- average length of stay of 8 Years

Care services (discounted cashflow methodology)

- discount rate 20.0%
- exit yield of 20.0%
- average length of stay of 9 Years

Ground rent (income capitalisation methodology)

- initial yield of 3.5%

The inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase/(decrease) if:

- HPI was higher/(lower);
- discount rates are lower/(higher);
- average length of stay is lower/(higher);
- expected management charges were higher/(lower);
- expected deferred management charges were higher/(lower);
- estate management and lifecycle costs were lower/(higher); and
- resale fee income and ground rent is higher/(lower).

13. Stocks

	2020	2019
	£	£
Work in progress	-	-
Finished goods and goods for resale	-	275,000
	-	275,000

There were no significant differences between the replacement costs of stocks and its carrying amount.

14. Debtors: amounts falling due after more than one year

	2020	2019
	£	£
Accrued income:		
Between one and five years	179,099	151,677
More than five years	334,840	294,764
	513,939	446,441

Accrued income of £513,939 (2019: £446,441) relates to deferred management charge.

	2020	2019
	£	£
Amounts falling due within one year		
Trade debtors	700	600
Other debtors	-	5,000
Amounts owed by group undertakings	716,444	517,802
Prepayments and accrued income	217,499	215,417
	934,643	738,819

Trade debtors are stated net of ENIL (2019 - ENIL) bad debt provisions.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Prepayments and accrued income consists of deferred management charge of £217,501 (2019 - £215,417).

15. Cash at bank and in hand

	2020	2019
	£	£
Cash at bank and in hand	1,878	5,585
	1,878	5,585

Notes to the Financial Statements For the year ended 31 December 2020

16. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	30	30
Amounts owed to group undertakings	1,610,198	1,949,604
Other creditors	4,778	6,942
Accruals and deferred income	2,000	1,100
	<u>1,617,006</u>	<u>1,957,676</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17. Deferred tax

	2020
	£
At beginning of year	(361,665)
Credit to profit or loss	<u>31,993</u>
At end of year	<u>(329,672)</u>

The deferred taxation balance is made up as follows:

	2020	2019
	£	£
Deferred tax charge for revaluation of investment property	(329,672)	(359,109)
Other timing differences	<u>-</u>	<u>(2,556)</u>
	<u>(329,672)</u>	<u>(361,665)</u>

18. Guarantees and contingencies

On 26 January 2018, the Audley Court Limited entered into a five year £125.0m revolving credit facility agreement. Following a restructure of the facility in 2019 the facility limit was reduced to £105.0m. Audley Willicombe Limited is one of the guarantors to the loans and the loan is secured by means of interests on the investment properties, stock and work in progress of the Audley Court Limited group. Interest is based on three month LIBOR plus 3.50% - 4.50%. At 31 December 2020 £93.2m was drawn (2019: £91.5m). Following a repayment after the year end, the facility was further reduced by £10.0m to £95.0m.

19. Called up share capital

	2020	2019
	£	£
Allotted, Called up and fully paid		
2 (2019 - 2) Ordinary share of £1.00	<u>2</u>	<u>2</u>

20. Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A of FRS 102 not to disclose the transactions with fellow wholly owned subsidiaries of Audley Court Limited.

21. Immediate and ultimate parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Audley Court Limited, which is registered in England and Wales.

Audley Court Limited is the undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2020. MAREF Topco Limited, is the undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of these groups are available from Companies House.

The company's ultimate controlling parties are Moorfield Audley Real Estate Fund "A" Limited Partnership and Moorfield Audley Real Estate Fund "B" Limited Partnership, both registered in England and Wales.