



**AUDLEY GROUP LIMITED**  
**ANNUAL REPORT AND ACCOUNTS 2019**

Registered number: 09906780

# AUDLEY GROUP IS THE MARKET LEADER IN THE RETIREMENT SECTOR

Since its launch in 1991, the Group has championed and reinvented the retirement property market, challenging the care home model and introducing, as a first of its kind, the concept of luxury retirement villages for the over 55s.

## WHAT WE DO

### DEVELOPMENT

Site acquisition, planning approval management, design and construction of market-leading retirement villages.

### SALES AND MARKETING

Effective and sensitive promotion and sales of properties from start of construction through to ongoing resales.

### OPERATIONS

Providing exceptional service to property owners and customers through village management, including restaurants and health clubs.

### WELLBEING AND SUPPORT

Provision of holistic wellbeing services including CQC-regulated Audley Care, enhancing the lives of our owners and the local community.

## THE AUDLEY DIFFERENCE

Owning a home at one of our villages ensures a truly independent lifestyle in an attractive and secure environment.

Owners buy their own home

They retain their highly valued independence

We look after the exterior maintenance and grounds

Leaving owners free to spend their time however they wish

Such as visiting the club or the swimming pool and gym

As little or as much support as needed is available

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# 2020 VISION

Audley Group has been a visionary brand in the retirement living space for 20 years, championing and challenging both the market and the care home model since its inception.

Spotting the clear need for a living solution that befitted the lifestyle wants and needs of the over 55 age group in the UK, Audley Group introduced the pioneering concept of luxury retirement villages.

As the start of a new decade unfolds, Audley Group continues to set standards as the UK's largest developer in the retirement living sector, serving over 135,000 customers in 2019 across its restaurants, clubs, care services and property owners. Central to this track record of success is the unique combination of heritage and continued innovation. Audley Group has unrivalled expertise born from long exposure to this market but retains the desire and agility to respond to and drive change as our customers' lifestyles evolve.

Today Audley Group remains the market leader in this sector with an established business model and unrivalled insight into retirement living proving increasingly attractive to investors. Audley Villages has won gold in the best retirement development category at the WhatHouse? awards more times than all other developers combined in the past ten years.

The Group continues to make a significant contribution both to the local economy and the ongoing policy discussions regarding the continuing retirement property and social care crises. With 19 retirement villages (including those in development and in development with our JV partners) across the UK, housing close to 1,400 individuals, the Audley Group has a net asset value of £236.9m and is proud to employ over 700 people.

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19

sites (including those owned in joint ventures)

1,400

property owners

700+

people employed

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The business model of design, build and operate ensures Audley remains aligned to the values of its customers throughout the process. And this commitment to offering high quality properties, coupled with a holistic approach to wellbeing including excellent onsite facilities and support, enables owners to live longer and happier lives.

The dual revenue stream model of earning income from the sale of apartments and management fees (which are highly resilient to external market challenges) continues to attract investment. In 2019 Audley announced a less capital-intensive way to finance growth through the creation of a joint venture with the real estate arm of Schroders and Octopus Real Estate. Following this, in August 2020 another innovative joint venture with Royal London Pension Property Fund was announced and Audley continues to explore further investment opportunities.

# Serving distinct audiences

The two Audley Group brands serve distinct audiences, so although the overall model is the same, the provision differs.

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## AUDLEY VILLAGES

Audley Villages is the long-established brand, comprising 19 villages. The villages are often built within unique heritage sites and offer a luxury high-end feel with exceptional onsite wellbeing facilities.

## MAYFIELD VILLAGES

Mayfield Villages, currently comprising the Watford Village, is the more recent addition to the Audley portfolio and is a mid-market offering whose modern designs dovetail neatly with the villages' more urban and suburban locations. Launched in 2016, the Mayfield villages are designed to offer a lower price option but with the same level of facilities, service and care.

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Housing, health and social care discussions continue to be at the very heart of policy-making discussions today. And while the UK may have lagged behind the global market, the issues around housing, health and social care are becoming increasingly difficult for Westminster to ignore.

Growth in the later living market shows no signs of abating. Large institutions continue to enter the sector as they recognise the opportunities afforded by such growth. Figures indicate<sup>1</sup> that by mid-2041 the number of people in the UK aged 85+ will rise to 3.2 million<sup>1</sup>. But the truly compelling investment opportunity is the amount of wealth this sector enjoys. Recent statistics<sup>2</sup> show three-quarters of over 65s occupy the mid to high end of the wealth spectrum.

As the market leader in this sector, Audley Group will continue to set the standard as competition and innovation continue at pace.

1. The Office for National Statistics August 2018 report.

2. Data from the ONS Wealth report.

# CONTINUING TO RAISE THE BAR FOR RETIREMENT LIVING

Audley Group's premium offering, Audley Villages, has continued to set standards for retirement living in the UK. Two decades ago, Audley Group set out to deliver aspirational housing with care at a time when the concept of a retirement village was almost unknown to the UK market.

Today, Audley villages are home to nearly 1,400 individuals, who benefit from a holistic offering that actively improves their health and wellbeing while giving them complete control over their lives and homes.

The Audley Group Villages portfolio now comprises 18 villages across the UK (including those under development and those where contracts have exchanged and are subject to receipt of a satisfactory planning consent). 14 of these are fully operational.

The villages represent a broad spectrum of architectural styles, from the Arts and Crafts character of Audley Chalfont Dene, to the grand Victorian mansions of Audley Ellerslie and the Georgian splendour of Audley Redwood. Villages range from the newly built, to sympathetic restorations of heritage buildings, including Grade I, Grade II\* and Grade II listed. Working closely with local councils, Audley preserves as much of a building's original character as possible whilst sensitively breathing new life into a site to accommodate the needs of modern living.

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"We are confident of maintaining  
Audley Group's status as the premier  
luxury retirement village provider."

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Regardless of the location, an extensive range of facilities is on offer in the villages to both owners and members of the local community. These include bars, fine dining restaurants and health clubs. To enable a long and happy life, support is available in several forms including personal training and physiotherapy, nutrition advice, as well as a complete range of care facilities as and when needed. At the core of all the amenities is an understanding of what our current and future owners want, gathered from ongoing research that explores everything from village design to customer service. These outputs feed the planning and operational stages of every village and drive continual innovation across the village portfolio.

All owners automatically become members of The Audley Club at their own and all other Audley villages, which offers boutique hotel-style facilities including a restaurant, library and swimming pool, relaxation areas and fitness studio. Each club offers a private dining room which proves very popular amongst owners for entertaining family and friends. The services are continually assessed to reflect our holistic approach to care and wellbeing enabling Audley owners to live a long and happy life. Support is available in several forms and ranges from personal training and physiotherapy to nutrition advice, as well as personal care right through to end-of-life care.

Audley Villages' CQC-accredited and audited homecare service, Audley Care, which serves a 20-mile radius of each village, gives customers additional peace of mind. The discreet care provided is entirely bespoke and tailored to the owner's specific needs. Ranging from simple housekeeping or help with shopping through to live in care, it can be readjusted as required. Each of the 13 Audley Care branches are located at an Audley village.

With penetration at this end of the market at only 0.6% according to ARCO<sup>1</sup>, and burgeoning interest and funding from institutional investors in this sector, the growth potential remains significant. Indeed 2019 saw Audley Group enter a joint venture with Octopus Real Estate and Schroders to develop four new Audley villages which will represent approximately £400m of gross development value. In August 2020 Audley Group announced a further joint venture with Royal London Pension Property Fund to deliver a new village in Buckinghamshire with a gross development value of £80 million. This innovative JV structure means that the Fund will provide the development capital and will retain freehold ownership when all properties are sold. Audley will then enter a 250 year lease giving the Fund a secure, inflation-linked income, while providing its customers with its extensive sector experience in the operational running of the village. We are confident of maintaining Audley Group's status as the premier luxury retirement village provider while expanding market share across the mid-market segment.

1. ARCO Fact Pack 2019.



# A SUBSTANTIAL AND SUSTAINABLE OPPORTUNITY

Innovation is vital in maintaining a market-leading position and continuing to change the face of retirement living in the UK. To that end, Audley Group launched Mayfield Villages, to extend aspirational, contemporary retirement villages to the mid-market. 4.5 million over 65s fit this category: a substantial segment of society that is currently chronically underserved in the housing market.

Extensive prospect research, combined with forensic financial analysis, has led to the development of a product much like an Audley village. Mayfield Villages offers properties built to high standards alongside access to central facilities and bespoke care packages, as and when they are needed. Owners will experience a fresh, contemporary, connected way of living, with community firmly at the heart of the villages.

Audley Group's dedication to exceptional service extends to its Mayfield offering, and owners will see that commitment across all operations, ensuring complete stand out from any other providers in this space.

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“Mayfield Watford will be a pioneer village for a new brand with exceptional growth potential.”

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Mayfield, like Audley, will take a holistic approach to wellbeing designed to support a healthy lifestyle. From health club facilities, to bespoke menu design, to care as required, the support on offer helps owners and the local community to live longer and happier lives. Mayfield Care will be regulated by the Care Quality Commission (CQC).

The Mayfield sites will typically consist of around 250 units in urban or suburban mixed-use sites. The larger size and higher density of the villages allow for lower priced units than in a typical Audley village, as well as lower monthly management charges.

Mayfield Watford, the first Mayfield village, will offer high quality apartments in the surrounding of a range of relaxed central facilities. Those facilities will include a café and a bistro, multi-use recreational spaces and a swimming pool and health club.

The village has 255 one and two-bedroom apartments and forms part of the Watford Riverwell development. The site is part of a mixed-use development that will serve the whole community, reflecting a growing trend for integrated living with specialist housing options.

Marketing began in January 2019 with units priced between £284,000 and £535,000.

Despite the uncertain economic climate, demand is high. At the end of 2019, 18 properties had already been exchanged, with a further 500 sales appointments made and 1,700 calls of interest received.

Audley Group has the heritage, expertise and track record of continual innovation to change the face of retirement living in the UK. Mayfield Villages, with its provision of stylish, fresh retirement living for the mid-market sector, is vital to this mission. Mayfield Watford will be a pioneer village for a new brand with exceptional growth potential.

The first Mayfield village, Mayfield Watford, has been sold into a joint venture between Audley Group Limited (25% ownership) and Blackrock Real Assets (75% ownership) after the year end. A £40.5m development finance facility with Homes England has been entered on 10 August 2021 to develop this village.



**Safety and security**

**Brand new,  
state of the art  
contemporary  
living**

**A sociable  
and friendly  
community**

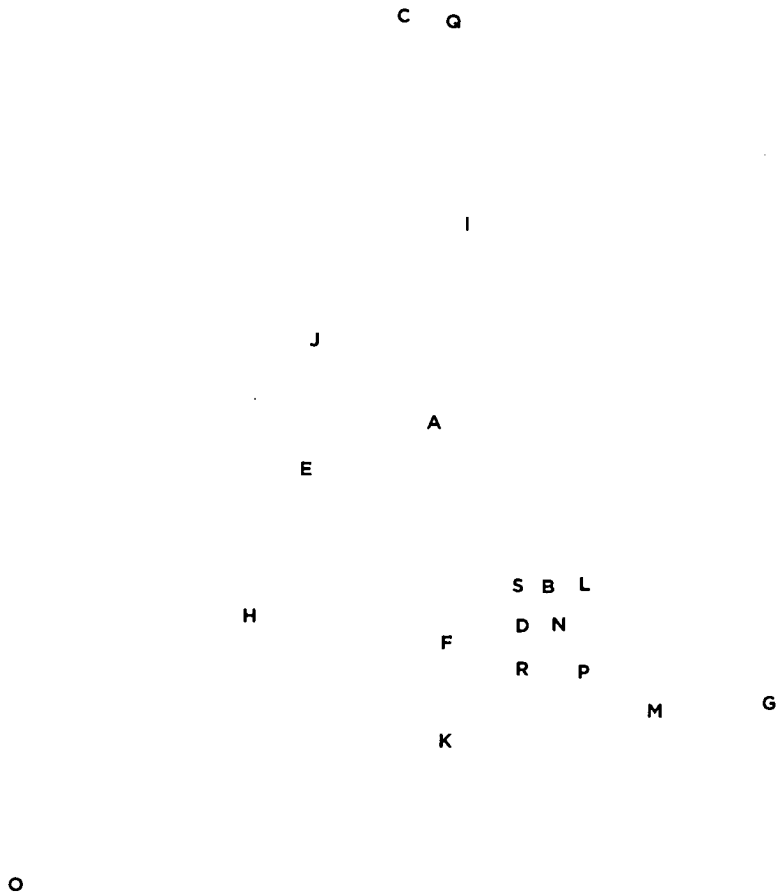
**WHAT DO MID-MARKET  
CUSTOMERS WANT?**

**Different  
fee options  
depending on  
affordability**

**Mixed-use  
communal  
spaces**

**High quality at  
reasonable cost**





# OUR VILLAGES ARE WHAT SET US APART

Using market insight and a deep understanding of our customers' needs we create aspirational properties with strong design values in desirable locations across the UK.

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### OUR LOCATIONS

There are currently 19 Audley Group villages across the UK at varying stages of development.

Owned

Joint  
venture

Managed  
villages

## OUR PROPERTIES

Audley Group has a flexible model of ownership and management allowing for more varied growth potential. Below is a list of the current Audley Group portfolio of villages.

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### A

**BINSWOOD**  
Royal Leamington  
Spa, Warwickshire

### B

**CHALFONT DENE**  
Chalfont St Peter,  
Buckinghamshire

### C

**CLEVEDON**  
Ilkley,  
Yorkshire

### D

**COOPER'S HILL**  
Englefield Green,  
Surrey

### E

**ELLERSLIE**  
Malvern,  
Worcestershire

### F

**INGLEWOOD**  
Kintbury,  
Berkshire

### G

**MOTE HOUSE**  
Bearsted,  
Kent

### H

**REDWOOD**  
Bristol

### I

**ST ELPHIN'S PARK**  
Matlock,  
Derbyshire

### J

**ST GEORGE'S PLACE**  
Edgbaston,  
Birmingham

### K

**STANBRIDGE EARLS**  
Romsey,  
Hampshire

### L

**WATFORD  
(MAYFIELD)**  
Hertfordshire

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[audleygroup.com/property-portfolio/](https://audleygroup.com/property-portfolio/)

[More properties](#)

**OUR PROPERTIES CONTINUED**

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**M****WILLICOMBE PARK**

Royal Tunbridge Wells,  
Kent

**N****NIGHTINGALE PLACE**

Clapham,  
London

**O****FLETE HOUSE**

Ivybridge,  
Devon

**P****FAIRMILE**

Cobham,  
Surrey

**Q****SCARCROFT PARK**

Scarcroft,  
Yorkshire  
(Subject to planning approval)

**R****SUNNINGDALE PARK**

Sunningdale,  
Berkshire

**S****WYCLIFFE PARK**

High Wycombe,  
Buckinghamshire

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**MAYFIELD UPDATE**

The construction for the first Mayfield Village, in Watford, is underway and is expected to be completed in 2022. Further Mayfield site acquisitions are in progress, with a core focus on expanding the mid-market portfolio.

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[audleygroup.com/property-portfolio/](https://audleygroup.com/property-portfolio/)

# Bringing history back to life

Keeping  
things fresh

Many of the Audley Villages' centrepiece buildings have historical significance with several holding Grade I, II\* or II listing status. These buildings are lovingly brought back to life by giving them new purpose while maintaining the original sense of character - with the classic contemporary Audley design.

## **STANBRIDGE EARLS**

Dating back to Saxon times, Stanbridge Manor is a Grade II\* listed former residence and school. This iconic building is now the heart of Stanbridge Earls retirement village with a fine dining restaurant, elegant bar and bistro, library and lounge as well as apartments. The village also boasts 32 acres of woodland, landscaped grounds and ornamental lakes.

## **COOPER'S HILL**

Set in the 66 acres of the Magna Carta Park mixed-use development, the 128 luxury properties at Audley Cooper's Hill are centred around the magnificent Cooper's Hill House.

Once a mid-nineteenth century private residence, and more recently part of Brunel University, the original building has been lovingly restored to house apartments and the Audley Club.

## **CLEVEDON**

To keep the older villages up to the same high standard of design and quality as the new villages Audley Group periodically carries out refurbishments to update and refresh the facilities. In October 2019 Audley Clevedon underwent a full renovation including the bar and restaurant areas, spa and salon.



# Welcome to the retirement revolution

**Marc Gilbard**  
Chairman

It's hard to believe that I am reporting on the fourth full year of operations for the Audley Group since the creation of Moorfield Audley Real Estate Fund (MAREF).

This report looks back at 2019, but it would be remiss not to mention the seismic events that we have seen in 2020. The housing market, like much of the economy, has suffered as entire sectors have closed down to halt the spread of COVID-19. Yet the value in the housing with care model holds strong. Not only has the sector given older people the ability to isolate securely while fully supported, but the strength of the model and its secure long-term income stream is clear. The economic impact of the global coronavirus pandemic is still being assessed but the demand for Audley's model is stronger than ever.

2019 was one of the most politically volatile years in recent British history and the prevailing uncertainty reverberated across the economy with the housing market far from immune. The September RICS survey reported a sharp fall in activity from surveyors, and transaction levels slowed. Price growth varied at a local level, but nationwide prices were predominantly stable, and stamp duty transaction numbers in the fourth quarter roughly mirrored those in 2018.

Yet against this still sluggish backdrop, it is with significant pride that we report the results for Audley Group this year, building a strong platform for future leverage. Demand for the exceptional product and service that Audley continues to deliver remains strong, driven by an ageing population in the UK and a growing knowledge of this asset class amongst politicians, media and consumers alike.

Market penetration in the housing with care sector remains at just 0.6%, and it is to capitalise on this significant potential that we spent this year gearing steadily for Audley's continued growth.

Investors have long woken up to the potential in retirement living, and the last few years have seen institutional investors like AXA and Legal & General invest significant capital. As the market leader in the retirement village sector, Audley continues to attract significant interest. Having evaluated the alternative options for growth acceleration, Audley has this year explored less capital-intensive partnerships. The Group has formed a joint venture with the real estate arm of Schroders and Octopus Real Estate, to fund the development of four new villages and still retain long-term value for the business. Added to this is the new JV structure of the recent partnership with Royal London on Audley Villages' new Wycliffe Park development.

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"Audley's entrepreneurial spirit and responsible management approach have allowed the team to create opportunities."

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After the year end the Group has formed another joint venture with Blackrock Real Assets to continue the development of Mayfield Watford.

The potential in the UK market means that it remains the Group's core focus. However, I spoke last year about the Board's interest in international partnerships, and 2019 was a milestone year on that front. Audley Group signed a joint venture agreement with Danish pension company PFA that will introduce the Group's retirement living concept to the Danish market. It is testament to PFA's long-standing belief in the long-term investment potential of the business model, and wonderful to see a relationship that began in 2015, when PFA became a significant investor in MAREF, become a springboard to take the Audley vision international.

There has been much to do in the last year for Audley's impressive and dedicated management team. To prepare for future growth, the Board has been strengthened this year with the appointment of Nick Edwards as Chief Operating Officer. I am delighted for Audley and know from personal experience that Nick is absolutely the right person for the role. As well as being a Non-Executive Director of Audley Group for the past five years, Nick worked closely with me as Chief Financial Officer of Moorfield Group for over 10 years.

**ABOVE:**  
Audley Ellerslie  
at night.

**LEFT:**  
The vibrantly  
decorated library at  
Audley Cooper's Hill.

**BELOW:**  
Swimming pool at  
the Audley Club,  
Cooper's Hill.

The overall picture is one of strong growth. I am pleased to report that the Audley Group remains positively positioned and is on track to deliver the business plan that was created when the MAREF ownership structure was put in place four years ago.

Audley's entrepreneurial spirit and responsible management approach have allowed the team to create opportunities, while maintaining unswerving focus on the Group vision: to reinvent retirement living and champion the need for aspirational living options that bring together housing, lifestyle and care.

The landscape may be changing as more competitors enter the market to meet the demands of an ever-growing ageing population, but I am resolutely confident that Audley will continue to lead the field, serving as the benchmark for excellence in the provision of retirement living with care.

I look forward to yet another transformative year as politicians and businesses build upon their growing knowledge that it is this sector, with Audley at the forefront, that can spearhead real change and alleviate the housing and care crisis.

**Marc Gilbard**  
Chairman  
27 August 2021

# A year of growth

**Nick Sanderson**  
Chief Executive Officer

We have continued to see strong demand from customers for Audley's services. In 2018 external economic uncertainty and pressures on the housing market had an impact on our immediate sales revenue, while our long-term sales forecast remained strong. But 2019 was a different story, with a return to strong growth. Total revenue increased by 16% year on year, from £61.6m to £71.4m in 2019. Completions were strong, rising 47% to 122 (90 wholly owned and 32 in joint venture), and it was pleasing to see the strong demand for Mayfield Watford, which saw 18 exchanges so early in its construction journey.

Investors continue to show significant interest in our business model, encouraged by the long-term revenue stream and growth prospects offered by the retirement living market and particularly Audley's dual business model. This year we have continued to explore innovative, less capital-intensive finance models to accelerate growth. I am delighted to be working with institutional investors of the calibre of Octopus Real Estate and Schroders on a joint venture to develop four new villages. These four villages will represent a total gross development

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“The strong drivers of sector growth, particularly the UK’s ageing population, continue to increase demand.”

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value in the region of £400m providing a total of over 500 units. In August 2020 we announced a further new joint venture with Royal London for a new village in Buckinghamshire. Not only is this Royal London’s first investment into the retirement living sector, but the innovative model is a first for the industry with the Fund providing the development capital and retaining the freehold while Audley operates the village to its renowned high standards. We continue to see significant investor interest and expect to make further partnership announcements over the course of the next year.

As a Group, we made our first strategic development outside of the UK market through a joint venture partnership with Denmark’s largest pension fund, PFA. This partnership allows Audley Group to effectively export the model that we have spent the last 20 years honing as market leader in the UK. PFA has been a strong and supportive partner for Audley since it became a significant investor in the Moorfield Audley Real Estate Fund four years ago. The potential in the Danish market is the optimal opportunity for us to combine our expertise and knowledge of the later living market. Initially, Audley will earn investment management fees from this joint venture, while the first sites are sourced and secured in Denmark.

Other key milestones this year included the opening of Audley Cooper’s Hill, securing planning approval on our joint venture sites in Cobham and Sunningdale and the start on site at our first Mayfield village, in Watford.

We also strengthened our executive team with key strategic hires, notably the appointment of Nick Edwards as Audley’s first Chief Operating Officer. Nick’s long experience positions us well for a sustained phase of accelerated growth.

#### **CURRENT TRADING**

I reported last year that the duality of the business model was vital to the strength of the business and this has become ever more apparent in the last year. Sales completions rose in 2019 and both development and operations revenue saw significant year-on-year increases. Operations now accounts for 30% of Audley Group’s revenue.

#### **OUTLOOK**

Brexit stalled the business of Government in 2019, including the long-awaited social care Green Paper, but the rumblings are slowly reaching a crescendo: there is a growing need to find workable solutions

**OPPOSITE:**  
The newly  
refurbished library  
at Audley Clevedon.

to the black hole that is developing across housing, health and social care. Increasingly, specialist housing with care is seen as a socially and economically acceptable solution to the continuing structural cracks.

The Government’s Planning Guidance for Older People, published in June 2019, is another vital cog in the wheel, levelling the playing field for specialist retirement providers and helping planners better understand the specific needs of the sector.

We are already seeing that 2020 will have a seismic impact on the country. COVID-19 has had a devastating impact on families, communities and economies around the world. The housing sector has not escaped. However, the pandemic has also displayed the value in the retirement living sector. Most importantly, the sector has kept people safe and looked after. The tragedy suffered in our nation’s care homes has refocused government attention onto the need for change, and the value that housing with care can bring in freeing up the housing market and taking pressure off the beleaguered NHS and social care sectors. The time is right to invest in this sector, and investor interest is accelerating.

The strong drivers of sector growth, particularly the UK’s ageing population, continue to increase demand. Audley Group, the leading private sector operator of retirement villages, has the necessary scale to drive this change. We have looked after 135,000 customers across restaurants, care and club membership as well as, of course, our property owners over the last year and expect to see significant increases in these numbers over the next five years, in line with our business plans.

Audley Group remains the retirement village sector leader and it is that scale, coupled with continued innovation and service excellence, that will continue to appeal to customers and investors alike.

#### **Nick Sanderson**

Chief Executive Officer  
27 August 2021

# A transformational year

## OVERVIEW

### 2019 vs 2018

2019 was in many ways transformational for the Audley Group as we created a substantial joint venture with Octopus Real Estate to develop four high quality Audley villages. Octopus is investment adviser to the Schroders Retirement Living Fund which was launched in 2019 with an initial £102m of capital, substantially all of which has been committed to this joint venture.

The joint venture has been structured with Audley having a 25% interest and the Schroders Fund owning 75%. The joint venture had acquired the Stanbridge Earls site before the year end through the purchase of an Audley entity which wholly owned the site. Subsequent to the year end the joint venture has acquired the Sunningdale site and acquired the remaining two sites during 2020 or early 2021. The sale of the Audley entity owning the Stanbridge Earls site has been treated as a disposal for accounting purposes with a profit on disposal recognised in the Group's income statement. The Group equity accounts for its share of any profits or losses recognised by the joint venture. The Group retains responsibility for the development management and sales and marketing for all four villages and receives separate fees for these services. The Group is also contracted to buy back the freeholds in each village at certain points in the future which are generally determined by when 95% of the units in each village have been sold; funded through the Group's share of the development sales at each site. The Group believes this is in its best interest as it values highly the long-term income streams that the freeholds generate.

While we believe that this joint venture will bring substantial benefits to the Group, the accounting for the joint venture makes comparison with 2018 very difficult.

We have therefore, in the first instance, adjusted the reported 2019 results as if proportionally consolidated to reflect the performance for the year and, secondly, we compare those adjusted results to our performance in 2018.

**Nick Edwards**  
Chief Operating  
Officer

	Joint venture 100%	Audley's share of joint venture	Audley 100% (excluding JV)	Total
Units sold	32	32 <sup>1</sup>	90	122
Revenue (£'000)	16,183	4,406	71,428	75,834
Gross profit (£'000)	123	31	16,060	16,091
Earnings before revaluations, exceptional items, interest and tax (£'000)	(435)	56	(7,963)	(7,907)
Revaluation (£'000)	(407)	(102)	(1,402)	(1,504)
Exceptional items (£'000)	—	—	(8,449)	(8,449)
Other gains/(losses) (£'000)	—	—	(8,733)	(8,733)
Earnings before interest and tax (£'000)	(842)	(46)	(26,547)	(26,593)

<sup>1</sup> Unit sales recorded as 100% as Audley are responsible for all sales and marketing

As a consequence of these adjustments, it is possible to make a like-for-like comparison of the 2019 results with 2018, as follows:

	2019	2018
Units sold	122	83
Revenue (£'000)	75,834	61,641
Gross profit (£'000)	16,091	18,876
Gross margin (%)	21.2%	30.6%
Earnings before revaluations, exceptional items, interest and tax (£'000)	(7,907)	(3,595)
Revaluation (£'000)	(1,504)	(1,905)
Exceptional items (£'000)	(8,449)	(1,098)
Other gains/(losses) (£'000)	(8,733)	—
Earnings before interest and tax (£'000)	(26,593)	(6,598)

### Key performance indicators

The Group regards its key performance indicators as the number of completions in the year, the gross margin, the earnings before interest and tax (EBIT) and growth in net assets.

The performance in the year was a great improvement on 2018, with 38 additional completions in the year which include 32 completions at Stanbridge Earls in the joint venture in December 2019 as the first units and club buildings were delivered in the last few months of the year. The gross margin was lower than in 2018 and this reflected the product mix and the write-off of some costs relating to projects which will not proceed and in addition a write-down in the net realisable value of our Watford site. It is not unusual in the early stages of a development for the net realisable value to be lower than cost and our results for 2019 reflect this. We expect this write-down to reverse as the project continues.

Our EBIT was significantly down on 2018, predominately by the large exceptional items in the year mostly relating to the goodwill write off of £8.3m, fair value losses on investments through profit or loss of £2.4m and expected credit loss of £6.4m, but also due to some increased administrative expenses that have been incurred as Audley build the platform for future.

### Restatement

The Directors have undertaken a review of the valuation of investment property held on the consolidated balance sheet at 31 December 2018 and concluded that the carrying value of the deferred management accrued income of £12,119,000 should have been deducted from the valuation of investment property of £123,162,000. The valuation methodology considers future cash projections that includes the cash receivable on the deferred management accrued income and, to avoid double counting, the value of the deferred management

**ABOVE:**  
Owners' lounge at  
Audley Redwood.

accrued income should be deducted from the investment property value. In addition, adjustment should be made for the impact on the associated deferred tax balance and fair value gains and losses for the year ended 31 December 2018. The Directors have concluded that the impact is material to the financial statements and therefore the financial statements for the year ended 31 December 2018 should be restated.

The results for the year to 31 December 2018 for the Group have been restated to more accurately categorise between cost of sales and administrative expenses. Cost of sales have increased by £9,541,000, and administrative expenses reduced by the same amount. There has been no impact on the loss reported for 2018, nor the net assets at 31 December 2018.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income presents the results for the year to 31 December 2019. A commentary on all significant line items is set out below.

#### Revenue

Income of £71.4m in the year was made up of £49.2m of property sales, £12.9m of estate management fees, £6.0m of Audley Care income and £3.3m of other income. Income overall was up 16% from the year to 31 December 2018 due to a higher number of property completions in the year, as well as estate management fee income increasing in line with increased unit sales. The most significant item included within revenue of £71.4m is sales of £49.2m of on balance sheet properties, representing 90 unit sales. Of the property sales, the villages with the highest contributions were £18.1m from Cooper's Hill, £9.9m from Redwood, £8.5m from Binswood, £5.5m from Eilerslie and £1.1m from St George's.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONTINUED****Revenue continued**

The Cooper's Hill village was launched in the year, with the first completions in October 2019, and the extension to the Binswood village was delivered in the summer.

Estate management fees contributed £12.9m to revenue in the year, an increase of £1.4m or 12.3%. This includes monthly and deferred management fees. Deferred management fees are accrued and calculated as a percentage of the property value on each anniversary of sale. Estate management fees increase with sale of units. Care business revenues for 2019 were £6.0m, an increase of £0.9m or 17.3%.

**Direct costs**

Direct costs for the year were £55.4m, comprising cost of sales relating to property sales of £39.3m, £11.2m of estate management cost of sales, £3.3m of care cost of sales and £1.6m of other running costs. The results for the year to 31 December 2018 for the Group have been restated to more accurately categorise between cost of sales and administrative expenses. Please refer to note 31.

**Loss on revaluation of investment properties**

The Group has adopted investment property values at the year end as determined by CBRE, on the basis of fair value. The valuation reflects estimated future income streams determined from the contractual arrangements contained in each lease.

**Administrative expenses**

Administrative expenses of £32.5m (2018: £23.6m) represent operating costs of the business, including exceptional items of £8.4m. The results for the year to 31 December 2018 for the Group have been restated to more accurately categorise between cost of sales and administrative expenses with an resulting amount of £9,541,000 being reallocated from administrative expenses to cost of sales. Like for like, the administrative expenses in 2019 are £24.0m compared to £22.6m in 2018. Included in administrative expenses is £1.4m (2018: £1.7m) of fees to the MAREF fund manager.

**Exceptional expenses**

In 2019 the Group has exceptional items of £8.4m (2018: £1.1m). The Group impaired its carrying amount of goodwill in the year, leading to a £8.3m write down. Also included in exceptional items is a cost of £0.3m that was paid to a Director of Audley Court Limited for loss of office during the year. These costs are partially offset by a profit of £0.1m that represents the profit (net of fees) to the Group of disposing its subsidiary, Audley Stanbridge Earls Limited to the joint venture.

**Other gains/(losses)**

Included in other gains and losses is an amount of £6.4m in respect of expected credit losses and £2.4m for fair value losses on investments. The Group has recognised an expected credit loss of £6.4m in relation to the preference shares and accrued interest thereon in Audley Nightingale Lane Limited. The estimation of expected credit losses is inherently subjective due to the forward-looking nature of the assumptions made. The Group recognised a net fair value loss on its cost of investment in Audley Nightingale Lane Limited in the year by £2.4m.

**Net finance expense**

Finance costs of £5.7m represent interest, facility fees and amortisation of loan arrangement costs on the Group's loan facilities. Finance income of £1.9m includes preference share interest receivable and other interest receivable.

**Taxation**

The net taxation expense for the year of £5.6m principally relates to the derecognition of losses as a deferred tax asset, as projects anticipated to use these losses have been sold into the joint venture and it is no longer certain when these losses will be used.

**Non-controlling interests**

On 17 December 2019 the Directors exchanged their shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 B shares in Audley Group Limited. The Directors' shareholdings are disclosed in the Directors' Report. The share-for-share exchange resulted in Audley Court Limited being 100% owned by Audley Group Limited and as such extinguishes the non-controlling interests as shown in the consolidated statement of changes in equity.

**CONSOLIDATED BALANCE SHEET****Non-current assets****Intangible assets**

The intangible asset is the goodwill that was created on the acquisition of Audley Court Limited in 2015. The Directors have carried out an impairment review by comparing the anticipated future cash flows from each cash-generating unit (CGU) with the amount of goodwill attributed to each CGU at the beginning of the year. The entire goodwill of £8.3m, allocated to the operations CGU, has been impaired in the year. This impairment resulted on the novation of the contracts to buy Sunningdale, Cobham, and Scarcroft to the joint venture with Octopus/Schroder's. The fair value less costs to sell of the operations CGU is now equal to the book value.

**Investment properties**

The investment properties include the freehold and long leasehold interest in each of the villages. The investment properties were valued by CBRE Limited at the year end on the basis of fair value with reference to the estimated future income streams. Disposals to investment properties in the year of £2.5m represent the Stanbridge Earls property sold to the joint venture.

The Directors have undertaken a review of the valuation of investment property held on the Consolidated balance sheet at 31 December 2018 and concluded that the carrying value of the deferred management accrued income of £12,119,000 should have been deducted from the valuation of investment property of £123,162,000. The fair value of investment properties is determined based on future cash projections and the impact of these cashflows is also considered in the carrying value of the deferred management accrued income. As such, to avoid double counting, the value of the deferred management accrued income should have been deducted from the investment property value. See note 31 for details.

**Right of use asset**

The Group adopted IFRS 16 at the start of the year. The Group leases some of its investment properties as well as its head office. On adoption of IFRS 16, a right of use asset was created, representing the net present value of future rental payments.

A lease liability for the future rental commitments was also created. The right of use asset will be depreciated over the length of the leases and the lease liability will reduce as payments are made. Where the asset is accounted for as an investment property, a right of use asset has not been created, but the asset is held at fair value in investment properties.

### Investments in joint ventures

As previously described, the Group formed a joint venture in the year with Octopus Real Estate. The additions to investments in joint ventures in the year of £12.5m all relate to this joint venture. The results of this joint venture are equity accounted for and the Group's share of the loss for the period was £46,000.

### Investments

During the year the Group purchased a 4% shareholding of PFA Audley PropCo P/S, a Danish joint venture with PFA Pension, to develop retirement villages in Europe. The Group also holds a 4% investment in Audley Nightingale Lane Limited, which is developing a retirement village in Clapham, South London. Owing to a longer than originally expected period to sell the remaining units at Audley Nightingale lane, it was considered appropriate to recognise a fair value on the investment of £2.4m in the year.

### Property, plant and equipment

Property, plant and equipment includes the fit-out of the head office as well as fixtures, fittings and computer equipment.

### Trade and other receivables

The Group has £25.6m of long-term trade and other receivables. Of this, £10.7m relates to preference shares and accrued interest in Audley Nightingale Lane Limited. Accrued income for deferred management charges has been split between amounts due in greater than one year (£15.0m) and due in less than one year (£1.0m).

Accrued income represents deferred management charges that are levied on each owner upon assignment of their lease. The deferred management charge is determined from the contractual arrangements contained in each lease and is calculated as a percentage per year of occupation, or part thereof. The amount recognised in the accounts is based on management's estimate of the property values, which is calculated based on historical data of first sales and resales at each village. Any increase or decrease in the expected value of the deferred management charge is recognised in the statement of comprehensive income. These amounts have been estimated, informed by actuarial data, to classify the amounts based on the timing of expected cash flows.

## CURRENT ASSETS

### Stocks and inventories

Inventories represent land, plots under construction, completed homes ready for sale across all villages and food and beverage stocks at the villages. The inventories had additions of £75.1m in the year with the largest increases being at Cooper's Hill, Chalfont and Binswood. There were disposals of £37.7m representing the cost of sales to third parties in the year. Disposals of £38.5m represent the cost of work in progress disposed of on the sale of Stanbridge Earls to the joint venture.

### Trade and other receivables

Trade and other receivables at the year end were £7.9m.

The main elements of the 2019 year-end balance were £3.8m of trade debtors, £2.1m of prepayments, £1.0m of accrued income, £0.3m of other receivables, £0.4m due to related undertakings and £0.3m of taxes and social security costs. The trade debtors include management charges and care revenue invoiced but not received, as well as £0.6m of deferred property purchase prices, secured on those properties.

### Cash and cash equivalents

Cash and cash equivalents at the year end were £20.6m. Of this amount £3.0m is held in a restricted bank account under our loan facility and can only be used to fund lifecycle costs at our villages under certain circumstances.

### Deferred tax

The Group carries a deferred tax asset of £0.3m in respect of the Group's tax losses, which are expected to be utilised against future profits of the Group. This is a decrease of £6.2m from the prior year, predominantly due to the Group no longer recognising a deferred tax asset where projects have been sold into a joint venture and there is no longer certainty over timing of access to those losses. A deferred tax liability of £3.7m is in respect of property valuation surpluses recognised in these accounts. The deferred tax liability has been restated for 2018 in relation to the restatement of investment property for that period.

### Liabilities

Trade and other payables of £22.0m include £7.1m of trade payables, £2.0m of other payables and £9.8m of accruals and £3.1m of deferred income. Trade payables are all in the normal course of business; included in other payables are reservation and exchange deposits and others. Accruals include £1.3m for staff bonuses. The Group adopted IFRS 16 at the start of the year and as such a lease liability is now recognised on the balance sheet, split between due in less than one year and in greater than one year, in respect of leases the Group holds on some of its investment properties and its head office.

### Loans and borrowings

The Group had borrowings of £91.5m offset by £2.8m of loan arrangement costs in respect of its £105.0m facility. The borrower under the facility is Audley Court Limited and all its assets, including all property assets of the Group, have been provided as security to the banks. After the year end the Group has renegotiated its facility. The facility has been restated to a maximum borrowing of £105.0m and amended into separate borrowing tranches for ongoing developments, completed stock, the Watford site and working capital.

### Funding

In addition to the £105.0m loan facility, the Group benefits from its equity funding from MAREF. The Group drew down £25.9m of equity from MAREF during the year, with no further equity available to draw.

### Post balance sheet events

Please see note 30.

### Nick Edwards

Chief Operating Officer  
27 August 2021

# A CHALLENGING YEAR FOR A RESILIENT MARKET

2019 was an historic year, marking one of the most politically volatile periods for the UK as the torment over the future relationship with the European Union unfolded.

The housing market was one of the many sectors that felt the effects of this uncertainty, and in the third quarter of 2019<sup>1</sup> it reached its weakest point since the global financial crisis. Data from Savills showed there were fewer houses sold in the first half of 2019 than at any point since the first half of 2009.<sup>2</sup>

A lack of new properties listed for sale led to a stagnation of house prices with the overall pace of growth slowing. However, green shoots in the UK housing market did begin to emerge in the third quarter of 2019. Figures showed<sup>3</sup> UK house prices rose by 2.2% over the year to November 2019 (up from 1.3% in October 2019), while stamp duty transactions in the fourth quarter remained at a similar level to 2018, showcasing the ultimate resilience of the housing market. 2020 has defied predictions in almost every way, and it is too soon to say what impact this will have on the recovery of the housing market. But the one thing that remains true is that there is more demand for housing than there is supply.

Nowhere is the lack of housing supply more keenly felt than in the retirement sector, where there remains a chronic shortage of housing.

Figures<sup>4</sup> from the ONS show the population of people aged 65+ is set to rise by 22% from 11.7 million in 2015 to 14.3 million in 2025. This generation, according to analysts, is also the wealthiest ever, having benefited from decades of inflation.

Yet the market continues to lag. According to the Elderly Accommodation Counsel (EAC) there are 730,000 retirement housing units in the UK, and more than half of those were built or last renovated over 30 years ago. Savills believes that at full maturity the retirement living sector could grow to 1.7 million homes<sup>5</sup>, an increase of 138% on current stock. And this does not allow for population growth.

Housing with care is a subset of the asset class with strong growth potential. Only 0.6% of retirees live in housing with care, and that percentage has barely increased in a decade. Yet those figures stand at 5% in more mature retirement property markets like the USA and Australia. JLL estimates that there is a need for 725,000 housing with care units to be built by 2025. In its Vision 2030 blueprint, the Associated Retirement Community Operators (ARCO) puts a more conservative figure on the immediate future, but still aims to increase the number of people living in retirement communities from 75,000 to 250,000.

This potential has not escaped the market, and institutional investors continue to invest large sums. Audley Group's own joint venture announcement with Octopus Real Estate and Schroders is one of several new partnerships announced which should benefit the sector.

**BELOW:**  
Christmas drinks with  
owners and Directors  
at Audley Ellerslie.



“Nowhere is the lack of housing supply more keenly felt than in the retirement sector.”

And it is not only the business world that is taking notice. 2019 saw the Government sit up and engage with the sector, and despite continued delays in the publishing of the government's Green Paper into social care, that interest has continued.

ARCO has welcomed the government's commitment to increase social care spending and urged it to consider the impact that suitable housing can have on reducing the pressure on services. That pressure has truly told in early 2020, as the global pandemic ravaged care home and hospital services up and down the country. The reality is that retirement communities have the potential to save the government significantly by reducing the strain on the public social care purse.

To match this potential, local authority support is vital. There is increasing understanding amongst local planning authorities of C2 planning developments which provide onsite care and support, rather than the traditional C3 residential developments. Audley Group has been influential in spearheading this change in perception and shaping a more modern day understanding and appreciation that 'care' is an outdated term and provision should support a holistic and proactive approach to wellbeing support.

Accelerating this understanding, and the proactive willingness to identify land and sites that would benefit these types of developments, is essential. While the pandemic has necessitated enormous government intervention, funding for local authorities providing social care is nonetheless expected to improve in the next five years.

Figures show that the UK retirement living market sector generated £5 billion in 2019 and employed 21,584 people. These are significant numbers, but in real terms the growth in the market between 2015 and 2019 was in fact only 0.2%.<sup>6</sup>

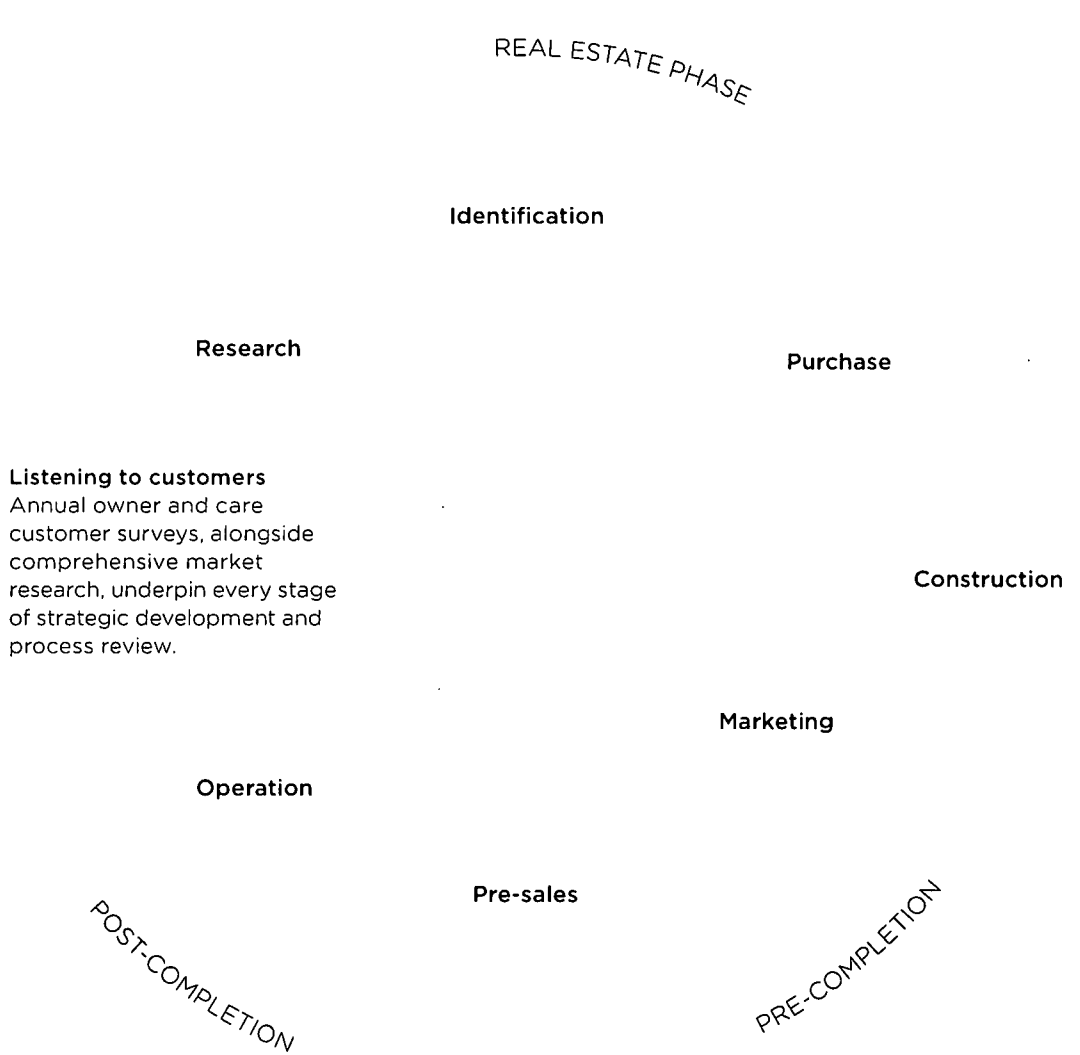
The uptick in investment interest and government activity bodes well for the enormous changes we anticipate in our sector. 2019 may have been something of a bumpy ride in market terms, and 2020 even more so, but investors continue to recognise the significant potential in specialist retirement housing with care developments.

As the retirement living business continues to evolve and mature, our unrivalled longevity and experience in the market will be an all-important factor in Audley's continuing success. It will offer much-needed protection against any potential economic shocks that may happen as the country begins the long and arduous road of securing its trading position on the global stage.

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1. <https://www.rightmove.co.uk/news/content/uploads/2019/10/Rightmove-House-Price-Index-21-October-2019.pdf>.
  2. <https://www.savills.co.uk/insight-and-opinion/savills-news/261455/record-numbers-of-high-value-new-homes-being-built-but-oversupply-risk-has-been-overstated--says-savills>.
  3. HM Land Registry, November 2019.
  4. [https://www.housinglin.org.uk/\\_assets/Resources/Housing/OtherOrganisation/JLL\\_Retirement\\_Living\\_Report\\_.pdf](https://www.housinglin.org.uk/_assets/Resources/Housing/OtherOrganisation/JLL_Retirement_Living_Report_.pdf).
  5. [https://www.savills.co.uk/research\\_articles/229130/283708-0](https://www.savills.co.uk/research_articles/229130/283708-0).
  6. <https://www.ibisworld.com/united-kingdom/market-research-reports/retirement-homes-industry/>.

# HOW WE WORK

Audley’s business model is designed to optimise the risk and reward for our stakeholders through a carefully considered approach to the purchase of a site, the construction of the village, the sale of apartments and the operation of the completed village. The model remains the same, whether the village is developed in joint venture, or wholly by Audley or Mayfield.



## OUR PROCESS

Led by the Senior Management Team, every stage of the process of developing and operating Audley's award-winning villages is considered, planned and executed by experts in their field.

### REAL ESTATE PHASE

Audley typically buys land on a subject to planning basis, having carried out extensive research into potential sites before committing. Our risk capital is therefore limited to our land deposit and professional fees as we pursue planning consent. Once planning is achieved, we start construction and will usually enter into a design and build contract with one of a small number of contractors with which we have strong relationships. We are progressive in the materials we use and the construction methodology employed and have recently built timber-framed buildings and are investigating modular construction for future villages. We believe this will be particularly relevant for upcoming Mayfield villages.

### PRE-COMPLETION

During construction we also start our marketing process and install a sales centre onsite to facilitate off-plan sales. We have a history of achieving strong pre-sales enabling a village to have life as soon as it is completed with the move-in of these early customers. We are careful to ensure that our sales process is thorough and transparent with no surprises for our customers. We sometimes use local agents to support our sales effort but mostly we use our own highly trained sales staff.

### POST-COMPLETION

Our operations team takes over when the village is complete and the Club building functioning. This enables it to provide the high level of services our owners expect from us. As well as providing exceptional food and beverage offerings, we also provide a health club for our owners' use. Audley Care will have a branch in every village and provides services both to our owners as well as the local community. Our care business is wholly owned by Audley and is CQC registered and regulated as we believe this is the best way to provide an exemplary service to our customers.

Under the terms of the leases by which our owners own their properties, they are obliged to make management fee payments to Audley. These comprise a cash paid-monthly charge and a charge only paid on the change of ownership or occupation of a unit. These charges fund the operations of the village and provide Audley with a return commensurate with the investment in the village.

## CREATING VALUE FOR OUR STAKEHOLDERS

### INVESTORS

Our investors value the long-term income streams generated by the management fees payable by our owners

### LENDERS

Our lenders recognise the value of our buildings and, during development, the value of each unit we create

### CUSTOMERS

Our owners appreciate the services we provide and have typically seen growth in the value of their properties

### EMPLOYEES

We are proud to work for Audley and believe in the communities we create and the services we provide

# HOW WE ARE GROWING

Growth objectives form the basis of our entire model.  
The following summarises our ongoing goals:

## 1

### TO GROW THE NUMBER OF AUDLEY AND MAYFIELD VILLAGES

We have an experienced land team which actively seeks new sites, utilising our extensive agency network.

#### PROGRESS

- At November 2020 the Group had six Audley and three Mayfield sites under offer.

#### OUTLOOK

- We expect the land market to remain competitive notwithstanding the reduction in GDP as a consequence of the pandemic.

## 2

### TO SECURE FURTHER INVESTMENT TO FUND VILLAGE EXPANSION

We maintain close contact with a number of capital providers.

#### PROGRESS

- The creation of the Octopus Real Estate and Schroders joint venture has allowed us to accelerate the development of four villages, by using a combination of our own capital, capital provided by our joint venture partner and bank debt.

#### OUTLOOK

- We see further inward investment into the sector, as evidenced by recent transactions.

## 3

### TO BROADEN THE SERVICES OFFERED TO OUR OWNERS

We are always looking at how we can offer new services to our owners.

#### PROGRESS

- Our experience of looking after our owners during the pandemic lockdown has given us the opportunity to explore a wide variety of wellbeing services.

#### OUTLOOK

- We believe that those operators offering a wide range of services will continue to outperform those who do not.

## 4

### TO BUILD ON JOINT VENTURE PARTNERSHIP OPPORTUNITIES

Our joint venture with Octopus has given us confidence that institutional investors are interested in our sector.

#### PROGRESS

- The creation of the Octopus joint venture was very important for Audley and we are in discussions with other joint venture partners.

#### OUTLOOK

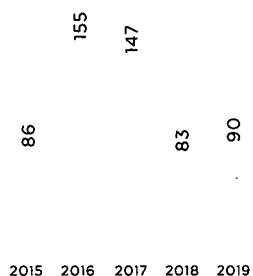
- The interest from institutions to invest in our sector will continue and strengthen and we expect to form several new joint ventures in the future.

## Key performance indicators

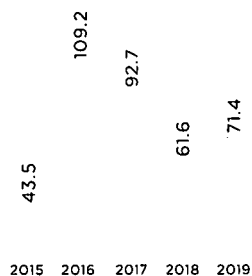
### KEY PERFORMANCE INDICATORS

The graphs below show 2019 performance against the previous four years across a variety of metrics.

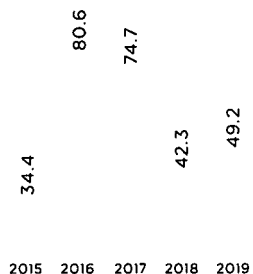
#### NUMBER OF COMPLETIONS



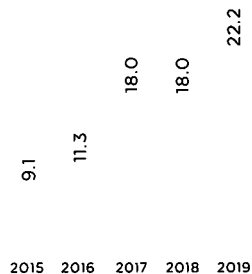
#### TOTAL REVENUE £M



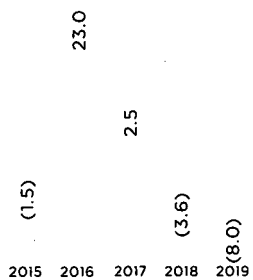
#### DEVELOPMENT REVENUE £M



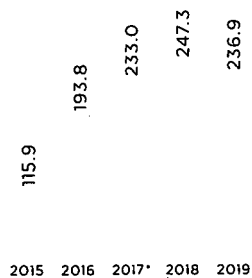
#### OPERATIONS REVENUE £M



#### EBIT BEFORE REVALUATIONS AND EXCEPTIONAL ITEMS £M



#### NET ASSET VALUE £M



\* Restated.



# CONSISTENT PROGRESS AND INNOVATION

In a time of uncertain property market confidence, Audley Group's experience and drive to innovate have been key factors in its continued success in 2019.

## 2019 OPERATIONAL REVIEW

Against a challenging political environment and a housing market still mired by uncertainty, 2019 was a strong year for Audley Group. Total revenue reported was £71.4m, up from £61.6m in 2018. Development revenue in 2019 increased to £49.2m, up from £42.3m last year. More on the Group's financial position is covered in the Financial Review on pages 20 to 23.

Continued innovation is the driver of Audley Group's success, and this year two key initiatives saw the Group break new ground. In August, it formed a joint venture with the real estate arm of Schroders and Octopus Real Estate to fund the development of four new Audley villages, providing a total of over 500 units representing a total GDV in the region of £400m.

Secondly, in a further joint venture, Audley Group announced its first strategic development outside of the UK. The partnership, with Danish pension company PFA, will fund the development of 10 retirement communities with up to 250 later living apartments in each, within Greater Copenhagen and Aarhus.

The strength of the dual model continued to show, with development revenue strongly complemented by growth in operations. This year saw the opening of a new village at Stanbridge Earls in Romsey and Audley Villages' first satellite site, Kenilworth Place at Binswood, bringing the total portfolio to 14 operational villages.

## DEVELOPMENT REVIEW

### Land acquisition and pipeline

A subdued market and local authorities taking longer to process planning applications impacted on the number of units for which planning consent was given such that the number of units that achieved planning consent in 2019 was 349, compared to 466 in 2018. A further 365 units were submitted for planning and another 484 were placed under offer. These figures include sites wholly owned by Audley and those in joint

venture for where Audley is responsible for securing planning. The momentum in 2019 is further evidence of both the growth potential within the retirement living market in the UK and a testament to the Audley model. Since inception, Audley Group has achieved planning on 2,184 units.

### Audley Group villages – new openings and construction

There are now 19 villages across the Audley Group.

Construction continued at Audley Nightingale Place, the Group's first London village. This village was constructed in joint venture, with Audley responsible for project management and sales and marketing. Completed in May 2020, the development contains 94 one, two and three-bedroom apartments overlooking Clapham Common, designed to offer accommodation of the highest specification and a holistic approach to a full range of wellbeing and care services to suit their needs.

**BELOW:**  
Cooper's Hill House  
officially opened by  
Councillor Parshotam  
Sohi, Mayor of  
Runnymede, Mayoress  
Davinder Sohi and  
Nick Sanderson

Audley Chalfont Dene officially broke ground on the third phase of properties in June 2019 to add a further 58 luxury properties to the 84 already within the village.

July saw the opening of Kenilworth Place, Audley's first satellite site. Connected to Audley Binswood in Leamington Spa via pedestrian access, Kenilworth Place offers a total of 26 one, two and three-bedroom apartments and cottages.

Following the acquisition of the Scarcroft Park site in West Yorkshire, planning approval was granted in August. Audley Group's second village in Yorkshire, Audley Scarcroft Park, which will be developed within the Octopus joint venture structure, will consist of 172 retirement units and nine residential units. The planning approval also includes sympathetic restoration of the dilapidated Grade II listed Scarcroft Lodge, built in 1830. Audley Group will restore the lodge by converting it into the Audley Club, offering owners and members of the local community access to restaurant, health and spa facilities.

Planning was also granted for Sunningdale Park in August and for Cobham, Audley's second site in Surrey, in November. The sites will offer 103 and 74 apartments respectively. Both these sites will also be developed in the Octopus joint venture structure.

In November, Audley Cooper's Hill officially opened, marking the 13th fully operational village in the Audley portfolio. Formerly part of Brunel University, Audley Cooper's Hill is located within the 67 acres of the Magna Carta park development. Once complete, it will be home to 128 two-bedroom apartments, across three buildings.

#### Mayfield Villages

Development began at Mayfield Watford, the first aimed at the mid-market, on the village's 255 contemporary retirement properties. The village will be part of a mixed-use scheme, regenerating the Watford Riverwell area.

#### Construction

In February, Audley Group appointed Zenith Construction and Henry Construction to deliver Audley Stanbridge Earls, near Romsey in Hampshire. The site was sold into the joint venture structure in August 2019 and construction continued in that vehicle. As the main contractor, Henry Construction delivered the first two phases of the new-build properties, including the swimming pool and other Audley Club facilities. Zenith Construction undertook a refurbishment of the main house.

"The momentum in 2019 is further evidence of both the growth potential within the retirement living market in the UK and a testament to the Audley model."

#### Development sales and marketing

The wider housing market challenges did not impact the strength of Audley Group's sales pipeline in 2019. Audley are responsible for all sales and marketing activity, whether wholly owned or in joint venture. Total completions across the Group increased by 47% year on year, to 178, including 122 new stock completions (90 on balance sheet and 32 in joint venture) and 56 resales completions. The Group also ended the year in a strong position with total number of sales (including completions, exchanges, reservations and holds for both new properties and resales) of 292 (compared to 226 in 2018).

More units were available as completed stock in 2019, therefore pre-sale numbers were slightly lower than in 2018, albeit still strong at 73, vs 80 last year. Resales across the Group increased to 56 completions in 2019, up from 38 in 2018. Demand for the Group's mid-market brand, Mayfield, was also strong in 2019 with 18 properties already exchanged by the end of the year.

In line with the overall marketing objective to drive incremental customer interest, total enquiries across the Audley Group increased by 45% to 11,815. Of these, 3,430 represented online enquiries which equated to a 34% increase year on year. A further 26% were calls - 3,541 in total - from the existing Audley customer base. Audley Group villages hosted 8,222 visits this year, representing an 11% increase on 2018.

Marketing initiatives this year included Audley Group's first magazine, 'Luxury Retirement Lifestyle'. In response to insight gleaned from owners and prospects, the magazine is rich in relevant, engaging content.

#### KEY NUMBERS

90  
completions

11.8k  
enquiries

8k  
sales  
appointments

#1  
SEO ranking  
for Watford  
Retirement  
Village



## DEVELOPMENT REVIEW CONTINUED

**Development sales and marketing continued**

Traditional marketing methods such as direct mail continue to generate the largest percentage of sales enquiries across the Group, but a growing focus on digital activity in the past 12 months has ensured Audley customers – both current and future – remain engaged throughout their journey to buying a property. A new focus was placed on Facebook and YouTube video advertising using bespoke video content, while growing demand for digital interaction amongst target customers saw Audley introduce new initiatives such as virtual reality CGI tours in the villages' onsite marketing suites.

**OPERATIONS REVIEW**

Audley Group continues to strive for excellence across all operational standards. At the heart of the Audley proposition remains a desire to listen to our property owners and empower our people to create a service that delivers exactly that and more.

In 2019 the operational side of the business proved increasingly significant in terms of its contribution to the Group's overall revenue, increasing to £21.9m, up from £19.3m in 2018.

To maintain its market-leading position by ensuring the Group is adequately resourced, overall headcount increased to 700 (up from 649 in 2018) by the end of 2019 with a 2% reduction in employee turnover.

**Audley wellbeing**

Across the Group, owners benefit from a range of care and wellbeing services tailored to suit their lifestyle and healthcare needs. The Audley Club offers a hotel-inspired experience with facilities such as swimming pools, restaurants, spas, bars and bistros. More importantly, the Audley Club acts as a focal point for meeting others and enabling owners to incorporate health and wellbeing into their daily lives, whether that be using the gym or swimming facilities, receiving a nutritional consultation with one of our chefs, or making use of the personal trainers at each village. In 2019, there were 1,076 club members across the portfolio from the local community and this figure is expected to grow in 2020 as clubs open within new villages like Cooper's Hill, Stanbridge Earls and Nightingale Place.

Within the operations revenue stream, food and beverage income increased by 22% in 2019. Across the Audley Group restaurants, there was a 24% increase in restaurant covers, from 109,000 to 134,657. Regular restaurant events and private dining bookings all drove covers, without compromising on the quality of the food. These results were reflected

22%  
YOY increase  
in food income

in 4.5 out of 5 scores on Tripadvisor (higher than Rick Stein) and there were several local food award nominations including Derbyshire, Birmingham and the South West.

Audley Care is a CQC-regulated provider, and a significant component of the wellbeing offering, giving owners and those in the local area access to everything from support with shopping to end-of-life care as and when they need it. Audley Care recorded revenue of £6.0m compared with £5.1m in 2018. Care visits equated to 41 visits per hour per day, across a 24-hour period. Audley customers remain at the heart of any innovation and development within its wellbeing offering and service excellence is crucial. Across the Group, Audley Care received 9.4 Homecare review scores and was named the winner of the "End-of-Life Care Expertise" category at the Home Care awards for its specialised level of care and attention in Clevedon.

95% of clients of Audley Care in 2019 rated the service they received as 'Excellent' or 'Good'. On top of this, almost 9 in 10 clients felt Audley Care improved their lives 'Quite a lot' or 'Very much'.

These high scores for the Audley Care business were reflected across the Audley Group offering. 78% of owners said they would be likely to recommend Audley and 80% said their opinion of Audley has improved year on year, reflecting the Group's desire for continued innovation and its willingness to listen and respond to feedback. One example from the survey showed that owners rated 'friendliness and effectiveness' across the Group at 92%, up from 89% in 2018.

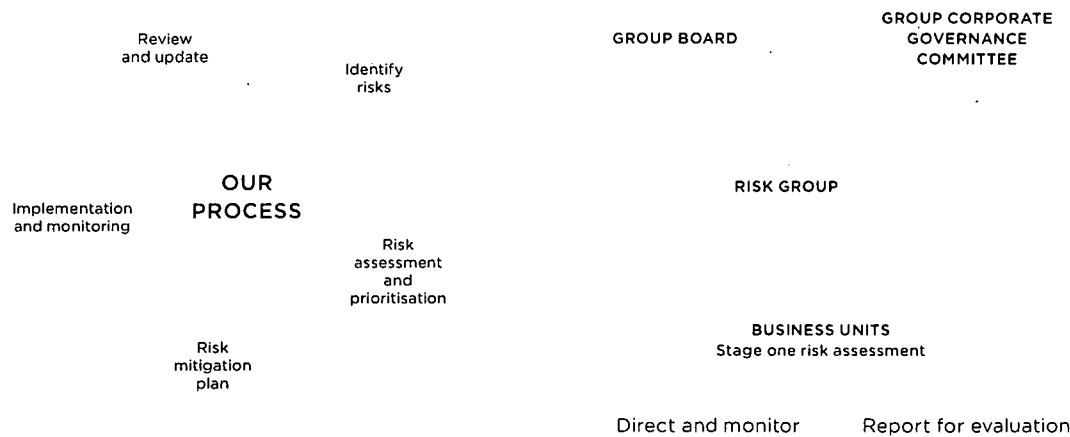


# MINIMISING OUR EXPOSURE TO RISK

## THE RISK MANAGEMENT PROCESS

Risk is integral to Audley Group's business activities and, through a continual process to identify, assess, monitor and manage each risk, we can continue to implement our corporate strategy successfully. Risk management starts at Board level which sets risk appetite, provides policy, maintains risk oversight and enforces risk management reporting. The Corporate Governance Committee reports to the Board and oversees the regular review of risk management activities, is informed of all risk management activity which is considered or suspected to be significant and reviews and agrees the risk management improvement plan. Audley also has a Risk Management Group. The Risk Management Group meets by exception, but for continuous monitoring of changing risks a comprehensive risk register is kept up to date with progress towards risk improvements and new or emerging risks. All members of the Risk Management Group submit a bimonthly report to the Group Health and Safety Manager, who presents the results to the Corporate Governance Committee. All identified risks on the risk register are scored on a traffic light system on the consequence and likelihood of their occurrence.

## RISK MANAGEMENT PROCESS FLOW



## RISK APPETITE

Audley Group's approach is to minimise its exposure to reputational, compliance and excessive financial risk, whilst accepting and encouraging risk in a managed environment in pursuit of its missions and objectives. Audley Group recognises that its appetite for risk varies according to activity undertaken, and acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised by the Corporate Governance Committee, and that sensible measures to mitigate the risk are established.

Increased risk

Maintained risk

Decreased risk

## PRINCIPAL RISK REVIEW

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<p><b>COVID-19 PANDEMIC</b></p> <p>The COVID-19 pandemic and resulting government guidance on social distancing effectively shut down the UK housing and hospitality market.</p> <p>The Group moved swiftly to suspend all sales and marketing events and activity as well as closure of the onsite swimming pools and gym facilities, and dine-in for the restaurant and bar and bistro.</p> <p>Takeaway from our onsite restaurants was made available in each Audley village for our owners and an 'Audley Pantry' provided onsite for the purchase of essential items, as well as a supermarket shopping service.</p> <p>The effects of COVID-19 on the UK economy and consumer confidence, and the knock-on effects on transaction levels in the UK housing market in the short to medium term, are impossible to predict. There is, therefore, an inherently high degree of uncertainty in the future outlook, but in the short term it is expected to have a material reduction in income and cash flow during, and emerging from, the lockdown period. In addition, the way in which buyers, sellers, landlords, tenants and mortgage lenders will respond to social distancing measures may change the way in which they transact, with, for example, more reliance being placed on digital interactions.</p>	<p>To preserve and safeguard our business for the future, swift and decisive measures were taken, not least to reduce costs and manage liquidity including: the furloughing of staff under the government's Coronavirus Job Retention Scheme; actions to reduce discretionary marketing spend; and delaying capital expenditure where appropriate. In terms of liquidity, with the agreement of the government, the Group deferred PAYE and NI payments and benefited from other government reliefs such as the 100% relief on business rates.</p> <p>During the lockdown period the Group completed a restatement and amendment of the Group's £105.0m loan facility, which now includes a general working capital tranche.</p> <p>The Group has developed a reasonable worst case scenario that overlays the forecast impact of COVID-19 on the Group's two-year business plan (see going concern).</p> <p>The health and wellbeing of all our owners and employees has been paramount throughout the pandemic and Audley has complied with the government's guidance at all times.</p> <p>As lockdown eases, we continue to operationally respond to COVID-19 through extensive measures on health and safety to keep customers and employees safe, as well as developing new ways of working, and developing digital channels in which customers can engage with the Group.</p>	
<p><b>ECONOMIC AND MARKET RISK</b></p> <p>Changing market conditions could hinder the Group's ability to sell properties.</p> <p>As housebuilding is cyclical and dependent on the broader economy, any deterioration in the economic outlook, including the global pandemic, interest rates rises, inflation and buyer confidence, could impact on the Group's ability to sell units and consequently negatively impact the Group's turnover and EBIT.</p> <p>This could lead to potential Audley owners being unable to sell their properties or postponing their decision to purchase.</p> <p>The global COVID-19 pandemic has impacted the UK economy and consumer confidence, and the knock-on effects on transaction levels in the UK housing market.</p> <p>The UK's decision to leave the EU and the subsequent ongoing Brexit negotiations have introduced uncertainty into the market.</p>	<p>Management closely monitors the market and industry indicators. The Group models different scenarios of the impact of different market conditions. The Group partners with a part-exchange company and a company which offers bridging loans to aid customers who want to buy our product but may be having difficulties selling their home due to market conditions.</p> <p>Government initiatives, such as the stamp duty holiday until March 2021, will help mitigate some of these risks.</p> <p>Investment opportunities may be more evident.</p>	

Increased risk

Maintained risk

Decreased risk

## PRINCIPAL RISK REVIEW CONTINUED

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<b>LAND ACQUISITION RISK</b> Failure to acquire land in identified locations with acceptable purchase conditions.	We have a specialist in-house land team. Land is usually acquired subject to planning permission or via an option. Unconditional land purchases are rare, reducing the risk of having to sell a site (at a potential loss) if we do not obtain planning permission.	
<b>PLANNING RISK</b> Failure to gain planning consent or satisfactory planning consent in the C2 use class. This would either result in us having to sell the site (at a potential loss) if we have acquired it or failure to acquire if it is subject to a planning contract.	We have a specialist in-house planning team (strengthened this year with the recruitment of a new Planning Director) which prepares viability assessments and establishes close working relationships with senior council members and key figures in local planning authorities to garner support for our applications. A sensitive approach to local planning policy, coupled with the socio-economic advantages of our type of development meeting the needs of the increasing older population, has helped us achieve a 100% successful planning record to date.	
<b>BUILD PROGRAMME AND BUILD COST RISK</b> The Group's financial performance is dependent on its ability to deliver build programmes on time and on budget. Build programme or cost overruns could result in slower sales or reduced margins.	<p>We partner with large 'blue chip' construction companies as well as Tier 2 contractors.</p> <p>We look to diversify our risk by using several different contractors for different size projects on which we carry out due diligence before contracting. The large 'blue chip' businesses have strong and robust supply chains and are able to react quickly if a key sub-contractor fails. Regular site client progress meetings are held where production rate and programme position are thoroughly appraised with early warnings on time slippage assessed and recovery strategy agreed.</p> <p>Construction continued on all our sites during the government lockdown, albeit at reduced rates due to social distancing requirements onsite.</p>	
<b>REPUTATIONAL RISK</b> Marketing materials or websites displaying incorrect information either due to miscommunication between departments or human error in proofreading collateral, resulting in mis-selling to customers, cancelled sales, potential legal issues, negative impact on reputation and loss of revenue.	We ensure that any price changes, management fee changes, etc. are communicated between sales and marketing teams. All print materials are proofread by our agencies as well as internally. All print communications have a date printed for version control. Websites are regularly reviewed and updated.	
<b>LOSS OF EMPLOYEES OR KEY MANAGEMENT PERSONNEL RISK</b> The Group's continued success is reliant on its management and staff. Failure to recruit and retain sufficient staff resource of the right quality could constrain growth plans.	<p>The Group has put in place attractive reward mechanisms for key management.</p> <p>We have a dedicated in-house learning and development team to provide personal development and training across the Group.</p> <p>During the year the senior management team was strengthened with Nick Edwards joining the Board as an Executive Director, having previously served as a Non-Executive Director.</p>	

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<p><b>HEALTH AND SAFETY RISK</b></p> <p>The nature of construction sites is inherently risky and could potentially expose contractors or employees to serious injury or fatality.</p> <p>The health and safety of our owners and visitors at our completed developments is equally important to us and the risk is we do not have sufficient safeguards in place.</p>	<p>Audley Group are certified through BSI under the ISO 45001 Occupational Health and Safety Management System. This means we are independently audited against an internationally recognised Standard and that we continually strive towards improvement to the safety of our village environments and our properties.</p> <p>We actively promote high standards of health and safety on construction sites and specifically discuss this at every site meeting with our contractors. We have a dedicated Group Health and Safety Manager for our completed developments who reports directly to the Managing Director - Operations to identify and address any areas of concern.</p> <p>In response to the COVID-19 pandemic, we worked within a business continuity framework to ensure a proportionate response and operational measures were implemented. For example, we installed hand sanitiser stations around our villages and thermal imaging cameras to detect anyone with elevated temperatures as well as implementing social distancing and assistance to those who need to quarantine.</p>	
<p><b>INTEREST RATE RISK</b></p> <p>The Group has both interest-bearing assets and liabilities. Interest-bearing assets include cash balances and preference shares, all of which earn a fixed interest rate. Interest-bearing liabilities relate to bank loans. The Group is at risk of increased interest rates on borrowings.</p>	<p>The Group has a policy of maintaining debt at fixed margin rates. The Directors continually review the appropriateness of this policy. No hedging is currently in place but this is under regular review.</p>	
<p><b>STANDARDS OF CARE</b></p> <p>A failure to meet our care obligations to our owners or to manage our health and safety obligations to our owners, contractors, employees and visitors could lead to proceedings or reputational damage.</p>	<p>Our care team is regularly inspected and through careful recruitment and ongoing training we aim to exceed statutory requirements.</p> <p>We have achieved a 'good' rating by the CQC in all our branches that have been inspected, achieving 'outstanding' in some key areas.</p>	
<p><b>RISK OF DATA OR CYBER BREACH</b></p> <p>The Group relies on information technology to perform effectively and any failure of those systems, particularly those relating to customer or commercially sensitive data, could adversely impact the Group's commercial advantage and result in penalties where the information is protected by law.</p>	<p>The Group engages with and actively manages its information technology experts to ensure the systems operate effectively and that we respond to the ever-evolving IT security environment. This includes regular off-site backups. Audley takes security of personal data very seriously and continuously reviews security and use of data.</p>	

# A NEW APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

## SUSTAINABILITY

This Annual Report signifies another important step in our journey to document, measure and embed our strategy for sustainability in the areas of environment, social impact and governance (ESG). Audley Group continues to responsibly manage environmental sustainability in the construction and management of its villages.

Traditionally, Audley's approach to ESG was predominantly environmentally focused. To reflect its ongoing commitment to deliver commercial success and champion the interests of its owners and people, the Audley ESG strategy now offers a multi-faceted view of the Group's operations and interactions with the wider community and environment. This approach reflects Audley's firm belief that sustainability encompasses how the Group conducts its business now and into the future.

## OVERALL ESG STRATEGY

2019 saw Audley Group integrate and promote greater environmental responsibility and resource-efficient processes across our operations and activities. The culmination of this increased focus can be evidenced in the publication of the Group's first ever dedicated CSR report which builds on the information reported in previous Annual Reports.

Audley Group has established an ESG Committee to oversee the sustainability approach for Audley. The Committee's sole focus is to assist the Board in building the framework, policy and actions required to become a more environmentally and socially responsible organisation.

As part of its ongoing commitment to embed this across every aspect of its business, the Group has set key performance indicators which are regularly measured and monitored. From these, the Group has also documented short-term and long-term goals and objectives, all of which are publicly available in Audley Group's CSR report.

**ABOVE:**  
Landscaped grounds provide a new fauna habitat at Audley Chalfont Dene.

Audley remains committed to continued innovation and a drive towards increased sustainability and as such we are expanding our ESG framework. It will incorporate elements of sustainability frameworks including the Sustainable Development Goals (SDGs) and Task Force on Climate-related Financial Disclosures (TCFD).

We have identified five pillars:

- Our environment
- Our community
- Our people
- Our owners (covered in Operational Review)
- Our governance

## GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

GRESB is an industry-driven organisation committed to assessing the environmental, social and governance (sustainability) performance of real estate portfolios globally.

We have participated in GRESB since 2018, and in 2019 achieved a score of 57, which is a year-on-year improvement of 7.5%.

Audley Group continues to explore opportunities to improve ESG performance and participation in GRESB and is targeting an improvement to GRESB scores in the coming years. Despite GRESB not being used exhaustively across the UK retirement living sector, it is a useful indicator of current performance and an integral planning tool that is informing improvement plans for 2020 and beyond.

#### ENVIRONMENT

Through 2019, the initial driver has been to limit the projected energy demand and associated carbon emissions of our developments via building orientation, construction methods and sustainability.

In the future, the Group is committed to responsibly managing the short and long-term environmental impacts of its operations, including the use of natural resources such as electricity and gas and the production of waste. Integrating sustainability initiatives across operations and corporate activities will be central to this.

One example includes exploring opportunities for zero carbon status on future projects. The initial driver will be to limit the projected energy demand and associated carbon emissions of our developments.

#### COMMUNITY

We support and empower our community partners by focusing on building positive and lasting relationships and maintaining a sustainable operation.

Our contractors are encouraged to subscribe to the Considerate Constructors Scheme, an organisation which aims to improve the image of the construction industry and its impact on the environment, the workforce and the general public.

In addition, Audley gives back to the community through fundraising and volunteering for a wide range of charities and causes including the British Heart Foundation, Cancer Research UK, the Care Workers' Charity and Parkinson's UK. Almost £30,000 was raised in 2019, up 67% on the previous year.

#### EMPLOYEES

The Group places a high priority on ensuring that its employment policies respect the individual, and offer training, career and personal development opportunities regardless of racial or ethnic origin, gender, race, religion, nationality, disability, sexual orientation, or marital status. Appointments are made on merit, skills and expertise but with due regard to the benefits of diversity. Full and fair consideration is given to the employment of all individuals and reasonable adjustments are made to accommodate the disabilities of employees, whether those disabilities arose before or during their employment with the Group.

#### DIVERSITY AND INCLUSION

We are committed to diversity and inclusion in the workplace, because it creates opportunities for all employees to use their knowledge, skills and abilities.

Audley Group is proud to be an equal opportunities employer and gender has no impact on our recruitment process. Audley Group gender pay details reveal that women's mean hourly rate is 32.7% lower than men's and women's median hourly rate is 12.1% lower than men's.

**BELOW:**  
Audley's charity  
"Night Trek" from  
Warwick Castle to  
Audley Binswood  
in Leamington Spa.



“This approach reflects Audley’s firm belief that sustainability encompasses how the Group conducts its business now and into the future.”

#### DIVERSITY AND INCLUSION CONTINUED

This data primarily reflects the fact that Audley Group is a business which has three key functions: property, care and hospitality. Each function has different levels of pay. For example, across care 97% of staff are female. This function accounts for nearly half of the organisation’s headcount, and generally falls into the lower quartiles for pay compared to other business units. The median gender pay gap across the entire business is 12.1% which suggests that the main bulk of pay grades are relatively even and we believe that this provides a more accurate view of the overall gender pay gap.

**BELOW:**  
British Heart  
Foundation  
charity run at  
Blenheim Palace.

#### EMPLOYEE ENGAGEMENT SURVEY

Each year, we conduct an employee engagement survey to understand how employees feel about their workplace and identify areas for improvement. 570 employees completed the survey in 2019, and the results were again very positive. We achieved an overall engagement score of 75%, up from 73% in 2018. Following the results, we are hosting a workshop to identify action plans and improve engagement to all senior management to enable them to plan team management and discuss their team’s results as appropriate.

Our team members are our most important asset as a business, and we are dedicated to providing a working environment in which they can develop and thrive. We encourage open and honest communication and have robust policies covering everything from equality and diversity to health and safety to ensure that their wellbeing is at the core of what we do. The Audley team are central to business success and they believe in the Group: an incredible 97% of employees are proud to work at Audley Group, up from 93% in 2018.

We are in the process of launching our own charitable payroll giving system, to help our team members contribute to their favourite charities more easily, conveniently and tax efficiently. Audley is also working towards the formation of a dedicated Audley Foundation to formalise charitable giving.

There have been a number of employee engagement activities undertaken throughout the year across all our business areas to provide operational and financial updates:

- 2019 launched a new Associate Operations Director in Training Programme (AODIT) and a General Manager in Training Programme (GMIT), a two-year programme that provides a mix of learning opportunities, coaching and in-role experience. There are multiple vacancies on the programmes and the opportunity to apply is open to all Audley staff
- A Roadshow by the in-house Audley Academy to all open villages and head office showcasing the opportunities to all staff for training and development
- Quarterly all staff updates from the Directors
- An annual staff conference for the leadership of the organisation with special guest speakers and a staff recognition awards event in the evening
- Regional operational village management meetings (bimonthly)
- An annual staff satisfaction survey
- Care branch manager meetings (bimonthly)
- A daily '10 at 10': An update from the village general manager at 10 am at each operational village

#### **BUSINESS RELATIONSHIPS**

In performing its duties the Board gives due consideration to its key stakeholder groups as it ensures that the activities of the Group align with its strategic plan, as well as the Group's culture and values.

In assessing its activities, the Board aims to act fairly, transparently and in the long term interests of the Group over the long term, and assesses the impact of activities on the Group's business relationships.

**ABOVE:**  
Nick Sanderson,  
Audley Group Chief  
Executive Officer,  
at the 2019 ARCO  
Conference.

#### **SUPPLIERS**

In the last 6 months of the financial year, 91% of invoices were paid within 60 days of invoice date (2018: 91 days), with 38% being paid within 30 days (2018: 31%). On average invoices are being paid within 43 days (2018: 46 days) from date of issue.

#### **RELATED PARTY TRANSACTIONS**

During the financial year, the Company had transactions with its parent and fellow subsidiary companies. Details of related party transactions are given in note 28.

#### **GOVERNANCE**

The Board of Directors is responsible for the corporate governance of Audley Group and leads by example in setting high standards of ethical behaviours and overseeing Audley's cultures and values.

**GOVERNANCE CONTINUED****Integrated Governance Steering Committee**

The Integrated Governance Steering Committee (IGSC) reports to the Board and oversees the regular review of the following governance areas:

- Risk management
- Business continuity
- Policies

**Modern slavery**

As part of the property, hospitality and care sectors, we recognise that we have a responsibility to take a robust approach to slavery and human trafficking throughout our entire business. We are absolutely committed to preventing slavery and human trafficking in our business activities, and ensuring that our supply chains are free from slavery and human trafficking. Our full statement can be read at [www.audleygroup.com/modern-slavery-statement](http://www.audleygroup.com/modern-slavery-statement).

**Whistle blowing**

Audley Group has a clear whistle blowing policy to encourage our team members to raise any concerns. The full policy can be read at [www.audleygroup.com/corporate-governance](http://www.audleygroup.com/corporate-governance) along with our Anti-Bribery Statement and Health and Safety Policy.

**REGULATORY AND INDUSTRY RESPONSIBILITY**

Audley Group has a responsibility for the quality of individual lives and for people's basic rights as human beings. To ensure that this quality is maintained by every carer, Audley Care follows strict guidelines, including, but not limited to:

- All branches are regulated and inspected by the Care Quality Commission (CQC)
- The most up to date regulations are complied with
- Service is also monitored through formal review meetings, the distribution of satisfaction surveys and a close review of the results
- Spot checks observe carers at work and regular contact with owners and their families ensures customers are happy with the service they receive

**The sector**

The retirement living sector, and notably housing with care, is an increasingly hot topic in Westminster. There is a need to reform the housing and social care sectors, and 2020's COVID-19 pandemic will only heighten the urgency.

The ability to combine secure but aspirational housing with health and wellbeing services is vital in both increasing movement in the housing market and freeing up family homes and alleviating the significant pressure on the health and social care sectors.

Audley Group continues to engage with policy makers to support and propose changes to planning and housing policy that can accelerate the provision of this much-needed housing.

**ARCO**

Audley Group is a founding member of the Associated Retirement Community Operators (ARCO) trade body and Nick Sanderson, Audley Group Chief Executive Officer, is Chair. Membership of this organisation means we are at the forefront of setting best practice in the retirement village sector and enables us to act as a united voice representing the interests of older people in engagement with both the private and public sectors, including government.

On behalf of the Board

**Nick Sanderson**

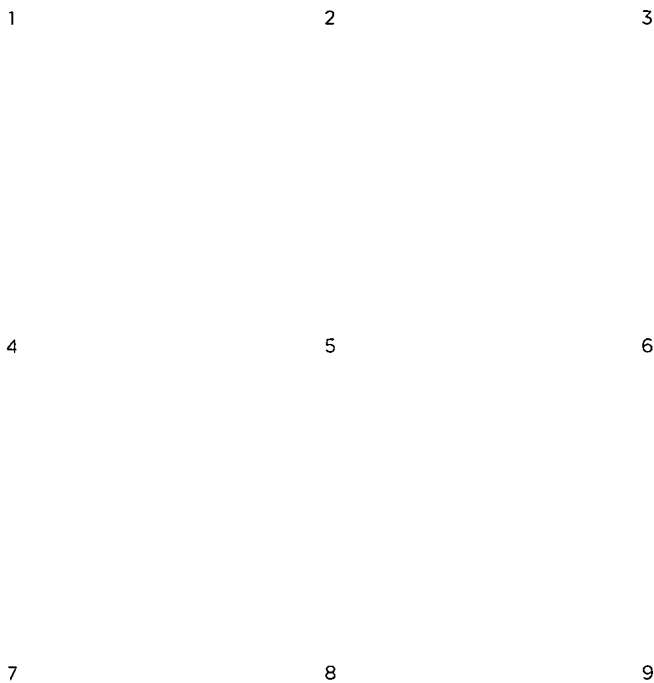
Chief Executive Officer  
27 August 2021

**Nick Edwards**

Chief Operating Officer



# LED WITH EXPERIENCE



**1. MARC GILBARD**  
**Chairman**

Marc has been the Chief Executive Officer of Moorfield Group since 1996 and has led Moorfield's transformation from a small company listed on the London Stock Exchange into one of the leading UK specialist real estate private equity fund managers.

**Experience**

Marc initially specialised in investment and development finance and then became a top-rated real estate equity analyst and adviser prior to becoming a private equity investor. Marc holds the external appointments of Non-Executive Director at Howard de Walden Estate and Policy Committee Member at British Property Federation and is a Member of the Bank of England Property Advisory Group.

**2. NICK SANDERSON**  
**Chief Executive Officer**

Nick is the founder and Chief Executive Officer of Audley Group. In the 1980s he founded, operated and then sold Beaumont Healthcare, one of the first corporate providers of private pay nursing care homes. In 1986, that company created close care housing which offered independent living to older people in their own homes adjacent to a Beaumont care home.

Nick created Audley Group to develop a portfolio of private retirement villages. The first two award-winning schemes in Tunbridge Wells and Harrogate were completed by 2004. In 2008 Moorfield Group invested in the Audley Group business.

**Experience**

As one of the founders of the retirement village sector in the UK, Nick is a regular speaker at national and international conferences and a contributor to several publications. He has acted as an adviser to public and private sector organisations. Nick is also Chair of the Associated Retirement Community Operators (ARCO).

### 3. NICK EDWARDS

#### Chief Operating Officer

Nick joined Audley in December 2019 and before this was Chief Financial Officer of Moorfield Group, a UK focused real estate private equity fund manager. He was at Moorfield from 2008 to 2019 and was a member of the Board and the Investment Committee, on which he continues to sit following his move to Audley.

#### Experience

Nick graduated with a degree in History from Durham University and qualified as an ACA with Arthur Andersen, where he worked in the Corporate Treasury Consulting team advising listed companies on risk management strategies. He then spent three years in corporate finance at Deutsche Bank where he advised businesses on capital raising and M&A across the IT and business services sectors. From 2002 to 2008, Nick worked at Xchanging plc where among other roles he was the Finance and Commercial Director of Xchanging's 2,000-person insurance outsourcing business across the UK, the US and India, where as well as Finance he oversaw HR, Legal and Property teams, and negotiated and structured complex outsourcing arrangements.

Nick is a former Chairman of the BPF Finance Committee and is Chairman of the Governors of Whitgift School.

### 4. GARY BURTON

#### Chief Financial Officer

Gary joined Audley Group in November 2020 working alongside our retiring CFO, Jon Austen, to ensure a smooth transition.

#### Experience

Gary has degrees in Architecture and Management and qualified as an accountant (ACCA) with Arthur Andersen

and in treasury (AMCT) with Hewlett Packard. He has a wealth of financial experience honed over 22 years working with leading businesses across different sectors. This includes retail where Gary spent nine years with Kingfisher plc as Assistant Treasurer and in Finance Director roles, health & wellbeing as a Finance Director for Nuffield Health and in hospitality where Gary was CFO of easyHotel before joining Audley Group.

### 5. JON AUSTEN

#### Chief Financial Officer

Jon joined Audley Group in June 2016, having previously been Group Finance Director of Urban&Civic plc, the quoted UK property developer and investor. Previously he was the Finance Director of Terrace Hill, a position he held from joining in 2008, which merged with Urban&Civic in 2014. Jon resigned on 30 June 2021.

#### Experience

He previously served as Chief Financial Officer at Arlington Securities Limited and Pricoa Property Investment Management, and joined Terrace Hill from Goodman Property Investors. Jon has been working in the property industry for over 30 years and is a fellow of the Institute of Chartered Accountants in England and Wales. Jon is a Non-Executive Director on the boards of McKay Securities PLC and Supermarket Income REIT plc.

### 6. PAUL MORGAN

#### Managing Director - Operations

Paul joined Audley Group in 2007 as Operations Director and was promoted to Managing Director - Operations in early 2017. Previously Paul held senior management posts at Hilton UK, Corus and Regal Hotels and was Operations Director for Bespoke Hotels.

#### Experience

Paul's key responsibilities are for all of the operating departments within the Audley Group portfolio, including the restaurants, bars, health clubs and Audley Care, the Company's domiciliary care arm, as well as the HR disciplines across the Audley Group. Providing the strategic management of these businesses, Paul ensures delivery to the highest standards in both the care and hospitality sectors.

Through a fulfilled and well trained team, Paul is delivering a consistent, profitable service to Audley Group's internal and external customers.

### 7. KEVIN SHAW

#### Managing Director - Development

Kevin is a Chartered Director with the Institute of Directors and joined Audley Group in May 2013. He joined the Company in the capacity of Sales Director. He was promoted to Development Director in January 2015 and subsequently Managing Director - Development in 2017. Kevin resigned on 30 April 2021.

#### Experience

Kevin is now responsible for the development arm of the business. Key responsibilities include planning, marketing, real estate, sales and construction. He has a very experienced team which is highly trained and focused on the success of the Company.

Prior to joining Audley, Kevin worked in the holiday park sector for 16 years. Kevin held various roles including Operations Director and Sales Director.

Kevin is a Non-Executive Director on the board of Two Rivers Housing.

### 8. HENRIK POULSEN

#### Non-Executive Director

Henrik is Managing Director - Global Strategic Relationships at the Danish pension fund PFA.

#### Experience

He holds more than 20 years of institutional investment experience focusing on equities and alternative investments. Before joining PFA in 2015 he was Head of Investments at Industriens Pension and prior to that Chief Portfolio Manager at Danske Capital.

Henrik holds an MSc in Finance and Business Administration from the University of Aarhus, Denmark.

### 9. CHARLES

#### FERGUSON-DAVIE

#### Non-Executive Director

Charlie is the Chief Investment Officer at Moorfield and sits on the Moorfield Group Board and Investment Committee.

#### Experience

Charlie has a degree in Modern Languages from Oxford University and prior to joining Moorfield in 2005 he worked in corporate finance at Lazard in the real estate advisory group. Since 2005 Moorfield has raised and managed five private equity funds, comprising some £1.5bn of equity.

Charlie sits on a number of industry committees, including the BPF Commercial Property Forum and the IPF Indirect Property Funds Group.

**JOHN NETTLETON**

Group Land Director

John has worked in the property industry for over 20 years, firstly at Bidwells and DTZ (now Cushman and Wakefield) and subsequently Colliers International, where he was Regional Head of Residential. Whilst at Colliers he acquired Clevedon for Audley Villages, following which, in 2007, he joined Audley as Regional Land Director. In 2015 John was promoted to the Board of Audley Court Limited.

His team is responsible for new site acquisitions across the Group, then working with the Planning and Development teams to obtain optimum planning consents. He is a Member of the Royal Institution of Chartered Surveyors.

**LISA RICKMAN**

Group HR Director

Lisa joined Audley Group in 2017 having pursued a 25-year career as an HR professional across multiple industries including retail, consumer goods and pharmaceuticals and for the last eight years in the care sector. With responsibility for a human resource strategy that will support Audley's future growth, she leads resourcing, engagement, reward, learning and development and HR technology. This is all underpinned by the application of strong governance and compliance to ensure success. Lisa is passionate about understanding what is needed now and in the future for effective organisations, whilst recognising the people as the number one asset.

## Senior management team

**EMMA TRINDER**

Planning Director

Emma joined Audley Group in 2020 and is responsible for leading the Planning team and directing the planning strategy across all Audley and Mayfield villages with continued focus on maintaining Audley's reputation for high quality design and its impeccable planning record. Emma is a Chartered Town Planner and her background includes 15 years in the private sector, including senior roles at JLL and Drivers Jonas, and nine years at Moorfield Group where she was responsible for the delivery of the planning strategy for all alternative residential assets. Immediately prior to joining Audley Emma ran her own build-to-rent advisory business. Emma is a Non-Executive Board Director for Spruce Homes, part of Southern Housing.

**PHILIP ROLFE**

Development Director

Phil joined Audley Group in November 2019, bringing 30 years' experience in property, construction and development management, including 18 years as a Chartered Surveyor at JLL, Watts Group and Knight Frank. Having worked in partnership with Audley and Moorfield for many years, Phil now works alongside construction, land and planning teams to deliver accelerated growth across Audley Group.

**KEVIN HUDSON**

Construction Director

Kevin joined Audley Group in 2015 having spent 10 years delivering large scale retirement villages for Extra Care Charitable Trust. His background is in construction, working with leading contractors on diverse projects including railways, roads and bridges before joining a north-west-based building contractor delivering new-build and refurbished residential schemes, including retirement villages. With 16 years in the sector Kevin is well placed to drive forward Audley's ambitious construction programme.

**ROSS MOUNSEY**

Group Operations Director

Ross joined Audley Group as a General Manager in 2013. He was promoted to the position of Area General Manager in 2014, Operations Director in 2017 and Group Operations Director in 2019.

Prior to joining Audley Ross held various senior management positions within the hospitality industry. He worked with Marriott International, the Intercontinental Hotel Group and Hilton Worldwide, where he spent 13 years.

Key responsibilities include the day to day operation of all villages and the strategic commissioning of all new villages into the operating portfolio. Ross is passionate about the provision of excellent customer service, ensuring profitability and delivering against brand standards.

**ROSALIND ARCHER**

Group Financial Controller

Roz joined Audley Group in June 2017. She is an associate of the Institute of Chartered Accountants in England and Wales as well as a member of the Association of Corporate Treasurers. Prior to joining Audley Group, Roz qualified with Menzies Chartered Accountants and then joined Terrace Hill. There she was involved in the reverse merger of Terrace Hill and Urban&Civic plc, staying a further three years. Roz is responsible for financial compliance, reporting and planning.

## Directors' report

The Directors present their report and the audited consolidated and Company financial statements for Audley Group Limited for the year ended 31 December 2019.

Audley Group Limited is a company limited by shares incorporated in England and Wales and domiciled in England. The registered office is 65 High Street, Egham, Surrey TW20 9EY. The immediate Parent Company is MAREF Topco Ltd. The controlling parties are disclosed in note 28 of the consolidated financial statements.

### DIRECTORS

The Directors who served during the year and up to the date of signing the financial statements are:

Director	Appointed/ resigned
Nick Sanderson	—
Jon Austen	Resigned 30 June 2021
Paul Morgan	—
Gary Burton	Appointed 02 November 2020
Kevin Shaw	Resigned 30 April 2021
Marc Gilbard	—
Nick Edwards	—
Michael Bruhn	Resigned 28 November 2019
Charles Ferguson-Davie	Appointed 28 November 2019
Henrik Poulsen	Appointed 28 November 2019

During the year, Nick Edwards joined the Board as an Executive Director. He was previously on the Audley Group Board of Directors, acting as a Non-Executive Director, and was previously on the Board of Moorfield Group. Following the year end, Jon Austen and Kevin Shaw resigned on 30 June 2021 and 30 April 2021, respectively. Gary Burton joined the Board as an Executive Director in November 2020 to ensure a smooth transition with Jon Austen.

Biographies of Directors who served during the year are on pages 46 and 47.

During the year the Directors exchanged their shares in Audley Court Limited for shares in Audley Group Limited. At 31 December 2019 Nick Sanderson owned 0.33% of the share capital of Audley Group Limited via direct and indirect holdings. Jon Austen owned 0.07% of the share capital of Audley Group Limited via direct and indirect holdings. At 31 December 2019, Paul Morgan and Kevin Shaw held 0.06% and 0.08% respectively.

At 31 December 2018 Nick Sanderson owned 0.55% of the share capital of Audley Court Limited via direct and indirect holdings. Jon Austen owned 0.12% of the share capital of Audley Court Limited via direct and indirect holdings. At 31 December 2018, Paul Morgan and Kevin Shaw held 0.11% and 0.13% respectively.

### SECTION 172(1) STATEMENT

This statement describes how the Directors have taken account of the matters set out in section 172(1) (a) to (f) of the Companies Act 2006, when performing their duty to promote the success of the company. Much of this content is included in the Strategic Report, as listed below.

The matters set out in section 172(1) (a) to (f) are:

- (a) the likely consequences of any decision in the long-term;
- (b) the interests of the company's employees - pages 40 to 44;
- (c) the need to foster the company's business relationships with clients, end customers, suppliers and regulators - pages 40 to 44;
- (d) the impact of the company's operations on the community and the environment - page 41;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct - pages 40 to 44; and
- (f) the need to act fairly between members of the company - pages 40 to 44.

### RESULTS AND DIVIDENDS

The Group's loss for the year was £35,972,000 (2018: loss of £10,189,000). No dividends were paid in the year to 31 December 2019 (2018: Nil) and the Directors do not propose the payment of a final dividend.

### INDEMNITY PROVISION

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the financial period and is currently in force at the date of approval of the financial statements. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

### DISPOSAL OF SUBSIDIARY

On 23 August 2019 the Group disposed of a wholly owned subsidiary company, Audley Stanbridge Earls Limited. The Group received £36.2 million in consideration for the company at the date of disposal, resulting in a profit to the Group of £1.8 million. Audley Stanbridge Earls Limited was purchased by RELF Audley Retirement Living LLP, of which Audley Group Limited has a 25% share. During the year the company has invested £12.5 million in its 25% share of RELF Audley Retirement Living LLP.



**DISPOSAL OF SUBSIDIARY CONTINUED**

On 17 May 2021 the Group disposed of a wholly owned subsidiary company, Audley Group Developments 1 Limited, to a joint venture. The joint venture was formed between Blackrock Real Assets (75% ownership) and Audley Group Limited (25% ownership). Audley Group Developments 1 Limited was sold for a headline purchase price of £37.8m with a net cash receivable of £27.7m after deducting Audley's share of its equity contribution and shareholder loans from Audley Group Limited.

**POLITICAL AND CHARITABLE DONATIONS**

During the year the Group did not make any political donations or incur any political expenditure (2018: £nil). During the year the Group made charitable donations of £7,000 (2018: £3,000).

**PRINCIPAL RISKS AND UNCERTAINTIES**

Details of the principal risks and uncertainties are described on pages 36 to 39.

**FINANCIAL INSTRUMENTS**

Details of the financial instruments of the Group are described in note 23 on pages 84 to 86.

**FUTURE DEVELOPMENTS**

Details of the likely future developments of the business are described in the Strategic Report on pages 32 to 34.

**EMPLOYEE AND ENVIRONMENTAL MATTERS**

Information in respect of the Group's employment and environmental matters is contained within the Corporate Responsibility Report on pages 40 to 45.

**SUBSEQUENT EVENTS**

See note 30 for post balance sheet events.

**GOING CONCERN**

In assessing going concern, the Directors have reviewed the group's principal risks and taken into consideration a number of factors, including sales expectations at our wholly owned villages, development cashflows, planned investments and borrowing facilities. The assessment considers two scenarios over a period to the end of 2022 with one scenario sensitised to represent a Severe but plausible downside case. For detail on these assessments please refer to the Going Concern section in note 2 of the Financial Statements.

Based on the scenarios modelled and given the availability of mitigating actions to provide sufficient liquidity over the going concern period, the Directors 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. Therefore, the financial statements have been prepared on a going concern basis.

The Group is, however, 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 there would be a breach of the Group's loan covenants, including those held within joint ventures and investments. Although the Group continues to have supportive lenders and the Directors have confidence that should they be required, covenant waivers could be obtained, the Directors have concluded that, as disclosed in the Going Concern section in note 2 of the Financial Statements, attention should be drawn to the fact the Severe but plausible downside case would give rise to a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the financial statements 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 group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company 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 group and company and of the profit or loss of the group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the company financial statements, 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 Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **DIRECTORS' CONFIRMATIONS**

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

#### **AUDITORS**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

The Directors' Report and the Strategic Report were approved by the Board.

On behalf of the Board



**Nick Sanderson**

Chief Executive Officer

27 August 2021

**REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS****Opinion**

In our opinion:

- Audley Group Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements 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
- the financial statements 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 Accounts 2019 (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2019; the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements 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 Group 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 2 to the financial statements concerning the Group's and Company's ability to continue as a going concern. 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 the '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. 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. 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.

Given the uncertainty, the Directors have concluded that it is necessary to draw attention to this as a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern in the disclosure of the basis of preparation to the financial statements.

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

**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 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 Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### **Strategic Report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 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 Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

#### **Responsibilities for the financial statements and the audit**

**Responsibilities of the directors for the financial statements**  
As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, 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 Group's and 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 Group and 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.

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](http://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 received 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 Company financial statements are not in agreement with the accounting records and returns.

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  
27 August 2021

## FINANCIAL STATEMENTS

## Consolidated statement of comprehensive income

For the year to 31 December

	Note	Year ended 31 December 2019 £'000	Restated* Year ended 31 December 2018 £'000
<b>Revenue</b>	3	<b>71,428</b>	61,641
Cost of sales	3	<b>(55,368)</b>	(42,765)
<b>Gross profit</b>	3	<b>16,060</b>	18,876
Administrative and selling expenses		<b>(32,472)</b>	(23,569)
Share of results of joint ventures		<b>(46)</b>	—
Loss on revaluation of investment properties	12	<b>(1,402)</b>	(1,905)
Other gains/(losses)	5	<b>(8,733)</b>	—
<b>Operating loss</b>	4	<b>(26,593)</b>	(6,598)
Operating loss before exceptional items, revaluation gain and other gains/(losses)		<b>(8,009)</b>	(3,595)
Loss on revaluation of investment properties		<b>(1,402)</b>	(1,905)
Exceptional items	10	<b>(8,449)</b>	(1,098)
Other gains/(losses)	5	<b>(8,733)</b>	—
<b>Operating loss</b>		<b>(26,593)</b>	(6,598)
Finance income	8	<b>1,911</b>	894
Finance expense	8	<b>(5,738)</b>	(6,351)
<b>Loss before tax</b>		<b>(30,420)</b>	(12,055)
Tax (charge)/credit	9	<b>(5,552)</b>	1,866
<b>Loss and total comprehensive expense for the year</b>		<b>(35,972)</b>	(10,189)
Attributable to:			
- Equity holders of the Parent Company		<b>(35,600)</b>	(10,080)
- Non-controlling interests		<b>(372)</b>	(109)

\* For details of restatement refer to note 31.

The Group had no amounts of other comprehensive income or expense for the current or prior year.

The accompanying accounting policies and notes form part of these financial statements.

Included in other gains/(losses) is a charge of £6.4m (2018: £nil) of expected credit losses relating to preference share receivables.

Consolidated balance sheet  
As at 31 December

	Note	2019 £'000	Restated* 2018 £'000	Restated* 2017 £'000
<b>Non-current assets</b>				
Intangible assets	11	14,706	22,965	22,965
Investment properties	12	106,718	111,043	93,451
Right of use assets	13	1,714	—	—
Investments in joint ventures	14	12,455	—	—
Other investments	15	295	2,423	2,356
Property, plant and equipment	16	1,546	1,263	951
Deferred tax assets	17	301	6,550	4,995
Trade and other receivables	19	25,604	26,749	8,713
<b>Total non-current assets</b>		<b>163,339</b>	<b>170,993</b>	<b>133,431</b>
<b>Current assets</b>				
Stocks and inventories	18	161,602	160,675	121,479
Trade and other receivables	19	7,856	8,018	4,727
Cash and cash equivalents	20	20,554	10,750	47,038
<b>Total current assets</b>		<b>190,012</b>	<b>179,443</b>	<b>173,244</b>
<b>Total assets</b>		<b>353,351</b>	<b>350,436</b>	<b>306,675</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	21	(22,011)	(22,907)	(15,070)
Corporation tax		—	—	(117)
Lease liabilities	13	(148)	—	—
Loans and borrowings		—	—	(120)
<b>Total current liabilities</b>		<b>(22,159)</b>	<b>(22,907)</b>	<b>(15,307)</b>
<b>Non-current liabilities</b>				
Loans and borrowings	22	(88,659)	(76,048)	(53,999)
Lease liabilities	13	(1,972)	—	—
Deferred tax liabilities	17	(3,688)	(4,217)	(4,416)
<b>Total non-current liabilities</b>		<b>(94,319)</b>	<b>(80,265)</b>	<b>(58,415)</b>
<b>Total liabilities</b>		<b>(116,478)</b>	<b>(103,172)</b>	<b>(73,722)</b>
<b>Total net assets</b>		<b>236,873</b>	<b>247,264</b>	<b>232,953</b>
<b>Equity</b>				
Share capital	24	266,888	244,155	193,069
Share premium	25	15,665	10,914	—
Capital contribution reserve		—	—	37,500
Accumulated to retained earnings		(45,680)	(9,140)	940
<b>Total attributable to equity holders of the Parent Company</b>		<b>236,873</b>	<b>245,929</b>	<b>231,509</b>
<b>Non-controlling interests</b>		<b>—</b>	<b>1,335</b>	<b>1,444</b>
<b>Total equity</b>		<b>236,873</b>	<b>247,264</b>	<b>232,953</b>

\* For details of restatement refer to note 31.

The notes on pages 58 to 90 form part of these financial statements.

The financial statements on pages 54 to 90 were approved and authorised for issue by the Board and were signed on its behalf on 27 August 2021.



**Nick Sanderson**  
Director

Registered number: 09906780

## FINANCIAL STATEMENTS

## Consolidated statement of changes in equity

For the year to 31 December

	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Retained earnings/ accumulated losses £'000	Total attributable to equity holders of the Parent Company £'000	Non- controlling interest £'000	Total equity £'000
At 31 December 2017 (as previously reported)	193,069	—	37,500	9,183	239,752	1,533	241,285
Restatement*	—	—	—	(8,243)	(8,243)	(89)	(8,332)
At 31 December 2017 (as restated)*	193,069	—	37,500	940	231,509	1,444	232,953
Shares issued	51,086	10,914	(37,500)	—	24,500	—	24,500
Transactions with owners	51,086	10,914	(37,500)	—	24,500	—	24,500
Loss for the year (restated)*	—	—	—	(10,080)	(10,080)	(109)	(10,189)
Total comprehensive loss (restated)*	—	—	—	(10,080)	(10,080)	(109)	(10,189)
At 31 December 2018 (restated)*	244,155	10,914	—	(9,140)	245,929	1,335	247,264
Adjustment on adoption of IFRS 16	—	—	—	(107)	(107)	—	(107)
At 1 January 2019	244,155	10,914	—	(9,247)	245,822	1,335	247,157
Shares issued	22,733	4,751	—	—	27,484	—	27,484
Disposal of non-controlling interest	—	—	—	—	—	(1,796)	(1,796)
Loss on disposal of non-controlling interest	—	—	—	(833)	(833)	833	—
Transactions with owners	22,733	4,751	—	(833)	26,651	(963)	25,688
Loss for the year	—	—	—	(35,600)	(35,600)	(372)	(35,972)
Total comprehensive loss	—	—	—	(35,600)	(35,600)	(372)	(35,972)
<b>At 31 December 2019</b>	<b>266,888</b>	<b>15,665</b>	<b>—</b>	<b>(45,680)</b>	<b>236,873</b>	<b>—</b>	<b>236,873</b>

\* For details of restatement refer to note 31.

# Consolidated cash flow statement

For the year to 31 December

	2019 £'000	Restated* 2018 £'000
<b>Operating activities</b>		
(Loss) before tax	(30,420)	(12,055)
Adjustments for:		
- Depreciation of tangible fixed assets	554	427
- Loss on revaluation of investment properties	1,402	1,905
- Profit on disposal of subsidiary	(1,807)	—
- Share of post-tax losses from associates	46	—
- Finance income	(1,911)	(894)
- Finance expense	5,738	6,351
- Goodwill impairment	8,259	—
- Other gains/(losses)	8,733	—
<b>Cash flows from operating activities before changes in working capital</b>	<b>(9,406)</b>	<b>(4,266)</b>
Increase in trade and other receivables	(3,638)	(20,425)
Increase in trade and other payables	5,798	8,907
Increase in stocks and inventories	(36,566)	(39,195)
<b>Cash absorbed by operating activities</b>	<b>(43,812)</b>	<b>(54,979)</b>
Finance income received	20	15
Finance costs paid	(4,832)	(4,958)
Corporation tax paid	—	(6)
<b>Net cash flows used in operating activities</b>	<b>(48,624)</b>	<b>(59,928)</b>
<b>Investing activities</b>		
Additions to investments	(245)	(67)
Additions to joint venture investments	(12,501)	—
Additions to investment properties	(1,385)	(19,497)
Additions to property, plant and equipment	(917)	(761)
Disposal of subsidiary	36,177	—
Disposal of non-controlling interest	(212)	—
<b>Net cash flows generated from/(used in) investing activities</b>	<b>20,917</b>	<b>(20,325)</b>
<b>Financing activities</b>		
New loans	49,000	79,000
Issue costs of new loans paid	(625)	(3,634)
Repayment of loans	(36,519)	(55,901)
Issue of share capital	25,900	24,500
Principal elements of lease payments	(245)	—
<b>Net cash flows generated from financing activities</b>	<b>37,511</b>	<b>43,965</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,804</b>	<b>(36,288)</b>
Cash and cash equivalents at start of year	10,750	47,038
<b>Cash and cash equivalents at 31 December</b>	<b>20,554</b>	<b>10,750</b>

\* For details of restatement refer to note 31.



## 1 GENERAL INFORMATION

Audley Group Limited (the 'Company') is a private company limited by shares and is incorporated in England and Wales and domiciled in England. The address of its registered office is 65 High Street, Egham, Surrey TW20 9EY. The Company, together with its subsidiaries and associates/joint ventures, is referred as 'the Group'. The Group's principal activity during the financial year was that of the development and management of retirement villages, including the provision of domiciliary care.

## 2 ACCOUNTING POLICIES

### Basis of preparation of financial statements

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

These financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties. The Company has elected to prepare its individual financial statements, on pages 91 to 99, in accordance with FRS 102.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been applied consistently to both periods, unless otherwise stated.

### Functional and presentation currency

These financial statements are presented in sterling (£), the functional currency of all entities within the Group, and have been rounded to the nearest thousand (£'000) unless indicated to the contrary. The functional currency is the currency of the primary economic environment in which the Group operates. Accordingly, the Group measures its financial results and financial position in sterling.

### Going concern

#### Introduction

To ascertain whether it was appropriate to prepare the financial statements on a going concern basis, the Directors 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 36 to 39.

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.

### Financing overview

As explained in note 22, 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 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 £43.8m. 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.

## 2 ACCOUNTING POLICIES CONTINUED

### Going concern continued

#### 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 downside 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 the 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 the 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 and given the availability of the mitigating actions to provide sufficient liquidity over the going concern period, the Directors 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. 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. 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;
- 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;

**2 ACCOUNTING POLICIES CONTINUED****Going concern continued****Conclusion continued**

- The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under the 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 the 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.

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

**New standards and interpretations**

The Group has adopted IFRS 16 'Leases' for the year ended 31 December 2019. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.51%. All right of use assets relate to land and buildings and investment properties.

## 2 ACCOUNTING POLICIES CONTINUED

### New standards and interpretations continued

The adoption of IFRS 16 affected the following items in the balance sheet on 1 January 2019.

	31 December 2018 as reported £'000	Impact of adoption of IFRS 16 £'000	1 January 2019 Restated £'000
<b>Non-current assets</b>			
Intangible assets	22,965	—	22,965
Investment properties	111,043	269	111,312
Right of use assets	—	1,884	1,884
Investments	2,423	—	2,423
Property, plant and equipment	1,263	—	1,263
Deferred tax assets	6,550	—	6,550
Trade and other receivables	26,749	—	26,749
<b>Total non-current assets</b>	<b>170,993</b>	<b>2,153</b>	<b>173,146</b>
<b>Current assets</b>			
Stocks and inventories	160,675	—	160,675
Trade and other receivables	8,018	—	8,018
Cash and cash equivalents	10,750	—	10,750
<b>Total current assets</b>	<b>179,443</b>	<b>—</b>	<b>179,443</b>
<b>Total assets</b>	<b>350,436</b>	<b>2,153</b>	<b>352,589</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(22,907)	—	(22,907)
Lease liabilities	—	(140)	(140)
<b>Total current liabilities</b>	<b>(22,907)</b>	<b>(140)</b>	<b>(23,047)</b>
<b>Non-current liabilities</b>			
Loans and borrowings	(76,048)	—	(76,048)
Lease liabilities	—	(2,120)	(2,120)
Deferred tax liabilities	(4,217)	—	(4,217)
<b>Total non-current liabilities</b>	<b>(80,265)</b>	<b>(2,120)</b>	<b>(82,385)</b>
<b>Total liabilities</b>	<b>(103,172)</b>	<b>(2,260)</b>	<b>(105,432)</b>
<b>Total net assets</b>	<b>247,264</b>	<b>(107)</b>	<b>247,157</b>
<b>Equity</b>			
Share capital	244,155	—	244,155
Share premium	10,914	—	10,914
Retained earnings	(9,140)	(107)	(9,247)
<b>Total attributable to equity holders of the Parent Company</b>	<b>245,929</b>	<b>(107)</b>	<b>245,822</b>
<b>Non-controlling interests</b>	<b>1,335</b>	<b>—</b>	<b>1,335</b>
<b>Total equity</b>	<b>247,264</b>	<b>(107)</b>	<b>247,157</b>

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations are expected to have a material impact on the consolidated financial statements of the Group.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period.

Amendments to IFRS 3 (Business Combinations) are effective for financial years commencing on or after 1 January 2020. The amendments relate to changes in the criteria for determining whether an acquisition is a business combination or an asset acquisition. These amendments will be applied to any future business combinations.

**2 ACCOUNTING POLICIES CONTINUED****New standards and interpretations continued**

Amendments to IFRS 9 (Financial Instruments) are effective for financial years commencing on or after 1 January 2020. The amendments offer relief in meeting the criteria for hedge accounting on the transition from LIBOR to IBOR. The adoption of these amendments is not considered to have a material impact on the financial statements of the Group.

Amendments to References to the Conceptual Framework are effective for financial years commencing on or after 1 January 2020. The adoption of these amendments is not considered to have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) are also effective for financial years commencing on or after 1 January 2020. The amendments will be applied to any future changes in Accounting Policy, Accounting Estimates or Errors.

**Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. A subsidiary is an entity where the Company has control over that investee. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. The results of subsidiary undertakings acquired or disposed of during the financial period are included from, or up to, the effective date of acquisition or disposal. Uniform accounting policies have been adopted across the Group.

The consolidated financial statements present the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

**Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

**Joint arrangements**

Under IFRS 11 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Audley Group Limited has joint ventures only.

**Joint ventures**

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated balance sheet.

**Equity method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity-accounted investments is reviewed for impairment at least annually.

**Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Audley Group Limited.

## 2 ACCOUNTING POLICIES CONTINUED

### Basis of consolidation continued

#### Changes in ownership interests continued

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### Intangible assets

Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired in a business combination by the Group.

Goodwill is capitalised as an intangible asset. Goodwill is not amortised but reviewed for impairment at least annually at each reporting date, with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 6).

#### Investment property

Investment property is initially measured at cost and subsequently 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 the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the consolidated statement of comprehensive income. Additions to investment properties in the course of development or refurbishment include directly attributable internal and external costs incurred during the period of development until the properties are ready for their intended use.

#### Property, plant and equipment

Property, plant and equipment are stated at cost or fair value at the date of transfer less accumulated depreciation and accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on all plant and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the reporting date, of each asset over its expected useful life as follows:

Right of use asset	-	life of lease
Short-term leasehold property	-	20% straight line basis or life of lease
Fixtures and fittings	-	10% and 33% straight line basis
Office equipment	-	33% straight line basis
Motor vehicles	-	33% straight line basis

#### Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

**2 ACCOUNTING POLICIES CONTINUED****Leases continued**

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

**Stocks and inventories**

Stock 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 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.

**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.

**Revenue recognition**

The Group recognises revenue from the following major sources.

- Property sales
- Estate management fees – comprising management fees, deferred management fees and ground rent
- Development fees
- Care service fees
- Restaurant including food and beverage income

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 Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group 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 Group'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.

**Deferred management fees and associated accrued income**

Under the terms of the lease agreements owners of the Group's properties pay a deferred management fee to meet the operating expenses of the village. The deferred management fee is calculated as a percentage of the selling price of the property. The fee accrues annually for a set period, based on the terms of individual contracts and is held as accrued income on the statement of financial position. Given the uncertainty over the future selling price the amount recognised is based on the past two-year average realised selling price at each village on a per square foot basis and is reassessed at each year end.

The cash settlement of the accrued income is realised on sale of the property and is secured by a charge against that property.

The timing of when deferred management fees are expected to be realised in cash is estimated based on actuarial data and split between current and non-current assets on this basis. This is currently estimated to be every nine years.

**Management fees**

Owners of the Group's properties pay a management fee that is set at the start of each year. The management fee is invoiced monthly in advance and recognised on a straight line basis over the period to which it relates.

**Ground rent**

Owners of the Group'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.

**Care service fees**

Care service fees are linked to providing service on a specific day (service date). Revenue from care services is recognised on completion of the service date.

## 2 ACCOUNTING POLICIES CONTINUED

### Revenue recognition continued

#### Development fees

The Group earns fees under development management agreements which are typically over a defined service period. The development fees are recognised on a straight line basis over the period to which the contract relates.

#### Restaurant including food and beverage

Revenue from the sale of food and beverages is recognised at the point of sale.

### Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax expense is recognised in the statement of comprehensive income. 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 periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period 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 periods 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.

### Pensions

The Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

### Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

### Investments and other financial assets

#### (i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



**2 ACCOUNTING POLICIES CONTINUED****Investments and other financial assets continued****Debt instruments**

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

**FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**Equity instruments**

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**(iv) Impairment**

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Other receivables include preference shares and accrued interest thereon, which is recognised initially at the amount of consideration that is unconditional and subsequently measured at amortised cost using the effective interest method, less loss allowance.

## **2 ACCOUNTING POLICIES CONTINUED**

### **Financial instruments continued**

#### **Trade and other receivables continued**

Accrued income represents a deferred management charge that the Group levies from each owner upon exit from their premises. The deferred management charge is defined in the lease signed by each owner and is calculated as a fixed percentage of sale proceeds, or agreed valuation of said premises, per year, or part thereof, of occupation.

The Directors estimate the deferred management charge by applying a weighted average percentage change in property value based on historical data of resales made in the past two years. Any increase or decrease in the calculated deferred management charge at year end is taken to the consolidated statement of comprehensive income in that period.

Other receivables include preference shares and accrued interest. The interest is accrued based on the coupon attached to the preference shares and both the interest and preference shares are reviewed at least annually for impairment. The timing of the receipt is based on the estimation of the timing of the underlying cash flows of the retirement village development that it has financed.

#### **Financial liabilities**

Basic financial liabilities, including trade and other payables, 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 within 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, which is when the contractual obligation is discharged or cancelled or expires.

#### **Borrowings**

Interest-bearing loans are initially recorded at fair value, net of any directly attributable issue costs, and subsequently recognised at amortised cost.

#### **Borrowing costs**

Finance and other costs incurred in respect of obtaining borrowings are accounted for on an accruals basis and amortised to the consolidated statement of comprehensive income over the term of the associated borrowings using the effective interest rate method. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred. The Group does not capitalise borrowing costs into developments.

### **Critical accounting estimates and judgements**

The preparation of the financial statements in accordance with IFRS 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.

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. These estimates and associated assumptions are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The Directors do not consider there to be any critical judgments. The Directors consider the key estimates critical judgements made in the financial statements to be related to:

#### **Valuation of investment property**

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 arrangements and non-contractual ancillary income streams. The initial cost of the investment property is dependent on an allocation based on GDV of costs to develop the village, split between the shared facilities and the saleable apartments. The Group has adopted external valuations from an independent firm of chartered surveyors. For sensitivities on key inputs please see note 12.

**2 ACCOUNTING POLICIES CONTINUED****Key sources of estimation uncertainty continued****Valuation of stocks and inventories**

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 and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management is required to employ considerable judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required. A 10% reduction in the selling price across all sites, would result in an impairment of £335,000 in respect of two sites.

**Cost allocation and margin recognition**

The costs to develop a site are split between investment property and stock based on the initial GDV of the site which requires estimation by management. This represents a key estimate by the Directors that impacts the costs to be recognised as cost of sales and those to be allocated to the cost of investment property. The costs associated with the units for sale are reclassified to cost of sales based on the square footage of the sold unit.

**Accrued income**

The Group accrues deferred management charge income based on each village apartment's lease agreement, which includes a provision for the Group 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 average realised selling price at each village on a per square foot basis. Given the contingent timing of the event, the accrued income has been split between amounts due in greater than one year and due in less than one year. This has been estimated, informed by actuarial data, to reflect the timing of expected cash flows. The split between current and non-current is based on a 10 year expected stay. If the average length of stay decreases by one year the amount recognised in current assets would increase by £588,000 and the amount recognised in non-current assets would decrease by £588,000. If the average length of stay increased by one year the amount recognised in current assets would decrease by £253,000 and the amount recognised in non-current assets would increase by £253,000.

**Deferred tax**

The Group has made an assessment of the recoverability of deferred tax assets, where it has been assumed that sufficient taxable profits will be available in future periods, to allow the assets to be recovered. Given the uncertainty over future profitability deferred tax losses of £6.3m (tax value) were derecognised in the year and the Group has total unrecognised gross tax losses of £61.3m. The utilisation of the remaining deferred tax asset of £0.3m is dependent on the future profitability of certain sites. In the event that these profits are not realised, the deferred tax asset may be required to be derecognised in future periods.

**Impairment of goodwill**

Goodwill has been assessed for impairment on a fair value less costs to sell basis for each cash-generating unit (CGU) separately. The fair value of the operations CGU is based on the estimated cash flows and a yield consistent with those used in the valuation of investment properties. The fair value reflects the expected cash flows at maturity of the village assuming all units are sold. The Group recognises the value of these cash flows in investment properties as the units are sold. Consequently, the excess cash flow values supporting goodwill reduce as units are sold, with the value realised in investment properties, and resulting in an impairment to goodwill allocated to this CGU. During the year, the Group disposed of its rights to four sites and consequently an impairment of £8.3m has been recognised.

The fair value of the development CGU is based on the net assets of the development CGU (excluding goodwill) plus the fair value of the unsold units representing the forecast proceeds less cost to complete and cost to sell, as assessed by a third party independent valuer. The key assumptions are, costs to complete, costs to sell, development margin and financing.

In future periods, as development profits are realised, the development CGU will decrease unless replaced with new developments. The valuation of unsold stock would need to fall by 19.3% to result in an impairment to development CGU.

**Expected credit loss**

Assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assumptions made. The key drivers of the expected credit loss recognised in relation to preference shares and accrued interest thereon are velocity of unit sales at the retirement village and the probability weighting of those scenarios.

The expected credit loss which has been recognised is therefore subject to a degree of uncertainty which may not prove to be accurate. The Group has recognised an expected credit loss on other receivables of £6.4 million (2018: £nil) in the year. The key inputs were a 70% expectation that the units will sell at 1 per month, a 15% expectation that they will sell at 1.5 per month and a 15% expectation that they will sell 1 every other month. A change in assumptions to 10% expectation to sell 1 every other month, 60% expectation to sell 1 per month and a 30% expectation to sell 1.5 every month would decrease the expected credit loss by £1.2m.

### 3 REVENUE AND GROSS PROFIT

All revenue is generated in the United Kingdom.

	2019 £'000	Restated 2018 £'000
Property sales <sup>1</sup>	49,166	42,326
Estate management fees <sup>2</sup>	12,916	11,502
Care income <sup>1</sup>	6,023	5,133
Development fee income <sup>2</sup>	—	1,357
Other <sup>3</sup>	3,323	1,323
<b>Total revenue</b>	<b>71,428</b>	<b>61,641</b>
Property cost of sales	(39,344)	(28,770)
Other	(16,024)	(13,995)
<b>Total cost of sales</b>	<b>(55,368)</b>	<b>(42,765)</b>
<b>Gross profit</b>	<b>16,060</b>	<b>18,876</b>

1. Recognised at a point in time.

2. Recognised over time.

3. Other revenues include restaurant and bistro sales<sup>1</sup>, club memberships<sup>1</sup> and ground rents<sup>2</sup>.

Included in stocks and inventories is an impairment of £1.159m relating to the property at Watford. No sales have taken place in the year relating to this property. The carrying value of Watford was assessed by CBRE Limited, an independent firm of chartered surveyors.

### 4 OPERATING LOSS

	2019 £'000	2018 £'000
This has been arrived at after charging:		
Impairment of goodwill	8,259	—
Depreciation of tangible fixed assets	554	427
Depreciation of right of use assets	169	—
Repairs and maintenance	51	54
Auditors' remuneration - audit of the Company	25	25
Auditors' remuneration - audit of subsidiaries	256	150
Total auditors' remuneration - audit services <sup>1</sup>	281	175
Auditors' remuneration - non-audit services: tax compliance	70	68
Auditors' remuneration - non-audit services: tax advisory	122	—
Auditors' remuneration - non-audit services: transaction services	176	383
Total auditors' remuneration	649	626
Operating lease rentals:		
- Other	247	199
- Land and buildings	—	278

1. Amount includes £84,000 relating to the 2018 audit.

### 5 OTHER GAINS/(LOSSES)

	2019 £'000	2018 £'000
Net fair value losses on investments through profit and loss	2,373	—
Expected credit loss on financial assets at fair value through profit or loss	6,360	—
	<b>8,733</b>	<b>—</b>

**6 SEGMENTAL REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The two principal segments are development and operations. The development segment includes the purchase of land and construction of a retirement village on that land. The operations segment includes the management of the retirement villages, the provision of care and the operations of the central facilities at each village.

Segmental information is reported in the table that follows in respect of the current year in accordance with the requirements of IFRS 8 'Operating Segments'.

	Development £'000	Operations £'000	Unallocated £'000	Total £'000
<b>2019</b>				
Revenue	49,527	21,901	—	71,428
Cost of sales	(39,344)	(16,024)	—	(55,368)
<b>Gross profit</b>	<b>10,183</b>	<b>5,877</b>	<b>—</b>	<b>16,060</b>
Administrative and selling expenses	(7,830)	(2,487)	(13,896)	(24,213)
Goodwill impairment	—	(8,259)	—	(8,259)
Other gains/(losses)	(8,733)	—	—	(8,733)
Share of results of joint ventures	(46)	—	—	(46)
Loss on revaluation of investment properties	—	(1,402)	—	(1,402)
<b>Operating loss</b>	<b>(6,426)</b>	<b>(6,271)</b>	<b>(13,896)</b>	<b>(26,593)</b>
Net finance expense	—	—	(3,827)	(3,827)
<b>Loss before tax</b>				<b>(30,420)</b>
<b>2019</b>				
Intangible assets	14,706	—	—	14,706
Investment properties	—	106,718	—	106,718
Right of use assets	—	441	1,273	1,714
Investments in joint ventures	12,455	—	—	12,455
Other investments	295	—	—	295
Property, plant and equipment	272	431	843	1,546
Deferred tax assets	—	—	301	301
Trade and other receivables	10,663	14,941	—	25,604
<b>Non-current assets</b>	<b>38,391</b>	<b>122,531</b>	<b>2,417</b>	<b>163,339</b>
Stocks and inventories	161,510	92	—	161,602
Trade and other receivables	2,006	3,783	2,067	7,856
Cash and cash equivalents	—	3,000	17,554	20,554
<b>Current assets</b>	<b>163,516</b>	<b>6,875</b>	<b>19,621</b>	<b>190,012</b>
Loans and borrowings	—	—	(88,659)	(88,659)
Trade and other payables	(11,969)	(5,366)	(4,676)	(22,011)
Lease liabilities	—	(787)	(1,333)	(2,120)
Deferred tax liabilities	—	—	(3,688)	(3,688)
<b>Total liabilities</b>	<b>(11,969)</b>	<b>(6,153)</b>	<b>(98,356)</b>	<b>(116,478)</b>
<b>Net assets</b>	<b>189,938</b>	<b>123,253</b>	<b>(76,318)</b>	<b>236,873</b>

## 6 SEGMENTAL REPORTING CONTINUED

In the current and prior year no single customer represented 10% or more of total revenue.

2018	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	42,326	19,315	—	61,641
Cost of sales (restated)	(28,770)	(13,995)	—	(42,765)
<b>Gross profit (restated)</b>	<b>13,556</b>	<b>5,320</b>	<b>—</b>	<b>18,876</b>
Administrative and selling expenses	(10,097)	(2,487)	(9,887)	(22,471)
Exceptional items	—	—	(1,098)	(1,098)
Loss on revaluation of investment properties	—	(1,905)	—	(1,905)
<b>Operating profit/(loss)</b>	<b>3,459</b>	<b>928</b>	<b>(10,985)</b>	<b>(6,598)</b>
Net finance expense	—	—	(5,457)	(5,457)
<b>Loss before tax</b>				<b>(12,055)</b>

2018	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Intangible assets	14,706	8,259	—	22,965
Investment properties (restated)	—	111,043	—	111,043
Other investments	2,423	—	—	2,423
Property, plant and equipment	184	183	896	1,263
Deferred tax assets	—	—	6,550	6,550
Trade and other receivables	15,130	11,619	—	26,749
<b>Non-current assets</b>	<b>32,443</b>	<b>131,104</b>	<b>7,446</b>	<b>170,993</b>
Stocks and inventories	160,606	69	—	160,675
Trade and other receivables	5,006	2,081	931	8,018
Cash and cash equivalents	—	3,000	7,750	10,750
<b>Current assets</b>	<b>165,612</b>	<b>5,150</b>	<b>8,681</b>	<b>179,443</b>
Loans and borrowings	—	—	(76,048)	(76,048)
Trade and other payables	(16,046)	(2,657)	(4,204)	(22,907)
Deferred tax liability (restated)	—	—	(4,217)	(4,217)
<b>Total liabilities</b>	<b>(16,046)</b>	<b>(2,657)</b>	<b>(84,469)</b>	<b>(103,172)</b>
<b>Net assets</b>	<b>182,009</b>	<b>133,597</b>	<b>(68,342)</b>	<b>247,264</b>

## 7 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses (including Directors) are as follows:	2019 £'000	2018 £'000
Wages and salaries (including discretionary bonus)	17,517	15,209
Defined contribution pension costs	665	489
Social security costs	1,631	1,469
	<b>19,813</b>	<b>17,167</b>

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £665,000 (2018: £489,000), of which £73,000 (2018: £64,000) was outstanding at the year end and included within other payables.

**7 EMPLOYEE BENEFIT EXPENSES CONTINUED**

The average monthly number of employees (full-time equivalent), including Directors, employed by the Group during the year was as follows:

	2019 Number	2018 Number
Estate management	173	152
Care provision	292	264
Restaurant	114	96
Central management and administration	51	47
Sales and marketing	58	50
	<b>688</b>	<b>608</b>

**Key management personnel compensation**

The compensation disclosure below relates to the Company Directors and key senior managers within the Group, who constitute the people having authority and responsibility for planning, directing and controlling the Group's activities. For the year ended 31 December 2019, the key senior managers within the Group are deemed to be the Board members, John Nettleton and Katherine Rose (up to her resignation), who were members of the Operations and Development Boards. No amounts are included in respect of Non-Executive Directors. No balances are outstanding from key management personnel at the year end. During the year £332,000 (2018: £nil) was paid to key management personnel in respect of compensation for loss of office.

During the year the Directors exchanged their shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 shares in Audley Group Limited. The Directors' shareholdings are disclosed in the Directors' Report.

**Directors' emoluments**

	2019 £'000	2018 £'000
Wages and salaries	1,963	1,779
Defined contribution pension costs	37	31
Social security costs	270	264
	<b>2,270</b>	<b>2,074</b>

The highest paid Director received £726,000 (2018: £545,000) in the year, including £11,000 (2018: £10,300) for pension contributions. Non-Executive Directors do not receive a salary but are compensated as part of a management fee as disclosed in note 28.

**Key management personnel**

	2019 £'000	2018 £'000
Wages and salaries	2,499	2,222
Defined contribution pension costs	48	47
Social security costs	335	331
	<b>2,882</b>	<b>2,600</b>

**8 FINANCE INCOME AND FINANCE EXPENSE**

	2019 £'000	2018 £'000
Preference share interest	1,891	879
Other interest receivable	20	15
<b>Finance income</b>	<b>1,911</b>	<b>894</b>
Bank interest payable	(4,261)	(2,529)
Amortisation of loan arrangement costs	(755)	(2,464)
Other finance costs (including facility fees)	(579)	(1,351)
Lease costs	(143)	(7)
<b>Finance expense</b>	<b>(5,738)</b>	<b>(6,351)</b>
<b>Net finance expense</b>	<b>(3,827)</b>	<b>(5,457)</b>

## 9 TAX CHARGE/(CREDIT)

	2019 £'000	Restated 2018 £'000
<b>Current tax</b>		
Corporation tax	—	(112)
<b>Deferred tax</b>		
In respect of revenue losses	6,081	(1,555)
In respect of revaluation gains	(529)	(199)
<b>Total tax charge/(credit)</b>	<b>5,552</b>	<b>(1,866)</b>

The reasons for the difference between the actual tax charge/(credit) for the year and the Group rate of corporation tax applied to the loss before tax for the year are as follows:

	2019 £'000	Restated 2018 £'000
Loss before tax for the year	(30,420)	(12,055)
Loss before tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 10% (2018: 19%)	(5,780)	(2,290)
Expenses not deductible	2,578	370
Adjustments for changes in tax rates	576	94
Reversal of deferred tax previously recognised	5,883	—
Losses not recognised	2,122	—
Other	173	(40)
<b>Total tax charge/(credit)</b>	<b>5,552</b>	<b>(1,866)</b>

The Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes have been measured at 19% as if this had been enacted at the balance sheet date.

## 10 EXCEPTIONAL ITEMS

	2019 £'000	2018 £'000
Impairment of goodwill	8,259	—
Loss of office of key management personnel	333	—
Corporate structuring activity	(143)	1,098
<b>Total exceptional costs</b>	<b>8,449</b>	<b>1,098</b>

The gain of £143,000 in the year for corporate structuring activity relates to a profit of £1.8m on the sale of a subsidiary company into the Group's joint venture, net of £1.7m fees.

On 23 August 2019 the Group disposed of a wholly owned subsidiary company, Audley Stanbridge Earls Limited. The Group received £36.2 million in consideration for the net assets of £34.4 million of that company at the date of disposal, resulting in a profit to the Group of £1.8 million. Audley Stanbridge Earls Limited was purchased by RELF Audley Retirement Living LLP, of which Audley Group Limited has a 25% share. During the year the company has invested £12.5 million in its share of RELF Audley Retirement Living LLP (see note 14).

	£'000
Disposal of subsidiary	
Net assets at disposal	(34,370)
Net cash consideration received	36,177
<b>Gain on disposal of subsidiary</b>	<b>1,807</b>



## 11 INTANGIBLE ASSETS

	Goodwill £'000
<b>Cost or valuation</b>	
<b>At 1 January 2018, 31 December 2018 and 31 December 2019</b>	<b>29,288</b>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2018 and 31 December 2018	(6,323)
Impairment	(8,259)
<b>At 31 December 2019</b>	<b>(14,582)</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>14,706</b>
At 31 December 2018	22,965

The Group has two CGUs to which goodwill has been allocated, being development with £14,706,000 (2018: £14,706,000) and operations with £nil (2018: £8,259,000).

Goodwill has been assessed for impairment on a fair value less cost to sell basis.

The fair value of the operations CGU is based on the valuation of investment properties; see note 12.

As further units are sold and the Group becomes entitled to additional cash flows from those units the fair value of investment properties will be adjusted to reflect these additional cash flows. The Group has disposed of Stanbridge Earls and its rights to other future sites in the year, and subsequently expected future cash flows to be generated from the investment property have reduced in the year, resulting in an impairment to the operations CGU.

The fair value of the development CGU is based on the net assets of the development CGU (excluding goodwill) plus the fair value of the unsold of units representing the forecast proceeds less cost to complete and cost to sell, as assessed by a third party independent valuer.

This represents a level 3 valuation.

These assumptions are reviewed by the Board annually and revised in light of current economic conditions and the future outlook of the business. An impairment of £8,259,000 (2018: £nil) has been recognised in the operations CGU.

## 12 INVESTMENT PROPERTIES

	£'000
<b>Valuation</b>	
At 1 January 2018 (restated)	92,671
Additions	19,497
Loss on revaluation	(1,095)
At 31 December 2018 (restated)	111,043
Additions	1,385
Change in accounting policy - IFRS 16	269
Disposals	(2,480)
Transfer to stocks and inventories	(2,097)
Loss on revaluation	(1,402)
<b>At 31 December 2019</b>	<b>106,718</b>

## 12 INVESTMENT PROPERTIES CONTINUED

	2019 £'000	Restated 2018 £'000
Fair value of central facilities as determined by CBRE/Directors	121,980	123,162
Accrued income – non-current	(14,661)	(11,619)
Accrued income – current	(601)	(500)
	106,718	111,043

The historical cost of investment properties at 31 December 2019 was £95,073,000 (2018: £98,265,000).

The Group's investment properties are the central buildings and club facilities at each retirement village. The Group holds 11 investment properties that are valued annually on the basis of fair value, either by an external surveyor or the Directors. At 31 December 2019 the investment properties were valued by CBRE Limited (CBRE), an independent firm of chartered surveyors. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (the 'Red Book') and are classified as level 3 within the fair value hierarchy. The fair values were arrived at by a valuation model using a cash flow methodology that reflects future income streams included in the village apartment leases and other ancillary income streams. The future income streams are estimated based on current and anticipated future contractual arrangements and non-contractual ancillary revenue.

The key inputs to the valuation model included:

- house price inflation (HPI);
- discount rate assumptions;
- average length of stay;
- management charges (£300–£800 per unit per month);
- deferred management charges (typically between 1.0% and 2.0% of gross development value);
- estate management and lifecycle costs; and
- resale fee income and ground rent.

### 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 were higher/(lower);
- average length of stay was lower/(higher);
- expected management charges were higher/(lower);
- expected deferred management charges were higher/(lower); and
- estate management and lifecycle costs were lower/(higher).

The table below shows the sensitivity of the investment property valuation for changes to the yield assumptions.

	-100 basis points	-	+100 basis points
Investment property valuation	144,089	121,980	101,997

During the year ended 31 December 2019, £16,512,000 (2018: £14,436,000) was recognised in the consolidated statement of comprehensive income in relation to income derived from investment properties (management fee income, ground rent, restaurant and club income). Direct operating expenses arising from investment properties that generated income amounted to £4,525,000 (2018: £4,028,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate income. Recognised in the statement of comprehensive income is a £1,402,000 (2018: £1,095,000) loss in fair value on investment properties. There are no obligations, except those already contracted, to construct or develop the Group's investment properties. At 31 December 2019 contractual obligations to develop investment properties amounted to £8,697,000 (2018: £4,844,000).

**13 RIGHT OF USE ASSETS**

On 1 January 2019 following adoption of the leasing standard IFRS 16, assets in relation to leases which had previously been classified as operating leases were recognised to right of use assets.

	Right of use property assets £'000
<b>Cost</b>	
At 1 January 2018 and 1 January 2019	—
Change in accounting policy	1,883
<b>Restated at 1 January 2019 and 31 December 2019</b>	<b>1,883</b>
<b>Accumulated depreciation</b>	
At 1 January 2018 and 1 January 2019	—
Depreciation charge for the year	(169)
<b>At 31 December 2019</b>	<b>(169)</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>1,714</b>
At 31 December 2018	—

	2019 £'000	1 January 2019 <sup>1</sup> £'000
<b>Lease liabilities</b>		
Current	148	140
Non-current	1,972	2,120

1. In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 1.

There were no additions to right of use assets in 2019.

The statement of profit or loss shows the following amounts relating to leases:

	2019 £'000	2018 £'000
<b>Depreciation of right of use assets</b>		
Buildings	169	—
	169	—
Interest expense (included in finance cost)	143	—
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative and selling expenses)	247	—

The total cash outflow for leases in 2019 was £492,000.

The Group leases various offices, investment properties and vehicles. Rental contracts for investment properties range from 99 to 999 years, vehicles are typically leased for fixed periods of one to three years, and the Group's leased offices are for a period of 10 years. Contracts may contain both lease and non-lease components. For leases of real estate for which the Group is a lessee, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases; see note 1 for details. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

### 13 RIGHT OF USE ASSETS CONTINUED

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which do not have recent third party financing; and
- makes adjustments specific to the lease, for example term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within investment properties, it has chosen not to do so for the right of use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The Group does not have any leases that contain variable payment terms.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

### 14 INVESTMENTS IN JOINT VENTURES

Cost	£'000
At 1 January 2019	—
Additions	12,501
Share of results from joint ventures	(46)
<b>At 31 December 2019</b>	<b>12,455</b>

In the year the Group invested to hold a 25% interest in RELF Audley Retirement Living LLP. RELF Audley Retirement Living LLP was incorporated on 9 July 2019 and will develop four retirement villages. Audley Stanbridge Earls Limited was acquired by RELF Audley Retirement Living LLP from Audley Court Limited in the year, resulting in a £1.8m gain for the Group (see note 10). This is the first of the four villages to be developed in the joint venture structure. The Group retains a 25% investment in Audley Stanbridge Earls Limited by virtue of its holding a 25% interest in RELF Audley Retirement Living LLP.

The Group's share of loss from continued operations and its total comprehensive loss for the period to 31 December 2019 was £46,000 (2018: £nil).

**14 INVESTMENTS IN JOINT VENTURES CONTINUED**

The tables below provide summarised financial information for the joint venture. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Audley Group Limited's share of those amounts.

	2019 £'000
<b>Non-current assets</b>	
Intangible assets	1,913
Investment properties	3,136
Property, plant and equipment	64
<b>Total non-current assets</b>	<b>5,113</b>
<b>Current assets</b>	
Stocks and inventories	33,706
Trade and other receivables	2,026
Cash and cash equivalents	11,291
<b>Total current assets</b>	<b>47,023</b>
<b>Total assets</b>	<b>52,136</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Trade and other payables	(7,032)
Corporation tax	(126)
<b>Total current liabilities</b>	<b>(7,158)</b>
<b>Total liabilities</b>	<b>(7,158)</b>
<b>Total net assets</b>	<b>44,978</b>
<b>Total members' interests</b>	
Loans and other debts due to members	44,978
<b>Total equity</b>	<b>44,978</b>
	Year ended 31 December 2019 £'000
<b>Revenue</b>	<b>16,183</b>
Cost of sales	(16,060)
<b>Gross profit</b>	<b>123</b>
Administrative and selling expenses	(558)
Loss on revaluation of investment properties	(407)
<b>Operating loss</b>	<b>(842)</b>
Net finance expense	—
<b>Loss before tax</b>	<b>(842)</b>
Tax charge	(126)
<b>Loss and total comprehensive expense for the year</b>	<b>(968)</b>

## 14 INVESTMENTS IN JOINT VENTURES CONTINUED

### Commitments in respect of joint ventures

Following the year end, the Group has invested £4.3m into RELF Audley Retirement Living LLP and received £5.4m from the joint venture as a repayment of previously invested equity. A £106.0m 6% fixed rate interest development loan from LaSalle Investment Management was completed by the joint venture in February 2020 to fund the purchase and development at Sunningdale Park and Stanbridge Earls (the first two retirement villages to be developed by the RELF joint venture). The investment from the Group of £4.3m was to acquire the site at Sunningdale Park, Berkshire. The joint venture acquired the site in February 2020 for £25.1m, funded by equity and a bank loan.

The joint venture has capital commitments of £65,828,000 of which the Group's share is £16,457,000.

The Group is contracted to purchase the four entities from the joint venture that have developed the retirement villages. The total consideration for the four villages is £74,660,000, of which Audley already own 25%; therefore, the contractual future cash outflows are £55,995,000. The timing of the purchase of these entities is either when 95% of the village units are sold or a specified number of months from the acquisition of the land. For two of the villages, the land has not yet been acquired but the Group's obligation will fall 50 or 77 months after the acquisition. In relation to the properties already acquired by the joint venture the obligation will fall in 2024, or before depending on the success of selling the village apartments.

### Related party transactions with joint ventures

Audley Group sold a 100% owned subsidiary company, Audley Stanbridge Earls Limited, into the joint venture. The Group received £36.2m in consideration and made a profit of £1.8m, or £0.3m net of fees.

Fees charged to the joint venture in the period were £72,000 for development management services and £162,000 for sales management services. Included in accrued income and trade debtors at year end were £162,000 and £20,000 respectively.

## 15 OTHER INVESTMENTS

Cost	£'000
At 1 January 2019	2,423
Additions	245
Net fair value losses on investments through profit or loss	(2,373)
<b>At 31 December 2019</b>	<b>295</b>

At 31 December 2019 and 31 December 2018 the Group held a 4% interest in Audley Nightingale Lane Limited. The company is developing a retirement village and is registered in Jersey. The Group's share of loss from continued operations and its total comprehensive profit for the year to 31 December 2019 was £19,000 (2018: £43,000 loss). The Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.0m in 6 years time. Both amount and timing are contingent on the successful development of the retirement village in that entity. Net fair value losses on investments through profit and loss of £2.4m in the year have been recognised on the investment in Audley Nightingale Lane Limited based on the projected future equity distributions.

During the year the Group invested in PFA Audley PropCo P/S, which is registered in Denmark. The Group owns 4% of this entity, the purpose of which is to develop retirement villages in Europe.

A full list of the Group's subsidiaries is included in note 4 of the Company financial statements.

## 16 PROPERTY, PLANT AND EQUIPMENT

	Short-term leasehold property £'000	Fixtures and fittings £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2018	601	59	618	48	1,326
Additions	151	50	547	13	761
Disposals	—	(3)	(21)	—	(24)
At 31 December 2018	752	106	1,144	61	2,063
Additions	232	69	607	9	917
Disposals	(107)	—	(2)	—	(109)
<b>At 31 December 2019</b>	<b>877</b>	<b>175</b>	<b>1,749</b>	<b>70</b>	<b>2,871</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	30	24	290	31	375
Depreciation charge for the year	149	12	249	17	427
Depreciation on disposals	—	(1)	(1)	—	(2)
At 31 December 2018	179	35	538	48	800
Depreciation charge for the year	168	19	361	6	554
Depreciation on disposals	(27)	—	(2)	—	(29)
<b>At 31 December 2019</b>	<b>320</b>	<b>54</b>	<b>897</b>	<b>54</b>	<b>1,325</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>557</b>	<b>121</b>	<b>852</b>	<b>16</b>	<b>1,546</b>
At 31 December 2018	573	71	606	13	1,263

## 17 DEFERRED TAX

	2019 £'000	Restated 2018 £'000
Disclosed as:		
Deferred tax asset (tax losses)	301	6,550
Total deferred tax assets	301	6,550
Recoverable within one year	112	70
Recoverable after more than one year	189	6,480
	301	6,550
Deferred tax liability (revaluation surpluses)	(3,688)	(4,217)
Total deferred tax liabilities	(3,688)	(4,217)
Arising within one year	—	—
Arising after more than one year	(3,688)	(4,217)
	(3,688)	(4,217)
	(3,387)	2,333

## 17 DEFERRED TAX CONTINUED

	£'000
At 1 January 2018 (restated)	579
Movement in the year (restated)	1,754
At 31 December 2018 (restated)	2,333
Movement in the year	(5,552)
<b>At 31 December 2019</b>	<b>(3,387)</b>

At 31 December 2019 the Group had unused tax losses of £62,978,000 (2018: £55,125,000), of which £1,700,000 (2018: £34,645,000) has been recognised as a deferred tax asset. Tax losses of £61,278,000 (2018: £20,480,000) have not been recognised as it is not considered sufficiently certain that these losses can be utilised in future periods.

## 18 STOCKS AND INVENTORIES

	2019 £'000	2018 £'000
Land and work in progress	103,481	95,498
Finished goods	58,121	65,177
	<b>161,602</b>	<b>160,675</b>
	£'000	
At 1 January 2018		121,479
Additions		68,311
Disposals - cost of sales		(29,115)
At 31 December 2018		160,675
Additions		75,104
Transfers from investment properties		2,097
Disposal on sale of subsidiary		(37,744)
Disposals - cost of sales		(38,530)
<b>At 31 December 2019</b>		<b>161,602</b>

Included in stocks and inventories is a write-down of £1.159m of the Watford property to net realisable value, as assessed by CBRE Limited, an independent firm of chartered surveyors.

There were no significant differences between the replacement cost of stocks and its carrying value.

## 19 TRADE AND OTHER RECEIVABLES

### Trade and other receivables - greater than one year

	2019 £'000	2018 £'000
Preference shares and accrued interest	10,663	15,130
Accrued income	14,941	11,619
	<b>25,604</b>	<b>26,749</b>

Preference shares and accrued interest represent the Group's receivables from Audley Nightingale Lane Limited. The interest is accrued at the coupon rate of 12.5%, repayable from sales proceeds generated by the retirement village sales, after the repayment of loan debt, but before equity payments. It is estimated that the preference share interest and principal amounts are recoverable based on an assessment of the underlying expected cash flows of the village development, with an expectation that the amount will be paid in c. 6 years time. Included in preference shares and accrued interest is an expected credit loss of £6.4m.

Included within trade and other receivables, is income that has been accrued in relation to the deferred management charges and is split between the amount due in greater than one year and due in less than one year. The Directors have estimated these amounts, informed by actuarial data, to classify the amounts based on the timing of expected cash flows.



**19 TRADE AND OTHER RECEIVABLES CONTINUED****Trade and other receivables – greater than one year continued**

The ageing of trade and other receivables greater than one year was as follows:

	2019 £'000	2018 £'000
Between one and two years	588	862
Between two and five years	4,615	18,626
Greater than five years	20,401	7,261
<b>Total</b>	<b>25,604</b>	<b>26,749</b>

**Trade and other receivables – less than one year**

	2019 £'000	2018 £'000
Trade receivables	3,805	2,681
Provision for impairment of trade receivables	(7)	(7)
Trade receivables (net)	3,798	2,674
Other receivables	306	3,186
Amounts due to related undertakings	387	–
Taxes and social security costs	323	810
Prepayments	2,070	703
Accrued income	972	645
	<b>7,856</b>	<b>8,018</b>

Included in other receivables in 2018 was an amount of £3.0m that was deferred consideration for the purchase of the Watford site that was held in escrow.

The ageing of trade receivables was as follows:

	2019 £'000	2018 £'000
Up to 30 days overdue	1,266	2,071
31 to 60 days overdue	310	370
61 to 90 days overdue	202	140
Over 90 days overdue	1,451	82
<b>Total</b>	<b>3,229</b>	<b>2,663</b>
<b>Amounts not yet due</b>	<b>569</b>	<b>11</b>
<b>Trade receivables (net)</b>	<b>3,798</b>	<b>2,674</b>

## 20 CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash and cash equivalents	17,554	7,750
Cash and cash equivalents – held in restricted bank accounts	3,000	3,000
Cash and cash equivalents	20,554	10,750

The cash held in the restricted bank accounts can only be used to pay for lifecycle costs which in aggregate exceed the deferred management income received.

	2019 £'000	2018 £'000
Cash and cash equivalents	20,554	10,750
Gross debt – variable interest rates	(91,481)	(79,000)
Lease liabilities	(2,120)	–
Net debt	(73,047)	(68,250)

	Cash and cash equivalents	Liabilities from financing activities		Net debt
	Cash and cash equivalents £'000	Borrowings – due within one year £'000	Borrowings – due after one year £'000	Total £'000
At 1 January 2019	10,750	–	(79,000)	(68,250)
Cash flows	9,804	–	(12,481)	(2,677)
Leases	–	(148)	(1,972)	(2,120)
<b>At 31 December 2019</b>	<b>20,554</b>	<b>(148)</b>	<b>(93,453)</b>	<b>(73,047)</b>

## 21 TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	7,119	8,500
Other payables	1,972	2,474
Accruals	9,829	10,264
Deferred income	3,091	1,669
	22,011	22,907

## 22 LOANS AND BORROWINGS

	2019 £'000	2018 £'000
Bank loans	91,481	79,000
Loan arrangement costs	(2,822)	(2,952)
	88,659	76,048
<b>Maturity profile</b>		
Between one and five years	88,659	76,048
	88,659	76,048

On 24 January 2018, Audley Court Limited, an immediate subsidiary, entered into a five-year £125.0m credit facility agreement. Following a repayment in the year the facility limit was reduced to £105.0m. All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities. Interest is based on three-month LIBOR plus 3.50%.

**22 LOANS AND BORROWINGS CONTINUED**

Following the year end the Group has completed a restatement and amendment of the facility. The facility is £105.0m and subdivided into separate tranches for ongoing developments, completed stock, the Watford site and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche and LIBOR plus 4.5% for all the other tranches. The loan is secured by means of interests on the investment properties, stock and work in progress of the Audley Court Group.

Following the disposal of a subsidiary post year end (refer to note 31), the Group repaid £14.4m and the loan facility reduced by a further £10.0m to £95.0m.

**23 FINANCIAL INSTRUMENTS****Capital risk management**

The Group's primary capital management objective is to ensure the Group's ability to continue as a going concern for the foreseeable future. The Group's capital comprises equity, cash and cash equivalents and borrowings.

The Group's capital structure is managed through its budget and business plan and is monitored via daily cash flow forecasts and monthly management accounts. The Group's net debt to equity ratio is 29%.

**Financial risk management**

The Group's principal financial instruments at 31 December 2019 comprise bank loans and cash. The main purpose of these financial instruments is to provide finance for the Group's development and operation of retirement villages at appropriate risk levels. The Group has other financial instruments that arise directly from its operations, including trade and other receivables, trade and other payables, and lease liabilities.

The Group considers the main risks arising from its financial instruments to be credit risk, price risk, liquidity risk and interest rate risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Group's finance department. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

**Credit risk**

Credit risks arise from the possibility that customers might not be able to settle their obligations as agreed. On the reservation of a property, the Group takes a reservation fee and retains ownership of the property until legal completion, thus minimising risk. The deferred management charge is accrued throughout the period the property legal is owned by the resident and is settled upon resale of the property; effectively the deferred management charge is secured on the property. The primary risk is that care customers do not settle their obligations as agreed. To manage this risk the Group periodically assesses the financial reliability of customers, taking into account their financial position, past experience and other factors. The Group is not reliant on any major customer to continue as a going concern. The Group's cash is held with reputable banking institutions and in client accounts with solicitors and therefore credit risk is considered low.

Preference shares and accrued interest represent the Group's receivables from Audley Nightingale Lane Limited. The interest is accrued at the coupon rate of 12.5%, repayable from sales proceeds generated by the retirement village sales, after the repayment of loan debt, but before equity payments. The recoverability of preference shares and interest has been assessed based on the expectation that the amounts will be paid in c. 6 years. Based on this assessment the Group has recorded an expected credit loss of £6.4m in the year.

**Cash and cash equivalents**

	2019 £'000	2018 £'000
Cash held in restricted bank accounts	3,000	3,000
Cash at bank and in hand	17,554	7,750
<b>Cash and cash equivalents</b>	<b>20,554</b>	<b>10,750</b>

The cash held in the restricted bank accounts can only be used to pay for lifecycle costs which in aggregate exceed the deferred management income received.

## 23 FINANCIAL INSTRUMENTS CONTINUED

### Cash and cash equivalents continued

Credit ratings of the financial institutions holding the Group's cash deposits as at 31 December 2019 are shown below.

Financial institution	Long-term credit rating	Cash and cash equivalents £'000
HSBC	AA-	18,836
Barclays	A+	1,604
RBS	A	114
		<b>20,554</b>

### Price risk

The Group is exposed to commodity price risk (as pertaining to raw materials for construction) as a result of its operations. The Group manages this by the use of fixed-price construction contracts where possible. The Group has no exposure to equity securities price risk as it holds no listed equity investments.

The Group is exposed to house price market movements and the selling price of apartments may vary in line with these movements.

### Liquidity risk

Liquidity risk is the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price.

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows.

The maturity analysis of the undiscounted contractual cash flows of the Group's contracted financial liabilities is as follows:

	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000
<b>At 31 December 2019</b>						
Trade payables	7,119	7,119	7,119	—	—	—
Other payables	1,972	1,972	1,972	—	—	—
Accruals	9,829	9,829	9,829	—	—	—
Lease liabilities	2,120	5,263	244	244	731	4,044
Bank loans	91,481	105,257	4,489	4,489	96,279	—
<b>Total</b>	<b>112,521</b>	<b>129,440</b>	<b>23,653</b>	<b>4,733</b>	<b>97,010</b>	<b>4,044</b>
	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000
<b>At 31 December 2018</b>						
Trade payables	8,500	8,500	8,500	—	—	—
Other payables	2,474	2,474	2,474	—	—	—
Accruals	10,264	10,264	10,264	—	—	—
Bank loans	79,000	93,769	3,630	3,630	86,509	—
<b>Total</b>	<b>100,238</b>	<b>115,007</b>	<b>24,868</b>	<b>3,630</b>	<b>86,509</b>	<b>—</b>

At 31 December 2019 the Group has undrawn loan facilities of £13.5m (2018: £46.0m). Following the year end the Group has completed a restatement and amendment of the facility. The facility is £105.0m and subdivided into separate tranches for ongoing developments, completed stock, the Watford site and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche and LIBOR plus 4.5% for all the other tranches. Preference Shares earn interest at a fixed rate.

### Interest rate risk

The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include preference shares and cash balances. Some element of interest-bearing liabilities relate to bank loans. The Group has a policy of maintaining debt at fixed margin rates to partially mitigate the uncertainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

**23 FINANCIAL INSTRUMENTS CONTINUED****Interest rate risk continued**

The analysis below shows the sensitivity of the statement of comprehensive income to a 0.5% change in interest rate on the Group's financial instruments that are affected by market risk.

	2019 £'000	2018 £'000
0.5% increase in interest rates		
Interest on borrowings	(457)	(395)
Interest on cash and cash equivalents	103	54
<b>Total impact on pre-tax loss and equity</b>	<b>(354)</b>	<b>(341)</b>

	2019 £'000	2018 £'000
0.5% decrease in interest rates		
Interest on borrowings	457	395
Interest on cash and cash equivalents	(103)	(54)
<b>Total impact on pre-tax loss and equity</b>	<b>354</b>	<b>341</b>

**Categories of financial assets and financial liabilities**

	2019		2018	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
<b>Non-current financial assets – amortised cost</b>				
Accrued income	14,941	14,941	11,619	11,619
Total accrued income	14,941	14,941	11,619	11,619
<b>Non-current financial assets – fair value through the profit and loss</b>				
Other receivables	10,663	10,663	15,130	15,130
Total other receivables	10,663	10,663	15,130	15,130
Total non-current financial assets	25,604	25,604	26,749	26,749
<b>Current financial assets – amortised cost</b>				
Cash and cash equivalents	20,554	20,554	10,750	10,750
Trade and other receivables (excluding prepayments)	4,491	4,491	5,860	5,860
Accrued income	972	972	645	645
Total current financial assets	26,017	26,017	17,255	17,255
<b>Total financial assets</b>	<b>51,621</b>	<b>51,621</b>	<b>44,004</b>	<b>44,004</b>
<b>Current financial liabilities – amortised cost</b>				
Lease liabilities	148	148	—	—
Trade payables	7,119	7,119	8,500	8,500
Other payables	11,801	11,801	12,738	12,738
<b>Total current financial liabilities</b>	<b>19,068</b>	<b>19,068</b>	<b>21,238</b>	<b>21,238</b>
<b>Non-current financial liabilities – amortised cost</b>				
Bank loans	88,659	88,659	76,048	76,048
Lease liabilities	1,972	1,972	—	—
<b>Total non-current financial liabilities</b>	<b>90,631</b>	<b>90,631</b>	<b>76,048</b>	<b>76,048</b>
<b>Total financial liabilities</b>	<b>109,699</b>	<b>109,699</b>	<b>97,286</b>	<b>97,286</b>

## 24 SHARE CAPITAL Issued and fully paid

	2019		2018	
	Number	£'000	Number	£'000
Ordinary shares of £1 each Issued	266,888,136	266,888	244,154,846	244,155
<b>Movements in ordinary share capital</b>				
			Number	£'000
At 1 January 2018			193,068,848	193,069
Share issue (2 November 2018)			51,085,998	51,086
At 31 December 2018			244,154,846	244,155
Share issue (17 December 2019)			22,733,290	22,733
<b>At 31 December 2019</b>			<b>266,888,136</b>	<b>266,888</b>

On 17 December 2019 21,149,199 ordinary A shares with a nominal value of £1.00 were issued to MAREF Topco Ltd, the immediate Parent Company, for consideration of £1.2246 per share. The amount recognised in the share premium account was £4,751,000.

On 17 December 2019 the Directors exchanged their shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 B shares in Audley Group Limited. The Directors' shareholdings are disclosed in the Directors' Report.

The A and B shares rank equally for voting rights, dividend rights and distributions rights on winding up and are not redeemable. There are 265,304,045 A shares in issue and 1,584,091 B shares in issue. The share for share exchange resulted in Audley Court Limited being 100% owned by Audley Group Limited and as such extinguishes the non-controlling interests as shown in the consolidated statement of changes in equity.

## 25 RESERVES

The movement on reserves is set out in the consolidated statement of changes in equity.

Share premium account represents the excess of the value of shares issued over their nominal amount.

Retained earnings represent the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

## 26 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND GUARANTEES

Capital commitments relating to the Group's development sites are as follows:

	2019 £'000	2018 £'000
Contracted but not provided for	14,578	31,761

Additionally, the Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.0m in c. 6 years from the balance sheet date. Both amount and timing are contingent on the successful development of the retirement village in that entity.

See note 14 for commitments to joint ventures.

## 27 LEASES

### Operating lease commitments where the Group is the lessee

The future aggregated minimum rentals payable under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £'000	Motor vehicles £'000	Land and buildings £'000	Motor vehicles £'000
In one year or less	—	—	244	173
Between one and five years	—	—	974	181
In five years or more	—	—	4,286	—
	—	—	5,504	354

**28 RELATED PARTY TRANSACTIONS**

The Directors who served during the year are considered to be key management personnel. Directors' remuneration is disclosed in note 7.

The Company's immediate Parent Company is MAREF Topco Ltd, which is registered in England and Wales.

The Group'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.

During the year Moorfield Investment Management Limited charged £1,438,000 (2018: £1,725,000) for management services. Included in accruals at the year end was £1,737,000 (2018: £567,000).

During the year the Company's ultimate controlling parties, through the immediate Parent MAREF Topco Ltd, acquired new shares in the Company for £25.9m (2018: £24.5m).

There is an agreement between Audley Court Limited and Audley Court Hollins Hall Limited that grants Audley Court Hollins Hall Limited a royalty-free licence to use the trademarks of Audley. Audley Court Hollins Hall Limited is part owned by Nick Sanderson, a Director of Audley Group Limited and Audley Court Limited. During the year no (2018: £nil) amounts were received in respect of the licence agreement and no (2018: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year end.

In 2018 Audley Court Limited entered into an option, at a cost of £100,000, to acquire Audley Court Hollins Hall Limited and Audley Court Estates Limited (the management company of Hollins Hall) for consideration equal to the net asset value of the target, estimated to be in the region of £6.0m. During 2019 this option lapsed without being exercised.

During the year the Group invested in PFA Audley PropCo P/S, which is registered in Denmark. The Group owns 4% of this entity, with PFA Pension the other 96%. PFA Pension is an investor in the Moorfield Audley Real Estate Fund.

During the year the Group formed a joint venture with the real estate arm of Schroders and Octopus Real Estate. Fees charged to the joint venture in the period were £72,000 for development management services and £162,000 for sales management services. Included in accrued income and trade debtors at year end were £162,000 and £20,000, respectively.

Audley Group sold a 100% owned subsidiary company, Audley Stanbridge Earls Limited, into the joint venture. The Group received £36.2m in consideration and made a profit on disposal of £1.8m, or £0.1m net of fees.

The Group charged Audley Nightingale Lane Limited, a company in which the Group holds a 4% equity investment, £321,000 (2018: £375,000) for development management services and £nil (2018: £918,000) for sales and marketing services. Included in deferred income at year end was £1,161,000 (2018: £nil). The Group holds £14.25m of preference shares in Audley Nightingale Lane Limited that attract coupon of 12.5% which is compounded annually. At 31 December 2019 £10,663,000 (2018: £15,130,000) was included in trade and other receivables due in greater than one year. Included in other gains/(losses) is £(6,360,000) (2018: £nil) for the expected credit loss on the Preference shares and interest.

During the year, the Group purchased the shares in Audley Court Limited from Katherine Rose, a former Director of Audley Court Limited, and entered into a share for share exchange with Nick Sanderson, Jon Austen, Kevin Shaw, Paul Morgan and John Nettleton, Directors of Audley Court Limited, to swap shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 shares in Audley Group Limited. On the disposal of the non-controlling interest the Group made a loss of £343,000.

**29 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY**

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

MAREF Topco Limited is the undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. 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.

### 30 POST BALANCE SHEET EVENTS

Since 31 December 2019, a global pandemic, COVID-19, has led to government advice, both in the UK and globally, that all non-essential work should be limited to reduce the spread of the virus. COVID-19 is considered to be a non-adjusting post balance sheet event and no adjustment has been made to the financial statements as a result. The Group temporarily suspended certain aspects of our operations. These include, but are not limited to, the temporary cessation of sales and marketing activity for apartment sales, closure of the onsite swimming pools and gym facilities, and dine-in for the restaurant and bar and bistro. Takeaway from our onsite restaurants was made available in each Audley village for our owners and we have provided an onsite 'Audley Pantry' for the purchase of essential items as well as a supermarket shopping service. While this may have an impact on the performance of the Group going forward (see going concern), Audley has complied with the government's guidance at all times and the health and wellbeing of all our owners, customers and employees is paramount.

The Group has commenced operations at Nightingale Place and the final phase of Cooper's Hill, with the first owners moving into Nightingale Place in May 2020.

Following the year end the Group has completed a restatement and amendment of the revolving credit facility. The facility limit has been reduced from £125.0m to £105.0m and subdivided into separate tranches for ongoing developments, completed stock, the Watford site and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche or LIBOR plus 4.5% for all the other tranches.

In February 2020, the RELF joint venture acquired a site in Sunningdale, Berkshire. The Group's contribution to the purchase of this site was £5.4m. A £106.0m 6% fixed rate interest development loan from LaSalle Investment Management was completed by the joint venture in February 2020 to fund the purchase and development at Sunningdale Park and Stanbridge Earls (the first two retirement villages to be developed by the RELF joint venture).

The contract to acquire the site in Sunningdale, Berkshire, was exchanged with Audley Group Limited and subsequently novated to and completed in the Octopus/Schroder's joint venture. All work-in-progress performed to date was reimbursed in full to Audley Group Limited with additional income of £4.0m also received for work done to secure both the site and planning consent.

Audley Group Developments 1 Limited (AGD1), owner of Mayfield Watford land and work-in-progress, was sold to a joint-venture company on 17 May 2021. The joint venture was formed between BlackRock Europe Property Fund V SCSp SIF (75% ownership) and Audley Group Limited (25% ownership). Before the transfer happened, the Mote development that existed in AGD1 was sold to Audley Group Developments 2 Limited (a 100% indirect subsidiary of Audley Group Limited). AGD1 was sold to the joint venture for a headline purchase price of £37.8m with a net cash receivable of £27.7m after deducting Audley's share of its equity contribution and shareholder loans from Audley Group Limited.

The Group repaid £14.4m of bank loans upon the sale of AGD1 from the Group. Following this repayment, the facility was further reduced by £10.0m to £95.0m.

On 10 August 2021, the newly formed Audley and Blackrock joint venture entered a £40.5m development finance facility with Homes England in a landmark deal which marks the government agency's first investment into the retirement living sector.



**31 RESTATED AMOUNT**

The results for the year to 31 December 2018 for the Group have been restated to more accurately categorise certain costs between cost of sales and administrative expenses. Cost of sales have increased by £9,541,000, and administrative expenses reduced by the same amount. Cost of sales previously reported were £33,224,000. After a restatement of £9,541,000, the restated cost of sales are £42,765,000. Administrative expenses previously reported were £33,110,000. After a restatement of £9,541,000, the restated administrative expenses are £23,569,000. This adjustment had no impact on the loss reported for 2018, nor the net assets at 31 December 2018.

The Directors have undertaken a review of the valuation of investment property held on the Consolidated balance sheet at 31 December 2018 and concluded that the carrying value of the deferred management accrued income of £12,119,000 should have been deducted from the valuation of investment property of £123,162,000. The valuation methodology considers future cash projections that includes the cash receivable on the deferred management accrued income and, to avoid double counting, the value of the deferred management accrued income should be deducted from the investment property value. In addition, adjustment should be made for the impact on the associated deferred tax balance and fair value gains and losses for the year ended 31 December 2018. The Directors have concluded that the impact is material to the financial statements and therefore the financial statements for the year ended 31 December 2018 should be restated.

The impact of the restatement on the Consolidated balance sheet Statement of Financial Position at 31 December 2017, the loss for the financial year ended 31 December 2018 and the net assets at 31 December 2018 is as shown in the table below.

	As previously reported £'000	Adjustment £'000	As restated £'000
<b>31 December 2017</b>			
Investment property	102,609	(9,158)	93,451
Deferred tax	(5,242)	826	(4,416)
Net assets	241,285	(8,332)	232,953
Retained earnings	9,183	(8,243)	940
Non-controlling interests	1,533	(89)	1,444
	As previously reported £'000	Adjustment £'000	As restated £'000
<b>31 December 2018</b>			
Investment property	123,162	(12,119)	111,043
Deferred tax	(5,383)	1,166	(4,217)
Net assets	258,217	(10,953)	247,264
Retained earnings bought forward	9,183	(8,243)	940
Revaluation gains and losses	1,056	(2,961)	(1,905)
Tax	1,526	340	1,866
Loss/(profit) after tax	(7,568)	(2,621)	(10,189)
Retained earnings	1,696	(10,836)	(9,140)
Non-controlling interests	1,452	(117)	1,335

Company balance sheet  
As at 31 December

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Investments	4	160,661	158,636
<b>Current assets</b>			
Stocks	5	3,340	1,668
Debtors: amounts falling due within one year	6	114,814	93,761
Cash and cash equivalents		2,396	76
		120,550	95,505
Creditors: amounts falling due within one year	7	(649)	(541)
<b>Net current assets</b>		119,901	94,964
<b>Total assets less current liabilities</b>		280,562	253,600
<b>Net assets</b>		280,562	253,600
<b>Capital and reserves</b>			
Called up share capital	8	266,888	244,155
Share premium	8	15,665	10,914
Accumulated losses		(1,991)	(1,469)
<b>Total shareholders' funds</b>		280,562	253,600

The notes on pages 93 to 99 form part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. Please refer to note 2.

The financial statements on pages 91 and 99 were approved and authorised for issue by the Board and were signed on its behalf on 27 August 2021.

**Nick Sanderson**

Director

Registered number: 09906780

## FINANCIAL STATEMENTS

## Company statement of changes in equity

For the year to 31 December

	Called up share capital £'000	Share premium £'000	Capital contribution reserve £'000	Accumulated losses £'000	Total shareholders' funds £'000
At 1 January 2018	193,069	—	37,500	(138)	230,431
Share issue	51,086	10,914	(37,500)	—	24,500
Loss for the financial year	—	—	—	(1,331)	(1,331)
At 31 December 2018	244,155	10,914	—	(1,469)	253,600
Share issue	22,733	4,751	—	—	27,484
Loss for the financial year	—	—	—	(522)	(522)
<b>At 31 December 2019</b>	<b>266,888</b>	<b>15,665</b>	<b>—</b>	<b>(1,991)</b>	<b>280,562</b>

# Notes to the Company financial statements

## 1 ACCOUNTING POLICIES

The Company is a private company limited by shares and is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 65 High Street, Egham, Surrey TW20 9EY. The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Companies Act 2006.

### Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been applied consistently to both years, unless otherwise stated.

These financial statements are prepared on a going concern basis, under the historical cost convention. 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.

### Going concern

For details of the directors assessment of going concern for the Company refer to accounting policy note 2 on pages 58 to 60.

### 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 objection to, the use of exemptions by the Company's shareholders in prior years.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, required under FRS 102 section 7, on the basis that it is a small company. A consolidated cash flow statement is included in the Group financial statements;
- from the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the Group financial statements disclosures; and
- from disclosing the Company key management compensation, as required by FRS 102 paragraph 33.7.

### Investments

Fixed asset investments are stated at their purchase cost less any provision for impairment.

### Stocks and inventories

Stocks and inventories are stated at the lower of cost and net realisable value. Cost comprises land deposits and associated expenditure.

The carrying amount of stocks and inventories is reviewed for impairment at least annually.

### Financial instruments

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

#### Financial assets

Basic financial assets, including other receivables and cash and bank balances, are initially recognised at 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 asset's 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 flows from the asset expire or are settled, or (ii) substantially all the risks 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.

#### Financial liabilities

Basic financial liabilities, including trade and other payables, 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.

**1 ACCOUNTING POLICIES CONTINUED****Financial instruments continued****Financial liabilities continued**

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 within 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, which is when the contractual obligation is discharged or cancelled or expires.

**Related party transactions**

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

**Critical accounting estimates and judgements****Investments in subsidiaries and amounts owed by Group undertakings**

The Directors review the investments for impairment annually. Where there are indicators of impairment or reversals of previous impairments, management performs an impairment test for the investment. The recoverable values of these investments are estimated taking into account net assets and the uplift in stock fair value above carrying value. Management is required to employ considerable judgement in assessing the fair value uplift and use an independent third party valuer to assess fair value of stock. There has been no impairment in the year.

The Directors assess the recoverability of the amounts owed by Group undertakings annually. The recoverable values of these receivables are estimated taking into account net assets and the uplift in stock fair value above carrying value. Management is required to employ considerable judgement in assessing the fair value uplift and uses an independent third party valuer to assess fair value of stock. There has been no impairment of amounts receivable from Group undertakings during the year.

**2 RESULTS OF THE COMPANY**

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Parent Company's loss for the financial year was £522,000 (2018: £1,331,000). No dividends were paid in the year to 31 December 2019 (2018: £nil) and the Directors do not propose the payment of a final dividend.

**3 DIRECTORS' AND AUDITORS' REMUNERATION**

Directors' remuneration is given in note 7 of the consolidated financial statements. Directors' remuneration is paid by Audley Court Limited, an immediate, 100% owned subsidiary company. There were no employees during the year (2018: nil). Remuneration paid to the Company's auditors for audit and non-audit services is disclosed in note 4 of the consolidated financial statements.

**4 INVESTMENTS**

	£'000
<b>Cost</b>	
At 31 December 2018 and 1 January 2019	158,636
Additions	2,025
<b>At 31 December 2019</b>	<b>160,661</b>
<b>Impairment</b>	
<b>At 31 December 2018 and 31 December 2019</b>	<b>—</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>160,661</b>
At 31 December 2018	158,636

The company acquired £1,584,000 worth of shares in Audley Court Limited via the share for share exchange as described in Note 8. Additionally, the company acquired £212,000 worth of shares in Audley Court Limited when it purchased shares from K Rose upon her resignation as a Director of Audley Court Limited. During the year the Company invested in PFA Audley PropCo P/S, which is registered in Denmark. The Company owns 4% of this entity.

#### 4 INVESTMENTS CONTINUED

##### Subsidiaries

The subsidiaries of Audley Group Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Proportion of ownership interest at 31 December 2019 %	Proportion of ownership interest at 31 December 2018 %	Nature of business
Audley Court Limited	100	98.92	The development and management of retirement villages, including the provision of domiciliary care
Audley Nightingale Lane Holdings Limited	100	100	Holding company
Audley Nightingale Place Management Limited	100	100	Dormant
Audley Investments No 1 Limited	100	—	Holding company
Audley Investments No 2 Limited	100	—	Holding company
Audley Investments No 3 Limited	100	—	Dormant
Audley Investments No 4 Limited	100	—	Dormant
Audley Wycliffe Management Limited	100	—	Dormant

The following are the subsidiaries that are owned by Audley Investments No 1 Limited:

Name	Proportion of ownership interest at 31 December 2019 %	Proportion of ownership interest at 31 December 2018 %	Nature of business
Audley Stanbridge Earls Rent Company Limited	100	—	Dormant
Audley Sunningdale Park Rent Company Limited	100	—	Dormant
Audley Stanbridge Earls Management Limited	100	—	Management company
Audley Sunningdale Park Management Limited	100	—	Dormant

The following are the joint ventures that are owned by Audley Investments No 1 Limited:

Name	Proportion of ownership interest at 31 December 2019 %	Proportion of ownership interest at 31 December 2018 %	Nature of business
RELF Audley Retirement Living LLP	25	—	Holding company
RELF Audley Retirement Living II LLP	25	—	Holding company

## Notes to the Company financial statements continued

**4 INVESTMENTS CONTINUED****Subsidiaries continued**

The following are the subsidiaries that are all 100% owned by Audley Court Limited:

Name	Nature of business
Audley Binswood Limited	Village development company
Audley Binswood Management Limited	Management company
Audley Care Ltd	Care provider
Audley Care White Horse Ltd	Care provider
Audley Chalfont Limited	Village development company
Audley Chalfont Management Limited	Management company
Audley Clevedon Limited	Village development company
Audley Clevedon Management Limited	Management company
Audley Coopers Hill Limited	Village development company
Audley Coopers Hill Management Limited	Management company
Audley Court Management Limited	Apartment resales
Audley Ellerslie Limited	Village development company
Audley Ellerslie Management Limited	Management company
Audley Financial Services Limited	Dormant
Audley Flete Limited	Village development company
Audley Flete Management Limited	Management company
Audley Homewood Limited	Village development company
Audley Inglewood Limited	Village development company
Audley Inglewood Management Limited	Management company
Audley Group Developments 1 Limited	Village development company
Audley Mote Management Limited	Management company
Audley Redwood Limited	Village development company
Audley Redwood Management Limited	Management company
Audley St Elphins Limited	Village development company
Audley St Elphins Management Limited	Management company
Audley St George's Limited	Village development company
Audley St George's Management Limited	Management company
Audley Sunningdale Park Limited	Village development company
Audley Dormant Co Limited	Management company
Audley Willicombe Limited	Village development company
Audley Willicombe Management Limited	Management company
Mayfield Villages Limited	Village development company
Audley Group Developments 2 Ltd	Village development company
Mayfield Watford Management Limited	Dormant
Mayfield Villages Care Limited	Dormant

Audley Group Limited and all of its subsidiaries listed above are all incorporated in England and Wales and their registered office is 65 High Street, Egham, Surrey TW20 9EY.

On 17 May 2021 the Company disposed of a wholly owned subsidiary company, Audley Group Developments 1 Limited.

## 5 STOCKS

	2019 £'000	2018 £'000
Land deposits and associated expenditure	3,340	1,668
	<b>3,340</b>	<b>1,668</b>

## 6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade debtors	20	—
Amounts owed by Group undertakings	114,488	93,605
Other debtors	73	156
Prepayments and accrued income	233	—
	<b>114,814</b>	<b>93,761</b>

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

## 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	642	219
Accruals and deferred income	7	322
	<b>649</b>	<b>541</b>

Amounts due from related parties are unsecured, interest free and repayable on demand.

## 8 CALLED UP SHARE CAPITAL

### Issued and fully paid

	2019		2018	
	Number	£'000	Number	£'000
Ordinary shares of £1 each				
Issued	266,888,136	266,888	244,154,846	244,155

### Movements in ordinary share capital

	Number	£'000
At 1 January 2019	244,154,846	244,155
Share issue (17 December 2019)	22,733,290	22,733
<b>At 31 December 2019</b>	<b>266,888,136</b>	<b>266,888</b>

On 17 December 2019 21,149,199 ordinary A shares with a nominal value of £1.00 were issued to MAREF Topco Ltd, the immediate Parent Company, for consideration of £1.2246 per share. The amount recognised in the share premium account was £4,751,000.

On 17 December 2019 the Directors exchanged their shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 B shares in Audley Group Limited. The Directors' shareholdings are disclosed in the Directors' Report.

The A and B shares rank equally for voting rights, dividend rights and distributions rights on winding up and are not redeemable. There are 265,304,045 A shares in issue and 1,584,091 B shares in issue. The share for share exchange resulted in Audley Court Limited being 100% owned by Audley Group Limited and as such extinguishes the non-controlling interests as shown in the consolidated statement of changes in equity.



**9 RELATED PARTY TRANSACTIONS**

During the year Audley Group Limited made loans of £20.9m (2018: £10.2m) to Audley Court Limited. The amount outstanding at 31 December 2019 was £114.5m (2018: £93.6m).

During the year the Company's ultimate controlling parties advanced £25.9m (2018: £24.5m) to Audley Group Limited via the immediate Parent MAREF Topco Ltd in exchange for issued new shares.

There is an agreement between Audley Court Limited, an immediate subsidiary, and Audley Court Hollins Hall Limited that grants Audley Court Hollins Hall Limited a royalty-free licence to use the trademarks of Audley. Audley Court Hollins Hall Limited is part owned by Nick Sanderson, a Director of Audley Group Limited and Audley Court Limited. During the year no (2018: £nil) amounts were received in respect of the licence agreement and no (2018: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year end.

In 2018 Audley Court Limited entered into an option, at a cost of £100,000, to acquire Audley Court Hollins Hall Limited and Audley Court Estates Limited (the management company of Hollins Hall) for consideration equal to the net asset value of the target, estimated to be in the region of £6.0m. During 2019 this option lapsed without being exercised.

During the year the Company formed a joint venture, via a wholly owned subsidiary company, with the real estate arm of Schroders and Octopus Real Estate. Fees charged to the joint venture in the period were £72,000 for development management services and £162,000 for sales management services. Included in accrued income and trade debtors at year end were £162,000 and £20,000, respectively.

During the year, the Group purchased the shares in Audley Court Limited from Katherine Rose, a former Director of Audley Court Limited, and entered into a share for share exchange with Nick Sanderson, Jon Austen, Kevin Shaw, Paul Morgan and John Nettleton, Directors of Audley Court Limited, to swap shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 shares in Audley Group Limited.

#### **10 IMMEDIATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTIES**

The Company's immediate Parent undertaking is MAREF Topco Ltd, which is registered in England and Wales.

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.

MAREF Topco Ltd is the undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements are available from Companies House.

#### **11 POST BALANCE SHEET EVENTS**

See note 30 of the consolidated financial statements.

## Company information

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

65 High Street  
Egham  
Surrey  
TW20 9EY

Registered number: 09906780

### INDEPENDENT AUDITORS

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WC2N 6RH

### PRINCIPAL BANKERS

**Bank Leumi UK**

20 Stratford Place  
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W1C 1BG

**HSBC**

60 Queen Victoria Street  
London  
EC4N 4TR

### PRINCIPAL LAWYERS

**Eversheds Sutherland**

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