AUDLEY GROUP

# The future is now

ANNUAL REPORT AND ACCOUNTS 2021

# Welcome to Audley Group Annual Report and Accounts 2021

At Audley, our idea of retirement is different. Our villages are designed for independence and our customers control their own choices. Our job is to support them **every step of the way.**

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

**Visit our website**
audleygroup.com

# Contents



"It was a no brainer to come here rather than anywhere else. Nothing else is really quite comparable with this."

**Mr Harper**
Owner, Audley St George's Place

Mayfield, Watford

**Find out more**
https://bit.ly/ar-audleyvideo3m

# Audley Group at a glance

We lead the way in independent retirement living and strive to ensure that every one of our customers are able to **live better for longer.**

## INDEPENDENT LIVING

We have two distinctive ways to live independently with support as needed, and these allow us to provide for the widest range of customers.

**View our full portfolio**
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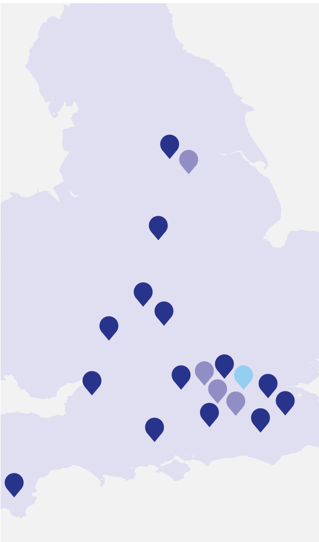
**Read more about our villages**
audleygroup.com/our-villages

### Portfolio overview

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

**Read more about Mayfield villages**
mayfieldvillages.co.uk



Audley Binswood

Audley Nightingale Place

Audley Inglewood

Mayfield Watford

## OUR BUSINESS MODEL

Optimising returns for shareholders through a sustainable and considered approach to the development and operation of retirement villages, whilst delivering on the expectations of our customers, colleagues and partners.

**View our business model**
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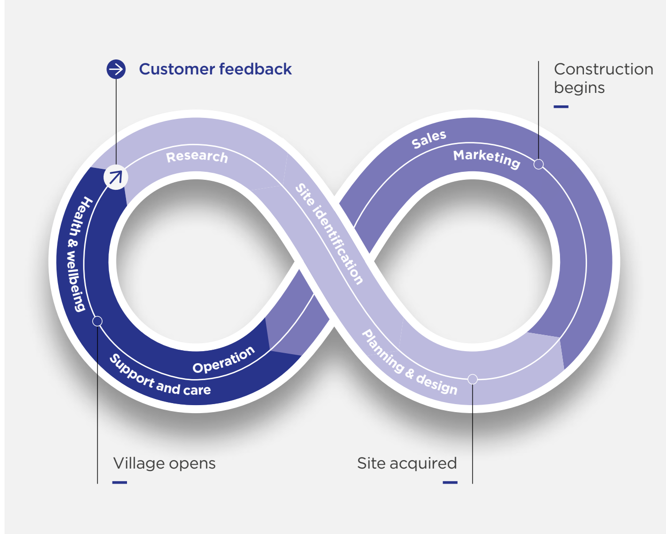


## OUR BUSINESS

2021 was another year challenged by the pandemic but we continued to keep our customers safe, happy and engaged in their communities.

**Read more**
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2,071
owners and care customers

1,182
Audley Club members

816
team members

**Total revenue**
£80.8m
Up from £71.6m in 2020

| | |
|---|---|
| 2021 | 80.8 |
| 2020 | 71.6 |

**Operating revenue**
£32.3m
Up from £24.3m in 2020

| | |
|---|---|
| 2021 | 32.3 |
| 2020 | 24.3 |

**Operating profit/(loss)**
£4.1m
Up from £(1.5)m in 2020

| | |
|---|---|
| 2021 | 4.1 |
| 2020 | (1.5) |

**Online sales enquiries in 2021**
+29%
compared to 2020 and highest number to date

**Gross new reservations in 2021**
+51%
compared to 2020 and highest number to date

**Number of completions (owned and joint venture villages) in 2021**
+32%
compared to 2020 and highest number to date

# The Audley Group difference

## **Living at one of our villages** ensures a truly independent lifestyle in an attractive and secure environment designed to enhance physical and mental wellbeing.

**Market leader with scale**
We use our extensive knowledge about our customers to help us build and operate the best environments we can, and we refresh our villages to ensure that our oldest villages are as attractive to customers as our newest.

**A growth market**
The market for Housing with Care is growing quickly, to meet the significant undersupply of age appropriate accommodation in the UK. By 2035 there will be a shortfall of 400,000 units in the UK.[1]

**Experienced management**
We have developed and operated villages through the global financial crisis, Brexit and Covid-19 and provided care support to thousands of customers over the course of many decades.

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

**A force for social good**
Our villages provide amenities and employment to the local community, they allow our customers to free up housing for families to grow into and, because they live in a supported environment, they will spend less time in hospital, freeing up beds for acute care.

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

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

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

**Secure**
A safe, managed environment.

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

1. https://bit.ly/ar-report

**Read more about the quality care we provide**
audleygroup.com

Our mission is to be a market leader and the most trusted choice. Our experience and culture allows us to deliver this, driven by the people who make our communities what they are.

## Living better for longer

> "Instead of letting it all go to waste, we picked the lavender, dried it in our own homes and made lavender pouches to raise money for a local charity."
>
> **Mrs Closs**
> Owner and "Lavender Lady", Audley Chalfont Dene

# Community

The "Lavender Ladies" at Audley Chalfont Dene used their crafting skills to harvest lavender bushes to make lavender bags, candles, and bookmarks to sell to friends, family, and fellow owners. They raised £1,000 for the Thames Valley Adventure Playground, which aims to create a safe and stimulating but fun environment where children and adults with special needs can play.

**Find out more**
https://bit.ly/ar-audleyfundraising

## Living better for longer

> "I describe living here as living on a wonderful luxury cruise ship berthed in my favourite port."
>
> **Mr Sheeran**
> Owner, Audley St Elphin's park

# Quality

Our villages are designed to the highest standard around the needs of our customers in order to provide independence and a sense of community.

**Find out more**
https://bit.ly/ar-audleyvideoOYR


## Living better for longer

> "I keep fit physically by regular use of the gym, by playing mini tennis and joining Zumba classes, and by keeping my patio garden in bloom. Above all else, I am still in control of the way I live my life and I have managed to maintain my independence. I ask for nothing more."

**Mrs Foster**
Owner, Audley Chalfont Dene

# Lifestyle

Our holistic approach to wellbeing integrates health and wellbeing services, activities and events with award winning care and support services.

**Read about our people**
Page 16

# Chairman's statement

"Audley's strength lies in the expertise, experience and passion of every member of its team, and the drive to bring exceptional retirement living to thousands of people across the UK."

**Marc Gilbard**
Chairman

Demand for retirement living options shows no sign of slowing down and **Audley Group's robust business model continues to attract investment.**

- 43% of respondents aged 55-59 would definitely or maybe consider moving into a retirement community. (Unlocking the Retirement Opportunity report by Octopus Real Estate)[1]
- Total number of Housing with care sales have increased by 240% since 2009 (JLL Housing with care index 2020)[2]
- Comparing national well-being criteria like happiness and life satisfaction, an average person aged 80 feels as good as someone ten years younger after moving to housing specially designed for later living. (Healthier and Happier report by WPI Strategy)[3]
- 40% of homeowner equity in the UK is with those 65 and over (ONS)[4]

1. https://bit.ly/ar-octopus
2. https://bit.ly/ar-careindex
3. https://bit.ly/ar-happier
4. https://bit.ly/ar-ONSagregroups

**Read more about our Directors**
Page 26

Welcome to Audley Group's 2021 Annual Report. In my introduction to last year's report, I talked about a year like no other, where managing the disruption of Covid-19 was the ultimate priority and one which was navigated extremely successfully by the Audley team. Today, that positive trajectory in troubled times continues.

Audley Group has had a successful and busy year, signing significant new joint venture agreements, welcoming hundreds of new owners at sites across the country and strategically expanding the senior team to support in the company's growth.

The demand for retirement living solutions that offer independent living with integrated care and wellbeing facilities is growing more quickly every year and in 2021, political pressure and material investor entrants saw the sector come close to reach a positive tipping point. I predict that that will come shortly.

Audley Group has an outstanding Executive Team, supported by some of the most dedicated people that I have had the privilege of working with. The Company would not be able to reach the scale that it has, while maintaining exceptional customer satisfaction ratings, without this professionalism and, once again, I want to take the opportunity to thank the entire team.

I look at the financial results for the last year with an understanding and appreciation of the many variables and financial demands within such a business. In turbulent times, the results reflect the continuing pursuit and achievement of the strategy and goals of Audley, alongside the strength of the model and the expertise of the management team. The focus on quality, in all areas, has never wavered despite the multiple economic, political and geopolitical challenges.

Our focus on ESG has continued over the last year, enacting the strategy laid out in our 2020 ESG Report, and continuing to deliver villages in the most sustainable way that we can. We remain committed to ongoing action and we are targeting obtaining planning on our first net carbon zero scheme this year. This focus, alongside our other ESG objectives and how they are connected to executive compensation, will be set out in our 2022 Sustainability Report, which will be published in the Spring.

I look ahead with excitement to the year ahead. Audley will continue to play a leading role in driving the retirement living sector forward thereby enabling it to reach a critical mass, maturity and visibility. In fact, in this year alone we will see up to four new village openings, including our first Mayfield at Watford which will be a defining point for the retirement village market.

**Marc Gilbard**
Chairman

30 September 2022

# Our portfolio

## **Our villages** are what sets us apart.

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

1,338
built properties

404
new properties due to be completed in 2022

25
new site offers submitted in 2021


## Audley Villages

**OPEN**

- **A Clevedon** – Ilkley, Yorkshire
- **C St Elphin's Park** – Matlock, Derbyshire
- **D St George's Place** – Edgbaston, Birmingham
- **E Ellerslie** – Malvern, Worcestershire
- **F Binswood** – Royal Leamington Spa, Warwickshire
- **G Redwood** – Bristol
- **H Inglewood** – Kintbury, Berkshire
- **J Chalfont Dene** – Chalfont St Peter, Buckinghamshire
- **L Nightingale Place**[2] – Clapham, London
- **M Cooper's Hill** – Englefield Green, Surrey
- **P Willicombe Park** – Royal Tunbridge Wells, Kent
- **Q Mote House** – Bearsted, Kent
- **R Stanbridge Earls**[1] – Romsey, Hampshire
- **S Flete House**[2] – Ivybridge, Devon

**UNDER DEVELOPMENT**

- **B Scarcroft Park**[1] – Scarcroft, Yorkshire
- **I Wycliffe Park**[2] – Horsleys Green, Buckinghamshire
- **N Sunningdale Park**[1] – Sunningdale, Berkshire
- **O Fairmile**[1] – Cobham, Surrey

**Read more about Audley villages**
www.audleyvillages.co.uk

## Mayfield Villages

**UNDER DEVELOPMENT**

- **K Watford**[1] – Hertfordshire

**Read more about Mayfield villages**
www.mayfieldvillages.co.uk

1 Joint ventures
2 Managed villages


### Spotlight on: Chalfont Dene

Situated in the leafy village of Chalfont St Peter in Buckinghamshire, award winning Audley Chalfont Dene has 142 apartments and cottages all with easy access to the centrepiece building, Chalfont House, with its restaurant, bar, swimming pool, gym, spa and library.

The design of the village reflects Arts & Crafts style of the Chilterns area ensuring the village feels like an integral part of the local community, while the landscaping design enables owners to maintain an active lifestyle in a true community setting.

Construction started at Chalfont Dene in September 2014 and by the end of 2014 Audley had presold 60% of the first phase. By the time this first phase completed in April 2016 only three of the 32 properties remained to be sold.

Following the originally planned 84 properties selling out, the village was expanded to provide a further 58 properties, along with a new £2million, 3,000 sq. ft hall village hall to complement the existing leisure facilities.

Average property price
£740k

Acreage
20.86 acres

# Year in review

## **An unprecedented year with demand never higher for our award-winning villages** and successful corporate activity, raising the profile of both Audley Group and the Integrated Retirement Community sector.

### Financial data

**Total revenue**

£80.8m

Up from £71.6m in 2020

| | |
|---|---|
| 2021 | 80.8 |
| 2020 | 71.6 |

**Gross profit**

£20.4m

2020: £15.8m

| | |
|---|---|
| 2021 | 20.4 |
| 2020 | 15.8 |

**Operating profit**

£4.1m

2020: £1.5m loss

| | |
|---|---|
| 2021 | 4.1 |
| 2020 | (1.5) |

**Net loss**

£3.8m

2020: £6.9m loss

| | |
|---|---|
| 2021 | (3.8) |
| 2020 | (6.9) |

**View our full financial results**
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### Sales data

**Sales enquiries in 2021**

+29%

compared to 2020 and highest number to date

**Gross new reservations in 2021**

+51%

compared to 2020 and highest number to date

**Number of completions (owned and joint venture villages) in 2021**

+32%

compared to 2020 and highest number to date

### PERFORMANCE SUMMARY

2021 was a significant year for Audley Group: the business performed well, demand continued to grow, and two transformative agreements were signed with BlackRock and Homes England.

Overall, we delivered £80.9m of revenue (£71.6m in 2020) and an operating profit of £4.1m (loss of £1.5m in 2020). Spending less time in lockdown than we did last year certainly helped as did the continuing high demand amongst our demographic to be part of an Integrated Retirement Community.

The sale of 94 new units from owned villages (83 in 2020) delivered development revenue of £48.5m (£46m in 2020). Operational revenues of £32.3m (£24.3m in 2020) benefited from higher leased incomes (monthly management and deferred management charges) and generally improved trading conditions.

The Group's financial results on page 33 provide a full detailed overview of the numbers.

### VALUE CREATION FOR INVESTORS

The attractiveness of the sector and of Audley Group continues to secure significant interest from investors. During the year, two additional agreements were signed:

- In May the Group formed a joint venture (JV) with BlackRock Real Assets in a landmark deal that saw the investment group's entry into the retirement living sector in the UK. The JV plans to develop £500m of integrated retirement communities
- In August the Group secured a £40m loan agreement with Homes England, the Government's Housing Agency. The loan from the £4.5bn Home Building Fund builds on the JV with BlackRock Real Assets and supports the construction of Mayfield's first village in Watford which will deliver 255 mid-market retirement living properties with extensive health, wellbeing, care and leisure facilities. The project is well-advanced with strong pre-sales and will be ready for occupation later this year.

### OPERATIONS

#### Keeping Owners Safe and Supported

Audley Group research from the beginning of the year revealed that 34% of over 55s felt loneliness like never before during the pandemic and 11% said it has had a significant detrimental impact on their mental wellbeing. In stark contrast, feedback from property owners found that for 79% of them they had no feeling of isolation living at Audley, 83% were reassured there is someone there, and 84% felt protected.

Maintaining a brilliant owner and team satisfaction rating not only demonstrates the desire for the Audley offering, but also shows that even when team numbers were lower than usual due to illness or isolation, villages and care branches still managed to perform to the highest of standards.

#### Development Land and Planning

In February Audley, Schroders Real Estate and Octopus Real Estate completed on a £47m development finance facility with Silbury Finance and appointed GRAHAM to lead the construction of the new £80m retirement village in Cobham, Surrey. This will become the Group's second village in Surrey and in addition to the luxurious two-bedroom properties, the facilities will include wellbeing and care services, a restaurant and bar bistro, all available to Audley property owners and people from the local area.

In May work started on Audley Scarcroft, a new retirement village at the heart of the desirable 'Golden Triangle' formed by Ilkley, Harrogate and York. The village will be home to 172 high-quality retirement properties and nine residential properties.

In September Mayfield Watford held a Topping-out ceremony to mark the completion of the weatherproofing of the roof. It was wonderful to have been joined by many of those who have already exchanged on units at the village and were as excited as we were to have reached this construction milestone.

# Year in review continued


### Marketing and Sales

In a year that was hampered by four months of lockdown Audley saw an 32% increase in sales (completions), a 20% increase in care appointments delivered and Club memberships higher than at the time of the March 2020 lockdown.

Total sales enquiries were 21% higher YOY, with online enquiries seeing a 29% increase – the highest number to date. Visits to sales offices increased 48% reflecting the changing lockdown restrictions and the increased demand for the retirement village model and the sense of community that it brings.

### People

While our industry continues to face recruitment challenges, 2021 was a significant year for investment in our people. We made four strategic hires with Mark Sadler joining as Group General Counsel, Daren Little was appointed as IT Director, Sian Hammer as Group Sales Director and, in November, Matthew Nicholson joined the team as Planning Director. All four are experienced professionals and strengthen significantly the leadership team. They will play a critical role in keeping Audley at the forefront of the integrated retirement community sector, helping to support our mission to address the chronic under-supply of specialist retirement properties across the UK market.

## DELIVERING SOCIAL VALUE

In 2021, the social value created through Audley Group's activity and business model continued to deliver for property owners, local communities and colleagues.

In 2020 we identified the four core pillars of our sustainability strategy.

1. **Commitment to team members**

   To maintain a driven, contented and diverse workforce.

   Genuine flexible working and the value delivered to colleagues through The Audley Academy are core components of the business and instrumental in how we recruit, and retain, great and diverse talent.

   Through The Academy Audley delivered its inaugural Operations Manager Training Programme and rolled out a number of successful apprenticeship schemes.

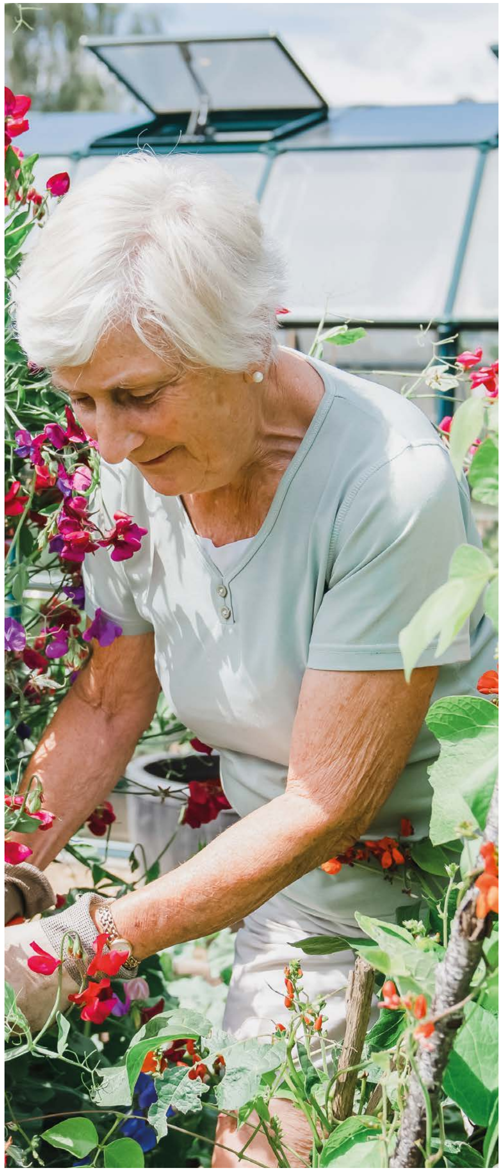
   Our regular listening groups and subject workshops, and our Workplace Parents Survey, give everyone a chance to vocalise how they are feeling and suggest changes to how they do, and don't, want to work going forward, and what they want to see from our culture and policies so they can successfully balance their work and personal lives.

   In 2021 our policies and approach have been widely recognised:

   Audley Group was awarded gold accreditation from Investors in People, Connect2Care Heroes Employer of the Year, and Apprenticeship Employer of the Year at the Personnel Today awards.

   The annual employee survey showed that overall engagement across the business has been maintained with a 72% completion rate and encouragingly, 93% of team members stated that they are proud to work for Audley.

# Year in review continued



**2. Commitment for a sustainable society**
To develop and operate inclusive villages that support owners and the local community.

As Audley continued to innovate and evolve ways to move the industry forward and keep owners engaged and learning, two key initiatives were formed. Firstly, Audley's sponsorship of the Silver Linings competition, which aims to help improve care for older generations by finding sustainable, feasible and innovative solutions to improve long term care provision. Secondly, Audley partnered with The Joy Club to provide Owners at all 14 operating Audley villages with 12-months' free premium membership, and access to live online events every weekday, with more than 30 talks, classes and activities to choose from each month.

The Audley Foundation, launched in 2020, continued its fundraising activities and our owners walked 165,095,717 steps, the equivalent of 82,538.70 miles, thanks to Audley's Trek initiative, supporting wellbeing and a sense of community and purpose.

**3. Management of our Environmental Impact**
A commitment to fostering a culture which embraces sustainability.

In 2021 Audley announced that its village restaurants across the country will now only serve coffee certified by the Rainforest Alliance. This initiative means that every cup is helping towards protecting the rainforest and promotes decent living and working conditions for workers, gender equity and access to education for children in farm communities.

In addition, Audley is supporting an initiative to plant trees and grow forests, all with the aim of increasing our environmental impact.

Audley Ellerslie has pledged to be insourcing 40% of its own vegetables for owners' and visitors' tables, both in their apartments and Aldwyns restaurant in 2022 and that 80% of their bedding plants will originate from their own nursery that owners have grown from seed.

**4. Ethics and Governance**
Audley Group adheres to the highest ethical and governance standards in order to establish trust with all stakeholders.

A commitment to ensure we are preventing slavery and human trafficking through our supply chain: https://bit.ly/aud-modernslavery

Gender pay equality is central to a just and fair society and we are taking every step to ensure equality within our business: https://bit.ly/ar-audleygenderpaygap

Overall, good governance is critical to any well-run business. Audley's full policy can be read here: https://bit.ly/ar-audleygovernance

Giuseppe's apprenticeship journey.

Giuseppe joined Audley during the first national lockdown and swiftly begun his Operations Manager in Training programme at Audley Willicombe Park, becoming a valued member of the team.

"Since the beginning of my journey I have learned a great deal. Each day I try to apply my newly acquired skills into my daily work. Thanks to my apprenticeship, I feel that I am better equipped to manage and organise my team; an important skill when working in hospitality!"

**Giuseppe**
Operations Manager in Training, Level 4

# Our business model

## HOW WE WORK

We identify sites, design schemes, obtain planning permissions, place construction contracts and manage the development of retirement villages.

We then market and sell properties on long leaseholds and when the village opens, we operate the wonderful facilities which include restaurants, bars and health and wellbeing clubs as well as providing care services through our regulated care branch.

The restaurants, bars and care services are available to owners and the local community – our villages are truly Integrated Retirement Communities.

### Site Identification and Design

We use our knowledge of our customers to research location for suitable sites and to design villages that are appropriate to their local surroundings that have a very high chance of being acceptable to the local planners and councillors.

### Development Management

We place contracts with trusted construction companies according to a detailed specification guide, and then we manage the delivery of the programme to ensure that the expectations of our customers will be met.

### Marketing and Sales

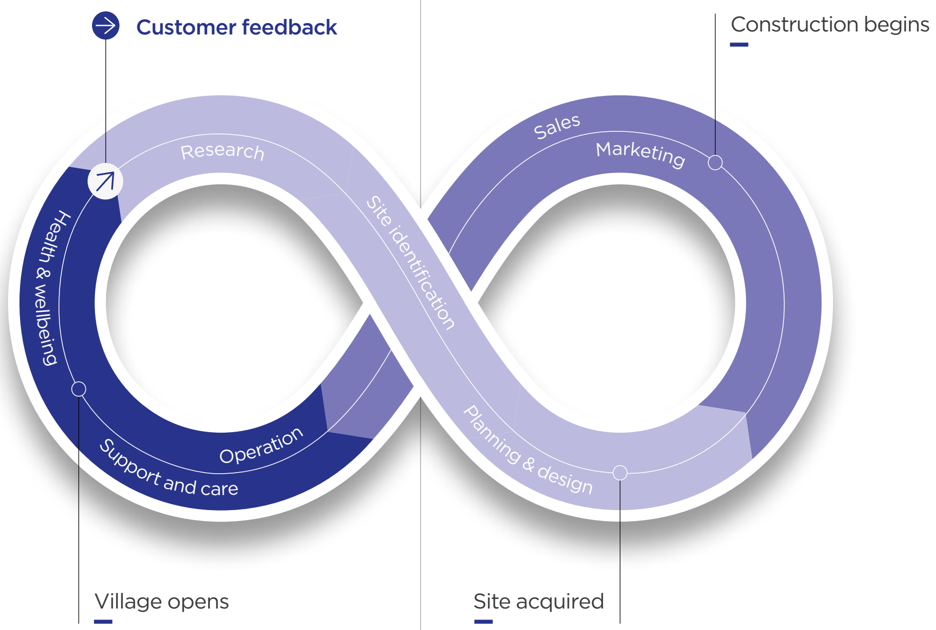
We launch our Marketing and Sales program before the village opens and start to explain to potential customers the benefits of living in an Integrated Retirement Community and exploring whether it is the right living option for them.

### Operations and Care support

Our Operations and Care teams are all Audley employees and this enables us to provide our owners and customers with joined up support that gives them and their family members the knowledge that we will be doing all that we can to enable them to live better for longer.

**Optimising returns for shareholders** through a sustainable and considered approach to the development and operation of retirement villages, whilst delivering on the expectations of our customers, colleagues and partners.

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




### Listening to our customers

Our annual owner and care customer surveys, alongside comprehensive market research and a single minded focus on our mission, underpins our approach to development and operations.

**Find out more about our business model**
audleygroup.com

## CREATING VALUE FOR OUR STAKEHOLDERS

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

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

**Investors**
Our investors value our contribution to creating a better society and the long-term returns that we generate from the capital that we employ on their behalf.

**Communities**
We support our local communities with our amenity provision in health and wellbeing, and care and support activities, and through creating employment opportunities for local people. By building quality housing we will free up accommodation for new families and by providing support when it is needed, we free up hospital beds for acute care.

**Lenders**
We source debt from counterparties who believe in our business model and our wider approach to improving local communities and this debt enables us to be efficient in the use of our equity and to compete to buy land in a competitive market.

**Read more about how we engage**
www.audleygroup.com/csr-overview/

# Chief Executive Officer's statement

"Audley Group has been proven once again to be at the forefront of the burgeoning retirement living sector. I am inspired by the potential we have to help older people across the UK live better for longer."

**Nick Sanderson**
Chief Executive Officer

## **A busy but fulfilling year** has seen the retirement village sector, and Audley Group, harness political support and investor interest to meet consumer demand.

- In the last ten years, Housing with Care has moved to become the fastest growing portion of the later living market with over 43,000 new units built (JLL Housing with Care index 2020[1])
- Building 30,000 more retirement housing dwellings every year for the next ten years would generate fiscal savings across the NHS and social services of £2.1bn per year. (Healthier and Happier report by WPI Strategy[2])

It's sometimes hard to believe that another year has come to an end, and to reflect on quite how much has happened for us as a business, and as a sector as a whole.

We've been extremely fortunate to have formed joint venture partnerships with some of the best in the business, and it was another milestone to also include one of the world's largest investment management firms.

BlackRock joined our pantheon of partners, which already included Octopus Real Estate, Schroders and Royal London. Working with BlackRock on a multi-site joint venture will give us significant opportunity, not least to accelerate our much-needed Mayfield Villages offering.

Political support for retirement living options with care and facilities included is also growing, and the need to create a single, unified term that describes our sector for planners and policymakers led to the coining of a new phrase 'Integrated Retirement Communities'.

These communities, retirement villages in our case, have a proven model which has kept property owners and residents safe throughout a virulent pandemic and taken pressure off the over-stretched health and social care services in this country without the need for financial support from the public purse. The long-awaited Health and Social Care white paper recognised how vital the sector is, highlighting the need for greater provision of alternative housing and for better integration between health, housing and social care[3].

As Michael Voges, Executive Director of the Associated Retirement Community Operators, said at the time, *"Today must mark a turning point in how we support older people in the UK – the future of social care depends on expanding the provision of Integrated Retirement Communities."* That momentum has carried forward into 2022. In January the House of Lords Built Environment Committee released a report acknowledging the need for greater provision of housing for older people. *"Older people's housing choices are constrained by the options available. Little progress has been made on housing for the elderly. As demand changes as the population ages, a more focussed approach is needed."*[4]

To successfully create the number of units required takes knowledge and skill, and Audley Group has been at the forefront of the retirement living sector for over 20 years. Government agency Homes England recognised this when entering the sector for the first time at a significant scale in 2021, with a £40m loan from the Home Building Fund to support the construction of 255 Mayfield Watford units.

None of this support and investment would happen if we did not keep service and operational excellence at the heart of everything we do. And this year again, our teams have excelled. We started the year in lockdown, but as the world opened up so too did our villages, with a dazzling array of events for property owners, prospects and the local community. Our teams again worked hard to keep everyone safe and to bring back the sense of normality, and community, that our villages thrive on.

**Read more about our Directors**
audleygroup.com

1. https://bit.ly/ar-careindex
2. https://bit.ly/ar-happier
3. https://bit.ly/ar-socialcarereform
4. https://bit.ly/ar-builtcommitee

# Chief Executive Officer's statement continued

October gave us, as Directors, the chance to host events in every village to thank the staff and the property owners for all their support over the last two years and more. Hearing first hand from many of our new owners about the rationale for their move, and how much they feel they have benefitted from doing so, were truly proud moments and reminder as to why I started Audley Group.

## Current trading

It's been another strong year of growth, despite starting the year in another lockdown. New unit completions rose from 122 in 2020 to 140 across wholly owned and joint venture villages. Revenue grew 12.9% year on year, including an operational revenue gain of 29.2%, which included food and beverage revenue of £2.3m, and a 10% growth in care revenue year on year, from £6.2m to £6.8m. This was a particular achievement when restaurants and clubs were again closed at the beginning of the year, and is testament to the team's agility in turning once again to a home delivery food model for our property owners. We expect to see further operational revenue uplift in 2022 with a full year of open facilities and further villages open to owners and local communities.

## Looking forward

The theme of this Annual Report is 'the future is now'. The pandemic, combined with the intolerable pressure on the health and social care systems, has led to a renewed drive for solutions, and Integrated Retirement Communities have a proven track record. Our population is aging. It's estimated that by 2036, one in four of the population will be over 65. But housing is not keeping pace. The Housing and Care for Older People Report showed that England and Wales delivered 3,500 units of housing with care a year between 2015 and 2019; what we would now call Integrated Retirement Communities[5].

That is over 45,000 units short of what would be needed to close the gap in provision compared to other countries. The need is immediate and will require organisations with the experience and expertise to deliver at scale.

As the leading provider of retirement villages in the UK, we have the platform to accelerate our growth and work with our joint venture partners to deliver these much-needed units. It is to be hoped that the political interest in the sector is sustained, and effects real changes, particularly to the planning system.

2022 is expected to be yet another seminal year for Audley Group, with the long-awaited opening of our first Mayfield village, in Watford, alongside up to three Audley openings. Mayfield opens up the retirement village offering to a mid-market audience, those looking for a home in an urban, mixed-generational setting. And that's a real opportunity to bring retirement living to a far greater number of people. Mayfield remains a strategic priority for the Group, with Watford being the first of many. We also have big plans for Audley villages, and we are confident 2022 will see announcements of new sites. Expansion is important. But we are an operating business as much as we are developers, and we will never stop investing in our existing portfolio. Innovation, and maintaining the highest standards is integral to customer satisfaction and consequently, to our success.

No matter how fast we grow, we never forget our roots, and our vision. Audley Group was born out of a desire for change, a drive to improve the lives of older people in the UK. They deserve choice, and the opportunity to live healthily and happily at home. Our investors and all of our team are working in the belief that we can help people live better for longer.

## Our focus

- Increasing the supply of retirement village units in both the Audley and Mayfield portfolio, whilst upholding the highest standards of design and build
- Maintaining the exceptional service for our property owners, club members and visitors
- Continuing to innovate: focusing on health and wellbeing and a holistic view on supporting our customers
- Delivering all this in a sustainable way, as a responsible business that prioritises its people and has a focus on ESG

**Nick Sanderson**
Chief Executive Officer

30 September 2022

Audley, Redwood

"Older people's housing choices are constrained by the options available. Little progress has been made on housing for the elderly. As demand changes as the population ages, a more focussed approach is needed."

**Michael Voges**
Executive Director, ARCO

5. https://bit.ly/ar-BPFreport

# Market review

"I think the whole concept of the village really appealed to us; it would be nice to be in an environment where there's lots of people and lots of activities."

**Mr and Mrs Somers**
Owners, Audley Mayfield Watford

Mayfield apartment interior, Watford

**Read more about Watford Mayfield**
www.mayfieldvillages.co.uk

**Find out more**
https://bit.ly/ar-mayfieldvideo

## Watford stats

2022
opening

255
contemporary one and two bedroom apartments

30%
of first phase properties pre-sold

£284k
property starting price

2021 marked another transformative year for the retirement living sector. The challenges of Covid-19 persisted but with the model continuing to deliver on its core premise, keeping people safe and supported while independent, the sector continued to gain traction with investors and policymakers alike.

A record £1.3 billion was invested into the retirement living market in 2020 and this momentum flowed into 2021. The latest industry figures, published by Knight Frank, indicate that investment was up 73% in 2021, with estimates that investment in 2021 will have reached a new record of £1.75 billion[6].

These rising investment volumes come as part of a wider move for institutional investors to find secure, inflationary linked, long-term income streams that the Retirement Village business model can provide. In the past few years AXA, Legal & General, and Goldman Sachs have entered the market, and Audley has partnered with Schroders/Octopus and Royal London. In 2021, Audley continued to lead the way and announced a landmark £500 million joint venture partnership with BlackRock. The global investment manager's inaugural investment into the retirement living sector will fund the development of at least four Mayfield Villages, with the first village opening in Watford in 2022.

The drivers behind this growing investor appetite are clear. The market has potential to scale and do so quickly, the infrastructure and market leaders are well established, investment delivers a positive social impact and there is a growing consensus in Westminster about the crucial role specialist housing must play in meeting the demands of the ageing population.

It is projected that by mid-2030, the number of people of pensionable age is set to increase 11.3% to 13.2 m and this grows to 15.2m by mid-2045. In addition, by mid-2045, the number of people aged 85 is projected to have nearly doubled to 3.1 million, representing 4.3% of the total UK population[7]. But with a housing stock of just 89,000[8] housing with care properties, even with the expected expansion in the market, demand far outstrips supply.

Significant growth is needed for the UK to meet the penetration levels of mature markets. Housing with care properties account for 6.1% of housing stock in the US, 6.0% in Australia and 5.2% in New Zealand. The UK's market penetration is just 0.7%[9]. According to Knight Frank[10], an additional 400,000 housing with care units would be needed to meet just the lowest of these figures.

This level of delivery is only possible with government backing and there are encouraging signs that the political consensus on housing with care is growing. In July 2021, MPs held the first formal debate on housing with care and August saw Audley Group announce a £40 million debt funding facility from Homes England, the government backed housing-agency, to support the delivery of Mayfield Watford. This marked a coming of age for both the sector and Audley Group and underlines the focus being placed on developing more innovative housing solutions.

The second half of 2021 also saw a new term for the sector announced – Integrated Retirement Communities – differentiating the service-led operational models which offer people the opportunity to live independently in their own home as part of a wider community, from the traditional retirement housebuilders. The importance of these Communities was acknowledged in the long-awaited social care white paper published at the end of the year with a commitment to increase investment, as well as initiatives to support people downsizing.

This all points towards 2022 being a truly defining year for the retirement living sector, and Audley has the experience, scale and track record to capitalise on the interest from investors and policymakers alike.

6. Knight Frank Seniors Housing Development Update 2021 – https://bit.ly/ar-seniorhousingreport
7. National population projections: 2020-based interim https://bit.ly/ar-ONSpopulation
8. Jones Lang LaSalle 2021 - https://bit.ly/ar-careindex
9. Jones Lang LaSalle 2021 - https://bit.ly/ar-careindex
10. Knight Frank Seniors Housing Development update – https://bit.ly/ar-seniorhousingreport

# Our commitment to ESG

> Audley Group has partnered with an organisation that works with employers to offer impactful climate solutions such as the planting of trees, which can be presented as gifts and recognition/retention tools.

## In 2021 the social value that Audley delivers to its surrounding communities, its property owners and team members came to the fore.

**Read our ESG report**
https://bit.ly/ar-audleyESG

**Free up local housing**

**Facilitate the unblocking of NHS beds**

**Provide local amenities, employment and care for that community**

**Focus on Health & Wellbeing for a healthier older population**

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| Commitment to employees | Commitment for a sustainable society | Management of our environmental impact | Ethics and governance |

**Audley's positive social impact**

# Our people

"We set out to completely reform the existing apprenticeship scheme from top to bottom, to provide a learning and development solution that was as bespoke and unique as the business itself."

In 2021 Audley Group were accredited Gold by Investors in People.

**Jessica Lambert**
Audley Academy Partner

**Team members**
https://bit.ly/ar-audleyvideoproud

## Our people highlights

816
team members

93%
of team members are proud to work for Audley

91%
YOY increase in spending on apprenticeship scheme

81
new applicants to apprenticeship schemes in 2021

## **Supporting and developing** our expert team.

Heading into 2021 it was ever evident that the Covid-19 pandemic wasn't going away any time soon. We all had to learn to live with the virus and this had an inevitable impact on the future of our place of work.

Audley grasped the opportunity to engage with team members about the benefits of the Audley Academy. A large part of this campaign focused on the strong, award winning apprenticeship schemes that Audley offers. Team members were actively encouraged to use the unprecedented situation as an opportunity to upskill and obtain professional recognition for their experience, gain new skills and plan for the future. The response and engagement was huge with an increase of 91% on the spend in response to the uptake.

**Read more** on page 17

### Defining the future of our working environment

As the challenges of changing government mandated restrictions continued throughout 2021, Audley Group responded with robust and supportive procedures, policies and communication. We delivered Covid-19 safe protocols in response to the changing government guidance including a designated Covid-19 welfare hub – to further support the established Crisis Management Team and their processes so that resources are accessible to anyone in the business.

Jessica Rooke
Care Branch Manager, Audley Redwood

**How do people respond when you tell them what you do?**

People doubted me when I first got into care, they didn't think I'd last long at all. It's now been six years and I love my job. It's not easy. I've laughed, cried and there were times when I thought I couldn't do it, but it all comes down to the team I work with, helping people who need our help. I want to provide all our clients with a support network which allows them to live the best life they can.

**How did you get to where you are today?**

I started in care because my uncle was taken ill, little did I know then that I would become a Care Branch Manager, and the youngest at Audley. My progression has been driven by my passion to care for those who can't be as independent as they would like, seeing incredible improvements in our clients and being there for people when they need us the most.

**What's the most challenging part of the job?**

The fact there are people out there we can't support, it really makes me sad.

**What do you enjoy most about your job?**

My clients and the team around me. The people make it so much more rewarding. I would advise anyone to work within care – it is such a rewarding job. Knowing you could be the only person that someone could see in a day is heart-breaking but being the person to put a smile on their face makes it all completely worthwhile.

# Our people continued

With restrictions relaxing in Q2, we introduced a hybrid culture for the central support team, conducting pulse surveys, workshops and listening groups which validated that a hybrid approach was the best way to bring people back into the physical work environment. A leadership toolkit was also provided to help those managing teams working remotely.

Audley understood the need to collaborate and not just communicate – we engaged with a 'real time' check-in platform that allowed for regular one to one meetings that provided a safe space for welfare, coaching, performance management and development goals. The collaborative platform has enabled management and team members to have safe, re-assuring and supportive time together, irrespective of whether this is done remotely or in-person. The cultural shift has impacted Audley teams positively; the Covid-19 restrictions and protocols have provided an opportunity to support hybrid working and foster an agile culture that provides for both our team members and the business needs.

A new applicant tracker system was launched to provide a more productive and efficient way to recruit and retain team members and our careers website was rebranded and relaunched.

Despite challenges within the care and hospitality sectors, in 2021 Audley Group maintained high retention values and stabilised our attrition.

### Promoting mental health awareness

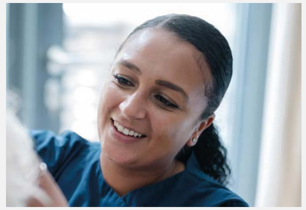
One of Audley's core objectives is to enhance recognition and promotion of mental health awareness and embedding this as part of our culture. In 2021 we invested heavily in the recruitment and training of 29 mental health first aiders across different areas of the business.

We have used our Audley Spirit communications platform to make our team members aware of this extended resource which compliments the wide array of services available in our benefits platform where people can engage with support in a variety of different ways.

### Embedding diversity, equality and inclusion

As part of our social value focus, Diversity, Equality and Inclusion (DE&I) is at the forefront of our approach to supporting our team members and our strategy to support this accelerated in 2021. Lead by an appointed DE&I ambassador and supported by in-village DE&I champions the following initiatives were introduced:

- Count Me In: A campaign to encourage team members to volunteer their personal data relating to their own DE&I status. This programme is supported by the Employers Network for Equality and Inclusion and will enable Audley to report more meaningful data allowing a focus on broader subjects in the future. 70.2% of our workforce are women and 10% are from a BAME background which is a 1% increase since July 2021. More data analysis will be carried out as the Count Me In Campaign evolves, including retention, turnover, promotion and pay differentials.
- Menopause Friendly Registration: Audley is now a Menopause Friendly organisation. We have appointed a Menopause Ambassador, a voluntary role undertaken by a member of our village team. In 2022 we will host our Menopause Network Forum which will take place bi-monthly for all genders.
- Racial Equality Matters – Tea Break Talks: This workstream initiated in Black History Month and every month we host a tea break talk with a specific theme. Topics to-date have included; Being Black in Britain, Proud to Be and Cultural Isolation. All team members are invited to join these sessions and the uptake is good, we plan to continue to promote the Tea Talks taking on more challenging subjects in 2022.
- Audley Diversity Equality and Inclusion Calendar: This tool, available through the Audley Spirit communications platform helps ensure that recognition of different cultures and events is consistent and widespread.



## Innovative apprenticeship scheme: A company that invests in people

Driven by an overriding mission to support development and growth, while building talent from within, the key objectives were to increase take up, completion and engagement rates for the scheme. We also wanted to provide career pathways to support Audley's 2022 growth plans, provide development pathways that enable team members to grow and develop, and also strengthen teams – via opportunities such as nationally recognised qualifications – and provide a level of consistency across villages and functions.

With the goal of providing multiple learning journeys, each tailored to both the business need and the individual learner's requirements, we made a strategic decision to form an external partnership within each sector, such as facilities and gardening, hospitality and care. This enabled the business to form various programmes, which typically run for 12 to 24 months and combine internal workshops and mentoring with college or university-based learning and on-the-job training, individualised to the learner's role and needs.

While apprentices will be recruited in the future, the business wanted to focus first on broadening in-house talent by developing existing employees' pathways. Since the start of the scheme, more than 120 team members have successfully achieved a nationally recognised qualification and there are currently 80 team members on programmes ranging from care to hospitality and from finance to horticulture.

**This innovative approach received industry recognition including Apprenticeship Employer of the Year, Best Apprenticeship Scheme and Employer of the Year 2021.**

**Find out more about our employees**
https://bit.ly/ar-audleyteamstories

# Chief Financial Officer's statement

"Strong business growth in the year, the formation of a joint venture partnership with BlackRock and securing new funding, demonstrate building interest in Audley and for the sector."

**Gary Burton**
Chief Financial Officer

## 2021 was a remarkable year for Audley Group. One made more so by a market backdrop that continued to experience disruption from the pandemic.

- £80.8m Revenue (2021: £71.6m)
- £4.1m Operating profit (2020: £1.5m loss)
- Secured £47.5m funding from Silbury Finance (February) to fund the construction of a 74-unit Audley village in Cobham. This was the third project undertaken by the joint venture with Octopus/Schroders
- A new joint-venture partnership formed with BlackRock Real Assets (May) and developing the first Mayfield Village at Watford. The Group recognised a net exceptional gain of £0.9m on selling, into the joint venture, the subsidiary company holding the Watford freehold asset
- Secured £40.5m funding from Homes England (August), the Government's Housing Agency to support the development of the Mayfield Watford village. This investment marks the first time the UK Government has funded retirement living at a significant scale
- Secured a £52.1m funding from Fortwell Capital (October) to fund the construction of Scarcroft Park, a 128-unit Audley village in the affluent area of Scarcroft near Leeds. This was the fourth project in joint venture with Octopus/Schroders.

### KEY PERFORMANCE INDICATORS

The Group regards its key performance indicators as the number of wholly owned unit completions in the period, gross margin, earnings (profit before exceptional items, interest, tax and fund manager fees) and net asset value.

The table below provides a comparison of the key performance indicators of the last two years.

Trading performance at the beginning of the year was hampered by the UK government announcing a national lockdown (4 January 2021) and instructing people to stay at home, and not easing until March. Although sales were inevitably impacted over this period, with new owners restricted in their ability to access villages, overall progression through the year was very strong with 140 new unit sales achieved. This included 46 new units from our villages developed in partnership with Octopus/Schroders (Stanbridge Earls, Romsey) and with Apache Capital (Nightingale Place, Clapham). A clear demonstration of the underlying resilience and growth in the Integrated Retirement Community sector.

The gross margin for the business for the year was 25% and 3% pts higher year-on-year, driven by higher leased incomes from higher average occupancy across the villages from more units sold.

Earnings of £3.6m (operating profit before exceptional items and fund manager fees) for the year to 31 December 2021 compared with a loss of £7.5m in 2020. This was driven by higher revenue and a higher revaluation gain. Revenue of £80.8m was driven by 11 more unit sales on owned villages (+£1.9m), a higher number of re-sales (+£0.5m), higher leased incomes (+£4.5m) and other operational revenue from food & beverage, club and care (+£2.6m), with the business benefiting from an improved trading environment year on year. A higher revaluation gain, benefitted from improved variables supporting the valuation of investment properties, such as higher HPI and lower discount rates as villages approach maturity, and an increased valuation of administration fees, now including a sensitised assumption for the 2% fee for Audley to conduct the sale of a property.

Total net assets decreased by £3.5m in the year (2020: £6.9m reduction).

| | **Year to December 2021** | Year to December 2020 |
|---|---|---|
| Owned unit sales | **94** | 83 |
| Revenue £'000 | **80,781** | 71,579 |
| Gross profit £'000 | **20,466** | 15,814 |
| Gross margin % | **25.3%** | 22.1% |
| Earnings before exceptional items, interest, tax and fund manager fees £'000 | **3,601** | (7,513) |
| Net asset value £'000 | **226,245** | 230,083 |

# Chief Financial Officer's statement continued

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income presents the results for the year to 31 December 2021. A commentary on all significant line items is set out below.

### Revenue

Revenue of £80.8m comprised of £48.5m from property sales, £18.5m of estate management fees, £6.8m of Audley Care income, £2.2m of development fee income and £4.8m of other income. Overall, revenue was up £9.2m and 12.9% year-on-year, driven by 11 more completions, higher occupancy rates and an increase in development management fees driven by new joint venture activity.

£48.5m of property sales revenue was driven by 94-unit sales from wholly owned stock (2020: 83). Estate management fees contributed £18.5m to revenue in the year, an increase of £2.1m or 13.3% year-on-year and includes both monthly and deferred management fees (each increasing with each unit sold). Care revenue of £6.8m was up 9.8% (2020: £6.2m). Food and beverage income of £2.3m was up 82.6% year-on-year (2020: £1.3m), with comparatively fewer restrictions imposed in the year to control the coronavirus pandemic that resulted in prolonged periods of full closure of our restaurants and bistros in 2020.

### Direct costs

Direct costs for the year were £60.3m (2020: £55.8m), comprising £3.9m relating to property sales, £16.9m estate management costs and £3.9m of care costs.

### Administrative expenses

Administrative expenses of £26.4m (2020: £26.6m) represent operating costs of the business and include £0.3m received from the government furlough scheme and other government pandemic related subsidies (2020: £0.4m) and exceptional items of £0.9m (2020: £0.3m).

### Share of results from joint ventures

The Group recognised a £3.6m share of loss from its joint ventures with Octopus and BlackRock. Four of the five sites across these joint ventures are under construction and not yet generating revenues. See note 15 for a summary of the results of the joint ventures. The Group invested total equity of £13.9m in the year.

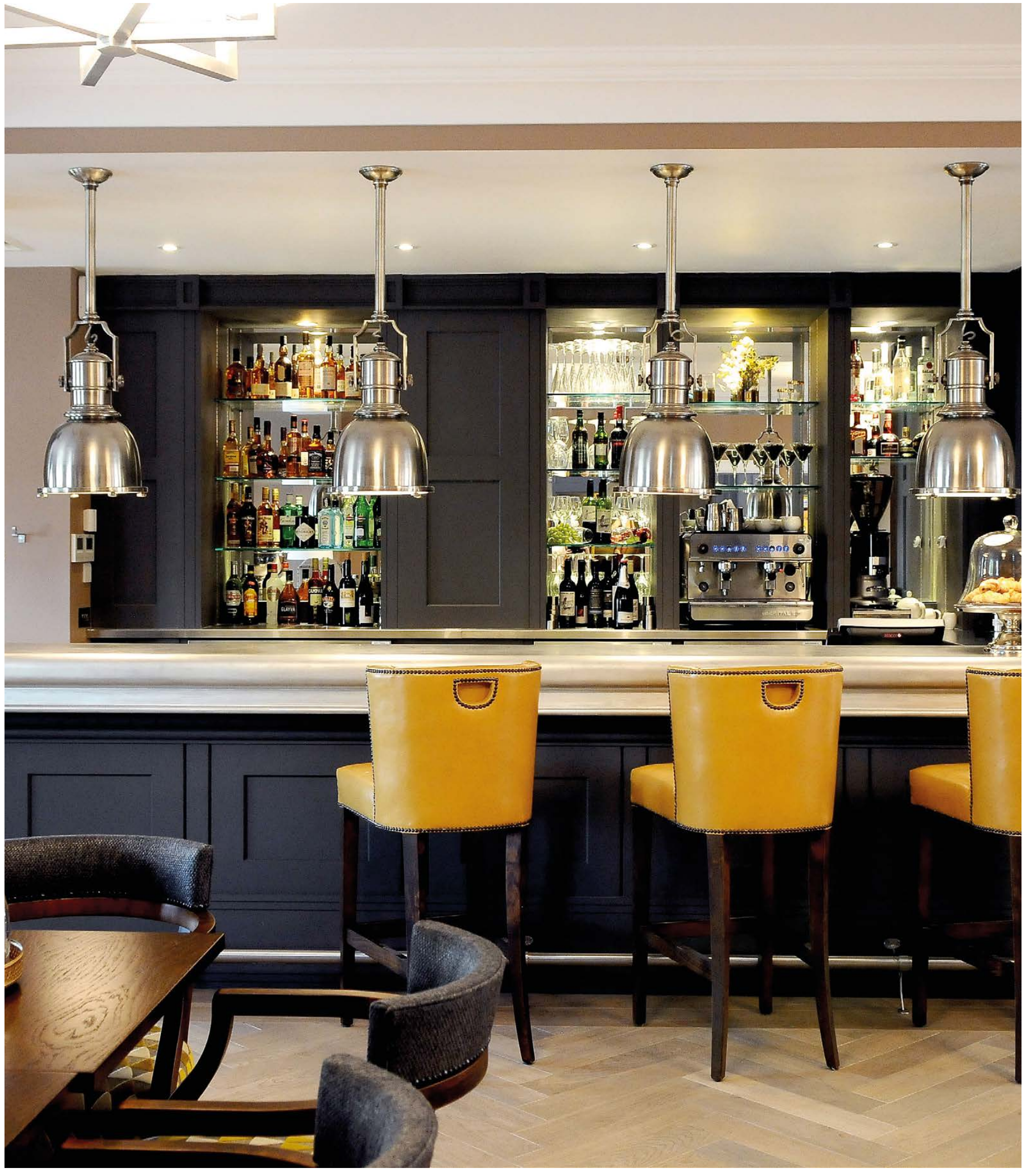
### Gain on revaluation of investment properties

The Group had a total revaluation gain at year-end of £11.3m (2020: £4.3m) on its investment properties. The valuation was carried out by CBRE on a fair value basis and takes into consideration estimated future cash flows driven by the contractual arrangements contained in our owners' lease. In general, there was positive improvement across many of the key variables, resulting in a higher revaluation of investment properties, such as higher house price inflation (HPI) and lower discount rates.

### Other operational income

The Group recognised a total net gain of £0.9m from payment by the joint venture between BlackRock and Audley to Audley Group Limited to acquire Audley Group Developments 1 Limited, the company owning the land for the Mayfield Watford village development.

# Chief Financial Officer's statement continued



### Other gains/(losses)

Included in other gains and losses is an amount of £2.0m (2020: £(0.7)m) in respect of a reversal of expected credit losses on the preference shares and accrued interest thereon in Audley Nightingale Lane Limited. The estimation of expected credit losses is inherently subjective due to the forward-looking nature of the assumptions.

### Net finance expense

Finance costs of £5.2m represent interest, facility fees and amortisation of loan arrangement costs on the Group's loan facilities. Finance income of £2.6m includes preference share interest receivable and other interest receivable.

### Taxation

The net taxation expense for the year was £5.4m and relates, primarily, to the recognition of deferred tax liabilities on the revaluation gains on the investment properties. The Group did not recognise any deferred tax assets, as it is not certain if or when such losses will be accessed.

### Profit/(loss)

An operating profit of £4.10m was delivered (improved on a loss of £(1.53)m 2020) and a statutory net loss of £(3.84)m (improved on a statutory loss of £(6.86)m 2020).

### Management uncertainty

The Directors have modelled going concern using both a base case and a severe but plausible downside case and, as a result, identify a material uncertainty in respect of Going Concern. Please refer to the Going Concern section in the Notes to the accounts (page 35).

Audley, Chalfont House

## CONSOLIDATED BALANCE SHEET

### Non-current assets

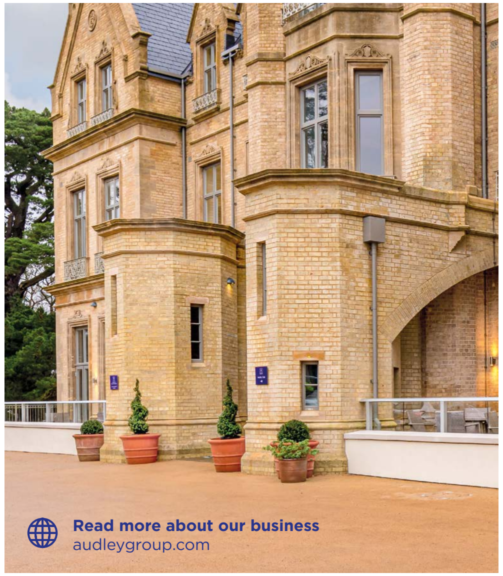
#### Intangible assets

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

#### Investment properties

The investment properties include the freehold and long leasehold interest in each of the villages. Our investment properties were valued by CBRE Limited at the year-end on a fair value basis with consideration for estimated future cash flows. Investment properties are carried at the CBRE valuation less the amount recognised in accrued income in relation to the deferred management charges from owned villages, plus the Group's proportion of shared equity units.

# Chief Financial Officer's statement continued




Audley, Fairmile

Audley, Cooper's Hill

## Right of use asset

The Group leases some of its investment properties as well as its head office. Where the asset is accounted for as an investment property, a right of use asset has not been created, but the asset is held at fair value in investment properties and no depreciation is provided on these assets. The Group provides the estate management services from the communal areas of these lease investment properties.

## Trade and other receivables

The Group has £41.3m of long-term trade and other receivables. Of this, £16.5m relates to preference shares in Audley Nightingale Lane Limited and accrued interest thereon. Accrued income for deferred management charges is split between amounts due in greater than one year (£22.4m) and amounts due in less than one year (£6.4m). Accrued income represents deferred management charges that are levied on each owner upon assignment of their lease. These deferred management charges are determined from the contractual arrangements contained in each lease and are calculated as a percentage per year of occupation, or part thereof.

The amount recognised in the accounts is based on management's estimate of property values, which is based on historical data of first sales and resales at each village. Any increase or decrease in the expected value of the deferred management charge is recognised in the statement of comprehensive income. These amounts have been estimated, informed by actuarial data, to classify the amounts based on the timing of expected cash flows.

The market valuation, performed by CBRE, considers expected cash flows and therefore the amount recognised in relation to deferred management charges in accrued income is deducted from the valuation to arrive at the carrying amount of investment property.

## Current assets

### Stocks and inventories

Inventories represent land, plots under construction, completed homes ready for sale across all villages and food and beverage stocks at the villages. Finished goods have decreased by £44.4m in the year, following the completion of 94 new unit sales and no new stock units delivered.

### Trade and other receivables

Trade and other receivables at the year-end were £12.6m from £6.4m of accrued income, £2.4m of trade debtors, £1.5m of prepayments, £1.3m of other receivables and £1.1m due from related undertakings.

### Liabilities

Trade and other payables of £16.9m includes £9.0m of accruals, £1.6m of trade payables, £4.8m of deferred income and £1.5m of other payables. Trade payables are all in the normal course of business and included in other payables are reservation and exchange deposits.

### Net debt

Net debt excluding lease liabilities at 31 December 2021 was £42.7m and £35.7m lower year-on-year (2020: £78.4m), driven by the completion of 94 new unit sales. The Group had borrowings of £50.8m including £1.0m of loan arrangement costs in respect of its £95.0m revolving credit facility.

Audley Court Limited is the borrower to the banks' facility agreement and, as such, all its assets, that includes all property assets of the Group, are provided as security to the banks. Following disposal in the year of the subsidiary holding the Watford assets, the Group repaid £14.4m and the loan facility. The Group also amended its credit facility: reducing the total facility amount by £10.0m to £95.0m, releasing £3.0m of cash previously held in a restricted bank account and amending the development loan repayment mechanism to instead direct a proportion of proceeds to create headroom under the working capital tranche (that can be redrawn by the Group, if required, in accordance with certain drawing conditions).

### Equity

No changes during the year.

### Post-balance sheet events

Please see the subsequent events section in note 31.

**Gary Burton**
Chief Financial Officer

30 September 2022

# Risk management

## EFFECTIVE RISK MANAGEMENT

### Risk management process

Managing risk is integral to Audley Group's business activities and, through a continual process to identify, assess, manage and monitor each risk, we can continue to implement our corporate strategy successfully. Risk management starts at the Board level; setting risk appetite, providing policy, maintaining risk oversight and enforcing risk management actions and initiatives. We operate a Risk & Governance steering group that reports through an executive management committee to the Board. These steering groups oversee the regular review of risk management activities, are informed of all risk related activities which are considered or suspected to be significant and reviews and agrees risk management planning.

A Risk & Assurance structure has been established, bringing together the areas of Health & Safety, Internal Audit and Data Protection. An Information Governance Team has also been established to review and agree policies, strategies, and core processes to ensure the effective management of information across the organisation.

Identified risks are captured and scored on a Risks Register according to their impact and likelihood. The effectiveness of our control environment, at mitigating risks down to a tolerable level, is assessed continually through internal and external regulators. Control failures are captured and monitored on a Controls Tracker until remedied.

### Risk appetite

Risk appetite is defined as the level of tolerable risk to deliver our strategic and operational objectives and brand standards across our villages. Overall, our approach is to minimise exposure to compliance, reputational, and excessive financial risk.

### Environmental, social and governance (ESG)

The collective area of ESG risk is considered an emerging risk for the Group. Key impact areas extend across development (construction, material sourcing, sustainability), operational (energy & carbon, water & waste, sustainable procurement), owner management (satisfaction, community, social value) and employee engagement (health & wellbeing, working conditions, diversity, equality & inclusion).

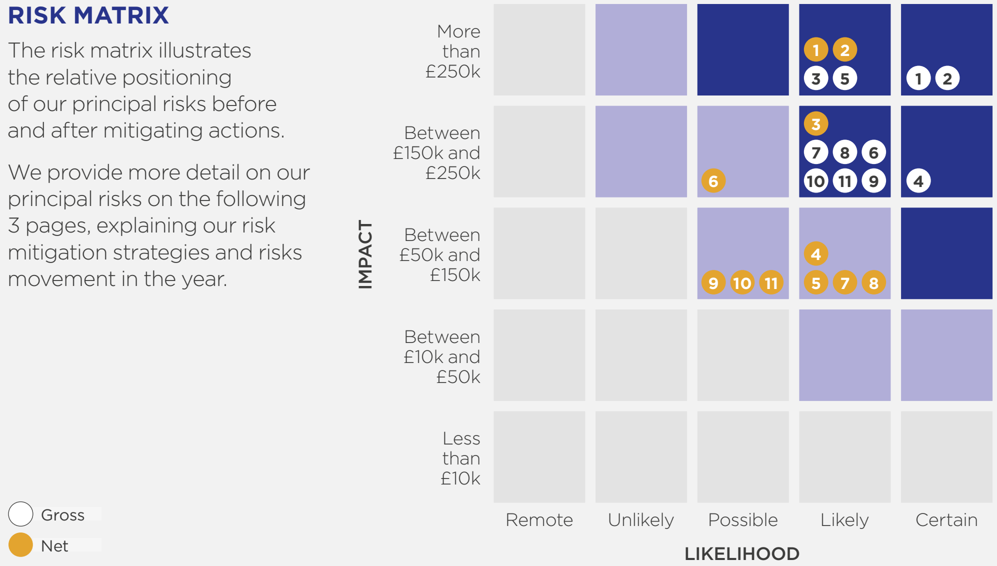
There has been growing pressure and scrutiny over recent years across all sectors from customers, investors and Governments for businesses to behave in an increasingly sustainable manner, and to be more transparent on the way they deliver their services and/or products.

## RISK MANAGEMENT PROCESS FLOW


## RISK MATRIX

The risk matrix illustrates the relative positioning of our principal risks before and after mitigating actions.

We provide more detail on our principal risks on the following 3 pages, explaining our risk mitigation strategies and risks movement in the year.




## PRINCIPAL RISKS OVERVIEW

| | | Movement in year |
|---|---|---|
| 1 | Funding risk | Increase |
| 2 | Build programme and build cost risk | Increase |
| 3 | Pandemic disease | Decrease |
| 4 | Economy and market risk | Maintained risk |
| 5 | Loss of employee or key management personnel | Increase |
| 6 | Cyber and data security risk | Maintained risk |
| 7 | Reputation risk | Maintained risk |
| 8 | Care standards | Maintained risk |
| 9 | Regulatory and policy environment | Increase |
| 10 | Health and Safety risk | Maintained risk |
| 11 | Environmental, Social and Governance (ESG) | Increase |

# Risk management continued

Increased risk | Maintained risk | Decreased risk

## PRINCIPAL RISKS REVIEW

| Risk | Mitigating actions | | Movement in year |
|---|---|---|---|
| **1 Funding risk** | | | |
| **A lack of funding (debt and or equity) would prevent delivery of the business plan.**<br>**A material uncertainty for going concern is included in the 2021 accounts owing to funding risk.** | • The retirement village sector is evolving quickly and is gaining momentum from increasing investor and debt provider interest.<br>• We do not over-leverage or over-commit the business, and model different financial outturn scenarios to maintain appropriate visibility for funding and liquidity. | • We partner with credible institutions and banks, with whom we maintain good relations, to secure funding on reasonable investment terms. | Increased risk |
| **2 Build programme and build risk cost** | | | |
| **The ability to deliver build programmes on time and within cost are important for the financial performance of the Group. A period of high inflation is challenging both the magnitude and certainty of construction cost.** | • We partner with large 'blue chip' construction companies as well as Tier 2 contractors.<br>• We diversify our risk by using several different contractors for different size projects on whom we carry out due-diligence before contracting. | • Regular client progress meetings are held where the programme position is appraised thoroughly with early warnings on time slippage assessed and a resulting recovery strategy agreed.<br>• Our construction experience and fixed price contracts mitigate cost risk. | Increased risk |
| **3 Pandemic disease** | | | |
| **Government action in response to a pandemic disease, such as Covid-19, could result in significant disruption to the UK housing and hospitality market in the short to medium with risk of long-term change to the operating practices and or business model of the Group.** | • Our experience and expertise enables us to take swift and decisive action to ensure the safeguarding of owners, customers and team members.<br>• Accessing government aid and support, as this becomes available, for example accessing the Government's Coronavirus Job Retention Scheme, helps to support our business operations and ongoing financial liquidity.<br>• Our business model means operational revenues are reasonably resilient to such disruption. | • We perform extensive scenario modelling to assess the impact of a pandemic disease on our cash and debt facilities.<br>• Rigorous capital and cost controls are in operation across the business to ensure we can absorb unexpected fluctuations in demand in the market. | Decreased risk |

# Risk management continued

↑ Increased risk → Maintained risk ↓ Decreased risk

## PRINCIPAL RISKS REVIEW CONTINUED

| Risk | Mitigating actions | | Movement in year |
|---|---|---|---|
| **4 Economy and market risk** | | | |
| **Changing market conditions could impede the Group's ability to sell properties. As housebuilding is cyclical and dependent on the broader economy, any deterioration in economic conditions could damage buyer confidence and impact on the Group's ability to sell units. This could result in lower development revenue, profit and cash. Disruption from pandemic disease (coronavirus) and the withdrawal from the European Union are very significant causes of uncertainty and therefore risk.** | • Management monitor market and economic indicators and model different financial outturn scenarios under different risk assumptions to guide decision making in support of longer-term liquidity management.<br>• The Mayfield Village proposition provides some mitigation to market risk through diversification. | • The Group partners with companies offering support initiatives, such as bridging loans, to customers who want to buy our product but who may have difficulties selling their home due to market conditions. | → |
| **5 Loss of employee or key management personnel** | | | |
| **Failure to attract and retain sufficient quality staff.** | • The Group has in-sourced recruitment to control better the consistency and appropriateness of new hires and operates an attractive working environment, culture and reward structure for key management. | • A dedicated learning and development team provide training across the Group in addition to external expertise as considered appropriate.<br>• Careful succession planning is performed across the business to mitigate the negative impact to the business from any sudden loss of key personnel. | ↑ |
| **6 Cyber and data security risk** | | | |
| **The Group's IT systems are core to delivering effective operational activities with any failure in these systems, particularly those relating to customer or commercially sensitive data, likely to impact the Group's ability to operate effectively and result in penalties where the information is protected by law.** | • The Group works with managed service providers to ensure our systems operate effectively. We receive and act on leading advice and guidance to ensure we maintain a secure IT environment.<br>• An increasing use of virtual technologies has reduced the risk inherent in physical data storage and physical systems. | • Audley takes security of personal data very seriously and continuously reviews security and use of data. | → |
| **7 Reputation risk** | | | |
| **Marketing materials and websites displaying incorrect information either from miscommunication between departments or human error.** | • We ensure any price changes and management fee changes are communicated clearly between sales and marketing teams. | • All print materials are proof-read internally and by our agencies.<br>• Websites are reviewed regularly and maintained by our experienced in-house team. | → |

# Risk management continued

↑ Increased risk → Maintained risk ↓ Decreased risk

## PRINCIPAL RISKS REVIEW CONTINUED

| Risk | Mitigating actions | | Movement in year |
|---|---|---|---|
| **8 Care standards** | | | |
| **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 leadership team are very experienced with an excellent track record. | • Our wider Care team are carefully recruited and receive ongoing training. | → |
| **9 Regulatory and policy environment** | | | |
| **Failure to keep abreast of increasing and changing rules, regulations, policies and legislation.** | • Management monitors changes in government policy and the regulatory environment either directly or via its involvement with the ARCO (Associated Retirement Community Operators) trade body representing the UK Integrated Retirement Community sector.<br>• During the year the Group recruited a Group General Counsel, providing greater capacity and capability to monitor the regulatory environment and to ensure internal policies and procedures continue to be appropriate. | • A new Risk & Assurance structure has been implemented to provide greater synergies and consistency of approach across Health and Safety, Internal Audit and Data Protection activities. | ↑ |
| **10 Health & Safety** | | | |
| **The nature of construction sites is inherently risky and could potentially expose contractors or employees to serious injury or fatality.** | • We actively promote high standards of Health and Safety on construction sites and specifically discuss this at every site meeting with our contractors.<br>• We have a Group Health & Safety Manager who identifies and seeks to remedy areas of concern across our villages estate. | • All villages are equipped with hand sanitisers and thermal imaging cameras, to detect anyone with elevated temperature. | → |
| **11 ESG** | | | |
| **Failure to demonstrate dedication to corporate responsibility and sustainability and provide assurance to investors of trust in ESG data and analysis.** | • ESG compliance is a focus area across the business with clear strategies being formulated and managed through an ESG Steering Committee. | | ↑ |

**Nick Sanderson**
Chief Executive Officer

30 September 2022

**Gary Burton**
Chief Financial Officer

30 September 2022

# Board of Directors

## MARC GILBARD
Chairman

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

**Experience**
Marc initially specialised in investment and development finance and then became a top-rated real estate equity analyst and corporate advisor prior to becoming a private equity investor.

In October 2011, the Howard de Walden Estate appointed Marc to its Board as a Non-Executive Director, he now chairs the Investment Committee and serves on the Audit Committees. In April 2016 Marc became Chairman of Audley Retirement Villages and a member of their Investment Committee. Marc has advised as a Policy Committee Member of the British Property Federation (BPF), a Member of the Property Advisory Group to the Bank of England, a Member of the Investment Property Forum (IPF) and is a Member of the Royal Institution of Chartered Surveyors (RICS).

## NICK SANDERSON
Chief Executive Officer

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

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

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

## NICK EDWARDS
Chief Operating Officer

Nick joined Audley Group in December 2019 having previously held the role of Chief Financial Officer of Moorfield Group. He was at Moorfield from 2008 to 2019 and was a member of the Board and the Investment Committee, on which he continues to sit following his move to Audley.

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

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

## GARY BURTON
Chief Financial Officer

Gary joined Audley Group in November 2020, bringing with him a wealth of experience essential to the growth trajectory of the business.

**Experience**
Gary has degrees in Architecture and Management and qualified as an accountant (ACCA) with Arthur Andersen and in treasury (AMCT) with Hewlett Packard. He has a wealth of financial experience honed over 20+ years working with leading businesses across different sectors nationally and internationally. This includes retail where Gary spent nine years with Kingfisher plc, as Assistant Treasurer and in Finance Director roles, and across the health & wellbeing and hospitality sectors.

# Board of Directors continued

## PAUL MORGAN
Managing Director

Paul joined Audley Group in 2007 as Operations Director and was promoted to Managing Director in early 2017. Paul's key responsibilities are for all of the operating departments within the Audley Group portfolio, including the restaurants, bars, health clubs and Audley Care as well as property sales and marketing across the Audley Group.

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

### Experience
Previously Paul held senior management posts at Hilton UK, Corus and Regal Hotels and was Operations Director for Bespoke Hotels.

## HENRIK POULSEN
Non-Executive Director

Henrik is Executive Director – Head of International Real Estate at the Danish pension fund PFA.

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

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

## CHARLES FERGUSON-DAVIE
Non-Executive Director

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

### Experience
Charlie has a degree in Modern Languages from Oxford University and prior to joining Moorfield in 2005 he worked in corporate finance at Lazard in the real estate advisory group. Since 2005 Moorfield has raised and managed six private equity funds, comprising some £1.8bn of equity.

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

# Directors' report

The Directors present their report and the audited consolidated and Company financial statements for Audley Group Limited for the year ended 31 December 2021.

Audley Group Limited is a company limited by shares incorporated in England and Wales and domiciled in England. The registered office is 65 High Street, Egham, Surrey TW20 9EY. The immediate Parent Company is MAREF Topco Ltd. The controlling parties are disclosed in note 29 of the consolidated financial statements.

## DIRECTORS

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

| Director | Appointed/Resigned |
|---|---|
| Nick Sanderson | — |
| Nick Edwards | — |
| Jon Austen | Resigned 30 June 2021 |
| Gary Burton | — |
| Paul Morgan | Resigned 18 August 2022 |
| Kevin Shaw | Resigned 30 April 2021 |
| Marc Gilbard | — |
| Charles Ferguson-Davie | — |
| Henrik Poulsen | Resigned 12 May 2022 |

Biographies of serving Directors are on pages 26 and 27.

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

At 31 December 2021 Nick Sanderson owned 0.34% of the share capital of Audley Group Limited via direct and indirect holdings. Jon Austen owned 0.08% of the share capital of Audley Group Limited via direct and indirect holdings. Paul Morgan and Kevin Shaw held 0.07% and 0.08% respectively.

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

## SECTION 172(1) STATEMENT

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

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

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees – pages 16 and 17;

(c) the need to foster the Company's business relationships with clients, end customers, suppliers and regulators – pages 6 to 14;

(d) the impact of the Company's operations on the community and the environment – pages 10 to 15;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct – pages 6 to 14; and

(f) the need to act fairly between members of the Company – pages 6 to 14.

## RESULTS AND DIVIDENDS

The Group's loss for the year was £3,838,000 (2020: loss of £6,860,000). No dividends were paid in the year to 31 December 2021 (2020: £nil) and the Directors do not propose the payment of a final dividend.

## INDEMNITY PROVISION

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

## POLITICAL AND CHARITABLE DONATIONS

During the year the Group did not make any political donations or incur any political expenditure (2020: £nil). During the year the Group made charitable donations of £15,000 (2020: £7,000).

## PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties are described on pages 22 to 25.

## FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group are described in note 24 on pages 57 to 59.

## FUTURE DEVELOPMENTS

Details of the likely future developments of the business are described in the Strategic Report on pages 1 to 25.

# Directors' report continued

## EMPLOYEE AND ENVIRONMENTAL MATTERS

Information in respect of the Group's employment and environmental matters is contained within the Strategic Report on pages 6 to 17.

## SUBSEQUENT EVENTS

See note 31 for events after the balance sheet date.

## GOING CONCERN

In assessing going concern, the Directors have reviewed the Group's principal risks and taken into consideration a number of factors, including sales expectations at our wholly owned villages, development cashflows, planned investments and borrowing facilities. The assessment considers two scenarios over a period to the end of 2023 with one scenario sensitised to represent a Severe but plausible downside case. For detail on these assessments please refer to the Going Concern section in note 2 of the Financial Statements.

Based on the scenarios modelled and given the availability of mitigating actions to provide sufficient liquidity over the going concern period, the Directors have considered it reasonable to conclude that the Group will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, the financial statements have been prepared on a going concern basis.

The Group is, however, facing levels of uncertainty, and the Group's financial modelling is sensitive to material changes in UK house prices and volumes of transactions. Under the two scenarios modelled, cash becomes fully utilised by March 2023 (severe but plausible case) and June 2023 (base case). Under the Severe but plausible downside case there would be a breach of the Group's loan covenants within its joint ventures and investments. Although the Group continues to have supportive lenders (and the Directors have confidence that, should they be required, covenant waivers could be obtained), assets available to secure new financing and further cash preserving actions that could be taken, the Directors have concluded that, as disclosed in the Going Concern section in note 2 of the Financial Statements, attention should be drawn to the fact that a material uncertainty exists to cast doubt on the Group's ability to continue as a going concern.

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

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

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

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

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

## DIRECTORS' CONFIRMATIONS

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

So far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware.

They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

## AUDITORS

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

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

On behalf of the Board

**Gary Burton**
Chief Financial Officer

30 September 2022

# Independent auditors' report

To the members of Audley Group Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion:

- Audley Group Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: Consolidated statement of financial position, and the Company balance sheet as at 31 December 2021; Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated cash flow statement, and Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

#### Independence

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

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern. The directors have performed a detailed review of the current and projected financial position of the group. Under this review, the group's current available cash is fully utilised by between March and June 2023 and failure to achieve sufficient mitigating actions or secure additional funding for the group would mean that the group will be unable to repay its liabilities as they fall due from this date. The group is currently exploring mitigating actions available to the group including a reduction of discretionary costs, a deferral of costs such as capital expenditure, and raising new debt. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

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

### Reporting on other information

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

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

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

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

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

### 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

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

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

- Identified and tested unusual journals entries, specifically those with unusual account combinations impacting revenue, and unusual account combinations impacting stock, and transactions with related parties
- Challenged and evaluated assumptions made by management, and where relevant management's experts, in determining significant financial estimates, specifically in relation to the valuation of investment property, carrying value of stock, and the valuation of the deferred management charge
- Reviewed Board minutes and management's summary of known and potential legal claims
- Discussions with management, including consideration of any known or suspected fraud or instances of non-compliance with laws and regulations
- Reviewing CQC reports for instances of non-compliance

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

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

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

## OTHER REQUIRED REPORTING
### Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

**Darryl Phillips (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 September 2022

# Consolidated statement of comprehensive income

For the year to 31 December

| | Note | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **80,814** | 71,579 |
| Cost of sales | 3 | **(60,348)** | (55,765) |
| **Gross profit** | 3 | **20,466** | 15,814 |
| Administrative and selling expenses | | **(26,350)** | (26,599) |
| Share of results of joint ventures | 15 | **(4,217)** | (2,130) |
| Gain/(loss) on revaluation of investment properties | 13 | **11,296** | 4,286 |
| Other operating income | 4 | **906** | 7,808 |
| Other gains/(losses) | 6 | **2,000** | (710) |
| **Operating profit/(loss)** | 5 | **4,101** | (1,531) |
| Operating loss before exceptional items, revaluation gain and other gains/(losses) | | **(10,101)** | (12,589) |
| Gain on revaluation of investment properties | 13 | **11,296** | 4,286 |
| Exceptional items | 11 | **906** | 7,482 |
| Other gains/(losses) | 6 | **2,000** | (710) |
| Operating profit/(loss) | | **4,101** | (1,531) |
| Finance income | 9 | **2,572** | 2,137 |
| Finance expense | 9 | **(5,156)** | (5,542) |
| **Profit/(loss) before tax** | | **1,517** | (4,936) |
| Tax charge | 10 | **(5,355)** | (1,924) |
| **Loss and total comprehensive expense for the year** | | **(3,838)** | (6,860) |
| Attributable to: | | | |
| – Equity holders of the Parent Company | | **(3,838)** | (6,860) |
| – Non-controlling interests | | **—** | — |
| | | **(3,838)** | (6,860) |

The notes on pages 35 to 61 form part of these financial statements.

The financial statements on pages 33 to 61 were approved and authorised for issue by the Board and were signed on its behalf on 30 September 2022.

**Gary Burton**
Chief Financial Officer

Registered number: 09906780

# Consolidated statement of financial position

For the year to 31 December

| | Note | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 12 | **14,706** | 14,706 |
| Investment properties | 13 | **131,483** | 115,074 |
| Right of use assets | 14 | **7,895** | 8,090 |
| Investments in joint ventures | 15 | **24,462** | 13,487 |
| Other investments | 16 | **285** | 193 |
| Property, plant and equipment | 17 | **1,234** | 2,302 |
| Deferred tax assets | 18 | **—** | — |
| Trade and other receivables | 20 | **41,316** | 32,051 |
| **Total non-current assets** | | **221,381** | 185,903 |
| **Current assets** | | | |
| Stocks and inventories | 19 | **70,213** | 148,507 |
| Trade and other receivables | 20 | **12,632** | 7,861 |
| Cash and cash equivalents | 21 | **9,201** | 14,794 |
| **Total current assets** | | **92,046** | 171,162 |
| **Total assets** | | **313,427** | 357,065 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Trade and other payables | 22 | **(16,854)** | (21,798) |
| Lease liabilities | 14 | **(162)** | (154) |
| **Total current liabilities** | | **(17,016)** | (21,952) |
| Non-current liabilities | | | |
| Loans and borrowings | 23 | **(50,843)** | (91,196) |
| Lease liabilities | 14 | **(8,656)** | (8,523) |
| Deferred tax liabilities | 18 | **(10,667)** | (5,311) |
| **Total non-current liabilities** | | **(70,166)** | (105,030) |
| **Total liabilities** | | **(87,182)** | (126,982) |
| **Total net assets** | | **226,245** | 230,083 |
| **Equity** | | | |
| Share capital | 25 | **266,958** | 266,958 |
| Share premium | 26 | **15,665** | 15,665 |
| Accumulated to retained earnings | | **(56,378)** | (52,540) |
| **Total equity** | | **226,245** | 230,083 |

# Consolidated statement of changes in equity

For the year to 31 December

| | Share capital £'000 | Share premium £'000 | Retained earnings/ accumulated losses £'000 | Total attributable to equity holders of the Parent Company £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| At 1 January 2020 | 266,888 | 15,665 | (45,680) | 236,873 | 236,873 |
| Shares issued | 70 | — | — | 70 | 70 |
| Transactions with owners | 70 | — | — | 70 | 70 |
| Loss for the year | — | — | (6,860) | (6,860) | (6,860) |
| Total comprehensive loss | — | — | (6,860) | (6,860) | (6,860) |
| At 1 January 2021 | 266,958 | 15,665 | (52,540) | 230,083 | 230,083 |
| Shares issued | — | — | — | — | — |
| Transactions with owners | — | — | — | — | — |
| Loss for the year | — | — | (3,838) | (3,838) | (3,838) |
| Total comprehensive loss | — | — | (3,838) | (3,838) | (3,838) |
| **At 31 December 2021** | **266,958** | **15,665** | **(56,378)** | **226,245** | **226,245** |

# Consolidated cash flow statement

For the year to 31 December

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Operating activities** | | |
| Profit/(loss) before tax | **1,517** | (4,936) |
| Adjustments for: | | |
| – Depreciation of tangible fixed assets | **653** | 627 |
| – Gain on revaluation of investment properties | **(11,296)** | (4,286) |
| – Profit on disposal of subsidiary | **(906)** | — |
| – Share of post-tax losses from associates | **4,217** | 2,130 |
| – Finance income | **(2,572)** | (2,137) |
| – Finance expense | **5,156** | 5,542 |
| – Goodwill impairment | **—** | — |
| – Other (gains)/losses | **(2,000)** | 710 |
| **Cash flows from operating activities before changes in working capital** | **(5,231)** | (2,350) |
| Increase in trade and other receivables | **(9,642)** | (5,033) |
| Increase/(decrease) in trade and other payables | **(4,806)** | 140 |
| Decrease stocks and inventories | **78,294** | 13,095 |
| **Cash generated by operating activities** | **58,615** | 5,852 |
| Finance income received | **7** | 4 |
| Finance costs paid | **(3,759)** | (4,273) |
| Corporation tax paid | **—** | — |
| **Net cash flows used in operating activities** | **54,863** | 1,583 |
| **Investing activities** | | |
| Additions to investments | **(92)** | — |
| Additions to joint venture investments | **(13,928)** | (3,162) |
| Additions to investment properties | **(4,382)** | (4,070) |
| Additions to property, plant and equipment | **(443)** | (1,383) |
| Disposal of subsidiary | **—** | — |
| Disposal of non-controlling interest | **—** | — |
| **Net cash flows generated from/(used in) investing activities** | **(18,845)** | (8,615) |
| **Financing activities** | | |
| New loans | **—** | 15,167 |
| Issue costs of new loans paid | **(19)** | (223) |
| Repayment of loans | **(41,348)** | (13,429) |
| Issue of share capital | **—** | — |
| Principal elements of lease payments | **(244)** | (243) |
| **Net cash flows generated from financing activities** | **(41,611)** | 1,272 |
| **Net decrease in cash and cash equivalents** | **(5,593)** | (5,760) |
| Cash and cash equivalents at start of year | **14,794** | 20,554 |
| **Cash and cash equivalents at 31 December** | **9,201** | 14,794 |

# Notes to the accounts

## 1 GENERAL INFORMATION

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

## 2 ACCOUNTING POLICIES

### Basis of preparation of financial statements

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

These financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties. The Company has elected to prepare its individual financial statements, on pages 62 to 67 in accordance with FRS 102.

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

### Functional and presentation currency

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

### Going concern

#### Introduction

To ascertain whether it was appropriate to prepare the financial statements on a going concern basis, the Directors have performed a robust assessment of the principal risks facing the Group, including those risks that would threaten the Group's business model, future performance and liquidity. The principal risks facing the Group and how the Group addresses such risks are described in the Principal Risk Review section of the Strategic Report on pages 22 to 25.

As the Directors have to make the going concern assessment over at least a 12 month period from the date of signing the financial statements, the scenario modelling has been undertaken over the period to 31 December 2023.

The assessment involved the preparation of two forecast scenarios: a 'Base' case and a 'Severe but plausible downside' case. The Group's experience of the trading environment since the first lockdown in March 2020 has been less severe than the 'downside' scenario assumes.

#### Financing overview

As disclosed in note 31, the Group has a recently completed £59.3m debt facility secured on the net assets of four villages (Chalfont Dene, Cooper's Hill, Ellerslie and St Georges Place). The Group is also a joint guarantor to debt facilities held by its joint ventures, RELF Audley Retirement Living LLP, Audley Group Developments 1 Limited and Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest, which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained and tested on a quarterly basis. At the date of approval of these financial statements the Group had complied with all applicable borrowing covenants. The Group had cash and cash equivalents of £9.2m at 31 December 2021 (2020: £14.8m).

At 31 December 2021, the Group's joint ventures, RELF Audley Retirement Living LLP, Audley Group Developments 1 Limited and Audley Nightingale Lane Limited, in which the Group has an investment, had £330.1m of secured facilities, of which the Group's proportionate share was £66.5m. These relate to loans secured against the property assets of these entities being the villages under development, completed villages and unsold stock at the joint venture sites at Stanbridge Earls, Sunningdale, Cobham, Scarcroft, Watford and Clapham. The Mayfield Watford site is owned by Audley Group Developments 1 Limited which also holds the debt facility. The Group is a joint guarantor to these facilities in proportion to its shareholding in the respective entities that own the assets. The facilities contain a number of financial covenants that are generally tested quarterly in March, June, September and December. At the date of approval of these financial statements, the RELF Audley Retirement Living LLP and Audley Group Developments 1 Limited joint ventures and Audley Nightingale Lane Limited complied with all applicable borrowing covenants.

#### Scenario assumptions and outcomes

The Base case was based on the 2022 Board approved budget with sales volumes and prices updated for the actual performance of the Group in the first half of 2022. The forecast assumes equity funding injected into the joint venture in line with the contractual terms of the shareholder agreement and the underlying debt arrangements. Over the going concern period to 31 December 2023 the Severe but plausible downside case included the following key considerations: owned unit sales are fewer than what is assumed in the Base case scenario and a 10% fall in the fair value of inventory, including for all units currently on 'hold' or 'exchanged', and consequently in the selling prices from currently achieved levels. Both cases assume the impact of some obvious and readily available mitigating actions.

Under the Severe but plausible scenario the Group's available cash is fully utilised by March 2023 and requires cash mitigating actions to maintain liquidity thereafter. For the Base case, cash is fully utilised by June 2023.

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Going concern continued

#### Scenario assumptions and outcomes continued

Under the Severe but plausible downside case, the reduction in the valuation of the Audley Court Limited Group's unsold stock would reduce the headroom under the loan-to-value covenant and would breach one of the covenants. In these circumstances, and in the absence of a waiver from the lenders or the Group delivering a cash cure, the lenders could demand repayment of these facilities. If the loans were not repaid, the lenders could enforce their security interests over the secured properties. The covenant was set based on an external valuation carried out around the time the facility was entered into.

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

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

#### Mitigating actions

There are three principal mitigating actions available to the Group: A reduction of discretionary costs, a deferral of costs such as capital expenditure, and raising new debt (at Audley Group Limited and or across the seven villages available to provide security), which would improve the liquidity position.

#### Conclusion

Based on the scenarios modelled and given the availability of the mitigating actions to provide sufficient liquidity over the going concern period, the Directors have considered that it is reasonable to conclude that the Group will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, the financial statements have been prepared on a going concern basis.

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

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

- The Group's available cash is fully utilised by March 2023 and failure to achieve sufficient mitigating actions or secure additional funding for the Group would mean that the Group will be unable to repay its liabilities as they fall due from this date;
- The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under the loan-to-value covenant (attached to the land tranche element of the overall loan) and results in a breach of the covenant. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due; and
- The forecast valuation decline on the unsold stock held by Audley Nightingale Lane Limited reduces the headroom under loan-to-value covenant and would result in a breach of covenant. In addition, under the Severe but plausible downside case, Audley Nightingale Lane Limited and Audley Group Developments 1 Limited do not meet the minimum number of exchanged property sales defined in the loan agreement and this would result in a breach of covenant. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due.

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

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### New standards and interpretations

The principal accounting policies are consistent with those applied in the Group's financial statements for the year to 31 December 2020, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

### New standards adopted during the year

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

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Concessions beyond 30 June 2021 (Amendment to IFRS 16)

### Standards in issue but not yet effective

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

- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. A subsidiary is an entity where the Company has control over that investee. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. The results of subsidiary undertakings acquired or disposed of during the financial period are included from, or up to, the effective date of acquisition or disposal. Uniform accounting policies have been adopted across the Group. The consolidated financial statements present the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### Joint arrangements

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

### Joint ventures

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

### Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Basis of consolidation continued

#### Changes in ownership interests

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

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

### Intangible assets

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 7).

### Investment property

The Group's investment properties are the central buildings and club facilities at each retirement village. The initial cost of the investment property is dependent on an equitable allocation of costs to develop the village, split between the shared facilities (investment property) and the saleable residential units (stocks and inventories). Investment properties are 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. An external valuation expert is used to determine the fair value, details of which are given in note 13. Fair value is adjusted down by the deferred management fees (accrued income) amount to avoid double counting. No depreciation is provided. Changes in fair value are recognised in the consolidated statement of comprehensive income. Additions to investment properties in the course of development or refurbishment include directly attributable internal and external costs incurred during the period of development until the properties are ready for their intended use.

### Shared equity

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

### Property, plant and equipment

Property, plant and equipment are stated at cost or fair value at the date of transfer less accumulated depreciation and accumulated impairment losses. Land is not depreciated. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on all plant and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the reporting date, of each asset over its expected useful life as follows:

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

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Leases

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

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

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

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

### Stocks and inventories

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

### Share capital

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

### Revenue recognition

The Group recognises revenue from the following major sources:

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

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

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

#### Property sales

Sales of residential units are recognised on legal completion.

#### Deferred management fees and associated accrued income

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

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

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

#### Management fees

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

#### Ground rent

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

#### Care service fees

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

#### Development fees

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

#### Restaurant including food and beverage

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

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Taxation

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

#### (i) Current tax

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

#### (ii) Deferred tax

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

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

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

### Pensions

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

### Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately and are excluded from adjusted results consistent with the internal reporting provided to Management and the Directors. Adjusted results are not a substitute for, or superior to, reported results presented in accordance with IFRS.

### Investments and other financial assets

#### (i) Classification

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

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

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

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

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

#### (ii) Recognition and derecognition

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

#### (iii) Measurement

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

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

#### Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Equity instruments

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

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

#### (iv) Impairment

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

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

### Financial instruments

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

#### Cash and cash equivalents

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

#### Trade and other receivables

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

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

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

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

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

#### Financial liabilities

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

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

#### 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.

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Financial instruments continued

#### Share-based payments

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

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

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

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

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

### Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

### Key sources of estimation uncertainty

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

#### Valuation of investment property

The fair value of investment properties is based on a valuation model using a cash flow methodology that reflects future income streams included in the village apartment leases. The future income streams are estimated based on current contractual arrangements and ancillary income streams. The initial cost of the investment property is dependent on an equitable allocation of costs to develop the village, split between the shared facilities and the saleable apartments. The Group has adopted external valuations from an independent firm of chartered surveyors. For sensitivities on key inputs please see note 13.

#### Valuation of stocks and inventories

Stocks are carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management is required to employ considerable judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required. A 10% reduction in the selling price across all sites, would result in an additional impairment of £423,000 in respect of two sites (2020: impairment of £841,000 across two sites).

#### Cost allocation and margin recognition

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

#### Accrued income

The Group accrues deferred management charge income based on each village apartment's lease agreement, which includes a provision for the Group to earn a fixed percentage based on the selling price of the apartment that crystallises upon resale of the apartment in the future. Given the contingent timing of the event, the charge is accrued each period based on the average realised selling price at each village on a per square foot basis. Given the contingent timing of the event, the accrued income has been split between amounts due in greater than one year and due in less than one year. This has been estimated, informed by actuarial data, to reflect the timing of expected cash flows. The split between current and non-current is based on an 8.5 year expected stay. If the average length of stay decreases by one year the amount recognised in current assets would increase by £1,708,000 (2020: £721,000) and the amount recognised in non-current assets would decrease by £1,708,000 (2020: £721,000). If the average length of stay increased by one year the amount recognised in current assets would decrease by £2,436,000 (2020: £581,000) and the amount recognised in non-current assets would increase by £2,436,000 (2020: £581,000).

# Notes to the accounts continued

## 2 ACCOUNTING POLICIES CONTINUED

### Key sources of estimation uncertainty continued

#### Deferred tax

The Group has made an assessment of the recoverability of deferred tax assets and given the uncertainty over future profitability no deferred tax asset has been recognised in the year. The Group has total unrecognised gross tax losses of £84.3m.

#### Impairment of goodwill

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

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

In future periods, as development profits are realised, the development CGU will decrease unless replaced with new developments. The fair value of unsold stock would need to fall by 2.7% (2020: 11.0%) to result in an impairment to development CGU.

#### Expected credit loss

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

The expected credit loss which has been recognised is therefore subject to a degree of uncertainty which may not prove to be accurate. The Group has recognised an expected credit loss reversal on other receivables of £2.0m (2020: increase of £0.7m) in the year. The key inputs were a 25% expectation that the units will sell at 1 per month and a 75% expectation that they will sell at 1.5 per month. A change in assumptions to 75% expectation that the units will sell at 1 per month and a 25% expectation that they will sell at 1.5 per month would increase the expected credit loss by £1.8m.

## 3 REVENUE AND GROSS PROFIT

All revenue is generated in the United Kingdom.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Property sales[1] | **48,475** | 46,544 |
| Estate management fees[2] | **18,509** | 16,326 |
| Care income[1] | **6,829** | 6,218 |
| Development fee income[1, 2] | **2,203** | 711 |
| Other[1, 3] | **4,799** | 1,780 |
| **Total revenue** | **80,814** | 71,579 |
| Property cost of sales | **(39,898)** | (36,734) |
| Estate management | **(16,599)** | (15,041) |
| Care | **(3,851)** | (3,990) |
| Total cost of sales | **(60,348)** | (55,765) |
| **Gross profit** | **20,466** | 15,814 |

1. Recognised at a point in time
2. Recognised over time
3. Other revenues include restaurant and bistro sales[1], club memberships[1] and ground rents[2]

## 4 OTHER OPERATING INCOME

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Land transaction – Sunningdale | **—** | 4,008 |
| Land transaction – Cobham | **—** | 3,800 |
| Gain on disposal of subsidiary – Audley Group Developments 1 Limited | **906** | — |
| | **906** | 7,808 |

See note 11 for further details.

# Notes to the accounts continued

## 5 OPERATING PROFIT/(LOSS)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| This has been arrived at after charging: | | |
| Impairment of goodwill | – | – |
| Depreciation of tangible fixed assets | 652 | 627 |
| Depreciation of right of use assets | 196 | 182 |
| Repairs and maintenance | 42 | 103 |
| Auditors' remuneration – audit of the Company | 28 | 25 |
| Auditors' remuneration – audit of subsidiaries | 646 | 375 |
| Total auditors' remuneration – audit services | 674 | 400 |
| Auditors' remuneration – non-audit services: tax compliance | 105 | 70 |
| Auditors' remuneration – non-audit services: tax advisory | – | 102 |
| Auditors' remuneration – non-audit services: transaction services | 29 | 87 |
| Total auditors' remuneration | 807 | 659 |
| Operating lease rentals: | | |
| – Other | 166 | 251 |

## 6 OTHER GAINS/(LOSSES)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Expected credit loss on financial assets at amortised cost | 2,000 | (710) |

See note 20 for further details.

## 7 SEGMENTAL REPORTING

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

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

| 2021 | Development £'000 | Operations £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| Revenue | 50,961 | 29,853 | – | 80,814 |
| Cost of sales | (39,767) | (20,582) | – | (60,349) |
| **Gross profit** | 11,194 | 9,271 | – | 20,466 |
| Administrative and selling expenses | (7,673) | (3,219) | (15,457) | (26,349) |
| Other operating income | 906 | – | – | 906 |
| Share of results of joint ventures | (4,217) | – | – | (4,217) |
| Gain on revaluation of investment properties | – | 11,296 | – | 11,296 |
| Other gains/(losses) | 2,000 | – | – | 2,000 |
| **Operating profit/(loss)** | 2,210 | 17,348 | (15,457) | 4,101 |
| Net finance expense | – | – | (2,584) | (2,584) |
| **Loss before tax** | 2,210 | 17,348 | (18,041) | 1,517 |

| 2021 | Development £'000 | Operations £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| Intangible assets | 14,706 | – | – | 14,706 |
| Investment properties | – | 131,483 | – | 131,483 |
| Right of use assets | – | 6,950 | 945 | 7,895 |
| Investments in joint ventures | 24,462 | – | – | 24,462 |
| Other investments | 285 | – | – | 285 |
| Property, plant and equipment | 524 | 710 | – | 1,234 |
| Trade and other receivables | 18,890 | 22,426 | – | 41,316 |
| **Non-current assets** | 58,867 | 161,569 | 945 | 221,381 |
| Stocks and inventories | 70,116 | 97 | – | 70,213 |
| Trade and other receivables | 2,486 | 7,764 | 2,382 | 12,632 |
| Cash and cash equivalents | – | – | 9,201 | 9,201 |
| **Current assets** | 72,602 | 7,861 | 11,583 | 92,046 |
| Loans and borrowings | – | – | (50,843) | (50,843) |
| Trade and other payables | (4,810) | (7,427) | (4,617) | (16,854) |
| Lease liabilities | – | (7,786) | (1,032) | (8,818) |
| Deferred tax liabilities | – | – | (10,667) | (10,667) |
| **Total liabilities** | (4,810) | (15,213) | (67,159) | (87,182) |
| **Net assets** | 126,659 | 154,217 | (54,631) | 226,245 |

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

# Notes to the accounts continued

## 7 SEGMENTAL REPORTING CONTINUED

| 2020 | Development £'000 | Operations £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| Revenue | 47,255 | 24,324 | — | 71,579 |
| Cost of sales | (36,734) | (19,031) | — | (55,765) |
| **Gross profit** | 10,521 | 5,293 | — | 15,814 |
| Administrative and selling expenses | (7,246) | (2,490) | (16,863) | (26,599) |
| Other operating income | 7,808 | — | — | 7,808 |
| Share of results of joint ventures | (2,130) | — | — | (2,130) |
| Gain on revaluation of investment properties | — | 4,286 | — | 4,286 |
| Other gains/(losses) | (710) | — | — | (710) |
| **Operating profit/(loss)** | 8,243 | 7,089 | (16,863) | (1,531) |
| Net finance expense | — | — | (3,405) | (3,405) |
| **Loss before tax** | | | | (4,936) |

| 2020 | Development £'000 | Operations £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| Intangible assets | 14,706 | — | — | 14,706 |
| Investment properties | — | 115,074 | — | 115,074 |
| Right of use assets | — | 6,981 | 1,109 | 8,090 |
| Investments in joint ventures | 13,487 | — | — | 13,487 |
| Other investments | 193 | — | — | 193 |
| Property, plant and equipment | 744 | 803 | 755 | 2,302 |
| Trade and other receivables | 12,085 | 19,966 | — | 32,051 |
| **Non-current assets** | 41,215 | 142,824 | 1,864 | 185,903 |
| Stocks and inventories | 148,424 | 83 | — | 148,507 |
| Trade and other receivables | 2,753 | 3,883 | 1,225 | 7,861 |
| Cash and cash equivalents | — | 3,000 | 11,794 | 14,794 |
| **Current assets** | 151,177 | 6,966 | 13,019 | 171,162 |

| 2020 | Development £'000 | Operations £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| Loans and borrowings | — | — | (91,196) | (91,196) |
| Trade and other payables | (9,991) | (4,561) | (7,246) | (21,798) |
| Lease liabilities | — | (7,491) | (1,186) | (8,677) |
| Deferred tax liabilities | — | — | (5,311) | (5,311) |
| **Total liabilities** | (9,991) | (12,052) | (104,939) | (126,982) |
| **Net assets** | 182,401 | 137,738 | (90,086) | 230,083 |

## 8 EMPLOYEE BENEFIT EXPENSES

| Employee benefit expenses (including Directors) are as follows: | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Wages and salaries (including discretionary bonus) | **21,694** | 20,956 |
| Defined contribution pension costs | **859** | 846 |
| Social security costs | **1,991** | 1,942 |
| | **24,544** | 23,744 |

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £859,000 (2020: £846,000), of which £138,000 (2020: £130,000) was outstanding at the year end and included within other payables.

The amounts disclosed above in respect of Directors' emoluments for the year ended 31 December 2021 do not include amounts accrued at 31 December 2020 of £326k in respect of payments in lieu of notice for which payment was made in 2021. These amounts were included in the amounts disclosed for the year ended 31 December 2020.

# Notes to the accounts continued

## 8 EMPLOYEE BENEFIT EXPENSES CONTINUED

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

| | 2021 Number | 2020 Number |
|---|---|---|
| Estate management | **254** | 220 |
| Care provision | **365** | 345 |
| Restaurant | **117** | 117 |
| Central management and administration | **82** | 68 |
| Sales and marketing | **52** | 59 |
| | **869** | 809 |

### Key management personnel compensation

The compensation disclosure below relates to the Company Directors and key senior managers within the Group, who constitute the people having authority and responsibility for planning, directing and controlling the Group's activities. For the year ended 31 December 2021, the key senior managers within the Group are deemed to be the Board members and Group Land Director and Group HR Director, who are Directors of subsidiary companies. No amounts are paid to Non-Executive Directors in respect of their services as Directors. No balances are outstanding from key management personnel at the year end.

#### Directors' emoluments

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wages and salaries | **2,752** | 2,315 |
| Social security costs | **372** | 318 |
| Defined contribution pension costs | **21** | 40 |
| | **3,145** | 2,673 |

The highest paid Director received £834,000 (2020: £720,000) in the year, including £8,000 (2020: £9,000) for pension contributions. Non-Executive Directors do not receive a salary but are compensated as part of a management fee as disclosed in note 28.

#### Key management personnel

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wages and salaries | **3,335** | 3,034 |
| Social security costs | **448** | 371 |
| Defined contribution pension costs | **51** | 61 |
| | **3,835** | 3,466 |

## 9 FINANCE INCOME AND FINANCE EXPENSE

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Preference share interest | **2,394** | 2,133 |
| Other interest receivable | **178** | 4 |
| **Finance income** | **2,572** | 2,137 |
| Bank interest payable | **(3,455)** | (4,086) |
| Amortisation of loan arrangement costs | **(1,014)** | (1,023) |
| Other finance costs (including facility fees) | **(303)** | (187) |
| Lease costs | **(384)** | (246) |
| **Finance expense** | **(5,156)** | (5,542) |
| **Net finance expense** | **(2,584)** | (3,405) |

## 10 TAX CHARGE/(CREDIT)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Current tax** | | |
| Corporation tax | **–** | – |
| **Deferred tax** | | |
| In respect of revenue losses | **–** | 301 |
| In respect of revaluation gains | **5,355** | 1,623 |
| **Total tax charge** | **5,355** | 1,924 |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Profit/(loss) before tax for the year | **1,517** | (4,936) |
| Profit/(loss) before tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | **288** | (938) |
| Expenses not deductible | **–** | 49 |
| Adjustments for changes in tax rates | **3,211** | – |
| Reversal of deferred tax previously recognised | **–** | – |
| Losses not recognised | **1,856** | 3,037 |
| Other | **–** | (224) |
| **Total tax charge** | **5,355** | 1,924 |

# Notes to the accounts continued

## 10 TAX CHARGE/(CREDIT) CONTINUED

The standard rate of corporation tax in the UK remained at 19% in 2021. The rate will remain at 19% for the financial year beginning 1 January 2022. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%, therefore deferred tax liabilities that are not forecast to be realised until after 1 April 2023 have been recognised at the future rate of 25%.

## 11 EXCEPTIONAL ITEMS

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Pay in lieu of notice of key management personnel (included in administrative and selling expenses) | **–** | (326) |
| Gain on land acquisition and disposal – Sunningdale (included in other operating income) | **–** | 4,008 |
| Gain on land acquisition and disposal – Cobham (included in other operating income) | **–** | 3,800 |
| Disposal of subsidiary – Audley Group Developments 1 Limited (included in other operating income) | **906** | – |
| **Total exceptional gains** | **906** | 7,482 |

In May 2021, Audley Group Developments 1 Limited, which holds the Watford Mayfield development, was sold by Audley Court Limited to a newly incorporated joint venture entity (Thomas Sawyer Holdings Limited) in which the Group holds 25% of the share capital. At the point of disposal Audley Group Developments 1 Limited had assets of £38.3m and liabilities of £40.6m and was sold by the Group for net proceeds of £1. The Group incurred £1.4m of professional fees in respect of the sale, resulting in a net gain on disposal of £0.9m.

In December 2020, two key personnel offered their resignations and were not required to work their notice period. As such the costs of the notice period amounting to £326,000 were considered onerous and provided for in full in accruals as at 31 December 2020. By 31 December 2021, all amounts owed in respect of their employment had been settled.

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

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

## 12 INTANGIBLE ASSETS

| | Goodwill £'000 |
|---|---|
| **Cost or valuation** | |
| **At 1 January 2020, 31 December 2020 and 31 December 2021** | 29,288 |
| **Accumulated amortisation and impairment** | |
| At 1 January 2020 | (14,582) |
| Impairment | – |
| At 31 December 2020 | (14,582) |
| Impairment | – |
| **At 31 December 2021** | **(14,582)** |
| **Net book value** | |
| **At 31 December 2021** | **14,706** |
| At 31 December 2020 | 14,706 |

The Group has two CGUs to which goodwill has been allocated, being development with £14,706,000 (2020: £14,706,000) and operations with £nil (2020: £nil).

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

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

This represents a level 3 valuation.

These assumptions are reviewed by the Board annually and revised in light of current economic conditions and the future outlook of the business. £nil impairment has been recognised in 2021 (2020: £nil impairment in the operations CGU).

# Notes to the accounts continued

## 13 INVESTMENT PROPERTIES

| | £'000 |
|---|---|
| **Valuation** | |
| At 1 January 2020 | 106,718 |
| Additions | 4,070 |
| Loss on revaluation | 4,286 |
| At 31 December 2020 | 115,074 |
| Additions | 4,382 |
| Transfer in from property, plant and equipment | 730 |
| Gain on revaluation | 11,296 |
| **At 31 December 2021** | **131,483** |

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Fair value of central facilities as determined by CBRE | **150,470** | 133,790 |
| Shared equity ownership | **5,691** | 1,374 |
| Accrued income | **(24,678)** | (1,164) |
| | **131,483** | 115,074 |

The historical cost of investment properties at 31 December 2021 was £103,544,000 (2020: £99,144,000).

The Group's investment properties are the central buildings and club facilities at each retirement village. The Group holds 11 investment properties that are valued annually on the basis of fair value, either by an external surveyor or the Directors. At 31 December 2021 the investment properties were valued by CBRE Limited (CBRE), an independent firm of chartered surveyors. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (the 'Red Book') and are classified as level 3 within the fair value hierarchy.

The fair values were arrived at by a valuation model using a cash flow methodology that reflects future income streams included in the village apartment leases and other ancillary income streams. The future income streams are estimated based on current and anticipated contractual arrangements and non-contractual ancillary revenue.

| Revenue stream | Methodology | Key inputs |
|---|---|---|
| Deferred management fees | Discounted cash flow | • house price inflation (HPI) (average 3.0%);<br>• discount rate (8.8% – 10.5%, average 9.5%);<br>• average length of stay (7.5 - 8.5 years);<br>• exit yield (6.0% – 6.5%);<br>• estate management and lifecycle costs;<br>• deferred management charges (typically between 1.0% and 2.0% of gross development value). |
| Operations, including monthly management fees, restaurant and club | Discounted cash flow | • management charges (£797 –£995 per unit per month);<br>• discount rate (8.8% – 10.5%, average 9.5%);<br>• exit yield (6.0% – 6.5%). |
| Administration fees | Discounted cash flow | • discount rate (8.8% – 10.5%, average 9.5%);<br>• exit yield (6.0% – 6.5%);<br>• average length of stay (8.5 years). |
| Care services | Discounted cash flow | • discount rate (20%);<br>• exit yield (20%) |
| Ground rent | Income capitalisation | • initial yield (3.5%). |

# Notes to the accounts continued

## 13 INVESTMENT PROPERTIES CONTINUED

| Revenue stream | Methodology | Key inputs 2020 |
|---|---|---|
| Deferred management fees | Discounted cash flow | • house price inflation (HPI) (average 3.0%);<br>• discount rate (8.8% – 11.0%, average 9.6%);<br>• average length of stay (9 years);<br>• exit yield (6.0% – 6.5%, average 6.4%);<br>• estate management and lifecycle costs;<br>• deferred management charges (typically between 1.0% and 2.0% of gross development value). |
| Operations, including monthly management fees, restaurant and club | Discounted cash flow | • management charges (£780 –£930 per unit per month);<br>• discount rate (8.8% – 11.0%, average 6.4%);<br>• exit yield (6.0% – 6.5%, average 6.4%). |
| Administration fees | Discounted cash flow | • discount rate (8.8% – 11.0%, average 9.0%);<br>• exit yield (6.0% – 6.5%, average 6.4%);<br>• average length of stay (9 years). |
| Care services | Discounted cash flow | • discount rate (20%);<br>• exit yield (20%) |
| Ground rent | Income capitalisation | • initial yield (3.5%). |

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

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

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

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

| | | Change in discount rate | | |
|---|---|---|---|---|
| **£'000** | **2021** | **-100BP** | **—** | **+100BP** |
| Change in HPI | **-100BP** | **5,960,000** | **(10,935,000)** | **(25,050,000)** |
| | **—** | **19,230,000** | **—** | **(15,950,000)** |
| | **+100BP** | **34,645,000** | **12,700,000** | **(5,425,000)** |

| | | Change in discount rate | | |
|---|---|---|---|---|
| £'000 | 2020 | —100BP | — | +100BP |
| Change in HPI | -100BP | 1,835,000 | (12,490,000) | (24,470,000) |
| | — | 16,670,000 | — | (13,930,000) |
| | +100BP | 34,445,000 | 14,815,000 | (1,445,000) |

During the year ended 31 December 2021, £23,047,000 (2020: £18,105,000) was recognised in the consolidated statement of comprehensive income in relation to income derived from investment properties (management fee income, ground rent, restaurant and club income). 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 £12,799,000 gain (2020: 4,286,000) 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 2021 contractual obligations to develop investment properties amounted to £nil (2020: £ nil).

# Notes to the accounts continued

## 14 RIGHT OF USE ASSETS

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

| | Right of use property assets £'000 |
|---|---|
| **Cost** | |
| At 1 January 2020 | 1,883 |
| Change in accounting policy | 6,558 |
| At 31 December 2020 | 8,441 |
| **At 31 December 2021** | **8,441** |
| **Accumulated depreciation** | |
| At 1 January 2020 | (169) |
| Depreciation charge for the year | (182) |
| At 31 December 2020 | (351) |
| Depreciation charge for the year | (196) |
| **At 31 December 2021** | **(547)** |
| **Net book value** | |
| **At 31 December 2021** | **7,894** |
| At 31 December 2020 | 8,090 |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Lease liabilities** | | |
| Current | **162** | 154 |
| Non-current | **8,656** | 8,523 |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Depreciation of right of use assets** | | |
| Buildings | **196** | 182 |
| | **196** | 182 |
| Interest expense (included in finance cost) | **384** | 246 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative and selling expenses) | **166** | 251 |

The total cash outflow for leases in 2021 was £244,000 (2020: £243,000), excluding the payments for low-value assets shown in the table above.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option
- Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

# Notes to the accounts continued

## 14 RIGHT OF USE ASSETS CONTINUED

To determine the incremental borrowing rate, the Group:

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

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

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

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

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

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

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

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

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

## 15 INVESTMENTS IN JOINT VENTURES

| Cost | £'000 |
|---|---|
| **At 1 January 2020** | **12,455** |
| Additions | 3,162 |
| Share of results from joint ventures | (2,130) |
| **At 1 January 2021** | **13,487** |
| Additions | 15,192 |
| Share of results from joint ventures | (4,217) |
| **At 31 December 2021** | **24,462** |

As at 31 December 2020, investments in joint ventures consisted of the Group's 25% share of the RELF Audley Retirement Living LLP.

During the year to 31 December 2021, the Group invested an additional £6,357,000 in RELF Retirement Living LLP and recognised its share of total comprehensive loss for the period to 31 December 2021 from the joint venture of £2,104,000 (2020: £2,130,000).

During the year to 31 December 2021, the Group acquired a 25% share in the UK Retirement Villages SCSp joint venture and invested £7,575,000 in equity contributions and recognised a further £1,259,000 in deemed capital contributions arising due to the loan note granted to the joint venture (see note 20 for details). The Group recognised its share of total comprehensive loss for the period to 31 December 2021 from the joint venture of £2,203,000 (2020: nil).

# Notes to the accounts continued

## 15 INVESTMENTS IN JOINT VENTURES CONTINUED

The tables below provide summarised financial information for the RELF Audley Retirement Living LLP joint venture. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures (adjusted for IFRS) and not Audley Group Limited's share of those amounts.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | **1,376** | 1,673 |
| Investment properties | **21,154** | 6,760 |
| Property, plant and equipment | **42** | 67 |
| Deferred tax assets | **568** | 425 |
| **Total non-current assets** | **23,140** | 8,925 |
| **Current assets** | | |
| Stocks and inventories | **107,986** | 74,476 |
| Trade and other receivables | **2,000** | 1,065 |
| Cash and cash equivalents | **4,357** | 7,560 |
| **Total current assets** | **114,343** | 83,101 |
| **Total assets** | **137,483** | 92,026 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | **(7,674)** | (6,280) |
| Corporation tax | **31** | (31) |
| **Total current liabilities** | **(7,643)** | (6,311) |
| **Non-current liabilities** | | |
| Loans and borrowings | **(60,132)** | (37,890) |
| Trade and other payables | **—** | — |
| Deferred tax liabilities | **(931)** | (410) |
| **Total non-current liabilities** | **(61,063)** | (38,300) |
| **Total liabilities** | **(68,706)** | (44,611) |
| **Total net assets** | **68,776** | 47,415 |
| **Total members' interests** | | |
| Loans and other debts due to members | **85,535** | 59,055 |
| Retained profits/(losses) | **(16,759)** | (11,640) |
| **Total equity** | **68,776** | 47,415 |

| | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|---|---|---|
| **Revenue** | **15,905** | 18,891 |
| Cost of sales | **(22,032)** | (28,136) |
| **Gross profit** | **(6,127)** | (9,245) |
| Administrative and selling expenses | **(3,089)** | (1,812) |
| Gain/(loss) on revaluation of investment properties | **1,508** | 2,426 |
| **Operating loss** | **(7,707)** | (8,631) |
| Net finance expense | **—** | — |
| **Loss before tax** | **(7,707)** | (8,631) |
| Tax charge | **(347)** | 110 |
| **Loss and total comprehensive expense for the year** | **(8,054)** | (8,521) |

# Notes to the accounts continued

## 15 INVESTMENTS IN JOINT VENTURES CONTINUED

The tables below provide summarised financial information for the UK Retirement Villages SCSp joint venture. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures (adjusted for IFRS) and not Audley Group Limited's share of those amounts.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | – | – |
| Investment properties | 5,527 | – |
| Property, plant and equipment | 96 | – |
| Deferred tax assets | – | – |
| **Total non-current assets** | 5,622 | – |
| **Current assets** | | |
| Stocks and inventories | 47,838 | – |
| Trade and other receivables | 626 | – |
| Cash and cash equivalents | 1,117 | – |
| **Total current assets** | 49,582 | – |
| **Total assets** | 55,204 | – |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | (6,433) | – |
| Corporation tax | – | – |
| **Total current liabilities** | (6,433) | – |
| **Non-current liabilities** | | |
| Loans and borrowings | (25,149) | – |
| Trade and other payables | (1,111) | – |
| Deferred tax liabilities | – | – |
| **Total non-current liabilities** | (26,260) | – |
| **Total liabilities** | (32,693) | – |
| **Total net assets** | 22,511 | – |
| **Total members' interests** | | |
| Loans and other debts due to members | 31,325 | – |
| Retained profits/(losses) | (8,814) | – |
| **Total equity** | 22,511 | – |

| | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|---|---|---|
| **Revenue** | – | – |
| Cost of sales | (5,054) | – |
| **Gross profit** | (5,054) | – |
| Administrative and selling expenses | (3,066) | – |
| Gain/(loss) on revaluation of investment properties | (523) | – |
| **Operating loss** | (8,643) | – |
| Net finance expense | (171) | – |
| **Loss before tax** | (8,814) | – |
| Tax charge | – | – |
| **Loss and total comprehensive expense for the year** | (8,814) | – |

### Commitments in respect of joint ventures

During 2021, the Group has invested £7.41m (2020: £10.8m) into RELF Audley Retirement Living LLP and received £0.6m (2020: £7.7m) from the joint venture as a repayment of previously invested equity. A £106.0m 6% fixed rate interest development loan from LaSalle Investment Management was completed by the joint venture in February 2020 to fund the purchase and development at Sunningdale Park and Stanbridge Earls.

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

During 2021, the RELF joint venture acquired the site at Scarcroft, Leeds for £11.0m, funded by equity of £1.3m and a bank loan from Bank Leumi (UK) for £9.8m at interest of three-month LIBOR plus 4% margin.

In January 2021, the RELF joint venture entered design and build construction contracts for the villages at Sunningdale and Cobham, which were contracted for a total of £44.2m and £28.5m, respectively. In February 2021, the joint venture completed the purchase of the land at the Scarcroft Estate for £11.0m. On that same date, it entered into a loan with Bank Leumi (UK) plc for £9.8m to finance the purchase of the land. The loan is repayable in tranches; £5m in September 2021 and the balance by September 2023. Interest is based on three-month LIBOR plus 4%.

# Notes to the accounts continued

## 15 INVESTMENTS IN JOINT VENTURES CONTINUED

The RELF joint venture has capital commitments of £92,392,000 (2020: £27,877,378) of which the Group's share is £23,098,000 (2020: £6,969,344). The Group is contracted to purchase the four entities from the joint venture that have developed the retirement villages. The total consideration for the four villages is £74,660,000 (2020: £74,660,000), of which Audley already own 25%; therefore, the contractual future cash outflows are £55,995,000 (2020: £55,995,000). The timing of the purchase of these entities is either when 95% of the village units are sold or a specified number of months from the acquisition of the land. The obligation to buy back the properties is estimated to fall between 2024 and 2027, or earlier when the 95% of the village units are sold.

On 17 May 2021 a new joint venture was formed between BlackRock Europe Property Fund V SCSp SIF (75% ownership) and Audley Group Limited (25% ownership). Audley Group Developments 1 Limited (AGD1), owner of Mayfield Watford land and work-in-progress, was sold to the joint-venture company on the same date. Before the transfer happened, the Mote development that existed in Audley Group Developments 1 Limited was sold to Audley Group Developments 2 Limited (a 100% indirect subsidiary of Audley Group Limited).

On 10 August 2021, the newly formed Audley and Blackrock (Watford Mayfield) joint venture entered a £40.5m development finance facility with Homes England in a landmark deal which marks the government agency's first investment into the retirement living sector. As at 31 December 2021, the joint venture had drawn down £25.1m under the facility, leaving undrawn loan facilities of £15.4m.

The Watford Mayfield joint venture has capital commitments of £31,703,199 (2020: £ Nil) of which the Group's share is £7,926,000 (2020: £Nil). The Group is contracted to purchase the entity from the joint venture that have developed the retirement village. The total consideration for the four villages is £25,000,000 (2020: £Nil), of which Audley already own 25%; therefore, the contractual future cash outflows are £21,750,000 (2020: £Nil). The timing of the purchase of these entities is either when 92.5% of the village units are sold or a specified number of months from the acquisition of the land. The obligation to buy back the properties is estimated to fall between 2024 and 2027, or earlier when the 92.5% of the village units are sold.

## 16 OTHER INVESTMENTS

| Cost | £'000 |
|---|---|
| At 1 January 2021 | 193 |
| Additions | 92 |
| Impairment | — |
| **At 31 December 2021** | **285** |

At 31 December 2021, the Group held a £285,000 investment in PFA Audley PropCo P/S (2020: £193,000) in which it holds a 4% interest. PFA Audley PropCo P/S is registered in Denmark, the purpose of which is to develop retirement villages in Europe.

At 31 December 2021 and 31 December 2020, the Group held a 4% interest in Audley Nightingale Lane Limited, which has developed a retirement village and is registered in Jersey. The Group's share of loss from continued operations and its total comprehensive loss for the year to 31 December 2021 was £91,000 (2020: £250,000 loss). The Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.6m when 95% of the units are sold, which is estimated to be in c.3 years. The carrying value at 31 December 2021 is nil.

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

## 17 PROPERTY, PLANT AND EQUIPMENT

| | Short-term leasehold property £'000 | Fixtures and fittings £'000 | Office equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2020 | 877 | 175 | 1,749 | 70 | 2,871 |
| Additions | — | 717 | 666 | — | 1,383 |
| At 31 December 2020 | 877 | 892 | 2,415 | 70 | 4,254 |
| Disposal on sale of subsidiary | (222) | — | — | — | (222) |
| Transfer to investment properties | — | (198) | (851) | — | (1,049) |
| Additions | — | — | 426 | 17 | 443 |
| **At 31 December 2021** | **655** | **694** | **1,990** | **87** | **3,426** |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | 320 | 54 | 897 | 54 | 1,325 |
| Depreciation charge for the year | 182 | 116 | 317 | 12 | 627 |
| At 31 December 2020 | 502 | 170 | 1,214 | 66 | 1,952 |
| Disposal on sale of subsidiary | (95) | — | — | — | (95) |
| Transfer to investment properties | — | (55) | (261) | — | (316) |
| Depreciation charge for the year | 150 | 94 | 407 | — | 651 |
| **At 31 December 2021** | **557** | **209** | **1,360** | **66** | **2,192** |
| **Net book value** | | | | | |
| **At 31 December 2021** | **98** | **485** | **630** | **21** | **1,234** |
| At 31 December 2020 | 375 | 722 | 1,201 | 4 | 2,302 |

# Notes to the accounts continued

## 18 DEFERRED TAX

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Disclosed as: | | |
| Deferred tax asset (tax losses) | **–** | – |
| Total deferred tax assets | **–** | – |
| Recoverable within one year | **–** | – |
| Recoverable after more than one year | **–** | – |
| | **–** | – |
| Deferred tax liability (revaluation surpluses) | **(10,667)** | (5,311) |
| Total deferred tax liabilities | **(10,667)** | (5,311) |
| Arising within one year | **–** | – |
| Arising after more than one year | **(10,667)** | (5,311) |

| | £'000 |
|---|---|
| At 1 January 2020 | (3,387) |
| Movement in the year | (1,924) |
| At 31 December 2020 | (5,311) |
| Movement in the year | (5,356) |
| **At 31 December 2021** | **(10,667)** |

At 31 December 2021 the Group had unused tax losses of £70,797,000 (2020: £67,547,000), of which £nil (2020: £nil) has been recognised as a deferred tax asset. Tax losses of £70,797,271 (2020: £67,547,000) have not been recognised as it is not considered sufficiently certain that these losses can be utilised in future periods.

## 19 STOCKS AND INVENTORIES

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Land and work in progress | **321** | 36,023 |
| Finished goods | **69,797** | 112,401 |
| Food and beverage stocks | **95** | 83 |
| | **70,213** | 148,507 |

| | £'000 |
|---|---|
| At 1 January 2020 | 161,602 |
| Additions | 23,639 |
| Disposals – cost of sales | (36,734) |
| At 31 December 2020 | 148,507 |
| Additions | 8,441 |
| Disposal on sale of subsidiary | (37,809) |
| Disposals – cost of sales | (48,926) |
| **At 31 December 2021** | **70,213** |

During the year, stocks and inventories have been written down by £0.8m in respect of the St George's and St Elphins sites (2020: £0.7m in respect of two sites) to net realisable value.

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

## 20 TRADE AND OTHER RECEIVABLES

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Preference shares and accrued interest | **16,479** | 12,085 |
| Amounts due from related undertakings | **2,411** | – |
| Accrued income | **22,426** | 19,966 |
| | **41,316** | 32,051 |

Preference shares and accrued interest represent the Group's receivables from Audley Nightingale Lane Limited. The interest is accrued at the coupon rate of 12.5%, repayable from sales proceeds generated by the retirement village sales, after the repayment of loan debt, but before equity payments. It is estimated that the preference share principal amount and accrued interest amounts are recoverable based on an assessment of the underlying expected cash flows of the village development, with an expectation that the amount will be paid in c.4 years. Included in preference shares and accrued interest is an expected credit loss of £5.1m (2020: £7.1m).

In May 2021, Audley Group Developments 1 Limited, which holds the Watford Mayfield development, was sold by Audley Court Limited to a newly incorporated joint venture entity (Thomas Sawyer Holdings Limited) in which the Group holds 25% of the share capital via its investment in UK Retirement Villages SCSp. As part of the transaction, Audley Investments Number 4 Limited (a 100% subsidiary of Audley Group Limited) issued £3.5m of loan notes to Audley Group Developments 1 Limited. The loan notes are interest free but under IFRS the loan has been accounted for as a basic financial instrument and interest has been imputed and accrued at an estimated market rate of 12.5%. The loan itself has been accounted for in trade and other receivables at present value, and the difference between present value and par value has been recognised as a capital contribution and therefore accounted for within investments in joint ventures.

# Notes to the accounts continued

## 20 TRADE AND OTHER RECEIVABLES CONTINUED

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

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Between one and two years | **1,708** | 721 |
| Between two and five years | **29,683** | 18,725 |
| Greater than five years | **9,925** | 12,605 |
| **Total** | **41,316** | 32,051 |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade receivables | **2,462** | 3,059 |
| Provision for impairment of trade receivables | **(94)** | (145) |
| Trade receivables (net) | **2,369** | 2,914 |
| Other receivables | **1,301** | 915 |
| Amounts due from related undertakings | **1,108** | 99 |
| Taxes and social security costs | **—** | — |
| Prepayments | **1,483** | 1,392 |
| Accrued income | **6,371** | 2,541 |
| | **12,632** | 7,861 |

The ageing of trade receivables was as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Up to 30 days overdue | **129** | 88 |
| 31 to 60 days overdue | **66** | 97 |
| 61 to 90 days overdue | **77** | 129 |
| Over 90 days overdue | **522** | 893 |
| **Total** | **793** | 1,207 |
| **Amounts not yet due** | **1,576** | 1,707 |
| **Trade receivables (net)** | **2,369** | 2,914 |

## 21 CASH AND CASH EQUIVALENTS

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Cash and cash equivalents | **9,201** | 11,794 |
| Cash and cash equivalents – held in restricted bank accounts | **—** | 3,000 |
| Cash and cash equivalents | **9,201** | 14,794 |

Cash held in restricted bank accounts under the Group loan facility as at 31 December 2020 could only be used to pay for lifecycle costs which in aggregate exceed the deferred management income received. During the year to 31 December 2021, the cash held in restricted bank accounts was released.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Cash and cash equivalents | **9,201** | 14,794 |
| Gross debt – variable interest rates | **(51,870)** | (93,218) |
| Lease liabilities | **(8,818)** | (8,677) |
| Net debt | **(51,487)** | (87,101) |

| | Cash and cash equivalents | Liabilities from financing activities | | Net debt |
|---|---|---|---|---|
| | Cash and cash equivalents £'000 | Borrowings – due within one year £'000 | Borrowings – due after one year £'000 | Total £'000 |
| At 1 January 2020 | 20,554 | (148) | (93,453) | (73,047) |
| Cash flows | (5,760) | — | (1,737) | (7,497) |
| Leases | — | (6) | (6,551) | (6,557) |
| At 1 January 2021 | 14,794 | (154) | (101,741) | (87,101) |
| Cash flows | (5,593) | 244 | 41,345 | 35,996 |
| Leases | — | (252) | (130) | (382) |
| **At 31 December 2021** | **9,201** | **(162)** | **(60,526)** | **(51,487)** |

## 22 TRADE AND OTHER PAYABLES

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade payables | **3,047** | 4,140 |
| Other payables | **1,465** | 2,566 |
| Accruals | **7,577** | 11,333 |
| Deferred income | **4,765** | 3,759 |
| | **16,854** | 22,011 |

# Notes to the accounts continued

## 23 LOANS AND BORROWINGS

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Bank loans | **51,870** | 93,218 |
| Loan arrangement costs | **(1,027)** | (2,022) |
| | **50,843** | 91,196 |
| **Maturity profile** | | |
| Between one and five years | **50,843** | 91,196 |
| | **50,843** | 91,196 |

On 24 January 2018, Audley Court Limited, an immediate subsidiary of Audley Group Limited, entered into a five-year £125.0m credit facility agreement. During 2020 the Group completed a restatement and amendment of the revolving credit facility and the limit was reduced to £105.0m with a maturity date of 25 January 2023.

During 2021 the group repaid £14.4m of debt dedicated to the Mayfield Watford development on sale of Audley Group Developments 1 Limited and completed a further £10m reduction of the total credit facility. The facility has therefore reduced to £95m and is subdivided into separate tranches for ongoing developments, completed stock and working capital. Interest is based on three-month SONIA plus 3.75% for the development tranche and three-month SONIA plus 4.5% for the completed stock and working capital tranches. At 31 December 2021 the Group had undrawn loan facilities of £43.1m (2020: £11.8m).

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.

## 24 FINANCIAL INSTRUMENTS

### Capital risk management

The Group's primary capital management objective is to ensure the Group's ability to continue as a going concern for the foreseeable future. The Group's capital comprises equity, cash and cash equivalents and borrowings. The Group's capital structure is managed and monitored through its budget, rolling cash flow forecast and monthly management accounts. The Group's net debt to equity ratio is 18.4% (2020: 33.2%).

### Financial risk management

The Group's principal financial instruments at 31 December 2021 comprise bank loans and cash. The main purpose of these financial instruments is to provide finance for the Group's development and operation of retirement villages at appropriate risk levels. The Group has other financial instruments that arise directly from its operations, including trade and other receivables, trade and other payables, and lease liabilities.

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

### Credit risk

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

Preference shares and accrued interest represent the Group's receivables from Audley Nightingale Lane Limited. The interest is accrued at the coupon rate of 12.5%, repayable from sales proceeds generated by the retirement village sales, after the repayment of loan debt, but before equity payments. The recoverability of preference shares and interest has been assessed based on the expectation that the amounts will be paid in c. five years. Based on this assessment the Group has recorded an expected credit loss of £5.1m in the year (2020: £0.7m).

### Cash and cash equivalents

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Cash held in restricted bank accounts | **—** | 3,000 |
| Cash at bank and in hand | **9,201** | 11,794 |
| **Cash and cash equivalents** | **9,201** | 14,794 |

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

Credit ratings of the financial institutions holding the Group's cash deposits as at 31 December 2021 are shown below.

| Financial institution | Long-term credit rating | Cash and cash equivalents £'000 |
|---|---|---|
| HSBC | **AA-** | **7,889** |
| Barclays | **A+** | **1,213** |
| RBS | **A** | **99** |
| | | **9,201** |

# Notes to the accounts continued

## 24 FINANCIAL INSTRUMENTS CONTINUED

### Price risk

The Group is exposed to commodity price risk (as pertaining to raw materials for construction) as a result of its operations. The Group manages this by the use of fixed-price construction contracts where possible. All 100% owned sites were built at year end; the Group remains exposed to its share of commodity price risk in its joint ventures. The Group has no exposure to equity securities price risk as it holds no listed equity investments.

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

### 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 2021 | Carrying amount £'000 | Contractual cash flow £'000 | In less than one year £'000 | Between one and two years £'000 | Between two and five years £'000 | Over five years £'000 |
|---|---|---|---|---|---|---|
| Trade payables | **3,047** | **3,047** | **3,047** | **—** | **—** | **—** |
| Other payables | **1,465** | **1,465** | **1,465** | **—** | **—** | **—** |
| Accruals | **7,577** | **7,577** | **7,577** | **—** | **—** | **—** |
| Lease liabilities | **8,818** | **93,133** | **244** | **244** | **1,453** | **91,193** |
| Bank loans | **50,843** | **55,102** | **3,018** | **52,085** | **—** | **—** |
| Total | **71,749** | **160,324** | **15,349** | **52,328** | **1,453** | **91,193** |

| At 31 December 2020 | Carrying amount £'000 | Contractual cash flow £'000 | In less than one year £'000 | Between one and two years £'000 | Between two and five years £'000 | Over five years £'000 |
|---|---|---|---|---|---|---|
| Trade payables | 4,140 | 4,140 | 4,140 | — | — | — |
| Other payables | 2,566 | 2,566 | 2,566 | — | — | — |
| Accruals | 11,333 | 11,333 | 11,333 | — | — | — |
| Lease liabilities | 8,677 | 93,497 | 244 | 244 | 1,182 | 91,827 |
| Bank loans | 91,196 | 105,367 | 3,959 | 3,959 | 97,449 | — |
| Total | 117,912 | 117,912 | 22,242 | 4,203 | 98,631 | 91,827 |

During 2021 the Group repaid £14.4m of debt dedicated to the Mayfield Watford development on sale of Audley Group Developments 1 Limited and completed a further £10m reduction of the total credit facility. The facility has therefore reduced to £95m and is subdivided into separate tranches for ongoing developments, completed stock and working capital. Interest is based on three-month SONIA plus 3.75% for the development tranche and three-month SONIA plus 4.5% for the completed stock and working capital tranches. At 31 December 2021 the Group had undrawn loan facilities of £43.1m (2020: £11.8m).

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 rate risk

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

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 | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest on borrowings | **(259)** | (466) |
| Interest on cash and cash equivalents | **46** | 74 |
| **Total impact on pre-tax loss and equity** | **(213)** | (392) |

| 0.5% decrease in interest rates | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest on borrowings | **259** | 466 |
| Interest on cash and cash equivalents | **(46)** | (74) |
| **Total impact on pre-tax loss and equity** | **213** | 392 |

# Notes to the accounts continued

## 24 FINANCIAL INSTRUMENTS CONTINUED

### Categories of financial assets and financial liabilities

| | 2021 Carrying value £'000 | 2021 Fair value £'000 | 2020 Carrying value £'000 | 2020 Fair value £'000 |
|---|---|---|---|---|
| **Non-current financial assets – amortised cost** | | | | |
| Accrued income | **22,426** | **22,426** | 19,966 | 19,966 |
| Total accrued income | **22,426** | **22,426** | 19,966 | 19,966 |
| **Non-current financial assets – fair value through the profit and loss** | | | | |
| Other receivables | **16,479** | **16,479** | 12,085 | 12,085 |
| Total other receivables | **16,479** | **16,479** | 12,085 | 12,085 |
| Total non-current financial assets | **38,904** | **38,904** | 32,051 | 32,051 |
| **Current financial assets – amortised cost** | | | | |
| Cash and cash equivalents | **9,201** | **9,201** | 14,794 | 14,794 |
| Trade and other receivables (excluding prepayments) | **4,778** | **4,778** | 3,928 | 3,928 |
| Accrued income | **6,371** | **6,371** | 2,541 | 2,541 |
| Total current financial assets | **20,350** | **20,350** | 21,263 | 21,263 |
| **Total financial assets** | **59,255** | **59,255** | 53,314 | 53,314 |
| **Current financial liabilities – amortised cost** | | | | |
| Lease liabilities | **162** | **162** | 154 | 154 |
| Trade payables | **3,047** | **3,047** | 4,140 | 4,140 |
| Other payables | **9,041** | **9,041** | 13,899 | 13,899 |
| **Total current financial liabilities** | **12,250** | **12,250** | 18,193 | 18,193 |
| **Non-current financial liabilities – amortised cost** | | | | |
| Bank loans | **50,843** | **50,843** | 91,196 | 91,196 |
| Lease liabilities | **8,656** | **8,656** | 8,523 | 8,523 |
| **Total non-current financial liabilities** | **59,499** | **59,499** | 99,719 | 99,719 |
| **Total financial liabilities** | **71,749** | **71,749** | 117,912 | 117,912 |

## 25 SHARE CAPITAL

### Authorised and issued

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number | £'000 | Number | £'000 |
| Authorised, issued and fully paid ordinary shares of £1 each | | | | |
| A shares | **265,304,045** | **265,304** | 265,304,045 | 265,304 |
| B shares | **1,584,091** | **1,584** | 1,584,091 | 1,584 |
| Authorised and issued ordinary shares of £0.001 each | | | | |
| C shares | **70,000,000** | **70** | 70,000,000 | 70 |
| At 31 December | **336,888,136** | **266,958** | 336,888,136 | 266,958 |

### Movements in ordinary share capital

| | Number | £'000 |
|---|---|---|
| At 1 January 2020 | 266,888,136 | 266,888 |
| Share issue (23 March 2020) | 70,000,000 | 70 |
| At 31 December 2020 | 336,888,136 | 266,958 |
| **At 31 December 2021** | **336,888,136** | **266,958** |

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

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

## 26 RESERVES

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

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

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

# Notes to the accounts continued

## 27 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND GUARANTEES

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Contracted but not provided for | 5 | 215 |

Additionally, the Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.6m in c. five years from the balance sheet date. Both amount and timing are contingent on the successful development of the retirement village in that entity.

See note 15 for commitments to joint ventures.

## 28 RELATED PARTY TRANSACTIONS

The Directors who served during the year are considered to be key management personnel. Directors' remuneration is disclosed in note 8. The Company's immediate Parent Company is MAREF Topco Ltd, which is registered in England and Wales.

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

During the year Moorfield Investment Management Limited charged £1,200,000 (2020: £1,200,000) for management services. Included in accruals at the year end was £1,830,000 (2020: £1,334,000). Included in trade creditors at year end was £236,000 (2020: £707,000).

During the year Moorfield Group Limited charged £300,000 (2020: £304,000) for Asset Management Fees. Included in trade creditors at the year end was £90,000 (2020: £362,000).

There is an agreement between Audley Court Limited and Audley Court Hollins Hall Limited that grants Audley Court Hollins Hall Limited a royalty-free licence to use the trademarks of Audley. Audley Court Hollins Hall Limited is part owned by Nick Sanderson, a Director of Audley Group Limited and Audley Court Limited. During the year £nil (2020: £nil) amounts were received in respect of the licence agreement and £nil (2020: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year end.

The Group owns 4% in PFA Audley PropCo P/S, which is registered in Denmark. The remaining 96% is owned by PFA Pension. PFA Pension is an investor in the Moorfield Audley Real Estate Fund. In the year the Group charged fee of £104,000 (2020: £91,000) for management services. Included in trade debtors at the year end was £nil (2020: £81,000).

During the year Audley Stanbridge Earls Limited received services from Audley Group Limited. Fees charged to Audley Stanbridge Earls Limited in the year were £123,000 (2020: £149,000) for development management services and £173,000 (2020: £187,000) for sales management services. Included in trade receivables at year end was £71,000 (2020: £32,000).

During the year, Audley Court Limited, which is a wholly owned subsidiary of Audley Group Limited, recharged employee related, sales and marketing services to RelF Audley Retirement Living LLP, the costs recharged for the year were £262,000 (2020: £544,000). Included in trade receivables at year end was £3,000 (2020: £509,000).

During the year, Audley Stanbridge Earls Management Limited, a wholly owned subsidiary of Audley Group Limited, invoiced RelF Audley Retirement Living LLP for sales incentives and management charges on empty apartments amounting to £334,000 (2020: £536,000). Included in trade receivables at year end was £8,000 (2020: £63,000).

During 2020 the Company entered a lease to rent Stanbridge Earls from Audley Stanbridge Earls Limited at £361,000 per annum over a lease period of 250 years with a five-year rent free period. This is recognised under IFRS 16, and disclosed in note 14.

During the year Audley Sunningdale Park Unit Trust received services from Audley Group Limited. Fees charged to the Trust in the year were £160,000 (2020: £131,000) for development management services and £nil (2020: £7,000) for sales and marketing services. Included in trade receivables at year end was £26,000 (2020: £27,000).

During the year, Audley Court Limited recharged sales and marketing services of £150,000 (2020: £193,000) to Audley Sunningdale Park Unit Trust. Included in trade receivables at the year end was £3,000 (2020: £76,000).

During the year Audley Cobham Unit Trust received services from Audley Group Limited. Fees charged to the Trust in the year were £187,000 (2020: £47,000) for development management services and £174,000 (2020: £7,000) for sales, marketing and professional fee services. Included in trade receivables at year end was £19,000 (2020: £47,000).

During the year, Audley Court Limited paid invoices on behalf of Audley Cobham Unit Trust of £55,000 (2020: £4,000) which have been recharged to the Trust and £3,000 (2020: £4,000) is outstanding at the year end.

During the year Audley Scarcroft I Unit Trust received services from Audley Group Limited. Fees charged to the Trust in the year were £170,000 (2020: £nil) for development management services and £207,000 (2020: £nil) for sales and marketing services. Included in trade receivables at year end was £20,000 (2020: £nil).

During the year, Audley Court Limited recharged sales and marketing services of £79,000 (2020: £8,000) to Audley Scarcroft I Unit Trust. Included in trade receivables at year end was £nil (2020: £8,000).

In 2021 the Group formed a joint venture with the Blackrock, which acquired Audley Group Developments 1 Limited from the Group. Fees charged to Audley Group Developments 1 Limited since its sale to the joint venture in the year were £164,000 for development management services and £160,000 for sales management services. Included in trade debtors at year end was £160,000. Included in accruals at year end was £164,000.

# Notes to the accounts continued

## 28 RELATED PARTY TRANSACTIONS CONTINUED

The Group charged Audley Nightingale Lane Limited, a company in which the Group holds a 4% equity investment. Fees charged to the investment in the year were £652,000 (2020: £607,000) for sales and marketing services. Included in deferred income at year end was £156,000 (2020: £1,095,000). The Group holds £14.25m of preference shares in Audley Nightingale Lane Limited that attract coupon of 12.5% which is compounded annually. At 31 December 2021 £16,479,000 (2020: £12,085,000) was included in trade and other receivables due in greater than one year. Included in other gains/(losses) is a gain of £2,000,000 (2020: loss of £710,000) for the expected credit loss on the Preference shares and interest.

### Key management personnel

On 23 March 2020 the Directors were issued C shares in Audley Group Limited. These shares do not have any voting rights, and have no preference over existing A or B shares. Shares were issued at nominal value of £0.001. Nick Sanderson was issued 23,100,000 shares, Nick Edwards 16,100,000 shares, 8,400,000 shares each to Jon Austen, Paul Morgan and Kevin Shaw, and 5,600,000 to a Director of subsidiary companies. No further shares were issued to any key management personnel during the year to 31 December 2021.

During December 2020, Jon Austen and Kevin Shaw offered their resignations and were not required to work their notice period. As such the costs of the notice period amounting to £326,000 were considered onerous and provided for in full in accruals as at 31 December 2020. By 31 December 2021, all amounts owed in respect of their employment had been settled.

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

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

MAREF Topco Limited is the undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2021. The consolidated financial statements of these groups are available from Companies House. The Company's ultimate controlling parties are Moorfield Audley Real Estate Fund 'A' Limited Partnership and Moorfield Audley Real Estate Fund 'B' Limited Partnership, both registered in England and Wales.

## 30 SHARE-BASED PAYMENTS

The establishment of the Audley Group Limited Management Equity Plan (MEP) was approved by a shareholder resolution on 12 March 2020. The MEP is designed to provide long-term incentives for executive directors to deliver long-term shareholder returns. Under the plan, participants have been granted shares where the share class entitlement crystallises if certain performance standards are met. Participation in the plan is at the discretion of the MEP Remuneration Committee, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of the share class entitlement that will vest depends on Audley Group Limited's total Net Asset Value and IRR to the investors. C Shares vest in full on an Exit. The C shares carry no voting rights but do carry dividend rights. If the hurdles are reached then the C shares are entitled to 10% of any growth in equity value above the Hurdle, plus an additional 5% of any growth in equity value above the Stretch Hurdle.

The Hurdle is a NAV of at least £300.0m and IRR to the investors of 10%. The Group did not receive cash on the share issuance but granted an employee loan for each participant at value (£70,000).

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

| Issue/transfer date | Number | Share class | Number | Price per share | Share capital |
|---|---|---|---|---|---|
| 23-Mar-20 | 8,400,000 | C | JM Austen | £0.00 | 8,400 |
| 23-Mar-20 | 16,100,000 | C | N Edwards | £0.00 | 16,100 |
| 23-Mar-20 | 8,400,000 | C | PD Morgan | £0.00 | 8,400 |
| 23-Mar-20 | 5,600,000 | C | JW Nettleton | £0.00 | 5,600 |
| 23-Mar-20 | 23,100,000 | C | MN Sanderson | £0.00 | 23,100 |
| 23-Mar-20 | 8,400,000 | C | KA Shaw | £0.00 | 8,400 |
| At 31 December 2020 | 70,000,000 | | | | 70,000 |

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

- Exit date and transaction costs – an exit in three, four or five years, from the date the C Shares will be acquired, weighted 50.0%, 25.0% and 25.0%, respectively
- Exit multiples – exit price/book multiple of 1.2x for the development segment, and an exit EV/EBITDA multiples of 18.0x for the operational segment
- Discount for lack of marketability and control – 45.0%

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

## 31 POST-BALANCE SHEET EVENTS

### Director resignations

Henrik Poulsen and Paul Morgan have both resigned as Directors, on 12th May 2022 and 18th August 2022 respectively.

### Refinancing activities

In September 2022, the Group secured a new two-year £59.3m stock facility with Silbury Specialty Finance Limited. Proceeds were used to repay, in full, the existing bank debt facility, provided by HSBC and Bank Leumi, for a total redemption amount of £46.4m. The new facility extended the funding horizon, increased the amount of bank debt available to the Group and reduced the level of security.

### New equity

The Group continues to explore new equity as a means to providing financial resources to support the future growth of the business.

# Company balance sheet

As at 31 December

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 4 | **114,577** | 140,402 |
| Current assets | | | |
| Stocks | 5 | **468** | 4,395 |
| Debtors: amounts falling due within one year | 6 | **115,904** | 116,729 |
| Cash and cash equivalents | | **4,832** | 2,557 |
| | | **121,204** | 123,681 |
| Creditors: amounts falling due within one year | 7 | **(176)** | (537) |
| **Net current assets** | | **121,028** | 123,144 |
| **Total assets less current liabilities** | | **235,605** | 263,546 |
| **Net assets** | | **235,605** | 263,546 |
| **Capital and reserves** | | | |
| Called up share capital | 8 | **266,958** | 266,958 |
| Share premium | 8 | **15,665** | 15,665 |
| Accumulated losses | | **(47,018)** | (19,077) |
| **Total shareholders' funds** | | **235,605** | 263,546 |

The notes on pages 63 to 67 form part of these financial statements.

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

The financial statements on pages 62 to 67 were approved and authorised for issue by the Board and were signed on its behalf on 30 September 2022.

**Gary Burton**
Chief Financial Officer

Registered number: 09906780

# Company statement of changes in equity

For the year to 31 December

| | Called up share capital £'000 | Share premium £'000 | Capital contribution reserve £'000 | Accumulated losses £'000 | Total shareholders' funds £'000 |
|---|---|---|---|---|---|
| At 1 January 2020 | 266,888 | 15,665 | — | (1,991) | 280,562 |
| Share issue | 70 | — | — | — | 70 |
| Loss for the financial year | — | — | — | (17,086) | (17,086) |
| At 31 December 2020 | 266,958 | 15,665 | — | (19,077) | 263,546 |
| Loss for the financial year | — | — | — | (27,941) | (27,941) |
| **At 31 December 2021** | **266,958** | **15,665** | **—** | **(47,108)** | **235,605** |

# Notes to the Company financial statements

## 1 ACCOUNTING POLICIES

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

### Basis of preparation of financial statements

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

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

### Going concern

For details of the Directors' assessment of going concern for the Company refer to accounting policy note 2 on pages 35 and 36.

### Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

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

### Investments

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

### Stocks and inventories

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

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

### Financial instruments

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

#### Financial assets

Basic financial assets, including other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where it is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income. Financial assets are derecognised when: (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (iii) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### Financial liabilities

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

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

### Related party transactions

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

# Notes to the Company financial statements continued

## 1 ACCOUNTING POLICIES CONTINUED

### Critical accounting estimates and judgements

Investments in subsidiaries and amounts owed by Group undertakings The Directors review the investments for impairment annually. Where there are indicators of impairment or reversals of previous impairments, management performs an impairment test for the investment. The recoverable values of these investments are estimated taking into account net assets and the uplift in stock fair value above carrying value. Management is required to employ considerable judgement in assessing the fair value uplift and use an independent third party valuer to asses fair value of stock. There has been an impairment of £27,554,000 (2020: £20,279,000) in the year.

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

## 2 RESULTS OF THE COMPANY

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Parent Company's loss for the financial year was £27,941,000 (2020: loss of £17,086,000). £nil dividends were paid in the year to 31 December 2021 (2020: £nil) and the Directors do not propose the payment of a final dividend.

## 3 DIRECTORS' AND AUDITORS' REMUNERATION

Directors' remuneration is given in note 8 of the consolidated financial statements. Directors' remuneration is paid by Audley Court Limited, an immediate, 100% owned subsidiary company. There were no employees during the year (2020: nil). Remuneration paid to the Company's auditors for audit and non-audit services is disclosed in note 5 of the consolidated financial statements.

## 4 INVESTMENTS

| | £'000 |
|---|---|
| **Cost** | |
| At 1 January 2020 | 160,661 |
| Additions | 20 |
| At 31 December 2020 | 160,681 |
| Additions | 88 |
| **At 31 December 2021** | **160,769** |
| **Impairment** | |
| At 1 January 2021 | 20,279 |
| Impairment charge | 25,913 |
| **At 31 December 2021** | **46,192** |
| **Net book value** | |
| **At 31 December 2021** | **114,577** |
| At 31 December 2020 | 140,402 |

# Notes to the Company financial statements continued

## 4 INVESTMENTS CONTINUED

### Subsidiaries

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

| Name | **Proportion of ownership interest at 31 December 2021 %** | Proportion of ownership interest at 31 December 2020 % | Nature of business |
|---|---|---|---|
| Audley Court Limited | **100** | 100 | The development and management of retirement villages, including the provision of domiciliary care |
| Audley Nightingale Lane Holdings Limited | **100** | 100 | Holding company |
| Audley Nightingale Place Management Limited | **100** | 100 | Dormant |
| Audley Investments No 1 Limited | **100** | 100 | Holding company |
| Audley Investments No 2 Limited | **100** | 100 | Holding company |
| Audley Investments No 3 Limited | **100** | 100 | Holding company |
| Audley Investments No 4 Limited | **100** | 100 | Holding company |
| Audley Wycliffe Management Limited | **100** | 100 | Dormant |
| Mayfield Hove Limited | **100** | 100 | Dormant |

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

| Name | **Proportion of ownership interest at 31 December 2021 %** | Proportion of ownership interest at 31 December 2020 % | Nature of business |
|---|---|---|---|
| Audley Stanbridge Earls Rent Company Limited | **100** | 100 | Rental of freehold property |
| Audley Sunningdale Park Rent Company Limited | **100** | 100 | Dormant |
| Audley Stanbridge Earls Management Limited | **100** | 100 | Management company |
| Audley Sunningdale Park Management Limited | **100** | 100 | Dormant |
| Audley Cobham Rent Company Limited | **100** | 100 | Dormant |
| Audley Cobham Management Limited | **100** | 100 | Dormant |
| Audley Scarcroft 1 Rent Company Limited | **100** | 100 | Dormant |
| Audley Scarcroft 2 Rent Company Limited | **100** | 100 | Dormant |
| Audley Scarcroft Management Limited | **100** | 100 | Dormant |

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

| Name | **Proportion of ownership interest at 31 December 2021 %** | Proportion of ownership interest at 31 December 2020 % | Nature of business |
|---|---|---|---|
| RELF Audley Retirement Living LLP | **25** | 25 | Holding company |
| RELF Audley Retirement Living II LLP | **25** | 25 | Holding company |

The following are the joint ventures that are owned by Audley Investments No 4 Limited:

| Name | **Proportion of ownership interest at 31 December 2021 %** | Proportion of ownership interest at 31 December 2020 % | Nature of business |
|---|---|---|---|
| UK Retirement GP Sarl | **25** | 0 | General partner |
| UK Retirement Villages SCSp | **25** | 0 | Holding company |

# Notes to the Company financial statements continued

## 4 INVESTMENTS 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 Denmark Aps | Holding company |
| Audley Ellerslie Limited | Village Development company |
| Audley Ellerslie Management Limited | Management company |
| Audley Financial Services Limited | Dormant |
| Audley Flete Limited Village | Development company |
| Audley Flete Management Limited | Management company |
| Audley Homewood Limited | Village Development company |
| Audley Inglewood Limited | Village Development company |
| Audley Inglewood Management Limited | Management company |
| Audley Mote Management Limited | Management company |
| Audley Redwood Limited | Village Development company |
| Audley Redwood Management Limited | Management company |
| Audley St Elphin's Limited | Village Development company |
| Audley St Elphin's Management Limited | Management company |
| Audley St George's Limited | Village Development company |
| Audley St George's Management Limited | Management company |
| Audley Sunningdale Park Limited | Village Development company |
| Audley Dormant Co Limited | Management company |
| Audley Willicombe Limited Village | Development company |
| Audley Willicombe Management Limited | Management company |
| Mayfield Villages Limited | Village Development company |
| Audley Group Developments 2 Ltd | Village Development company |
| Mayfield Watford Management Limited | Dormant |
| Mayfield Villages Care Limited | Dormant |

Audley Group Development Limited was disposed of on 17 May 2021. See note 11 of the consolidated financial statements.

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

The Company has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2021:

- Audley Court Management Limited
- Audley Care Limited
- Audley Care White Horse Limited
- Mayfield Villages Limited

## 5 STOCKS

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Land deposits and associated expenditure | **468** | 4,395 |
| | **468** | 4,395 |

## 6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade debtors | **134** | 116 |
| Amounts owed by Group undertakings | **115,592** | 116,581 |
| Other debtors | **14** | 32 |
| Prepayments and accrued income | **164** | — |
| | **115,904** | 116,729 |

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

## 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade creditors | **115** | 61 |
| Other creditors | **12** | 9 |
| Accruals and deferred income | **48** | 467 |
| | **176** | 537 |

# Notes to the Company financial statements continued

## 8 CALLED UP SHARE CAPITAL

### Authorised and issued

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Number** | **£'000** | Number | £'000 |
| Authorised, issued and fully paid ordinary shares of £1 each | | | | |
| A shares | **265,304,045** | **265,304** | 265,304,045 | 265,304 |
| B shares | **1,584,091** | **1,584** | 1,584,091 | 1,584 |
| Authorised and issued ordinary shares of £0.001 each | | | | |
| C shares | **70,000,000** | **70** | 70,000,000 | 70 |
| **At 31 December 2021** | **336,888,136** | **266,958** | 336,888,136 | 266,958 |

### Movements in ordinary share capital

| | Number | £'000 |
|---|---|---|
| At 1 January 2020 | 266,888,136 | 266,888 |
| Share issue (23 March 2020) | 70,000,000 | 70 |
| At 31 December 2020 | 336,888,136 | 266,958 |
| **At 31 December 2020** | **336,888,136** | **266,958** |

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

The Directors' shareholdings are disclosed in the Directors' Report.

The A and B shares rank equally for voting rights, dividend rights and distributions rights on winding up and are not redeemable. There are 265,304,045 A shares in issue and 1,584,091 B shares in issue.

## 9 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND GUARANTEES

As disclosed in note 4, some of the Company's subsidiaries have taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the company has guaranteed the year-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £9,296,000. Of this amount, £9,015,000 relates to amounts owed to fellow group undertakings of the Companies.

## 10 RELATED PARTY TRANSACTIONS

There is an agreement between Audley Court Limited, an immediate subsidiary, and Audley Court Hollins Hall Limited that grants Audley Court Hollins Hall Limited a royalty-free licence to use the trademarks of Audley. Audley Court Hollins Hall Limited is part owned by Nick Sanderson, a Director of Audley Group Limited and Audley Court Limited. During the year £nil (2020: £nil) amounts were received in respect of the licence agreement and £nil (2020: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year end.

In 2020 the Group formed a joint venture with the real estate arm of Schroders and Octopus Real Estate. Fees charged to the joint venture in the year were £123,000 (2020: £302,000) for development management services and £173,000 (2020: £187,000) for sales management services. Included in trade debtors at year end was £54,000 (2020: £322,000).

## 11 IMMEDIATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTIES

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

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

MAREF Topco Ltd is the undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2021. The consolidated financial statements are available from Companies House.

## 12 POST-BALANCE SHEET EVENTS

See note 31 of the consolidated financial statements.

# Company information

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

65 High Street
Egham
Surrey
TW20 9EY
Registered number: 09906780

### INDEPENDENT AUDITORS

**PricewaterhouseCoopers LLP**
1 Embankment Place
London
WC2N 6RH

### PRINCIPAL BANKERS

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### PRINCIPAL LAWYERS

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ckd

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AUDLEY
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