AUDLEY GROUP

AUDLEY GROUP LIMITED
ANNUAL REPORT AND ACCOUNTS 2017

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Our idea of retirement is Different

At an Audley Group village our owners buy their own home, which means they retain the asset and their highly valued independence. We look after the exterior maintenance, leaving owners free to spend their time however they wish. They could visit the Club, with its bistro, bar, swimming pool and gym. Should they require help in the future, our care companies can provide as little or as much support as needed, on site, 24 hours a day.

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

Nick Sanderson
Chief Executive, Audley Group

The first of its kind

90%
of customers rate Audley Care as good or excellent

99%
of Care customers think Audley Care improves their quality of life

96%
of staff are proud to work for Audley, and it shows in the quality of service that they provide

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

Retirement villages have brought independent living to the growing older population. Giving customers the opportunity to live in a property they own, these unique villages provide outstanding facilities, with care if or when it is needed.

The UK has lagged behind the global market, especially the US, Australia and New Zealand. It is clear that this market is critically underserved and Audley Group's vision was, and is, to deliver an exceptional proposition to meet the growing demand from the UK's older population.

What continually sets Audley apart is proven success. That success is predicated on fulfilling our promise to deliver exceptional customer service within exquisitely designed villages. None of this would be possible without a deep understanding of our customers. Using extensive consumer research and insight we create aspirational properties with strong design values in desirable locations 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 villages and gives our owners the comfort that our priorities and values are aligned with theirs. Our people are at the core of our operational success, ensuring this alignment.

Audley has attracted equity investment from a wide range of sources, which, when combined with debt funding and recycled sales proceeds has fuelled a dynamic site acquisition programme, and we are positioned to continue our business expansion in the coming years. We now have a portfolio of 18 sites (including pipeline) in total nationwide.

The Group's two consumer brands serve distinct audiences.

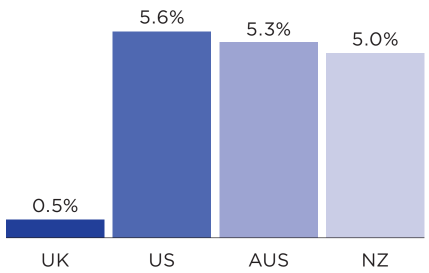
Audley Villages is the luxury retirement offer. The villages are often centred around majestic heritage buildings which become the heart of the village, providing a range of exclusive facilities similar to those you might expect in a boutique hotel.

In response to a growing demand, Mayfield Villages was launched to cater to a mid-market demographic. Mayfield villages are fresh, contemporary offerings with the same service and care levels as would be expected from the Audley Group, but in larger sites and at a lower price. These new build villages will typically be found in urban/suburban environments; Watford is the first Mayfield site.

THE UK HAS LAGGED BEHIND THE GLOBAL MARKET

With only about 0.5% of UK aged 65+ living in this type of housing.

Source: ARCO, 2017.



OUR VILLAGES

Owned villages

A Binswood
Royal Leamington Spa, Warwickshire

B Chalfont Dene
Chalfont St Peter, Buckinghamshire

C Clevedon
Ilkley, Yorkshire

D Cooper's Hill
Englefield Green, Surrey

E Ellerslie
Malvern, Worcestershire

F Inglewood
Kintbury, Berkshire

G Mote House
Bearsted, Kent

H Redwood
Bristol

I Stanbridge Earls
Romsey, Hampshire

J St Elphin's Park
Matlock, Derbyshire

K St George's Place
Edgbaston, Birmingham

L Watford
Hertfordshire

M Willicombe Park
Royal Tunbridge Wells, Kent

Joint venture

N Nightingale Place
Clapham, London

Managed village

O Flete House
Ivybridge, Devon

Exchanged

P Northcote Place*
Sunningdale Park, Berkshire

* completion subject to planning

Q Scarcroft*
Yorkshire

Land under option

R Berkhamsted
Hertfordshire

As a consequence of demographic shifts and an ageing population, the retirement housing sector is increasingly seen as a key component of the UK housing mix. This is particularly at a time when other real estate sectors face a more challenging market. With larger institutions entering the retirement living sector through acquisitions of smaller operators in recent months, there is clear evidence of strong investor sentiment across the wider retirement housing market.

Retirement villages, in providing care to people in their own homes as and when they need it, play a particularly crucial role. The sector is at the heart of housing, health and social care discussions, with last year's Housing White Paper for the first time compelling the Secretary of State to issue guidance for local authorities on how they should address the housing needs of older people. Also, the important role that this housing model can play in easing pressure on the NHS is expected to be explored in the upcoming Social Care Green paper.

We are on the cusp of change. The retirement housing sector, and the retirement village model in particular, is responding to the huge demand from politicians, the NHS and older people alike. Audley is leading the way. This Annual Report and Accounts makes clear why Audley Group is better placed than any other to capitalise on this opportunity.

DELIVERING EXCEPTIONAL PROPERTIES IN BEAUTIFUL SETTINGS

Audley Villages is Audley Group's luxury retirement village product. These villages continue to challenge perceptions of what retirement living can be. They deliver exceptional properties in beautiful settings while maintaining the highest quality of service in the bars, restaurants and health clubs at each site.

The portfolio now encompasses 17 locations across the UK (including pipeline sites), from Devon to Yorkshire, to Kent, 11 of which are operational.

> The Audley Villages portfolio now encompasses 17 (including pipeline sites) locations across the UK, from Devon to Yorkshire, to Kent, 11 of which are operational.

At the heart of the success of Audley Villages is insight into the customer, borne out of regularly refreshed consumer research. Our customers have told us that they chose Audley Villages because it allows them to experience true independence with a full and active lifestyle. They enjoy living in a safe and secure environment, where they choose the life that they want to lead.

Lifestyle, location and customer experience combine to result in high satisfaction levels. Eight out of ten owners rate Audley overall as excellent or good and 90% of Audley Care customers rate the service as excellent or good.

At the heart of every Audley village is the Audley Club, and owners automatically become a member. Frequently located in a grand heritage building the boutique hotel-style Club facilities include a restaurant, bar and bistro, library, guest suite, health club, private treatment rooms, swimming pool, relaxation area and fitness studio. Each of our Clubs has a private dining room where owners can entertain family and friends on special occasions. Many have tennis courts or croquet lawns.

We also offer homecare services as and when they might be needed, both to our owners and to local people within a 20-mile radius. Services range from housekeeping to full personal care on a totally flexible basis. We currently have 10 care branches across the country, each located at an Audley Village.

We are a leader in the field, and are recognised, registered and regularly audited by the Care Quality Commission (CQC). All Audley employees undergo a thorough Disclosure and Barring Service (DBS) check and receive regular training. Our standard of care is second to none.

Audley Villages represents the UK's only nationwide luxury retirement village brand. According to ARCO's January 2018 market analysis, penetration at this end of the market is only 0.5%. The potential for further locations is therefore significant and the financial backing the Group enjoys will allow Audley to fulfil its business plan and continue its significant growth trajectory.

A FRESH APPROACH TO THE SIZEABLE AND UNDERSERVED MID-MARKET

Mayfield Villages was launched in 2016 to meet the needs of customers in the mid-market, representing around 4.5m British consumers. This is nearly twice the size of the luxury sector. Despite its scale the mid-market has only one-fifth (0.1%) of the market penetration of the luxury market (0.5%) ARCO 2018.

As with Audley Villages, extensive research provided essential insight into the demands and aspirations of this mid-market segment, and what they are looking for in a retirement village. 77% of this group are interested in retirement housing options, including retirement villages and retirement properties, and there are some clear preferences in both design and lifestyle.

When presented with the concept and positioning proposed, there was a clear preference for Mayfield versus a National competitor among target customers (68% preferred Mayfield versus 10% preferred competitor). The research indicated that this preference came from the perception that images of the Mayfield concept showed a more contemporary, stylish and higher-quality environment. This demonstrates the importance of bringing true modernity to the sector, a world away from existing providers, let alone the care home model. Mayfield Villages will be fresh and contemporary, offering independence but with a strong sense of community and inclusivity. We developed the proposition to create a close sense of neighbourliness amongst owners, with the design and layout of the villages and provision of facilities produced in direct response to the sociable and informal nature of the target group.

The appetite and demand for a model that appeals to this significant mid-market segment is clear, and Mayfield Villages will be at the forefront of a step change in retirement village provision in the UK.

> “Mayfield Villages will be at the forefront of a step change in retirement village provision in the UK.”

Pricing is lower than Audley Villages, made possible by larger size developments. The villages themselves are typically new build and part of larger, mixed-use sites.

The service will be of the same exceptional standard as all Audley Group villages, and the Mayfield Club facilities will include a health club, coffee shop, bistro, bar, village hall and swimming pool.

Owners will also be able to access bespoke and flexible homecare dependent on their needs. This will be delivered by Mayfield Care, which, as with Audley Care, will be recognised, registered and regularly audited by the Care Quality Commission (CQC), ensuring we deliver the highest standards.

The addition of Mayfield Villages to the Audley Group portfolio brings vast opportunity. The potential scale of the business on a national basis is clear, bringing the Audley Group way of living to an ever-growing number of consumers.

OUR VILLAGES ARE WHAT SET US APART FROM THE COMPETITION

Owned villages

Binswood

Audley Binswood is situated in the heart of the Royal Leamington Spa conservation area. The village, which has 115 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 properties.

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 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.

The locations, buildings, level of finish and service are first class and are the cornerstone on which our business is based.

Inglewood

Nestled in 39 acres, one mile from Kintbury, near Hungerford in Berkshire, Audley Inglewood is home to 91 properties. 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 a 30-acre lake, Audley Mote House has 101 properties. At the heart of the village is a beautifully restored Grade II* listed Georgian mansion.

Redwood

Audley Redwood is set within 15 acres of landscaped parkland and is a short drive from the centre of Bristol. Opened in late 2017, it comprises of 106 properties 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 early 2020 the village will have 155 properties designed to complement the Grade II* listed Tudor manor house at its centre.

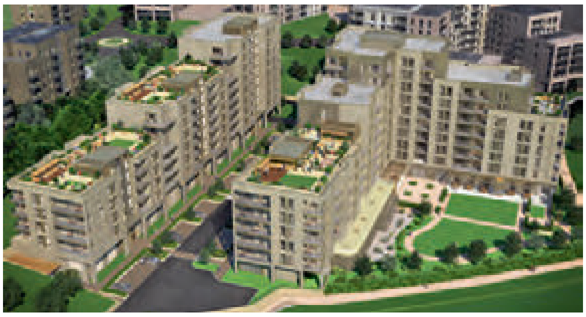
St Elphin's Park

Audley 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.

Owned villages continued

St George's Place

In the heart of leafy Edgbaston, Audley 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 properties.



Watford (Mayfield)

Mayfield's first retirement village is located to the south west of Watford town centre. When completed, the village will have 253 contemporary one and two-bedroom apartments, as well as a swimming pool, bar and bistro, and fitness rooms and spa. Planning permission was granted and the site was purchased post-year end.

Willicombe Park

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

Joint venture

Nightingale Place

Audley's first joint venture and first retirement village in London overlooks Clapham Common and is adjacent to Clapham South tube station. When completed in 2020, the village will have 94 one to three-bedroom apartments as well as a pool, restaurant and health club.

Managed village

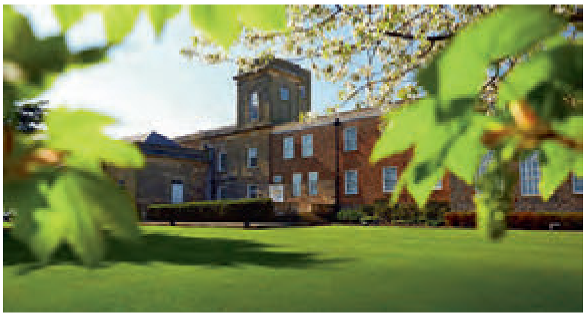
Flete House

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

Exchanged

Northcote Place

Located in the village of Sunningdale in Berkshire, Audley Villages has exchanged a contract to buy a site in Sunningdale Park, completion is subject to planning. Close to Ascot, the retirement village will be situated within 79 acres of countryside and home to around 103 properties.



Scarcroft

Situated within 110 acres of beautiful countryside in the village of Scarcroft, close to Leeds, this luxury village will be home to around 171 properties, in and surrounding the restored Grade II listed Scarcroft Lodge. Contract to buy has been exchanged on the site and completion of contracts is subject to planning.

Land under option

Berkhamsted

Set within 10 acres of land on the banks of the River Bulbourne, close to the canal and town centre of Berkhamsted, this retirement village will be home to around 111 properties. An option to buy the site in the future has been obtained and planning permission will be sought. Construction is planned to start in early 2020.

THE OPPORTUNITY IN THE RETIREMENT SECTOR OVER THE LONGER TERM IS UNDENIABLE

Awareness of the UK's ageing demographic is nothing new, and neither is the crisis in the housing market. But after a long period of emphasis on first-time buyers, political focus is changing. An appreciation of the societal challenges and demands of future generations has resulted in a growing recognition of the importance of the retirement housing sector.

Within that sector, retirement villages play an even more crucial role, in not only freeing up housing supply, but also taking pressure off the NHS and social care services. Retirement villages are a form of housing with care, where you own or, in some cases, rent a property within a development, with facilities provided and care available if needed. It is the independence, flexibility and lifestyle that retirement villages offer which people increasingly demand.

Importantly, the care facilities provided, coupled with suitably adapted properties, means that those living in retirement villages are less likely to be admitted to hospital, or to enter a care home at all (ILC, 2011). On average, costs for lower-level social care needs are 18% less than in general accommodation, rising to 26% less for high-level social care needs (Aston University, 2015).

Despite the clear benefits, there are only 725,000 purpose-built retirement units in the UK (Knight Frank, 2018), and that is in total. The number of housing with care units is much smaller, at around 60,000 units (JLL, 2015).

To put this into context, in mid-2016 there were 12.4m people of pensionable age. This figure is set to rise to 16.3m by 2041 (ONS, 2017). Furthermore, the number of people aged 85 and over is projected to double from 1.6m in 2016 to 3.2m in 2041 (ONS, 2017).

That context is important as 2017 has seen a softening in the housing market that is likely to affect the short-term sales outlook across the housing sector. Yet the scale of the opportunity in the retirement village segment over the longer term is undeniable. The number of new units built annually would need to more than double the current rate just to maintain existing levels of provision as the population ages (ILC, 2018).

All of this has put retirement housing firmly on the Westminster agenda. Last year saw a Housing White Paper published, which for the first time referenced the need to increase provision of housing for older people and to consider incentivising downsizing. The Law Commission reported on fees and made recommendations on fairness and transparency and, in March of this year, the Ministry of Housing, Communities and Local Government issued its consultation on a revised National Planning Policy Framework. This was the first significant change since its publication in 2012, and states that local planning authorities should address the needs of older people.

£0.8bn
The potential annual NHS savings if 5% of over 65s lived in housing with care

48%
Percentage of over 65s who are interested in downsizing

23,000
Annual fall in retirement homes being developed from 1980's to 2010's

Such scrutiny is indicative of the Government's recognition of this sector's growing importance, both today and in the future. The upcoming Social Care Green Paper is expected to investigate further the potential of specialist retirement housing and the role it can play in bringing together housing, health and social care policy.

This attention has been mirrored by investors and large financial institutions, indicating something of a watershed moment for the space. Investors have been attracted by the value scale of the sector as well as its growth potential. Analysis of privately owned retirement living properties revealed, at today's house prices, that this stock is worth £29bn, twice the size of the care home sector, which was valued at £15.9bn at the end of 2016 (Knight Frank, 2018).

The sector's attractiveness has also been noted in PwC's Emerging Trends in Real Estate report for Europe (2018). Retirement properties ranked the second highest real estate sector for investment in 2018, behind only logistics facilities and above student housing and private rented residential. Last year saw several key acquisitions from institutional investors keen to capitalise on the burgeoning opportunity, specifically Legal & General and AXA. It is too soon to assess the impact from the participation of these 'household' names on the sector, but it does reflect the wider recognition in the national consciousness.

The housing sector is facing a challenging macro environment, with Brexit continuing to dominate political and business news, and a clear softening in the housing market that will impact sales in the short term. However, the requisite mix of investment, political and demographic drivers is serendipitous for the retirement living sector. For those providers, like us, that have the experience, proven success and vision to navigate the choppy economic and political waters the growth opportunities are significant. With the lack of supply in the housing market, and the pressure on the NHS and social care sectors, there can only be one direction of travel for retirement housing as a whole, and housing with care in particular. Within three to five years, the usage profile of the UK's housing stock will be markedly different.

High Quality

Audley Group's business model has been developed and refined over a long period, although the initial concept of providing high-quality property with an independent lifestyle, extensive facilities and flexible care on demand remains unchanged. This is at the core of our offering. The business model and lifecycle of a village falls into three distinct phases:

SITE ACQUISITION

We spend a substantial amount of time and resource on site identification, narrowing our areas of search to those where we know house prices are at an appropriate level, and the local demographics indicate a sufficient depth of potential purchasers.

We then typically enter into subject-to-planning contracts to acquire a site, whereby we limit our initial outlay and capital at risk to the deposit and planning costs. We will also enter into option arrangements and other forms of securing a site but we rarely acquire sites unconditionally.

Once a contract to purchase has been exchanged we will pursue planning in a controlled but determined manner, in consultation with planners and the local community and with the aim of attaining the optimal consent in the shortest time. Clearly, planning consent requires a design and, informed by market research, customer feedback and our past experience, an extensive process is undertaken with our professional teams and in-house experts developing plans for our villages.

Often our sites have a listed building as a centrepiece and our long experience means that we can reconfigure such buildings to meet the needs of our customers, providing impressive central facilities as well as desirable apartments for sale. The central facilities form the Audley Club, which includes a bar and bistro, restaurant, library, owners' lounge, a health club with a swimming pool, gym, treatment rooms and sauna.

Our care office, commercial kitchens and space for all our back-office functions are also planned for. We then design a number of buildings surrounding the central facility, in keeping with the architectural values, which will contain apartments for sale. Apartments mostly have two bedrooms but we also include one-bedroom and three-bedroom apartments as well as some cottages. The number and mix will depend on the size and physical layout of the site.

It is in our interests to achieve planning consent quickly in order to start building as soon as possible so we can recycle our capital into the next project. It is not our habit to hold sites with planning consent inactive for any period of time.

CONSTRUCTION AND SALE OF UNITS

During the design stage, we typically engage with the small group of national contractors with whom we do repeat business. We vary the type of tender process we follow but always enter into design and build contracts where the majority of the construction risk is laid off to the contractor.

We will also usually plan a new village in a number of phases, with the Club in the first phase, so that we can enter into build contracts that allow us to use development revenues from the earlier phases to fund later phases. We also start the marketing and selling as soon as construction starts. We aim to exchange contract of sale on 50% of the units in the first phase off-plan.

A sales office is opened on the site and the website, site signage, local PR and direct marketing generate enquiries immediately.

OPERATION OF COMPLETED VILLAGE

When the construction of the Club and first phase properties has been completed then our operations team takes possession to provide the services our owners require and which we are committed to providing.

All owners are Club members and have the use of our health and wellbeing facilities, classes and spa facilities. This membership also allows our owners to use these facilities and the guest accommodation both at the village where they own a property and at any other Audley Village. We also offer Club membership for a monthly fee to age-qualified non-residents from the local community.

All elements of the village are staffed by Audley personnel, including spa, restaurant and bar staff, a facilities manager, gardeners and a care team all run by a general manager.

Audley Club

Whilst Audley makes an appropriate margin from the food and beverage and health club offerings these Clubs are also a very public face of the villages as the facilities are open and promoted to the local community. We always go to great lengths to ensure the highest standards are maintained.

Care

The domiciliary care business is a vital part of our offering and we establish a separately registered and CQC-regulated branch at each village. Each branch has a Branch Manager and offers domiciliary care to owners and the wider community in the vicinity of the village.

Audley has considered different ways of providing this service, which is usually a condition of our planning consents, and has determined that the best, risk-controlled way is to own and operate the care business ourself. Our investment in recruitment, training and development helps to maintain a high standard of carers who are the bedrock of the operation. We provide care ranging from as little as help in getting up in the morning to full 24/7 attendance at an owner's apartment.

Management charges

We typically sell our units on 125-year leases. These provide that an owner is obliged to make management charge payments to us for the duration of the lease. The management charges are currently a Monthly Management Charge and then a Deferred Management Charge payable on change of owner or occupier of the property. Charge levels vary at each village depending on the brand (Audley Villages or Mayfield Villages) and geographical location. These fees are essential for covering all the ongoing and long-term costs of providing the services and upkeep of the villages and are also part of the financial return to Audley.

The Monthly Management Charges are always a fixed amount which can only increase at the rate of inflation. Importantly they are not a contribution to a service charge as is often the case with leasehold property. Our management charges give our owners certainty as to the amount they pay every month as the risk of the sums generated being less than any major expenditure remains with Audley. We maintain and repair all areas of the village except inside the owners' properties. This includes cleaning, painting, decorating, gardening and providing the village staff.

Our Deferred Management Charges are just as important as the Monthly Management Charges and are calculated as a fixed percentage of the property's sale price for each year of ownership. So, for example, where the fixed percentage is 1% and the owner sells the unit after six years then the Deferred Management Charge payable to Audley will be 6% of the sale price.

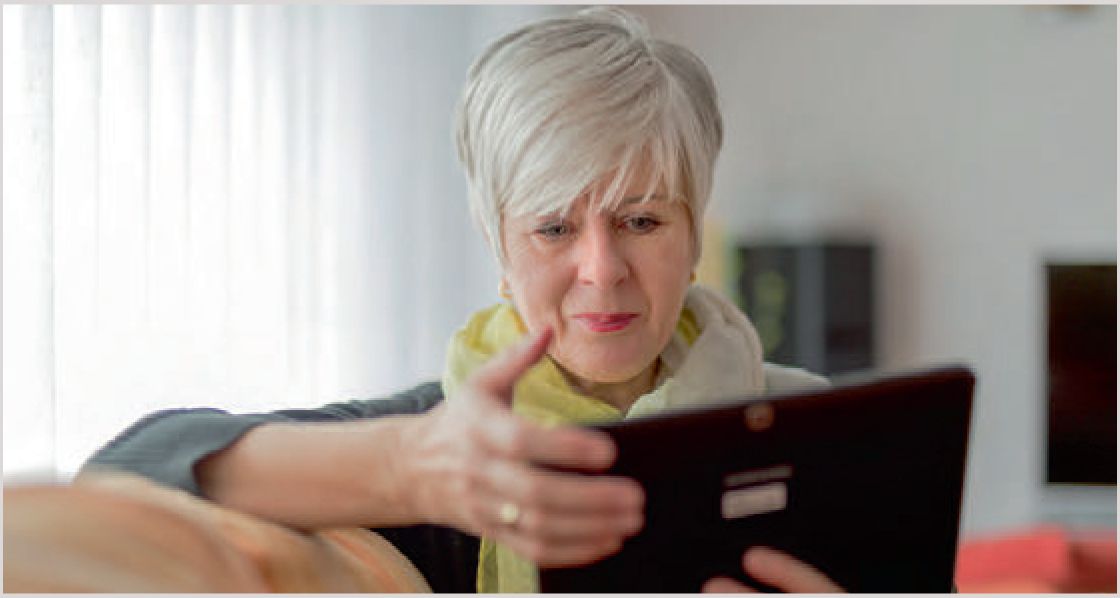
The quantum of our Deferred Management Charge is determined by the length of ownership of the property and its value on sale. As such, our interests are aligned with our owners in keeping the condition of the villages at the highest standard through ongoing investment. Additionally, in reselling properties we are also aligned in achieving the maximum sales value for our owners' properties.

Following market research and customer feedback we are now trialling a flexible approach to management charges whereby a prospective owner can choose between higher or lower Monthly Management Charges with a corresponding reduction or increase in the Deferred Management Charges.

FINANCE

Audley funds its operations through a combination of equity, bank debt, recycling of sale proceeds and operational income. We generate sufficient income from the sale of units to meet all the costs of developing a village, such that once a village is complete and fully sold the ongoing capital employed is minimal and yet we will continue to enjoy the management charges for the duration of the leases we have sold.

This business model of generating development returns from selling properties coupled with the guaranteed income arising from the management fees means that the business is also very financially resilient and will continue to generate income even in a housing market downturn. This model has proved attractive to both equity investors and lenders.



THE MARKET LEADER AND MOST TRUSTED PROVIDER OF RETIREMENT LIVING IN THE UK

The success that Audley Group has experienced to date has been rooted in a clear understanding of how people want to live in retirement and enabling them to achieve that vision.

OUR VISION

Life enhancing

OUR MISSION

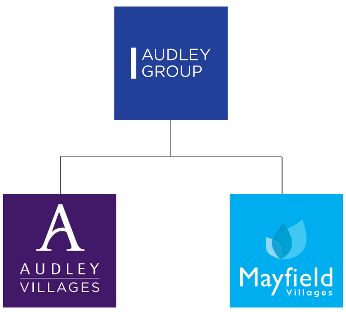
To be the market leader and most trusted provider of retirement living in the UK

OUR VALUES

Enriching, Exceptional, Proud, Caring

AUDLEY GROUP

Audley Group is the Parent Group and is home to all central functions such as finance, marketing and HR.



KEY STRATEGIC PRIORITIES

- Grow the number of Audley and Mayfield villages
- Ongoing investment to fund village expansion
- Broaden the services offered to our owners
- Build on joint venture partnership opportunities both in the UK and overseas

PROGRESS IN 2017

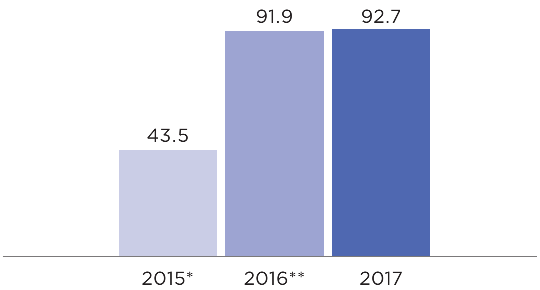
Securing the first site for Mayfield Villages was the undoubted highlight of the year, although there were many other successes across the breadth of the business (see 2017 Review). The land team has developed a reputation for the skill it has in both identifying potential sites and securing planning permissions in what can be challenging circumstances. This has enabled our rapid growth and will continue to form a cornerstone of progress across both brands.

FUTURE OUTLOOK

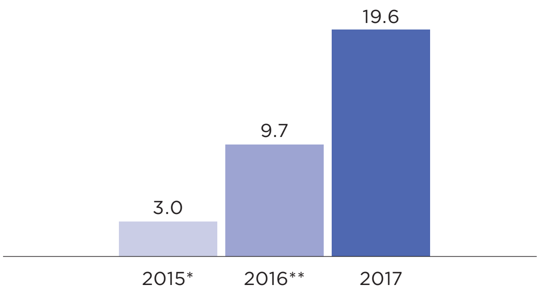
Audley Group continues to grow profitably. A refinancing has recently been secured and the business is well positioned to capitalise on the societal context and market drivers which make the proposition so attractive to owners and investors.

KEY PERFORMANCE INDICATORS

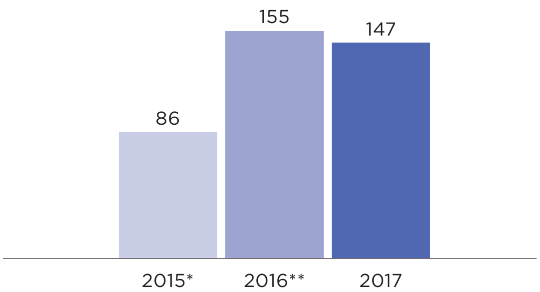
REVENUE (£'000)



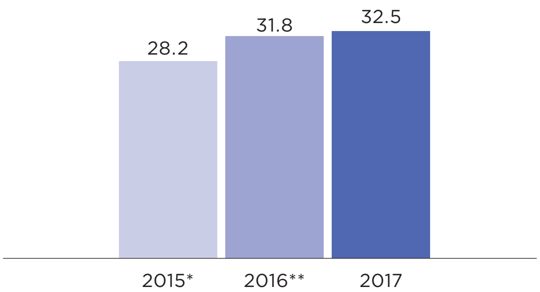
EBIT EXCLUDING FAIR VALUE ADJUSTMENTS (£'000)



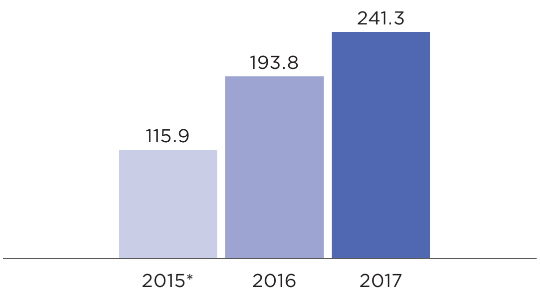
NUMBER OF COMPLETIONS



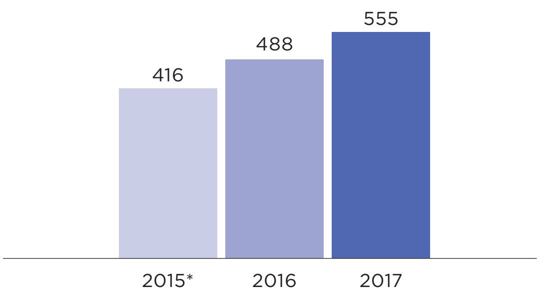
GROSS MARGIN (%)



NAV (£'000)



STAFF HEADCOUNT



* 2015 figure represents Audley Court Limited.

** 2016 figure represents the 52 weeks to 31 December 2016, not the 55 week reporting period, to allow like-for-like comparison.

Our key 2017 Achievements

2017 was a landmark year for Audley Group securing the first Mayfield Villages site. Part of the Watford Riverwell development, it marks the first location for a brand that will become a significant player in the mid-market retirement village space. The current business plan forecasts a target of an additional 673 units at Mayfield Village locations by 2025, demonstrating the potential of this product.

Significant progress was also achieved across Audley Villages, with 147 units completed, taking the total to 692. We secured four new sites, growing the Audley Villages portfolio to 17 villages and creating a pipeline of 628 units to be delivered in the next seven years.

Audley's business model has always been based on two complementary revenue streams and in a more challenging housing market the success of our operating business becomes even clearer. Our broader service offering continued to grow, sustaining investment in both the facilities at each village and maintaining first-class levels of customer service and care.

DEVELOPMENT REVIEW

LAND ACQUISITION AND PIPELINE

Total properties with obtained planning consent rose from 908 in 2016 to 1,261 in 2017 (a 39% uplift), with the business exchanging contracts or options to buy subject to planing on more land in 2017, equating to 347 new units (9% more than 2016).

Mayfield Villages

Following careful site consideration, Mayfield Villages' first location was acquired as part of the Watford Riverwell development.

The village will be completely new build and offers 253 units on completion. Planning permission has been secured and construction will start in summer 2018. Watford Riverwell is an ambitious regeneration scheme that, as well as being home to Mayfield, will comprise a range of multi-generational housing, commercial and retail occupiers and the opportunity for Watford Hospital to develop its facilities.

Audley Villages

Planning approval was secured in June for the first satellite site at Audley Binswood, with permission to construct 24 units and two cottages in addition to the 89 at the main site. The satellite is walking distance from the main Audley Binswood village and is on the former site of residential care home, Homewood in Leamington Spa.

An option to purchase a site in Berkhamsted, Hertfordshire, was secured in September followed swiftly in October with a JV with Apache Capital for the Group's first London village, Audley Nightingale Place. The village, overlooking Clapham Common, will comprise 94 units, with construction starting in mid-2018 and the first owners arriving in 2020. Audley have an agreement to manage the development of this village and has committed to purchase the development upon completion.

This transaction also represented our first JV, as the business has sought more creative routes to securing sites. Other land team firsts included two housebuilder partnerships (Berkeley Homes at Northcote Place and Royalton at Cooper's Hill).

CONSTRUCTION

September witnessed a groundbreaking at Audley Cooper's Hill, a village located within the 66-acre Magna Carta Park in Surrey that will house 78 luxury properties. The village, which is a renovation of grounds formerly owned by Brunel University, will welcome its first owners in the winter of 2019.

In November, ground was broken at Audley Stanbridge Earls, having achieved planning permission in September. Located just minutes from the market town of Romsey, the village, which is based in the grounds of the former Stanbridge Earls School, will house 155 luxury two-bedroom properties.

Finally, the first phase of Audley Ellerslie was completed in May, with 17 finished properties. The overall development will consist of 101 properties, creating 65 local jobs in the process. Audley Binswood's final phase also completed in June.

CONSTRUCTION HIGHLIGHTS

Audley Ellerslie: Completion of Phase 1, 17 apartments, February

Binswood: Completion of the village, May

Audley St Elphin's: Delivery of Pollard, 16 apartments and four cottages, July

St George's: Completion of 60 apartments, October

Redwood: Handover of 71 apartments, November

DEVELOPMENT CASE STUDY

Audley Redwood

Situated on the former site of the Redwood Hotel and Country Club, originally built in 1898, Audley Redwood sits in 15 acres of landscaped parkland. Now completed, the village is one of Audley's biggest, home to 126 luxury one, two and three-bedroom cottages and apartments. Total project expenditure was £63.2m incurred across two phases over a total of 30 months, from initial land purchase in October 2015 to phase two practical completion in April 2018. The project was part funded by a development bank loan from Bank Leumi UK providing £27.5m of debt.

The village is a total new build, however the architect Gaunt Francis studied local architecture in detail and has recreated some prominent local features in the design.

Groundbreaking took place in September 2016, with Balfour Beatty heading up construction following several other successful partnerships with Audley. 52% of units in phase one were exchanged or reserved prior to practical completion.

SALES AND MARKETING

Audley's sales team had another positive year, achieving 147 completions in a more challenging market, compared to 155 in 2016. Including resales total completions were 187, up 5.6% year on year (YoY). A higher gross margin than budgeted was generated; this was achieved by improving the sales price per square foot (psf), alongside robust cost management.

Villages including Audley Inglewood and Audley Clevedon sold out bringing the number of completed villages to eight.

Audley St George's Place opened its doors in May, with 95 properties in total on sale. Demand was strong and all except five of the initial phase units were sold before opening.

Additionally there were significant developments in 2017 in a number of areas. We responded to customer feedback and, in a change to the business model, introduced a variable management charge option in some new villages. This gave customers more flexibility and choice on how much they pay on an ongoing basis versus when they leave the village.

The marketing team continued our insight-led ethos in the development of a completely new brand structure for Audley Group, involving consumer research and employee feedback. This generated a new Company vision and values, and logos for the Group, Audley Villages and Mayfield Villages.

The growth in the customer database size allowed our marketing team to develop a new customer lifestyle profiling model which enhanced targeting and improved direct marketing response rates. This profile was then rolled out to the land team for use when acquiring sites.

There was also an upsurge in social media marketing, and email campaign activity, with the latter seeing open rates consistently above industry average. Total digital sales enquiries were up 56% YoY.

OPERATIONS REVIEW

Audley Group's villages include two revenue streams: development and operations, which when combined make for a highly sustainable business model. In 2017 the operational side of the business continued to showcase its value, with revenue up 53.0% to £18.0m and gross profit up 61.8% to £14.4m. This reflects the importance of the guaranteed management charge income which increased £5.0m YoY as the owner base continued to grow.

The Group also increased headcount by approximately 10%, with a total of 555 employees across the entire organisation at the end of 2017.

AUDLEY CLUB

Audley owners benefit from access to a wide range of facilities once they move into their property. The Audley Club includes a swimming pool, restaurant and bar and bistro, and the owners and the local community take advantage of having these facilities on their doorstep.

Audley delivered 95,000 restaurant/bistro covers in 2017, an increase of 11,000 on 2016. New village standards and menus were rolled out following feedback from Audley's annual owners survey.

New restaurant websites were developed across nine villages and those websites alone received 76,000 visits. Social media also played a major part in the growth in hospitality bookings and overall online restaurant bookings were up 21% YoY.

At the end of 2017 the number of Audley Club members had risen from 620 to 782, partly driven by increase in web traffic and the doubling of Audley Club brochure requests.

OPERATIONS CASE STUDY

Audley Clevedon

The success of Audley Villages does not rest solely on the quality of the properties. The facilities, including the range of food and beverage options, classes and social events, and the exceptional care on offer, all contribute to the success of the model. Audley Clevedon, as with all Audley Villages, had a strong operational year in 2017.

Total revenue was £2.4m, up 44% YoY. The revenue growth was fuelled both by management charges and strong operating performance in food and beverage up 31% to £218k, and care, up 24% to £446k.

The Club had 119 members who enjoyed a varied class timetable including aqua, pilates, and stretch, flex and tone. Events for the owners and local people included a celebration in recognition of Afternoon Tea Week and the Christmas Fair.

Care staff made 24,184 visits, which earned them a homecare score of 8.3 out of 10. The Ben Rhydding restaurant served 10,593 covers with an average TripAdvisor rating of 4.5 out of 5.

242,000 hours
of care

95,000
restaurant/bistro covers

782
Club members

Audley Care

2017 was another strong year for Audley Care with the opening of the 10th branch, at Ellerslie in Malvern. Care revenue was up 20.7% to £4.6m and across the business 242,000 hours of care were delivered, a 14% increase on 2016.

The Care Customer annual survey saw outstanding results:

- Overall rating of the service was 90% Excellent/Good
- 90% would recommend to a friend.
- 97% agreed carers were trustworthy and 96% kind and friendly
- 97% agreed they were always treated with dignity and respect

Despite these very high scores, a process of ongoing improvement continues including changes to how annual self assessments are followed up, new monthly health campaigns, person centred care plans and revised training plans.

Audley Care is an award-winning, CQC-regulated, provider.

I BELIEVE AUDLEY GROUP IS THE PRE-EMINENT UK RETIREMENT VILLAGE DEVELOPER AND OPERATOR

I am pleased to report on the second full year of operations for the Audley Group since the creation of the Moorfield Audley Real Estate Fund (MAREF) ownership structure, whereby MAREF acquired the Audley Group from another Moorfield fund (Moorfield Group Managed Private Equity Real Estate Fund). This enabled investors to continue to participate in an exciting and dynamic sector.

The comparison of the results for 2017 with the prior year is complicated. The 2016 results were for a 55-week period from the date of acquisition of the Audley business while the 2017 results have been boosted by the inclusion of some additional revaluation surpluses. More detail on these items and a comparison of underlying trading is contained In the Chief Financial Officers' Review. Stripping out these items and comparing underlying trading for 2017 with 2016 shows a satisfactory performance which was achieved in an uncertain economic, political and residential market. Details of the 2017 financial performance can be found in the Chief Executive's and Chief Financial Officer's Reviews that follow.

The real estate market is, in my opinion, at the mature end of its cycle, especially in the traditional real estate sectors (retail, office and industrial). Rents are high and yields are low and rising interest rates/bond yields will apply upward yield pressure. As such, the outlook for ongoing rental growth and yield compression is weak at best. However, demographics unfailingly demonstrate the growing numbers of older people (both in the UK and worldwide) which, together with the well-documented scale of undersupply, means the retirement housing sector continues to offer substantial growth.

Retirement living is now an investment class to be considered along with more established specialist sectors such as student housing and the Private Rental Sector (PRS). Whilst Audley remains an active land buyer for its land bank, I am especially excited by some valuable and creative ideas we are progressing to realise the opportunity our sector provides. These include the launch of Mayfield Villages and a potential European joint venture.

I believe it to be the case that Audley Group is the pre-eminent UK retirement village developer and operator with a fully integrated business model, including care. Audley's two brands, Audley Villages and Mayfield Villages, appealing to the high and mid-markets respectively, allow the business to target a very wide share of the relevant population, which should ensure strong prospects for continued growth.

> Audley Group is the pre-eminent UK retirement village developer and operator.

Although there will be the typical cyclical highs and lows, the sector is now established for the long term and the increasing attention of UK and overseas institutional capital flows confirms this. Audley is therefore well set to benefit from its early mover status. 2017 saw several transactions in the retirement village sector, with Legal & General (L&G) buying Renaissance Villages from Helical Bar plc and Inspired Villages from its private owners. AXA bought the Retirement Villages business from its previous private owners.

The fact that these highly reputable organisations have entered the retirement village space is a recognition of the sector's importance and potential, which underpins the long-term demand for our product.

Audley Group has, at the time of writing, undrawn equity to invest in the business and the new £125m revolving credit facility is also substantially undrawn and available to allow continued growth and the expansion of its network of both Audley and Mayfield villages. I am pleased therefore to report that Audley is on a sound financial footing and able to execute the business plan which was created when the MAREF structure was put in place.

In view of the potential for the Company to build on its proven model and accelerate growth by securing additional capital the Group is considering raising more equity in order to take advantage of current favourable market conditions.

I would like to thank all staff for their unstinting efforts in 2017; without them the business would not be what it is today and I look forward to 2018 with confidence.

Marc Gilbard
Chairman
29 June 2018

PROUD TO REVEAL OUR STRONG RESULTS FOR THE PERIOD

2017 was something of a watershed year for the Audley Group. Seminal moments included the purchase of our first Mayfield site and our first London location in Clapham. The progress made has positioned the Group for future success on a far greater scale even than we have achieved to date. Much of this is down to the potential for Mayfield Villages.

Audley began with a vision: to create retirement living options that would improve older people's lives. To do that we had to first understand what they wanted from both their property and their lifestyle as they got older, and then ensure that our villages helped them to achieve their aspirations. This is as true for Mayfield Villages as it was for our first Audley Villages site in Tunbridge Wells.

Audley Group is an established business, with a net asset value of £241m, maintaining and building on the significant growth the business has seen over the past few years. In a challenging housing market, the two complementary revenue streams, development and operations, have proved the value of the model as we increased our profitability and maintained a robust balance sheet.

We intend to continue this growth trajectory, and carry on transforming the market by providing increasing choice and high-quality housing for a broad cross section of the UK's older population.

STRATEGY

Audley Group was established to deliver an exceptional product in a market clearly lacking in choice and quality. We are extremely proud to now have a portfolio of 17 Audley Villages nationwide. This national footprint of luxury retirement villages has no equal in the UK.

But the work does not stop there. The addition of the mid-market Mayfield Villages brand represents a far larger opportunity, both in terms of the number of potential customers, and revenue growth and profitability.

Refinancing with HSBC and Bank Leumi UK recently is representative of the calibre of organisations which see the potential of the Audley Group, and we have been supported every step of the way by our investors, who like us are energised by the scale of the opportunity.

Audley is set apart from its competitors not only by the quality of our property and service offerings, but by our insight-led approach. It is that deep-rooted understanding of our current and potential customers that has allowed us to develop a new brand that we know will create huge demand in a significant segment of the market.

Our strategic focus is to develop and grow two market-leading UK retirement village brands and to explore opportunities to bring the Audley quality to an international market.

> "Mayfield Villages will be at the forefront of a step change in retirement village provision in the UK."

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 12-month period to 31 December 2017 was 147, a 5% decline on the 155 units that were sold in 2016. In a difficult economic environment, psf above plan was delivered in villages where it could be achieved and costs were well managed. This resulted in overall development gross margin increasing to 21%. And the dual revenue stream of the Audley Group model becomes increasingly important in a more challenging environment; we were pleased to see operating revenue increase by 53%.

This resulted in a gross margin, including fair value adjustments, of 33% for the whole business. EBIT, including the fair value adjustments, was £16.8m, or 18% of revenue.

OUTLOOK

The retirement village sector has been at a tipping point for several years. Audley has been at the forefront of its expansion, and has led the charge for public and political recognition of the model. It is with real pleasure that I have witnessed the acceleration of that recognition this year.

The sector is beginning to dominate conversations all over, from institutional investors to the corridors of Westminster, and that impact will be seen across the UK in increasing the supply that will finally start meeting the demand. There is no doubt that the current political landscape has made the sales environment more challenging. As house sales transactions slow, this can impact those that need to sell a property to buy one of ours. However, the calibre of our villages, together with the desire to buy that we see every day from potential owners along with the underlying issues that make this sector so vital, show me why we continue to see such strong investor interest.

Nick Sanderson
Chief Executive Officer
29 June 2018

CONTINUED PROGRESS THROUGHOUT THE YEAR

OVERVIEW

This is the second full year of results for Audley Group Limited. The prior period was a 55-week period from 8 December 2015 to 31 December 2016. The table opposite shows the comparable underlying trading position in both calendar years.

KEY PERFORMANCE INDICATORS

The Group continues to regard its key performance indicators as the 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 year was 147, slightly down on the prior year of 155. The gross margin for the whole business for the year was slightly up at 35.6% versus 31.8% in 2016 on a like-for-like basis. EBIT (excluding fair value adjustments) for the year to 31 December 2017 was £19.6m, an increase on a like-for-like basis of 102% on the 12 months to 31 December 2016. The growth in NAV for the period was 24.5% from £193.8m at 31 December 2016 to £241.3m at 31 December 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income presents the results for the year to 31 December 2017. The comparative period runs from 8 December 2015 to 31 December 2016. A commentary on all significant line items is set out below.

Revenue

Income of £92.7m in the period was made up of £74.7m of property sales, £4.6m of care income, £11.5m of estate management fees and £1.9m of other income. Income overall was down 0.9% from the 12-month period to 31 December 2016 due to a lower number of property completions in the year, but this was partially offset by a strong performance from operations. The most significant item included within revenue of £92.7m is sales of £74.7m of properties at our villages representing 147 units or 144,515 sq ft. Of the £74.7m of property sales, the villages with the highest contributions were £21.1m from Chalfont, £15.7m from Redwood and £11.3m from St George's, with Redwood and St George's villages launched in the year. The Inglewood and Clevedon villages both sold out in the year. Estate management fees contributed £11.5m (2016: £6.4m) to revenue in the year.

	Year to 31 December 2017 (adjusted like for like)	Fair value adjustments	Year to 31 December 2017	Year to 31 December 2016	8 December 2015 to 31 December 2015	Fair value adjustments	8 December 2015 to 31 December 2016
Units sold	**147**	N/A	147	**155**	35	N/A	190
Revenue £'000	**92,682**	—	92,682	**91,900**	17,281	—	109,181
Gross profit £'000	**32,955**	(2,813)	30,142	**29,222**	3,303	(11,026)	21,499
Gross margin	**35.6%**	N/A	32.5%	**31.8%**	19.1%	N/A	19.7%
Earnings before interest and tax £'000	**19,633**	(2,813)	16,820	**9,736**	3,009	(11,026)	1,719

This includes monthly and deferred management fees. Deferred management fees are accrued and calculated as a percentage of the property value on each anniversary of sale.

Direct costs

Direct costs for the period were £62.5m (2016: £87.7m), including a fair value adjustment of £2.8m (2016: £11.0m) in respect of valuation uplifts on inventory made at the date of acquisition of Audley Court Limited in December 2015 and that has been sold in 2017. Included within direct costs were cost of sales relating to property sales of £59.0m (including the fair value adjustment), £2.7m of care cost of sales and £0.8m of other running costs.

> "£125.0m loan facility secured post-year end."

Gain on revaluation of investment properties

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. The revaluation gains are recognised on a straight line basis to the sell-out of the completed village.

Administrative expenses

Administrative expenses of £33.6m represent operating costs of the business, including £14.9m of employee costs and £1.2m of fees to the MAREF fund manager. Included in administrative expenses is an impairment to goodwill of £5.9m.

Net finance expense

Net finance costs of £4.2m represent interest, facility fees and amortisation of loan arrangement costs on the Group's loan facilities.

Taxation

The net taxation expense for the year of £2.8m reflects an effective rate of tax of 19.25%. The charge principally relates to deferred tax on the gain on revaluation of investment properties.

CONSOLIDATED BALANCE SHEET

Non-current assets

Intangible assets

The intangible asset is the resultant goodwill that was created on the acquisition of Audley Court Limited group in 2015. The Directors have assessed the carrying value and the development CGU has been impaired by £5.9m. The value attributed to the development CGU on acquisition has been realised as units have been developed and sold.

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 £15.4m represent construction of central facilities at St George's, Redwood, Ellerslie and Cooper's Hill.

Investments

Investment additions this year represent our 4% initial investment in Audley Nightingale Lane Limited, which is developing a retirement village in Clapham, South London. We have committed to further fund this investment with a minimum of £14.0m in interest-bearing preference shares.



CONSOLIDATED BALANCE SHEET
CONTINUED

Non-current assets continued

Property, plant and equipment

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

Current assets

Stocks and inventories

Inventories represent land, plots under construction, completed homes ready for sale across all villages and food and beverage stocks at the villages. The inventories had additions of £57.6m in the period with the largest spends being Redwood (£14.8m), St George's (£10.6m), Ellerslie (£10.9m) and Cooper's Hill (£7.8m). There were disposals of £58.8m of sales to third parties in the period.

Trade and other receivables

Trade and other receivables at the year end were £13.4m. This is made up of £1.7m of trade debtors, £1.8m of taxes and social security costs, £0.7m of prepayments and £9.2m 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. 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 as a percentage per year of occupation, or part thereof. The amount recognised in the accounts is based on management's estimate of the property values, which is calculated based on historical data of first sales and resales at each village. Any increase or decrease in the expected value of the Deferred Management Charge is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents at the year end were £47.0m. Of this amount £39.9m 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 £5.0m 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 £5.2m is in respect of property valuation surpluses recognised in these accounts.

Liabilities

Trade and other payables of £15.1m include £7.5m of trade payables, £2.3m of other payables and £5.2m of accruals and deferred income. Trade payables are all in the normal course of business; included in other payables are reservation deposits and others. Accruals include £1.5m for 2017 staff bonuses and £0.3m of deferred income.

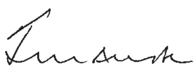
Loans and borrowings

The Group had borrowings of £55.1m offset by £1.8m of loan arrangement costs provided by three distinct borrowing facilities. Bank Leumi UK provided finance for Redwood, Bristol, of which £12.7m of the £27.5m facility was drawn at 31 December 2017. A £2.8m amortising investment facility provided by Coutts bank was secured against Willicombe Park, Royal Tunbridge Wells, and AIG provided a multi-site loan facility of £65.0m, of which £40.4m was drawn down at 31 December 2017, secured on eight villages.

Post-year end all of these facilities were repaid in full and the Group entered into a five-year £125.0m revolving credit facility with HSBC and Bank Leumi UK to fund future development. At time of writing £71.0m had been drawn.

Funding

In addition to the new £125.0m loan facility secured post-year end, the Group benefits from its equity funding from MAREF. MAREF committed a further £85.0m of funds to the Group during the year, of which £53.3m remains undrawn and available at 31 December 2017.

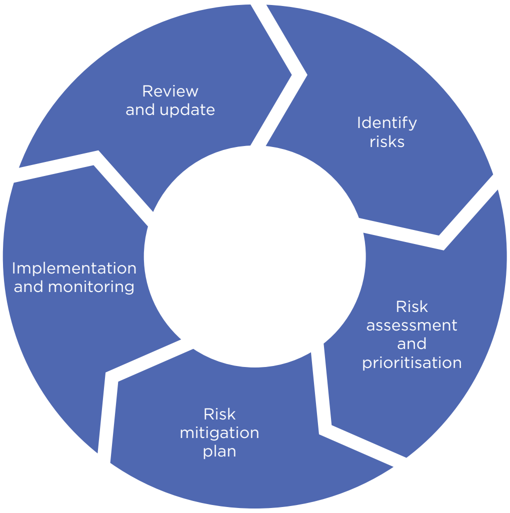


Jon Austen
Chief Financial Officer
29 June 2018

RISK MANAGEMENT IS INTEGRAL TO OUR BUSINESS ACTIVITIES

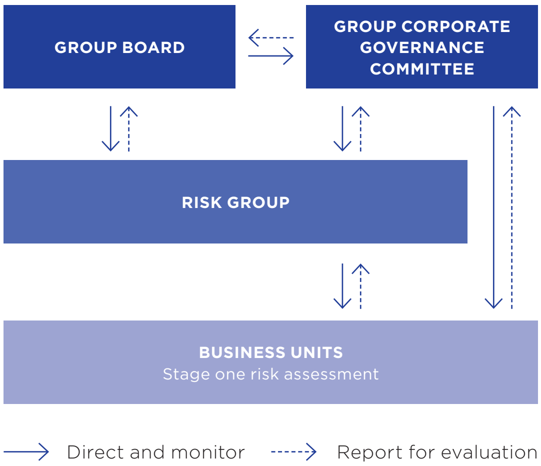
THE RISK MANAGEMENT PROCESS

Risk is integral to Audley Group's business activities and through a continual process to identify, assess, monitor and manage each risk, we can continue to implement our corporate strategy successfully.



Risk management starts at Board level; the Board sets risk appetite, provides policy, maintains risk oversight and enforces risk management reporting. The Corporate Governance Committee reports to the Board and oversees the regular review of risk management activities, is informed of all risk management activity which is considered or suspected to be significant and reviews and agrees the risk management improvement plan. We also have a risk group which receives reports from each business unit, coordinates the Group risk register, reviews risk management activities and devises a risk improvement management plan.

RISK MANAGEMENT PROCESS FLOW



RISK APPETITE

Our approach is to minimise our exposure to reputational, compliance and excessive financial risk, whilst accepting and encouraging risk in a managed environment in pursuit of our missions and objectives.

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

PRINCIPAL RISK REVIEW

The principal risks we face, and the steps we take to mitigate these risks are as follows:

Risk description	Mitigating actions
Economic and market risk Changing market conditions could hinder our ability to sell properties. As housebuilding is cyclical and dependent on the broader economy, any deterioration in the economic outlook, including interest rates, inflation and buyer confidence, could impact on our ability to sell units and consequently negatively impact our turnover and EBIT.	Management closely monitors the market and industry indicators. We model different scenarios of the impact of different market conditions. We partner with a part-exchange company to aid customers who want to buy our product but may be having difficulties selling their home due to market conditions.
Land acquisition risk Failure to acquire land in identified locations with acceptable purchase conditions.	We have a specialist in-house land team. Land is usually acquired subject to planning permission or via an option. Unconditional land purchases are rare, reducing the risk of having to sell a site (at a potential loss) if we do not obtain planning permission.
Planning risk Failure to gain planning consent or satisfactory planning consent in C2 use class. This would either result in us having to sell the site (at a potential loss) if we have acquired it or failure to acquire if it is a subject to planning contract.	We have a specialist in-house planning team which prepares viability assessments and establishes close working relationships with senior council members and key figures in local planning authorities to garner support for our applications. A sensitive approach to local planning policy, coupled with our mantra of the socio-economic advantages of our type of development meeting the needs of the increasing older population, has been a winning formula to date.
Build programme and build cost risk Our financial performance is dependent on its ability to deliver build programmes on time and on budget. Build programme delays or cost overruns could result in slower sales or reduced margins.	We are currently partnering with two of the country's leading 'blue chip' construction companies, Wates and Balfour Beatty. These businesses have strong and robust supply chains and are able to react quickly if a key subcontractor fails. Regular site client progress meetings are held where production rate and programme position are thoroughly appraised, with early warnings on time slippage assessed and recovery strategy agreed.
Reputational risk Marketing materials or website displaying incorrect information either due to miscommunication between departments or human error in proofreading collateral, resulting in misselling to customers, cancelled sales, potential legal issues, negative impact on reputation and loss of revenue.	Ensuring that any price changes, management fee changes, etc. are communicated between sales and marketing teams. All print materials are proofread by an agency as well as internally. All print communications have a date printed for version control. The websites are regularly reviewed and updated.

Risk description	Mitigating actions
Loss of employee or key management personnel risk Our continued success is reliant on its management and staff. Failure to recruit and retain sufficient staff resource of the right quality could constrain growth plans.	We have put in place attractive reward mechanisms for key management. We have a dedicated in-house learning and development team to provide personal development and training across the Group.
Health and safety risk The nature of construction sites is inherently risky and could potentially expose contractors or employees to serious injury or fatality. The health and safety of our owners and visitors at our completed developments that is equally important to us and the risk is that we do not have sufficient safeguards in place.	We actively promote high standards of health and safety on construction sites and specifically discuss this at every site meeting with our contractors. We have employed a dedicated health and safety manager for our completed developments who reports directly to the Managing Director – Operations to identify and address any areas of concern.
Interest rate risk We have 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. We are at risk of increased interest rates on borrowings.	We have 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 our operations change in size or nature.
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 requirement and meet or exceed CQC requirements on all our branches that have been inspected.
Risk of data or cyber breach We rely on information technology to perform effectively and any failure of those systems, particularly those relating to customer data or commercially sensitive data, could adversely impact our commercial advantage and result in penalties where the information is protected by law.	We engage and actively manage external information technology experts to ensure the systems operate effectively and that we respond to the evolving IT security environment. This includes regular offsite backups. We take security of personal data very seriously and have undertaken a General Data Protection Regulation (GDPR) programme to ensure compliance.

Leader in Our field

AUDLEY CARE

As one of the UK's most respected care providers for older people, and a leader in our field, we hold great responsibility for the quality of individual lives and their basic rights as human beings. A high-quality, faultless service is something we strive for in all that we do, but it holds specific importance when it comes to our care services. To ensure the utmost quality and respect for all individuals, Audley Care adheres to the following guidelines:

- Audley Care is recognised, registered and regularly audited by the Care Quality Commission (CQC), which means all carers are rigorously trained and highly qualified
- Our care assistants undertake industry-leading training, including a minimum 12-week programme and additional specialist courses
- The most up-to-date regulations are complied with relating to the essential quality and safety that people who use our services have the right to expect
- All care services are monitored through formal review meetings and the distribution of satisfaction surveys, including an annual customer questionnaire, which are closely analysed
- 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 check and receive regular training
- 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

ARCO TRADE BODY

We champion the retirement sector as a whole, and as such are a founding member of the Associated Retirement Community Operators (ARCO) trade body. The Audley Group CEO is ARCO's current Chair. Membership of this organisation means we are at the forefront of setting best practice in the retirement village sector, allowing us to act as a united voice when representing the interests of older people in engagement with both the private and public sectors, including government.

EMPLOYEES

Our team members are our most important asset as a business, and we are dedicated to providing a working environment in which they can develop and thrive. We encourage open and honest communication and have robust policies covering everything from equality and diversity to health and safety to ensure that their wellbeing is at the core of what we do.

Through our equality and diversity policy the Board and senior management undertake to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. Appointments are made on merit, skills and expertise but with due regard to the benefits of diversity.

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

- Annual staff conference for the leadership of the organisation with special guest speakers and a staff recognition awards event in the evening
- Annual staff satisfaction survey
- Information and consultation committee launched to encourage feedback and sharing of information from all disciplines and locations
- Regional operational village management meetings (bi-monthly)
- Care branch manager meetings (bi-monthly)
- Head office all staff meetings (bi-monthly)
- Daily '10 at 10'. An update from the village general manager at 10am at each operational village

Audley recognise that performance schemes are a key tool in employee engagement and have a range of schemes to promote employee engagement across disciplines including an annual pay review, a bonus scheme, a commissions scheme, an incentive scheme, spot awards, an annual recognition event (small group abroad) and a long-term incentive plan.

MODERN SLAVERY

As part of the property, hospitality and care sectors, we recognise that we have a responsibility to take a robust approach to slavery and human trafficking throughout our entire business. We are absolutely committed to preventing slavery and human trafficking in our business activities, and to ensure that our supply chains are free from slavery and human trafficking.

Our full statement can be read at www.audleyvillages.co.uk/modern-slavery-statement.

GENDER PAY GAP

Audley Group is proud to be an equal opportunities employer and gender has no impact on the recruitment process. Audley Group gender pay details reveal that women's mean hourly rate is 47.5% lower than men's and women's median hourly rate is 1% lower than men's.

This data primarily reflects the fact Audley Group is a business which has three key functions: property, care and hospitality. Each function has different levels of pay. For example care accounts for nearly half of the organisation's headcount, of which 95% of those staff are female, and generally fall into the lower quartiles for pay compared to other business units, which skews the figures. The median gender pay gap across the entire business is only 1%, which suggests that the main bulk of pay grades are very even, and provides a more insightful view of the overall situation.

SUSTAINABILITY

Each location, whether it be an Audley or Mayfield village, undergoes expert consultation, planning and construction to prevent any harmful impact to the site and surrounding area. Helping to preserve the existing ecological value of the site, existing habitats are retained and protected whenever possible, and landscaping is done to ensure it adds to the outstanding natural beauty of the area.

With mature trees and significant wooded areas being a common feature of the Audley sites, detailed tree surveys are central to design across all the villages. Every care is taken to ensure the preservation of trees, with radar tree surveys informing building work from the very beginning to avoid any damage. Other valuable aspects of the landscape such as hedgerows and wetlands are also conserved where possible. Whenever conservation has proved not to be feasible, Audley has created new habitats.

When it comes to the construction stage, reduction of waste and pollution is a key priority. In conjunction with contractors, Audley seeks to review site waste management to reduce overall waste during construction and reuse and recycle materials wherever possible.

We are in the initial stages of integrating more technology into our completed villages to minimise the energy use of owners, such as the ability to use apps to control heating, low ozone-depleting refrigerants and exploring the demand for electric car charging points. These are just some of the examples of how we intend to constantly evolve our sustainability efforts, alongside all of the Building Energy Management Systems (BEMS) that are already in place.

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

- Sustainable travel plan to reduce car journeys. 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
- 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
- Solar photovoltaic (PV) technologies: convert sunlight into electrical energy reducing Audley's carbon footprint
- Low-energy lighting: around 75% of light fittings make use of the latest light emitting diode (LED) technology
- 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
- Combined heat and power: adopted where there are a cluster of buildings and the energy loads are favourable
- 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
- In several sites allotments are provided to owners, helping to reduce the ecological footprint of the village and add to the natural beauty

The Strategic Report contained on pages 4 to 45 was approved by the Board on 29 June 2018.

On behalf of the Board

Nick Sanderson
Chief Executive Officer

Jon Austen
Chief Financial Officer

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 adviser prior to becoming a private equity investor. Marc holds the external appointments of Non-Executive Director at Howard de Walden Estate and Policy Committee Member at British Property Federation and is a Member of the Bank of England Property Advisory Group.

NICK SANDERSON

Chief Executive Officer

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

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

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

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 nine years with Valad, to the position of 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 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 in June 2016, having previously been Group Finance Director of Urban&Civic plc, the quoted UK property developer and investor. Previously he was the Finance Director of Terrace Hill, a position he held from joining in 2008, which merged with Urban&Civic in 2014.

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

PAUL MORGAN

Managing Director – Operations

Paul joined Audley Group 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 Group portfolio, including the restaurants, bars, health clubs and Audley Care, the Company's domiciliary care arm, as well as the HR disciplines across the Audley Group. Providing the strategic management of these businesses, Paul ensures 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 Group internal and external customers.

KEVIN SHAW

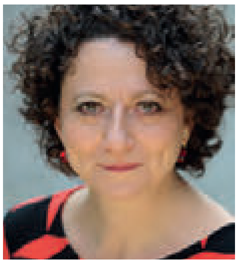
Managing Director – Development

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

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

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

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 the comprehensive and authoritative view of the various customer groups, using market and research insight to develop and manage brand strategies, ensure the services, products and offerings are in line with customer needs and manage reputation. She 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

Group Land Director

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

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

MANAGEMENT TEAM

LISA RICKMAN

Group HR Director

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

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

Care Director

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 and has improved profitability year on year.

ROSALIND ARCHER

Group Financial Controller

Rosalind joined Audley Group in June 2017. She is an associate of the Institute of Chartered Accountants in England and Wales as well as a member of the Association of Corporate Treasurers. Prior to joining Audley Group, 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.

The Directors present their report and the audited consolidated financial statements for Audley Group Limited for the year ended 31 December 2017. The comparative period reported is from 8 December 2015 to 31 December 2016.

Audley Group Limited is a company limited by shares incorporated in England and Wales and domiciled in the UK. The registered office is 65 High Street, Egham, Surrey TW20 9EY. The immediate Parent Company is MAREF Topco Ltd. The ultimate Parent Company is disclosed in note 25 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	–
Jon Austen	–
Paul Morgan	Appointed 4 January 2017
Kevin Shaw	Appointed 4 January 2017
Marc Gilbard	–
Nick Edwards	–
Michael Bruhn	Appointed 24 February 2017
Charles Ferguson-Davie	Resigned 6 March 2017

Biographies of serving Directors are on pages 48 and 49.

At 31 December 2017 Nick Sanderson owned 0.55% (2016: 0.54%) of the share capital of Audley Court Limited via direct and indirect holdings. Jon Austen owned 0.12% (2016: 0%) of the share capital of Audley Court Limited via direct and indirect holdings. At 31 December 2017 and 31 December 2016, Paul Morgan and Kevin Shaw held 0.11% and 0.13% respectively.

RESULTS AND DIVIDENDS

The Group's profit for the year was £9,794,000 (2016: £511,000 loss). No dividends were paid in the period to 31 December 2017 (2016: £nil) and the Directors do not propose the payment of a final dividend.

POLITICAL DONATIONS

During the year the Group did not make any political donations or incur any political expenditure.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties are described on pages 38 to 41.

FUTURE DEVELOPMENTS

Details of the likely future developments of the business are described in the Strategic Report on pages 4 to 45.

EMPLOYEE AND ENVIRONMENTAL MATTERS

Information in respect of the Group's employment and environmental matters is contained within the Corporate Responsibility report on pages 42 to 45.

SUBSEQUENT EVENTS

On 24 January 2018, Audley Court Limited entered into a five-year £125.0m revolving credit facility agreement. All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities. Interest is based on three-month LIBOR plus 3.50%. Post-year end £71.0m was drawn.

Post-year end planning permission was granted for the Mayfield Villages development in Watford and the site purchase completed for £18.0m

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. 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 12 months from the date of approval of these financial statements and the Board considers it appropriate to prepare the financial statements on a going concern basis.

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.

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

On behalf of the Board

Jon Austen
Chief Financial Officer
29 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International 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.

Jon Austen
Chief Financial Officer
29 June 2018

INDEPENDENT AUDITORS' REPORT

To the members of Audley Group Limited

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2017 (the "Annual Report"), which comprise: the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

Independence

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 52, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

OTHER MATTER

We have reported separately on the Company financial statements of Audley Group Limited for the year ended 31 December 2017.

Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year to 31 December 2017

	Note	**Year ended 31 December 2017 £'000**	Period from 8/12/2015 to 31/12/2016 £'000
Revenue	3	**92,682**	109,181
Cost of sales	3	**(62,540)**	(87,682)
Gross profit	3	**30,142**	21,499
Administrative expenses		**(33,562)**	(23,381)
Gain on revaluation of investment properties	11	**20,240**	3,601
Operating profit	4	**16,820**	1,719
Operating profit/(loss) before exceptional items and revaluation gain		**2,480**	(1,459)
Gain on revaluation		**20,240**	3,601
Exceptional items	9	**(5,900)**	(423)
Operating profit after exceptional items		**16,820**	1,719
Finance income	7	**2**	5
Finance expense	7	**(4,190)**	(2,750)
Profit/(loss) before tax		**12,632**	(1,026)
Corporation tax	8	**(2,838)**	515
Profit/(loss) and total comprehensive income for the year/period		**9,794**	(511)
Attributable to:			
– Equity holders of the Parent Company		**9,689**	(506)
– Non-controlling interests		**105**	(5)
		9,794	(511)

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

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	10	**22,965**	28,865
Investment properties	11	**102,609**	67,012
Investments	12	**2,356**	—
Property, plant and equipment	13	**951**	389
Deferred tax asset	14	**4,995**	4,605
Total non-current assets		**133,876**	100,871
Current assets			
Stocks and inventories	15	**121,479**	122,651
Trade and other receivables	16	**13,440**	8,177
Cash and cash equivalents	17	**47,038**	35,330
Total current assets		**181,957**	166,158
Total assets		**315,833**	267,029
Liabilities			
Current liabilities			
Trade and other payables	18	**(15,070)**	(15,843)
Corporation tax	18	**(117)**	(6)
Loans and borrowings	19	**(120)**	(120)
Total current liabilities		**(15,307)**	(15,969)
Non-current liabilities			
Loans and borrowings	19	**(53,999)**	(55,144)
Deferred tax liability	14	**(5,242)**	(2,125)
Total non-current liabilities		**(59,241)**	(57,269)
Total liabilities		**(74,548)**	(73,238)
Total net assets		**241,285**	193,791
Equity			
Share capital	21	**193,069**	193,069
Capital contribution reserve	22	**37,500**	—
Retained earnings		**9,183**	(506)
Total attributable to equity holders of the Parent Company		**239,752**	192,563
Non-controlling interests		**1,533**	1,228
Total equity		**241,285**	193,791

The financial statements on pages 56 to 79 were approved and authorised for issue by the Board and were signed on its behalf on 29 June 2018.

J Austen
Director

The notes on pages 60 to 79 form part of these financial statements.

Registered number: 09906780

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year to 31 December 2017

	Share capital £'000	Capital contribution reserve £'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 loss	—	—	(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
Capital contribution	—	37,500	—	37,500	—	37,500
Transactions with owners	—	37,500	—	37,500	—	37,500
Profit for the year	—	—	9,689	9,689	105	9,794
Total comprehensive income	—	—	9,689	9,689	105	15,694
Non-controlling interest granted during the year	—	—	—	—	200	200
At 31 December 2017	**193,069**	**37,500**	**9,183**	**239,752**	**1,533**	**241,285**

CONSOLIDATED CASH FLOW STATEMENT

For the year to 31 December 2017

	2017 £'000	8/12/2015 to 31/12/2016 £'000
Operating activities		
Profit/(loss) before tax	**12,632**	(1,026)
Adjustments for:		
– Depreciation	**259**	168
– Gain on revaluation of investment properties	**(20,240)**	(3,601)
– Finance income	**(2)**	(5)
– Finance expense	**4,190**	2,750
– Loss/(profit) on disposal of property, plant and equipment	**54**	(11)
– Goodwill impairment	**5,900**	423
Cash flows from operating activities before changes in working capital	**2,793**	(1,302)
Increase in trade and other receivables	**(5,265)**	(2,594)
Decrease in trade and other payables	**(2,574)**	(3,404)
Decrease/(increase) in stocks and inventories	**1,172**	(16,424)
Cash absorbed by operating activities	**(3,874)**	(23,724)
Finance income received	**2**	5
Finance costs paid	**(1,410)**	(1,635)
Corporation tax paid	**—**	—
Net cash flows from operating activities	**(5,282)**	(25,354)
Investing activities		
Acquisition of subsidiaries net of cash acquired	**—**	(155,325)
Additions to investments	**(2,356)**	—
Additions to investment properties	**(15,357)**	(12,537)
Additions to property, plant and equipment	**(873)**	(255)
Proceeds from disposal of vehicles	**—**	15
Net cash flows from investing activities	**(18,586)**	(168,102)
Financing activities		
New loans	**12,757**	55,145
Issue costs of new loans paid	**—**	(3,333)
Repayment of loans	**(14,881)**	(16,095)
Issue of share capital	**—**	193,069
Capital contribution	**37,500**	—
Non-controlling interests granted during the period	**200**	—
Net cash flows from financing activities	**35,576**	228,786
Net increase in cash and cash equivalents	**11,708**	35,330
Cash and cash equivalents at start of year/period	**35,330**	—
Cash and cash equivalents at 31 December	**47,038**	35,330

NOTES TO THE ACCOUNTS

1 GENERAL INFORMATION

The Group's principal activity during the financial year was that of the development and management of retirement villages, including the provision of domiciliary care. The Company is a private company limited by shares and is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 65 High Street, Egham, Surrey TW20 9EY.

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 82 to 88, in accordance with FRS 102.

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

Functional and presentation currency

These financial statements are presented in sterling (£), the 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 9 "Financial Instruments" (effective date – 1 January 2018);
- IFRS 15 "Revenue from Contracts with Customers" (effective date – 1 January 2018); and
- IFRS 16 "Leases" (effective date – 1 January 2019).

IFRS 15 "Revenue from Contracts with Customers" will be effective for the Group from the period beginning 1 January 2018 and replaces IAS 18 and IAS 11. IFRS 15 establishes a five-step principle-based approach to revenue recognition including identifying the contract, the performance obligations within the contract and the point at which these are satisfied, determining the transaction price and allocating it to the performance obligations. The Group has assessed the likely impact that early adoption of IFRS 15 would have on these financial statements. In doing so the Group has considered all of its current income streams, being property sales, care income, estate management fees, food and beverage income, club membership income and other income. The Group anticipates that there would be no material impact on the financial position and performance in the current period on adoption of IFRS 15.

IFRS 9 "Financial Instruments" will be effective for the Group from the period beginning 1 January 2018 and applies to the recognition, derecognition, classification and measurement of financial assets and financial liabilities as well as hedge accounting. Based on the current financial instruments held by the Group, it is not expected to have a significant impact on the Group's results, other than possible disclosure items.

IFRS 16 "Leases" will be effective for the Group from the period beginning 1 January 2019, and will result in the Group recognising a financial asset and liability on the balance sheet initially at the present value of all future lease payments it is obliged to make for any material leases for which it is the lessee. These are disclosed in note 23. There is predicted to be no net impact on the profit and loss over the lease term, but under IFRS 16 part of the payment currently recognised within administrative expenses would be recognised as a finance cost.

The Group has assessed that the impact on assets, liabilities and profit and loss is not likely to be material. The treatment of leases where the Group is acting as a lessor is substantially unchanged from that currently applied under IAS 17.

2 ACCOUNTING POLICIES CONTINUED

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.

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, Deferred Management Charges (see accrued income critical accounting estimates and judgements), 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 and provision of care, is recognised in the period during which the service was provided.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax expense is recognised in the statement of comprehensive income. Current or deferred taxation assets and liabilities are not discounted.

2 ACCOUNTING POLICIES CONTINUED

Taxation continued

(i) Current tax

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

(ii) Deferred tax

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

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

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

Pensions

The 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.

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 as a fixed percentage of sale proceeds or agreed valuation of said premises per year, or part thereof, of occupation.

The Directors estimate the Deferred Management Charge by applying a weighted average percentage 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.

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.

2 ACCOUNTING POLICIES CONTINUED

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 average realised selling price 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.

Impairment of goodwill

The goodwill has been assessed on a fair value less cost to sell basis for each CGU. The fair value has been calculated based on a valuation model using a cash flow methodology that reflects future income streams. A profit on cost percentage is applied dependent on the stage of the development of the site or phase. Management is required to employ considerable judgement in estimating the profitability and timing of a site/phase and in assessing any impairment provisions which may be required.

3 REVENUE AND GROSS PROFIT

All revenue is generated in the United Kingdom.

	2017 £'000	2016 £'000
Property sales	**74,653**	97,397
Care income	**4,617**	3,824
Estate management fees	**11,457**	6,424
Other	**1,955**	1,536
Total revenue	**92,682**	109,181
Property cost of sales	**(58,950)**	(84,823)
Other	**(3,590)**	(2,859)
Total cost of sales	**(62,540)**	(87,682)
Gross profit	**30,142**	21,499

4 OPERATING PROFIT

	2017 £'000	2016 £'000
This has been arrived at after charging:		
Depreciation of tangible fixed assets	**259**	168
Repairs and maintenance	**35**	45
Auditors' remuneration – audit of the Company	**25**	20
Auditors' remuneration – audit of subsidiaries	**212**	144
Total auditors' remuneration – audit services	**237**	164
Auditors' remuneration – non-audit services: tax compliance	**78**	72
Total auditors' remuneration	**315**	236
Operating lease rentals:		
– Other	**198**	165
– Land and buildings	**272**	203

5 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".

2017	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	**74,653**	**18,029**	**—**	**92,682**
Cost of sales	**(58,950)**	**(3,590)**	**—**	**(62,540)**
Gross profit	**15,703**	**14,439**	**—**	**30,142**
Administrative expenses	**(8,521)**	**(10,229)**	**(8,912)**	**(27,662)**
Goodwill impairment	**(5,900)**	**—**	**—**	**(5,900)**
Gain on revaluation of investment properties	**—**	**20,240**	**—**	**20,240**
Operating profit/(loss)	**1,282**	**24,450**	**(8,912)**	**16,820**
Net finance expense				**(4,188)**
Profit before tax				**12,632**

5 SEGMENTAL REPORTING CONTINUED

2017	**Development £'000**	**Operations £'000**	**Unallocated £'000**	**Total £'000**
Intangible assets	**14,706**	**8,259**	**—**	**22,965**
Investment property	**—**	**102,609**	**—**	**102,609**
Investments	**2,356**	**—**	**—**	**2,356**
Property, plant and equipment	**221**	**99**	**631**	**951**
Deferred tax assets				**4,995**
Non-current assets				**133,876**
Stocks and inventories	**121,416**	**63**	**—**	**121,479**
Trade and other receivables	**2,377**	**10,428**	**635**	**13,440**
Cash and cash equivalents	**39,966**	**507**	**6,565**	**47,038**
Current assets				**181,957**
Loans and borrowings	**(51,368)**	**(2,751)**	**—**	**(54,119)**
Trade and other payables	**(9,549)**	**(2,431)**	**(3,207)**	**(15,187)**
Deferred tax liability				**(5,242)**
Total liabilities				**(74,548)**
Net assets				**241,285**

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

2016	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)
Profit before tax				(1,026)

5 SEGMENTAL REPORTING CONTINUED

2016	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

6 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses (including Directors) are as follows:	**2017 £'000**	2016 £'000
Wages and salaries (including discretionary bonus)	**13,416**	11,260
Defined contribution pension costs	**389**	301
Social security costs	**1,098**	1,117
	14,903	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 £389,000 (2016: £301,000), of which £54,000 (2016: £4,000) was outstanding at the period end and 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 2017, 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.

Directors' emoluments

	2017 £'000	2016 £'000
Wages and salaries	**1,847**	1,217
Defined contribution pension costs	**29**	28
Social security costs	**211**	156
	2,087	1,401

The highest paid Director received £624,000 (2016: £634,000) in the year, including £10,300 (2016: £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.

6 EMPLOYEE BENEFIT EXPENSES CONTINUED

Key management personnel compensation continued

Key management personnel

	2017 £'000	2016 £'000
Wages and salaries	**2,388**	1,535
Defined contribution pension costs	**42**	40
Social security costs	**264**	195
	2,694	1,770

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

	2017 Number	2016 Number
Estate management	**100**	89
Care provision	**149**	135
Restaurant	**46**	47
Central management and administration	**42**	43
Sales and marketing	**36**	37
	373	351

7 FINANCE INCOME AND FINANCE EXPENSE

	2017 £'000	2016 £'000
Other interest receivable	**2**	5
Finance income	**2**	5
Bank interest payable	**(2,983)**	(1,522)
Amortisation of loan arrangement costs	**(1,141)**	(1,115)
Other finance costs (including facility fees)	**(50)**	(97)
Finance lease costs	**(16)**	(16)
Finance expense	**(4,190)**	(2,750)
Net finance expense	**(4,188)**	(2,745)

8 CORPORATION TAX

	2017 £'000	2016 £'000
Current tax expense		
Corporation tax	**111**	—
Deferred tax expense/(credit)		
In respect of revenue losses	**(410)**	—
In respect of revaluation gains	**3,115**	—
Origination and reversal of other temporary differences	**22**	(515)
Total tax expense/(credit) in period	**2,838**	(515)

8 CORPORATION TAX CONTINUED

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

	2017 £'000	2016 £'000
Profit/(loss) before tax for the period	**12,632**	(1,026)
Profit/(loss) before tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**2,432**	(205)
Expenses not deductible	**1,209**	47
Rate change on current period deferred tax	**(72)**	173
Losses not recognised	**—**	925
Other	**(731)**	(1,455)
Total tax expense/(credit)	**2,838**	(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 included 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.

9 EXCEPTIONAL ITEMS

	2017 £'000	2016 £'000
Exceptional items	**5,900**	423

The exceptional cost in both periods relates to an impairment of goodwill.

10 INTANGIBLE ASSETS

	Goodwill £'000
Cost or valuation	
At 8 December 2015	—
Arising through business combination	29,288
At 31 December 2016 and 31 December 2017	**29,288**
Accumulated amortisation and impairment	
At 8 December 2015	—
Impairment	(423)
At 1 January	**(423)**
Impairment	**(5,900)**
At 31 December 2017	**(6,323)**
Net book value	
At 31 December 2017	**22,965**
At 31 December 2016	28,865

The Group has two CGUs to which goodwill has been allocated, being development with £14,706,000 (2016: £20,606,000) and operations with £8,259,000 (2016: £8,259,000).

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

The fair value of the operations CGU is based on the estimated cash flows and a yield consistent with those used in the valuation of investment properties, see note 11. The fair value reflects the expected cash flows at maturity of the village assuming all units are sold. The Group recognises the value of these cash flows in investment properties as the units are sold. Consequently, the excess cash flow values supporting goodwill will reduce as units are sold, with the value realised in investment properties, and may result in an impairment to goodwill in the future.

10 INTANGIBLE ASSETS CONTINUED

The fair value of the development CGU is based on the residual land value using the estimated remaining gross development value less costs to complete. The key assumptions are number of units sold, costs to complete and development margin. The development margin varies from 5% to 20% depending on the stage of the development, with the margin reducing as the village development nears completion. In deriving the fair value the Group attributes value to sites where planning has been obtained, but no value is attributed to sites where an option to purchase exists but planning has not been granted.

This represents a level 3 valuation.

These assumptions are reviewed by the Board annually and revised in light of current economic conditions and the future outlook of the business. An impairment of £5.9m has been recognised in 2017 in the development CGU. The impairment charge reflects the fact that future development profit on undeveloped units recognised as goodwill on acquisition has been realised as units have been developed and sold. When assessing the fair value of the development certain assumptions around sales prices and construction costs were taken. Movements in these assumptions could result in a higher or lower impairment charge.

11 INVESTMENT PROPERTIES

	£'000
Valuation	
At 8 December 2015	—
Additions through business combination	50,874
Additions	12,537
Gain on revaluation	3,601
At 1 January 2017	67,012
Additions	15,357
Gain on revaluation	20,240
At 31 December 2017	**102,609**

The historical cost of investment properties at 31 December 2017 was £78,768,000 (2016: £63,411,000).

The Group's investment properties are the central buildings and club facilities at each retirement village. The investment properties are valued annually on the basis of fair value, either by an external surveyor or the Directors. At 31 December 2017 the Directors valued the investment properties. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (the "Red Book") and are classified as level 3 within the fair value hierarchy. The fair values were arrived at by a valuation model using a cash flow methodology that reflects future income streams included in the village apartment leases and other ancillary income streams. The future income streams are estimated based on current contractual arrangements and non-contractual ancillary revenue.

The key inputs to the valuation model included:

- management charges (£300–£800 per unit per month);
- Deferred Management Charges (typically 1.0% of gross development value);
- net initial yield (6.5%);
- estate management and lifecycle costs;
- Re-sale fee income and ground rent; and
- lease term (125 years).

The interrelationship between significant unobservable inputs and fair value measurement

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

- expected management charges were higher/(lower);
- expected Deferred Management Charges were higher/(lower);
- net initial yield was lower/(higher);
- estate management and lifecycle costs were lower/(higher); and
- lease term was higher/(lower).

11 INVESTMENT PROPERTIES CONTINUED

During the year ended 31 December 2017, £11,457,000 (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 £2,747,000 (2016: £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 £20,240,000 (2016: £3,601,000) gain in fair value on investment properties. There are no obligations, except those already contracted, to construct or develop the Group's investment properties. At 31 December 2017 contractual obligations to develop investment properties amounted to £16,204,000 (2016: £14,956,000).

12 INVESTMENTS

Cost	£'000
At 1 January 2017	—
Additions	2,356
At 31 December 2017	**2,356**

At 31 December 2017 the Group held a 4% interest in Audley Nightingale Lane Limited. The company is developing a retirement village and is registered in Jersey. The Group's share of loss from continued operations and its total comprehensive loss for the period to 31 December 2017 was £1,000. The Group is committed to invest up to a further £3m equity and up to £15m 12.5% preference shares. It is estimated that £14m will be invested in 2018 in the 12.5% preference shares. The Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.0m in August 2021. Both amount and timing are contingent on the successful development of the retirement village in that entity.

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

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	60	17	229	306
Additions during period	51	19	185	255
Disposals	—	—	(4)	(4)
At 1 January 2017	111	36	410	557
Additions	601	23	256	880
Disposals	(111)	—	—	(111)
At 31 December 2017	**601**	**59**	**666**	**1,326**
Accumulated depreciation				
At 8 December 2015	—	—	—	—
Depreciation charge for the period	33	9	126	168
At 1 January 2017	33	9	126	168
Depreciation charge for the year	49	15	195	259
Depreciation on disposals	(52)	—	—	(52)
At 31 December 2017	**30**	**24**	**321**	**375**
Net book value				
At 31 December 2017	**571**	**35**	**345**	**951**
At 31 December 2016	78	27	284	389

14 DEFERRED TAX

	2017 £'000	2016 £'000
Disclosed as:		
Deferred tax asset (tax losses)	**4,995**	4,605
Total deferred tax assets	**4,995**	4,605
Recoverable within one year	**768**	254
Recoverable after more than one year	**4,227**	4,351
	4,995	4,605
Deferred tax liability (revaluation surpluses)	**(5,112)**	(1,411)
Deferred tax liability (other)	**(130)**	(714)
Total deferred tax liabilities	**(5,242)**	(2,125)
Arising within one year	**(130)**	(714)
Arising after more than one year	**(5,112)**	(1,411)
	(5,242)	(2,125)
	(247)	2,480

	£'000
At 8 December 2015	—
Acquired through business combination	1,965
Movement in the period	515
At 31 December 2016	2,480
Movement in the period	(2,727)
At 31 December 2017	**(247)**

At 31 December 2017 the Group had unused tax losses of £50,448,000 (2016: £45,648,000), of which £29,839,000 (2016: £25,368,000) has been recognised as a deferred tax asset. Tax losses of £26,609,000 (2016: £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 reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020 as enacted by the Finance Act 2016.

15 STOCKS AND INVENTORIES

	2017 £'000	2016 £'000
Land and work in progress	**73,293**	91,910
Finished goods	**48,186**	30,741
	121,479	122,651

	£'000
At 8 December 2015	—
Acquired through business combination	106,227
Additions	97,745
Disposals	(81,321)
At 31 December 2016	122,651
Additions	57,578
Disposals	(58,750)
At 31 December 2017	**121,479**

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

16 TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Trade receivables	**1,723**	1,421
Provision for impairment of trade receivables	**(16)**	(103)
Trade receivables (net)	**1,707**	1,318
Other receivables	**58**	—
Taxes and social security costs	**1,849**	1,892
Prepayments	**674**	357
Accrued income	**9,152**	4,610
	13,440	8,177

The ageing of trade receivables was as follows:

	2017 £'000	2016 £'000
Up to 30 days	**1,297**	784
31 to 60 days	**176**	122
61 to 90 days	**61**	107
Over 90 days	**160**	272
Total	**1,694**	1,285
Amounts not yet due	**13**	33
Trade receivables (net)	**1,707**	1,318

17 CASH AND CASH EQUIVALENTS

	2017 £'000	2016 £'000
Cash and cash equivalents	**47,038**	35,330
Borrowings – repayable within one year	**(120)**	(120)
Borrowings – repayable after one year	**(53,999)**	(55,144)
Net debt	**(7,081)**	(19,934)

	2017 £'000	2016 £'000
Cash and liquid investments	**47,038**	35,330
Gross debt – fixed interest rates	**—**	—
Gross debt – variable interest rates	**(54,119)**	(55,264)
Net debt	**(7,081)**	(19,934)

	Other assets	Liabilities from financing activities		
	Cash £'000	Borrowings – due within one year £'000	Borrowings – due after one year £'000	Total £'000
Net debt as at 1 January 2017	35,330	(120)	(55,144)	(19,934)
Cash flows	11,708	—	2,124	13,832
Other non-cash movements	—	—	(979)	(979)
Net debt as at 31 December 2017	**47,038**	**(120)**	**(53,999)**	**(7,081)**

18 TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	**7,483**	9,387
Other payables	**2,340**	2,217
Accruals	**4,898**	4,157
Deferred income	**349**	82
	15,070	15,843
Corporation tax	**117**	6
	15,187	15,849

19 LOANS AND BORROWINGS

	2017 £'000	2016 £'000
Bank loans	**55,901**	58,024
Loan arrangement costs	**(1,782)**	(2,760)
	54,119	55,264
Maturity profile		
Less than one year bank loans	**120**	120
Between one and five years	**15,179**	16,706
More than five years	**38,820**	38,438
	54,119	55,264

On 24 January 2018, Audley Court Limited entered into a five-year £125.0m revolving credit facility agreement. All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities. Interest is based on three-month LIBOR plus 3.50%. Post-year end £71.0m was drawn.

As at 31 December 2017, the Group had three loan facilities in place, which were all repaid post-year end.

16 of the Group entities were party to a £65.0m loan agreement secured by means of charges over the investment properties and operating businesses held in those entities, with all companies being jointly and severally liable. Interest was based on one-month LIBOR plus 4.25%. As at 31 December 2017 the total amount drawn was £40.4m (2016: £38.6m). Cash balances totalling £39.9m were held as at 31 December 2017 (2016: £31.7m) in restricted bank accounts in support of the loan agreement. The borrowing facility was cross-collateralised and the total carrying amount of the assets pledged as security was £83.4m as at 31 December 2017 (2016: £54.9m).

The entities party to this agreement were 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. This loan was fully repaid on 22 January 2018.

Audley Redwood Limited entered into a three-year £27.5m loan in April 2016 to develop that site, of which £12.7m had been drawn down at 31 December 2017 (2016: £16.5m). Interest was based on one-month LIBOR plus 3.5% margin and security was over the assets of that entity, with Audley Redwood Management Limited as guarantor. This loan was fully repaid on 26 January 2018.

Audley Willicombe Limited entered into a five-year amortising £3.0m investment loan in November 2015. Interest was charged at 2.5% plus LIBOR. The company had given security over the freehold property in that company and there was a composite cross guarantee from Audley Willicombe Management Limited. The amount outstanding at 31 December 2017 was £2.8m (2016: £2.9m). This loan was fully repaid on 26 January 2018.

20 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 and capital contributions 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 Group replaced its existing debt facilities with one £125m revolving credit facility.

Financial risk management

The Group's principal financial instruments at 31 December 2017 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.

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 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

	2017 £'000	2016 £'000
Cash held in restricted bank accounts	**39,863**	31,736
Cash at bank and in hand	**7,175**	3,594
Cash and cash equivalents	**47,038**	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 equity investments.

20 FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

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

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

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

At 31 December 2017	**Current interest rate**	**Year of maturity**	**Carrying amount**	**Contractual cash flow**	**In less than one year**	**Between one and two years**	**Between two and five years**	**After five years**
Bank loan	**5.11%**	**2019**	**12,558**	**13,553**	**651**	**12,902**	**—**	**—**
Bank loan	**4.11%**	**2020**	**2,751**	**3,119**	**234**	**230**	**2,655**	**—**
Bank loan	**5.86%**	**2024**	**38,810**	**55,158**	**2,366**	**2,366**	**7,097**	**43,329**
			54,119	**71,830**	**3,251**	**15,498**	**9,752**	**43,329**

At 31 December 2016	Current interest rate	Year of maturity	Carrying amount	Contractual cash flow	In less than one year	Between one and two years	Between two and five years	After five years
Bank loan	4.48%	2019	16,226	18,210	741	741	16,728	—
Bank loan	3.48%	2020	2,857	3,140	221	217	2,702	—
Bank loan	5.23%	2024	36,181	53,188	2,016	2,016	6,049	43,107
			55,264	74,538	2,978	2,974	25,479	43,107

At 31 December 2017 the Group has undrawn loan facilities of £39.4m (2016: £37.4m).

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.

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	**2017 £'000**	2016 £'000
Interest on borrowings	**(280)**	(290)
Interest on cash deposits	**235**	177
Total impact on pre-tax profit and equity	**(45)**	(113)

0.5% decrease in interest rates	**2017 £'000**	2016 £'000
Interest on borrowings	**280**	290
Interest on cash deposits	**(235)**	(177)
Total impact on pre-tax profit and equity	**45**	113

20 FINANCIAL INSTRUMENTS CONTINUED

Categories of financial assets and financial liabilities

	2017		2016	
	Carrying value £'000	**Fair value £'000**	Carrying value £'000	Fair value £'000
Current financial assets – loans and receivables				
Cash and cash equivalents	**47,038**	**47,038**	35,330	35,330
Trade and other receivables (excluding prepayments)	**3,614**	**3,614**	3,210	3,210
Accrued income	**9,152**	**9,152**	4,610	4,610
Total financial assets	**59,804**	**59,804**	43,150	43,150
Current financial liabilities – amortised cost				
Bank loans	**120**	**120**	120	120
Trade payables	**7,483**	**7,483**	9,387	9,387
Other payables	**7,355**	**7,355**	6,380	6,380
Total current financial liabilities	**14,958**	**14,958**	15,887	15,887
Non-current financial liabilities – amortised cost				
Bank loans	**55,781**	**55,781**	57,904	57,904
Total non-current financial liabilities	**55,781**	**55,781**	57,904	57,904
Total financial liabilities	**70,739**	**70,739**	73,791	73,791

21 SHARE CAPITAL

Issued and fully paid

	2017		2016	
	Number	**£'000**	Number	£'000
Ordinary shares of £1 each				
Issued	**193,068,848**	**193,069**	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
At 31 December 2016 and 31 December 2017	**193,068,848**	**193,069**

22 RESERVES

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

During the year the Company received £37.5m in non-repayable capital contribution from the Group's ultimate controlling parties.

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

23 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND GUARANTEES

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

	2017 £'000	2016 £'000
Contracted but not provided for	**47,507**	60,341

In addition to the amounts above, the Group is contracted to invest £15m in preference shares and an additional £3m of equity in Audley Nightingale Lane Limited. The Group is also contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.0m in August 2021. Both amount and timing are contingent on the successful development of the retirement village in that entity.

24 LEASES

Operating lease commitments where the Group is the lessee

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

	2017		2016	
	Land and buildings £'000	**Motor vehicles £'000**	Land and buildings £'000	Motor vehicles £'000
In one year or less	**244**	**149**	154	112
Between one and five years	**974**	**168**	144	65
In five years or more	**4,431**	—	3,381	—
	5,649	**317**	3,679	177

25 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 6.

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

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

During the period Moorfield Investment Management Limited charged £1,154,000 (2016: £1,092,000) for management services. Included in accruals at the period end was £329,000 (2016: £187,500).

During the period the Company received £37.5m in capital contribution from the Group's ultimate controlling parties.

On 4 July 2017 M N Sanderson and J M Austen, directors of Audley Group Limited and Audley Court Limited, purchased shares at an appraised market price in Audley Court Limited. J M Austen purchased 98,360 shares personally and via a SIPP and M N Sanderson purchased 65,523 shares via a SIPP. At 31 December 2017 J M Austen owned 98,360 shares and M N Sanderson owned 664,768 shares in Audley Court Limited.

There is an agreement between Audley Court Limited and Audley Court Hollins Hall Limited that grants Audley Court Hollins Hall Limited a royalty-free licence to use the trademarks of Audley. Audley Court Hollins Hall is part owned by M N Sanderson, a Director of Audley Group Limited and Audley Court Limited. During the year no (2016: £nil) amounts were received in respect of the licence agreement and no (2016: £nil) amounts were outstanding from Audley Hollins Hall Limited at year end.

26 BUSINESS COMBINATION

Prior period

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 were fair valued.

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

	Fair value 2016 £'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

Fair value adjustments to the net assets acquired relate to property revaluations and deferred taxation thereon.

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 was fully impaired in the prior period.

27 SUBSEQUENT EVENTS

On 24 January 2018, Audley Court Limited entered into a five-year £125.0m revolving credit facility agreement. All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities. Interest is based on three-month LIBOR plus 3.50%. Post-year end £71.0m was drawn.

Post-year end planning permission was granted for the Mayfield Villages development in Watford and the site purchase completed for £18.0m

INDEPENDENT AUDITORS' REPORT

To the members of Audley Group Limited

REPORT ON THE AUDIT OF THE COMPANY FINANCIAL STATEMENTS

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 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2017 (the "Annual Report"), which comprise: the Company balance sheet as at 31 December 2017; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

Independence

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

REPORTING ON OTHER INFORMATION CONTINUED

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

OTHER MATTER

We have reported separately on the Group financial statements of Audley Group Limited for the year ended 31 December 2017.

Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2018

COMPANY BALANCE SHEET

As at 31 December 2017

	Note	**2017 £'000**	2016 £'000
Fixed assets			
Investments	4	**158,569**	158,569
Current assets			
Debtors: amounts falling due within one year	5	**72,010**	34,500
		72,010	34,500
Creditors due within one year	6	**(148)**	(14)
Net current assets		**71,862**	34,486
Total assets less current liabilities		**230,431**	193,055
Net assets		**230,431**	193,055
Capital and reserves			
Called up share capital	8	**193,069**	193,069
Capital contribution reserve	8	**37,500**	—
Accumulated losses		**(138)**	(14)
Total shareholders' funds		**230,431**	193,055

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 £124,000 (2016: loss £14,000).

The financial statements on pages 82 to 88 were approved and authorised for issue by the Board and were signed on its behalf on 29 June 2018.

J Austen
Director

The notes on pages 84 to 88 form part of these financial statements.

Registered number: 09906780

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year to 31 December 2017

	Called up share capital £'000	Capital contribution reserve £'000	Accumulated losses £'000	Total shareholders' funds £'000
At 8 December 2015	—	—	—	—
Shares issued	193,069	—	—	193,069
Loss for the financial period	—	—	(14)	(14)
At 31 December 2016	193,069	—	(14)	193,055
Capital contribution	—	37,500	—	37,500
Loss for the financial year	—	—	(124)	(124)
At 31 December 2017	**193,069**	**37,500**	**(138)**	**230,431**

1 ACCOUNTING POLICIES

The Company is a private company limited by shares and is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 65 High Street, Egham, Surrey TW20 9EY. The financial statements of 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. The policies have been applied consistently to both years, unless otherwise stated.

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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.

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.

1 ACCOUNTING POLICIES CONTINUED

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 £124,000 (2016: loss £14,000). No dividends were paid in the period to 31 December 2017 (2016: £nil) and the Directors do not propose the payment of a final dividend.

3 DIRECTORS' AND AUDITORS' REMUNERATION

Directors' remuneration is given in note 6 of the consolidated financial statements. Remuneration paid to the Company's auditors for audit and non-audit services is disclosed in note 4 of the consolidated financial statements.

4 INVESTMENTS

	£'000
Cost	
At 1 January 2017	158,569
At 31 December 2017	**158,569**
Amounts written off	
At 1 January 2017	–
At 31 December 2017	**–**
Net book value	
At 31 December 2017	**158,569**
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 2017 %**	Proportion of ownership interest at 31 December 2016 %	Nature of business
Audley Court Limited	**98.92**	99.06	The development and management of retirement villages, including the provision of domiciliary care
Audley Nightingale Lane Holdings Limited	**100**	100	Holding company
Audley Nightingale Place Management Limited	**100**	100	Dormant

4 INVESTMENTS CONTINUED

Subsidiaries continued

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

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

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

5 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Other debtors	**10**	—
Amounts owed by Group undertakings	**72,000**	34,500
	72,010	34,500

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

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Accruals and deferred income	**44**	14
Amounts owed to Group undertakings	**104**	—
	148	14

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

7 RELATED PARTY TRANSACTIONS

During the period Audley Group Limited made loans of £37.5m (2016: £34.5m) to Audley Court Limited. The amount outstanding at 31 December 2017 was £72.0m (2016: £34.5m).

During the period the Company received £37.5m in capital contribution from the Company's ultimate controlling parties.

On 4 July 2017 M N Sanderson and J M Austen, directors of Audley Group Limited and Audley Court Limited, purchased shares at an appraised market price in Audley Court Limited. J M Austen purchased 98,360 shares personally and via a SIPP and M N Sanderson purchased 65,573 shares via a SIPP. At 31 December 2017 J M Austen owned 98,360 shares and M N Sanderson owned 664,768 shares in Audley Court Limited.

There is an agreement between Audley Court Limited and Audley Court Hollins Hall Limited that grants Audley Court Hollins Hall Limited a royalty-free licence to use the trademarks of Audley. Audley Court Hollins Hall is part owned by M N Sanderson, a Director of Audley Group Limited and Audley Court Limited. During the year no (2016: £nil) amounts were received in respect of the licence agreement and no (2016: £nil) amounts were outstanding from Audley Hollins Hall Limited at year end.

8 CALLED UP SHARE CAPITAL

Issued and fully paid

	2017		2016	
	Number	£'000	Number	£'000
Ordinary shares of £1 each				
Issued	**193,068,848**	**193,069**	193,068,848	193,069

Movements in ordinary share capital

	Number	£'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
At 31 December 2016 and 31 December 2017	**193,068,848**	**193,069**

During the year the Company received £37.5m in non-repayable capital contribution from the Group's ultimate controlling parties.

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.

MAREF Topco Ltd is the undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements are available from Companies House.

10 SUBSEQUENT EVENTS

On 24 January 2018, Audley Court Limited entered into a five-year £125.0m revolving credit facility agreement. All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities. Interest is based on three-month LIBOR plus 3.50%. Post-year end £71.0m was drawn.

Post-year end planning permission was granted for the Mayfield Villages development in Watford and the site purchase completed for £18.0m

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
65 High Street
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TW20 9EY

Registered number: 09906780

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Produced by
designportfolio

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