

# Audley Group

## ANNUAL REPORT AND ACCOUNTS 2020

Registered number: 09906780



# Live better for longer

Our idea of retirement is different.

We take a holistic, integrated approach to health and wellbeing, from aspirational, adaptable properties, to relaxation and fitness facilities and programmes, right through to carefully crafted menus and care support.

Our villages are designed for independence, and our customers control their own choices. But we are there to support them every step of the way.

We have a purpose, and it's to ensure that our customers live better for longer.

**Mote House, Bearsted**

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# Our vision is to help people live better for longer

Audley Group has been a pioneer in the provision of aspirational housing with care for more than 20 years.

At our retirement villages, property owners live independent lives in wonderful environments with purpose-built apartments, swimming pools, bars, restaurants and health studios. They access care support when they need it. It doesn't look or feel anything like a care home.

Today Audley has 19 villages around the UK, both wholly owned and in joint ventures, 14 open and 5 under development with 1,282 owners and 625 care customers in communities local to our villages, and 847 members of our Audley clubs. We employ more than 800 people and continue to lead the market as we grow our business, and evolve the properties, facilities and services that we provide.

Audley village life is increasingly about much more than the built environment. Whilst the quality of the apartments and the facilities remain central to our customer offering, we are providing a holistic and integrated approach to physical and mental health and wellbeing. Our mission, simply stated, is to ensure our customers live better for longer.

Because we build and operate all aspects of our villages, we can promote independent and healthy living through bespoke diet and health programmes, but we will also harness in-room and wearable technology, and supplement that with supporting self-administered diagnostic testing to efficiently allow data aggregation that supports our mission, for the benefit of our customers.

Audley has a positive social impact that stretches beyond our customer base. The benefits to the local community are manifold, from freeing up family housing, to allowing earlier and safer discharges from stretched in-patient wards in hospitals, as well as providing a central hub for the efficient delivery of local care and a local amenity that is available for all to use.

## KEY STATS

Number of villages	Number of owners and care customers	Number of club members at the end of 2020	Team members	Percentage of team members that are proud to work for Audley
19*	1,907	847	818	95%

\* see map on page 11.

## 2020 was a year of challenge and change

### MANAGING COVID

Throughout a uniquely challenging year, Audley Group brought its scale, experience and culture to bear in keeping owners safe and active throughout the Covid-19 pandemic.

We closed our facilities to external customers in February and owners shortly thereafter. Our team members worked in shifts to provide home cooked food for owners and created an online programme of physical and mental activities. We also turned our commercial food supply network into a retail operation to provide grocery staples through the Audley Pantry and when required, we went shopping for our owners.

Above all else though, our Care business maintained an impressively high level of service and critical support to all our owners and customers in the community in the most trying of circumstances.

### Resilience

Our business, like our customers, was resilient and we took a hands-on approach to supporting our owners. Our internal platform, 'Together at Home', was created to remind owners that support was available. Channels included a new owner app, Audley Stories – a digital hub of inspiration – and an owner-facing YouTube channel full of chef demonstrations, exercise tutorials and updates from the leadership team.

### Owner experience

Our Audley annual owners' survey (conducted at the end of 2020) proved how effective our communications were, with 94% saying they were kept informed throughout the pandemic and 91% stated they felt Audley responded quickly to the situation. Audley Care were not inspected throughout the year due to Covid-19 so we retained our 'Good' ratings. Customers also recognised the support provided by carers during this challenging period. 94% rated the service as excellent or good, and 93% were likely to recommend Audley Care.

The CQC virtual assessment looked at safe care and treatment, staffing arrangements, protection from abuse, assurance processes, monitoring and risk management.

### FOCUS ON HEALTH AND WELLBEING

Our approach to mental wellbeing remains an ongoing focus, and is supplemented by the work we are doing to enhance customers' physical capabilities. In that respect, we have the significant operational benefit of having communal spaces, well trained and highly motivated team members to help deliver on our mission – live better for longer. To be successful in that end, we will need to leverage our scale, experience and understanding of our customers, together with in-room and wearable technology. It will be no mean feat, but that is the challenge that we have set ourselves.

### CONTINUED PLATFORM GROWTH

Just as Audley continues to lead the way and innovate in the properties we build and the services that we provide, so too we lead and innovate in our commercial propositions with investors and joint venture partners.

2020 saw the announcement of a new partnership with Royal London, one of the largest financial institutions in the UK. The development was the first investment for Royal London in the later life sector and provided the capital for Audley Wycliffe Park.

This followed closely on the heels of the four site Joint Venture with Octopus Real Estate/Schroders which was launched in 2019 with the village at Stanbridge Earls and completed on the acquisition of sites at Sunningdale and Cobham in 2020, and at Scarcroft early in 2021.

Each of those secured their planning permissions in 2020, and maintained Audley's 100% track record of planning consents.

In May 2020, Nightingale Place in Clapham marked the opening of the first Audley branded village in London. The 94 luxury apartments overlooking Clapham Common were developed in partnership with Apache Capital.

Our newest partnership with BlackRock Real Assets is targeting a £500m gross development value joint venture starting with the funding of the development of Mayfield Watford.

## STRATEGIC REPORT

### Review of the year continued

#### DIVERSITY, EQUALITY 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 and it benefits our organisation to have a range of views, skills and experience. Audley Group is proud to be an equal opportunities employer.

The Group places a high priority on ensuring that its employment policies respect the individual, and offers training, career and personal development opportunities regardless of racial or ethnic origin, gender, race, religion, nationality, disability, sexual orientation, or marital status. We welcome applicants from all backgrounds and have an accessible interview process to allow for inclusion.

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. Every employee of Audley Group is valued and treated as an individual.

#### EMPLOYEES

Audley Group is the successful business it is today because of our people. This year, more than ever, it is the incredible work done by our team that has kept our owners and customers feeling safe and supported. And in turn, keeping that team safe and supported has meant listening and communicating more than ever before.

Weekly Directors' updates have been sent to the Audley team via email, (2019: quarterly), while regular videos from Board members have lent a more personal touch to the communication. Our internal channel, the A-team, has been active and people have been encouraged to share their experiences and their highs and lows throughout the year.

Consulting employees has also been vital. Each year, we conduct an employee engagement survey to understand how employees feel about their workplace and identify areas for improvement. The results were extremely positive – 95% of our people are proud to work for Audley Group.

Our annual staff conference and awards was virtual in 2020 due to Covid-19, but nonetheless provided an opportunity to update the team on the business success and host a series of virtual workshops to discuss marketing, construction and commercial goals and obtain input from across the teams. Once again we were then able to recognise members of the team that have gone above and beyond at the company awards evening.

Other employee engagement initiatives have included:

- A record number of training courses run through the Audley Academy
- A new DE&I Board has been created
- The launch of the Audley Foundation to channel the Group's fundraising activities

- A virtual roadshow by the in-house Audley Academy showcasing the opportunities to all staff for training and development
- Regional operational village management meetings (bimonthly)
- 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 AND SUPPLIERS

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, and assesses the impact of activities on the Group's business relationships.

In the last 6 months of the financial year, 87% of invoices were paid within 60 days of invoice date, with 32% being paid within 30 days.

FINANCIAL DATA

Total revenue	
£71.6m	
Up from £71.4m in 2019	
2020	71.6
2019	71.4
2018	61.6

Development revenue	
£47.3m	
Down from £49.5m in 2019	
2020	47.3
2019	49.5
2018	42.3

Operations revenue	
£24.3m	
Up from £21.9m in 2019	
2020	24.3
2019	21.9
2018	19.3

Operating loss	
£(1.5)m	
Reduced from £(26.6)m in 2019	
2020	(1.5)
2019	(26.6)
2018	(6.6)

SALES DATA

Sales enquiries in Q4 2020
+41%
compared to Q4 2019

Gross new reservations in H2 2020
+32%
compared to H2 2019

Number of completions (owned and joint venture villages) in 2020
+9%
compared to 2019

"Both of us would like to put on record how helpful and friendly you and your staff have been to us from the moment we moved into our apartment here at Cooper's Hill in December.

The service has been of the highest standard, even better than we were hoping for. The support you have given us all in the difficult times we are all now experiencing is a further example of the best of Audley.

Many thanks."

**Mr and Mrs Pollock, Owners,  
Audley Cooper's Hill**

FOR MORE ABOUT OUR BRANDS, SCAN HERE:

# The Audley Group difference

**MARKET LEADER WITH SCALE**

We use our extensive knowledge about our customers to help us build and operate the best environments we can, and we refresh our villages to ensure our oldest villages are as good as our newest.

**A FORCE FOR SOCIAL GOOD**

Our villages provide local amenities and employment, as well as allowing our customers to free up housing for families and, because of our supported environment, potentially free up hospital beds for acute care too.

**CULTURE**

At the core of our culture is a caring attitude – for our customers, our team members, our local communities and the environment in which we live. We strive to find the right balance between caring and delivering a commercial return to encourage investment into our business.

\* Communities and Local Government Committee (CLGC)  
2018 report on housing for older people.

**A GROWTH MARKET**

The market for Housing with Care is growing quickly, to meet the significant undersupply of age appropriate accommodation in the UK. By 2035 there could be a shortfall of 400,000 units in the UK.

**EXPERIENCED MANAGEMENT**

We have developed and operated villages through the global financial crisis, Brexit and Covid and provided care support to thousands of customers over the course of many decades.

**LIVE BETTER FOR LONGER**

Living in one of our villages ensures a truly independent lifestyle in an attractive and secure environment.  
  
Our villages are designed to enhance physical and mental wellbeing for the long term.

**Independent**  
Own your lifestyle in your property.

**Secure**  
A safe, managed environment.

- Promoting a healthy lifestyle**
- Health club with a full range of classes
  - Dining options for casual or formal situations
  - Events and activities to suit everyone, on the door step

**Hassle free**  
We take care of all the facilities, and your property too if you would like us to.

**Support**  
As little or as much as you want, 24/7.

“Moving to Audley was a good move, and my only regret is that I did not do it earlier.”

Mr Kelly, owner, Audley Ellerslie

Ellerslie, Malvern

# Delivering social value

In 2020, the social value that Audley delivers to its surrounding communities, its property owners and its team members came to the fore.

Audley Group's multi-faceted Environmental, Social and Governance (ESG) strategy is to embed a culture of sustainability, underpinned by data, regular monitoring and a set of ambitious targets.

We use recognised external benchmarks to measure sustainability performance across the 19 villages and centralised operations.

Since 2018, Audley has participated in the Global Real Estate Sustainability Benchmark (GRESB), the global ESG benchmark for real assets. During 2020 the Group's score showed a significant 35% improvement from 57 to 77. The Group was awarded 4 out of 5 stars in recognition of its maturing approach to ESG and strong focus on improving performance.

We have identified four pillars as part of our sustainability strategy, which we put at the centre of our culture to ensure that we continue to create significant positive social impact in everything we do.

Free up local housing

Facilitate the unblocking of NHS beds

Provide local amenities, employment, support and care for the community

Focus on Health & Wellbeing for a healthier older population

1.  
**COMMITMENT TO EMPLOYEES**

2.  
**COMMITMENT FOR A SUSTAINABLE SOCIETY**

3.  
**MANAGEMENT OF OUR ENVIRONMENTAL IMPACT**

4.  
**ETHICS AND GOVERNANCE**

**AUDLEY'S POSITIVE SOCIAL IMPACT**

1.

### COMMITMENT TO EMPLOYEES

To maintain a driven and contented workforce.

- In 2020 we invested in fully trained mental health champions across the business, to promote mental health awareness
- Our Diversity, Equality & Inclusion (DE&I) Committee was established in 2020, encompassing team members from all areas of the organisation, that will lead our future strategy for DE&I
- We invest in training and career development through the Audley Academy, which experienced a c.50% increase in enrolments during 2020
- Transparency in reporting on gender pay gap continued, showing that the mean hourly rate for women is 31.95% lower than men's, and women's median hourly rate is 6.63% lower than men's. This reflects an improvement of 0.8% and 5.4% respectively on 2019

2.

### COMMITMENT FOR A SUSTAINABLE SOCIETY

To develop and operate villages to support a positive social impact, enhanced by strong synergies with like-minded stakeholders.

- In 2020, Audley carers provided essential services in the form of almost 350,000 home visits to local community care customers, ranging from companionship to end of life care
- Village teams shared supplies of PPE with local care homes and advertised local independent businesses through our newsletters and the Audley Village app
- We launched the Audley Foundation to create a strategic framework for the Group's fundraising activities

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Increase in Audley Academy enrolments

+50%

during 2020

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Number of visits to local community care customers

c.350,000

during 2020

### 3.

#### **MANAGEMENT OF OUR ENVIRONMENTAL IMPACT**

To ensure commitment to thoughtful environmental resource management, Audley Group is fostering a culture which embraces sustainability as a genuine core value.

- We are committed to responsibly managing the environmental impacts of our developments and operations, including the use of natural resources and an overall reduction in waste
- In 2020, we committed to becoming carbon neutral by 2030 and to be net zero carbon by 2040
- The first phase focuses on eliminating operational carbon from Audley's own purchased electricity and gas by 2030
- The second phase will include our owners' energy consumption and embodied carbon across our developments

### 4.

#### **ETHICS AND GOVERNANCE**

To adhere to ethical and responsible rules of conduct defined by risk management which support the relationship of trust established with all its stakeholders.

- 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 them in our business activities and our supply chains. Our full statement can be read at [audleygroup.com/modern-slavery-statement](https://audleygroup.com/modern-slavery-statement)
- Audley Group has a clear whistleblowing policy to encourage our team members to raise any concerns. The full policy can be read at [audleygroup.com/corporate governance](https://audleygroup.com/corporate-governance) along with our Anti Bribery Statement and Health & Safety Policy

“The next ten years will be decisive, both on a global level and for us as a company. We need to make sure that we are on the right track to limit global warming.”

Nick Sanderson, CEO, Audley Group

# Our villages are what sets us apart

**OUR LOCATIONS**  
There are 14 open  
Audley Group  
villages and a  
further 5 under  
development.

OPEN    UNDER DEVELOPMENT

Audley    Audley    Mayfield

- 1   Joint ventures
- 2   Managed villages

S

A

B

C

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F

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R

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A

B<sup>1</sup>

C

D

**CLEVEDON**  
Ilkley, Yorkshire

**SCARCROFT  
PARK**  
Scarcroft, Yorkshire

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

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

E

F

G

H

**ELLERSLIE**  
Malvern, Worcestershire

**BINSWOOD**  
Royal Leamington Spa,  
Warwickshire

**REDWOOD**  
Bristol

**INGLEWOOD**  
Kintbury, Berkshire

I<sup>2</sup>

J

K<sup>1</sup>

L<sup>2</sup>

**WYCLIFFE PARK**  
High Wycombe,  
Buckinghamshire

**CHALFONT DENE**  
Chalfont St Peter,  
Buckinghamshire

**WATFORD  
(MAYFIELD)**  
Hertfordshire

**NIGHTINGALE  
PLACE**  
Clapham, London

M

N<sup>1</sup>

O<sup>1</sup>

P

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

**SUNNINGDALE  
PARK**  
Sunningdale, Berkshire

**FAIRMILE**  
Cobham,  
Surrey

**WILLICOMBE  
PARK**  
Royal Tunbridge Wells, Kent

Q

R<sup>1</sup>

S<sup>2</sup>

**MOTE HOUSE**  
Bearsted, Kent

**STANBRIDGE  
EARLS**  
Romsey, Hampshire

**FLETE HOUSE**  
Ivybridge,  
Devon

“For me and my husband, one of the major benefits of keeping fit is the sociable side. Weekly socially distanced exercises in the park at our retirement village have brought a few of us together and our brilliant trainer keeps us feeling upbeat and positive.”

Mrs Burke, owner, Audley Stanbridge Earls

Stanbridge Earls,  
Romsey

## Demand for a growing market

The housing with care sector has had a very different experience through 2020 to so much of the social care sector. Those living in retirement villages were able to limit their social contacts very quickly while still having access to the care and support they needed from the village teams. This was helped, in Audley Group villages, by the design of the villages, with spacious apartments complemented by ample outside space enabling owners to move around safely and continue to enjoy outdoor exercise.

This meant that the Audley Group and the wider sector delivered on its core premise – the ability to keep people safe, supported and happy whilst living independently – and showed strength and financial resilience against the acute economic downturn in the first half of the year.

While demand in other parts of the property markets fell, the appetite for housing with care properties rose through 2020. A study by the Associated Retirement Community Operators (ARCO) found 55% of retirement community operators reported that sales were up at least 30% on 2019. A report<sup>1</sup> published in December by ARCO and Later Life Ambitions (LLA) showed that when given the choice to move into a property with care and support available, the desire to downsize increased from 50% to 70%.

By 2023 the senior living market is expected to reach a value of £55.2bn, but with too little supply. According to Knight Frank's Senior Living Index<sup>2</sup> there are just 78,383 housing with care properties in the UK currently. And with a population of 12.4 million over 65s, that gives a penetration rate of just 0.82%, less than one housing with care property for every 100 households aged over 65.

There must be a step change in delivery if the sector is to meet growing demand. The British Property Federation estimates there needs to be an additional 260,000 retirement community units developed by 2029, with construction rates five or six times what they were in 2020.<sup>3</sup>

The benefits of meeting these targets are vast and could solve the crises in both the housing and social care system.

ARCO estimates that should 250,000 people live in retirement communities by 2030, it could add 560,000 family bedrooms back onto the market. This would free up desperately needed homes and help unlock the housing market.

Housing with care units also take pressure off struggling care services and the NHS. It is reported that people living in these communities spend 12 days less on average in hospital due to unplanned accidents compared to those in regular housing.<sup>4</sup>

The potential has not gone unnoticed.

2020 saw a new acknowledgment in Westminster of the vital role that housing with care has in driving change. With ARCO, industry peers, charities, academics and policymakers, Audley Group has been instrumental in placing pressure on the government to form a Task Force which brings care and housing into one conversation.

All of this political momentum is mirrored by increasing understanding of the potential in the sector from the investment community.

We've already seen AXA, Legal & General and Goldman Sachs enter the market, and in the last two years Audley Group has announced partnerships with Royal London, the UK Retirement Living Fund, which is managed by Schroders Real Estate and Octopus Real Estate, and most recently, BlackRock Real Assets.

Political and business sentiment is aligning on the value of the housing with care sector. And in March this year, the Chancellor signalled that pension funds are to be given more flexibility to move away from traditional assets into alternatives. For institutional investors, the need to create secure, long-term income is great, and it has been an unsteady 12 months for more traditional investment opportunities, like office or retail. At the same time, pension funds must meet both the regulatory requirement and the increasing appetite for sustainable investment.

The housing with care sector is primed to meet these investment considerations. Increasingly innovative funding models provide a secure, inflationary linked, long-term income stream to investors, while also delivering ESG benefits which range from the positive social impact of reduced pressure on care services, through to the strides being made on the sustainable development of retirement villages.

2021 will be another pivotal year for the sector and Audley Group is uniquely placed to deliver continuing growth. A pioneer of the sector, Audley carries the experience, scale and standing to demonstrate the impact of policy change, while also continuing to deliver an exceptional product to the market.

## Mayfield Watford, Hertfordshire

- 1 ARCO and LLA Coming of Age report
- 2 Knight Frank Senior Living Annual Performance Review 2020
- 3 SCIE & BPF Housing and care for older people report.
- 4 CCN report.

## Harnessing demand for independent living

In a year like no other, managing the business through a prolonged period of disruption caused by Covid-19, the primary focus was the safety and wellbeing of owners, customers and staff. At the same time the business was buying sites with its joint venture partners, obtaining planning consents, developing and selling units to increase the supply of much needed retirement units across the UK.

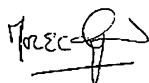
Audley Group's executive team has tremendous strength in depth and expertise which has been vital in navigating the choppy waters of 2020 so smoothly. The team has exceptional experience across retirement villages, hospitality and care and this has proved instrumental to continued success.

The Audley Group also established board sub-committees for Environment, Social Impact and Governance (ESG) and Diversity, Equality and Inclusion (DE&I) and is committed to publishing corporate objectives in both areas.

Harnessing the demand for independent living in later life along with flexible care and wellbeing solutions lie at the heart of the Audley model.

Innovation and a commitment to the highest quality has allowed the business to continue its growth trajectory and that scale has in turn provided the resilience to operate and grow during a pandemic. The strength of Audley's foundations has never been more evident.

"Throughout 2020, the Audley team has demonstrated its ability to navigate a truly challenging year and I would like to take this opportunity to thank all the team members for their efforts."



**Marc Gilbard**

Chairman  
27 August 2021

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The senior living market is expected to reach

£55.2bn

by 2023

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Nearly

1 in 5

people in the UK is 65 or older

Find out more about our  
Directors at [audleygroup.com](https://audleygroup.com)

“Having been living alone in a 4-bedroom family home, moving to Audley allows me to be part of a community and live my retirement in a way that suits me.”

Mrs Kreyer, owner, Audley Willicombe Park

Willicombe Park, Royal Tunbridge Wells

## STRATEGIC REPORT

### Chief Executive Officer's Statement

# A scalable platform to serve an accelerating market

It's not hyperbole to say that the last year has been unique, necessitating innovation, adaptation and resilience.

This statement therefore begins with a heartfelt thank you to every member of the Audley team for their dedication and determination to keep our owners, customers and each other safe during a global pandemic.

2020 was a year that highlighted the vital need for social care reform and the role that housing needs to play in that endeavour. The care sector has been under pressure for years, and sadly it took a pandemic to create the awareness needed to make fundamental change.

In comparison, the retirement village model performed extremely well, showcasing the strength of the dual revenue stream and the importance of housing provision that keeps people safe and secure in their own homes while well supported with care and wellbeing services. We owe it to the growing older population of the UK to rip up the current social care system and help them live better for longer. As the International Longevity Centre has said, "the development and evolution of care needs is critically shaped by a person's living environment"<sup>1</sup>. Creating a more holistic solution which brings

housing into the health and social care system does not cost taxpayer money. It is a simple matter of enabling providers like Audley to meet the clear demand that exists. And that's something Westminster is recognising. On Thursday 1st July 2021 the first ever debate on the housing with care sector was tabled by Jim Shannon MP in Westminster Hall - a long overdue milestone that acknowledges the critical importance of appropriate housing in providing alternatives to the current groaning health and social care system.

As the leading provider of retirement villages in the UK, we have demonstrated that our strong foundations have given us the expertise and the

scale to adapt to changing market conditions and continue to operate seamlessly even during a global pandemic. This year showcased the best of what Audley Group can offer and the results are a testament to that hard work. We are exceptionally well-placed to fulfil demand, and to generate real value for both customers and investors. The model delivers a long-term secure income stream, while demand is being driven by demographic change and a new impetus to address living choices in the wake of a year which left so many feeling vulnerable and isolated. In a property market suffering extreme upheaval, retirement villages have proven to be an attractive investment prospect.



**Nick Sanderson**  
Chief Executive Officer  
27 August 2021

<sup>1</sup> <https://lccuk.org.uk/virtual-policy-event-making-the-extra-years-count-inequalities-in-disability-and-dependency-with-increasing-longevity/>

Find out more about our  
Directors at [audleygroup.com](https://audleygroup.com)

## STRATEGIC REPORT

### Chief Executive Officer's Statement continued

#### CURRENT TRADING

In a challenging year, Audley's dual revenue model has shown true resilience. Completions rose from 122 in 2019, to 133 in 2020 across both owned and joint-venture villages. Development revenue fell slightly in line with expectations in the current climate, totalling £47.3m (down from £49.5m in 2019) and operations revenue rose 11%, from £21.9m in 2019 to £24.3m this year, despite the closure of our restaurants and club facilities for much of the year to external visitors. We are already seeing operational revenue rising significantly now that these facilities have reopened.

#### STRATEGY

The retirement village sector has matured; and Audley Group is driving the change. As the largest private sector operator of retirement villages in a market where scale is important to delivering the best experience for customers, Audley Group is a more attractive prospect than ever for investors.

We have attracted significant investor interest over the past few years and that interest is only increasing. In 2020, Audley Group entered an agreement with Royal London for them to develop a new village in Buckinghamshire, Audley Wycliffe Park. This marks Royal London's first investment in the retirement living sector and is yet another example of the strength of institutional investment interest.

There is a significant opportunity in the mid-market for Mayfield Villages. That sector remains astonishingly underserved and has long been a strategic priority for Audley Group. In a post-Covid landscape, there is a need to regenerate town centres, and Mayfield will play a significant role as part of mixed-use developments on prime sites in urban locations. For too long house building was all targeted at the same market, but at last local authorities are recognising that proper regeneration should focus on communities of every age.

The need for growth in this mid-market area has been demonstrated by the creation of our new joint venture with BlackRock Real Assets. The partnership's first project will be the completion of Mayfield Watford, our 255 apartment village in central Watford. Of the next three projects into the joint venture we expect at least two to be Mayfield. With a total gross development value of around £500m, this is a sizeable commitment from the world's largest fund manager and evidences their strong belief in the Mayfield model and the need to provide more well priced housing with a full care provision in the UK.

It isn't just institutional investors that recognise the potential, and indeed the need, within the sector. Peter Freeman, the Chairman of Homes England has said, "Fixing the broken housing market... is a much more complex issue than just achieving some more numbers." They have specifically recognised the need for increased provision of specialist housing for older people and will finance the first village in the joint venture, Mayfield Watford, in a landmark deal.

Our strategy remains focused on our owners and customers. At least part of the attraction of purchasing an Audley Group property is the element of choice and control: people choosing to live their lives the way they want to, for as long as possible. Choice is something that we are recognising within the sales process too, including rental models for Mayfield villages, and offering more flexibility with our Management and Deferred Management Charges.

Sector growth is happening and will continue at pace. If there is one glimmer of light to come from this dreadful pandemic, it should be a re-engineering of social care. It's about time this country had a proper objective to keep people out of care homes and enable them to live better for longer. Our focus, and our strategy, remains firmly focused on the growth of both our village models, working with investment partners to accelerate delivery of much needed housing with care.

#### OUR FOCUS

- We will continue to deliver fantastic villages which prioritise exceptional design and build, coupled with exceptional service for our customers. This in turn creates a friendly and inclusive community environment
- We will deliver those villages in a sustainable way that supports our ESG focus
- We will help those in our villages to live better for longer, with a holistic approach to health and wellbeing with a technology wrapper

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UK's housing with care market is projected to grow

48%

in next five years (Knight Frank, August 2020)

---

Housing with care total number of sales have increased

240%

since the global financial crisis in 2009, whereas mainstream residential sales are still 30% lower (Octopus Real Estate's Unlocking the Retirement Opportunity in a Post Pandemic World report)

# 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 planning and design 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.

Find out more about our business at [audleygroup.com](https://audleygroup.com)

## 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.



## CREATING VALUE FOR OUR STAKEHOLDERS

### CUSTOMERS

Our owners appreciate the environments we create, the services we provide, and that we care about them. We encourage them to provide feedback on how we could do better

### TEAM MEMBERS

Our team members tell us they are Proud to work for Audley and have shared belief that the communities we create will make a profound difference to the lives of our customers

### INVESTORS

Our investors value the long-term income streams generated by our villages

### COMMUNITIES

We support our local communities with our care activities, through employment and by building quality housing that will free up accommodation for new families

### LENDERS

We source debt from counterparties who want to support our growth, and that enables us to compete to buy land in a competitive market

## STRATEGIC REPORT

### Chief Financial Officer's Statement

# Financial resilience in an extraordinary year

## OVERVIEW

The impact of the Covid-19 pandemic and associated government lockdowns challenged the country as a whole and whilst Audley was not immune, it was very resilient.

During periods of complete lockdown, we were required to close our clubs, bistros and restaurants. Despite this, we were able to serve food directly to our owners in their own homes across our villages. Care revenues, although £0.2m higher year-on-year, did not grow as expected with reduced demand for care in the local community resulting from some family members, themselves spending more time at home, providing care directly.

Despite restricted, and at times no, access to our villages we delivered 83 unit sales from wholly owned stock and a further 50 units from our partnerships with Octopus/Schroders (Stanbridge Earls, Romsey) and Apache Capital (Nightingale Lane, Clapham). This was only seven fewer wholly owned units sold than last year. We were very encouraged by an increasing level of enquiries, particularly during the second half of the year, with enquiries made during Q4 41% higher than during the same period in 2019.

During the year the Group was successful at accessing some of the government schemes made available to support businesses impacted by periods of lockdown, such as the furlough - coronavirus job retention - scheme.

In the year, we helped some new owners take possession of a new Audley home by offering shared equity property sales, for the first time. These owners typically paid 75% of the property purchase price, with Audley retaining the remaining 25% until the property is resold. In the year there were 15 shared equity sales.

In the year, our Octopus joint venture acquired two sites, one in Sunningdale, Berkshire and one in Cobham, Surrey. After the year end, in February 2021, the same joint venture acquired a site in Scarcroft, West Yorkshire.

The site in Sunningdale was acquired in February 2020 for £20.7m. This was funded using a combination of bank debt (£10.5m) and equity funding from the joint

venture partners (£10.2m). The site, originally contracted for by Audley Group, was novated to and the transaction completed by the joint venture. Audley Group was reimbursed for all work-in-progress to the date of acquisition by the joint venture and also received £4.0m additional income for work done identifying and securing both the site and planning consent.

In February 2020, the legal entities for Audley Sunningdale Park and Audley Stanbridge Earls entered into a £106.0m five-year loan facility agreement with LaSalle. The total amount drawn on 31st December 2020 was £28.6m (including capitalised interest and fees). This loan was used to part fund the acquisition of Sunningdale and part repay the joint-venture partners for work done to date on Stanbridge Earls.

The site in Cobham was acquired in November 2020 for £16.2m. Like Sunningdale, the site was contracted for by Audley Group and subsequently novated to and the transaction completed by the joint venture. Audley Group was reimbursed for all work-in-progress to the date of acquisition and received an additional £3.8m for work done identifying and securing both the site and planning consent.

In December 2020, after the acquisition of land, the Cobham legal entity entered a £47.5m 26-month loan facility agreement with Silbury Finance. The total amount drawn on 31st December 2020 was £9.3m (including capitalised interest and fees).

## Gary Burton

Chief Financial Officer  
27 August 2021

## STRATEGIC REPORT

### Chief Financial Officer's Statement continued

#### OVERVIEW CONTINUED

After the year end, in February 2021, the joint venture acquired the site in Scarcroft, West Yorkshire for £11.0m, bringing the total of Audley villages in the joint venture with Octopus to four. The legal entity for Audley Scarcroft entered a loan with Bank Leumi (UK) plc for £9.8m to finance the purchase of the land.

In August 2020, the Group entered into an agreement with Royal London Pension Property Fund to develop an Audley village in High Wycombe, Buckinghamshire. This is a capital efficient structure for the Group as Royal London will provide the funding to develop the site. Royal London will retain the freehold at completion and Audley will enter into a 250-year lease to occupy the main facility.

Following the year end, the Group formed a new joint venture with Blackrock Real Assets Limited, with a share ownership structure of 25% Audley and 75% Blackrock. The Group sold a wholly owned subsidiary into the joint venture, which owns the first Mayfield site at Watford, for a headline purchase price of £37.8m and received net cash of £27.7m. On selling the subsidiary company, the Group repaid £14.4m of bank loans and the bank facility was subsequently reduced by £10.0m to £95.0m.

On 10th August 2021, the newly formed Audley and Blackrock joint venture entered into a £40.5m loan agreement with Homes England, the Government's housing agency, to support the construction of 255 mid-market retirement homes in Audley Group's Mayfield Villages portfolio.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income presents the results for the year to 31st December 2020. A commentary on all significant line items is set out below.

#### REVENUE

Revenue of £71.6m was made up of £46.5m from property sales, £16.3m of estate management fees, £6.2m of Audley care income, £0.7m of development fee income and £1.8m of other income. Overall, revenue was slightly higher year-on-year (up £0.2m) from higher estate management income offsetting lower property sales revenue and lower revenues from areas impacted by Covid-19 such as restaurant and club membership.

£46.5m of property sales revenue was driven by 83-unit sales from wholly owned stock (2019: 90). Estate management fees contributed £16.3m to revenue in the year, an increase of £3.4m or 26.4% year-on-year and includes both monthly and deferred management fees (each increasing with each unit sold). Care revenue of £6.2m was up marginally (2019: £6.0m). Food and beverage revenue of £1.3m was down 50% year-on-year (2019: £2.6m), impacted by prolonged periods of full closure of our restaurants and bistros due to the government restrictions imposed in the year to control the Covid-19 pandemic.

#### DIRECT COSTS

Direct costs for the year were £55.8m (2019: £55.4m), comprising £36.7m relating to property sales, £15.0m estate management costs and £4.0m of care costs.

#### ADMINISTRATIVE EXPENSES

Administrative expenses of £26.6m (2019: £34.5m) represent operating costs of the business and include £0.4m received from the government furlough scheme (2019: £nil) and exceptional administrative costs of £0.3m (2019: £8.5m). Like-for-like, administrative expenses in 2020 were £26.9m (2019: £24.0m), with continuing investment in building the platform for the future.

## STRATEGIC REPORT

### Chief Financial Officer's Statement continued

#### SHARE OF RESULTS FROM JOINT VENTURES

The Group recognised a £2.1m share of losses from the joint venture with Octopus (total loss of £8.5m). Losses were expected given the early stages of development with three, out of the four sites, under construction and not yet generating revenues. See note 15 for a summary of the results of the joint venture. Equity of £3.2m was invested in the year.

#### GAIN ON REVALUATION OF INVESTMENT PROPERTIES

The Group had a revaluation gain at year end of £4.3m (2019: loss of £1.4m) on its investment properties. The valuation was carried out by CBRE on a fair value basis and takes into consideration estimated future cash flows driven by the contractual arrangements contained in our owners' lease.

#### OTHER OPERATIONAL INCOME

The Group recognised a total gain of £7.8m from payments made by the joint venture between Octopus and Audley for work done to identify, secure and obtain planning consent on land in Sunningdale, Berkshire and in Cobham, Surrey. The contracts, securing these sites, were completed by the joint venture where Audley Group Limited holds 25% of the share capital.

#### OTHER GAINS/(LOSSES)

Included in other gains and losses is an amount of £0.7m (2019: £6.4m) in respect of expected credit losses on 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.

#### NET FINANCE EXPENSE

Finance costs of £5.5m represent interest costs, loan facility fees and amortisation of loan arrangement costs on the Group's loan facilities. Finance income of £2.1m includes preference share interest receivable and other interest receivable.

#### TAXATION

The net taxation expense for the year of £1.9m relates, primarily, to the recognition of deferred tax liabilities on the revaluation gains on the investment properties. The Group did not recognise any deferred tax assets, as it is not certain if or when such losses will be accessed.

#### CONSOLIDATED BALANCE SHEET

##### NON-CURRENT ASSETS

###### Intangible assets

The £14.7m intangible asset is the goodwill created on the acquisition of Audley Court Limited in 2015. This value relates to the Development cash-generating-unit (CGU) with the Operations CGU having been impaired fully in 2019. The Directors have carried out an impairment review, by comparing the fair value less costs to sell of the CGU with the amount of goodwill and net assets attributed to that CGU. No impairment was recognised in the year.

##### 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 a fair value basis with consideration for estimated future cash flows. Investment properties are carried at the CBRE valuation less the amount recognised in accrued income in relation to the deferred management charges.

#### RIGHT OF USE ASSET

The Group leases some of its investment properties as well as its head office. 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 and no depreciation is provided on these assets. During the year the Group entered a lease for the communal areas at the Stanbridge Earls site, which is being developed in joint venture. The Group provides the estate management services from the communal areas.

#### TRADE AND OTHER RECEIVABLES

The Group has £32.1m of long-term trade and other receivables. Of this, £12.1m relates to preference shares in Audley Nightingale Lane Limited and accrued interest thereon. Accrued income for deferred management charges is split between amounts due in greater than one year (£20.0m) and amounts due in less than one year (£1.2m). Accrued income represents deferred management charges that are levied on each owner upon assignment of their lease. These deferred management charges are determined from the contractual arrangements contained in each lease and are calculated as a percentage per year of occupation, or part thereof. The amount recognised in the accounts is based on management's estimate of property values, which is 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.

## STRATEGIC REPORT

### Chief Financial Officer's Statement continued

#### 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. Finished goods have increased by £54.4m in the year, following the delivery of the final phase at Cooper's Hill and Chalfont, offset by units sold in the year.

##### TRADE AND OTHER RECEIVABLES

Trade and other receivables at the year end were £7.9m. £2.9m of trade debtors (net of £0.1m provision for impairment), £2.5m of accrued income, £1.4m of prepayments, £0.9m of other receivables and £0.1m due to related undertakings.

##### LIABILITIES

Trade and other payables of £21.8m includes £11.3m of accruals, £4.1m of trade payables, £3.8m of deferred income and £2.6m of other payables. Trade payables are all in the normal course of business and included in other payables are reservation and exchange deposits. Lease liabilities have increased in the year due to the lease entered into to occupy the Stanbridge Earls main facilities and were £8.7m at year end (2019: £3.8m).

##### NET DEBT

Net debt at 31st December 2020 was £87.1m and £14.1m higher year-on-year (2019: £73.0m). The Group had borrowings of £91.2m including £2.0m of loan arrangement costs in respect of its £105.0m loan. Audley Court Limited is the borrower to the banks' facility agreement and, as such, all its assets, including all property assets of the Group, have been provided as security to the banks. During the year the facility was restated to reduce the maximum borrowing amount to £105.0m (2019: £125.0m) and

was split into separate borrowing tranches for ongoing developments, completed stock, the Watford site and working capital. Following the disposal post-year end of the subsidiary holding the Watford assets, the Group repaid £14.4m and the loan facility was reduced by a further £10.0m to £95.0m. Cash and cash equivalents at the year end were £14.8m and included £3.0m held in a restricted bank account that can only be used to fund lifecycle costs at our villages under certain circumstances.

##### EQUITY

During the year, 70,000,000 C-shares were issued at £0.001 value to Directors. The C-shares do not carry voting rights and have no preference over A and B shares.

##### POST-BALANCE SHEET EVENTS

Please see the subsequent events section in note 31.



**Gary Burton**  
Chief Financial Officer  
27 August 2021

Find out more about our business at  
[audleygroup.com](https://audleygroup.com)

“I love having the coffee shops, the cinema and restaurants on my doorstep, and best of all it’s next to the Tube and buses, and M&S food. It’s a wonderful location.”

Mrs Morgan, owner, Audley Nightingale Place

Nightingale Place, Clapham

# Effective risk management

### RISK MANAGEMENT PROCESS

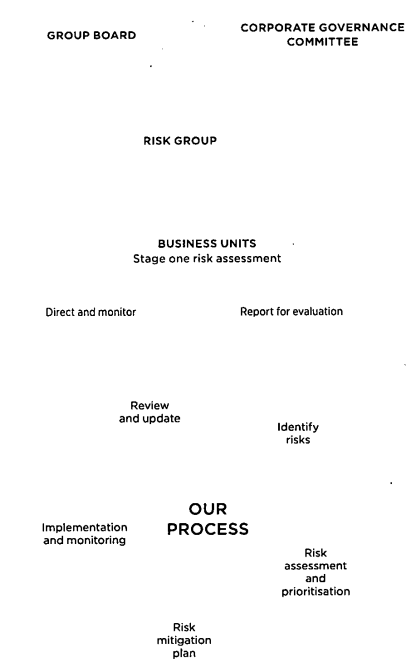
Managing risk is integral to Audley Group's business activities and, through a continual process to identify, assess, monitor and manage each risk, we can continue to implement our corporate strategy successfully. Risk management starts at Board level; setting risk appetite, providing policy, maintaining risk oversight and enforcing risk management reporting. A 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 that meets by exception and continually monitors new and changing risks and maintains an up-to-date risk register. Members of this Group report risks to the Health and Safety Manager with a summary report presented to the Corporate Governance Committee. All identified risks on the risk register are scored accordingly to their consequence and likelihood of occurrence.

### RISK APPETITE

Audley Group's approach to risk management is to minimise its exposure appropriately with minimal exposure to reputational, compliance and excessive financial risk.

Audley Group recognises that its appetite for risk varies according to activities undertaken, and its acceptance of risk is subject to always ensuring that potential benefits and risks are fully understood before developments are authorised by the Corporate Governance Committee, and that sensible measures to mitigate risks are established.

### RISK MANAGEMENT PROCESS FLOW



## STRATEGIC REPORT

Risk management continued

Increased risk

Maintained risk

Decreased risk

## PRINCIPAL RISK REVIEW

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<b>FUNDING RISK</b> Without sufficient earnings or funding we will not be able to satisfy existing financial commitments, banking covenants, and/or deliver our strategic plan.	The Retirement Village sector is evolving increasingly rapidly and continues to see greater interest from institutional investors and debt providers. We do not over-leverage or over-commit the business and model different financial outturn scenarios to maintain appropriate visibility for funding and liquidity. We partner with credible institutions and banks, with whom we maintain good relations, to secure funding on reasonable investment terms.	
<b>PANDEMIC DISEASE</b> Government action in response to a pandemic disease, such as Covid-19, could result in significant disruption to the UK housing and hospitality market in the short to medium with risk of long-term change to the operating practices and/or business model of the Group.	Our experience and expertise enables us to take swift and decisive action to ensure the safeguarding of owners, customers and employees. Accessing government aid and support, as this becomes available, for example accessing the Government's Coronavirus Job Retention Scheme, helps to support our business operations and ongoing financial liquidity. The business model means operational revenues are reasonably resilient to such disruption.	
<b>REGULATORY AND POLICY ENVIRONMENT</b> Increasing and changing rules, regulations, policies and legislation could reduce the Group's ability to purchase sites, force a change to the way the business operates and/or the underlying business model.	Management monitors changes in government policy and the regulatory environment either directly or via its involvement with the ARCO (Associated Retirement Community Operators) body representing the UK retirement community sector.	
<b>ECONOMIC AND MARKET RISK</b> Changing market conditions could impede the Group's ability to sell properties. As housebuilding is cyclical and dependent on the broader economy, any deterioration in economic conditions could damage buyer confidence and impact on the Group's ability to sell units resulting in lower development revenue, profit and cash. The UK's withdrawal from the European Union is still a cause for uncertainty and therefore risk.	Management monitor market and economic indicators and model different financial outturn scenarios under different risk assumptions to guide decision making in support of longer-term liquidity management. The Group partners with companies offering part exchange and bridging loans to provide support to customers who want to buy our product but who may have difficulties selling their home due to market conditions. The Mayfield Village proposition provides some mitigation to market risk from diversification.	

## STRATEGIC REPORT

Risk management continued

Increased risk

Maintained risk

Decreased risk

## PRINCIPAL RISK REVIEW CONTINUED

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<b>LAND ACQUISITION RISK</b> Failure to identify and acquire land with acceptable conditions or suitability to meet the brand growth strategy.	An in-house land team with specialist experience and expertise. Land is usually acquired subject to planning permission or via an option. Growth in both the retirement village market and the Audley Group business is providing more potential opportunities and with retirement being offered greater prominence on mixed use sites.	
<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 a site (at a potential loss) if acquired or failure to acquire successfully if subject to planning consent.	A specialist in-house planning team 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 social-economic advantages of our type of development has helped us achieve a 100% successful planning record to date. Our approach is to only take on projects where we believe, from the outset, that there is a strong chance of obtaining planning permission. We are working with ARCO to lobby for a clear retirement village use class.	
<b>BUILD PROGRAMME AND BUILD COST RISK</b> The ability to deliver build programmes on time and within cost are important for the financial performance of the Group. The delay (12-24 months) between agreeing an acquisition price with a land vendor and placing a build contract exposes the Group to construction price increases.	We partner with large 'blue chip' construction companies as well as Tier 2 contractors. We diversify our risk by using several different contractors for different size projects on whom we carry out due-diligence before contracting. Regular client progress meetings are held where the programme position is thoroughly appraised with early warnings on time slippage assessed and a resulting recovery strategy agreed.	
<b>REPUTATIONAL RISK</b> Marketing materials and websites displaying incorrect information either due to miscommunication between departments or human error could result in mis-selling to customers, cancelling sales or potential legal issues that have a negative impact on business reputation resulting in a loss of revenue.	We ensure that any price changes and management fee changes are communicated clearly between sales and marketing teams. All print materials are proof-read internally and by our agencies. Websites are regularly reviewed and maintained by our experienced in-house team.	

## STRATEGIC REPORT

Risk management continued

Increased risk

Maintained risk

Decreased risk

## PRINCIPAL RISK REVIEW CONTINUED

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<b>LOSS OF EMPLOYEE OR KEY MANAGEMENT PERSONNEL</b> Failure to attract and retain sufficient quality staff would be a risk to delivering growth as well as maintaining our brand quality and service.	The Group has in-sourced recruitment to control better the consistency and appropriateness of new hires and operates an attractive working environment, culture and reward structure for key management is operated. A dedicated learning & development team provides training across the Group in addition to external expertise as considered appropriate. Successor planning is performed across the business to mitigate the negative impact to the business from any sudden loss of key personnel.	
<b>STANDARDS OF CARE</b> "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.	Our Care team is carefully recruited and receives ongoing training that has so far seen us achieve a 'good' rating by the Care Quality Commission (CQC) in all our branches that have been inspected and achieving 'outstanding' in some key areas.	
<b>HEALTH AND SAFETY RISK</b> The nature of construction sites is inherently risky and could potentially expose contractors or employees to serious injury or fatality. In addition, failure to have adequate safeguards at our completed developments could lead to death or serious injury, proceedings and/or reputational damage.	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 to identify and address any areas of concern. In response to Covid-19, all villages have hand sanitisers and thermal imaging cameras to detect anyone with elevated temperature.	
<b>RISK OF DATA OR CYBER BREACH</b> 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.	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.	

On behalf of the Board



**Nick Sanderson**  
Chief Executive Officer  
27 August 2021



**Gary Burton**  
Chief Financial Officer  
27 August 2021

## CORPORATE GOVERNANCE

### Board of Directors

# Led with experience

#### 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.

#### 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).

#### NICK EDWARDS

Chief Operating Officer

Nick joined Audley Group in December 2019 having previously held the role of Chief Financial Officer of Moorfield Group. 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.

#### 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.

## CORPORATE GOVERNANCE

### Board of Directors continued

#### PAUL MORGAN Managing Director

Paul joined Audley Group in 2007 as Operations Director and was promoted to Managing Director 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 as well as property sales and marketing across the Audley Group.

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

#### 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.

#### 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.

## CORPORATE GOVERNANCE

### 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 2020.

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 29 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	—
Nick Edwards	—
Jon Austen	Resigned 30 June 2021
Gary Burton	Appointed 02 November 2020
Paul Morgan	—
Kevin Shaw	Resigned 30 April 2021
Marc Gilbard	—
Charles Ferguson-Davie	—
Henrik Poulsen	—

During the year, Jon Austen and Kevin Shaw announced that they will resign during the course of 2021. Gary Burton joined the Board as an Executive Director in November 2020 to ensure a smooth transition with Jon.

Biographies of serving Directors are on pages 29 and 30.

During the year 70,000,000 C shares were issued to some of the Directors at nominal value of £0.001. The C shares do not hold voting rights.

At 31 December 2020 Nick Sanderson owned 0.34% of the share capital of Audley Group Limited via direct and indirect holdings. Jon Austen owned 0.08% of the share capital of Audley Group Limited via direct and indirect holdings. Paul Morgan and Kevin Shaw held 0.07% and 0.08% respectively.

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. Paul Morgan and Kevin Shaw held 0.06% and 0.08% 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 4 to 10;
- (c) the need to foster the Company's business relationships with clients, end customers, suppliers and regulators – pages 4 to 10;
- (d) the impact of the Company's operations on the community and the environment – pages 9 to 10;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct – pages 4 to 10; and
- (f) the need to act fairly between members of the Company – pages 4 to 10.

## CORPORATE GOVERNANCE

### Directors' Report continued

#### RESULTS AND DIVIDENDS

The Group's loss for the year was £6,860,000 (2019: loss of £35,972,000). No dividends were paid in the year to 31 December 2020 (2019: 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.

#### POLITICAL AND CHARITABLE DONATIONS

During the year the Group did not make any political donations or incur any political expenditure (2019: Nil). During the year the Group made charitable donations of £7,000 (2019: £7,000).

#### PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties are described on pages 25 to 28.

#### FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group are described in note 24 on pages 64 to 67.

#### FUTURE DEVELOPMENTS

Details of the likely future developments of the business are described in the Strategic Report on pages 2 to 28.

#### EMPLOYEE AND ENVIRONMENTAL MATTERS

Information in respect of the Group's employment and environmental matters is contained within the Strategic Report on pages 4 to 10.

#### SUBSEQUENT EVENTS

See note 31 for events after the balance sheet date.

#### 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 it 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 the 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 and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

## CORPORATE GOVERNANCE

### Directors' Report continued

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS CONTINUED

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
- 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



**Gary Burton**  
Chief Financial Officer  
27 August 2021

## FINANCIAL STATEMENTS

Independent auditors' report – Group  
To the members of Audley Group Limited

### 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 2020 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 2020 (the "Annual Report"), which comprise: the Consolidated balance sheet and the Company balance sheet as at 31 December 2020; the Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated cash flow statement and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

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

#### Independence

We remained independent of the 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 by Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained. 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 Severe but plausible '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.

## FINANCIAL STATEMENTS

Independent auditors' report – Group continued  
To the members of Audley Group Limited

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED Emphasis of matter – material uncertainty related to going concern continued

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.

These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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

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

#### Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### 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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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 the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

##### Auditors' responsibilities for the audit of the financial statements

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

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

## FINANCIAL STATEMENTS

Independent auditors' report – Group continued  
To the members of Audley Group Limited

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with tax regulations, the Data Protection Act 2018, health and safety regulations, building and construction regulations and Care Quality Commission regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to revenue overstatement through posting journal entries to increase revenue, undisclosed related party transactions and management bias in accounting estimates related to the valuation of investment property, carrying value of stock, recoverability of preference share receivable, valuation of investments in joint ventures and deferred management charge in respect of the Group financial statements, and the carrying value of investments in subsidiaries in respect of the Company's financial statements. Audit procedures performed by the engagement team included:

- Identified and tested unusual journals entries, specifically those with unusual account combinations impacting revenue, and unusual account combinations impacting stock, and transactions with related parties
- Challenging assumptions and judgements made by the Directors in their significant accounting estimates, specifically related to the valuation of investment property, carrying value of goodwill, recoverability of preference share receivables and carrying value of stock in respect of the Group financial statements, and the carrying value of investments in subsidiaries in respect of the Company's financial statements;
- Reviewing relevant meeting minutes, including Board minutes and management's summary of known and potential legal claims;
- Testing the tax provisions of the Group and Company;
- Enquiries with the Board and with management, about compliance with laws and regulations, including consideration of any known or suspected fraud or instances of non-compliance with laws and regulations; and
- Reviewing CQC reports for instances of non-compliance

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and

regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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 2020 £'000	Year ended 31 December 2019 £'000
<b>Revenue</b>	3	<b>71,579</b>	71,428
Cost of sales	3	(55,765)	(55,368)
<b>Gross profit</b>	3	<b>15,814</b>	16,060
Administrative and selling expenses		(26,599)	(32,472)
Share of results of joint ventures		(2,130)	(46)
Gain/(loss) on revaluation of investment properties	13	4,286	(1,402)
Other operating income	4	7,808	—
Other gains/(losses)	6	(710)	(8,733)
<b>Operating loss</b>	5	<b>(1,531)</b>	(26,593)
Operating loss before exceptional items, revaluation gain and other gains/(losses)		(12,589)	(8,009)
Gain/(loss) on revaluation of investment properties		4,286	(1,402)
Exceptional items	11	7,482	(8,449)
Other gains/(losses)	6	(710)	(8,773)
<b>Operating loss</b>		<b>(1,531)</b>	(26,593)
Finance income	9	2,137	1,911
Finance expense	9	(5,542)	(5,738)
<b>Loss before tax</b>		<b>(4,936)</b>	(30,420)
Tax charge	10	(1,924)	(5,552)
<b>Loss and total comprehensive expense for the year</b>		<b>(6,860)</b>	(35,972)
Attributable to:			
- Equity holders of the Parent Company		(6,860)	(35,600)
- Non-controlling interests		—	(372)
		<b>(6,860)</b>	(35,972)

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 £0.7m (2019: £6.4m) of expected credit losses relating to preference share receivables.

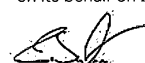
# FINANCIAL STATEMENTS

## Consolidated balance sheet As at 31 December

	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Intangible assets	12	14,706	14,706
Investment properties	13	115,074	106,718
Right of use assets	14	8,090	1,714
Investments in joint ventures	15	13,487	12,455
Other investments	16	193	295
Property, plant and equipment	17	2,302	1,546
Deferred tax assets	18	—	301
Trade and other receivables	20	32,051	25,604
<b>Total non-current assets</b>		<b>185,903</b>	<b>163,339</b>
<b>Current assets</b>			
Stocks and inventories	19	148,507	161,602
Trade and other receivables	20	7,861	7,856
Cash and cash equivalents	21	14,794	20,554
<b>Total current assets</b>		<b>171,162</b>	<b>190,012</b>
<b>Total assets</b>		<b>357,065</b>	<b>353,351</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	22	(21,798)	(22,011)
Lease liabilities	14	(154)	(148)
<b>Total current liabilities</b>		<b>(21,952)</b>	<b>(22,159)</b>
<b>Non-current liabilities</b>			
Loans and borrowings	23	(91,196)	(88,659)
Lease liabilities	14	(8,523)	(1,972)
Deferred tax liabilities	18	(5,311)	(3,688)
<b>Total non-current liabilities</b>		<b>(105,030)</b>	<b>(94,319)</b>
<b>Total liabilities</b>		<b>(126,982)</b>	<b>(116,478)</b>
<b>Total net assets</b>		<b>230,083</b>	<b>236,873</b>
<b>Equity</b>			
Share capital	25	266,958	266,888
Share premium	26	15,665	15,665
Accumulated to retained earnings		(52,540)	(45,680)
<b>Total equity</b>		<b>230,083</b>	<b>236,873</b>

The notes on pages 41 to 69 form part of these financial statements.

The financial statements on pages 37 to 69 were approved and authorised for issue by the Board and were signed on its behalf on 27 August 2021.



**Gary Burton**  
Chief Financial Officer

Registered number: 09906780

# FINANCIAL STATEMENTS

## Consolidated statement of changes in equity For the year to 31 December

	Share capital £'000	Share premium £'000	Retained earnings/ accumulated losses £'000	Total attributable to equity holders of the Parent Company £'000	Non- controlling interest £'000	Total equity £'000
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)
At 1 January 2020	266,888	15,665	(45,680)	236,873	—	236,873
Shares issued	70	—	—	70	—	70
Transactions with owners	70	—	—	70	—	70
Loss for the year	—	—	(6,860)	(6,860)	—	(6,860)
Total comprehensive loss	—	—	(6,860)	(6,860)	—	(6,860)
<b>At 31 December 2020</b>	<b>266,958</b>	<b>15,665</b>	<b>(52,540)</b>	<b>230,083</b>	<b>—</b>	<b>230,083</b>

FINANCIAL STATEMENTS

Consolidated cash flow statement  
For the year to 31 December

	2020 £'000	2019 £'000
<b>Operating activities</b>		
(Loss) before tax	(4,936)	(30,420)
Adjustments for:		
- Depreciation of tangible fixed assets	627	554
- Gain on revaluation of investment properties	(4,286)	1,402
- Profit on disposal of subsidiary	—	(1,807)
- Share of post-tax losses from associates	2,130	46
- Finance income	(2,137)	(1,911)
- Finance expense	5,542	5,738
- Goodwill impairment	—	8,259
- Other gains/(losses)	710	8,733
<b>Cash flows from operating activities before changes in working capital</b>	<b>(2,350)</b>	<b>(9,406)</b>
Increase in trade and other receivables	(5,033)	(3,638)
Increase in trade and other payables	140	5,798
Decrease/(increase) stocks and inventories	13,095	(36,566)
<b>Cash absorbed by operating activities</b>	<b>5,852</b>	<b>(43,812)</b>
Finance income received	4	20
Finance costs paid	(4,273)	(4,832)
Corporation tax paid	—	—
<b>Net cash flows used in operating activities</b>	<b>(1,583)</b>	<b>(48,624)</b>
<b>Investing activities</b>		
Additions to investments	—	(245)
Additions to joint venture investments	(3,162)	(12,501)
Additions to investment properties	(4,070)	(1,385)
Additions to property, plant and equipment	(1,383)	(917)
Disposal of subsidiary	—	36,177
Disposal of non-controlling interest	—	(212)
<b>Net cash flows generated from/(used in) investing activities</b>	<b>(8,615)</b>	<b>20,917</b>
<b>Financing activities</b>		
New loans	15,167	49,000
Issue costs of new loans paid	(223)	(625)
Repayment of loans	(13,429)	(36,519)
Issue of share capital	—	25,900
Principal elements of lease payments	(243)	(245)
<b>Net cash flows generated from financing activities</b>	<b>1,272</b>	<b>37,511</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(5,760)</b>	<b>9,804</b>
Cash and cash equivalents at start of year	20,554	10,750
<b>Cash and cash equivalents at 31 December</b>	<b>14,794</b>	<b>20,554</b>

## FINANCIAL STATEMENTS

### Notes to the accounts

#### 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 to 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 74 - 80 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 25 to 28.

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 Covid-19 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 notes 23 and 24, the Group has a £95.0m debt facility including amortising and revolving credit tranches that is secured on the net assets of Audley Court Limited and its subsidiaries. Audley Court Limited is a subsidiary of Audley Group Limited. The Group is also a joint guarantor to debt facilities held by its joint venture, RELF Audley Retirement Living LLP, and by Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained and tested on a quarterly basis. At the date of approval of these financial statements the Group had complied with all applicable borrowing covenants. The Group had cash and cash equivalents of £14.8m at 31 December 2020 (2019: £20.6m).

At 31 December 2020, the Group's joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group has an investment, had £238.3m of secured facilities, of which the Group's proportionate share was £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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

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

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

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

Under the Severe but plausible downside case, the forecast valuation decline on the unsold stock held by Audley Nightingale Lane Limited reduces the headroom under loan-to-value covenant and would result in a breach of

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

### Mitigating actions

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

### Conclusion

Based on the scenarios modelled 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 and investments. The Directors have concluded that attention should be drawn to the following factors, that under the Severe but plausible downside case give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern:

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

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Conclusion continued

- The Group would breach the loan-to-value covenant on one specific tranche of the facility. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due;
- The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under 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 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 principal accounting policies are consistent with those applied in the Group's financial statements for the year to 31 December 2019, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

### New standards adopted during the year

The following standards, amendments and interpretations were effective for the first time for the Group's current accounting period and had no material impact on the financial statements.

- References to Conceptual Framework in IFRSs (amended)

- IAS 1 and IAS 8 (amended) – Definition of Material
- IFRS 3 (amended) – Definition of a Business
- IFRS 16 (amended) – Covid-19-Related Rent Concessions

### Standards in issue but not yet effective

The following standards, amendments and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting period and have not been adopted early. Based on the Group's current circumstances, the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group.

- IFRS 17 – Insurance Contracts
- IAS 1 (amended) – Classification of liabilities as current or non-current
- IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture
- IFRS 3 (amended) – Reference to the Conceptual Framework
- IAS 16 (amended) – Property, Plant and Equipment: Proceeds before Intended Use

### 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Basis of consolidation continued

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.

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 7).

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### 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. Fair value is adjusted down by the deferred management fees (accrued income) amount to avoid double counting. 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.

### Shared equity

Shared ownership is available on a small number of units held in inventory. All units held in inventory are available for sale without shared ownership. Upon completion of a property sold under shared ownership, the proportion retained is transferred to investment property at cost. The proportion of the properties retained as shared ownership are revalued annually to fair value. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

### 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. Land is not depreciated. 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 or life of lease |
| • Fixtures and fittings         | - 10% and 33% straight line          |
| • Office equipment              | - 33% straight line                  |
| • Motor vehicles                | - 33% straight line                  |

### Leases

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
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### 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.

#### 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Taxation continued

#### (ii) Deferred tax continued

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.

#### 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Investments and other financial assets continued

- **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 fair value through other comprehensive income. 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.

Accrued income represents a deferred management charge that the Group levies on 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Investments in equity instruments continued

#### 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.

#### Share-based payments

Share-based compensation benefits are provided to executive directors via the Management Equity Plan.

The fair value granted under the Audley Group Limited Management Equity Plan is recognised as an employee benefits expense, with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value granted:

- including performance conditions (such as the IRR to investors and NAV targets); and
- excluding the impact of any service conditions (for example, remaining an employee of the entity).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates based on the performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

#### 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 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 ancillary income streams. The initial cost of the investment property is dependent on an equitable allocation 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 13.

#### 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 £841,000 in respect of two sites (2019: impairment of £335,000 across 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Key sources of estimation uncertainty continued

#### 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 £721,000 (2019: £588,000) and the amount recognised in non-current assets would decrease by £721,000 (2019: £588,000). If the average length of stay increased by one year the amount recognised in current assets would decrease by £581,000 (2019: £253,000) and the amount recognised in non-current assets would increase by £581,000 (2019: £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 £0.3m (tax value) were derecognised in the year and the Group has total unrecognised gross tax losses of £74.7m.

#### 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.

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. The key assumptions are forecast unit sales values, 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 fair value of unsold stock would need to fall by 11.0% (2019: 9.3%) 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 £7.1m (2019: £6.4m) 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 £1.3m (2019: £1.2m).

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 3 REVENUE AND GROSS PROFIT

All revenue is generated in the United Kingdom.

	2020 £'000	2019 £'000
Property sales <sup>1</sup>	46,544	49,166
Estate management fees <sup>2</sup>	16,326	12,916
Care income <sup>1</sup>	6,218	6,023
Development fee income <sup>1,2</sup>	711	—
Other <sup>1,3</sup>	1,780	3,323
<b>Total revenue</b>	<b>71,579</b>	<b>71,428</b>
Property cost of sales	(36,734)	(39,344)
Estate management	(15,041)	(12,699)
Care	(3,990)	(3,325)
Total cost of sales	(55,765)	(55,368)
<b>Gross profit</b>	<b>15,814</b>	<b>16,060</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>.

#### 4 OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Land transaction – Sunningdale	4,008	—
Land transaction – Cobham	3,800	—
	<b>7,808</b>	<b>—</b>

Two sites originally contracted for by Audley Group, were novated to and the transactions completed by the RELF joint venture. Audley Group was reimbursed for all work-in-progress to the date of acquisition by the joint venture and also received additional income for work done identifying and securing both the site and planning consent.

#### 5 OPERATING LOSS

	2020 £'000	2019 £'000
This has been arrived at after charging:		
Impairment of goodwill	—	8,259
Depreciation of tangible fixed assets	627	554
Depreciation of right of use assets	182	169
Repairs and maintenance	103	51
Auditors' remuneration – audit of the Company	25	25
Auditors' remuneration – audit of subsidiaries	375	256
Total auditors' remuneration – audit services	400	281
Auditors' remuneration – non-audit services: tax compliance	70	70
Auditors' remuneration – non-audit services: tax advisory	102	122
Auditors' remuneration – non-audit services: transaction services	87	176
Total auditors' remuneration	659	649
Operating lease rentals:		
– Other	251	247

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 6. OTHER GAINS/(LOSSES)

	2020 £'000	2019 £'000
Net fair value losses on investments through profit or loss	—	(2,373)
Expected credit loss on financial assets at fair value through profit or loss	(710)	(6,360)
	<b>(710)</b>	<b>(8,733)</b>

#### 7 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'.

# FINANCIAL STATEMENTS

Notes to the accounts continued

## 7 SEGMENTAL REPORTING CONTINUED

2020	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	47,255	24,324	—	71,579
Cost of sales	(36,734)	(19,031)	—	(55,765)
<b>Gross profit</b>	<b>10,521</b>	<b>5,293</b>	<b>—</b>	<b>15,814</b>
Administrative and selling expenses	(7,246)	(2,490)	(16,863)	(26,599)
Other operating income	7,808	—	—	7,808
Share of results of joint ventures	(2,130)	—	—	(2,130)
Gain on revaluation of investment properties	—	4,286	—	4,286
Other gains/(losses)	(710)	—	—	(710)
<b>Operating profit/(loss)</b>	<b>8,243</b>	<b>7,089</b>	<b>(16,863)</b>	<b>(1,531)</b>
Net finance expense	—	—	(3,405)	(3,405)
<b>Loss before tax</b>				<b>(4,936)</b>
2020	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Intangible assets	14,706	—	—	14,706
Investment properties	—	115,074	—	115,074
Right of use assets	—	6,981	1,109	8,090
Investments in joint ventures	13,487	—	—	13,487
Other investments	193	—	—	193
Property, plant and equipment	744	803	755	2,302
Trade and other receivables	12,085	19,966	—	32,051
<b>Non-current assets</b>	<b>41,215</b>	<b>142,824</b>	<b>1,864</b>	<b>185,903</b>
Stocks and inventories	148,424	83	—	148,507
Trade and other receivables	2,753	3,883	1,225	7,861
Cash and cash equivalents	—	3,000	11,794	14,794
<b>Current assets</b>	<b>151,177</b>	<b>6,966</b>	<b>13,019</b>	<b>171,162</b>
Loans and borrowings	—	—	(91,196)	(91,196)
Trade and other payables	(9,991)	(4,561)	(7,246)	(21,798)
Lease liabilities	—	(7,491)	(1,186)	(8,677)
Deferred tax liabilities	—	—	(5,311)	(5,311)
<b>Total liabilities</b>	<b>(9,991)</b>	<b>(12,052)</b>	<b>(104,939)</b>	<b>(126,982)</b>
<b>Net assets</b>	<b>182,401</b>	<b>137,738</b>	<b>(90,056)</b>	<b>230,083</b>

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

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 7 SEGMENTAL REPORTING CONTINUED

2019	Development £'000	Operations £'000	Unallocated £'000	Total £'000
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)	(13,563)	(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>
2019	Development £'000	Operations £'000	Unallocated £'000	Total £'000
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>

2019	Development £'000	Operations £'000	Unallocated £'000	Total £'000
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)	(20,845)
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>

#### 8 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses (including Directors) are as follows:	2020 £'000	2019 £'000
Wages and salaries (including discretionary bonus)	<b>20,956</b>	17,517
Defined contribution pension costs	<b>846</b>	665
Social security costs	<b>1,942</b>	1,631
	<b>23,744</b>	19,813

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 £846,000 (2019: £665,000), of which £130,000 (2019: £73,000) was outstanding at the year end and included within other payables.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 8 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:

	2020 Number	2019 Number
Estate management	220	173
Care provision	345	292
Restaurant	117	114
Central management and administration	68	51
Sales and marketing	59	58
	<b>809</b>	<b>688</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 2020, the key senior managers within the Group are deemed to be the Board members and Group Land Director and Group HR Director, who are Directors of subsidiary companies. 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 £326,000 (2019: £332,000) was paid to key management personnel in respect of compensation for loss of office.

#### Directors' emoluments

	2020 £'000	2019 £'000
Wages and salaries	2,315	1,963
Social security costs	318	270
Defined contribution pension costs	40	37
	<b>2,673</b>	<b>2,270</b>

The highest paid Director received £720,000 (2019: £726,000) in the year, including £9,000 (2019: £11,000) 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

	2020 £'000	2019 £'000
Wages and salaries	3,034	2,499
Social security costs	371	335
Defined contribution pension costs	61	48
	<b>3,466</b>	<b>2,882</b>

#### 9 FINANCE INCOME AND FINANCE EXPENSE

	2020 £'000	2019 £'000
Preference share interest	2,133	1,891
Other interest receivable	4	20
<b>Finance income</b>	<b>2,137</b>	<b>1,911</b>
Bank interest payable	(4,086)	(4,261)
Amortisation of loan arrangement costs	(1,023)	(755)
Other finance costs (including facility fees)	(187)	(579)
Lease costs	(246)	(143)
<b>Finance expense</b>	<b>(5,542)</b>	<b>(5,738)</b>
<b>Net finance expense</b>	<b>(3,405)</b>	<b>(3,827)</b>

#### 10 TAX CHARGE/(CREDIT)

	2020 £'000	2019 £'000
<b>Current tax</b>		
Corporation tax	—	—
<b>Deferred tax</b>		
In respect of revenue losses	301	6,081
In respect of revaluation gains	1,623	(529)
<b>Total tax charge</b>	<b>1,924</b>	<b>5,552</b>

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 10 TAX CHARGE/(CREDIT) CONTINUED

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:

	2020 £'000	2019 £'000
Loss before tax for the year	(4,936)	(30,420)
Loss before tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(938)	(5,780)
Expenses not deductible	49	2,578
Adjustments for changes in tax rates	—	576
Reversal of deferred tax previously recognised	—	5,883
Losses not recognised	3,037	2,122
Other	(224)	173
<b>Total tax charge</b>	<b>1,924</b>	<b>5,552</b>

The standard rate of corporation tax in the UK remained at 19% in 2021. The rate will remain at 19% for the financial year beginning 1 April 2021. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

#### 11 EXCEPTIONAL ITEMS

	2020 £'000	2019 £'000
Impairment of goodwill	—	(8,259)
Pay in lieu of notice of key management personnel (included in administrative and selling expenses)	(326)	(333)
Gain on land acquisition and disposal - Sunningdale (included in other operating income)	4,008	—
Gain on land acquisition and disposal - Cobham (included in other operating income)	3,800	—
Corporate structuring activity	—	143
<b>Total exceptional costs</b>	<b>7,482</b>	<b>(8,449)</b>

During December 2020, two key personnel offered their resignations and were not required to work their notice period. As such the costs of the notice period were considered onerous and provided for in full. Included in accruals these costs were £326,000. In 2019 £332,000 was paid to key management personnel in respect of compensation for loss of office.

In February 2020, a site in Sunningdale, Berkshire, that was exchanged in the Audley Court Limited group, was novated to, and completed in a joint venture (RELF Audley Retirement Living LLP) where Audley Group Limited holds 25% of the share capital. All work in progress up to the date of completion was reimbursed in full to the Audley Court Limited Group by RELF Audley Retirement Living LLP and additional income of £4.0m for work done on acquisition and planning was also paid.

In November 2020, a site in Cobham, Surrey, that was exchanged in Audley Group Limited, was novated to, and completed in a joint venture (RELF Audley Retirement Living LLP) where Audley Group Limited holds 25% of the share capital. All work in progress up to the date of completion was reimbursed in full to the Audley Group Limited by RELF Audley Retirement Living LLP and additional income of £3.8m for work done on acquisition and planning was also paid.

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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 12 INTANGIBLE ASSETS

	Goodwill £'000
<b>Cost or valuation</b>	
<b>At 1 January 2019, 31 December 2019 and 31 December 2020</b>	<b>29,288</b>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2019	(6,323)
Impairment	(8,259)
At 31 December 2019	(14,582)
Impairment	—
<b>At 31 December 2020</b>	<b>(14,582)</b>
<b>Net book value</b>	
<b>At 31 December 2020</b>	<b>14,706</b>
At 31 December 2019	14,706

The Group has two CGUs to which goodwill has been allocated, being development with £14,706,000 (2019: £14,706,000) and operations with Enil (2019: Enil).

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 13.

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 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. The key assumptions are forecast unit sales values, costs to complete, costs to sell, development margin and financing.

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.

No impairment has been recognised in 2020 (2019: £8,259,000 impairment in the operations CGU).

#### 13 INVESTMENT PROPERTIES

	£'000	
<b>Valuation</b>		
At 1 January 2019		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)
At 31 December 2019		106,718
Additions		4,070
Gain on revaluation		4,286
<b>At 31 December 2020</b>	<b>115,074</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of central facilities as determined by CBRE	<b>133,790</b>	121,980
Shared equity ownership	<b>1,374</b>	—
Accrued income – non-current	<b>(18,926)</b>	(14,661)
Accrued income – current	<b>(1,164)</b>	(601)
	<b>115,074</b>	106,718

The historical cost of investment properties at 31 December 2020 was £99,144,000 (2019: £95,073,000).

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 2020 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 13 INVESTMENT PROPERTIES CONTINUED

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 contractual arrangements and non-contractual ancillary revenue.

Revenue stream	Methodology	Key inputs
Deferred management fees	Discounted cashflow	<ul style="list-style-type: none"> <li>house price inflation (HPI) (average 3.0%);</li> <li>discount rate (8.8% – 11.0%, average 9.6%);</li> <li>average length of stay (9 years);</li> <li>exit yield (6.0% – 6.5%, average 6.4%);</li> <li>estate management and lifecycle costs;</li> <li>deferred management charges (typically between 1.0% and 2.0% of gross development value).</li> </ul>
Operations, including monthly management fees, restaurant and club	Discounted cashflow	<ul style="list-style-type: none"> <li>management charges (£780 – £930 per unit per month);</li> <li>discount rate (8.8% – 11.0%, average 6.4%);</li> <li>exit yield (6.0% – 6.5%, average 6.4%).</li> </ul>
Administration fees	Discounted cashflow	<ul style="list-style-type: none"> <li>discount rate (8.8% – 11.0%, average 9.0%);</li> <li>exit yield (6.0% – 6.5%, average 6.4%);</li> <li>average length of stay (9 years).</li> </ul>
Care services	Discounted cashflow	<ul style="list-style-type: none"> <li>discount rate (20%);</li> <li>exit yield (20%)</li> </ul>
Ground rent	Income capitalisation	<ul style="list-style-type: none"> <li>initial yield (3.5%).</li> </ul>

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

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

- HPI was higher/(lower)
- Discount rates are lower/(higher)
- Average length of stay is lower/(higher)
- Expected management charges were higher/(lower)
- Expected deferred management charges were higher/(lower)
- Estate management and lifecycle costs were lower/(higher)
- Resale fee income and ground rent is higher/(lower)
- Exit yield was lower/(higher).

The table below shows the sensitivity of the investment property value for changes to the discount rate and HPI assumptions.

£'000	Change in discount rate			
		+100BP	0	-100BP
	-100BP	90,604	102,584	116,909
Change in HPI	0%	101,144	115,074	131,774
	+100BP	113,629	129,889	149,519

During the year ended 31 December 2020, £18,105,000 (2019: £16,512,000) 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 £3,972,000 (2019: £4,525,000). 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 £4,286,000 gain (2019: £1,402,000 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 2020 contractual obligations to develop investment properties amounted to £nil (2019: £8,697,000).

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 14 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 2019	—	
Change in accounting policy	1,833	
At 31 December 2019	1,883	
Additions	6,558	
<b>At 31 December 2020</b>	<b>8,441</b>	
<b>Accumulated depreciation</b>		
At 1 January 2019	—	
Depreciation charge for the year	(169)	
At 31 December 2019	(169)	
Depreciation charge for the year	(182)	
<b>At 31 December 2020</b>	<b>(351)</b>	
<b>Net book value</b>		
<b>At 31 December 2020</b>	<b>8,090</b>	
At 31 December 2019	1,714	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Lease liabilities</b>		
Current	<b>154</b>	148
Non-current	<b>8,523</b>	1,972

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Depreciation of right of use assets</b>		
Buildings	<b>182</b>	169
	<b>182</b>	169
Interest expense (included in finance cost)	<b>246</b>	143
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative and selling expenses)	<b>251</b>	247

The total cash outflow for leases in 2020 was £243,000 (2019: £245,000), excluding the payments for low-value assets shown in the table above.

The Group leases various offices and investment properties. Rental contracts for investment properties range from 99 to 999 years, and the Group's leased offices are for a period of ten 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 14 RIGHT OF USE ASSETS CONTINUED

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
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

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.

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
- 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
- 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 properties 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.

FINANCIAL STATEMENTS

Notes to the accounts continued

15 INVESTMENTS IN JOINT VENTURES

Cost	£'000
At 1 January 2020	12,455
Additions	3,162
Share of results from joint ventures	(2,130)
<b>At 31 December 2020</b>	<b>13,487</b>

The Group's share of loss from continued operations and its total comprehensive loss for the period to 31 December 2020 was £2,130,000 (2019: £46,000).

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 (adjusted for IFRS) and not Audley Group Limited's share of those amounts.

	2020 £'000	2019 £'000
<b>Non-current assets</b>		
Intangible assets	1,673	1,913
Investment properties	6,760	3,136
Property, plant and equipment	67	64
Deferred tax assets	425	—
<b>Total non-current assets</b>	<b>8,925</b>	<b>5,113</b>
<b>Current assets</b>		
Stocks and inventories	74,476	33,706
Trade and other receivables	1,065	2,026
Cash and cash equivalents	7,560	11,291
<b>Total current assets</b>	<b>83,101</b>	<b>47,023</b>
<b>Total assets</b>	<b>92,026</b>	<b>52,136</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(6,280)	(7,032)
Corporation tax	(31)	(126)
<b>Total current liabilities</b>	<b>(6,311)</b>	<b>(7,158)</b>

<b>Non-current liabilities</b>		
Loans and borrowings	(37,890)	—
Deferred tax liabilities	(410)	—
<b>Total non-current liabilities</b>	<b>(38,300)</b>	<b>—</b>
<b>Total liabilities</b>	<b>(44,611)</b>	<b>(7,158)</b>
<b>Total net assets</b>	<b>47,415</b>	<b>44,978</b>
<b>Total members' interests</b>		
Loans and other debts due to members	47,415	44,978
<b>Total equity</b>	<b>47,415</b>	<b>44,978</b>

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
<b>Revenue</b>	<b>18,891</b>	<b>16,183</b>
Cost of sales	(28,136)	(16,060)
<b>Gross profit</b>	<b>(9,245)</b>	<b>123</b>
Administrative and selling expenses	(1,812)	(558)
Gain/(loss) on revaluation of investment properties	2,426	(407)
<b>Operating loss</b>	<b>(8,631)</b>	<b>(842)</b>
Net finance expense	—	—
<b>Loss before tax</b>	<b>(8,631)</b>	<b>(842)</b>
Tax charge	110	(126)
<b>Loss and total comprehensive expense for the year</b>	<b>(8,521)</b>	<b>(968)</b>

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 15 INVESTMENTS IN JOINT VENTURES CONTINUED

##### Commitments in respect of joint ventures

During the year the Group has invested £10.8m into RELF Audley Retirement Living LLP and received £7.7m 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.

A £47.5m 8% fixed rate interest development facility from Silbury Specialty Finance Limited was completed by the joint venture in December 2020 to fund the purchase and development of the site in Cobham, Surrey.

Following the year end, the RELF joint venture acquired the site at Scarcroft, Leeds for £11.0m, funded by equity of £1.3m and a bank loan from Bank Leumi (UK) for £9.8m at interest of three-month LIBOR plus 4% margin.

The joint venture has capital commitments of £38,876,000 (2019: £65,828,000) of which the Group's share is £9,719,000 (2019: £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. The obligation to buy back the properties is estimated to fall between 2024 and 2027, or earlier when the 95% of the village units are sold.

##### Related party transactions with joint ventures

For related party transaction between the Group and the joint ventures see note 28.

#### 16 OTHER INVESTMENTS

Cost	£'000
At 1 January 2020	295
Impairment	(102)
<b>At 31 December 2020</b>	<b>193</b>

At 31 December 2020 and 31 December 2019, the Group held a £193,000 investment in PFA Audley PropCo P/S in which it holds a 4% interest. PFA Audley PropCo P/S is registered in Denmark, the purpose of which is to develop retirement villages in Europe.

At 31 December 2020 and 31 December 2019, the Group held a 4% interest in Audley Nightingale Lane Limited, which has developed a retirement village and is registered in Jersey. The Group's share of loss from continued operations and its total comprehensive loss for the year to 31 December 2020 was £250,000 (2019: £19,000 profit). The Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.6m when 95% of the units are sold, which is estimated to be in c.5 years. The carrying value at 31 December 2020 is nil.

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

FINANCIAL STATEMENTS

Notes to the accounts continued

17 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 2019	752	106	1,144	61	2,063
Additions	232	69	607	9	917
Disposals	(107)	—	(2)	—	(109)
At 31 December 2019	877	175	1,749	70	2,871
Additions	—	717	666	—	1,383
<b>At 31 December 2020</b>	<b>877</b>	<b>892</b>	<b>2,415</b>	<b>70</b>	<b>4,254</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	179	35	538	48	800
Depreciation charge for the year	168	19	361	6	554
Depreciation on disposals	(27)	—	(2)	—	(29)
At 31 December 2019	320	54	897	54	1,325
Depreciation charge for the year	182	116	317	12	627
<b>At 31 December 2020</b>	<b>502</b>	<b>170</b>	<b>1,214</b>	<b>66</b>	<b>1,952</b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b>375</b>	<b>722</b>	<b>1,201</b>	<b>4</b>	<b>2,302</b>
At 31 December 2019	557	121	852	16	1,546

# FINANCIAL STATEMENTS

## Notes to the accounts continued

### 18 DEFERRED TAX

	2020 £'000	2019 £'000
Disclosed as:		
Deferred tax asset (tax losses)	—	301
Total deferred tax assets	—	301
Recoverable within one year	—	112
Recoverable after more than one year	—	189
	—	301
Deferred tax liability (revaluation surpluses)	(5,311)	(3,688)
Total deferred tax liabilities	(5,311)	(3,688)
Arising within one year	—	—
Arising after more than one year	(5,311)	(3,688)
	(5,311)	(3,688)
	(5,311)	(3,387)
		£'000
At 1 January 2019		2,333
Movement in the year		(5,720)
At 31 December 2019		(3,387)
Movement in the year		(1,924)
<b>At 31 December 2020</b>	<b>(5,311)</b>	

At 31 December 2020 the Group had unused tax losses of £74,703,000 (2019: £62,978,000), of which none (2019: £1,700,000) has been recognised as a deferred tax asset. Tax losses of £74,703,000 (2019: £61,278,000) have not been recognised as it is not considered sufficiently certain that these losses can be utilised in future periods.

### 19 STOCKS AND INVENTORIES

	2020 £'000	2019 £'000
Land and work in progress	36,023	103,481
Finished goods	112,401	58,029
Food and beverage stocks	83	92
	148,507	161,602
		£'000
At 1 January 2019		160,675
Additions		75,104
Transfers from investment properties		2,097
Disposal on sale of subsidiary		(37,744)
Disposals - cost of sales		(38,530)
At 31 December 2019		161,602
Additions		23,639
Disposals - cost of sales		(36,734)
<b>At 31 December 2020</b>	<b>148,507</b>	

Included in stocks and inventories is a write-down of £0.7m in respect of two sites (2019: £1.159m in respect of the Watford property) to net realisable value. There were no significant differences between the replacement cost of stocks and its carrying value.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 20 TRADE AND OTHER RECEIVABLES

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

	2020 £'000	2019 £'000
Preference shares and accrued interest	12,085	10,663
Accrued income	19,966	14,941
<b>Total</b>	<b>32,051</b>	<b>25,604</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 principal amount and accrued interest 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.5 years. Included in preference shares and accrued interest is an expected credit loss of £7.1m (2019: £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.

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

	2020 £'000	2019 £'000
Between one and two years	721	588
Between two and five years	18,725	4,615
Greater than five years	12,605	20,401
<b>Total</b>	<b>32,051</b>	<b>25,604</b>

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

	2020 £'000	2019 £'000
Trade receivables	3,059	3,805
Provision for impairment of trade receivables	(145)	(7)
Trade receivables (net)	2,914	3,798
Other receivables	915	306
Amounts due from related undertakings	99	387
Taxes and social security costs	—	323
Prepayments	1,392	2,070
Accrued income	2,541	972
<b>Total</b>	<b>7,861</b>	<b>7,856</b>

The ageing of trade receivables was as follows:

	2020 £'000	2019 £'000
Up to 30 days overdue	88	1,266
31 to 60 days overdue	97	310
61 to 90 days overdue	129	202
Over 90 days overdue	893	1,451
<b>Total</b>	<b>1,207</b>	<b>3,299</b>
<b>Amounts not yet due</b>	<b>1,707</b>	<b>569</b>
<b>Trade receivables (net)</b>	<b>2,914</b>	<b>3,798</b>

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 21 CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash and cash equivalents	11,794	17,554
Cash and cash equivalents - held in restricted bank accounts	3,000	3,000
Cash and cash equivalents	14,794	20,554

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.

Following the year end, the cash held in restricted bank accounts at 31 December 2020 under the Group loan facility has been released.

	2020 £'000	2019 £'000
Cash and cash equivalents	14,794	20,554
Gross debt - variable interest rates	(93,218)	(91,481)
Lease liabilities	(8,677)	(2,120)
Net debt	(87,101)	(73,047)

	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 2020	20,554	(148)	(93,453)	(73,047)
Cash flows	(5,760)	—	(1,737)	(7,497)
Leases	—	(6)	(6,551)	(6,557)
At 31 December 2020	14,794	(154)	(101,741)	(87,101)

#### 22 TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade payables	4,140	7,119
Other payables	2,566	1,972
Accruals	11,333	9,829
Deferred income	3,759	3,091
	21,798	22,011

#### 23 LOANS AND BORROWINGS

	2020 £'000	2019 £'000
Bank loans	93,218	91,481
Loan arrangement costs	(2,022)	(2,822)
	91,196	88,659

##### Maturity profile

Between one and five years	91,196	88,659
	91,196	88,659

On 24 January 2018, Audley Court Limited, an immediate subsidiary of Audley Group Limited, entered into a five-year £125.0m credit facility agreement. During the year end the Group has completed a restatement and amendment of the revolving credit facility and the 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%.

At 31 December 2020 the Group had undrawn loan facilities of £11.8m (2019: £13.5m). This was under the working capital tranche within the total facility of £105.0m. Following the year end the group repaid the tranche of debt dedicated to the Mayfield Watford development and completed a £10.0m reduction of the total facility. The facility has therefore reduced to £95.0m and is subdivided into separate tranches for ongoing developments, completed stock and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche and three-month LIBOR plus 4.5% for the completed stock and working capital tranches.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

## 24 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 and monitored through its budget, rolling cash flow forecast and monthly management accounts. The Group's net debt to equity ratio is 33.2% (2019: 29.0%).

### Financial risk management

The Group's principal financial instruments at 31 December 2020 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 is owned by the resident and is settled upon resale of the property; 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. 5 years. Based on this assessment the Group has recorded an expected credit loss of £0.7m in the year (2019: £6.4m).

### Cash and cash equivalents

	2020 £'000	2019 £'000
Cash held in restricted bank accounts	3,000	3,000
Cash at bank and in hand	11,794	17,554
<b>Cash and cash equivalents</b>	<b>14,794</b>	<b>20,554</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.

Credit ratings of the financial institutions holding the Group's cash deposits as at 31 December 2020 are shown below.

Financial institution	Long-term credit rating	Cash and cash equivalents £'000
HSBC	AA-	13,704
Barclays	A+	991
RBS	A	99
		<b>14,794</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. All 100% owned sites were built at year end; the Group remains exposed to its share of commodity price risk in its joint ventures. 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.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 24 FINANCIAL INSTRUMENTS CONTINUED

##### 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 2020</b>						
Trade payables	4,140	4,140	4,140	—	—	—
Other payables	2,566	2,566	2,566	—	—	—
Accruals	11,333	11,333	11,333	—	—	—
Lease liabilities	8,677	93,497	244	244	1,182	91,827
Bank loans	91,196	105,367	3,959	3,959	97,449	—
<b>Total</b>	<b>117,912</b>	<b>117,912</b>	<b>22,242</b>	<b>4,203</b>	<b>98,631</b>	<b>91,827</b>
<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>

At 31 December 2020 the Group had undrawn loan facilities of £11.8m (2019: £13.5m). This was under the working capital tranche within the total facility of £105.0m. Following the year end the group repaid the tranche of debt dedicated to the Mayfield Watford development and completed a £10.0m reduction of the total facility. The facility has therefore reduced to £95.0m and is subdivided into separate tranches for ongoing developments, completed stock and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche and three-month LIBOR plus 4.5% for the completed stock and working capital tranches.

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 24 FINANCIAL INSTRUMENTS CONTINUED

##### Interest rate risk

The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include preference shares and cash balances. Preference shares earn interest at a fixed rate. Interest-bearing liabilities relate to bank loans. Interest-bearing liabilities are primarily in relation to the bank facility under which we are exposed to movements in LIBOR.

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.

	2020 £'000	2019 £'000
0.5% increase in interest rates		
Interest on borrowings	(466)	(457)
Interest on cash and cash equivalents	74	103
<b>Total impact on pre-tax loss and equity</b>	<b>(392)</b>	<b>(354)</b>

	2020 £'000	2019 £'000
0.5% decrease in interest rates		
Interest on borrowings	466	457
Interest on cash and cash equivalents	(74)	(103)
<b>Total impact on pre-tax loss and equity</b>	<b>392</b>	<b>354</b>

FINANCIAL STATEMENTS

Notes to the accounts continued

24 FINANCIAL INSTRUMENTS CONTINUED

Categories of financial assets and financial liabilities

	2020 Carrying value £'000	Fair value £'000	2019 Carrying value £'000	Fair value £'000
<b>Non-current financial assets – amortised cost</b>				
Accrued income	19,966	19,966	14,941	14,941
Total accrued income	19,966	19,966	14,941	14,941
<b>Non-current financial assets – fair value through the profit and loss</b>				
Other receivables	12,085	12,085	10,663	10,663
Total other receivables	12,085	12,085	10,663	10,663
Total non-current financial assets	32,051	32,051	25,604	25,604
<b>Current financial assets – amortised cost</b>				
Cash and cash equivalents	14,794	14,794	20,554	20,554
Trade and other receivables (excluding prepayments)	3,928	3,928	4,491	4,491
Accrued income	2,541	2,541	972	972
Total current financial assets	21,263	21,263	26,017	26,017
<b>Total financial assets</b>	<b>53,314</b>	<b>53,314</b>	<b>51,621</b>	<b>51,621</b>
<b>Current financial liabilities – amortised cost</b>				
Lease liabilities	154	154	148	148
Trade payables	4,140	4,140	7,119	7,119
Other payables	13,899	13,899	11,801	11,801
<b>Total current financial liabilities</b>	<b>18,193</b>	<b>18,193</b>	<b>19,068</b>	<b>19,068</b>
<b>Non-current financial liabilities – amortised cost</b>				
Bank loans	91,196	91,196	88,659	88,659
Lease liabilities	8,523	8,523	1,972	1,972
<b>Total non-current financial liabilities</b>	<b>99,719</b>	<b>99,719</b>	<b>90,631</b>	<b>90,631</b>
<b>Total financial liabilities</b>	<b>117,912</b>	<b>117,912</b>	<b>109,699</b>	<b>109,699</b>

## FINANCIAL STATEMENTS

### Notes to the accounts continued

#### 25 SHARE CAPITAL Authorised and issued

	2020		2019	
	Number	£'000	Number	£'000
Authorised, issued and fully paid ordinary shares of £1 each				
A shares	265,304,045	265,304	265,304,045	265,304
B shares	1,584,091	1,584	1,584,091	1,584
Authorised and issued ordinary shares of £0.001 each				
C shares	70,000,000	70	—	—
At 31 December 2020	336,888,136	266,958	266,888,136	266,888

#### 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
At 31 December 2019	266,888,136	266,888
Share issue (23 March 2020)	70,000,000	70
At 31 December 2020	336,888,136	266,958

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.

On 23 March 2020 the Directors were issued C shares in Audley Group Limited. These shares do not have any voting rights, and have no preference over existing A or B shares.

#### 26 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.

#### 27 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND GUARANTEES

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

	2020 £'000	2019 £'000
Contracted but not provided for	215	14,578

Additionally, the Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.6m in c.5 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 15 for commitments to joint ventures.

#### 28 RELATED PARTY TRANSACTIONS

The Directors who served during the year are considered to be key management personnel. Directors' remuneration is disclosed in note 8.

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 £1,200,000 (2019: £1,138,000) for management services. Included in accruals at the year end was £1,334,000 (2019: £1,737,000). Included in trade creditors at year end was £707,000 (2019: £711,000).

During the year Moorfield Group Limited charged £304,000 (2019: £300,000) for Asset Management Fees. Included in trade creditors at the year end was £362,000 (2019: £90,000).

## FINANCIAL STATEMENTS

### 28 RELATED PARTY TRANSACTIONS CONTINUED

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 (2019: £nil) amounts were received in respect of the licence agreement and no (2019: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year end.

The Group owns 4% in PFA Audley PropCo P/S, which is registered in Denmark. The remaining 96% is owned by PFA Pension. PFA Pension is an investor in the Moorfield Audley Real Estate Fund. In the year the Group charged fee of £91,000 (2019: £nil) for management services. Included in trade debtors at the year end was £81,000.

In 2019 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 year were £302,000 (2019: £72,000) for development management services and £187,000 (2019: £162,000) for sales management services. Included in trade debtors at year end was £322,000 (2019: £20,000). Included in accrued income at year end was £nil (2019: £162,000).

During the year the Company entered a lease to rent Stanbridge Earls from Audley Stanbridge Earls Limited at £361,000 per annum over a lease period of 250 years with a five-year rent free period. This is recognised under IFRS 16, and disclosed in note 14.

The Group charged Audley Nightingale Lane Limited, a company in which the Group holds a 4% equity investment, £nil (2019: £321,000) for development management services and £607,000 (2019: £nil) for sales and marketing services. Included in deferred income at year end was £1,095,000 (2019: £1,161,000). 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 2020 £12,085,000 (2019: £10,663,000) was included in trade and other receivables due in greater than one year. Included in other gains/(losses) is £710,000 (2019: £6,360,000) for the expected credit loss on the Preference shares and interest.

#### Key management personnel

On 23 March 2020 the Directors were issued C shares in Audley Group Limited. These shares do not have any voting rights, and have no preference over existing A or B shares. Shares were issued at nominal value of £0.001. Nick Sanderson was issued 23,100,000 shares, Nick Edwards 16,100,000 shares, 8,400,000 shares each to Jon Austen, Paul Morgan and Kevin Shaw, and 5,600,000 to a Director of subsidiary companies

During December 2020, Jon Austen and Kevin Shaw offered their resignations. Where they were not required to work their notice period, the costs of the notice period were considered onerous and provided in full. Included within accruals are costs of £326,000 (2019: £332,000).

### 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 SHARE-BASED PAYMENTS

The establishment of the Audley Group Limited Management Equity Plan (MEP) was approved by a shareholder resolution on 12 March 2020. The MEP is designed to provide long-term incentives for executive directors to deliver long-term shareholder returns. Under the plan, participants have been granted shares where the share class entitlement crystallises if certain performance standards are met. Participation in the plan is at the discretion of the MEP Remuneration Committee, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of the share class entitlement that will vest depends on Audley Group Limited's total Net Asset Value and IRR to the investors. C Shares vest in full on an Exit. The C shares carry no voting rights but do carry dividend rights. If the hurdles are reached then the C shares are entitled to 10% of any growth in equity value above the Hurdle, plus an additional 5% of any growth in equity value above the Stretch Hurdle. The Hurdle is a NAV of at least £300.0m and IRR to the investors of 10%. The Group did not receive cash on the share issuance but granted an employee loan for each participant at value (£70,000).

## FINANCIAL STATEMENTS

### 30 SHARE-BASED PAYMENTS CONTINUED

Set out below is a summary of shares issued under the MEP. The shares were issued at fair value at that date.

Issue/transfer date	Number	Share class	Number	Price per share	Share capital
23-Mar-20	8,400,000	C	JM Austen	£0.001	8,400
23-Mar-20	16,100,000	C	N Edwards	£0.001	16,100
23-Mar-20	8,400,000	C	PD Morgan	£0.001	8,400
23-Mar-20	5,600,000	C	JW Nettleton	£0.001	5,600
23-Mar-20	23,100,000	C	MN Sanderson	£0.001	23,100
23-Mar-20	8,400,000	C	KA Shaw	£0.001	8,400
At 31 December 2020	70,000,000				70,000

The fair value was determined for PAYE purposes and adopted by the directors as the fair value of the shares. The key inputs into determining the fair value were:

Exit date and transaction costs - an exit in three, four or five years, from the date the C Shares will be acquired, weighted 50.0%, 25.0% and 25.0%, respectively

Exit multiples - exit price/book multiple of 1.2x for the development segment, and an exit EV/EBITDA multiples of 18.0x for the operational segment

Discount for lack of marketability and control - 45.0%

The Group did not receive cash on the share issuance but granted an employee loan for each participant at value (£70,000).

### 31 POST-BALANCE SHEET EVENTS

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 SCS Sp 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.

The Octopus/Schroder's joint venture, where Audley Group Limited holds 25% of the share capital, entered into several contracts post-year end. Design and build construction contracts for the villages at Sunningdale and Cobham were contracted for a total of £44.2m and £28.5m, respectively, in January 2021. In February 2021, the joint venture completed the purchase of the land at the Scarcroft Estate for £11.0m. On that same date, it entered into a loan with Bank Leumi (UK) plc for £9.8m to finance the purchase of the land. The loan is repayable in tranches; £5m in September 2021 and the balance by September 2023. Interest is based on three-month LIBOR plus 4%.

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.

# FINANCIAL STATEMENTS

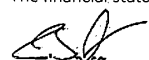
## Company balance sheet As at 31 December

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Investments	4	140,402	160,661
<b>Current assets</b>			
Stocks	5	4,395	3,340
Debtors: amounts falling due within one year	6	116,729	114,814
Cash and cash equivalents		2,557	2,396
		123,681	120,550
Creditors: amounts falling due within one year	7	(537)	(649)
<b>Net current assets</b>		123,144	119,901
<b>Total assets less current liabilities</b>		263,546	280,562
<b>Net assets</b>		263,546	280,562
<b>Capital and reserves</b>			
Called up share capital	8	266,958	266,888
Share premium	8	15,665	15,665
Accumulated losses		(19,077)	(1,991)
<b>Total shareholders' funds</b>		263,546	280,562

The notes on pages 76 - 80 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 74 - 80 were approved and authorised for issue by the Board and were signed on its behalf on 27 August 2021.



**Gary Burton**  
Chief Financial Officer

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 2019	244,155	10,914	—	(1,469)	253,600
Share issue	22,733	4,751	—	—	27,484
Loss for the financial year	—	—	—	(522)	(522)
At 31 December 2019	266,888	15,665	—	(1,991)	280,562
Share issue	70	—	—	—	70
Loss for the financial year	—	—	—	(17,086)	(17,086)
<b>At 31 December 2020</b>	<b>266,958</b>	<b>15,665</b>	<b>—</b>	<b>(19,077)</b>	<b>263,546</b>

## FINANCIAL STATEMENTS

### 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 41-43.

##### 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
- 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 STATEMENTS

### Notes to the Company financial statements continued

#### 1 ACCOUNTING POLICIES CONTINUED

##### Financial instruments continued

###### 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.

###### 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 an impairment of £20,279,000 (2019: £nil) 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 use 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 £17,086,000 (2019: Loss £522,000). No dividends were paid in the year to 31 December 2020 (2019: £nil) and the Directors do not propose the payment of a final dividend.

#### 3 DIRECTORS' AND AUDITORS' REMUNERATION

Directors' remuneration is given in note 8 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 (2019: nil). Remuneration paid to the Company's auditors for audit and non-audit services is disclosed in note 5 of the consolidated financial statements.

#### 4 INVESTMENTS

£'000

##### Cost

At 1 January 2019	157,052
Additions	2,025
At 31 December 2019	160,661
Additions	20
<b>At 31 December 2020</b>	<b>160,681</b>

##### Impairment

At 1 January 2020	—
Impairment charge	20,279
<b>At 31 December 2020</b>	<b>20,279</b>
Net book value	
<b>At 31 December 2020</b>	<b>140,402</b>
At 31 December 2019	160,661

## FINANCIAL STATEMENTS

### Notes to the Company financial statements continued

#### 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 2020 %	Proportion of ownership interest at 31 December 2019 %	Nature of business
Audley Court Limited	100	100	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	100	Holding company
Audley Investments No 2 Limited	100	100	Holding company
Audley Investments No 3 Limited	100	100	Dormant
Audley Investments No 4 Limited	100	100	Dormant
Audley Wycliffe Management Limited	100	100	Dormant
Mayfield Hove Limited	100	100	Dormant

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

Name	Proportion of ownership interest at 31 December 2020 %	Proportion of ownership interest at 31 December 2019 %	Nature of business
Audley Stanbridge Earls Rent Company Limited	100	100	Rental of freehold property
Audley Sunningdale Park Rent Company Limited	100	100	Dormant
Audley Stanbridge Earls Management Limited	100	100	Management company
Audley Sunningdale Park Management Limited	100	100	Dormant
Audley Cobham Rent Company Limited	100	100	Dormant
Audley Cobham Management Limited	100	100	Dormant
Audley Scarcroft 1 Rent Company Limited	100	100	Dormant
Audley Scarcroft 2 Rent Company Limited	100	100	Dormant
Audley Scarcroft Management Limited	100	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 2020 %	Proportion of ownership interest at 31 December 2019 %	Nature of business
RELF Audley Retirement Living LLP	25	25	Holding company
RELF Audley Retirement Living II LLP	25	25	Holding company

## FINANCIAL STATEMENTS

### 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	Name	Nature of business
Audley Binswood Limited	Village Development company	Mayfield Villages Limited	Village Development company
Audley Binswood Management Limited	Management company	Audley Group Developments 2 Ltd	Village Development company
Audley Care Ltd	Care provider	Mayfield Watford Management Limited	Dormant
Audley Care White Horse Ltd	Care provider	Mayfield Villages Care Limited	Dormant
Audley Chalfont Limited	Village Development company	Audley Group Development Limited was disposed of post year end. See note 31 of the consolidated financial statements.	
Audley Chalfont Management Limited	Management company		
Audley Clevedon Limited	Village Development company	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.	
Audley Clevedon Management Limited	Management company		
Audley Coopers Hill Limited	Village Development company	<b>5 STOCKS</b>	
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 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		

Audley Group Development Limited was disposed of post year end. See note 31 of the consolidated financial statements.

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.

#### 5 STOCKS

	2020 £'000	2019 £'000
Land deposits and associated expenditure	4,395	3,340
	4,395	3,340

#### 6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade debtors	116	20
Amounts owed by Group undertakings	116,581	114,488
Other debtors	32	73
Prepayments and accrued income	—	233
	116,729	114,814

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

## FINANCIAL STATEMENTS

### Notes to the Company financial statements continued

#### 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	61	642
Other creditors	9	—
Accruals and deferred income	467	7
	<b>537</b>	<b>649</b>

#### 8 CALLED UP SHARE CAPITAL Authorised and issued

	2020		2019	
	Number	£'000	Number	£'000
Authorised, issued and fully paid ordinary shares of £1 each				
A shares	265,304,045	265,304	265,304,045	265,304
B shares	1,584,091	1,584	1,584,091	1,584
Authorised and issued ordinary shares of £0.001 each				
C shares	70,000,000	70	—	—
At 31 December 2020	<b>336,888,136</b>	<b>266,958</b>	266,888,136	266,888

#### Movements in ordinary share capital

	Number	£'000
At 1 January 2020	266,888,136	266,888
Share issue (23 March 2020)	70,000,000	70
<b>At 31 December 2020</b>	<b>336,888,136</b>	<b>266,958</b>

On 23 March 2020 the Directors were issued C shares in Audley Group Limited. These shares do not have any voting rights, and have no preference over existing A or B shares.

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.

#### 9 RELATED PARTY TRANSACTIONS

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 (2019: £nil) amounts were received in respect of the licence agreement and no (2019: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year end.

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 £302,000 (2019: £72,000) for development management services and £187,000 (2019: £162,000) for sales management services. Included in the trade debtors at year end were £322,000 (2019: £20,000).

#### 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 2020. The consolidated financial statements are available from Companies House.

#### 11 POST-BALANCE SHEET EVENTS

See note 31 of the consolidated financial statements.

**FINANCIAL STATEMENTS**

Company information

**REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

65 High Street  
Egham  
Surrey  
TW20 9EY

Registered number: 09906780

**INDEPENDENT AUDITORS**

**PricewaterhouseCoopers LLP**

1 Embankment Place  
London  
WC2N 6RH

**PRINCIPAL BANKERS**

**Bank Leumi UK**

20 Stratford Place  
London  
W1C 1BG

**HSBC**

60 Queen Victoria Street  
London  
EC4N 4TR

**PRINCIPAL LAWYERS**

**Eversheds Sutherland**

1 Wood Street  
London  
EC2V 7WS