Registered number: 06208889

Audley Willicombe Management Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

AUDLEY WILLICOMBE MANAGEMENT LIMITED

Company Information

Directors	M N Sanderson P D Morgan K E Rose (resigned 27 April 2019) K A Shaw (resigned 30 April 2021) J W Nettleton J M Austen (resigned 30 June 2021) G L Burton (appointed 2 November 2020)
Registered number	06208889
Registered office	65 High Street Egham Surrey TW20 9EY
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

AUDLEY WILLICOMBE MANAGEMENT LIMITED

Contents

AUDLEY WILLICOMBE MANAGEMENT LIMITED

Directors' Report
For the Year Ended 31 December 2019

The directors present their report and the audited financial statements of Audley Willicombe Management Limited (the "Company") for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements of the Company in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements of the Company for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and 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 the 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements of the Company, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements of the Company on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements of the Company comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The Company's principal activity during the financial year was that of the management of a retirement village.

Results

The profit for the year, after taxation, amounted to £41,978 (2018 - £53,153).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

M N Sanderson
P D Morgan
K E Rose (resigned 27 April 2019)
K A Shaw (resigned 30 April 2021)
J W Nettleton
J M Austen (resigned 30 June 2021)
G L Burton (appointed 02 November 2020)

Directors' Report (continued)
For the Year Ended 31 December 2019

Going Concern

The Directors' consideration of the factors affecting the Company's going concern assessment are detailed in note 2.2 of the Financial Statements. Given the uncertainty impacting the Group and the impact on the Company, the Directors have concluded that this indicates there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern in the disclosure of the basis of preparation to the financial statements.

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 414B and 415A of the Companies Act 2006.

Future developments

The directors do not anticipate any changes to the present level of activity or to the nature of the Company's business in the near future.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all the steps that the ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

Since 31 December 2019 a global pandemic, Covid-19, has led to Government advice, both in the UK and globally, that all non-essential work should be limited to reduce the spread of the virus. Covid-19 is considered to be a non-adjusting post balance sheet event and no adjustment has been made to the Financial Statements as a result. The Company has adhered to all Government guidelines while carrying out its operations.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

This report was approved by the board on 26August 2021 and signed on its behalf.

M N Sanderson
Director

Independent auditors' report to the members of Audley Willicombe Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, Audley Willicombe Management Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter – Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the Company's ability to continue as a going concern.

The Directors of the Company's intermediate parent Audley Group Limited have concluded that there is a material uncertainty which may cast significant doubt on the ability of the Audley Group Limited group (the 'Group') to continue as a going concern.

In forming their conclusions in respect of the going concern of the Company the Directors have relied on confirmation from Audley Group Limited that it intends to support the Company for a period of at least 12 months from the date of approval of the financial statements. The material uncertainties that exist in respect of the Group's going concern indicate that, in the event that the Company was required to call on the support of the intermediate parent company, such support may not be available.

In addition, as disclosed in note 16, the Company is a guarantor to the Group's £95m debt facility and therefore in assessing the going concern of the Company it has been necessary to consider the obligations of the parent company under that debt.

The Group has a £95m debt facility including amortising and revolving credit tranches that is secured on the net assets of Audley Court Limited and its subsidiaries. Audley Court Limited is a subsidiary of Audley Group Limited. The Group is also a joint guarantor to debt facilities held by its joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained. The Directors have performed a detailed review of the current and projected financial position of the Group which involved preparing two forecast scenarios: a Base case and a Severe but

Independent auditors' report to the members of Audley Willicombe Management Limited

plausible 'downside' case. Under the 'downside' case:

- The Group's available cash is fully utilised by August 2022 and failure to achieve sufficient mitigating actions or secure additional funding for the Group would mean that the Group will be unable to repay its liabilities as they fall due from this date;
- The Group would breach the loan-to-value covenant on one specific tranche of the facility. The failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due;
- The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under loan-to-value covenant (attached to the land tranche element of the overall loan) and results in a breach of the covenant. The failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due; and
- The forecast valuation decline on the unsold stock held by Audley Nightingale Lane Limited reduces the headroom under loan-to-value covenant and would result in a breach of covenant. In addition, under the Severe but plausible downside case, Audley Nightingale Lane Limited and Audley Group Developments 1 Limited do not meet the minimum number of exchanged property sales defined in the loan agreement and this would result in a breach of covenant. Failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due.

These uncertainties resulted in the Directors concluding that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Consequently, the Group may be unable to provide support to the Company, should such support be required, and this condition, along with the other matters explained in note 2.2 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Reporting on other information

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

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

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Audley Willicombe Management Limited

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Audley Willicombe Management Limited

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Ian Benham

Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 August 2021

AUDLEY WILLICOMBE MANAGEMENT LIMITED

Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	**1,447,937**	1,501,742
Cost of sales		**(1,405,140)**	(1,445,860)
Operating profit	5	**42,797**	55,882
Interest receivable and similar income	8	**122**	-
Profit before tax		**42,919**	55,882
Tax on profit	9	**(941)**	(2,729)
Profit for the financial year		**41,978**	53,153
Other comprehensive income for the year			
Total comprehensive income for the year		**41,978**	53,153

The notes on pages 10 to 23 form part of these financial statements.

AUDLEY WILLICOMBE MANAGEMENT LIMITED
Registered number:06208889

Statement of Financial Position
As at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	10		69,456		34,538
			69,456		34,538
Current assets					
Stocks	11	3,158		2,933	
Debtors: amounts falling due within one year	12	904,109		1,409,620	
Cash at bank and in hand	13	136,400		142,209	
		1,043,667		1,554,762	
Creditors: amounts falling due within one year	14	(888,926)		(1,408,022)	
Net current assets			154,741		146,740
Total assets less current liabilities			224,197		181,278
Provisions for liabilities					
Deferred tax	15	(4,300)		(3,359)	
			(4,300)		(3,359)
Net assets			219,897		177,919
Capital and reserves					
Called up share capital	17		1		1
Profit and loss account			219,896		177,918
Total equity			219,897		177,919

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 August 2021.

M N Sanderson
Director

The notes on pages 10 to 23 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	1	177,918	177,919
Comprehensive income for the year			
Profit for the financial year	-	41,978	41,978
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	41,978	41,978
At 31 December 2019	1	219,896	219,897

The notes on pages 10 to 23 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1	124,765	124,766
Comprehensive income for the year			
Profit for the financial year	-	53,153	53,153
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	53,153	53,153
At 31 December 2018	1	177,918	177,919

The notes on pages 10 to 23 form part of these financial statements.

For the Year Ended 31 December 2019

1. General information

The company's principal activity during the financial year was that of the management of a retirement village. The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is 65 High Street, Egham, Surrey, TW20 9EY.

2. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions subject to certain conditions, which have been compiled with, including notification of, and no objections to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

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

2. Accounting policies (continued)

2.2 Going concern

Introduction

The Directors of the Company's intermediate parent Audley Group Limited have concluded that there is a material uncertainty which may cast significant doubt on the ability of the Audley Group Limited Group (the 'Group') to continue as a going concern.

In forming their conclusions in respect of the going concern of the Company, the Directors have relied on confirmation from Audley Group Limited that it intends to support the Company for a period of at least 12 months from the date of approval of the financial statements. The material uncertainty that exists in respect of the Group's going concern indicates that, in the event that the Company was required to call on the support of the intermediate parent company, such support may not be available.

In addition, the Company is a guarantor to the Group's £95m debt facility and therefore in assessing the going concern of the Company it has been necessary to consider the obligations of the parent company under that debt.

To ascertain whether it was appropriate to prepare the financial statements on a going concern basis, the Directors of the Group have performed a robust assessment of the principal risks facing the Group, including those risks that would threaten the Group's business model, future performance and liquidity. The principal risks facing the Group and how the Group addresses such risks are described in the Principal Risk Review section of the Strategic Report on pages 36 to 39 of the Audley Group Limited's financial statements.

As the Directors have to make the going concern assessment over at least a 12 month period from the date of signing the financial statements, the scenario modelling has been undertaken over the period to 31 December 2022.

The assessment involved the preparation of two forecast scenarios: a 'Base case' and a Severe but plausible 'downside' case. In response to unprecedented levels of uncertainty in the market, caused by the coronavirus pandemic, the Severe but plausible downside case considers a more significant impact on the core drivers of performance than previously might have been assumed. The Group's experience of the trading environment since the first lockdown in March 2020 has been less severe than the 'downside' scenario assumes.

Financing overview

As explained in note 22 of the Group financial statements, the Group has a £95m debt facility including amortising and revolving credit tranches that is secured on the net assets of Audley Court Limited and its subsidiaries. Audley Court Limited is a subsidiary of Audley Group Limited. The Group is also a joint guarantor to debt facilities held by its joint venture, RELF Audley Retirement Living LLP, and by Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained and tested on a quarterly basis. At the date of approval of these financial statements the Group had complied with all applicable borrowing covenants. The Group had cash and cash equivalents of £14.8m at 31 December 2020 (2019: £20.6m).

At 31 December 2020, the Group's joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group has an investment, had £238.3m of secured facilities, of which the Group's proportionate share was £43.8m. These relate to loans secured against the property assets of these entities being the villages under development, completed villages and unsold stock at the joint venture sites at Stanbridge Earls, Sunningdale, Cobham, Scarcroft and Clapham. In addition, subsequent to the year end, the Group's new joint venture with Blackrock secured a £40.5m (Group's share £10.1m) facility for the financing of the development at Mayfield Watford. The

2. Accounting policies (continued)

2.2 Going concern (continued)

Mayfield Watford site is owned by Audley Group Developments 1 Limited which also holds the debt facility. The Group is a joint guarantor to these facilities in proportion to its shareholding in the respective entities that own the assets. The facilities contain a number of financial covenants that are generally tested quarterly in March, June, September and December. At the date of approval of these financial statements, the RELF Audley Retirement Living LLP joint venture and Audley Nightingale Lane Limited complied with all applicable borrowing covenants.

Scenario assumptions and outcomes

The Base case was based on the 2021 Board approved budget with sales volumes and prices updated for the actual performance of the Group in the first half of 2021. The forecast assumes equity funding injected into the joint venture in line with the contractual terms of the shareholder agreement and the underlying debt arrangements. Over the going concern period to 31 December 2022 the Severe but plausible downside case included the following key considerations: owned unit sales are 28% fewer (33% over the 12 month period to 31 August 2022) than what is assumed in the Base case scenario and a 15% fall in the fair value of inventory and consequently in the selling prices from currently achieved levels. The Severe but plausible downside case does not include the impact of the mitigating actions identified by management as outlined below.

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

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

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

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

Mitigating actions

There are two principal mitigating actions available to the Group. A reduction of discretionary costs or a deferral of costs such as capital expenditure which would improve the liquidity position. In respect of the covenant compliance, the Group continues to have supportive lenders as was demonstrated in

2. Accounting policies (continued)

2.2 Going concern (continued)

August 2021 with an agreed reduction to the proportion of mandatory debt repayments and release of the restricted cash under the Group's banking facility. The Directors have confidence that should they be required, covenant waivers could be obtained.

Conclusion

Based on the scenarios modelled by the Group and given the availability of the mitigating actions to provide sufficient liquidity over the going concern period, the Directors of the Group have considered that it is reasonable to conclude that the Group will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. As such, the Directors of the Company have considered it reasonable to conclude that Company will be able to rely on the support of the Group and fulfil their obligations under the borrowing facilities and have considered that it is reasonable to conclude that the Company will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, the financial statements have been prepared on a going concern basis.

However, as explained at the beginning of this assessment, the Group is facing levels of uncertainty, principally caused by the Covid-19 pandemic, and the Group's financial modelling is sensitive to material changes in UK house prices and volumes of transactions.

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

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

- The Group would breach the loan-to-value covenant on one specific tranche of the facility. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due;

- The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under loan-to-value covenant (attached to the land tranche element of the overall loan) and results in a breach of the covenant. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due; and

- The forecast valuation decline on the unsold stock held by Audley Nightingale Lane Limited reduces the headroom under loan-to-value covenant and would result in a breach of covenant. In addition, under the Severe but plausible downside case, Audley Nightingale Lane Limited and Audley Group Developments 1 Limited do not meet the minimum number of exchanged property sales defined in the loan agreement and this would result in a breach of covenant. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due.

Given the uncertainty impacting the Group described above and the impact on the Company, the

2. Accounting policies (continued)

2.2 Going concern (continued)

Directors have concluded that this indicates there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern in the disclosure of the basis of preparation to the financial statements.

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

2.3 Revenue recognition

The Company recognises revenue from the following major sources.

- Estate management fees - comprising management fees
- Restaurant including food and beverage income
- Care service fees

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 Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company 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 Company's revenue streams have been met, as described below.

Revenue for each stream recognised as follows.

Management fees

Owners of the Company'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.

Restaurant including food and beverage

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

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.

2.4 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.5 Related party transactions

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

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	20% Straight Line
Office equipment	-	33% Straight Line
Computer equipment	-	20% Straight Line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Stocks

Stocks, comprising consumables for sale in the restaurant, are stated at the lower of cost and net realisable value.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 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.

2.10 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in equity. In this case tax is also recognised in equity. 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 years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year 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.

2. Accounting policies (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 period 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.

2.11 Financial instruments

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

(i) Financial assets

Basic financial assets, including other receivables and cash and bank balances, are initially recognised at the 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 assets' 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 flow from the asset expire or are settled, or (ii) substantially all the risk 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.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

(ii) Financial liabilities

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due with 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, that is when the contractual obligation is discharged, cancelled or expires.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the entity's accounting policies

No critical judgements have been made in applying the entity's accounting policies.

3.2 Key accounting estimates and assumptions

No key accounting estimates and assumptions have been made in applying the entity's accounting policies.

4. Turnover

	2019 £	2018 £
Estate Management Fees	**692,249**	677,789
Care	**624,664**	686,735
Food and Beverage	**91,580**	106,490
Other	**39,444**	30,728
	1,447,937	1,501,742

The whole of the turnover is attributable to the company's main activity which is carried out in the United Kingdom.

Estate Management fees are recorded over time. Food and beverage, Care & other income is recognised at the point of sale.

For the Year Ended 31 December 2019

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets- owned by the company	**13,816**	4,952

Audit fees were borne by the immediate parent company, Audley Court Limited, in both years and not recharged to subsidiaries.

6. Employees

The average monthly number of employees, excluding the directors, during the year was as follows:

	2019 Number	2018 Number
Estate Management	**10**	11
Bar and Restaurant	**6**	33
Care, care management and housekeeping	**30**	6
	46	50

All employees were employed by Audley Court Limited, the immediate parent company. The above information reflects the number of employees whose services were attributable to Audley Willicombe Management Limited. The cost relating to the services provided were recharged to the Company.

7. Directors' remuneration

There was no remuneration paid to the directors by the Company during the year (2018 - £nil). There were no retirement benefits accruing to the directors (2018 - £nil).

Directors' remuneration was paid by the immediate parent company, Audley Court Limited, in both years and not recharged to subsidiaries.

8. Interest receivable and similar income

	2019 £	2018 £
Other interest receivable	**122**	-
	122	-

For the Year Ended 31 December 2019

9. Tax on profit

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	941	3,359
Adjustment to tax charge in respect of prior years	-	(630)
Total deferred tax	941	2,729
Tax on profit	941	2,729

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit before tax	42,919	55,882
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	8,155	10,618
Effects of:		
Expenses not deductible/income not taxable	-	1,163
Group relief claimed and not paid for	(6,480)	(8,027)
Impact in change in tax rate	-	(395)
Adjustment to tax charge in respect of prior years	-	(630)
Accelerated capital allowances	(734)	-
Total tax charge for the year	941	2,729

For the Year Ended 31 December 2019

10. Tangible assets

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2019	22,606	38,244	3,680	64,530
Additions	5,127	42,650	957	48,734
At 31 December 2019	27,733	80,894	4,637	113,264
Accumulated depreciation				
At 1 January 2019	9,275	20,595	122	29,992
Charge for the year on owned assets	3,607	9,250	959	13,816
At 31 December 2019	12,882	29,845	1,081	43,808
Net book value				
At 31 December 2019	14,851	51,049	3,556	69,456
At 31 December 2018	13,331	17,649	3,558	34,538

11. Stocks

	2019 £	2018 £
Goods for resale	3,158	2,933
	3,158	2,933

There were no significant differences between the replacement costs of stocks and its carrying amount.

For the Year Ended 31 December 2019

12. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	**360,704**	207,914
Amounts owed by group undertakings	**498,879**	1,162,286
Other debtors	**18,508**	18,029
Prepayments and accrued income	**26,018**	21,391
	904,109	1,409,620

Trade debtors are stated net of £38 (2018 - £38) bad debt provisions.

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

13. Cash at bank and in hand

	2019 £	2018 £
Cash at bank and in hand	**136,400**	142,209
	136,400	142,209

14. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	**18,500**	25,694
Amounts owed to group undertakings	**517,802**	1,263,388
Other creditors	**35,594**	106,734
Accruals and deferred income	**317,030**	12,206
	888,926	1,408,022

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

For the Year Ended 31 December 2019

15. Deferred tax

	2019 £
At beginning of year	(3,359)
Charged to profit or loss	(941)
At end of year	**(4,300)**

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(4,300)	(3,359)
	(4,300)	(3,359)

16. Guarantees and Contingencies

On 26 January 2018, the Audley Court Limited entered into a five year £125.0m revolving credit facility agreement. Following a repayment in the year the facility limit was reduced to £105.0m. Audley Willicombe Management Limited is one of the guarantors to the loans and the loan is secured by means of interests on the investment properties, stock and work in progress of the Audley Court Limited group. Interest is based on three month LIBOR plus 3.50%. At 31 December 2019 £91.5m was drawn (2018: £79.0m). Following a repayment on 17 May 2021, the facility was further reduced by £10.0m to £95.0m.

17. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	1	1

18. 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 Court Limited.

For the Year Ended 31 December 2019

19. Immediate and ultimate parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Audley Court Limited, which is registered in England and Wales.

Audley Court Limited is the undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2019. MAREF Topco Limited, is the undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of these groups are available from Companies House.

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

20. Post balance sheet events

Since 31 December 2019 a global pandemic, Covid-19, has led to Government advice, both in the UK and globally, that all non-essential work should be limited to reduce the spread of the virus. Covid-19 is considered to be a non-adjusting post balance sheet event and no adjustment has been made to the Financial Statements as a result. The Company has adhered to all Government's guidelines while carrying out its operations.