LEADING THE AUDLEY WAY

AUDLEY GROUP LTD
REPORT AND ACCOUNTS 2016

AUDLEY

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Leading Luxury, locations and lifestyle

We've been building and managing luxury retirement villages since June 1999, but our experience in providing outstanding retirement properties and care for older people goes back much further.

It was in 1983 that our Chief Executive, Nick Sanderson, founded a company called Beaumont which, over time, developed the conventional care home concept into something completely different: the UK's very first luxury retirement villages.

LEADING

LUXURY

AUDLEY GROUP AT A GLANCE

Audley Group sees retirement differently, and through our retirement villages, we offer an independent lifestyle in a beautiful and secure environment.

Our vision
To enrich people's lives

Our mission
To be the market leader and most trusted provider of retirement living in the UK

Our values
Professional, Respectful, Insightful, Delivering, Empathy

15
retirement villages across the country

Over £700m
planned investment to build new villages in the next five years

24
villages planned by 2020

Over 500
employees

2,000
additional units to be built within five years in Audley Villages and Mayfield Villages

In 2016
launched Mayfield Villages to offer high quality retirement living at a lower price point for the mid-market

CQC and ARCO accredited
care provider and a founder member of the Associated Retirement Community Operators (ARCO)

OUR VILLAGES

North

A Hollins Hall*
Harrogate, Yorkshire

B Clevedon
Ilkley, Yorkshire

Midlands

C St Elphin's Park
Matlock, Derbyshire

D St George's Place
Edgbaston, Birmingham

E Ellerslie
Malvern, Worcestershire

F Binswood
Royal Leamington Spa, Warwickshire

South West

G Redwood
Bristol

H Flete House*
Ivybridge, Devon

South East

I Inglewood
Kintbury, Berkshire

J Stanbridge Earls
Romsey, Hampshire

K Chalfont Dene
Chalfont St Peter, Buckinghamshire

L Cooper's Hill
Englefield Green, Surrey

M Northcote Place
Sunningdale Park, Berkshire

N Willicombe Park
Royal Tunbridge Wells, Kent

O Mote House
Bearsted, Kent

* Managed villages.

Our villages are what set us apart from the competition. The locations, buildings, level of finish and service are first class and are the cornerstone on which our business is based.

Binswood

Audley Binswood is situated in the heart of the Royal Leamington Spa conservation area. The village, which has 116 retirement properties, is centred around Binswood Hall, an imposing Grade II* listed Victorian Gothic mansion.

Chalfont Dene

Audley Chalfont Dene is close to Buckinghamshire's Chiltern Hills and near Chalfont St Peter. The village is built in the style of the local arts and crafts movement and is home to 84 cottages and apartments.

Clevedon

Audley Clevedon is set within a 23-acre estate in Ben Rhydding, two miles from the historic spa town of Ilkley. The village has 90 properties and is centred around Clevedon House, a former Victorian school.

Cooper's Hill

Formerly part of Brunel University, Audley Cooper's Hill is located within the 66 acres of the Magna Carta Park in the village of Englefield Green, near Runnymede in Surrey. The development will include 78 properties and is planned to open in 2019.

Ellerslie

Audley Ellerslie retirement village has 101 retirement properties set against the backdrop of the Worcestershire countryside, in the town of Malvern. Three grand Victorian mansions, including a Grade II listed building, form the centrepiece of the village.

Flete House

Audley Flete House is a beautiful Grade I listed country house that contains 29 apartments. It sits in 12 acres of Grade II listed landscaped grounds five miles from the coast, near Modbury in Devon.

Hollins Hall

Audley Hollins Hall in Harrogate is set in 14 acres of landscaped gardens on the edge of the Yorkshire Dales. At its centre is an impressive example of a late Georgian manor house, with 71 properties.

Inglewood

Nestled in 39 acres, one mile from Kintbury, near Hungerford in Berkshire, Audley Inglewood is home to 91 apartments. At its centre is Inglewood House, an imposing manor house that has been rebuilt and returned to its former glory.

Mote House

Near the village of Bearsted in Kent and situated in the 450-acre Mote Park, with its woodland and a 30-acre lake, Audley Mote House has 101 cottages and apartments. At the heart of the village is a beautifully restored Grade II* listed Georgian mansion.

Northcote Place

Located in the village of Sunningdale in Berkshire, Audley Villages has acquired a site in Sunningdale Park. Close to Ascot, the retirement village will be situated within 79 acres of countryside.

Redwood

Audley Redwood is set within 15 acres of landscaped parkland and is a short drive from the centre of Bristol. Opening late 2017, it comprises 106 apartments and 20 cottages all built to complement the local Georgian architecture.

Stanbridge Earls

Sitting in 32 acres of grounds, close to Romsey, in Hampshire is Audley Stanbridge Earls. Planned to open in 2019 the village will have 155 cottages and apartments designed to complement the Grade II* listed Tudor manor house at its centre.

St Elphin's Park

St Elphin's Park is set in 14 acres in the Derbyshire Dales, close to Matlock and Bakewell. With 127 properties and a restored Victorian Gothic school at its centre, the village enjoys views of the Dales and the Peak District National Park.

St George's Place

In the heart of leafy Edgbaston, St George's Place is minutes from the centre of Birmingham. Two Grade II listed Regency villas, a restored Victorian school house and a collection of attractive new buildings house 95 luxury cottages and apartments.

Mayfield Villages

Willicombe Park

Set in four acres of gardens in Royal Tunbridge Wells, Audley Willicombe Park has 67 penthouses, apartments and cottages. At the heart of the village is Willicombe House, a refurbished Victorian villa.

Mayfield Villages

The first Mayfield Village will be announced shortly.

There has been a seismic shift in the way people grow older.

People are living longer, healthier lives than ever before and want to stay independent while able to enjoy being part of a community. They aspire to a lifestyle they have had when younger, independent and in control of their lives.

This generation is more discerning, financially astute, physically fit and challenging what it means to be older. And the generations coming up behind them will be ever more challenging of these stereotypes of old age.

Some may want the freedom to retire and relax after a long working life, whether that means golf, yoga, travelling or studying. Others may want to continue to live their life as they always have, to work full or part time, but within a property designed for their changing needs.

At Audley Group, our belief is that it is irrelevant how old people are; we exist to enable people to live the life they want.

Our villages support a healthy lifestyle, with high quality facilities such as gyms and restaurants and flexible care on demand should it be needed. We champion independence and autonomy for older people who, in one of our villages, choose to live in a beautiful home that they own while staying in control of their social and financial lives.

The Audley Group model has developed from listening to our owners. We create properties we know people want and aspire to, in desirable locations selected across the UK. Our model means we not only build and develop the villages, we also run them. This puts us in control of all aspects of the property.

Our two brands serve two distinct audiences. Audley Villages is our luxury retirement brand. Properties are often designed to incorporate existing features from original buildings into modern, high specification houses and communal spaces. Indeed, our homes are so stunning that more than a third of owners at Audley Villages buy their property without looking at any other. Owners also benefit from access to Audley Club facilities, which include a restaurant, bar bistro, library, swimming pool and much more.

Recognising a gap in the market, last year we launched Mayfield Villages, a mid-market proposition for which we will shortly announce the first location. The premise behind Mayfield Villages is to offer the same Audley Villages level of service, with high living standards and excellent care, but at a price that will attract a new, mid-market audience. These will be larger villages typically in urban and suburban environments.

The strength of our brands is in the exceptional service provided to every owner and their guests. Each village has a team of people who are on call 24/7 and establish strong relationships with owners.

Our success is rooted in a deep understanding of our customers and potential customers, meeting their aspirations for how they want to lead their life and then giving them the best environment that inspires and empowers them to do so. We will continue to follow this approach as we grow in 2017 and beyond.

OUR SERVICES

Audley Group owners benefit from a range of services, from exercise and fitness classes through to in-home care and even help in managing the move to the village.

Audley Club

All owners at Audley Villages automatically become a member of the Audley Club. It is on their doorstep, part of the village and available to use as they please. Owners can also use the Audley Club facilities at any of our retirement villages. Friends and family are welcome to use them too.

Each of our Clubs has a private room where owners can entertain family and friends on special occasions and many have tennis courts or croquet lawns. Club facilities include a restaurant, bar and bistro, library and lounge, guest suite, health club, fitness studio, private treatment rooms and swimming pool with relaxation area.

Mayfield Villages will also provide health clubs including swimming pools, restaurants, and fitness rooms. Mayfield owners will be able to use the facilities on their doorstep, as well as enjoying their own homes and independence.

Audley Care

We offer in-home care services, as and when they might be needed, to our owners as well as people within a 20-mile radius. This is part of our commitment to serve not just owners of both Audley Villages and future owners at Mayfield Villages, but also the communities of which we are a part. We currently have eight branches across the country, each located at an Audley Village.

As one of the UK's most respected care providers for older people, and a leader in its field, we are recognised, registered and regularly audited by the Care Quality Commission (CQC). This means that the carers we use are rigorously trained and highly qualified. Our standard of care is second to none.

We focus on honesty, integrity and pride in what we do and respect for those we do it for. What is most important is that the care services our customers receive are the best fit for their lifestyle and specific to their circumstances.

Moving Services

When someone buys an Audley Group property they enjoy the benefits of first class service and support from our trusted partners, who can help them with their relocation. In order to make moving a stress-free experience we offer part exchange, downsizing and decluttering advice, storage, bridging loans and professional movers.

My Audley

My Audley is an intranet available to owners, Club members and Care customers across all the Audley Villages. It includes news, information on upcoming events and trips, offers, recipes and benefits. It also acts as an excellent communication tool for owners to keep in contact with friends across our network.

Over 65s account for 80% of the nation's wealth, possessing more than £1.7trn of mortgage-free housing wealth. However, over half of these households – around 3m – live in homes larger than they require and often unsuitable for their changing needs and aspirations.

Just 1% of the country's housing stock has been built specifically for older people. There are only 60,000 units in the housing with care sector, against an over 65 population of 9.53m. More than half (58%) of property owners over the age of 60 are interested in moving but feel restricted by stock availability.

Of the options that are available, 99% of people do not want to be in a care home, and traditional retirement housing does not offer older people the lifestyle choices and flexible care options that they are looking for.

However, the international model has proven that there is enormous potential in the retirement village model. Market penetration internationally proves there is appetite, with 14% penetration of this type of housing in the US and 8% in Australia and New Zealand. This represents 160,000 units in Australia. The UK equivalent is fewer than 15,000.

There is a distinct and urgent need to better provide a range of housing options to meet the wide variety of housing circumstances of people as they age.

Retirement villages are a type of extra care housing. It is the flexibility and lifestyle that retirement villages afford which people increasingly demand. What is required is suitable, high quality, but most importantly aspirational, retirement living options available that encourage downsizing. This would go a long way to easing the already severe strain and lack of movement in what is a bottlenecked housing market, freeing up much-needed family-sized homes.

If an additional one in 20 over 55s opted to capitalise on their property wealth and move home next year, this alone would boost housing transactions by a third, stimulating the property market as a whole and paving the way for buyers further down the ladder.

The sheer property wealth held by this demographic will support future growth in the retirement village sector, but investment in aspirational, quality retirement property in the first place is crucial. Without this, older homeowners will have no incentive to move.

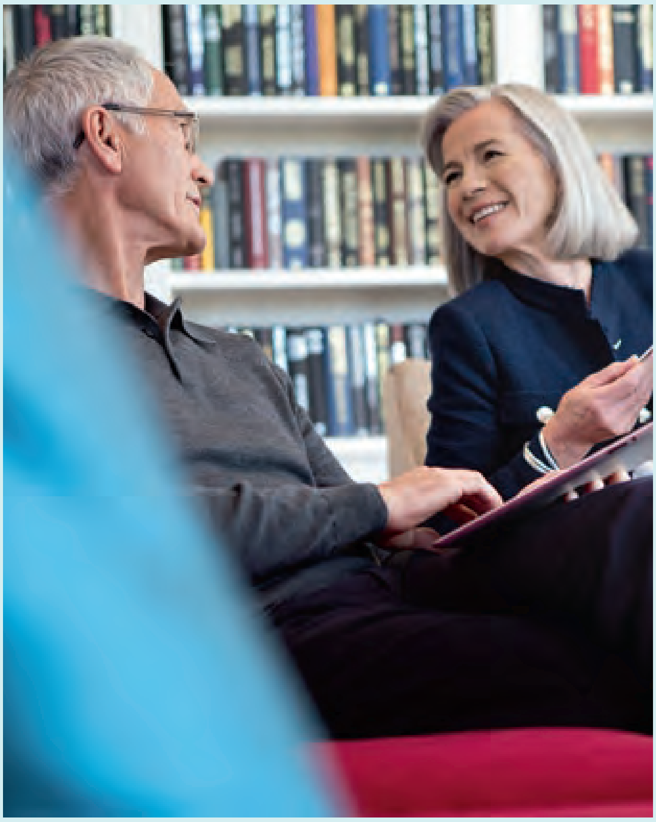
In addition to issues with the housing market there is a need to find alternatives to expensive NHS hospital care. The government has recognised this and taken measures to alleviate the pressures, including the formation of the Better Care Fund.

However, this major government initiative, which was designed to radically increase the level of integration between the NHS and local authority-run social care services, is failing to deliver the expected benefits.

The longstanding issue is that the NHS has always been organised and funded by central government, whereas, for historical reasons, responsibility for providing social care has rested with individual local councils around the country.

However, it is not just a question of hard funding but the very real and immediate issue of availability of suitable alternatives to remaining in hospital and the 'softer' lifestyle benefits that can have a positive impact on our society as whole. What is needed is a change from primarily a focus on funding issues to ways of opening people's eyes to the growing range of housing options for older people and their families.

There is a significant role for the private sector to play in developing new opportunities for self-funders with high quality and aspirational extra care developments that can significantly relieve the huge pressures on the NHS that bed-blocking creates; a recent report by Lord Carter of Coles found it could potentially be costing the NHS up to £900m a year, whilst a study from the International Longevity Centre (2011) found that people living in extra care aged 80 and over spent on average 4.8 nights per year in hospital, compared to 5.8 nights for a similar sample living in the community. The subsequent cost savings equated to £512 per person.



58%

of property owners over the age of 60 are interested in moving but feel restricted by stock availability

By 2030

there will be a shortfall of 160,000 in retirement property provision

Further research from the International Longevity Centre, in a 2015 report in partnership with Audley Group, found that such extra care developments can reduce loneliness by up to half when compared to people living in the broader community, with positive comparisons for sense of control and security.

It has been predicted that by 2030 there will be a shortfall of 160,000 in retirement housing provision. Housebuilders, the healthcare sector, policy makers and the government should recognise the increasing importance of retirement living in our society today and tomorrow. Furthermore, recent analysis into resales in the sector, undertaken by JLL, highlighted that 80% of sales from 1995 have seen an increase in price, tracking wider house price movements, allaying concerns about the endurance and longevity of the sector as a viable investable asset class.

This is not a problem that can be solved overnight, but its benefits will be felt by millions for many years to come.

Sources:

- Housing and Learning Improvement Network, 2011.
- Demos, 2013.
- Operational productivity and performance in NHS acute hospitals, 2015.
- International Longevity Centre, 2011.
- International Longevity Centre, 2015.
- JLL and ARCO, 2017.

Key to Audley Group's success to date has been a clear strategy of developing retirement villages that empower people to live the life they want to lead.

Our priorities

To be the market leader and most trusted provider of retirement living in the UK.

Our activity in 2017 and beyond will be focused on delivering this through four key objectives:

- Grow the number of Audley Villages and Mayfield Villages
- Secure further investment to fund village expansion
- Broaden the services offered to our owners
- Explore potential joint venture partnership opportunities

Progress in 2016

Last year saw several notable successes (please see 2016 Review for further details) but perhaps most important from a corporate perspective was the launch of the Mayfield Villages brand, which will allow many more people to experience our service levels but in a larger village design. This will help to broaden the business' appeal to the key target consumer markets and also in the eyes of potential investors.

Future outlook

We are continuing to grow our portfolio. By 2020 we expect to have 24 villages with over 3,500 retirement properties across the UK.

Opportunities for international expansion are also currently being explored.

Performance

We exceeded our targets on all KPIs (see Chief Financial Officer's Review), in a challenging market where transaction volumes and house prices cooled compared to previous years.

This demonstrates both the demand for and quality of our product. This strong performance was seen across the full portfolio of villages.

It is this strength of performance, sales pipeline and demographic conditions which gives us the confidence to continue our current development plans, which has been backed by the growing war chest of capital which has been raised from our investors.

2016 was a record year for Audley Group as we delivered on our ambition of providing luxury villages for older people.

In 2016 our production of units significantly increased and we welcomed many owners to new completed villages, while breaking ground on others. We achieved a 54% increase in the number of finished units from 136 units in five Audley Villages in 2015, to 209 units in eight Audley Villages last year. Paving the way for future growth, we purchased sites that will support a total of 414 new units across the portfolio over coming years.

Audley Group remains about far more than just 'bricks and mortar'. In 2016, we continued to build our lifestyle offer and exceptional customer service, investing in our staff and villages to ensure the level of care, support and amenities remains unsurpassed in the sector. This directly contributes to the strength of Audley Villages resale values with 86% of all Audley Villages properties increasing in value, above the 80% standard for housing with care as defined within the JLL 'Housing with Care Index' (2017).

We have known for some time that the demand for retirement villages is increasing, and in 2016 we responded to that demand by launching Mayfield Villages, which will expand the Audley Group offering to a broader demographic. We look forward to these next phases in our corporate journey.

Village Development

Construction

June saw the ground breaking at Audley Ellerslie, with the construction process generating up to 65 new jobs in the local community through sales, restaurant staff and gardeners. Audley Group has always valued and cultivated local support and relationships, as ultimately our villages are a part of the local area; our restaurants and other Audley Club facilities are open to the community.

In September we broke ground at Audley Redwood with 126 units planned, with the show home opening in Q2 of 2017 and the first owners due to move in later this year. We also celebrated the topping out of St George's with the first owners moving in.

Sales

The year began with owners moving into Audley Binswood following completion of the latest phase of development. 70% of this village – just a short walk from Royal Leamington Spa – was sold out before completion, which is more than an indication of the growing demand for high quality retirement properties.

Village Development continued

Sales continued

May saw the official opening of Audley Chalfont Dene, Audley's 13th village which will have 84 units. Chalfont is currently the closest village to London, just 20 minutes by train from London, Marylebone. A record 96% of Chalfont Dene owners bought off-plan, facilitated by the use of CGI images, fly-throughs and detailed floorplans.

The growing demand for Audley Villages' product was demonstrated by total pipeline sales of 282 in 2016. Furthermore, 41% of all 2017 pre-sale stock had already been sold by June of this year. Such an approach had been avoided by competitors as it was long thought not possible to sell retirement properties in this way. As a result, Audley Villages is now on track to have a successful 2017.

From a marketing perspective, there were also notable successes across all metrics for 2016 compared to 2015:

- Overall calls increased by 40%
- New visits to the sales offices increased by 16%
- Revisits to the sales offices increased by 28%

Village Operations

2016 was a landmark year as we continued to strengthen the breadth of the Audley Villages offering. We now have eight operating villages, all of which have central facilities including restaurants and Audley Clubs and a Care branch. Total revenues in Operations for the period were £11.8m including £6.4m from estate management fees. To meet this demand for our services, our own team grew from 425 to over 500 employees nationwide.

Audley Club and restaurants

Across eight villages we delivered 84,000 restaurant covers, while the number of Audley Club members rose from 541 to 620 in the period. Revenue was £1.5m for Club memberships and food and beverage income.

Audley Care

In October, we completed the acquisition of Red Kite Home Care, which saw all 22 Personal Care Assistants employed by Red Kite Home Care transfer to Audley Care, providing additional round-the-clock support for customers. The business footprint is ideally located to serve customers at Audley Chalfont Dene as well as Cooper's Hill. This acquisition cements the importance of Audley Care as an integral part of the overall business, and we see it as critical to future success. Last year saw the opening of our ninth Care branch at Audley Ellerslie and the delivery of over 212,000 hours of care. Ensuring we can recruit the best staff and provide the highest standard of care is paramount, and as well as all of our branches receiving a 'Good' rating following inspection by the Care Quality Commission, we also offered all care staff a guaranteed hours contract, unique in the sector, further proof of our continued strive for excellence in customer service across all operations.

Land acquisition and pipeline

Last year saw several key land purchases. Cooper's Hill was acquired with initial planning consent for 78 units, and permission for a further 50 units currently being sought. The first owners are expected to move into the village in early 2019.

Planning has been secured for Stanbridge Earls, near Romsey in Hampshire, which will provide 155 units, with the village planned to open in late 2018.

Northcote Place in Berkshire was conditionally bought in November from the Cabinet Office in partnership with Berkeley Homes, contingent on planning permission being granted for a residential and retirement scheme of 103 units. The 79-acre site was, until 2012, home to the National School of Government, and represents Audley Villages' first scheme in partnership with a housebuilder.

Finally, Audley Kenilworth Place, a satellite site adjacent to the existing Audley Binswood village in Royal Leamington Spa, secured planning permission in June 2017 for 26 units and two cottages in addition to the 88 units already at Audley Binswood.

In total, this represents an immediate pipeline of 414 units, alongside an additional 363 in planned phases within operational villages.

We are close to securing the first site for Mayfield Villages, which will be around 250 units.

Brand and marketing

Audley Villages underwent a major creative refresh of its brand and marketing materials at the end of 2016 and into 2017, which has been rolled out across the entire business. This refresh included the commissioning of new photography and creation of new high quality brochures and direct marketing collateral for each village. A new, dynamic website was launched in October 2016, which led to a significant rise in conversions and brochure downloads.

To further aid market knowledge and understanding of consumer demand, comprehensive customer research was undertaken as part of the due diligence process for the Mayfield Villages launch covering national omnibus, focus groups and a quantitative survey. This provided proof of desire for a mid-market proposition, delivered to the same standards of Audley Villages, complementing the expertise Audley Group has in the luxury end of the market.

LEADING


LIFESTYLE

I am pleased to present Audley Group's first Report and Accounts. As an innovative business in a market of huge potential, it provides the chance to take stock of our success to date, as well as to outline our plans for the future.

In this report, I am proud to reveal our strong results for the period, as well as the strategy to further accelerate our growth. Our market insight, the understanding of what our customers desire and solid financial footing provide the foundations for this growth, both in the UK and, potentially, abroad.

Audley Group is a £100m+ business with aspirations of significant growth in the coming years. We are a successful business with a robust balance sheet. Our vision is to continue transforming the market by providing choice and high quality housing for an increasingly discerning market.

Strategy

Audley Group was established to deliver an exceptional product to a segment of the market which was, and still is, critically underserved. We have, to date, targeted the luxury end of the retirement housing market to great success, seeing us grow to a portfolio of 15 Audley Villages nationwide.

This success has attracted investment by a wide range of sources, culminating in the creation of the Moorfield Audley Real Estate Fund (MAREF) which acquired Audley Court Limited and subsidiaries in 2015 for £159m. Since then, a further £126m has been raised by the fund which, together with debt funding and recycled sales proceeds, will enable us to acquire further sites for the development of new villages for both Audley Villages and Mayfield Villages.

The investment has enabled a phase of accelerating growth as we capitalise on a potential £1.7trn of mortgage-free housing wealth held by over 65s which is a factor often ignored by most housebuilders. We believe what sets us apart is that we both develop and operate our villages, which, combined with the service we deliver to our owners, differentiates us from the broader retirement property sector. It is this model we will continue to follow as we grow and diversify the business. It is a strategy which demonstrates our innovation and appetite to deliver for our investors and for the sector as a whole.

Customers

Our property owners are the embodiment of our success. We have attracted some of the country's most sophisticated consumers, who have made a life-changing decision to move from the family home and to a new community.

The backgrounds of our customers are varied, representing all walks of private and public life with the diversity of interests and passions to match. However, one thing unites them all: the desire to have a lifestyle that provides independence and choice.

After location, always crucial to buying a property, the most important reason our owners chose to buy at an Audley Village was because they felt it was the right place for them and they fell in love with the property.

Our customers have also told us that they chose Audley Villages because it means not having to worry about maintenance, living somewhere they feel safe and secure and allowing them to enjoy a full and active lifestyle. With more than half (52%) of our customers living alone across a broad range of ages (the average age is 76), the life they enjoy creates an excellent sense of wellbeing, with 90% saying that there is a good sense of community at Audley Villages.

This community, lifestyle, location and experience combine to make our customers extremely satisfied. This is why almost nine in 10 (88%) of our customers describe their Audley Village as good or excellent. On a five-point Net Promoter Score, the business received a score of four when owners were asked how likely they were to recommend Audley Villages to others.

Combined with the many thousands of potential customers for Mayfield Villages, our owners will ensure the profile and status of the business will continue to grow.

Our people

Audley Group employs over 500 people across the country, from carers to chefs and gardeners to gym instructors. Key appointments, such as Jon Austen as Chief Financial Officer, have further strengthened the Senior Management Team. Our people are what make Audley Group stand out from the crowd and it is they who deliver the service that make our retirement villages best in class.

Finding people that are the right fit for Audley Group is vital and we work hard to make sure that our staff are happy to be here and enjoy their jobs. That is why we have a satisfaction rating amongst our people of 82% with 94% saying that they are proud to work for Audley Group.

Every employee has the potential to grow and have a career with Audley Group. Almost nine in 10 (87%) say that they get the training they need to do their job well and the same number wish to further their career with us. This has always been a cornerstone of the business and will continue to be as we enter this new phase of growth. We have a dedicated HR and talent team and led the way in the care sector last year by moving to a model where no employee is offered a zero hours contract unless they request it.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

Current trading

The Group regards its key performance indicators as number of completions in the period, gross margin and earnings before interest and taxation (EBIT). The number of completions in the period to 31 December 2016 was 190. The results reflected a substantial increase over the underlying trading in Audley Court Limited in 2015 when there were 86 unit sales.

The gross margin of 24% on homes completed was greater than anticipated due to higher selling prices and well controlled costs. The gross margin for the whole business, including fair value adjustments arising from the MAREF transaction, was 19.7%. EBIT, including these fair value adjustments, was £1.7m, or 1.6% of revenue.

Outlook

The appetite for retirement villages remains strong. There is increased focus on housing for older people evidenced by the ongoing Communities and Local Government Select Committee inquiry. We have recognised this growing trend and through the continued development of Audley Villages and the launch of our mid-market offering, Mayfield Villages, we are well positioned to capitalise on what we believe is a sector that will attract more interest from potential owners as well as the wider investment community.

Nick Sanderson
Chief Executive Officer
6 September 2017

Audley Group Limited (AGL) acquired the Audley Court Limited (ACL) group on 8 December 2015 following a restructure.

Overview

Audley Group Limited (AGL) acquired the Audley Court Limited (ACL) group on 8 December 2015 following a restructure. ACL had been an investee company in a fund managed by Moorfield Group Limited and in December 2015 the group was transferred into a new fund created for that single purpose, the Moorfield Audley Real Estate Fund (MAREF), as described in more detail below. The ACL group has been developing retirement villages for many years and the restructuring provided the group with a stronger capital base to enable it to execute its plans to expand its portfolio.

This first 55-week reporting period of AGL therefore includes the financial results of ACL and its subsidiaries from the incorporation of AGL on 8 December 2015. AGL had very strong underlying trading in 2016 as illustrated by the table below:

	Audley Court Limited	Audley Group Limited			
	Year to 31 December 2015	**Year to 31 December 2016**	8 December 2015 to 31 December 2015	Fair value adjustments	**8 December 2015 to 31 December 2016**
Units sold	86	**155**	35	N/A	**190**
Revenue (£'000)	43,500	**91,900**	17,281	—	**109,181**
Gross profit (£'000)	12,281	**29,222**	3,303	(11,026)	**21,499**
Gross margin	28.2%	**31.8%**	19.1%	N/A	**19.7%**
Earnings before interest and tax (£'000)	2,988	**9,736**	3,009	(11,026)	**1,719**

Key performance indicators

The Group regards its key performance indicators as number of completions in the period, gross margin, earnings before interest and taxation (EBIT) and growth in net asset value (NAV). The number of completions in the period was 190. The gross margin achieved in the year on the homes completed was 24.0%, greater than the anticipated figure. The gross margin for the whole business for the period, including the fair value adjustments, was 19.7%. EBIT, including the fair value adjustments, was £1.7m or 1.6% of revenue. The NAV of the Group, on the date of acquisition of the ACL group, of £158.6m is regarded as the initial NAV of the Group from which its performance will be measured.

Corporate transaction

On 14 December 2015 the Company acquired the entire issued 'A' class capital of ACL. The 'A' class capital represented 99.06% of the shares issued. The remaining 'B' class shares are all held by current Directors of ACL. ACL was acquired for cash of £158.6m for all 118,926,535 'A' class shares in issue. The acquired identifiable assets and liabilities of the business were fair valued at the date of acquisition in accordance with accounting policies and the resultant goodwill was £28.9m. The Directors have completed their fair value assessments and therefore this goodwill figure is considered to be final.

The fair value adjustments were primarily in relation to the inventory values and resultant deferred tax effect. The Directors will review the carrying amount of goodwill annually for any impairment.

	£m
Fair value of the consideration given	158.6
Fair value of the net assets acquired	129.7
Goodwill arising	28.9

Consolidated statement of comprehensive income

The consolidated statement of comprehensive income includes the results of the Company from 8 December 2015, the date of incorporation, and the results of ACL and subsidiaries from 14 December 2015, the date of acquisition. A commentary on all significant line items is set out below.

Revenue

Income of £109.2m in the period was made up of £97.4m of property sales, £3.8m of care income, £6.4m of estate management fees and £1.5m of other income. The most significant item included within revenue of £109.2m is sales of £97.4m of properties at our villages representing 190 units or 193,394 sq ft.

Of the £97.4m of property sales, village contributions were £31.7m from Chalfont, £17.6m from Inglewood, £14.6m from Binswood, £14.3m from Clevedon, £7.6m from Mote House, £5.9m from St Elphin's Park and £4.6m from St George's Place as well as smaller contributions, including resales, from other Audley Villages.

Direct costs

Direct costs for the period were £87.7m, including a fair value adjustment of £11.0m in respect of valuation uplifts on inventory at acquisition that has since been sold. Included within direct costs were cost of sales relating to property sales of £84.8m (including the £11.0m fair value adjustment), £2.3m of care cost of sales and £0.6m of other running costs.

Gain on revaluation of investment

Investment properties have been fair valued based on a valuation model that reflects estimated future income streams determined from the contractual arrangements contained in each lease.

Administrative expenses

Administrative expenses of £23.4m represent central operating costs of the business, including £12.7m of employee costs and £1.1m of fees to the MAREF fund manager.

Consolidated statement of comprehensive income continued

Exceptional costs

The exceptional, one-off costs in this period consist of an impairment of £0.4m of goodwill. In order to accelerate care operations at the Chalfont village, Red Kite Home Care Limited was purchased in October 2016. The Directors are of the opinion that, due to the relocation to the Chalfont site and other factors, the goodwill has been impaired and so the resultant goodwill of the Red Kite Home Care acquisition has been written off.

Net finance expense

Net finance costs of £2.7m represent interest, facility fees and amortisation of loan arrangement costs on the Group's loan facilities.

Taxation

The net taxation credit is due to the release of deferred tax liabilities, which were initially recognised on the fair value property stock uplifts on the acquisition of ACL and released upon sale, offset by the utilisation of brought forward tax losses.

Consolidated balance sheet

Non-current assets

Intangible assets

The intangible asset is the resultant goodwill that was created on the acquisition of ACL and its subsidiary companies on 14 December 2015. Further details can be found in note 3.

Property, plant and equipment

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

Investment properties

The investment properties include the freehold and long leasehold interest in each of the villages. The investment properties are valued on the basis of fair value using a model educated by the estimated future income streams. Additions to investment properties in the period of £12.5m represent construction of central facilities at St George's (£4.1m), Redwood (£2.9m), Ellerslie (£1.6m), Chalfont (£1.5m), Cooper's Hill (£0.8m) and Stanbridge Earls (£0.7m). A total of £0.9m was also spent on central facilities already constructed.

Current assets

Inventories

Inventories represent land, plots under construction and completed homes ready for sale across all villages. The inventories had additions of £97.7m in the period with the largest spend being £13.7m at Redwood, £13.5m at St George's, £13.0m at Ellerslie, £10.9m at Stanbridge Earls, £10.7m at St Elphin's, £9.6m at Binswood, £7.7m at Cooper's Hill, £6.5m at Inglewood and £5.2m at Chalfont. There were disposals of £81.3m of sales to third parties in the period.

Trade and other receivables

Trade and other receivables at the period end were £8.2m. This is made up of £1.3m of trade debtors, £1.9m of other debtors, £0.4m of prepayments and £4.6m of accrued income. The trade debtors include management charges and care costs invoiced but not received. Trade debtors do not include any property sales as these are recognised on completion and receipt of funds. Other debtors are predominantly made up of VAT debtors. Accrued income represents deferred management charges that are levied to each owner upon assignment of their lease. The deferred management charge is determined from the contractual arrangements contained in each lease and is calculated at either 0.5% or 1% per year of occupation, or part thereof. It may not be capped or may be capped at either 5% or 15% of sale proceeds or agreed valuation of said premises. The amount recognised in the accounts is based on management's estimate of the property values, which is calculated based on historical data of 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 for the period.

Cash and cash equivalents

Cash and cash equivalents at the period end were £35.3m. Of this amount £31.7m was held in restricted bank accounts under an AIG loan facility and can only be used to pay costs of those villages included under the AIG facility.

Deferred tax

The Group has recognised a deferred tax asset of £4.6m in respect of the Group's tax losses, which are expected to be utilised against future profits of the Group. A deferred tax liability of £2.1m partly offsets this asset and is in respect of property valuation surpluses recognised in these accounts.

Liabilities

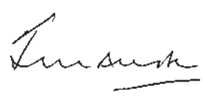
Trade and other payables of £15.8m include £9.4m of trade payables, £2.2m of other payables and £4.2m of accruals and deferred income. Trade payables are all in the normal course of business; included in other payables are advanced payments by owners, reservation deposits and others. Accruals include £2.7m for PAYE commitments, £1.2m for 2016 staff bonuses and £0.1m of deferred income.

Loans and borrowings

The Group has borrowings of £58.0m offset by £2.8m of loan arrangement costs. The Group has three distinct borrowing facilities. Bank Leumi provides finance for Redwood, Bristol, of which £16.5m of the £27.5m facility was drawn at 31 December 2016. A £3.0m amortising investment facility provided by Coutts bank is secured against Willicombe Park, Royal Tunbridge Wells, and AIG provides a multisite loan facility of £65m, of which £38.6m has been drawn down at 31 December 2016, secured on eight villages.

Funding

The Group has entered negotiations to secure a c.£120.0m revolving credit facility to fund future development, which will replace all current funding. The Group benefits from equity funding from MAREF, where, after the year end, it has committed to make a further £85m of funds available to the Group.



Jon Austen
Chief Financial Officer
6 September 2017

Regulatory and industry responsibility

Audley Group has a responsibility for the quality of individual lives and for people's basic rights as human beings. It's a responsibility we bear with great pride, and it's a privilege to do so. This is a philosophy held throughout the whole Group, but particularly in the delivery of high quality care services. To ensure that this quality is maintained by every carer, Audley Care follows strict guidelines:

- All branches are regulated and inspected by the Care Quality Commission (CQC)
- The most up to date regulations are complied with. These describe the essential quality and safety that people who use our services have the right to expect
- Service is also monitored through formal review meetings, the distribution of satisfaction surveys and a close review of the results
- Spot checks observe carers at work and regular contact with owners and their families ensure customers are happy with the service they receive
- All homecare staff undergo a thorough DBS (Disclosure and Barring Service) check and receive regular training. Carers are people our owners will get to know and trust as a friend
- Where possible, carers are recruited from within the local community. These workers spend less time travelling so owners receive the maximum time from them, at the time they promise

We champion the retirement sector as a whole, and as such are a founding member of the Associated Retirement Community Operators (ARCO) trade body with our CEO, Nick Sanderson, having acted as founding chair. Membership of this organisation means we are at the forefront of setting best practice in the retirement village sector and enables us to act as a united voice representing the interests of older people in engagement with both the private and public sectors, including government.

SUSTAINABILITY

Audley Group recognises the need for sustainable development to be considered throughout its villages, with habitat creation, energy saving, recycling of materials and carefully considered maintenance central to each site.

Preserving ecological values

The ecological value of each Audley Group site is carefully considered from the outset. The buildings are often set amidst areas designated as 'Areas of Outstanding Natural Beauty' and so require expert planning and construction to ensure there is no detrimental effect to the surrounding area.

- With sites containing many mature trees and significant wooded areas, detailed tree surveys are central to the design from the beginning
- Every care is taken to ensure the preservation of trees. For example, radar tree surveys are carried out to create a map of the exact location and size of tree roots underground, so that any building work can be specifically designed to avoid damage
- Existing habitats and features such as hedgerows and wetlands are often valuable aspects of the landscape, and Audley Group always seeks to conserve these features wherever possible. Where this has proved not to be feasible, Audley has created new habitats
- At Audley Chalfont Dene an entirely new lake has been constructed, creating a diverse wildlife habitat and enhancing biodiversity in line with district, county and national policy
- At several sites allotments are provided for owners' use, helping to reduce the ecological footprint of the village
- In refurbishing historic buildings there is always an element of wildlife disturbance, particularly for the bat species. During the refurbishment process Audley takes great care to maintain bat habitats
- Surrounding trees are fitted with heated bat boxes; these have also been built into the external fabric of the buildings

Other sustainability initiatives

- Low-energy lighting: around 75% of light fittings making use of the latest light emitting diode (LED) technology
- Solar photovoltaic (PV) technologies: convert sunlight into electrical energy reducing Audley's carbon footprint
- Sustainable travel plan: the aim is to reduce car journeys and encourage the use of sustainable transport systems. Each Audley scheme has its own bus used by owners and staff for journeys to the city/village centre and to and from transport hubs

- Renewable air source heat pumps: high-efficiency technology provides heating for villages in areas where a mains gas service is unavailable
- Ground source heat pumps: highly efficient technology which has been introduced to provide heating to apartments where ground conditions are viable
- Energy recovery ventilation systems: during cooler weather, house ventilation systems recover heat from air being exhausted and use this to temper cooler fresh air coming into the buildings, reducing the need for thermal energy
- Electric car charging points: in addition to providing charging points, Audley is also investigating the use of electric cars to be used in a car club
- Embedded technologies: we include the use of variable speed drives on plant and equipment, modern controls, Building Energy Management Systems (BEMS), low ozone depleting refrigerants, and responsibly sourced building and maintenance materials and designs that ensure plant and equipment can be accessed for maintenance and replacement
- Combined heat and power: adopted where there are a cluster of buildings and the energy loads are favourable
- Reduction of waste and pollution: in conjunction with contractors, Audley seeks to review site waste management to reduce overall waste during construction and reuse and recycle materials wherever possible
- Water conservation: the incorporation of low-demand fittings and flow monitoring warn of potential leaks. The Group is also investigating opportunities for rainwater harvesting on larger developments

The Strategic report contained on pages 4 to 33 was approved by the Board on 6 September 2017.

On behalf of the Board

Nick Sanderson
Chief Executive Officer

Jon Austen
Chief Financial Officer


LEADING

SURROUNDINGS

AUDLEY GROUP BOARD OF DIRECTORS

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.

Marc initially specialised in investment and development finance and then became a top-rated real estate equity analyst and advisor prior to becoming a private equity investor. Marc holds the external appointments of Non-Executive Director at Howard de Walden Estate, 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 Sanderson is the founder and CEO of Audley Retirement.

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 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 acquired the Audley business.

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 advisor to public and private sector organisations. Nick is also a Director and member of the Steering Group of the Associated Retirement Community Operators.

Michael Bruhn

Non-Executive Director

Michael was educated as a chartered accountant and holds an M.Sc. (econ.) from Copenhagen Business School. He has held various positions in the real estate industry and was a senior partner in DTZ before joining Valad as Head of Nordics in 2004. In 2013 Michael moved, after 9 years with Valad, to the position as Chief Executive Officer of PFA Real Estate – the real estate arm of Denmark's largest private pension fund, PFA Pension.

Nick Edwards

Non-Executive Director

Nick Edwards is the Chief Financial Officer of Moorfield Group, and sits on the Moorfield Group Board and Investment Committee.

Nick has a degree in History from Durham University and qualified as an ACA with Arthur Andersen. After qualifying he spent three years in Corporate Finance at Deutsche Bank before six years at Xchanging plc, where from 2005 to 2008 he was Finance and Commercial Director of Xchanging's 2,000 person insurance outsourcing business across the UK, the US and India. Nick holds the position of Chairman for the British Property Federation Finance Committee.

Jon Austen

Chief Finance Officer

Jon joined Audley Group Limited in June 2016, having previously been group finance director of Urban&Civic plc, the quoted UK property developer and investor. Previously he was the finance director of Terrace Hill, a position he held since joining in 2008, which merged with Urban&Civic in 2014.

He previously served as chief financial officer at Arlington Securities Limited and Pricoa Property Investment Management, and joined Terrace Hill from Goodman Property Investors. Jon has been working in the property industry for over 25 years and is a fellow of the Institute of Chartered Accountants in England and Wales. Jon is a Non-Executive Director on the Boards of McKay Securities PLC and Supermarket Income REIT plc.

Paul Morgan

Managing Director – Operations

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

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

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

Kevin Shaw

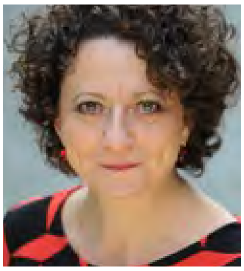
Managing Director – Development

Kevin is a Chartered Director with the Institute of Directors and joined Audley in May 2013. He joined the company in the capacity of Sales Director. Following two successful financial years, his role expanded to Development Director in January 2015 and subsequently Managing Director Development in 2017.

Kevin is now responsible for the Development arm of the business. Key responsibilities include construction, planning, real estate sales, all related financing and budgets. He has a very experienced team who are highly trained and focused on the success of the company.

Prior to joining Audley, Kevin worked in the Holiday Park sector for 16 years. Kevin held various roles including Operations Director, Sales Director and Chief Executive Officer.

DIRECTORS – SUBSIDIARY COMPANIES



Katherine Rose

Group Marketing Director

Katherine joined Audley as Marketing and Communications Director in 2011 and was promoted to Group Marketing Director in January 2017. She is responsible for creating and delivering sustainable and replicable brand and marketing strategies that drive sales and build differentiated brands within the Audley Group. Using research and insight her role also identifies and evaluates new concepts, offers and services across the Group. Her previous experience has been in Marketing and Strategy roles in varied sectors including food, media and retail, working in companies such as Heinz, Cadbury, BBC and TK Maxx.

John Nettleton

Land Director

John has worked in the property industry for over 20 years, firstly at Bidwells, DTZ (now Cushman and Wakefield) and subsequently Colliers International where he was Regional Head of Residential. Whilst at Colliers he acquired Clevedon for Audley Villages following which, in 2007, he joined Audley as Regional Land Director. In 2015 John was promoted to the Board of Audley Court Limited. His team is responsible for new site acquisitions across the Group, then working with the Planning and the Development teams to obtain optimum planning consents. He is a Member of the Royal Institution of Chartered Surveyors.

MANAGEMENT TEAM

Amanda Pearn

Human Resources Director

Amanda started her career with Forte Hotels and had worked resourcing and developing teams with Bass Leisure Retail before her first HR Director role with Hilton Hotels in 2001. She set up her own consulting business in 2007 focusing on organisational change and employee relations managing top name clients. Amanda joined Audley Group in 2015 as HR Director and is responsible for the People Strategy, Audley Training Academy and employee engagement.

Benedict Krauze

Planning Director

Benedict qualified as a chartered architect in 1985. In 1987 he became a partner in a provincial architecture practice and senior partner in 1994. He worked with the Raven Group from 1992 as a consultant, specialising in planning aspects of the company's work and in 1995 set up a building company, Oakhill Limited, that specialised in the restoration of listed buildings. In 2005 he joined Audley Group and leads the planning team.

Kevin Hudson

Construction Director

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

Joanna Lander

Head Of Care Operations

Continuing her successful career in domiciliary care, which saw her in area and regional roles, Joanna joined Audley Group in 2010 and in 2015 she was appointed Head of Care Operations responsible for providing services to Audley Group customers and the external market. She has developed Audley Care into a highly regarded business both in its locations as well as with regulatory bodies, all Branches achieving a 'Good' rating with CQC and improving profitability year on year.

Rosalind Archer

Group Financial Controller

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

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for Audley Group Limited for the period ended 31 December 2016.

Audley Group Limited is a limited company incorporated and domiciled in the UK. The registered office is Swan Court, Kingsbury Crescent, Staines-upon-Thames TW18 3BA. The immediate Parent Company is MAREF Topco Limited. The ultimate Parent Company is disclosed in note 24 of the 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	Appointed 9 December 2016
Jon Austen	Appointed 9 December 2016
Paul Morgan	Appointed 4 January 2017
Kevin Shaw	Appointed 4 January 2017
Marc Gilbard	Appointed 8 December 2015
Nick Edwards	Appointed 8 December 2015
Michael Bruhn	Appointed 24 February 2017
Saira Johnson	Appointed 8 December 2015, resigned 12 January 2017
Charles Ferguson-Davie	Appointed 8 December 2015, resigned 6 March 2017

Biographies of serving Directors are on pages 36 and 37.

At 31 December 2016 Nick Sanderson owned 0.54% of the share capital of Audley Court Limited. Paul Morgan and Kevin Shaw held 0.11% and 0.13% respectively.

Results and dividends

The Groups's loss for the period was £511,000. No dividends were paid in the period to 31 December 2016 and the Directors do not propose the payment of a final dividend.

Principal risks and uncertainties

The Group's operations expose it to a variety of financial risks, which include the effects of changes in price risk, liquidity risk and interest rate risk. 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.

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the Board. The policies set out by the Board of Directors are implemented by the Group's finance department.

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 risk by the use of fixed-price construction contracts where possible. The Group has no exposure to equity securities price risk as it holds no listed or other equity instruments.

Liquidity risk

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. The Group has a mixture of bank and equity funding and cash forecasts and loan compliance requirements are continually monitored to ensure funds are available when required.

Interest rate risk

The Group has both interest-bearing assets and liabilities. Interest-bearing assets include only cash balances, all of which earn a fixed interest rate. Interest-bearing liabilities relate to bank loans. The Group has a policy of maintaining debt at fixed margin rates to ensure certainty of future cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Principal risks and uncertainties continued

The housing market

The Group is exposed to the general risk of a downturn in the housing market. The Group mitigates this risk by employment of experienced individuals and by its investment appraisal process. Due to the nature of the Group's developments and the market it operates in, the Directors believe the Group is less exposed than the general housing market.

Standards of care

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 regularly inspected and through careful recruitment and ongoing training we aim to exceed statutory requirements.

Future developments

Details of the likely future developments of the business are described in the Strategic Report on pages 4 to 33.

Going concern

In assessing going concern, the Directors have reviewed the Group's business plan, including five-year rolling cash forecasts, loan maturities, available funding and key risks (discussed above). The business plan has also been scenario tested to ensure ongoing compliance with banking covenants. Having undertaken this assessment the Directors have a reasonable expectation that the Company and Group have sufficient resources to continue to operate for the next 12 months and the Board consider it appropriate to prepare the financial statements on a going concern basis.

The Directors' report and the strategic report were approved by the Board.

On behalf of the Board

Jon Austen
Chief Financial Officer
6 September 2017

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 period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 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.

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

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

Jon Austen
Chief Financial Officer
6 September 2017

INDEPENDENT AUDITORS' REPORT

To the members of Audley Group Limited

Report on the Group financial statements

Our opinion

In our opinion, Audley Group Limited's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Accounts 2016 (the 'Report'), comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of Audley Group Limited for the period ended 31 December 2016.

Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period 8 December 2015 to 31 December 2016

	Note	8/12/2015 to 31/12/2016 £'000
Revenue	4	**109,181**
Cost of sales		**(87,682)**
Gross profit		**21,499**
Administrative expenses		**(23,381)**
Gain on revaluation of investment properties	12	**3,601**
Operating profit	5	**1,719**
Operating loss before exceptional items and revaluation gain		**(1,459)**
Gain on revaluation		**3,601**
Exceptional items		**(423)**
Operating profit after exceptional items		**1,719**
Finance income	8	**5**
Finance expense	8	**(2,750)**
Loss before tax		**(1,026)**
Corporation tax	9	**515**
Total comprehensive expense for the period		**(511)**
Attributable to:		
– Equity holders of the Parent Company		**(506)**
– Non-controlling interests		**(5)**
		(511)

The Group had no amounts of other comprehensive income for the current period.

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 £'000
Non-current assets		
Intangible assets	11	**28,865**
Investment properties	12	**67,012**
Property, plant and equipment	13	**389**
Deferred tax asset	14	**4,605**
Total non-current assets		**100,871**
Current assets		
Stocks and inventories	15	**122,651**
Trade and other receivables	16	**8,177**
Cash and cash equivalents		**35,330**
Total current assets		**166,158**
Total assets		**267,029**
Liabilities		
Current liabilities		
Trade and other payables	17	**(15,849)**
Loans and borrowings	18	**(120)**
Total current liabilities		**(15,969)**
Non-current liabilities		
Loans and borrowings	18	**(55,144)**
Deferred tax liability	14	**(2,125)**
Total non-current liabilities		**(57,269)**
Total liabilities		**(73,238)**
Total net assets		**193,791**
Equity		
Share capital	21	**193,069**
Retained earnings		**(506)**
Total attributable to equity holders of the Parent Company		**192,563**
Non-controlling interests		**1,228**
Total equity		**193,791**

The financial statements on pages 44 to 63 were approved and authorised for issue by the Board and were signed on its behalf on 6 September 2017.

J Austen
Director

The notes on pages 48 to 63 form part of these financial statements.

Registered number: 09906780

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period 8 December 2015 to 31 December 2016

	Share capital £'000	Retained earnings £'000	Total attributable to equity holders of the Parent Company £'000	Non-controlling interest £'000	Total equity £'000
At 8 December 2015	—	—	—	—	—
Shares issued	193,069	—	193,069	—	193,069
Transactions with owners	193,069	—	193,069	—	193,069
Loss for the period	—	(506)	(506)	(5)	(511)
Total comprehensive expense	—	(506)	(506)	(5)	(511)
Non-controlling interest acquired during the period	—	—	—	1,233	1,233
At 31 December 2016	**193,069**	**(506)**	**192,563**	**1,228**	**193,791**

CONSOLIDATED CASH FLOW STATEMENT

For the period 8 December 2015 to 31 December 2016

	8/12/2015 to 31/12/2016 £'000
Operating activities	
Loss before tax	**(1,026)**
Adjustments for:	
– Depreciation	**168**
– Gain on revaluation of investment properties	**(3,601)**
– Finance income	**(5)**
– Finance expense	**2,750**
– Profit on disposal of vehicles	**(11)**
– Goodwill impairment	**423**
Cash flows from operating activities before changes in working capital	**(1,302)**
Increase in trade and other receivables	**(2,594)**
Decrease in trade and other payables	**(3,404)**
Increase in stocks and inventories	**(16,424)**
Cash absorbed by operating activities	**(23,724)**
Finance income received	**5**
Finance costs paid	**(1,635)**
Corporation tax paid	**—**
Net cash flows from operating activities	**(25,354)**
Investing activities	
Acquisition of subsidiaries net of cash acquired	**(155,325)**
Additions to investment properties	**(12,537)**
Additions to property, plant and equipment	**(255)**
Proceeds from disposal of vehicles	**15**
Net cash flows from investing activities	**(168,102)**
Financing activities	
New loans	**55,145**
Issue costs of new loans paid	**(3,333)**
Repayment of loans	**(16,095)**
Issue of ordinary share capital	**193,069**
Net cash flows from financing activities	**228,786**
Net increase in cash and cash equivalents	**35,330**
Cash and cash equivalents at 8 December 2015	**—**
Cash and cash equivalents at 31 December 2016	**35,330**

NOTES TO THE ACCOUNTS

1 General information

The Company was incorporated on 8 December 2015 and on 14 December 2015 acquired 99.06% issued ordinary 'A' share capital of Audley Court Limited. The Company changed its name from MAREF Bidco Limited to Audley Group Limited on 12 December 2016. The Group's principal activity during the financial period was that of the development and management of retirement villages, including the provision of domiciliary care. The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Swan Court, Watermans Business Park, Kingsbury Crescent, Staines-upon-Thames, Middlesex TW18 3BA.

2 Accounting policies

Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union ('EU adopted IFRS') and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements in accordance with IFRS.

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 66 to 71, in accordance with FRS 102.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Functional and presentation currency

These financial statements are presented in sterling (£), the Company's functional currency, 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 Company operates. Accordingly, the Company measures its financial results and financial position in sterling.

Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue to meet its liabilities as they fall due. The Board has reviewed the performance for the current year and for the future periods and the Directors are satisfied that the Group will continue to generate sufficient cash to meet its liabilities as they fall due for a period of at least 12 months from signing these financial statements.

New standards and interpretations not yet applied

The IASB has issued or amended the following standards that are mandatory for later accounting years and that are relevant to the Group and have not been adopted early. These are:

- IFRS 7 "Statement of Cash Flows" (amendment) (effective date – 1 January 2017);
- IFRS 9 "Financial Instruments" (effective date – 1 January 2018);
- IFRS 15 "Revenue from Contracts with Customers" (effective date – 1 January 2019); and
- IFRS 16 "Leases" (effective date – 1 January 2019).

The Group is currently considering the implication of these standards on the financial position and performance of the Group. An initial assessment indicates that the adoption of these standards would have no material impact on the Group's current period results.

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.

2 Accounting policies continued

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated income statement from the date on which control is obtained.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Goodwill is recognised as an asset and reviewed annually for impairment. Any impairment is recognised immediately in the Group income statement and is not subsequently reversed.

Intangible assets

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the identifiable assets and liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Goodwill is reviewed for impairment at each reporting date.

Investment property

Investment property is initially measured at cost and subsequently carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the consolidated statement of comprehensive income. Additions to investment properties in the course of development or refurbishment include directly attributable internal and external costs incurred during the period of development until the properties are ready for their intended use.

Property, plant and equipment

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

Short-term leasehold property	–	20% straight line basis or life of lease
Fixtures and fittings	–	10% and 33% straight line basis
Equipment	–	33% straight line basis
Motor vehicles	–	33% straight line basis

Stocks and inventories

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

Share capital

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

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be readily measured. Revenue is measured at the fair value of the consideration receivable, excluding VAT.

Revenue represents sales proceeds from the sale of residential units, management fees levied, rents receivable, income from provision of care and other income during the year stated net of value added tax. Sales of residential units are recognised on legal completion of sale. Turnover from the provision of services, including management fees, rental income and provision of care, is recognised in the period during which the service was provided.

2 Accounting policies continued

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax 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 period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

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

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

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

Pensions

The Company 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 costs

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.

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 in hand and deposits with banks and other short-term, highly liquid investments with original maturities of three months or less from inception.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost or their recoverable amount. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Accrued income represents a deferred management charge that the Group levies from each owner upon exit from their premises. The deferred management charge is defined in the lease signed by each owner and is calculated at either 0.5% or 1% per year, or part thereof, of occupation, not capped or capped at either 5% or 15% of sale proceeds or agreed valuation of said premises.

The Directors estimate the deferred management charge by applying a weighted average percentage increase in property value based on historical data of resales made in the year. 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.

2 Accounting policies continued

Financial instruments continued

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently at amortised cost.

Borrowings

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

Borrowing costs

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

Critical accounting estimates and judgements

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

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

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. 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.

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.

Cost allocation and margin recognition

Gross profit is recognised for completed apartment sales based on the latest whole site/phase gross margin, which is an output of the site/phase valuation. These valuations, which are updated at frequent intervals throughout the life of the site/phase, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions.

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 last realised sale at each village on a per square foot basis.

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. Future periods have not been considered past the development period for assets held at the balance sheet date.

3 Business combination

On 14 December 2015 the Company acquired the entire issue of 'A' class shares of Audley Court Limited. At the time of acquisition there were 118,926,535 'A' class shares and this represented 99.06% of the shares issued. There were also 1,130,375 'B' class shares issued and these were all held by active directors of Audley Court Limited. The acquisition was satisfied by the cash payment of £158,568,749. In accordance with the accounting policies, the assets and liabilities of the acquired group of companies have been fair valued.

Details of the fair values of the identifiable assets and liabilities acquired, the purchase consideration and the goodwill arising are as follows:

	Fair value £'000
Non-current assets	
Property, plant and equipment	**306**
Investment property	**50,874**
Deferred tax asset	**6,348**
Total non-current assets	**57,528**
Current assets	
Stocks and inventories	**106,227**
Trade and other receivables	**6,126**
Cash and cash equivalents	**3,667**
Total current assets	**116,020**
Total assets	**173,548**
Liabilities	
Non-current liabilities	
Loans and borrowings	**(2,880)**
Deferred tax liabilities	**(4,383)**
Total non-current liabilities	**(7,263)**
Current liabilities	
Trade and other payables	**(19,253)**
Loans and borrowings	**(16,095)**
Total current liabilities	**(35,348)**
Total liabilities	**(42,611)**
Net assets at fair value	**130,937**
Net assets attributable to non-controlling interests	**(1,233)**
Net assets acquired	**129,704**
Consideration paid	**158,569**
Goodwill arising on acquisition	**28,865**

The fair value adjustments have mainly applied to the inventory values and resultant deferred corporation tax adjustments that are expected to be utilised in the near future.

The Directors have reviewed the value of goodwill arising from the acquisition and would consider this to be a fair value of the premium to acquire the Audley Court Limited group of companies. The Directors have completed their fair value assessments and therefore the fair values disclosed are considered to be final.

Since 14 December 2015 the acquired group has contributed £109,181,000 to the revenues of the Group and £1,026,000 to the Group's loss before taxation.

On 10 October 2016 the Group acquired the entire share capital of Red Kite Home Care Limited for £494,600 for £71,600 net assets. The resultant goodwill of £423,000 has been fully impaired.

4 Revenue and gross profit

All revenue is generated in the United Kingdom.

	2016 £'000
Property sales	**97,397**
Care income	**3,824**
Estate management fees	**6,424**
Other	**1,536**
Total revenue	**109,181**
Property cost of sales	**(84,823)**
Other	**(2,859)**
Total cost of sales	**(87,682)**
Gross profit	**21,499**

5 Operating profit

	2016 £'000
This has been arrived at after charging:	
Depreciation of tangible fixed assets	**168**
Repairs and maintenance	**45**
Auditors' remuneration – audit of the Company	**20**
Auditors' remuneration – audit of subsidiaries	**144**
Total auditors' remuneration – audit services	**164**
Auditors' remuneration – non-audit services: tax compliance	**72**
Total auditors' remuneration	**236**
Operating lease rentals:	
– Other	**165**
– Land and buildings	**203**

6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The two principal segments are development and operations. The development segment includes the purchase of land and construction of a retirement village on that land. The operating segment includes the management of the retirement villages, the deferred management charges, 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 period in accordance with the requirements of IFRS 8 "Operating Segments".

	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	**97,397**	**11,784**	**—**	**109,181**
Cost of sales	**(84,823)**	**(2,859)**	**—**	**(87,682)**
Gross profit	**12,574**	**8,925**	**—**	**21,499**
Administrative expenses	**(10,388)**	**(8,556)**	**(4,014)**	**(22,958)**
Gain on revaluation of investment properties	**—**	**3,601**	**—**	**3,601**
Exceptional costs	**—**	**(423)**	**—**	**(423)**
Operating profit/(loss)	**2,186**	**3,547**	**(4,014)**	**1,719**
Net finance expense				**(2,745)**
Loss before tax				**(1,026)**

6 Segmental reporting continued

In the period no single customer represented 10% or more of total revenue.

	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Intangible assets	20,606	8,259	—	28,865
Investment property	—	67,012	—	67,012
Property, plant and equipment	23	87	279	389
Deferred tax assets				4,605
Non-current assets				100,871
Stocks and inventories	122,615	36	—	122,651
Trade and other receivables	1,304	5,177	1,696	8,177
Cash and cash equivalents	31,736	—	3,594	35,330
Current assets				166,158
Loans and borrowings	(52,527)	(2,737)	—	(55,264)
Trade and other payables	(12,472)	(1,983)	(1,394)	(15,849)
Deferred tax liability				(2,125)
Total liabilities				(73,238)
Net assets				193,791

7 Employees

	2016 £'000
Staff costs (including Directors) comprise:	
Wages and salaries (including discretionary bonus)	11,260
Defined contribution pension costs	301
Social security costs	1,117
	12,678

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £301,000, of which £4,000 was outstanding at the period end which was included within other payables.

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 period ended 31 December 2016, the key senior managers within the Group are deemed to be the Board members and K Rose and J Nettleton who are members of the Operations and Development Boards. No amounts are included in respect of Non-Executive Directors. No balances are outstanding from key management personnel at the period end. During the year no amounts were paid to key management personnel in respect of compensation for loss of office.

Director emoluments

	2016 £'000
Wages and salaries	1,217
Defined contribution pension costs	28
Social security costs	156
	1,401

The highest paid Director received £634,000 in the period, including £10,700 for pension contributions. Non-Executive Directors do not receive a salary but are compensated as part of a management fee as disclosed in note 24.

7 Employees continued

Key management personnel compensation continued

Key management personnel

	2016 £'000
Wages and salaries	1,535
Defined contribution pension costs	40
Social security costs	195
	1,770

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

	2016 Number
Estate management	89
Care provision	135
Restaurant	47
Central management and administration	43
Sales and marketing	37
	351

8 Finance income and finance expense

	2016 £'000
Other interest receivable	5
Finance income	5
Bank interest payable	(1,522)
Amortisation of loan arrangement costs	(1,115)
Other finance costs (including facility fees)	(97)
Finance lease costs	(16)
Finance expense	(2,750)
Net finance expense	(2,745)

9 Tax expense

	2016 £'000
Current tax expense	
Corporation tax	–
Deferred tax credit	
Origination and reversal of temporary differences	(515)
Total tax credit in period	(515)

9 Tax expense continued

The reasons for the difference between the actual tax credit for the period and the Group rate of corporation tax applied to the loss for the year are as follows:

	2016 £'000
Loss for the period	**(1,026)**
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	**(205)**
Expenses not deductible	**47**
Rate change on current period deferred tax	**173**
Losses not recognised	**925**
Revelation surpluses	**2,205**
Other	**(750)**
Total tax credit	**(515)**

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016. These include reductions to the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10 Exceptional items

	2016 £'000
Exceptional items	**423**

In October 2016, the Red Kite Home Care Limited company was purchased to provide a customer base and platform from which to fast-track the Chalfont village care operation. Given the move from the Burnham offices to the Chalfont village and other factors, the Directors have decided to impair the £423,000 goodwill acquired with the business.

11 Intangible assets

	Goodwill 2016 £'000
Cost or valuation	
At 8 December 2015	**–**
Arising through business combination (see note 3)	**29,288**
At 31 December 2016	**29,288**
Amortisation and impairment	
At 8 December 2015	**–**
Impairment	**(423)**
At 31 December 2016	**(423)**
Net book value	
At 31 December 2016	**28,865**

During the period reported on in these financial statements an impairment has been recognised on the goodwill arising from the acquisition of Red Kite Home Care Limited. See note 3 for more information. No impairment has been recognised on the goodwill arising on the acquisition of Audley Court Limited.

The Group has two CGUs to which goodwill has been allocated, being Developments with £20,606,000 and Operations with £8,259,000.

Goodwill has been assessed for impairment on a fair value less cost to sell basis by reference to its market value and its trading performance post acquisition compared with management's expectations. The future cash flows are based on the forecasts and budgets of the CGU, development and operations, discounted at a post-tax rate of 10% to reflect the time value of money.

11 Intangible assets continued

The key assumptions within the development CGU are the timings of acquisitions of new sites, number of units sold (one to three units per month per village), gross development area, gross development value per sq ft and profit on cost (10%–20%). The key assumptions within the operations CGU are management charges (£300–£800 per unit per month), deferred management charges (0.5% or 1% per year, or part thereof, of occupation, not capped or capped at either 5% or 15% of sales proceeds or agreed valuation per premises), maintenance costs and rate of unit occupation.

These assumptions are reviewed by the Board annually and revised in light of current economic conditions and the future outlook of the business. Subsequent to acquisition the business has performed in line with expectations in the original business plan and so no detailed sensitivity analysis has been performed.

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

12 Investment properties

	2016 £'000
Valuation	
At 8 December 2015	–
Additions through business combination (see note 3)	**50,874**
Additions	**12,537**
Gain on revaluation	**3,601**
At 31 December 2016	**67,012**

The historical cost, or acquisition fair value, of investment properties at 31 December 2016 was £63,411,000 and did not include any capitalised interest.

The Group's investment properties are the central buildings and club facilities at each retirement village. The investment properties will be valued annually on the basis of fair value. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards ('The Red Book') and are classified as level 3 within the fair value hierarchy. The fair values were arrived at by a valuation model using a cash flow methodology that reflects future income streams included in the village apartment leases. The future income streams are estimated based on current contractual arrangements.

The key inputs to the valuation model included:

- management charges (£300–£800 per unit, per month);
- net initial yield (5%);
- lease term (25 years);
- capitalisation rate of five years; and
- purchasers costs of 2.8%.

The interrelationship between significant unobservable inputs and fair value measurement

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

- expected management charges were higher/(lower);
- net initial yield was lower/(higher);
- lease term was higher/(lower);
- capitalisation rate was higher/(lower); and
- purchasers costs were lower/(higher).

During the period ended 31 December 2016, £6,424,000 was recognised in the consolidated statement of comprehensive income in relation to income derived from investment properties (management fee income). Direct operating expenses arising from investment properties that generated income amounted to £2,369,000. 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 £3,601,000 gain in fair value on investment properties.

13 Property, plant and equipment

	Short-term leasehold property £'000	Fixtures and fittings £'000	Equipment and motor vehicles £'000	Total £'000
Cost				
At 8 December 2015	—	—	—	—
Acquired through business combination (see note 3)	60	17	229	306
Additions during period	51	19	185	255
Disposals	—	—	(4)	(4)
At 31 December 2016	**111**	**36**	**410**	**557**
Accumulated depreciation				
At 8 December 2015	—	—	—	—
Depreciation charge for the period	33	9	126	168
Balance at 31 December 2016	**33**	**9**	**126**	**168**
Net book value				
At 31 December 2016	**78**	**27**	**284**	**389**
At 8 December 2015	—	—	—	—

14 Deferred tax

	2016 £'000
Disclosed as:	
Deferred tax asset (tax losses)	**4,605**
Total deferred tax assets	**4,605**
Recoverable within 1 year	**254**
Recoverable after more than 1 year	**4,351**
	4,605
Deferred tax liability (revaluation surpluses)	**(1,411)**
Deferred tax liability (other)	**(714)**
Total deferred tax liabilities	**(2,125)**
Arising within 1 year	**(714)**
Arising after more than 1 year	**(1,411)**
	(2,125)
	2,480

	2016 £'000
At 8 December 2015	**—**
Acquired through business combination (see note 3)	**1,965**
Movement in the period	**515**
At 31 December 2016	**2,480**

At 31 December 2016 the Group had unused tax losses of £45,648,000, of which £25,368,000 has been recognised as a deferred tax asset. Tax losses of £20,280,000 have not been recognised as it is not considered sufficiently certain that these losses can be utilised in future periods.

The Group's deferred tax balances have been measured at rates between 17% and 19%, being the enacted rates of corporation tax in the UK at the balance sheet date when the temporary differences giving rise to the deferred tax are expected to reverse. The UK rate of corporation tax will reduce to 19% from 1 April 2017 and to 17% from 1 April 2020 as enacted by the Finance Act 2016.

15 Stocks and inventories

	2016 £'000
Land and work in progress	91,910
Finished goods	30,741
	122,651

	2016 £'000
At 8 December 2015	–
Acquired through business combination (see note 3)	106,227
Additions	97,745
Disposals	(81,321)
	122,651

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

16 Trade and other receivables

	2016 £'000
Trade receivables	1,421
Provision for impairment of trade receivables	(103)
Trade receivables (net)	1,318
Other receivables	1,892
Prepayments	357
Accrued income	4,610
	8,177

The ageing of trade receivables was as follows:

	2016 £'000
Up to 30 days	784
31 to 60 days	122
61 to 90 days	107
Over 90 days	272
Total	1,285
Amounts not yet due	33
Trade receivables (net)	1,318

17 Trade and other payables

	2016 £'000
Trade payables	9,387
Other payables	2,223
Accruals	4,157
Deferred income	82
	15,849

18 Loans and borrowings

	2016 £'000
Bank loans	**58,024**
Loan arrangement costs	**(2,760)**
	55,264
Maturity profile	
Less than one year bank loans	**120**
Between one and five years	**16,706**
More than five years	**38,438**
	55,264

On 11 March 2016, 16 of the Group entities entered into an eight-year £65.0m loan agreement secured by means of interests on the investment properties and operating businesses held in those entities with all companies being jointly and severally liable. Interest is based on one-month LIBOR plus 4.25%. As at 31 December 2016 the total amount drawn was £38.6m. Cash balances totalling £31.7m are held as at 31 December 2016 in restricted bank accounts in support of the loan agreement. The borrowing facility is cross-collateralised and the total carrying amount of the assets pledged as security is £54.9m as at 31 December 2016. The entities that entered into this agreement are Audley Ellerslie Management Limited, Audley Mote Management Limited, Audley St Elphins Management Limited, Audley Chalfont Management Limited, Audley Clevedon Management Limited, Audley Binswood Management Limited, Audley Inglewood Management Limited, Audley St George's Management Limited, Audley Ellerslie Limited, Audley Mote Limited, Audley St Elphins Limited, Audley Clevedon Limited, Audley Chalfont Limited, Audley Inglewood Limited, Audley Binswood Limited and Audley St George's Limited.

Audley Redwood Limited entered into a three-year £27.5m loan in April 2016 to develop that site, of which £16.5m had been drawn down at 31 December 2016. Interest is based on one-month LIBOR plus 3.5% margin and security is over the assets of that entity with Audley Redwood Management Limited as guarantor.

Audley Willicombe Limited entered into a five-year amortising £3.0m investment loan in November 2015. Interest is charged at 2.5% plus LIBOR. The Company has given security over the freehold property in that company and there is a composite cross guarantee from Audley Willicombe Management Limited. The amount outstanding at 31 December 2016 was £2.9m.

19 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 from its shareholders, cash and cash equivalents and borrowings.

The Group's capital structure is managed through its budget and business plan and is monitored via daily cash flow forecasts and monthly management accounts. Following the year end, the fund that ultimately owns the Group raised an additional £85.0m to fund the anticipated period of significant and sustained growth of the Group.

Financial risk management

The Group's principal financial instruments at 31 December 2016 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, and trade and other payables.

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 subcommittee 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.

19 Financial instruments continued

Credit risk

Credit risks arise from the possibility that customers might not be able to settle their obligations as agreed. On the sale of a property, the Group takes a reservation fee and retains ownership of the property until 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; effectively the deferred management charge is secured on the property. The primary risk is that care customers do not settle their obligations as agreed. To manage this risk the Group periodically assesses the financial reliability of customers, taking into account their financial position, past experience and other factors. The Group is not reliant on any major customer in order 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.

Cash and cash equivalents

	2016 £'000
Cash held in restricted bank accounts	**31,736**
Cash at bank and in hand	**3,594**
Cash and cash equivalents	**35,330**

The cash held in the restrictive bank accounts can only be used to pay development and construction costs for those villages that provide security for one of the bank loans.

Price risk

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

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:

	2016 £'000
In less than one year	**2,978**
Between one and two years	**2,974**
Between two and five years	**25,479**
After five years	**43,107**
Total contracted liabilities	**74,538**

The Group has undrawn loan facilities of £37.4m at 31 December 2016.

Interest rate risk

The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include only cash balances, all of which earn interest at a fixed rate. Interest-bearing liabilities relate to bank loans. The Group has a policy of maintaining debt at fixed margin rates to ensure certainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

19 Financial instruments continued

Interest rate risk continued

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

0.5% increase in interest rates	2016 £'000
Interest on borrowings	(290)
Interest on cash deposits	177
Total impact on pre-tax profit and equity	**(113)**

0.5% decrease in interest rates	2016 £'000
Interest on borrowings	290
Interest on cash deposits	(177)
Total impact on pre-tax profit and equity	**113**

Categories of financial assets and financial liabilities

	2016	
Current financial assets – loans and receivables	Carrying value £'000	Fair value £'000
Cash and cash equivalents	35,330	35,330
Trade and other receivables (excluding prepayments)	3,210	3,210
Accrued income	4,610	4,610
Total financial assets	**43,150**	**43,150**
Current financial liabilities – amortised cost		
Bank loans	120	120
Trade payables	9,387	9,387
Other payables	4,668	4,668
Total current financial liabilities	**14,175**	**14,175**
Non-current financial liabilities – amortised cost		
Bank loans	55,144	55,144
Total non-current financial liabilities	**55,144**	**55,144**
Total financial liabilities	**69,319**	**69,319**

20 Share capital

Issued and fully paid

	2016 Number	2016 £'000
Ordinary shares of £1 each		
Issued	193,068,848	193,069

Movements in ordinary share capital

	2016 Number	2016 £'000
On incorporation (8 December 2015)	100	—
On acquisition of Audley Court Limited (14 December 2015)	97,818,518	97,819
Share issue (16 December 2016)	95,250,230	95,250
	193,068,848	193,069

21 Reserves

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

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

22 Contingent liabilities, capital commitments and guarantees

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

	2016 £'000
Contracted but not provided for	**60,341**

23 Leases

Operating lease commitments where the Group is the lessee

	Land and buildings 2016 £'000	Motor vehicles 2016 £'000
In one year or less	**154**	**112**
Between one and five years	**144**	**65**
In five years or more	**3,381**	**—**
	3,679	**177**

24 Related party transactions

Key management personnel

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

The Company's immediate Parent Company is MAREF Topco Limited, 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 period Moorfield Investment Management Limited charged £1,092,000 for management services. Included in accruals at the period end was £187,500.

In 2016 a relation of one of the Directors purchased at open market value an apartment at the Chalfont Dene Village.

INDEPENDENT AUDITORS' REPORT

To the members of Audley Group Limited

Report on the Company financial statements

Our opinion

In our opinion, Audley Group Limited's company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Accounts 2016 (the 'Annual Report'), comprise:

- the Company balance sheet as at 31 December 2016;
- the Company statement of changes in equity for the period then ended; and
- the notes to the Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Audley Group Limited for the period ended 31 December 2016.

Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 September 2017

COMPANY BALANCE SHEET

As at 31 December 2016

	Note	2016 £'000
Fixed assets		
Investments	4	**158,569**
Current assets		
Debtors due within one year	5	**34,500**
		34,500
Creditors due within one year	6	**(14)**
Net current assets		**34,486**
Total assets less current liabilities		**193,055**
Capital and reserves		
Share capital	8	**193,069**
Accumulated losses		**(14)**
Shareholders' funds		**193,055**

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 1 September 2017.

J Austen
Director

The notes on pages 68 to 71 form part of these financial statements.

Registered number: 09906780

COMPANY STATEMENT OF CHANGES IN EQUITY

For the period 8 December 2015 to 31 December 2016

	Share capital £'000	Accumulated losses £'000	Total £'000
At 8 December 2015	—	—	—
Shares issued	193,069	—	193,069
Loss for the period	—	(14)	(14)
At 31 December 2016	**193,069**	**(14)**	**193,055**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Accounting policies

The financial statements of Audley Group Limited 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.

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.

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.

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 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 consolidated financial statements disclosures; and
- from disclosing the Company key management compensation, as required by FRS 102 paragraph 33.7.

Investments

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

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.

1 Accounting policies continued

Financial instruments continued

Financial liabilities

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due 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.

2 Results of the Parent Company

As permitted by Section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements. The Parent Company's loss for the financial period was £14,000.

3 Directors' and auditors' remuneration

Directors' remuneration is given in note 7 of the consolidated financial statements. 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

	2016 £'000
Cost	
At 8 December 2015	–
Acquisition of Audley Court Limited (and subsidiaries)	**158,569**
Impairment charged in the period	–
At 31 December 2016	**158,569**

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 2016 %	Nature of business
Audley Court Limited	**99.06**	The development and management of retirement villages, including the provision of domiciliary care.

4 Investments continued

Subsidiaries continued

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

Name	Nature of business
Audley Binswood Limited	Village development company
Audley Binswood Management Limited	Management company
Audley Care Coventry Limited*	Dormant
Audley Care Holdings Limited	Dormant
Audley Care Ltd	Care provider
Audley Care White Horse Ltd	Care provider
Audley Chalfont Limited	Village development company
Audley Chalfont Management Limited	Management company
Audley Clevedon Limited	Village development company
Audley Clevedon Management Limited	Management company
Audley Coopers Hill Limited	Village development company
Audley Coopers Hill Management Limited	Management company
Audley Court Management Limited	Apartment resales
Audley Ellerslie Limited	Village development company
Audley Ellerslie Management Limited	Management company
Audley Flete Limited	Village development company
Audley Flete Management Limited	Management company
Audley Inglewood Limited	Village development company
Audley Inglewood Management Limited	Management company
Audley Mote Limited	Village development company
Audley Mote Management Limited	Management company
Audley Redwood Limited	Village development company
Audley Redwood Management Limited	Management company
Audley St Elphins Limited	Village development company
Audley St Elphins Management Limited	Management company
Audley St George's Limited	Village development company
Audley St George's Management Limited	Management company
Audley Stanbridge Earls Limited	Village development company
Audley Stanbridge Earls Management Limited	Management company
Audley Sunningdale Park Limited	Village development company
Audley Sunningdale Park Management Limited	Management company
Audley Willicombe Limited	Village development company
Audley Willicombe Management Limited	Management company
Mayfield Villages Limited	Village development company
Red Kite Home Care Limited	Care provider
Audley Financial Services Limited	Dormant

Audley Group Limited and all of its subsidiaries listed above are all incorporated in the United Kingdom.

* Subsidiary of Audley Care Holdings Limited.

5 Debtors

	2016 £'000
Amounts due from subsidiaries	**34,500**
	34,500

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

6 Creditors

	2016 £'000
Accruals	**14**
	14

7 Related party transactions

On 14 December 2015 the Company acquired 99.06% of Audley Court Limited and its subsidiaries. See note 3 of the Group financial statements for details.

During the period Audley Group Limited made loans of £34.5m to Audley Court Limited. The whole amount was outstanding at 31 December 2016.

8 Share capital

Issued and fully paid

	2016 Number	2016 £'000
Ordinary shares of £1 each		
Issued	**193,068,848**	**193,069**

Movements in ordinary share capital

	2016 Number	2016 £'000
On incorporation (8 December 2015)	**100**	**–**
On acquisition of Audley Court Limited (14 December 2015)	**97,818,518**	**97,819**
Share issue (16 December 2016)	**95,250,230**	**95,250**
	193,068,848	**193,069**

9 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.

Audley Group Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2016. MAREF Topco Limited is the undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of these groups are available from Companies House.

CORPORATE INFORMATION

Registered office and principal place of business

Swan Court
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Registered number: 09906780

Independent auditor

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The Audley Group Ltd commitment to environmental issues is reflected in this Annual Report which has been printed on Heaven 42, a FSC® certified material.

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