AUDLEY
GROUP

Living better for longer

ANNUAL REPORT AND ACCOUNTS 2023

WELCOME TO AUDLEY GROUP ANNUAL REPORT AND ACCOUNTS 2023

Audley Group's 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.**

Our focus areas

1

Leading the way in our markets

Read more about our portfolio
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Acting as a force for good

Read more about our ESG
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Establishing a culture where people can be their best

Read more about our people
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Building a community for our owners

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Page 04

Find out more

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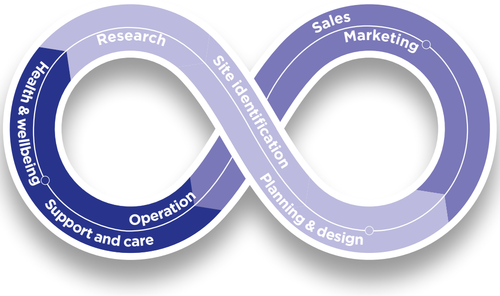
In this report

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 expectation of our customers, colleagues and partners.



HIGHLIGHTS OF THE YEAR

People

Our people are the driving force of the business. Without our team members we wouldn't be able to enhance the lives of our owners. Enhancing lives and careers – that's the Audley way.

1,759 Owners and care customers	1,744 Audley Club members
38 Apprenticeships	64% Female team members

Find out more

Read our ESG report
https://audleygroup.com/esg/

Visit us online
audleygroup.com
audleyvillages.co.uk
mayfieldvillages.co.uk

Portfolio

By the end of 2023, there were 19 operating Audley Group villages and one under construction, Audley Headley Court. There are an additional two villages that have been announced with construction yet to commence – Audley Lingfield Grange and Mayfield Brent Cross.

Total revenue

£59.9m

Property sales

£18.5m

Operating revenue*

£41.3m

Total unit sales

157

Planet

Our long-term focus on sustainability comes from our recognition of the role we must play in reducing the negative impacts of climate change and contributing to the collective goal of a more sustainable future.

Energy consumption (kWh/m^2)

110.52

2022: 137.18 kWh/m^2

Scope 1 & 2 emissions (kgCO$_2$e/m^2)

15.52

2022: 17.18 kgCO$_2$e/m^2

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* Operating revenue consists of all ongoing revenue generated by management companies (i.e. excluding property sales).

Highly valued independence

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

Customers

93%

Customers who say Audley Care improves their lives

Training sessions

4,145

Personal training sessions delivered

Wellbeing appointments delivered

292,704

OUR OWNERS

With 19 villages across the UK by the end of 2023, Audley is the hallmark of aspirational retirement living.

Our owners are at the very heart of what we do and it's their experiences of living in our Audley and Mayfield villages that tell the story best. In 2023 we had the highest engagement score ever in our annual owners' satisfaction survey, and it's this that helps us shape the future of Audley and Mayfield villages. 81% of respondents say our villages have an excellent or good sense of community which is vital to the vibrancy that all the villages have.

Watch more owner stories

Visit our YouTube channel www.youtube.com/watch?v=OeYEJGub7Xw

Maureen Alder
Mayfield Watford

"We only lived seven miles from the village! We met the sales team and watched a video of Nick Sanderson the CEO and immediately loved his philosophy and the idea of living out the rest of our days in the village. Before this we never considered moving, let alone to a retirement village."

Mrs Sonksen
Audley Stanbridge Earls

"We used to live in a grand, private estate with a beautiful 2.5-acre garden which had a flourishing and thriving vegetable and flower garden that I cared for and tended to personally. Audley Stanbridge Earls was a clear choice, with the vast gardens for Backster, our 7-year-old Labra-poodle's morning walks as well as my afternoon walks, which Peter, my husband can join me on as the village gardens are accessible for all."

Mr and Mrs Hills
Audley Chalfont Dene

"Initially apprehensive about a huge change in lifestyle, we've discovered Chalfont Dene retirement village offers one of the best imaginable alternatives. Reassuring privacy and security, together with diverse social opportunities and physical activities can be enjoyed amid spacious green surroundings and, as desired, with new friends of widely differing backgrounds and experiences. Moreover, the guest suites are not only great substitutes for our former 'guest bedrooms' but are also available to ourselves in other villages for visiting or exploration."

> "We like the familiarity of the Audley surroundings and we know roughly what to expect wherever we go across the whole estate. We particularly like the welcoming staff and the cheerful atmosphere."
>
> **Mrs Barrack**
> Audley Wycliffe Park

Mrs Godkin
Audley St Elphin's Park

"I paint watercolours, crochet, lacemake, play the piano. I couldn't stop playing when I first moved in, my neighbour said we must have a concert in the summer with all the windows open."

CLUBS

With hundreds of clubs and activities across the villages, owners are often busy pursuing new interests and hobbies, from photography, Rummikub, to gardening, foraging or meeting friends to take a walk through the countryside.

For more information on Audley Club Membership

Visit our website audleyvillages.co.uk/lifestyle

Mr and Mrs Rivett
Audley Wycliffe Park

"As the first owners in, we began creating clubs we thought may be of interest to the new owners including a Rummikub and book club which have now become popular and run weekly. And now the allotments are completed we have the freedom to plant vegetables and fruit all year round."

Ruth Slater
Audley St Elphin's Park

"After viewing a few retirement communities we visited St Elphin's Park and were blown away by the facilities and clubs available to homeowners, especially the swimming pool as we both have enjoyed this exercise throughout our lives."

"Since moving to St Elphin's Park, I have joined the 'Singing for Pleasure group', which consists of 10 women and six men. We perform at many of the village events including the Christmas concert."

GUEST SUITES

As an owner at Audley or Mayfield, it's not just their own village they have access to. Owners are able to visit all the villages, stay in the guest suites, with access to the support they need, at the same level they receive at home.

Mr and Mrs Rickard own a property at Audley Ellerslie and have stayed over 200 nights at eight Audley villages across the UK.

Mr and Mrs Rickard
Audley Ellerslie

"We like the familiarity of the Audley surroundings and we know roughly what to expect wherever we go across the whole estate. We particularly like the welcoming staff and the cheerful atmosphere."

Marilyn Silvester
Mayfield Watford

"I have always been an organiser and that was no different when I moved to Watford. I came across a movie called 'Poms' about a lady called Martha who moves to a retirement community in the US and forms a cheerleading club. This really inspired me to ask our gym coach, Daniel, if he would be interested in starting a class. Since the club kicked off five weeks ago we've had a lot of interest and it's been a great way for me to keep my fitness up!"

LOCAL COMMUNITY

Our villages are an important part of the neighbourhoods we operate in, with the health and wellness spaces and bars and restaurants, open to members of the local community. We also regularly hold events that bring people together.

Events include:

- Summer Fairs
- Christmas Fairs
- Quiz nights
- Themed afternoon teas (i.e. Mother's Day)/dinners (Chinese New Year)

OUR COMMUNITY

Engagement with the local community around all our villages is central to the Audley Group ethos. Our 100% planning record is testament to our willingness to engage with members of the community to educate and respond during that process.

Once the village is open, the communities around our villages expect us to run our business in an ethical and sustainable way and we continue to have open and transparent dialogue with them to create a positive environment that everyone can enjoy.

We welcome people from the local area to our restaurants, as Audley Club members, and to events like Christmas Fairs, as well as providing health, wellness and care support to older people around the country. Local people also benefit from access to open spaces around the villages including the gardens at Audley Sunningdale Park.

Philanthropy is an important cornerstone of that community engagement and 2023 saw the second full year of fundraising for the Audley Foundation.

Audley Foundation

The Audley Foundation exists to support charities that enhance the lives of older people. In 2023 the Foundation supported 29 charities, a significant increase from 12 in 2022.

Fundraising events included:

- The inaugural Audley Foundation dinner, which raised over £19,000, with attendees from across the property sector
- Christmas Fairs in many of the villages, which raised £4,000 in 2023
- The centrepiece Audley Foundation Week, where owners and staff across the Audley Group took part in numerous fundraising activities including car washing, flower arranging and many more
- The Blenheim 7k – a now annual event, which doubles as an excellent team building experience and a significant fundraiser for the Foundation, raising £2,996
- Our Sales Manager at Audley Binswood, was awarded the Values and Culture Award for her incredible support of the Foundation. She alone raised £1,080 for her part in the Blenheim fun run

One landmark in 2023 was the first chatty bench, in Chalfont St Peter Memorial Garden. The chatty bench initiative is designed to combat loneliness and social isolation. The first bench will be one of many near to our villages around the country, each inscribed with the invitation to 'rest awhile for conversation and good company'.

THE AUDLEY FOUNDATION

Beneficiaries in 2023 included:

The Care Workers' Charity, which was the recipient of the proceeds from the Foundation dinner. The charity does incredible work to support care workers in need, something that is close to Audley's heart.

A talking newspaper which provides free weekly recordings of local news and events for people who are sight or print impaired living near Elmbridge, Runnymede and Spelthorne.

Local hospices close to some of our villages to support them in the important work they do.

The Foundation continues to grow, in 2023 it raised £48,798, and many more fundraising activities to support these much needed charities are planned for 2024.

CHAIRMAN'S STATEMENT

2023 was a year of transition for the UK housing market as our economic landscape flexed to meet geopolitical challenges. High inflation was met with increasing interest rates and this shift undoubtedly impacted the UK property market. We saw people's ability and appetite to borrow drop and this led to a slowdown in the housing market, with market values dropping by 1.4%[1].

New villages opened

3

New unit completions (including JV partners)

252

In the midst of a market recalibration away from an era of low interest rates, Audley Group continued to grow and establish new highs despite the financial challenges of the macro environment. 2023 saw the Group open three new villages and surpass 157 new unit completions.

It's a combination of the product, proposition and the expertise of the team that enables Audley Group to maintain its position as the leading retirement living operator and I'd like to thank the team for their ongoing commitment.

In March 2023, Phillip Rolfe was appointed to the Audley Operating Board, as Development Director, and this was followed by Mark Sadler in December, as Group General Counsel. Gary Burton took on an expanded role and was appointed COO in addition to his role as CFO in December 2023.

The focus on building a team for the future also saw Audley Group appoint an inaugural Health and Wellness Director in December, reflecting our increasing focus on supporting our owners to live long, healthy and independent lives across every aspect of their physical and mental wellbeing.

Despite the ongoing widespread economic pressures, Audley Group continued to innovate and strengthen relationships with its key investment partners. In addition to our existing partnerships with BlackRock, Schroders/Octopus and Royal London, we announced a multi-site joint venture with Senior Living Investment Partners ('SLIP'), a £200m partnership between Pension Insurance Corporation plc ('PIC'), a specialist insurer of defined benefit pension schemes, and specialist real estate lender and investor Octopus Real Estate ('Octopus') to deliver four villages across both the Audley and Mayfield brand. This includes the financing of a new Mayfield village as part of the Brent Cross Town regeneration project – one of the largest net zero developments in the UK. It's an exciting project to be a part of and one which I believe points towards the future dynamics of our housing market.

Innovation has always been central to the way Audley Group has worked and in the final quarter we announced a first of its kind financing deal with Federated Hermes, complementing the funding landscape in the retirement living sector with its focus on raising debt on developed villages.

When I look at the existing and new partnerships and our innovation, it underlines the strength in both the existing Audley Group model, and also our plans for the future.

Marc Gilbard
Chairman

30 December 2024

FOR AWARD-WINNING CUSTOMER SERVICE

Since introducing a new kind of retirement living to the UK – the luxury retirement village – we have had the privilege of being formally honoured with a number of awards. They are testimony to the outstanding hard work and unwavering dedication of each and every one of the Audley team and to the innovative thinking, outstanding retirement properties and luxury facilities that make Audley unique.

Most recently, two villages won Bronze at the WhatHouse? Awards in November 2023, and the Retirement Living Awards 2023, the Housing With Care category at the LaingBuisson Awards, and Blandy's was once again awarded an AA Rosette.

We look forward to more success in the future.

For a full list of our awards
Visit our website
audleygroup.com/recognition

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1. Source: www.audleygroup.com/economy

YEAR IN REVIEW

In a year of economic transition, Audley delivered three new villages, a 20% increase in core operating revenues, a sector first debt facility and rising owner engagement and staff satisfaction.

Financial highlights

Total revenue

£59.9m

Gross profit

£17.3m

Operating revenue*

+20%

Operating loss

£8.9m

People highlights

11,749
hours of training completed

38
team members took part in apprenticeship programme

94%
of respondents are proud to work at Audley

Our workforce is made up from

39
different nationalities

Operational highlights

12%
YoY increase in owner numbers

17,412
afternoon teas served

7,101
archery arrows released

4,145
personal training sessions delivered

Development highlights

11%
increase in built units from 2022

3
village openings

252
total completions

284
new units built

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* Operating revenue consists of all ongoing revenue generated by management companies (i.e. excluding property sales)

In 2023 Audley Group delivered £41.3m of operating revenue that was up 20% from the previous year.

Estate management fees of £26.5m were up £6.2m (+30%) year-on-year driven by selling more new units. This was aided by opening two new villages in H2 2022 and three new village openings during 2023. Successfully selling all new owned units at three villages during 2022 meant there was lower new unit stock available for sale at owned villages in 2023. New unit property sales of £18.5m was £16.1m lower than the previous year, because there were fewer new units available for sale.

People

Our business is centred around our people, from the growing number of property owners and club customers to our fantastic team members.

2023 saw the highest rate of engagement with our annual owners' survey that we have seen to date. It's heartening to see an increased Net Promoter Score this year with 81% of respondents saying that the villages have an excellent or good sense of community.

94% of survey respondents to the staff survey are proud to work for Audley and that's not something to be taken for granted. Investment in the team is a vital part of maintaining excellence and developing careers, and the Audley Apprenticeship programme is central to this. Alison Earle, Senior Carer at Audley Mote House, was awarded our Apprentice Learner of the Year in 2023. She has been with Audley since 2013 and recently completed a Level 4 practitioner apprenticeship with a Distinction, just one of the many examples of the team's commitment to continued learning and development. Audley team members completed a total of 11,749 hours training, an average of 13 hours each.

At a senior level, the strength and depth of the Operating Board was increased by several new appointments to also include the Development Director, Group Sales & Marketing Director and Group General Counsel. At the Audley Group Board level, the CFO took on an expanded role as COO and CFO.

2023 also marked a significant year for our Health and Wellness strategy. Helping the UK's older population to Live Better for Longer is central to our purpose. In 2023 our very first Health and Wellness Director was appointed to work on the growth strategy of wellness across Audley and Mayfield villages.

As Audley continues to pioneer the sector, our Founder and CEO, Nick Sanderson was awarded the Outstanding Contribution Award at the Health Investor Seniors Housing Awards and continued his pivotal work on the cross-party Older People's Housing Taskforce.

Portfolio

Audley Group's portfolio continues to go from strength to strength, with three village openings in 2023, and further increases to future pipeline sites across both propositions.

Investment

2023 held real highlights by securing new and innovative financing, benefiting both Audley and the retirement living sector as a whole.

In July 2023, we formed a multi-site joint venture with Senior Living Investment Partners (SLIP), a £200m partnership between Pension Insurance Corporation (PIC) and Octopus Real Estate to create 600 retirement units across Audley and Mayfield Village sites. And in December, announced that Silbury Finance provided a £66m sustainability-linked acquisition and development loan to this JV vehicle.

November held a landmark moment for both Audley and the sector when we announced a £28.5m financing facility with Federated Hermes. The loan facility, which utilises operating surpluses, means for the first-time financing is available for retirement villages that have completed both their development and sale of new units.

Development

Continued demand for better retirement living options saw a 32% increase in total completions across Audley Group's portfolio in 2023. Three new Audley Villages opened and Mayfield Watford, the first of our Mayfield brand, completed its second and final phase.

The year began with owners moving into the stunning Audley Fairmile, in Cobham, while Audley Wycliffe Park welcomed its first owners in August and Audley Scarcroft Park, our third village in Yorkshire, opened just before Christmas.

In our sold out villages, such as Audley St George's Place and Audley Chalfont Dene, resales had their strongest year to date, with 95 completions across nine villages.

Land and planning

In 2023, we announced news on three truly spectacular sites.

Mayfield Brent Cross Town, our second Mayfield village, will be a central part of Barnet Council and Related Argent's Brent Cross Town regeneration project. Set to be one of the largest net zero developments in the UK with 7,000 new homes including 147 retirement living properties.

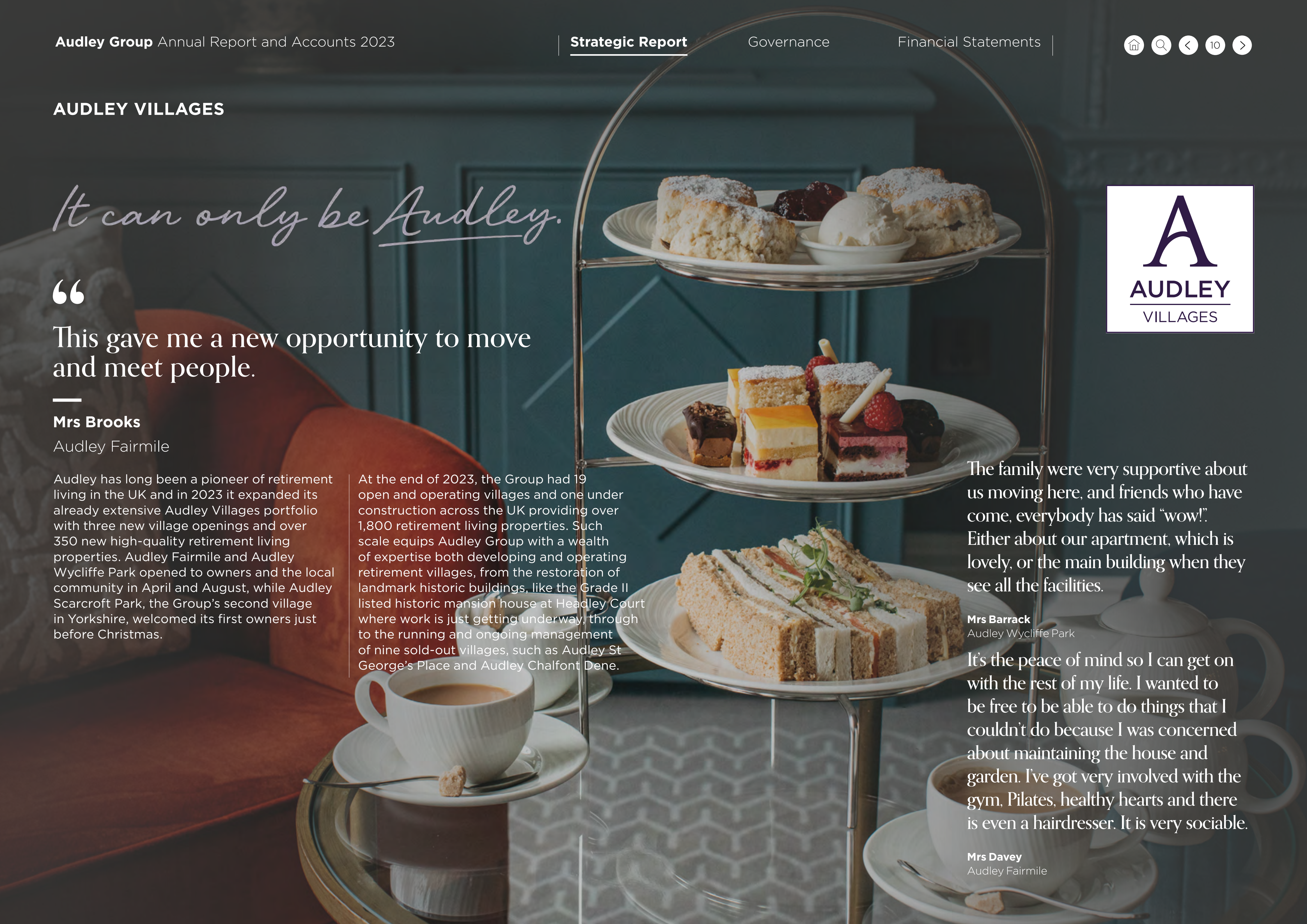
We also secured planning approval for villages on the historic Headley Court site and Lingfield Grange, the previous headquarters of the national charity Young Epilepsy.

Operations

With 19 villages and over 1,700 retirement living properties, the size of the Group grew by over 18% during 2023 (from 1,498 units to 1,782 units). 2023 marked a shift in the way we operate our villages, utilising scale to operate holistically while still delivering local personality.

F&B revenue increased 11% year-on-year, with restaurant covers up by 11% and over 90,000 hot drinks served to owners, friends, family and visitors to the village. Club members rose from 1,606 in 2022, to 1,744 in 2023, a 9% rise. Over 4,000 personal training sessions were delivered, with revenue falling just short of £1m for the first time, keeping our personal trainers very busy. 488 of our owners received care, down from 532 in 2022 due to lower demand this year. The care team delivered over 292,000 visits and the Homecare rating was 9.

Ensuring consistency and quality of service and experience were, and continue to be, a key focus as we evolve our operating model.



AUDLEY VILLAGES

It can only be Audley.

> “
>
> This gave me a new opportunity to move and meet people.

Mrs Brooks
Audley Fairmile

Audley has long been a pioneer of retirement living in the UK and in 2023 it expanded its already extensive Audley Villages portfolio with three new village openings and over 350 new high-quality retirement living properties. Audley Fairmile and Audley Wycliffe Park opened to owners and the local community in April and August, while Audley Scarcroft Park, the Group’s second village in Yorkshire, welcomed its first owners just before Christmas.

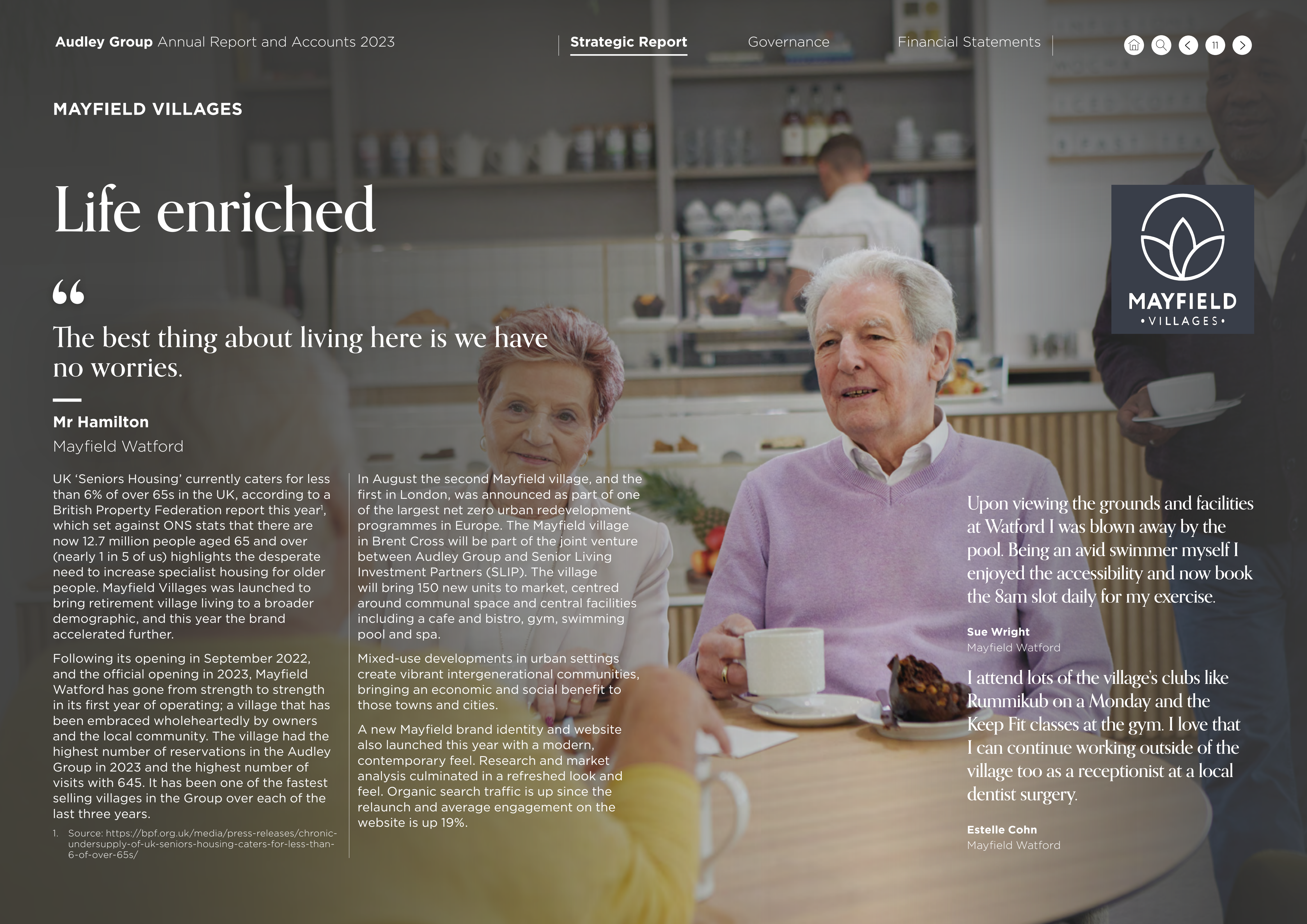
At the end of 2023, the Group had 19 open and operating villages and one under construction across the UK providing over 1,800 retirement living properties. Such scale equips Audley Group with a wealth of expertise both developing and operating retirement villages, from the restoration of landmark historic buildings, like the Grade II listed historic mansion house at Headley Court where work is just getting underway, through to the running and ongoing management of nine sold-out villages, such as Audley St George’s Place and Audley Chalfont Dene.

> The family were very supportive about us moving here, and friends who have come, everybody has said “wow!”. Either about our apartment, which is lovely, or the main building when they see all the facilities.

Mrs Barrack
Audley Wycliffe Park

> It’s the peace of mind so I can get on with the rest of my life. I wanted to be free to be able to do things that I couldn’t do because I was concerned about maintaining the house and garden. I’ve got very involved with the gym, Pilates, healthy hearts and there is even a hairdresser. It is very sociable.

Mrs Davey
Audley Fairmile



MAYFIELD VILLAGES

Life enriched

> The best thing about living here is we have no worries.

Mr Hamilton
Mayfield Watford

UK 'Seniors Housing' currently caters for less than 6% of over 65s in the UK, according to a British Property Federation report this year[1], which set against ONS stats that there are now 12.7 million people aged 65 and over (nearly 1 in 5 of us) highlights the desperate need to increase specialist housing for older people. Mayfield Villages was launched to bring retirement village living to a broader demographic, and this year the brand accelerated further.

Following its opening in September 2022, and the official opening in 2023, Mayfield Watford has gone from strength to strength in its first year of operating; a village that has been embraced wholeheartedly by owners and the local community. The village had the highest number of reservations in the Audley Group in 2023 and the highest number of visits with 645. It has been one of the fastest selling villages in the Group over each of the last three years.

In August the second Mayfield village, and the first in London, was announced as part of one of the largest net zero urban redevelopment programmes in Europe. The Mayfield village in Brent Cross will be part of the joint venture between Audley Group and Senior Living Investment Partners (SLIP). The village will bring 150 new units to market, centred around communal space and central facilities including a cafe and bistro, gym, swimming pool and spa.

Mixed-use developments in urban settings create vibrant intergenerational communities, bringing an economic and social benefit to those towns and cities.

A new Mayfield brand identity and website also launched this year with a modern, contemporary feel. Research and market analysis culminated in a refreshed look and feel. Organic search traffic is up since the relaunch and average engagement on the website is up 19%.

> Upon viewing the grounds and facilities at Watford I was blown away by the pool. Being an avid swimmer myself I enjoyed the accessibility and now book the 8am slot daily for my exercise.

Sue Wright
Mayfield Watford

> I attend lots of the village's clubs like Rummikub on a Monday and the Keep Fit classes at the gym. I love that I can continue working outside of the village too as a receptionist at a local dentist surgery.

Estelle Cohn
Mayfield Watford

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1. Source: https://bpf.org.uk/media/press-releases/chronic-undersupply-of-uk-seniors-housing-caters-for-less-than-6-of-over-65s/

OUR PORTFOLIO

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

Our villages

Operational villages	19
Total number of units	1,800
Number of customers receiving care services	919

AUDLEY VILLAGES

Open

- A **Clevedon** Ilkley, Yorkshire
- B **Scarcroft Park** Scarcroft, Yorkshire
- C **St Elphin's Park** Matlock, Derbyshire
- D **St George's Place** Edgbaston, Birmingham
- E **Binswood** Royal Leamington Spa, Warwickshire
- F **Ellerslie** Malvern, Worcestershire
- G **Redwood** Bristol
- H **Inglewood** Kintbury, Berkshire
- I **Wycliffe Park** Horsleys Green, Buckinghamshire
- J **Chalfont Dene** Chalfont St Peter, Buckinghamshire
- K **Nightingale Place** Clapham, London
- L **Mote House** Bearsted, Kent
- M **Willicombe Park** Royal Tunbridge Wells, Kent
- N **Fairmile** Cobham, Surrey
- O **Cooper's Hill** Englefield Green, Surrey
- P **Sunningdale Park** Sunningdale, Ascot
- Q **Stanbridge Earls** Romsey, Hampshire
- R **Flete House** Ivybridge, Devon

Under construction

- S **Headley Court** Epsom, Surrey

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

MAYFIELD VILLAGES

Open

- T **Watford** Hertfordshire

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

Find out more

Visit our website audleyvillages.co.uk/lifestyle

Clevedon Ⓐ
Ilkley, Yorkshire

Scarcroft Park Ⓑ
Scarcroft, Yorkshire

St Elphin's Park Ⓒ
Matlock, Derbyshire

St George's Place Ⓓ
Edgbaston, Birmingham

Binswood Ⓔ
Royal Leamington Spa, Warwickshire

Ellerslie Ⓕ
Malvern, Worcestershire

Redwood Ⓖ
Bristol

Inglewood Ⓗ
Kintbury, Berkshire

Wycliffe Park Ⓘ
Horsleys Green, Buckinghamshire

Chalfont Dene Ⓙ
Chalfont St Peter, Buckinghamshire

Nightingale Place Ⓚ
Clapham, London

Mote House Ⓛ
Bearsted, Kent

Willicombe Park Ⓜ
Royal Tunbridge Wells, Kent

Fairmile Ⓝ
Cobham, Surrey

Cooper's Hill Ⓞ
Englefield Green, Surrey

Sunningdale Park Ⓟ
Sunningdale, Ascot

Stanbridge Earls Ⓠ
Romsey, Hampshire

Flete House Ⓡ
Ivybridge, Devon

Headley Court Ⓢ
Epsom, Surrey

Watford Ⓣ
Hertfordshire

Life with Audley Group

At Audley, we have been developing luxury retirement villages for over 20 years and we continue to open beautiful new villages across the country each year. In 2024, before this report was published, Audley Villages was appointed to take over the operational management of Shiplake Meadows bringing the total Audley Group number to 21. Every luxury Audley village is as beautifully presented today as it was the day it was built. The first Mayfield village – Mayfield Watford – was completed in 2022 and continues to allow owners to live the life they love in their own apartment.

Find a retirement village near you and arrange a visit to discover whether owning your own property there is right for you. Our teams are on hand to answer all your questions about the lifestyle, care and support, and the financial impact.

Explore our villages and more
www.audleygroup.com/our-villages

CHIEF EXECUTIVE OFFICER'S STATEMENT

> “Audley continues to maintain its position as the leading operator of retirement villages in the UK.

Nick Sanderson
Chief Executive Officer

Total community fundraising contribution

£48,000

Employee engagement

72%

Market

In 2023 market volatility continued apace. Record high interest rates had an impact on borrowing costs and house prices fell over the course of the year. The challenging economic conditions had an impact on our development revenue as people took longer to sell their existing properties, but 2023 also saw the business mature still further. The stable and inflation-linked income that comes with being a long term village operator with the scale that Audley Group now has meant a significant increase in operating revenue across the Group, showcasing the resilience and ultimate potential of the business model.

Sector

There remained a growing need for more specialist retirement properties. A report last year from the BPF and Cushman & Wakefield pointed to the fact that despite an incredible £6.5bn in capital committed to the sector in just three years, 50,000 units a year are still needed to address the shortfall in specialist housing units for older people[1]. They estimate current supply at 603,000 for 12.9m over 65s in the UK. And yet the most recent ONS figures[2] show the growth in that demographic, with over 65s making up a third of the population in some areas of the UK. The need is becoming more urgent.

Investment

Given the demographic shifts, it hasn't been surprising to see 2023 as a year of growth across the sector. It continues to attract both new entrants and new investment. As a leader of the sector, Audley Group was once again at the forefront of investor interest and last year we announced multiple investment partnerships.

In a truly innovative new partnership, the Group secured a £28.5m financing facility with Federated Hermes. The market has long focused on development finance, but the growing maturity of the model has allowed investors to recognise the potential in open villages. This unique facility raises debt on six of our fully developed villages using operating surplus, allowing us to accelerate growth and the investor to benefit from a secure income stream.

Other key investment milestones this year included the extension of our relationship with Octopus Real Estate, this time as part of Senior Living Investment Partners ('SLIP'), a £200m partnership between Pension Insurance Corporation plc ('PIC') and Octopus, to develop up to four new Audley and Mayfield retirement villages.

New villages

Our own growth saw the opening of new villages and some incredible new projects. I wanted to particularly highlight a new planned Mayfield village in Brent Cross, where we are delighted that the council has made provision for senior living units as part of such a significant regeneration project; as well as new Audley village sites in truly historic locations: Lingfield Grange and Headley Court.

Our strategy

Health and wellness

The sector's need isn't simply housing for housing's sake. At Audley, our approach has always been to help people live better, for longer. That's important for the individual, but also for wider society.

The Chief Medical Officer's annual report in 2023 focused on health in an ageing society, and one[3] of the central tenets of the report was the need to focus on the environment that enables older people to live independent and enjoyable lives. That takes the pressure off the NHS and social care sectors, and creates economic growth through active older people contributing to their local communities. Audley's health and wellness strategy has accelerated this year with the appointment of our first Health and Wellness Director in Emma Robinson. Emma is already delving into every aspect of the Audley experience and creating a holistic approach to benefit all of our customers.

AUDLEY GROUP STRATEGY

1. Maintain quality of established villages
2. Focus on new quality sites
3. Expand the number of Mayfield sites
4. Continued drive to sustainability
5. Focus on our people – it's the team that makes the Company

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1. Source: www.audleygroup.com/bpf
2. Source: www.audleygroup.com/ons
3. Source: www.audleygroup.com/gov

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

ESG

In 2023 our work to promote inclusivity, diversity, health and wellbeing, and career development continued at pace, with some really inspiring results. We'll be sharing more on these in our upcoming ESG report alongside our work to create a more sustainable future. This has seen new build technologies integrated into the Headley Court plans which set us on a path towards our first net zero village. I am certain that the positive trajectory we have seen in the last few years, which includes the success of the Audley Foundation which raised over £48,000 in 2023, will continue.

The future

This year I joined the cross-departmental Older People's Housing Task Force, alongside leading industry experts. The taskforce in itself is a welcome statement of intent, and 2024 saw the recommendations shared on increasing the supply of age specific housing in the UK. The timing, in an election year, is positive, and I hope to see it galvanise policymakers from all parties.

When it comes to Audley Group – there is so much to look forward to. We'll further our health and wellness proposition, welcome new owners, work will get underway at the historic Headley Court and Brent Cross Town and existing villages will continue to mature and prosper. The growing scale of the business and number of maturing and matured villages offers further opportunity for growth as well as the satisfaction of giving thousands of older people an opportunity to live better, for longer.

Nick Sanderson
Chief Executive Officer

30 December 2024

> "We take our stewardship of some of the country's finest buildings very seriously. Reserving their historical context is important whilst ensuring they are fit for the future.

Read more about living longer lives
www.audleygroup.com/ons-people

OUTSTANDING CONTRIBUTION

Audley's inspirational Founder and CEO Nick Sanderson was honoured to be presented with the Outstanding Contribution Award at the Health Investor Seniors Housing Awards.

Nick has been a passionate advocate of the retirement living sector for decades as both CEO of Audley Group and Chair of ARCO and Audley loved to see his vision and effort recognised by the judges.

It was also fantastic to see Octopus Real Estate, one of Audley's joint venture partners, awarded Investor of the Year, and finance partner Silbury Finance take home Lender of the Year.

A big congratulations to Nick, Octopus and all of the other winners on the night!

Read more from Nick Sanderson
www.audleyvillages.co.uk/audley-stories/author/nick-sanderson

ACTING AS A FORCE FOR GOOD

We continue to recognise the important role Audley Group has in creating a sustainable future, from the villages and communities we create, through to equipping our team with skills for life. In 2023, this has continued with a sharp focus on our impact on the world we live in, but also how we continue to foster inclusive communities within our team, and within our villages.

Our commitment to sustainability

Climate change remains the greatest challenge facing both current and future generations. The UK's housing stock is a significant source of carbon emissions and at Audley Group we are committed to leading the retirement sector forward with its action on sustainability across both our operational stock and new villages. From modern methods of construction to how we enable our owners to reduce their own energy and fuel use, with solar photovoltaic technology in the villages and EV charging points.

Our ambition is to become operationally net zero carbon by 2030 – this includes the energy that we have direct control over. We aim to be materially net zero carbon by 2040 – this includes our supply chain.

For a full breakdown of our ESG goals

Visit our website
audleygroup.com/esg

OUR ESG ACHIEVEMENTS

Energy consumption

110.52

kWh/m^2

2023	110.52
2022	137.18

Scope 1 & 2 emissions

15.52

tonnes CO_2e

2023	15.52
2022	17.18

Energy consumption (like-for-like)

85.43

kWh/m^2

2023	85.43
2022	133.91

Greenhouse gas emissions (like-for-like)

11.90

$kgCO_2e$

2023	11.90
2022	15.65

OUR 2023 TARGETS

2023 saw tangible progress made towards the above goals including:

① 9.8% reduction in location-based carbon emissions from 2022 to 2023 across our operational villages (greenhouse gases scopes 1 and 2)

② 100% of electricity sourced from renewable energy (where we can directly procure supplies)

③ 1.7% reduction in water use on a like-for-like basis

④ 7.65% of car parking spaces across operational villages contain electric vehicle charging points, an increase from 3.04% in 2022

⑤ We began the process of replacing our diesel powered minibuses used at the Villages with electric-powered minibuses, and have plans to continue expanding our electric minibus fleet into 2024

Building for Net Zero

Brent Cross Town is setting a new standard for large scale urban regeneration in Europe, with environmental sustainability and inclusivity at its very core. In 2023, we announced Mayfield Brent Cross Town as our second Mayfield village. Aligning Brent Cross Town's and Audley Group's values, the village will be net zero by 2030, use 100% renewable energy, deliver biodiversity net gain, and provide an inclusive community, centred around health and wellbeing.

The very latest build technologies will be implemented to reduce embodied carbon through the build phase, and such innovations will also be harnessed across other sites, like Audley Headley Court.

Alongside the restoration of the Jacobean style Grade II listed mansion and stables, Audley Headley Court will feature several new buildings. These buildings that have been purposely designed to allow for high specification thermal insulation to be installed, and oriented to maximise south-facing roof space for the installation of solar panels, reducing the energy requirements of the village. All of which sets the village firmly on the path to net zero.

> "A significant proportion of our end-to-end carbon emissions come from our supply chain."

Nurturing biodiversity in our villages

We closely monitor our impact on natural environments to prevent biodiversity loss, a significant global issue. With bees playing an important role in creating healthy ecosystems in 2023 we introduced four beehives at Audley Chalfont Dene in Buckinghamshire. As well as the positive impact these pollinators have had on the surrounding biodiversity, the village has sold over 200 jars to the local community, engaged numerous owners in a new interest and the honey has been used in the restaurant.

Looking ahead

In 2024, we intend to develop a comprehensive Net Zero Carbon Pathway which will provide further detail on our action plan to achieve our Net Zero Carbon commitment, and interim targets.

PEOPLE

Our People

Our team members are central to delivering our ambition of enabling people to live long, independent and healthy lives. Our people strategy focuses on ensuring Audley Group remains a brilliant place to work. In 2023, 80% of our team members took part in our annual survey and 94% told us that they are proud to work at Audley Group. Something we are incredibly proud of but we understand that we can't standstill and we are committed to continually evolving our people strategy as the needs of our team evolve and change.

The Audley Academy

We prioritise the development and growth of our team members and focus on building talent from within via the Audley Academy. An apprenticeship scheme which provides career pathways to enable team members to develop many aspects of their personal and professional skills. In 2023, Audley team members completed a total of 11,749 hours training, an average of 13 hours each.

Supporting our teams

- In 2023 our annual performance review saw 100% of eligible team members receive an increase to their salaries
- Our reward suite supports our team members' financial, emotional and physical wellbeing, through different benefit and reward approaches. We do take our ESG responsibilities seriously within this area too, and continue to look for new ways to intertwine more ESG-focused offerings within this suite
- Embedding mental health awareness in our culture has been a key focus of our people strategy and by the end of 2023, we had a total of 32 trained mental health first aiders

DIVERSITY, EQUALITY AND INCLUSION

2023 saw us continue our focus on diversity, equality and inclusion as a core element of our sustainability strategy. Our DE&I committee was supported by in-village DEI champions, to grow or introduce the following initiatives through 2023:

Count Me In
This campaign, started in 2022 to encourage team members to volunteer their personal data relating to their own DEI status, and continues to be an ongoing initiative. More team members continue to share their data which enables us to tailor initiatives to respond to need and the people that work for us. December 2023 our headcount gender split was 64% female to 36% male. With 15% of over our overall headcount being people from an ethnic or mixed ethnic group. Which is a 6% increase since July 2021. Having this data has led us to open such roles as Men and Women's health champions and most recently the introduction of our Race and Culture Champion who played a pivotal role in the Black History Month video which was released in October 23.

Support networks and 1-1 support
Our DEI champions continue to support and drive initiatives across the business, including specific support to team members.

Collection4Clothes partnership
An ethical recycling business which we started to partner with at Audley St George's Place in 2023 to give pre-loved items a second life. We are looking to roll this out across our villages and head office.

Audley Notable Dates Calendar
This tool, available through the Audley Spirit communications platform, has expanded this year to include DE&I, wellbeing, religious and recognition events.

DEI e-learning module
This year we have created a new bespoke e-learning module which has become part of on-boarding training for all team members across the Group. The policy will be updated annual to reflect policy and social change.

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. This steering group oversees 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 to risk management planning.

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 MANAGEMENT PROCESS FLOW

Board of Directors

Audit Committee

Executive Committee

Risk & Governance Steering Group

Fire Safety Focus Group

External Regulators, Internal Audit & External Audit

Risk appetite

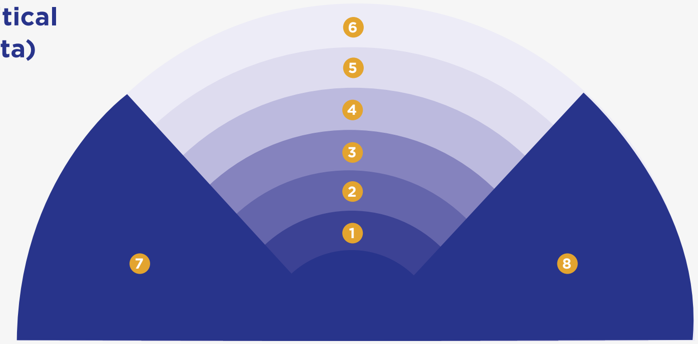
Risk appetite is defined as the level of tolerable risk to deliver our strategic and operational objectives and brand standards across our villages. Overall, our approach is to minimise exposure to compliance, reputational, and excessive financial risk.

Cyber threat is predicted to remain a top risk globally for 2024. The prominence of long-term hybrid working, supply chain-related attacks, geopolitical instability, and digital connectivity continued to drive a material increase in focus around cyber risk for Audley. The mandate and goal of our Security team is to mitigate risk and create a framework for a data privacy-compliant business operation. The security team helps train our employees to handle data responsibly and with clear accountability. It safeguards our Company by providing data privacy risk assurance and ensuring compliance with relevant data privacy laws.

Through our Managed Service Partner, Audley operates a 24 × 7 Security Operations Centre providing layered security (see diagram below) and alignment with the National Institute of Standards and Technology cybersecurity frameworks (NIST).

Our employees act as the first line of cyber security defense and so, in 2023, we launched a new Cyber Security Training platform (KnowBe4). Knowbe4 is the world's largest integrated platform for security awareness training combined with simulated phishing attacks. Audley conducts regular e-learning training courses along with simulated cyber-attacks. During the reporting period we registered no sanctioned complaints or incidents concerning breaches of customer privacy, data leaks, theft, or loss of customer data.

Mission Critical Assets (Data)

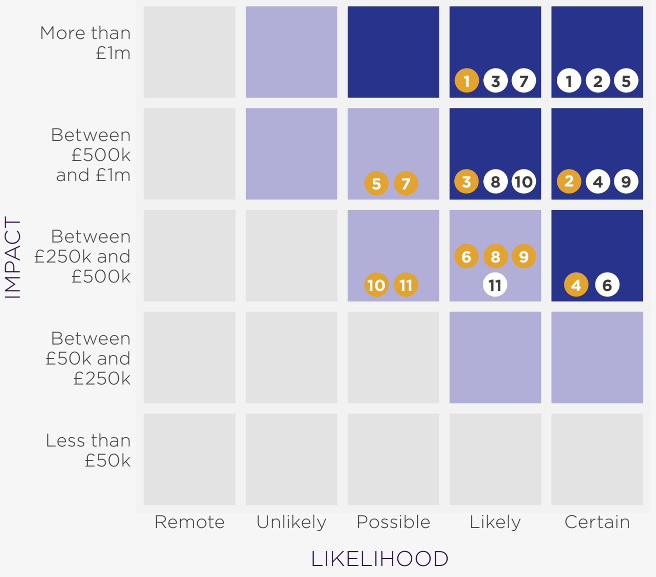


Risk Area Mission Critical Assets (Data)

1	**Data Security**	• Data Encryption (all rest, in transit) • Data Wiping	• Data Wiping • Data Cleansing • Data Integrity
2	**Application Security**	• Application Scanning • Vulnerability Assessment	• Database Monitoring
3	**Human Element**	• Measured Employee	• Awareness and Training
4	**Endpoint Security**	• Desktop Firewall • Host Intrusion Prevention • Host Intrusion Detection	• Content Security (malware, virus) • Security Enforcement • Path Management
5	**Network Security**	• Inline patching • Web Proxy Content Filtering • Datacentre Firewall	• Enterprise Message Security • Enterprise Wireless Security • Enterprise Remote Access
6	**Perimeter Security**	• Perimeter Firewalls • Intrusion Prevention Systems	• Intrusion Detection Systems • Message Security (malware, virus)
7	**Policy Management Prevention**	• IT Security Governance • Security Policies & Compliance • Cyber Threat Intelligence • Security Awareness Training	• Penetration Testing • Threat Modelling • Risk Management • Vulnerability Assessment
8	**Monitoring & Response Operations**	• Focused Ops • Escalation Management • SOC/NOC Monitoring 24/7 • Continuous Monitoring and Assessment	• Situational Awareness • Security Dashboard • Security SLA Reporting

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 three pages, explaining our risk mitigation strategies and risks movement in the year.



IMPACT	Remote	Unlikely	Possible	Likely	Certain
More than £1m				● 1 ○ 3 ○ 7	○ 1 ○ 2 ○ 5
Between £500k and £1m			● 5 ● 7	● 3 ○ 8 ○ 10	● 2 ○ 4 ○ 9
Between £250k and £500k			● 10 ● 11	● 6 ● 8 ● 9 ○ 11	● 4 ○ 6
Between £50k and £250k					
Less than £50k					

LIKELIHOOD

○ Gross
● Net

Risk	Risk Area	Movement in year
1	Funding	↑ Increase
2	Build programme and build cost risk	→ Maintained risk
3	Economy and risk	→ Maintained risk
4	Loss of employee or key management personnel	→ Maintained risk
5	Food safety	↓ Decrease
6	Reputation risk	→ Maintained risk
7	Fraud risk	→ Maintained risk
8	Cyber and data security risk	→ Maintained risk
9	Pandemic	↓ Decrease
10	Regulatory and policy environment	↓ Decrease
11	Environmental, Social and Governance (ESG)	↑ Increase

EFFECTIVE RISK MANAGEMENT CONTINUED

↑ Increased risk → Maintained risk ↓ Decreased risk

PRINCIPAL RISKS REVIEW

Risk	Mitigating actions	Movement in year
① **Funding** A lack of funding (debt and or equity) would risk illiquidity and a failure to deliver the business plan.	• The Integrated Retirement Community sector is evolving with increasing lending options available for assets available to provide secured lending. • We partner with credible institutions and banks, with whom we maintain good relations to secure funding on reasonable investment terms. • A strong balance sheet with a relatively low level of financial gearing offers the potential to increase borrowing/secure more funding.	↑
② **Build programme and build cost risk** 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 reputable construction companies as well as Tier 2 contractors. • We diversify our risk by using several different contractors for different size projects on whom we carry out due-diligence before contracting. • Our construction experience and fixed price contracts mitigate cost risk. • Our brand and management experience helps mitigate the rise of delay between agreeing an acquisition price and placing a build contract.	→
③ **Economy and 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. Geopolitical risks, a recent change in UK Government and US elections continue to cause economic instability.	• Management monitor market and economic indicators and model different financial outturn scenarios under different risk assumptions to guide decision making in support of liquidity management. • There are more 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. • The Mayfield village proposition provides some mitigation to market risk through diversification.	→
④ **Loss of employee or key management personnel** Failure to attract and retain sufficient quality staff.	• The Group has a capable Talent Acquisition team controlling directly new hires. • We operate an attractive working environment, culture and reward structure for key management and team members generally. • The Audley Academy team provide training across the Group in addition to external expertise as considered appropriate. • Careful succession planning is performed across the business to mitigate the negative impact to the business from any sudden loss of key personnel. • Retention and turnover rates are monitored for trends.	→

↑ Increased risk → Maintained risk ↓ Decreased risk

Risk	Mitigating actions		Movement in year
⑤ **Food safety** Failure to comply to UK Food Safety Laws in order to protect consumer health.	• Enhanced standard operating procedures, mandatory training and ensuring inductions are completed in full and before employees work in high risk areas. • Increased automation to track compliance with mandatory training as well as reviewing policies and procedures.	• A new Food Operating Procedure dedicated to allergens was created during the period. • We implemented a new system, replacing multiple systems and processes, to support improved reporting and resolution management of identified deficiencies.	↓
⑥ **Reputational risk** Marketing materials and websites displaying incorrect information either from miscommunication between departments or human error.	• We ensure price changes and management fee changes are communicated clearly between sales and marketing teams. • All print materials are proofread internally and by our agencies.	• Websites are reviewed regularly and maintained by our experienced in-house team.	→
⑦ **Fraud risk** The risk that fraud occurs and exposes the business to direct financial loss and or irreparable reputational damage.	• Fraud Risk Assessments completed across the business. • Anti-Fraud Policy.	• Fraud Risk Programme rolled out including training focusing on password and data security.	→
⑧ **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 could result in penalties where information is protected by law.	• The Group works with managed service providers to ensure our systems operate effectively and we receive leading advice and guidance to support the maintenance of a secure IT environment. • Full encryption of all hard drives has reduced the risk to physical data storage and systems.	• Audley takes security of personal data very seriously and continuously reviews security and data usage. • Cyber training and Assessments are delivered regularly to all of the Group's employees.	→

EFFECTIVE RISK MANAGEMENT CONTINUED

↑ Increased risk → Maintained risk ↓ Decreased risk

Risk	Mitigating actions		Movement in year
⑨ **Pandemic** 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 business model means operational revenues are reasonably resilient to such disruption. • Our experience and expertise enables us to take swift and decisive action to ensure the safeguarding of owners, customers and team members.	• Accessing government aid and support, as this becomes available, helps to support our business operations and ongoing financial liquidity. • We perform extensive scenario modelling to assess the impact of 'shocks', such as a pandemic, on our cash and financial facilities.	↓
⑩ **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) body representing the UK retirement community sector. • Our in-house general counsel provides capacity and capability to monitor the regulatory environment and to ensure internal policies and procedures continue to be appropriate.	• A Risk & Assurance structure is embedded in the business and provides a clear Group-wide approach and consistency across health and safety, internal audit and data protection activities. Sub-groups are also operated to provide specialised focus an expertise, e.g. Fire Safety working committee.	↓
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 embedded across the business and is governed by an ESG Steering Committee.		↑

ENERGY AND CARBON DATA

Audley Group's long-term strategy to reduce greenhouse gas emissions and energy consumption consists of investments in improving the energy efficiency of the villages, providing onsite renewable electricity generation systems where possible, and working with suppliers to design energy efficient buildings while minimising material usage.

Energy Efficiency Actions 2023

- Audley Group procures renewable electricity tariffs and green gas contracts where Audley is in control of the supplies. The green gas is produced using products including food stock waste and agricultural waste.
- Continuation of regular monitoring and analysis of energy consumption data to identify energy efficiency improvement opportunities.
- Audley Group has shown a commitment to reducing carbon emissions by making a transition in 2023 for all company cars to be electric cars.

ENERGY (ELECTRICITY AND FUELS) CONSUMPTION 2022 AND 2023

Energy reported in kWh		2023		2022			
Asset		Absolute consumption	Like-for-like consumption	Absolute consumption	Like-for-like consumption	Absolute trend	Like-for-like trend
All Villages							
Absolute and Like-for-like electricity	Total electricity obtained	8,329,080	4,743,562	7,683,105	5,839,835	+8%	-19%
	Proportion of electricity from renewable sources	100%	100%	100%	100%	0%	0%
Absolute and Like-for-like fuels	Total fuels obtained	24,608,918	12,322,744	17,564,254	10,815,553	+40%	+14%
	Proportion of fuel from renewable/ green sources	88%	77%	77%	88%	+14%	-13%
Absolute and Like-for-like energy	Total energy obtained	32,937,998	17,066,306	25,247,358	16,655,388	+30%	+2%
Building energy intensity for All Villages (kWh/sqm/year – GIA)							
Energy Intensity	Building energy intensity for all energy obtained	110.52	85.43	137.18	133.91	-19%	-36%
	% of energy and associated GHG estimated	9%	0%	0.7%	0.4%	+1186%	-100%
	Coverage (% of total floor area)	100%	71%	100%	68%	0%	+4%

ENERGY AND CARBON DATA CONTINUED

GREENHOUSE GAS EMISSIONS (SCOPES 1 AND 2 FROM ENERGY CONSUMPTION) 2022 AND 2023

GHG Owned Assets

GHG Emissions reported in tCO_2e		2023		2022			
Asset		Absolute consumption	Like-for-like consumption	Absolute consumption	Like-for-like consumption	Absolute trend	Like-for-like trend
All Villages							
Absolute and Like-for-like Direct GHG Emissions	Direct GHG emissions (GHG Protocol Scope 1)	4,625	2,377	3,162	1,947	+46%	+22%
Absolute and Like-for-like Indirect GHG Emissions	Indirect GHG emissions (GHG Protocol Scope 2 Location-Based)	1,871	982	1,486	1,129	+26%	-13%
	Indirect GHG emissions (GHG Protocol Scope 2 Market-Based)	0	0	0	0	—	—
Total GHG Emissions	GHG Scopes 1 and 2 (Location-Based; before green procurement)	6,496	3,359	4,647	3,076	+40%	+9%
	GHG Scopes 1 and 2 (Market-Based; after green procurement)	4,625	2,377	3,162	1,947	+46%	+22%
Building GHG intensity for All Villages ($kgCO_2e/sqm/year$ – GIA)							
GHG Emissions Intensity	Building GHG intensity (GHG Protocol Scope 1 and 2 Market-Based; after green procurement)	15.52	11.90	17.18	15.65	-10%	-24%

GREENHOUSE GAS EMISSIONS (SCOPES 1 AND 3 FROM BUSINESS TRAVEL) 2022 AND 2023

Impact Area	Units of Measure	2023	2022
Team Member Business Travel- Car	Total miles travelled (miles)	377,931	420,052
	Total associated carbon (tonnes CO_2e)	91.97	113.58
	Miles travelled in company cars (miles)	52,658	52,015
	Associated carbon (scope 1 emissions) (tonnes CO_2e)	4.46	14.06
	Miles travelled in personal cars (miles)	325,273	368,037
	Associated carbon (scope 3 emissions) (tonnes CO_2e)	87.50	99.51

TOTAL GREENHOUSE GAS EMISSIONS (SCOPES 1, 2 AND 3 FROM ENERGY CONSUMPTION AND BUSINESS TRAVEL) 2022 AND 2023

		2023		2022	
Impact Area	Units of Measure	Absolute consumption	Like-for-like consumption	Absolute consumption	Like-for-like consumption
Total GHG Emissions GHG Emissions Intensity	Total scope 1 emissions from fuel consumption and business travel in company cars (tonnes CO_2e)	4,629	2,377	3,162	1,947
	Total scope 2 emissions from electricity consumption (Location-Based, tonnes CO_2e)	1,871	982	1,486	1,129
	Total scope 3 emissions from business travel in personal cars (tonnes CO_2e)	87.50	—	100	—
	Total scope 1, 2 and 3 emissions (tonnes CO_2e)	**6,588**	**3,363**	**4,762**	**3,076**

Methodology

Energy data is sourced from invoices, and the UK Government's Conversion Factors for Company Reporting 2022 and 2023 were used to calculate greenhouse gas emissions. Like-for-like measures exclude all village not held for the full two-year period from 1 January 2022 – 31 December 2023, and any villages for which development or major refurbishment was occurring. As the Group generates revenue from the sale and management of properties in luxury retirement villages, the Directors have determined that an appropriate measure of intensity is relative to the gross internal area (i.e. square footage) of each village, given that the size of each village is a key driver of the amount of energy that each village consumes.

Read our ESG report
audleygroup.com/esg

CHIEF FINANCIAL OFFICER'S STATEMENT

> “2023 saw the opening of three new Audley Villages (Wycliffe Park, Fairmile and Scarcroft Park), a new joint venture partnership with Octopus Investments and Pension Insurance Corporation plc (PIC) and a first-of-its-kind debt facility leveraging village operating incomes.

Gary Burton

COO & CFO

2023 was a year of strategic growth despite mixed economic conditions. Inflationary pressures eased (slightly) but the central bank maintained high interest rates that impacted borrowing costs and consumer spending. One of the strengths of Audley's economic model, and the Integrated Retirement Community (IRC) sector more generally, are the upward inflating management fees. The size, scale and maturity of Audley means the Group's management fees are its dominant revenues and, as such, underpin an improving financial robustness to the underlying business.

Despite continuing economic challenges, the underlying business performed well:

- £59.9m Revenue (2022: £69.0m).
- £8.9m Operating loss (2022: £44.5m loss).
- Securing in November 2023 a first-of its-kind, five-year, £28.5m financing facility, provided by Federated Hermes – a significant milestone for Audley Group and the IRC sector.

Key Performance Indicators

The Group regards its key performance indicators as the number of unit completions in the period for both new and resale units, gross margin, operating profit/(loss) and net asset value.

The table below provides a comparison of the key performance indicators for the last two years. Despite challenging market conditions, particularly during the final months of the period, the Group sold 157 (2022: 167) new units and 95 (2022: 79) resale units across owned villages.

Fewer owned unit sales result from having fewer units available for sale following strong sales over recent years. The final units for Chalfont and St George's Place were sold during Q1 2023, reducing new units sales at just two (2022: five) villages (Audley Cooper's Hill and Audley Ellerslie). All new developments are via partnership developments with Octopus, BlackRock and Royal London.

The gross margin for the year was 29% and 6% pts higher year-on-year This was driven by the mix of unit sales and higher management fees from higher average occupancy across the villages and the annual inflationary increase on the monthly management fees (+13.4%).

The Group generated an operating loss of £8.9m for the year to 31 December 2023 compared with a loss of £44.5m in 2022. This movement was driven by a lower revaluation loss in 2023 (loss of £367k in 2023 compared to £22.0m in 2022) and a £14.7m impairment of goodwill booked in 2022.

Total net assets decreased by £12.5m in the year (2022: £41.7m reduction).

Key Performance Indicators

	Year to December 2023	Year to December 2022	Year to December 2021
Unit sales	157	167	140
Resale units	95	79	82
Revenue £'000	59,859	68,980	80,781
Gross profit £'000	17,265	15,779	20,466
Gross margin %	28.8%	22.9%	25.3%
Operating loss £'000	(8,923)	(44,533)	3,195
Net asset value £'000	172,019	184,517	226,245

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 2023. A commentary on all significant line items is set out below.

Revenue

Revenue of £59.9m (2022: £69.0m) was down £9.1m year-on-year. £18.5m (2022: £34.7m) of property sales revenue was driven by 33-unit sales from wholly owned stock (2022: 65). Estate management fees contributed £26.5m to revenue in the year, an increase of £6.2m or 30.3% year-on-year and includes both monthly and deferred management fees (each increasing with each unit sold). Care revenue decreased by 7.5% to £6.2m (2022: £6.7m). Food and beverage income of £2.7m was up 11.4% year-on-year (2022: £2.4m), this is a direct result of increased occupancy, new villages opened, and various revenue and cost efficiency programs initiated in 2023.

Cost of sales

Direct costs for the year were £42.6m (2022: £53.2m), comprising £14.0m (2022: £28.3m) relating to property sales, £22.9m (2022: £19.1m) estate management costs and £3.8m (2022: £4.0m) of care costs.

Administrative and selling expenses

Administrative expenses of £20.8m (2022: £24.2m) represent operating costs of the business.

Share of results from joint ventures

The Group recognised a £1.1m (2022: £3.1m) share of profit from its joint ventures with Octopus and BlackRock. One of the five sites (2022: two of the five sites) across these joint ventures are under construction and not yet generating revenues. See Note 12 for a summary of the results of the joint ventures. The Group invested total equity of £2.8m (2022: £945k) in the year in these joint ventures.

Loss on revaluation of investment properties

The Group had a total revaluation loss at year-end of £0.4m (2022: £22.0m loss) on its investment properties. The loss in the year primarily constitutes a like-for-like loss on existing villages, partially offset by a gain arising from the new village (Wycliffe Park).

Other operational income

During the year the Group recognised £456k (2022: £nil) of other operating income of which £436k related to the reversal of previously-impaired land, which was recovered on sale to the SLIP JV entered into in December 2023.

Impairment losses

In 2023, the impairment losses of £6.5m recognised relate to:

- an expected credit loss recognised on Audley's preference shares in Audley Nightingale Lane Limited of £6.0m. Audley's recovery, based on the current rate of sale, had decreased with the cost of future interest and administrative expenses reducing Audley's expected recovery; and
- an impairment of the Group's investment in Denmark of £448k.

In 2022, there was £14.7m impairment recognised, relating to goodwill.

Net finance expense

Finance costs of £7.9m (2022: £5.0m) represent interest and facility fees. Finance income of £3.6m (2022: £3.2m) includes preference share interest receivable and other interest receivable.

Taxation

The net taxation income for the year of £738k (2022: £4.6m) relates, primarily, to the reduction in deferred tax liabilities, arising from the revaluation losses on investment properties. The Group did not recognise any deferred tax assets on accounting losses, as it is not certain if or when such losses will be accessed.

Loss

An operating loss of £8.9m was delivered (2022: £44.5m loss) and the loss after tax was £12.5m (2022: £41.7m).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Non-current assets

The intangible asset consisting of the goodwill created on the acquisition of Audley Court Limited in 2015, was written-off in full in 2022. The remaining intangible asset consists of computer software capitalised during the year.

Investment properties

The investment properties include the freehold and long leasehold interest in each of the villages. Investment properties are carried at fair value determined annually and derived from estimated future cashflows, which includes 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. The Directors determine the fair value of investment properties by utilising a valuation report provided by an external valuation expert (CBRE) (which gives a valuation of £145.5m, 2022: £139.4m) and recognising additional adjustments as deemed necessary (£5m reduction to the CBRE valuation, 2022: £5.7m reduction). Investment properties are adjusted down by the deferred management fees (contract assets) in owned villages of £33.8m (2022: £28.7m) to avoid double counting. Adjustments were also made for the Wycliffe Park leased property of £2.3m (2022: £nil), and the Group's proportion of shared equity units of £7.1m (2022: £6.4m).

Right of use assets

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 for the communal areas of these lease investment properties.

Investments in joint ventures

The Group's investments in joint ventures consist of ventures with Octopus and BlackRock. The Group invested £2.8m in joint ventures during 2023.

Derivative assets

Derivative assets consist of an interest rate cap at 4.5%, for a cost of £544k. This cap was a condition of the previously mentioned first-of-a-kind freehold financing with Federated Hermes.

Deferred tax liabilities

The Group recognises deferred tax liabilities on the gains from revaluation of investment properties.

Trade and other receivables

The Group has £30.0m (2022: £44.4m) of long-term trade and other receivables.

The 2022 balance include £16.6m of preference shares in Audley Nightingale Lane Limited and accrued interest thereon, reclassified to short term trade and other receivables following the sale of Audley Nightingale Lane Limited subsequent to year end (refer to Note 27). Contract assets for deferred management fees is split between amounts due in greater than one year of £27.0m (2022: £24.7m) and amounts due in less than one year of £15.1m (2022: £9.8m).

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 £15.0m (2022: £28.6m) in the year, following the completion of 33 (2022: 65) new unit sales (in owned villages) and no new stock units delivered in wholly-owned villages.

Trade and other receivables

Trade and other receivables at the year-end were £38.8m (2022: £16.4m) which consists of £15.1m (2022: £9.8m) contract assets, £13.6m (2022: nil) preference shares in Audley Nightingale Lane Limited and accrued interest thereon, £4.3m (2022: £3.4m) of trade debtors, £1.0m (2022: £1.1m) of prepayments, £2.1m (2022: £nil) due from related undertakings and £2.7m (2022: £2.1m) of other receivables.

Liabilities

Current liabilities

Trade and other liabilities

Trade and other payables of £18.7m (2022: £16.2m) includes £10.4m (2022: £8.3m) of accruals, £4.2m (2022: £1.7m) of trade payables, £3.0m (2022: £4m) of contract liabilities, £1.1m (2022: £1.5m) of other payables and £nil (2022: £0.6m) owed to related undertakings.

Trade payables are all in the normal course of business and included in other payables are reservation and exchange deposits.

Non-current liabilities

Loans and borrowings

Net debt excluding lease liabilities at 31 December 2023 was £53.8m and £12.0m higher year-on-year (2022: £41.8m). The net increase resulted from the Group entering a new five-year £28.5m facility with Federated Hermes, with £11.3m drawn at year-end and a new £22.9m three-year shareholder loan facility, with £15.0m drawn at year-end. This was offset by a reduction in the existing stock facility following new unit sales during the year.

Lease liabilities

Lease liabilities represents the discounted value of future lease payments under the leases for which provides Audley the right of use assets.

Equity

No changes during the year (other than the impact of the loss for the year on retained earnings).

CONSOLIDATED CASH FLOW STATEMENT

The Group's net cash position increased by £3.7m, driven by the new debt facility from Federated Hermes, entered into in November 2023, and the new three-year shareholder loan facility, offset by loan repayments and operating cash outflows. The main movements in the year were as follows:

- Cash generated by operating activities of £9.7m (2022: £11.5m), reflecting the reduced stock available for sale, the maturity of Audley villages, effective cost control and an increase in estate management fees.
- Net cash flows generated from operating activities of £2.8m (2022: £8.9m increase), reflecting the additional financing costs incurred during 2023 which is expected to continue in 2024.
- Net cash flows used in investing activities of £4.3m (2022: £2.2m), reflecting the continued investment in villages through JV investments and lifecycle spend (CAPEX).
- Net cash flows generated from financing activities of £5.2m (2022: £11.7m cash used from financing activities) reflecting the net movement in the repayment of the Silbury stock facility and the new financing arrangements entered into during 2023 (See Note 20).

Material uncertainties

The Directors have modelled cash-flow forecasts underpinning the going concern assumption using both a base case and severe but plausible downside case and, as a result, identified material uncertainties in respect of going concern. Please refer to the going concern section in the notes to the accounts (page 41).

Post-balance sheet events

Please see the subsequent events section in Note 27.

Gary Burton
Chief Operating Officer &
Chief Financial Officer

30 December 2024

BOARD OF DIRECTORS

MARC GILBARD

Chairman

Marc is Chair of the Board and Chief Executive Officer of Moorfield Group. Marc assumed management control of Moorfield Group in 1996 and has led Moorfield's transformation from a small company listed on the London Stock Exchange into one of the leading UK Private Equity Real Estate fund managers. Over the last 27 years Moorfield has invested throughout the UK in both the Traditional and Alternative real estate sectors, translating political, economic and societal macro trends into real estate investment themes.

Experience

Marc is a Chartered Surveyor and a Member of the Leaders Council 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 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).

GARY BURTON

Chief Operating Officer & Chief Financial Officer

Gary joined Audley Group in November 2020 and since then has secured a number of new debt facilities and formed new joint venture partnerships to further the growth of the business.

Experience

Gary has a wealth of financial experience honed over 25 years working with leading businesses across different sectors, including nine years with Kingfisher plc as Assistant Treasurer and in Finance Director roles. Gary has degrees in Architecture and Management and qualified as an accountant with Arthur Andersen and in treasury with Hewlett Packard.

MICHAEL BRUHN

Non-Executive Director
Michael is Senior Adviser to the Executive Directors of the Danish pension fund PFA.

Experience
Michael has more than 35 years of experience in the Real Estate industry, and before joining PFA in 2013 he served as partner and Head of Nordics in the pan-European real estate fund and asset manager, Valad. Michael holds an MSc in finance and audit from the University of Copenhagen.

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 joined Moorfield in 2005 and since then Moorfield has raised six discretionary real estate private equity funds, comprising some £1.7bn of equity. Charlie sits on a number of industry committees, including the BPF Commercial Property Forum and the IPF Indirect Property Funds Group.

Charlie has a degree in Modern Languages from Oxford University and prior to joining Moorfield he worked in corporate finance at Lazard in the real estate advisory 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 2023.

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 26 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	Resigned 21 February 2023
Gary Burton	–
Michael Bruhn	–
Marc Gilbard	–
Charles Ferguson-Davie	–

Biographies of serving Directors are on pages 32 and 33.

At 31 December 2023 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 2022 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 18 and 19;

(c) the need to foster the Company's business relationships with clients, end customers, suppliers and regulators – pages 5, 6, 17 and 18;

(d) the impact of the Company's operations on the community and the environment – pages 19 and 20;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct – pages 7 to 17; and

(f) the need to act fairly between members of the Company – pages 7 to 19.

Results and dividends

The Group's loss for the year was £12.5m (2022: loss of £41.7m). No dividends were paid in the year to 31 December 2023 (2022: £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 (2022: £nil). During the year the Group made charitable donations of £74k (2022: £42k).

Principal risks and uncertainties

Details of the principal risks and uncertainties are described on pages 20 to 24.

Financial instruments

Details of the financial instruments of the Group are described in Note 21 on pages 64 to 66.

Future developments

Details of the likely future developments of the business are described in the Strategic Report on pages 14 to 16.

Employee and environmental matters

Information in respect of the Group's employment and environmental matters is contained within the Strategic Report on pages 18 and 19.

Subsequent events

See Note 27 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 cash flow, planned investments and borrowing facilities. The assessment considers two scenarios over a period to the end of 2025 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.

As explained in Note 2, the Group and Company face a number of material uncertainties that may cast doubt on the Group's and Company's ability to continue as a going concern. 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 Directors also conclude 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, Crowe U.K. 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 Operating Officer & Chief Financial Officer

30 December 2024

INDEPENDENT AUDITORS' REPORT

To the Members of Audley Group Limited

Opinion

We have audited the financial statements of Audley Group Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2023 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company balance sheet, the consolidated statement of changes in equity, company statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the state of the Group and of the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainties related to going concern

We draw attention to Note 2 in the financial statements, which indicates that under both the base case and downside case scenarios there are material uncertainties relating to Group and Parent Company's ability to extend, repay or refinance the stock financing debt facility which expires during the going concern period; renegotiate covenants or repay amounts that may be called in respect of the freehold financing facility; timely sale of completed units at Sunningdale Park to repay the remaining debt obligation; and secure new funding to meet buyback obligations in respect of Fairmile and Sunningdale Park or renegotiate the date of buyback obligations with the joint venture partner for these developments

As stated in Note 2, the absence of formal extension of the stock financing debt facility, remediation of the covenant breach related to the freehold financing facility, delays in completion of unit sales within Sunningdale Park and the ability to repay the remaining debt obligation and absence of committed funding facilities being in place, at the date of approval of these financial statements, to meet buyback obligations in respect of the Sunningdale Park and Fairmile villages gives rise to material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent, and the procedures in place for ensuring compliance. We focused on those laws and regulations that have a direct impact on the financial statements. These included the UK-adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, Companies Act 2006, and taxation laws.
- As part of our audit planning process, we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made with management and those charged with governance concerning both whether they had any knowledge of any actual or suspected fraud and their assessment of the susceptibility to fraud. We considered the risk to be greater in areas involving significant management estimation or judgement, including the use of alternative performance measures, and estimates or judgements impacting revenue recognition, valuation of accrued income, expected credit losses and investment property valuations, goodwill and joint venture impairment assessment in the group financial statements and the carrying value of investments in subsidiaries in the parent company financial statements, or those estimates and judgments which could impact on management bonuses and remuneration. Based on this assessment we designed audit procedures to focus on these specific areas.
- We held discussions with management, village managers, and other staff members outside of the finance function to gain an understanding of areas of fraud risk and any instances of non-compliance with laws and regulations.
- We assessed the design and implementation of controls over significant audit risks and obtained an understanding of the Group's financial reporting processes.
- We tested the appropriateness of journal entries throughout the year by vouching a risk-based sample of journals to supporting documentation and explanations.

INDEPENDENT AUDITORS’ REPORT CONTINUED

To the Members of Audley Group Limited

- A detailed review of the Group’s year end adjusting entries was performed. Any items that appeared unusual in nature or amount were vouched to supporting documentation.
- We performed a detailed review of financial statements disclosures to ensure these were complete, having regard to the explanations and information received in the course of the audit.
- We obtained a list of related parties from management and performed audit procedures to identify undisclosed related party transactions.
- We utilised external confirmations to confirm cash balances, and as part of our revenue testing procedures we verified property sales to confirmation statements.
- We considered the narrative and presentation of matters in the front section of the annual report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Jones
Senior Statutory Auditor
For and on behalf of

Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London
EC4M 7JW

30 December 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year to 31 December

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Revenue	3	59,859	68,980
Cost of sales	3	(42,594)	(53,201)
Gross profit	3	17,265	15,779
Administrative and selling expenses		(20,833)	(24,238)
Share of results of joint ventures	12	1,058	3,150
Loss on revaluation of investment properties	10	(367)	(21,972)
Gain on sale of Headley Court land to joint venture	25	436	–
Other operating income		19	–
Impairment of goodwill	9	–	(14,706)
Other impairment	5	(6,501)	(2,546)
Operating loss	4	(8,923)	(44,533)
Operating loss before exceptional items, revaluation gain and other (losses)/gains		(2,510)	(5,309)
Loss on revaluation of investment properties	10	(367)	(21,972)
Gain on sale of Headley Court land to joint venture	25	436	–
Exceptional items		19	–
Impairment of goodwill	9	–	(14,706)
Other impairment	5	(6,501)	(2,546)
Operating loss		(8,923)	(44,533)
Finance income	7	3,616	3,232
Finance expense	7	(7,929)	(4,991)
Loss before tax		(13,236)	(46,292)
Tax credit	8	738	4,564
Loss and total comprehensive expense for the year		(12,498)	(41,728)
Attributable to:			
– Equity holders of the Parent Company		(12,498)	(41,728)
– Non-controlling interests		–	–
		(12,498)	(41,728)

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

The financial statements on pages 39 to 69 were approved and authorised for issue by the Board and were signed on its behalf on 30 December 2024.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Non-current assets			
Intangible assets	9	265	–
Investment properties	10	115,974	111,391
Right of use assets	11	12,582	10,916
Investments in joint ventures	12	32,366	28,557
Other investments	13	–	444
Property, plant and equipment	14	493	902
Derivative financial instruments	21	342	–
Trade and other receivables	17	30,081	44,350
Total non-current assets		192,103	196,560
Current assets			
Stocks and inventories	16	28,462	43,684
Trade and other receivables	17	38,793	16,358
Cash and cash equivalents	18	7,872	4,178
Total current assets		75,127	64,220
Total assets		267,230	260,780
Liabilities			
Current liabilities			
Trade and other payables	19	(18,744)	(16,199)
Lease liabilities	11	(230)	(118)
Total current liabilities		(18,974)	(16,317)
Non-current liabilities			
Loans and borrowings	20	(53,798)	(41,773)
Lease liabilities	11	(17,073)	(12,070)
Deferred tax liabilities	15	(5,366)	(6,103)
Total non-current liabilities		(76,237)	(59,946)
Total liabilities		(95,211)	(76,263)
Total net assets		172,019	184,517
Equity			
Share capital	22	266,958	266,958
Share premium	23	15,665	15,665
Accumulated losses		(110,604)	(98,106)
Total equity		172,019	184,517

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year to 31 December

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total attributable to equity holders of the Parent Company £'000	Total equity £'000
At 1 January 2022	266,958	15,665	(56,378)	226,245	226,245
Loss for the year	–	–	(41,728)	(41,728)	(41,728)
Total comprehensive loss	–	–	(41,728)	(41,728)	(41,728)
At 31 December 2022	266,958	15,665	(98,106)	184,517	184,517
Loss for the year	–	–	(12,498)	(12,498)	(12,498)
Total comprehensive loss	–	–	(12,498)	(12,498)	(12,498)
At 31 December 2023	266,958	15,665	(110,604)	172,019	172,019

CONSOLIDATED CASH FLOW STATEMENT

For the year to 31 December

	2023 £'000	2022 £'000
Operating activities		
Loss before tax	(13,236)	(46,292)
Adjustments for:		
– Depreciation of tangible fixed assets	527	755
– Amortisation of intangible fixed assets	75	–
– Loss on revaluation of investment properties	367	21,972
– Share of post-tax profits from joint ventures	(1,058)	(3,150)
– Finance income	(3,616)	(3,232)
– Finance expense	7,929	4,991
– Gain on sale of Headley Court land to joint venture	(436)	–
– Other operating income	(19)	–
– Goodwill impairment	–	14,706
– Other impairment	6,501	2,546
Cash flows from operating activities before changes in working capital	(2,966)	(7,704)
Increase in trade and other receivables	(5,144)	(6,614)
Increase/(decrease) in trade and other payables	2,546	(719)
Decrease stocks and inventories	15,222	26,529
Cash generated by operating activities	9,658	11,492
Finance income received	247	538
Finance costs paid	(7,117)	(3,118)
Net cash flows generated from operating activities	2,788	8,912
Investing activities		
Additions to joint venture investments	(2,751)	(945)
Additions to investment properties	(1,469)	(1,025)
Additions to property, plant and equipment	(118)	(245)
Net cash flows used in investing activities	(4,338)	(2,215)
Financing activities		
New loans	26,270	56,787
Issue costs of new loans paid	(1,938)	(2,527)
Repayment of loans	(18,885)	(65,736)
Principal elements of lease payments	(203)	(244)
Net cash flows generated from/(used in) financing activities	5,244	(11,720)
Net increase/(decrease) in cash and cash equivalents	3,694	(5,023)
Cash and cash equivalents at start of year	4,178	9,201
Cash and cash equivalents at end of year	7,872	4,178

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 70 to 76 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

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 Effective Risk Management section of the Strategic Report on pages 20 to 24.

As disclosed in Note 20, as at 31 December 2023, the Group had a stock financing facility of £25.9m, a shareholder loan facility of £17.6m, and a £10.1m freehold financing facility. Post year-end, the Group completed a £39.5m sale and lease back transaction with River SI 4A Limited (Bluewater) as disclosed in Note 27. The funds from this transaction were used to settle the buyback obligation on the Stanbridge Earls village owed to the joint venture partner and part-settle the stock financing debt facility which at the date of approval of these financial statements stood at £14.2m and due to repaid by September 2025.

The stock financing and freehold financing facilities are secured against owned villages and 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 except, in October 2024, the Group and Company defaulted on one of its financial covenants related to freehold financing facility.

The Group is developing new villages through its joint venture partnerships. As at 31 December 2023, these partnerships had £169m of secured facilities, of which the Group's proportionate share as guarantor was £36m. 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 Park, Fairmile, Scarcroft Park, Watford and Nightingale Place. Post year-end, the Group completed the sale of Clapham (refer to Note 27) which reduces the partnership's secured facilities to £139m, and the Group's proportionate share as guarantor to £35m. The facilities contain a number of financial covenants that are tested quarterly in March, June, September and December. At the date of approval of these financial statements, all joint venture partnerships complied with all applicable borrowing covenants except for delays in practical completion being achieved at phase 2 of the project site at Sunningdale Park to enable the Company to pay down the debt obligation. Proceeds from sale and leaseback transaction noted above have been utilised to part-settle the related debt for this development. Under the joint-venture arrangements, the Group is obligated to buy back the villages at the earlier of the long-stop date or when 95% of the village units have been sold.

The Group had cash and cash equivalents of £7.9m as at 31 December 2023 (2022: £4.2m). 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 2025. The assessment involved the preparation of two forecast scenarios: a 'Base' case and a severe but plausible 'Downside' case. The Base case was prepared on the Group's actual results up to October 2024 and a forecast for the period ending 31 December 2025. Over the going concern period (to 31 December 2025) the base case included key assumptions in respect of: volume and price of unit sales, leased incomes (including monthly management and deferred management fees), associated costs and other commitments, extension or repayment of the buyback obligations, extension of the stock financing debt facility, timely sale of units within Sunningdale Park to repay the remaining debt obligation and remediation of the covenant breach related to the freehold financing facility.

The Downside case models the impact of a 'severe but plausible' scenario, which includes slower sales rates on units, and a decline in the performance of the Group's restaurants and care services provided. The model also sensitises the amount that the Group is able to draw on its debt, and includes mitigating actions that could be taken to reduce the Group's cost base.

No significant cash commitments are considered to exist for the going concern assessment period in respect of development activity due to the stage of development of the villages concerned. The Directors have also considered the current and sensitised market conditions in respect of the value of stock units when preparing both scenarios.

NOTES TO THE ACCOUNTS CONTINUED

2. ACCOUNTING POLICIES continued

Going concern continued

Under both the Base case and Downside case scenarios, material uncertainties exist, in relation to the Group and Parent Company's ability to:

1. extend, repay or refinance the stock financing debt facility which expires during the going concern period;
2. renegotiate covenants or repay amounts that may be called in respect of the freehold financing facility;
3. timely sale of completed units at Sunningdale Park to repay the remaining debt obligation; and
4. secure new funding to meet buyback obligations in respect of Fairmile and Sunningdale Park or renegotiate the date of buyback obligations with the joint venture partner for these developments.

In addition to the above, under the Downside scenario, the Group's available cash is fully utilised by January 2026.

The Directors are, however, exploring a number of new funding activities and options which are at various stages of progression and are confident that the completion of one or more of these activities, together with taking appropriate mitigating actions to the Group's cost base, should it be needed, would be sufficient for the Group to meet or extend its financial obligations as and when they fall due over the forecasted period under both the Base case and Downside case scenarios.

Further, the Directors are confident based on the available assets to collateralise, continuous discussions and the strong relationships in place, that the joint venture partner, the current providers of finance and the existing shareholders will continue to support the Group throughout the going concern period and allow the Group to meet or extend its obligations as they fall due.

However, the absence of formal extension of the stock financing debt facility, remediation of the covenant breach related to the freehold financing facility, delays in completion of unit sales within Sunningdale Park and the ability to repay the remaining debt obligation and absence of committed funding facilities being in place, at the date of approval of these financial statements, to meet buyback obligations in respect of the Sunningdale Park and Fairmile villages gives rise to material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the material uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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

New standards and interpretations

The principal accounting policies are consistent with those applied in the Group's financial statements for the year to 31 December 2022, 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.

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes – International Tax Reform - Pillar Two Model Rules
- Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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.

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 – Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

2. ACCOUNTING POLICIES continued

Basis of consolidation

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

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 statement of financial position.

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 statement of financial position.

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 the statement of comprehensive income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

Changes in ownership interests

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

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

NOTES TO THE ACCOUNTS CONTINUED

2. ACCOUNTING POLICIES continued

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.

Where the Group implements new internal software which generates future economic benefits, external costs associated with the implementation, and related internal staff costs for the time spent on implementation, are capitalised as an intangible asset. The intangible asset is amortised once the software goes live, over an appropriate useful life.

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. The Directors determine the fair value of investment properties by utilising a valuation report provided by an external valuation expert (CBRE) and recognising additional adjustments as deemed necessary. Investment properties are adjusted down by the deferred management fees (contract assets) in owned villages to avoid double counting. Adjustments are also made for leased investment properties, and the Group's proportion of shared equity units. 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 – 20% straight line
- Office equipment – 10% to 33% straight line
- Motor vehicles – 20% to 33% straight line.

Leases

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

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

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

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

Stocks and inventories

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

2. ACCOUNTING POLICIES continued

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 and deferred management fees
- Care service fees
- Development fees
- Other, including restaurant and bistro sales, club memberships, sales and administrative fees and ground rent.

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.

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.

Deferred management fees and associated contract assets

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 a contract asset 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 contract asset 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 historic sales data and split between current and non-current assets on this basis. This is currently estimated to be every eight years. Deferred management fee receivables have been discounted to reflect the time value of money at the relevant discount rate.

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.

Sales and administrative fees

Under the terms of the lease agreement, a 1% administrative fee is charged on the value of the sales price achieved, a further 2% is earned on all resale properties where Audley is engaged as the sales agent. Income is recognised on legal completion of sale.

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.

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.

NOTES TO THE ACCOUNTS CONTINUED

2. ACCOUNTING POLICIES continued

Taxation continued

(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.

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 a 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 a 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.

2. ACCOUNTING POLICIES continued

Equity instruments

The Group subsequently measures all equity investments at fair value.

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. 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 statement of financial position 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.

Contract assets represent 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 have been provided to Executive Directors via the Management Equity Plan.

The fair value granted under the Audley Group Limited Management Equity Plan was 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 other than those disclosed within this note.

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 10.

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 £365k in respect of one site (2022: impairment of £322k in respect of one site).

Contract assets

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 contract assets have been split between amounts due in greater than one year and due in less than one year. This has been estimated, informed by historical sales data, to reflect the timing of expected cash flows. The split between current and non-current is based on an eight-year expected stay. If the average length of stay decreases by one year the amount recognised in current assets would increase by £4.6m (2022: £3.6m) and the amount recognised in non-current assets would decrease by £4.6m (2022: £3.6m). If the average length of stay increased by one year the amount recognised in current assets would decrease by £2.3m (2022: £1.7m) and the amount recognised in non-current assets would increase by £2.3m (2022: £1.7m). Deferred management fee receivables have been discounted to reflect the time value of money at the relevant discount rate.

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 in respect of historic losses. The Group has total unrecognised gross tax losses of £90.9m (2022: £72.9m).

2. ACCOUNTING POLICIES continued

Key sources of estimation uncertainty continued

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 increase on other receivables of £6.0m (2022: increase of £2.5m) in the year. The key inputs were a 90% expectation that the units would sell at 1 per month and a 10% expectation that they would sell at 1.5 per month. A change in assumptions to a 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 reduce the expected credit loss by £0.4m (2022: increase of £1.4m).

Although IFRS 9 allows an expected credit loss calculation to reflect forward-looking information, this pertains to macro-economic conditions rather than post year-end transactions, and therefore the post year-end acquisition of the 96% ordinary shareholding in Audley Nightingale Lane Limited (the entity with the preference share liability), and subsequent sale of both 100% of the ordinary shares in Audley Nightingale Lane Limited and Audley Nightingale Holdings Limited (the entity that holds the preference share receivable) has not been factored into the expected credit loss calculations.

Although IFRS 9 allows an expected credit loss calculation to reflect forward-looking information, this pertains to macro-economic conditions rather than post year-end transactions, and therefore the post year-end acquisition of the 96% ordinary shareholding in Audley Nightingale Lane Limited (the entity with the preference share liability), and subsequent sale of both 100% of the ordinary shares in Audley Nightingale Lane Limited and Audley Nightingale Holdings Limited (the entity that holds the preference share receivable) has not been factored into the expected credit loss calculations.

Wycliffe Park lease arrangement

During the period, the Group obtained practical completion on the Wycliffe Park village. This village is leased from an external third party, who earn development revenue from the sale of units, and the Group has the rights to operating revenue (including monthly and deferred management charges). The Group has recorded an investment property asset on the statement of financial position which represents the gross value of the property, prior to any deductions for lease payments, and a lease liability which reflects the expected future rent payable. The rent payable by the Group increases based on the number of units sold, and therefore the lease liability depends upon the rate of future property sales. The lease liability has been modelled on the assumption that Wycliffe Park will sell 2 units per month. If the sales rate decreases to 1 unit per month, the lease liability would reduce by £783k. If the sales rate increases to 3 units per month, the lease liability would increase by £293k.

3. REVENUE AND GROSS PROFIT

All revenue is generated in the United Kingdom.

	2023 £'000	2022 £'000
Property sales[1]	18,538	34,663
Estate management fees[2]	26,492	20,339
Care income[1]	6,204	6,704
Development fee income[1, 2]	2,055	1,839
Other[3]	6,570	5,435
Total revenue	59,859	68,980
Property cost of sales	(13,980)	(28,343)
Estate management	(22,944)	(19,128)
Care	(3,759)	(4,032)
Other[3]	(1,911)	(1,698)
Total cost of sales	(42,594)	(53,201)
Gross profit	17,265	15,779

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

4. OPERATING LOSS

This has been arrived at after charging and recognising:	2023 £'000	2022 £'000
Impairment of goodwill	–	14,706
Depreciation of tangible fixed assets	335	577
Depreciation of right of use assets	183	192
Amortisation of software	75	–
Gain on sale of Headley Court land to joint venture	(436)	–
Auditors' remuneration – audit of the Company	50	28
Auditors' remuneration – audit of subsidiaries	400	362
Total auditors' remuneration	450	390
Operating lease rentals:		
– Other	108	141

NOTES TO THE ACCOUNTS CONTINUED

5. OTHER IMPAIRMENT

	2023 £'000	2022 £'000
Expected credit loss on financial assets at amortised cost	(6,053)	(2,546)
Impairment of investment in Denmark	(448)	–
	(6,501)	(2,546)

See Note 17 for further details on the expected credit loss, which refers to the impairment of the preference shares held in Audley Nightingale Lane Limited.

Refer to Note 13 for further details of the impairment of the investment in Denmark.

6. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses (including Directors) are as follows:	2023 £'000	2022 £'000
Wages and salaries (including discretionary bonus)	23,100	21,856
Defined contribution pension costs	962	920
Social security costs	2,261	2,369
	26,323	25,145

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 £962k (2022: £920k), of which £163k (2022: £139k) was outstanding at the year end and included within other payables.

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

	2023 Number	2022 Number
Estate management	264	240
Care provision	285	316
Restaurant	191	146
Central management and administration	62	93
Sales and marketing	24	33
	826	828

Directors' emoluments

	2023 £'000	2022 £'000
Wages and salaries	1,777	1,626
Social security costs	254	330
Defined contribution pension costs	110	42
	2,141	1,998

The highest-paid Director received £742k (2022: £571k) in the year, including £3k (2022: £16k) for pension contributions. Non-Executive Directors do not receive a salary but are compensated as part of a management fee as disclosed in Note 25.

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. 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.

Key management personnel

	2023 £'000	2022 £'000
Wages and salaries	3,104	1,983
Social security costs	398	389
Defined contribution pension costs	312	80
	3,814	2,452

7. FINANCE INCOME AND FINANCE EXPENSE

	2023 £'000	2022 £'000
Preference share interest	3,030	2,694
Discounting of deferred management fees	244	235
Other interest receivable	342	303
Finance income	3,616	3,232
Interest on bank overdrafts and loans	(6,887)	(4,230)
Other finance costs (including facility fees)	(231)	(282)
Interest on lease liabilities	(811)	(479)
Finance expense	(7,929)	(4,991)
Net finance expense	(4,313)	(1,759)

8. TAX CHARGE CREDIT

	2023 £'000	2022 £'000
Current tax		
Corporation tax	–	–
Deferred tax		
In respect of revenue losses	–	–
In respect of revaluation losses	(738)	(4,564)
Total tax credit	(738)	(4,564)

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:

	2023 £'000	2022 £'000
Loss before tax for the year	(13,236)	(46,292)
Loss before tax multiplied by standard rate of corporation tax in the UK for smaller companies of 19%	(2,515)	(8,796)
Expenses not deductible/income not taxable	1,406	77
Adjustments for changes in tax rates	–	(1,318)
Timing differences relating to investment property valuations	(738)	–
Losses not recognised	1,109	5,473
Total tax credit	(738)	(4,564)

On 1 April 2023, the standard rate of corporation tax in the UK increased from 19% to 25% for companies with profits above £250k. Deferred tax assets and liabilities have therefore been recognised at the future rate of 25%. Current tax has been recognised at the small companies rate of 19% given the Group is not making taxable profits.

NOTES TO THE ACCOUNTS CONTINUED

9. INTANGIBLE ASSETS

	Goodwill £'000	Software £'000	Total £'000
Cost or valuation			
At 1 January 2022 and 31 December 2022	29,288	–	29,288
Transfers from property, plant & equipment	–	784	784
Additions		148	148
At 31 December 2023	29,288	932	30,220
Accumulated amortisation and impairment			
At 1 January 2022	(14,582)	–	(14,582)
Impairment	(14,706)	–	(14,706)
At 31 December 2022	(29,288)	–	(29,288)
Transfers from property, plant and equipment	–	(592)	(592)
Amortisation	–	(75)	(75)
At 31 December 2023	(29,288)	(667)	(29,955)
Net book value			–
At 31 December 2023	–	265	265
At 31 December 2022	–	–	–

In September 2022, the Group refinanced its revolving credit facility with a stock financing facility from Silbury Specialty Finance, secured on the net assets of four villages (Chalfont Dene, Cooper's Hill, Ellerslie and St George's Place). In doing so, this released its future income related to its development CGU, which led to the full impairment of goodwill.

10. INVESTMENT PROPERTIES

	2023 £'000	2022 £'000
Valuation		
At 1 January	111,391	132,338
Additions	5,013	1,025
Disposals of shared equity properties	(63)	–
Gain/(loss) on revaluation	(367)	(21,972)
At 31 December	115,974	111,391

	2023 £'000	2022 £'000
Fair value of central facilities	140,475	133,691
Adjustment for leased investment properties	2,267	–
Shared equity ownership and right of use assets	7,058	6,432
Contract assets on owned villages	(33,826)	(28,732)
	115,974	111,391

The historical cost of investment properties at 31 December 2023 was £111.2m (2022: £106.2m).

The Group's investment properties are the central buildings and club facilities at each retirement village. The Group holds 12 investment properties (2022: 11) that are valued annually on the basis of fair value. At 31 December 2023 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. Fair value was determined by the Directors to be £140.5m, based upon CBRE's valuation of £145.5m (2022: £139.4m), and an additional fair value adjustment of £5.0m (2022: £5.7m).

During the year, the Group obtained practical completion on the Wycliffe Park village. This village is leased from an external third party, who earn development revenue from the sale of units, and the Group has the rights to operating revenue (including monthly and deferred management charges). The fair value of the central facilities provided by CBRE includes a deduction for lease payments made relating to the Wycliffe Park property. The Directors have made a £2.3m adjustment for this lease payment deduction, to avoid double-counting the lease liability already recorded.

10. INVESTMENT PROPERTIES continued

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

Revenue stream	Methodology	Key inputs 2023
Deferred management fees	Discounted cash flow	• house price inflation (HPI) (average 3.0%); • discount rate (8.75% – 13.00%, average 9.58%); • average length of stay (7.5 – 8.0 years); • exit yield (6.25% – 8%); • estate management and lifecycle costs; • deferred management charges (typically between 1.0% and 2.0% of gross development value); • Sales rates (1- 2 per month depending on the size of scheme).
Operations, including monthly management fees, restaurant and club	Discounted cash flow	• management charges (£560 –£1,077 per unit per month); • discount rate (8.25% – 12.5%, average 9.08%); • exit yield (5.75% – 7.5%).
Administration fees	Discounted cash flow	• discount rate (8.75% – 13.00%, average 9.58%); • exit yield (6.25% – 8.00%); • average length of stay (7.5 – 8.0 years).
Care services	Discounted cash flow	• discount rate (20%); • exit yield (20%).
Ground rent	Income capitalisation	• initial yield (4.25%).

Revenue stream	Methodology	Key inputs 2022
Deferred management fees	Discounted cash flow	• house price inflation (HPI) (average 3.0%); • discount rate (8.75% – 10.25%, average 9.34%); • average length of stay (7.5 – 8.0 years); • exit yield (6.25% – 6.75%); • estate management and lifecycle costs; • deferred management charges (typically between 1.0% and 2.0% of gross development value); • Sales rates (2 per month depending on the size of scheme).
Operations, including monthly management fees, restaurant and club	Discounted cash flow	• management charges (£904 –£1,128 per unit per month); • discount rate (8.25% – 9.75%, average 8.84%); • exit yield (5.75% – 6.25%).
Administration fees	Discounted cash flow	• discount rate (8.75% – 10.25%, average 9.34%); • exit yield (6.25% – 6.75%); • average length of stay (7.5 – 8.0 years).
Care services	Discounted cash flow	• discount rate (20%); • exit yield (20%).
Ground rent	Income capitalisation	• initial yield (3.75%).

NOTES TO THE ACCOUNTS CONTINUED

10. INVESTMENT PROPERTIES continued

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	2023	-100BP	–	+100BP
Change in HPI	-100BP	3,350,000	(12,815,000)	(26,300,000)
	–	18,860,000	–	(15,640,000)
	+100BP	36,910,000	14,870,000	(3,305,000)

		Change in discount rate		
£'000	2022	-100BP	–	+100BP
Change in HPI	-100BP	4,395,000	(10,745,000)	(23,370,000)
	–	17,410,000	–	(14,445,000)
	+100BP	32,520,000	12,470,000	(4,115,000)

The Group did not incur any direct operating expenses arising from investment properties that did not generate income. There are no obligations, except those already contracted, to construct or develop the Group's investment properties. At 31 December 2023 contractual obligations to develop investment properties amounted to £nil (2022: £nil).

11. 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 2022	8,441
Additions	4,034
Disposals	(1,437)
At 31 December 2022	11,038
Lease modification	(459)
Additions	2,308
At 31 December 2023	12,887
Accumulated depreciation	
At 1 January 2022	(547)
Disposals	617
Depreciation charge for the year	(192)
At 31 December 2022	(122)
Depreciation charge for the year	(183)
At 31 December 2023	(305)
Net book value	
At 31 December 2023	12,582
At 31 December 2022	10,916

	2023 £'000	2022 £'000
Lease liabilities		
Current	230	118
Non-current	17,073	12,070

11. RIGHT OF USE ASSETS continued

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2023 £'000	2022 £'000
Depreciation of right of use assets		
Buildings	183	192
	183	192
Interest expense (included in finance cost)	811	479
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative and selling expenses)	108	141

The total cash outflow for leases in 2023 was £203k (2022: £233k), 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 250 years, and the Group's leased offices are for a period of five 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.

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. Retirement villages where the site is leased are included within investment properties. The value of the investment property does not include a deduction for lease payments, to avoid double-counting the IFRS 16 lease liability recognised.

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.

NOTES TO THE ACCOUNTS CONTINUED

11. RIGHT OF USE ASSETS continued

The Group has one lease with variable payments terms; the lease payments on the Wycliffe Park property are linked to the number of units sold. These lease payments become fixed once the final unit has been sold. The Group has treated these lease payments as in-substance fixed lease payments given that the lease payments are unavoidable.

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.

12. INVESTMENTS IN JOINT VENTURES

Cost	£'000
At 1 January 2022	24,462
Additions	945
Share of results from joint ventures	3,150
At 1 January 2023	28,557
Additions	2,751
Share of results from joint ventures	1,058
At 31 December 2023	32,366

Breakdown of share of results of joint ventures for the period

Joint venture	Total comprehensive income/(loss)	Audley Share	Adjustments for Group accounting policies	Share of results from joint ventures
SLIP	(4,285)	5%	204	(11)
BlackRock	3,420	25%	–	855
RELF	5,718	25%	(1,216)	214
				1,058

As at 31 December 2023, investments in joint ventures consisted of the Group's 25% share of the RELF Audley Retirement Living LLP, 25% share of UK Retirement Villages SCSp and 5% share of SLIP Audley LLP.

During the year to 31 December 2023, the Group invested an additional £1.7m (2022: £945k) in RELF Retirement Living LLP and recognised its share of total comprehensive income for the period to 31 December 2023 from the joint venture of £214k (2022: £1.3m).

During the year to 31 December 2023, the Group made no additional investment in UK Retirement Villages SCSp (2022: £nil). The Group recognised its share of total comprehensive income for the period to 31 December 2023 from the joint venture of £855k (2022: £1.8m).

During the year to 31 December 2023, the Group set up a new joint venture with Senior Living Investment Partners (General Partner) Limited, to construct luxury retirement villages (the "SLIP joint venture"). The Group owns 5% of the equity in this SLIP joint venture, with the remaining 95% owned by Senior Living Investment Partners (General Partner) Limited. The Group invested £1.0m in this joint venture in the year, and recognised its share of total comprehensive loss for the period to 31 December 2023 from the joint venture of £11k.

12. 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.

	2023 £'000	2022 £'000
Non-current assets		
Intangible assets	1,376	1,376
Investment properties	35,058	31,393
Property, plant and equipment	10	19
Deferred tax assets	–	842
Total non-current assets	36,444	33,630
Current assets		
Deferred tax assets	492	–
Stocks and inventories	150,884	159,039
Trade and other receivables	3,463	2,949
Cash and cash equivalents	10,835	3,774
Total current assets	165,674	165,762
Total assets	202,118	199,392
Liabilities		
Current liabilities		
Trade and other payables	(9,979)	(9,435)
Loans and borrowings	(97,916)	–
Total current liabilities	(107,895)	(9,435)
Non-current liabilities		
Loans and borrowings	–	(108,497)
Deferred tax liabilities	(3,407)	(2,552)
Total non-current liabilities	(3,407)	(111,049)
Total liabilities	(111,302)	(120,484)
Total net assets	90,816	78,908
Total members' interests		
Loans and other debts due to members	93,725	87,535
Accumulated losses	(2,909)	(8,627)
Total equity	90,816	78,908

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Revenue	55,580	29,302
Cost of sales	(44,841)	(26,632)
Gross profit	10,739	2,670
Administrative and selling expenses	(4,372)	(3,660)
Gain on revaluation of investment properties	490	10,457
Operating profit	6,857	9,467
Net finance income	66	11
Profit before tax	6,923	9,478
Tax charge	(1,205)	(1,346)
Profit and total comprehensive income for the year	5,718	8,132

NOTES TO THE ACCOUNTS CONTINUED

12. 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.

	2023 £'000	2022 £'000
Non-current assets		
Investment properties	14,100	8,953
Property, plant and equipment	4	50
Deferred tax assets	1,922	–
Total non-current assets	16,026	9,003
Current assets		
Stocks and inventories	64,128	59,567
Trade and other receivables	1,281	1,677
Cash and cash equivalents	1,564	735
Total current assets	66,973	61,979
Total assets	82,999	70,982
Liabilities		
Current liabilities		
Trade and other payables	(2,784)	(5,193)
Total current liabilities	(2,784)	(5,193)
Non-current liabilities		
Loans and borrowings	(41,654)	(42,152)
Trade and other payables	(3,051)	(2,712)
Deferred tax liabilities	(1,546)	–
Total non-current liabilities	(46,251)	(44,864)
Total liabilities	(49,035)	(50,057)
Total net assets	33,964	20,925
Total members' interests		
Loans and other debts due to members	40,944	31,325
Accumulated losses	(6,980)	(10,400)
Total equity	33,964	20,925

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Revenue	13,225	19,374
Cost of sales	(10,901)	(15,229)
Gross profit	2,324	4,145
Administrative and selling expenses	(3,114)	(1,877)
Gain/(loss) on revaluation of investment properties	6,183	(3,553)
Operating profit/(loss)	5,393	(1,285)
Net finance expense	(1,172)	(301)
Profit/(loss) before tax	4,221	(1,586)
Tax charge	(801)	–
Loss and total comprehensive expense for the year	3,420	(1,586)

12. INVESTMENTS IN JOINT VENTURES continued

The tables below provide summarised financial information for the SLIP Audley 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.

	2023 £'000
Current assets	
Stocks and inventories	20,001
Trade and other receivables	4,402
Cash and cash equivalents	50
Total current assets	24,453
Total assets	24,453
Liabilities	
Current liabilities	
Trade and other payables	(777)
Total current liabilities	(777)
Non-current liabilities	
Loans and borrowings	(8,884)
Total non-current liabilities	(8,884)
Total liabilities	(9,661)
Total net assets	14,792
Total members' interests	
Loans and other debts due to members	19,077
Accumulated losses	(4,285)
Total equity	14,792

	Period ended 31 December 2023 £'000
Revenue	–
Cost of sales	–
Gross profit	–
Administrative and selling expenses	(114)
Gain/(loss) on revaluation of investment properties	(4,172)
Operating loss	(4,286)
Net finance income	1
Loss before tax	(4,285)
Tax charge	–
Loss and total comprehensive expense for the period	(4,285)

Commitments in respect of joint ventures

The RELF joint venture has capital commitments of £7.0m (2022: £31.3m) of which the Group's share is £1.7m (2022: £8.0m). 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 £74.7m (2022: £74.7m), of which Audley already own 25%; therefore, the contractual future cash outflows are £56m (2022: £56m). 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, unless agreed and negotiated separately with the joint venture partner. 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.

The Watford Mayfield joint venture has capital commitments of £nil (2022: £1.8m) of which the Group's share is £nil (2022: £439k). The Group is contracted to purchase the entity from the joint venture that has developed the retirement village. The total consideration for the village is £25m (2022: £25m), of which Audley already own 25%; therefore, the contractual future cash outflows are £21.8m (2022: £21.8m). 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 in 2025, or earlier when the 92.5% of the village units are sold.

NOTES TO THE ACCOUNTS CONTINUED

12. INVESTMENTS IN JOINT VENTURES continued

The SLIP joint venture has no capital commitments as at 31 December 2023. The Group is currently contracted to purchase one entity (Headley Court) from the joint venture, which has developed the related retirement village. The total consideration for this is £26.2m, of which Audley already own 5%; therefore, the contractual future cash outflows are £24.9m. 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, unless agreed and negotiated separately with the joint venture partner. The obligation to buy back the properties is estimated to fall in 2028, or earlier when the 95% of the village units are sold.

13. OTHER INVESTMENTS

Cost	£'000
At 1 January 2022	285
Additions	159
Impairment	–
At 31 December 2022	444
Additions	4
Impairment	(448)
At 31 December 2023	–

At 31 December 2022, the Group held a £444k investment in PFA Audley PropCo P/S. PFA Audley PropCo P/S is registered in Denmark, the purpose of which was to develop retirement villages in Europe. Following the decision not to proceed with expansion into Europe, this investment will be liquidated in 2024. The investment will not be recovered on liquidation, consequently it has been fully impaired in the year.

At 31 December 2023 and 31 December 2022, the Group held a 4% interest in Audley Nightingale Lane Limited, which has developed a retirement village and is registered in Jersey. The carrying value at 31 December 2023 is £nil (2022: £nil). Subsequent to year-end, in January 2024, the remaining 96% interest was purchased, resulting in the Group holding 100% of the share capital in Audley Nightingale Lane Limited, in addition to the preference share capital held. In May 2024, the Group sold its share capital in Audley Nightingale Lane Limited, alongside its 100% shareholdings in Audley Nightingale Lane Holdings Limited and Audley Nightingale Place Management Limited. Refer to Note 27 for further detail on this transaction.

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

14. 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 2022	655	694	1,990	87	3,426
Additions	–	47	188	10	245
At 31 December 2022	655	741	2,178	97	3,671
Additions	–	16	102	–	118
Transfer to intangible assets	–	–	(784)	–	(784)
At 31 December 2023	655	757	1,496	97	3,005
Accumulated depreciation					
At 1 January 2022	557	209	1,360	66	2,192
Depreciation charge for the year	93	158	326	–	577
At 31 December 2022	650	367	1,686	66	2,769
Depreciation charge for the year	5	147	173	10	335
Transfer to intangible assets	–	–	(592)	–	(592)
At 31 December 2023	655	514	1,267	76	2,512
Net book value					
At 31 December 2023	–	243	229	21	493
At 31 December 2022	5	374	492	31	902

15. DEFERRED TAX

	2023 £'000	2022 £'000
Disclosed as:		
Deferred tax asset (tax losses)	–	–
Deferred tax asset (revaluation deficits)	–	–
Total deferred tax assets	–	–
Recoverable within one year	–	–
Recoverable after more than one year	–	–
Deferred tax liability (revaluation surpluses)	(5,366)	(6,103)
Total deferred tax liabilities	(5,366)	(6,103)
Arising within one year	–	–
Arising after more than one year	(5,366)	(6,103)

At 31 December 2023 the Group had unused tax losses of £90.9m (2022: £72.9m), of which £nil (2022: £nil) has been recognised as a deferred tax asset. These tax losses have not been recognised as it is not considered sufficiently certain that these losses can be utilised in future periods.

16. STOCKS AND INVENTORIES

	2023 £'000	2022 £'000
Land and work in progress	2,131	2,336
Finished goods	26,202	41,234
Food and beverage stocks	129	114
	28,462	43,684

	£'000
At 1 January 2022	70,213
Additions	5,235
Disposals – cost of sales	(31,764)
At 31 December 2022	43,684
Additions	21,867
Additions transferred to SLIP JV	(20,877)
Disposals – property cost of sales	(13,980)
Disposals – food & beverage cost of sales	(1,253)
Other movements	(979)
At 31 December 2023	28,462

During the year, no impairment has been recognised on stocks and inventories (2022: £nil).

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

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables – greater than one year

	2023 £'000	2022 £'000
Preference shares and accrued interest	–	16,625
Amounts due from related undertakings	3,051	3,005
Contract assets	27,030	24,720
	30,081	44,350

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. Included in preference shares and accrued interest is an accumulated expected credit loss of £13.7m (2022: £7.6m), which has been calculated based on forecast sales rates. The preference shares have been reclassified to current assets during the period due to the post year-end sale of Audley Nightingale Holdings Limited, the entity that holds the preference shares. Refer to Note 27 for further detail on this transaction.

NOTES TO THE ACCOUNTS CONTINUED

17. TRADE AND OTHER RECEIVABLES continued

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.

Included within contract assets 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 historical sales 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:

	2023 £'000	2022 £'000
Between one and two years	7,844	5,097
Between two and five years	11,813	30,932
Greater than five years	10,424	8,321
Total	30,081	44,350

Trade and other receivables – less than one year

	2023 £'000	2022 £'000
Trade receivables	4,428	3,519
Provision for impairment of trade receivables	(105)	(155)
Trade receivables (net)	4,323	3,364
Other receivables	2,690	2,119
Amounts due from related undertakings	2,062	–
Preference shares and accrued interest	13,602	–
Prepayments	1,003	1,110
Contract assets	15,113	9,765
	38,793	16,358

The ageing of trade receivables was as follows:

	2023 £'000	2022 £'000
Up to 30 days overdue	145	136
31 to 60 days overdue	74	76
61 to 90 days overdue	60	47
Over 90 days overdue	595	578
Total	874	837
Amounts not yet due	3,449	2,527
Trade receivables (net)	4,323	3,364

18. CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash and cash equivalents	7,872	4,178

	2023 £'000	2022 £'000
Cash and cash equivalents	7,872	4,178
Gross debt – variable interest rates	(55,502)	(42,921)
Lease liabilities	(17,303)	(12,188)
Net debt	(64,933)	(50,931)

	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 2022	9,201	(162)	(60,526)	(51,487)
Cash flows	(5,023)	(244)	9,193	3,926
Leases	–	288	(3,658)	(3,370)
At 1 January 2023	4,178	(118)	(54,991)	(50,931)
Cash flows	3,694	118	(511)	3,301
Leases	–	(230)	(17,073)	(17,303)
At 31 December 2023	7,872	(230)	(72,575)	(64,933)

19. TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Trade payables	4,239	1,670
Other payables	1,117	1,486
Amounts due to related undertakings	–	645
Accruals	10,392	8,338
Contract liabilities	2,996	4,060
	18,744	16,199

NOTES TO THE ACCOUNTS CONTINUED

20. LOANS AND BORROWINGS

	2023 £'000	2022 £'000
Bank loans	55,502	42,921
Loan arrangement costs	(1,704)	(1,148)
	53,798	41,773
Maturity profile		
Between one and five years	53,798	41,773
	53,798	41,773

In September 2022, the Group refinanced its revolving credit facility with a £59.3m stock financing facility from Silbury Specialty Finance, secured on the net assets of four villages (Chalfont Dene, Cooper's Hill, Ellerslie and St Georges Place). In so doing seven property assets were released from security and the gross debt borrowing amount was increased.

On 17 February 2023, the Group secured a £22.9m three-year shareholder financing facility (post year-end event) to provide liquidity through 2023 and to 'bridge' to new financing. As at 31 December 2023, £15m has been drawn under this facility.

On 22 November 2023, the Group entered into a new five-year £28.5m freehold financing facility with Federated Hermes. On 30 November 2023, £11.3m was drawn from this facility.

At 31 December 2023 the Group had undrawn loan facilities of £17.2m (2022: £16.4m).

The £53.8m loan outstanding at 31 December 2023 can be split as follows between the loan facilities in place:

	2023 £'000
Stock financing facility	25,942
Shareholder loan facility	17,704
Freehold financing facility	10,152
Total loans outstanding	53,798

21. 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 37.7% (2022: 26.6%).

Financial risk management

The Group's principal financial instruments at 31 December 2023 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 expected future sales rates. Based on this assessment, the accumulated expected credit loss is £13.7m (2022: £7.6m). Subsequently, post year-end, the Group sold its 100% shareholding in Audley Nightingale Holdings Limited, the entity which holds the preference share receivable. Refer to Note 27 for further detail on this transaction.

21. FINANCIAL INSTRUMENTS continued

Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank	7,870	4,176
Cash in hand	2	2
Cash and cash equivalents	7,872	4,178

Credit ratings of the financial institutions holding the Group's cash deposits as at 31 December 2023 are shown below.

Financial institution	Long-term credit rating	Cash and cash equivalents £'000
HSBC	AA-	6,544
Barclays	A+	1,290
RBS	A+	36
		7,870

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 2023	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	4,239	4,239	4,239	–	–	–
Other payables	1,117	1,117	1,117	–	–	–
Accruals	10,392	10,392	10,392	–	–	–
Lease liabilities	17,303	246,613	230	589	2,370	243,424
Bank loans	53,798	103,384	18,719	13,916	70,749	–
Total	86,849	365,745	34,697	14,505	73,119	243,424

At 31 December 2022	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	1,670	1,670	1,670	–	–	–
Other payables	1,486	1,486	1,486	–	–	–
Accruals	8,338	8,338	8,338	–	–	–
Lease liabilities	12,188	173,709	36	36	1,525	172,112
Bank loans	41,773	49,630	3,875	45,755	–	–
Total	65,455	234,833	15,405	45,791	1,525	172,112

NOTES TO THE ACCOUNTS CONTINUED

21. FINANCIAL INSTRUMENTS continued

Interest rate risk

The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include preference shares and cash balances. Preference shares earn interest at a fixed rate. Interest-bearing liabilities relate to bank loans. Interest-bearing liabilities are primarily in relation to the bank facility under which the Group is 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	2023 £'000	2022 £'000
Interest on borrowings	(278)	(215)
Interest on cash and cash equivalents	39	21
Total impact on pre-tax loss and equity	(239)	(194)

0.5% decrease in interest rates	2023 £'000	2022 £'000
Interest on borrowings	278	215
Interest on cash and cash equivalents	(39)	(21)
Total impact on pre-tax loss and equity	239	194

Categories of financial assets and financial liabilities

	2023		2022	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Non-current financial assets – amortised cost				
Contract assets	27,030	27,030	24,720	24,720
Loan receivable	3,051	3,051	–	–
Non-current financial assets – fair value through the profit and loss				
Derivative financial asset	342	342	–	–
Preference shares	–	–	16,625	16,625
Total non-current financial assets	30,423	30,423	41,345	41,345
Current financial assets – amortised cost				
Cash and cash equivalents	7,872	7,872	4,178	4,178
Trade and other receivables (excluding prepayments)	9,075	9,075	5,483	5,483
Preference shares	13,602	13,602	–	–
Contract assets	15,113	15,113	9,765	9,765
Total current financial assets	45,662	45,662	19,426	19,426
Total financial assets	76,085	76,085	60,771	60,771
Current financial liabilities – amortised cost				
Lease liabilities	230	230	118	118
Trade payables	4,239	4,239	1,670	1,670
Other payables	11,509	11,509	10,469	10,469
Total current financial liabilities	15,978	15,978	12,257	12,257
Non-current financial liabilities – amortised cost				
Bank loans	53,798	53,798	41,773	41,773
Lease liabilities	17,073	17,073	12,070	12,070
Total non-current financial liabilities	70,871	70,871	53,843	53,843
Total financial liabilities	86,849	86,849	66,100	66,100

22. SHARE CAPITAL

Authorised and issued

	2023		2022	
	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 2022 and 31 December 2022	336,888,136	266,958
At 31 December 2023	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.

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. These shares are part of the Audley Group Limited Management Equity Plan (MEP), which 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. At the reporting date, these performance standards are not expected to be met.

23. 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.

24. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND GUARANTEES

The Group has no capital commitments relating to the Group's development sites which are contracted for but not provided for (2022: £nil).

At 31 December 2023, the Group had a contractual commitment to purchase the entire share capital of Audley Nightingale Lane Limited. This commitment was extinguished subsequently in 2024 as the Group acquired the 96% majority interest in Audley Nightingale Lane Limited in January 2024, and subsequently sold 100% of its shareholding in Audley Nightingale Lane Limited in May 2024. Refer to Note 27 for further detail on this transaction.

See Note 12 for commitments to joint ventures.

25. RELATED PARTY TRANSACTIONS

The Directors who served during the year are considered to be key management personnel. Directors' remuneration is disclosed in Note 6. The Company's immediate Parent Company is MAREF Topco Ltd, which is registered in England and Wales.

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

Moorfield

During the year Moorfield Investment Management Limited charged £936k (2022: £1.2m) for management services. Included in accruals at the year-end was £2.6m (2022: £2.8m). Included in trade creditors at year end was £2.1m (2022: £468k).

During the year Moorfield Group Limited charged £300k (2022: £300k) for Asset Management Fees. Included in trade creditors at the year-end was £900k (2022: £180k). Includes in accruals at year end was £75k (2022: £300k).

During the year, Audley Willicombe Limited was issued a loan by MAREF Loan GP Limited, a related party of the Group's controlling parties. The Group drew down £15m on this loan during the year, utilising the facility in full. The Group expects to pay £33.2m in 2026 to repay this loan, giving an effective interest rate on the loan of 34.3%.

Audley Court Hollins Hall

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 (2022: £nil) amounts were received in respect of the licence agreement and £nil (2022: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year-end.

NOTES TO THE ACCOUNTS CONTINUED

25. RELATED PARTY TRANSACTIONS continued

RELF JV

During the year, Audley Stanbridge Earls Limited received services from Audley Group Limited, a partner to ReLF Audley Retirement Living LLP. Fees charged to Audley Stanbridge Earls Limited in the period were £nil for development management services (2022: £13k) and £110k for sales and marketing recharges (2022: £184k). Amounts outstanding at year-end date was £11k (2022: £41k).

During the year, Audley Court Limited (a wholly owned subsidiary of Audley Group Limited) recharged sales and marketing services of £203k (2022: £540k). Amounts outstanding at year-end date was £426k (2022: £222k).

During the year, Audley Stanbridge Earls Management Limited (a wholly owned subsidiary of Audley Group Limited) invoiced Audley Stanbridge Earls Limited for sales incentives and management charges on empty apartments amounting to £348k (2022: £268k). Amounts outstanding at year end date was £227k (2022: £17k).

In the prior years, Audley Stanbridge Earls Limited entered into a 250-year operating lease with Audley Stanbridge Earls Rent Company Limited, a wholly owned subsidiary of Audley Group Limited to rent the investment property. The annual rent is £361k commencing on 3 July 2020 with a rent-free period of 5 years. During the year £353k (2022: £353k) was recognised in turnover and £1.2m (2022: £883k) is recognised in accrued income at 31 December 2023.

During the year Audley Sunningdale Park Unit Trust received services from Audley Group Limited, a partner to ReLF Audley Retirement Living LLP. Fees charged to Audley Sunningdale Park Unit Trust in the period were £31k (2022: £92k) for development management services and £135k (2022: £41k) for sales and marketing recharges. Included in trade creditors at the period end was £9k (2022: £nil).

During the year, Audley Court Limited (a wholly owned subsidiary of Audley Group Limited) recharged sales and marketing services of £261k (2022: £279k). Amounts outstanding at year-end date was £261k (2022: £113k).

During the year, Audley Sunningdale Park Management Limited (a wholly owned subsidiary of Audley Group Limited) invoiced the Audley Sunningdale Park Unit Trust for sales incentives and management charges on empty apartments amounting to £441k (2022: £38k. Amounts outstanding at year end date was £228k (2022: £17k).

During the year, Audley Sunningdale Park Unit Trust entered into a 250-year operating lease with Audley Sunningdale Park Rent Company Limited, a wholly owned subsidiary of Audley Group Limited to rent the investment property. The annual rent is £333k commencing on 1 September 2022 with a rent-free period of 5 years. During the year £326k (2022: £nil) was recognised in turnover and £326k (2022: £nil) is recognised in accrued income at 31 December 2023.

During the year the Audley Cobham Unit Trust received services from Audley Group Limited, a partner to ReLF Audley Retirement Living LLP. Fees charged to the Trust in the year were £23k (2022: £103k) for development management services and £271k (2022: £9k) for sales, marketing and professional fee recharges. Amounts outstanding at year-end was £8k (2022: £1k).

During the year, Audley Court Limited (a wholly owned subsidiary of Audley Group Limited) recharged sales and marketing services of £449k (2022: £303k). Amounts outstanding at year-end was £449k (2022: £126k).

During the year, Audley Cobham Management Limited (a wholly owned subsidiary of Audley Group Limited) invoiced the Audley Sunningdale Park Unit Trust for sales incentives and management charges on empty apartments amounting to £380k (2022: £nil). Included in trade creditors at the year-end was £122k (2022: £nil).

During the year, Audley Cobham Unit Trust entered into a 250-year operating lease with Audley Cobham Rent Company Limited, a wholly owned subsidiary of Audley Group Limited to rent the investment property. The annual rent is £270k commencing on 1 April 2022 with a rent-free period of 5 years. During the year £180k (2022: £nil) was recognised in turnover and £180k (2022: £nil) is recognised in accrued income at 31 December 2023.

During the year the Audley Scarcroft I Unit Trust received services from Audley Group Limited, a partner to ReLF Audley Retirement Living LLP. Fees charged to the Trust in the period were £155k (2022: £185k) for development management services and £30k (2022: £nil) for sales, marketing and professional fee recharges. Amounts outstanding at year end was £156k (2022: £46k).

During the year, Audley Court Limited (a wholly owned subsidiary of Audley Group Limited) recharged sales and marketing services of £209k (2022: £175k). Amounts outstanding at year end was £275k (2022: £93k).

During the year, Audley Scarcroft Management Limited (a wholly owned subsidiary of Audley Group Limited) invoiced the Audley Scarcroft I Unit Trust for sales incentives and management charges on empty apartments amounting to £32k (2022: £nil). Amounts outstanding at year end was £32k (2022: £nil).

BlackRock JV

During the year, Audley Group Developments 1 Limited received services from Audley Group Limited, a 25% owner of UK Retirement Villages SCSp. Fees charged to Audley Group Developments 1 Limited in the year were £150k (2022: £293k) for development management services. Included in accruals at the year-end was £nil (2022: £10k).

During the year, Audley Group Limited recharged sales commission of £121k (2022: £296k). Included in trade creditors at the year-end was £13k (2022: £10k).

During the year, Audley Court Limited (a wholly owned subsidiary of Audley Group Limited) recharged sales and marketing services of £338k (2022: £329k). Included in trade debtors at the year-end was £338k (2022: £254k).

Included within amounts owed to related undertakings is amount of £nil (2022:£158k) owed to Audley Group Developments 2 Limited.

25. RELATED PARTY TRANSACTIONS continued

SLIP JV

In 2023 the Group formed a joint venture with Senior Living Investment Partners (SLIP). During the year, the Group charged accountancy fees to the joint venture of £2k and development management fees of £19k. Costs recharged to the JV were £334k, pertaining to invoices paid by the Group prior to set-up of the JV. All of these fees were unpaid at year-end.

The Group purchased the land relating to the Headley Court property for £18.1m. This was sold to the SLIP JV for £18.5m, and the £436k gain has been recognised in other operating income.

Nightingale investment

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 £250k (2022: £293k) for sales and marketing services. Included in accrued income at year end was £37k (2022: £844k). 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 2023, £13.6m (2022: £16.6m) was included in trade and other receivables due in less than one year (2022: greater than one year). Included in other gains/(losses) is a loss of £6.1m (2022: £2.5m) for the expected credit loss on the Preference shares and interest.

Subsequent to year-end, the remaining 96% majority interest in Audley Nightingale Lane Limited was acquired, and the 100% investment in Audley Nightingale Lane Limited, as well as the 100% shareholdings in Audley Nightingale Lane Holdings Limited and Audley Nightingale Place Management Limited were sold to MREF V GP Limited, a related party of the Group's controlling party. Refer to Note 27 for further detail on this transaction.

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 2023 (2022: none).

26. 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 2023. 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.

27. POST-BALANCE SHEET EVENTS

Project Spa

On 16 December 2024, the Group completed a sale and leaseback transaction for five of its investment properties, in exchange for £39.5m consideration. These properties were leased back on the same day to the Group via a 50-year lease and the Group has a purchase option at the end of the lease for £1.

Stanbridge Earls buyback

With the funds generated by the sale and leaseback transaction, the group completed the buyback of the Stanbridge Earls village by purchasing the 75% shareholding from RELF. The transaction was completed on 16 December 2024 for a £21.4m net consideration. Post the buyback, the Group owned 100% of the share capital in Audley Stanbridge Earls Limited.

This extinguishes the first of the Group's joint venture buyback commitments.

Purchase and sale of Nightingale Place shareholding

At 31 December 2023 and 31 December 2022, the Group held a 4% interest in Audley Nightingale Lane Limited ("ANLL"), which has developed a retirement village and is registered in Jersey. The carrying value at 31 December 2023 is nil (2022: £nil). Subsequent to year-end, in January 2024, the remaining 96% interest was purchased for £3.2m, resulting in the Group holding 100% of the share capital in ANLL, in addition to the preference share capital held. This purchase was partially funded by a £3m loan from Moorfield Real Estate Fund II GP Limited, a related party of the Group's ultimate controlling parties. Additionally, a further £2m was drawn down on this loan facility.

In May 2024, the Group sold its share capital in Audley Nightingale Lane Holdings Limited (which includes the 100%-owned shareholdings of both ANLL and Audley Nightingale Place Management Limited, as wholly owned subsidiaries of Audley Nightingale Lane Holdings Limited) to MREF V GP Limited, a related party of the Group's ultimate controlling parties. The aggregate consideration for this sale for all three entities was £11.0m, which is net of the repayment of the £5m loan and £1.3m of interest costs incurred on this loan.

Rental units

Post year-end, the Group started actively marketing units for rental (in addition to the current business model of only holding them for sale). This presents a new revenue stream for the Group going forwards.

Shiplake Meadows

In September 2024, the Group was appointed by Galliard Homes and O'Shea Group to assume the sales and operational management of a new retirement village, Shiplake Meadows, in Oxfordshire. The village will bring 65 units to market.

COMPANY BALANCE SHEET

As at 31 December

	Note	2023 £'000	2022 £'000
Fixed assets			
Investments	4	66,951	85,195
Current assets			
Stocks	5	1,507	2,336
Debtors: amounts falling due within one year	6	28,845	118,982
Cash and cash equivalents		1,589	468
		31,941	121,786
Creditors: amounts falling due within one year	7	(8,430)	(166)
Net current assets		23,511	121,620
Total assets less current liabilities		90,462	206,815
Net assets		90,462	206,815
Capital and reserves			
Called up share capital	8	266,958	266,958
Share premium	8	15,665	15,665
Accumulated losses		(192,161)	(75,808)
Total shareholders' funds		90,462	206,815

The notes on pages 71 to 76 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 70 to 76 were approved and authorised for issue by the Board and were signed on its behalf on 30 December 2024.

Gary Burton
Chief Operating Officer & 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	Accumulated losses £'000	Total shareholders' funds £'000
At 1 January 2022	266,958	15,665	(47,018)	235,605
Loss for the financial year	–	–	(28,790)	(28,790)
At 31 December 2022	266,958	15,665	(75,808)	206,815
Loss for the financial year	–	–	(116,353)	(116,353)
At 31 December 2023	266,958	15,665	(192,161)	90,462

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

Basis of preparation of financial statements

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

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

Going concern

For details of the Directors' assessment of going concern for the Company refer to accounting policy Note 2 on pages 41 and 42.

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 assess fair value of stock. There has been an impairment of £18.2m (2022: £29.4m) to investments in the year.

The Directors assess the recoverability of the amounts owed by Group undertakings annually. The recoverable values of these receivables are estimated taking into account net assets and the uplift in stock fair value above carrying value. Management is required to employ considerable judgement in assessing the fair value uplift and use an independent third party valuer to assess fair value of stock. There has been an impairment of amounts receivable from Group undertakings of £99.2m during the year (2022: £nil).

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 £116.4m (2022: loss of £28.8m). £nil dividends were paid in the year to 31 December 2023 (2022: £nil) and the Directors do not propose the payment of a final dividend.

3. DIRECTORS' AND AUDITORS' REMUNERATION

Directors' remuneration is given in Note 6 of the consolidated financial statements. Directors' remuneration is paid by Audley Court Limited, an immediate, 100% owned subsidiary company. There were no employees during the year (2022: nil). Remuneration paid to the Company's auditors for audit and non-audit services is disclosed in Note 4 of the consolidated financial statements.

4. INVESTMENTS

	£'000
Cost	
At 1 January 2022	160,769
Additions	–
At 31 December 2022	160,769
Additions	4
At 31 December 2023	160,773
Impairment	
At 1 January 2022	46,192
Impairment charge	29,382
At 31 December 2022	75,574
Impairment charge	18,248
At 31 December 2023	93,822
Net book value	
At 31 December 2023	66,951
At 31 December 2022	85,195

4. INVESTMENTS continued

Subsidiaries

The direct 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 2023 %	Proportion of ownership interest at 31 December 2022 %	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	Management company
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 Investments No 5 Limited	100	0	Holding company
Audley Wycliffe Management Limited	100	100	Management company
AB Incentiveco 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 2023 %	Proportion of ownership interest at 31 December 2022 %	Nature of business
Audley Stanbridge Earls Rent Company Limited	100	100	Rental of freehold property
Audley Sunningdale Park Rent Company Limited	100	100	Rental of freehold property
Audley Stanbridge Earls Management Limited	100	100	Management company
Audley Sunningdale Park Management Limited	100	100	Management company
Audley Cobham Rent Company Limited	100	100	Rental of freehold property
Audley Cobham Management Limited	100	100	Management company
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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. INVESTMENTS continued

Subsidiaries continued

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

Name	Proportion of ownership interest at 31 December 2023 %	Proportion of ownership interest at 31 December 2022 %	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 2023 %	Proportion of ownership interest at 31 December 2022 %	Nature of business
UK Retirement GP Sarl	25	25	General partner
UK Retirement Villages SCSp	25	25	Holding company

The following are the subsidiaries that are owned by Audley Investments No 3 Limited:

Name	Proportion of ownership interest at 31 December 2023 %	Proportion of ownership interest at 31 December 2022 %	Nature of business
Audley Headley Court Rent Company Limited	100	0	Dormant
Audley Headley Court Management Limited	100	0	Dormant

The following are the joint ventures that are owned by Audley Investments No 3 Limited:

Name	Proportion of ownership interest at 31 December 2023 %	Proportion of ownership interest at 31 December 2022 %	Nature of business
SLIP Audley I LLP	5	0	Holding company
SLIP Audley II LLP	5	0	Holding company

4. INVESTMENTS continued

Subsidiaries continued

The following are the subsidiaries that are all 100% owned by Audley Court Limited (either directly or indirectly):

Name	Nature of business
Audley Binswood Limited	Village Development company
Audley Binswood Management Limited	Management company
Audley Care Ltd	Care provider
Audley Care White Horse Ltd	Care provider
Audley Chalfont Limited	Village Development company
Audley Chalfont Management Limited	Management company
Audley Clevedon Limited	Village Development company
Audley Clevedon Management Limited	Management company
Audley Coopers Hill Limited	Village Development company
Audley Coopers Hill Management Limited	Management company
Audley Court Management Limited	Apartment resales
Audley Ellerslie Limited	Village Development company
Audley Ellerslie Management Limited	Management company
Audley Financial Services Limited	Dormant
Audley Flete Limited	Village Development company
Audley Flete Management Limited	Management company
Audley Homewood Limited	Village Development company
Audley Inglewood Limited	Village Development company
Audley Inglewood Management Limited	Management company
Audley Mote Management Limited	Management company
Audley Redwood Limited	Village Development company
Audley Redwood Management Limited	Management company
Audley St Elphins Limited	Village Development company
Audley St Elphins Management Limited	Management company
Audley St George's Limited	Village Development company
Audley St George's Management Limited	Management company
Audley Sunningdale Park Limited	Village Development company
Audley Dormant Co Limited	Management company
Audley Willicombe Limited	Village Development company
Audley Willicombe Management Limited	Management company
Mayfield Villages Limited	Village Development company
Audley Group Developments 2 Ltd	Village Development company
Mayfield Watford Management Limited	Dormant
Audley Holdco No 1 Limited	Holding company
Mayfield Villages Care Limited	Dormant

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

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 2023, as required by Section 479C:

- Audley Care Limited
- Audley Care White Horse Limited
- Audley Cobham Rent Company Ltd
- Audley Stanbridge Earls Rent Company Ltd
- Audley Sunningdale Park Rent Company Ltd
- Mayfield Villages Care Ltd
- Mayfield Villages Limited

The following subsidiaries of the Group are dormant and therefore exempt from preparing accounts in accordance with section 394A of the Companies Act 2006. The Company has guaranteed these subsidiaries as required by section 394C(1):

- AB Incentiveco Limited (registered number 13303856)
- Audley Court Management Limited (registered number 05582750)
- Audley Dormant Co Limited (registered number 10471304)
- Audley Financial Services Limited (registered number 10263681)
- Audley Headley Court Management Limited (registered number 14922785)
- Audley Headley Court Rent Company Limited (registered number 14923864)
- Audley Scarcroft 1 Rent Company Limited (registered number 13082461)
- Audley Scarcroft 2 Rent Company Limited (registered number 13082426)
- Mayfield Watford Management Limited (registered number 12103773)
- Mayfield Hove Limited (registered number 13064363)

5. STOCKS

	2023 £'000	2022 £'000
Land deposits and associated expenditure	1,507	2,336
	1,507	2,336

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade debtors	660	24
Amounts owed by Group undertakings	28,068	118,909
Other debtors	81	39
Prepayments and accrued income	36	10
	28,845	118,982

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade creditors	218	48
Other creditors	478	10
Accruals and deferred income	56	108
Amounts owed to Group undertakings	7,678	–
	8,430	166

8. CALLED UP SHARE CAPITAL

Authorised and issued

	2023		2022	
	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 2022 and 31 December 2022	336,888,136	266,958
At 31 December 2023	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 £12.6m (2022: £9.8m). Of this amount, £10.6m (2022: £9.5m) relates to amounts owed to fellow group undertakings of the Companies.

10. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 33.1A of FRS 102 not to disclose the transactions with fellow wholly owned subsidiaries of Audley Group Limited. Refer to Note 25 in the consolidated accounts for transactions between the Group and its associates/joint ventures.

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 2023. The consolidated financial statements are available from Companies House.

12. POST-BALANCE SHEET EVENTS

See Note 27 of the consolidated financial statements.

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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