

MAREF Topco Ltd

Annual report and consolidated financial statements
for the year ended 31 December 2021



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MAREF Topco Ltd

Company Information

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Strategic report

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

MAREF Topco Ltd is the parent company of Audley Group Limited. The Group is engaged in the construction and operation of Luxury Retirement Villages.

BUSINESS REVIEW

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

Overall, we delivered £80.8m of revenue (£71.6m in 2020) and an operating profit of £4.1m (loss of £1.5m in 2020). Spending less time in lockdown than we did last year certainly helped as did the continuing high demand amongst our demographic to be part of an Integrated Retirement Community.

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

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

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

Key performance indicators

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

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

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

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

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

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

	Year to December 2021	Year to December 2020
Owned unit sales	94	83
Revenue £'000	80,781	71,579
Gross profit £'000	20,466	15,814
Gross margin %	25.3%	22.1%
Operating loss before exceptional items, revaluation gain and other gains/(losses) £'000	10,101	12,589
Net asset value £'000	226,215	230,053

Consolidated statement of comprehensive income

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

Revenue

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

Strategic report (continued)

BUSINESS REVIEW (CONTINUED)

£48.5m of property sales revenue was driven by 94-unit sales from wholly owned stock (2020: 83). Estate management fees contributed £18.5m to revenue in the year, an increase of £2.2m or 13.3% year-on-year and includes both monthly and deferred management fees (each increasing with each unit sold). Care revenue of £6.8m was up 9.8% (2020: £6.2m). Food and beverage income of £2.3m was up 82.6% year-on-year (2020: £1.3m), with comparatively fewer restrictions imposed in the year to control the coronavirus pandemic that resulted in prolonged periods of full closure of our restaurants and bistros in 2020.

Direct costs

Direct costs for the year were £60.3m (2020: £55.8m), comprising £39.9m (2020: £36.7m) relating to property sales, £16.5m (2020: £15.1m) estate management costs and £3.9m (2020: £4.0m) of care costs.

Administrative and selling expenses

Administrative expenses of £26.4m (2020: £26.6m) represent operating costs of the business and include £0.3m received from the government furlough scheme and other government pandemic related subsidies (2020: £0.4m) and exceptional items of £0.9m (2020: £7.5m).

Share of results from joint ventures

The Group recognised a £4.2m (2020: £2.1m) share of loss from its joint ventures with Octopus and BlackRock. Four of the five sites across these joint ventures are under construction and not yet generating revenues. See note 15 for a summary of the results of the joint ventures. The Group invested total equity of £13.9m (2020: £3.2m) in the year.

Gain on revaluation of investment properties

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

Other operational income

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

Other gains/(losses)

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

Net finance expense

Finance costs of £5.2m (2020: £5.5m) represent interest, facility fees and amortisation of loan arrangement costs on the Group's loan facilities. Finance income of £2.6m (2020: £2.1m) includes preference share interest receivable and other interest receivable.

Taxation

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

Profit/(loss)

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

Management uncertainty

The Directors have modelled going concern using both a base case and a severe but plausible downside case and, as a result, identify a material uncertainty in respect of Going Concern. Please refer to the Going Concern section in the Notes to the accounts (page 23).

Consolidated balance sheet

Non-current assets

Intangible assets

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

Investment properties

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

Strategic report (continued)

BUSINESS REVIEW (CONTINUED)

Right of use asset

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

Trade and other receivables

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

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

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

Current assets

Stocks and inventories

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

Trade and other receivables

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

Liabilities

Trade and other payables of £16.9m includes £7.6m of accruals, £3.0m of trade payables, £4.8m of deferred income and £1.5m of other payables. Trade payables are all in the normal course of business and included in other payables are reservation and exchange deposits.

Net debt

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

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

Equity

No changes during the year.

Post-balance sheet events

Please see the subsequent events section in note 31.

RISK REVIEW

Risk management process

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

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

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

Strategic report (continued)

RISK REVIEW (CONTINUED)

Risk appetite

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

Environmental, social and governance (ESG)

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

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

Risk Matrix

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

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

Principal risks overview

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

Principal risks review

RISK	MITIGATING ACTIONS
FUNDING RISK A lack of funding (debt and or equity) would prevent delivery of the business plan. A material uncertainty for going concern is included in the 2021 accounts owing to funding risk.	<ul style="list-style-type: none"> The retirement village sector is evolving quickly and is gaining momentum from increasing investor and debt provider interest. We do not over-leverage or over-commit the business, and model different financial outturn scenarios to maintain appropriate visibility for funding and liquidity. We partner with credible institutions and banks, with whom we maintain good relations, to secure funding on reasonable investment terms.
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.	<ul style="list-style-type: none"> We partner with large 'blue chip' 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. Regular client progress meetings are held where the programme position is appraised thoroughly with early warnings on time slippage assessed and a resulting recovery strategy agreed. Our construction experience and fixed price contracts mitigate cost risk.
PANDEMIC DISEASE Government action in response to a pandemic disease, such as Covid-19, could result in significant disruption to the UK housing and hospitality market in the short to medium with risk of long-term change to the operating practices and or business model of the Group.	<ul style="list-style-type: none"> 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, for example accessing the Government's Coronavirus Job Retention Scheme, helps to support our business operations and ongoing financial liquidity. Our business model means operational revenues are reasonably resilient to such disruption. We perform extensive scenario modelling to assess the impact of a pandemic disease on our cash and debt facilities.

RISK	MITIGATING ACTIONS
ECONOMY AND MARKET RISK Changing market conditions could impede the Group's ability to sell properties. As housebuilding is cyclical and dependent on the broader economy, any deterioration in economic conditions could damage buyer confidence and impact on the Group's ability to sell units. This could result in lower development revenue, profit and cash. Disruption from pandemic disease (coronavirus) and the withdrawal from the European Union are very significant causes of uncertainty and therefore risk.	<ul style="list-style-type: none"> Rigorous capital and cost controls are in operation across the business to ensure we can absorb unexpected fluctuations in demand in the market. Management monitor market and economic indicators and model different financial outturn scenarios under different risk assumptions to guide decision making in support of longer-term liquidity management. The Mayfield Village proposition provides some mitigation to market risk through diversification. The Group partners with companies offering support initiatives, such as bridging loans, to customers who want to buy our product but who may have difficulties selling their home due to market conditions.
LOSS OF EMPLOYEE OR KEY MANAGEMENT PERSONNEL Failure to attract and retain sufficient quality staff.	<ul style="list-style-type: none"> The Group has in-sourced recruitment to control better the consistency and appropriateness of new hires and operates an attractive working environment, culture and reward structure for key management. A dedicated learning and development team provide training across the Group in addition to external expertise as considered appropriate. Careful succession planning is performed across the business to mitigate the negative impact to the business from any sudden loss of key personnel.
CYBER AND DATA SECURITY RISK The Group's IT systems are core to delivering effective operational activities with any failure in these systems, particularly those relating to customer or commercially sensitive data, likely to impact the Group's ability to operate effectively and result in penalties where the information is protected by law.	<ul style="list-style-type: none"> The Group works with managed service providers to ensure our systems operate effectively. We receive and act on leading advice and guidance to ensure we maintain a secure IT environment. An increasing use of virtual technologies has reduced the risk inherent in physical data storage and physical systems. Audley takes security of personal data very seriously and continuously reviews security and use of data.
REPUTATION RISK Marketing materials and websites displaying incorrect information either from miscommunication between departments or human error.	<ul style="list-style-type: none"> We ensure any price changes and management fee changes are communicated clearly between sales and marketing teams. All print materials are proof-read internally and by our agencies. Websites are reviewed regularly and maintained by our experienced in-house team.
CARE STANDARDS A failure to meet our care obligations to our owners or to manage our Health and Safety obligations to our owners, contractors, employees and visitors could lead to proceedings or reputational damage.	<ul style="list-style-type: none"> Our Care leadership team are very experienced with an excellent track record. Our wider Care team are carefully recruited and receive ongoing training.
REGULATORY AND POLICY ENVIRONMENT Failure to keep abreast of increasing and changing rules, regulations, policies and legislation.	<ul style="list-style-type: none"> Management monitors changes in government policy and the regulatory environment either directly or via its involvement with the ARCO (Associated Retirement Community Operators) trade body representing the UK Integrated Retirement Community sector. During the year the Group recruited a Group General Counsel, providing greater capacity and capability to monitor the regulatory environment and to ensure internal policies and procedures continue to be appropriate. A new Risk & Assurance structure has been implemented to provide greater synergies and consistency of approach across Health and Safety, Internal Audit and Data Protection activities.
HEALTH AND SAFETY RISK The nature of construction sites is inherently risky and could potentially expose contractors or employees to serious injury or fatality.	<ul style="list-style-type: none"> We actively promote high standards of Health and Safety on construction sites and specifically discuss this at every site meeting with our contractors. We have a Group Health & Safety Manager who identifies and seeks to remedy areas of concern across our villages estate. All villages are equipped with hand sanitisers and thermal imaging cameras, to detect anyone with elevated temperature.
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) Failure to demonstrate dedication to corporate responsibility and sustainability and provide assurance to investors of trust in ESG data and analysis.	<ul style="list-style-type: none"> ESG compliance is a focus area across the business with clear strategies being formulated and managed through an ESG Steering Committee.

Strategic report (continued)

OPERATIONS

Keeping Owners Safe and Supported

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

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

Development Land and Planning

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

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

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

Marketing and Sales

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

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

People

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

DELIVERING SOCIAL VALUE

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

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

1. Commitment to team members

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

Through The Academy Audley delivered its inaugural Operations Manager Training Programme and rolled out a number of successful apprenticeship schemes. Our regular listening groups and subject workshops, and our Workplace Parents Survey, give everyone a chance to vocalise how they are feeling and suggest changes to how they do, and don't, want to work going forward, and what they want to see from our culture and policies so they can successfully balance their work and personal lives.

In 2021 our policies and approach have been widely recognised:

- Audley Group was awarded gold accreditation from Investors in People, Connect2Care Heroes Employer of the Year, and Apprenticeship Employer of the Year at the Personnel Today awards.
- The annual employee survey showed that overall engagement across the business has been maintained with a 72% completion rate and encouragingly, 93% of team members stated that they are proud to work for Audley.

2. Commitment for a sustainable society

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

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

Strategic report (continued)

DELIVERING SOCIAL VALUE (CONTINUED)

3. Management of our Environmental Impact

A commitment to fostering a culture which embraces sustainability.

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

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

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

4. Ethics and Governance

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

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

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

OUR BUSINESS MODEL

HOW WE WORK

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

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

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

Site Identification and Design

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

Development Management

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

Marketing and Sales

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

Operations and Care support

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

Optimising returns for shareholders

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

Our process

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

Listening to our customers

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

Strategic report (continued)

CREATING VALUE FOR OUR STAKEHOLDERS

Customers

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

Team members

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

Investors

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

Communities

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

Lenders

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

EMPLOYEES

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

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

Defining the future of our working environment

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

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

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

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

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

Promoting mental health awareness

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

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

Strategic report (continued)

EMPLOYEES (CONTINUED)

Embedding diversity, equality and inclusion

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

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

Approved by the board of directors and signed on behalf of the board by:



Charles Ferguson-Davie
Director

22 December 2022

Directors' report

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

MAREF Topco Limited is a private company limited by shares, incorporated and domiciled in the UK. It is the Group parent company with registered address at Moorfield Group, 10 Grosvenor Street, London, W1K 4QB.

The company incorporated on 27 November 2015 and started trading from 08 December 2015.

DIRECTORS

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

Director

Charles Ferguson-Davie

Marc Gilbard

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 9 and 10;
- (c) the need to foster the Company's business relationships with clients, end customers, suppliers and regulators – pages 4 to 9;
- (d) the impact of the Company's operations on the community and the environment – pages 7 to 10;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct – pages 4 to 10; and
- (f) the need to act fairly between members of the Company – pages 4 to 10.

RESULTS AND DIVIDENDS

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

INDEMNITY PROVISION

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

POLITICAL AND CHARITABLE DONATIONS

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

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties are described on pages 4 to 6.

FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group are described in note 25 on pages 44 to 46.

FUTURE DEVELOPMENTS

Details of the likely future developments of the business are described in the Strategic Report on pages 4 to 10.

EMPLOYEE AND ENVIRONMENTAL MATTERS

Information in respect of the Group's employment and environmental matters is contained within the Strategic Report on pages 4 to 10.

SUBSEQUENT EVENTS

See note 32 for events after the balance sheet date.

GOING CONCERN

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

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

Directors' report (continued)

GOING CONCERN (CONTINUED)

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

DIRECTORS' CONFIRMATIONS

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

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

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

AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, will no longer continue in office after the current financial year. A tender process will be run to determine the auditors for the financial statements of the Group and Company for the year ended 31 December 2022.

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

On behalf of the Board



Charles Ferguson-Davie
Director

22 December 2022

Independent auditors' report to the members of MAREF Topco Ltd

Report on the audit of the financial statements

Opinion

In our opinion, MAREF Topco Ltd's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 consolidated financial statements (the "Annual Report"), which comprise: Consolidated statement of financial position and Company balance sheet as at 31 December 2021; Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, and Consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Use of this report

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

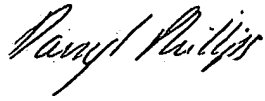
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Darryl Phillips', written in a cursive style.

Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 December 2022

Consolidated statement of comprehensive income

For the year to 31 December 2021

		Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
	Note		
Revenue	3	80,814	71,579
Cost of sales	3	(60,348)	(55,765)
Gross profit	3	20,466	15,814
Administrative and selling expenses		(26,350)	(26,599)
Share of results of joint ventures	15	(4,217)	(2,130)
Gain/(loss) on revaluation of investment properties	13	11,296	4,286
Other operating income	4	906	7,808
Other gains/(losses)	6	2,000	(710)
Operating profit/(loss)	5	4,101	(1,531)
Operating loss before exceptional items, revaluation gain and other gains/(losses)		(10,101)	(12,589)
Gain on revaluation of investment properties	13	11,296	4,286
Exceptional items	11	906	7,482
Other gains/(losses)	6	2,000	(710)
Operating profit/(loss)		4,101	(1,531)
Finance income	9	2,572	2,137
Finance expense	9	(5,156)	(5,542)
Profit/(loss) before tax		1,517	(4,936)
Tax charge	10	(5,355)	(1,924)
Loss and total comprehensive expense for the year		(3,838)	(6,860)
Attributable to:			
– Equity holders of the Parent Company		(3,814)	(6,819)
– Non-controlling interests		(24)	(41)
		(3,838)	(6,860)

The notes on pages 23 to 51 form part of these financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company statement of comprehensive income. The loss for the parent company for the year was £22,366,000 (2020: £20,459,000).

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

Consolidated statement of financial position

For the year to 31 December

		Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
	Note		
Non-current assets			
Intangible assets	12	14,706	14,706
Investment properties	13	131,483	115,074
Right of use assets	14	7,895	8,090
Investments in joint ventures	15	24,462	13,487
Other investments	16	285	193
Property, plant and equipment	17	1,234	2,302
Deferred tax assets	19	—	—
Trade and other receivables	21	41,316	32,051
Total non-current assets		221,381	185,903
Current assets			
Stocks and inventories	20	70,213	148,507
Trade and other receivables	21	12,632	7,861
Cash and cash equivalents	22	9,201	14,794
Total current assets		92,046	171,162
Total assets		313,427	357,065
Liabilities			
Current liabilities			
Trade and other payables	23	(16,885)	(21,828)
Lease liabilities	14	(162)	(154)
Total current liabilities		(17,047)	(21,982)
Non-current liabilities			
Loans and borrowings	24	(50,843)	(91,196)
Lease liabilities	14	(8,656)	(8,523)
Deferred tax liabilities	19	(10,667)	(5,311)
Total non-current liabilities		(70,166)	(105,030)
Total liabilities		(87,213)	(127,012)
Total net assets		226,215	230,053
Equity			
Equity attributable to owners of the parent			
Share capital	26	158,569	158,569
Share premium	27	122,400	122,400
Accumulated losses		(56,343)	(52,529)
Total attributable to equity holders of the Parent Company		224,626	228,440
Non-controlling interest		1,589	1,613
Total equity		226,215	230,053

The notes on pages 23 to 51 form part of these financial statements.

The financial statements on pages 17 to 51 were approved and authorised for issue by the Board and were signed on its behalf on 22 December 2022.



Charles Ferguson-Davie
Director

Company balance sheet

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Investments	18	226,245	248,611
Total non-current assets		226,245	248,611
Total assets		226,245	248,611
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	26	158,569	158,569
Shareholders contribution	27	122,400	122,400
Accumulated losses	27	(54,754)	(32,388)
Total equity		226,215	248,581
Liabilities			
Current liabilities			
Trade and other payables	23	30	30
Total liabilities		30	30
Total equity and liabilities		226,245	248,611

The notes on pages 23 to 51 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. The loss for the year ended 31 December 2021 was £22,366,000 (2020: £20,459,000)

The financial statements on pages 17 to 51 were approved and authorised for issue by the Board and were signed on its behalf on 22 December 2022.



Charles Ferguson-Davie
Director

Consolidated statement of changes in equity

For the year to 31 December

	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total £'000		
Balance as at 1 January 2020	158,569	122,400	(45,710)	235,259	1,584	236,843
Loss for the financial year	-	-	(6,819)	(6,819)	(41)	(6,860)
Total comprehensive expense for the financial year	-	-	(6,819)	(6,819)	(41)	(6,860)
Addition of non-controlling interest	-	-	-	-	70	70
Balance as at 31 December 2020	158,569	122,400	(52,529)	228,440	1,613	230,053
Loss for the financial year	-	-	(3,814)	(3,814)	(24)	(3,838)
Total comprehensive expense for the financial year	-	-	(3,814)	(3,814)	(24)	(3,838)
Balance as at 31 December 2021	158,569	122,400	(56,343)	224,626	1,589	226,215

The notes on pages 23 to 51 form part of these financial statements.

Company statement of changes in equity

For the year to 31 December 2021

	Attributable to owners of the parent			
	Share Capital	Other reserves	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 January 2020	158,569	122,400	(11,929)	269,040
Loss for the financial year	-	-	(20,459)	(20,459)
Total comprehensive expense for the financial year	-	-	(20,459)	(20,459)
Balance as at 31 December 2020	158,569	122,400	(32,388)	248,581
Loss for the financial year	-	-	(22,366)	(22,366)
Total comprehensive expense for the financial year	-	-	(22,366)	(22,366)
Balance as at 31 December 2021	158,569	122,400	(54,754)	226,215

The notes on pages 23 to 51 form part of these financial statements.

Consolidated cash flow statement

For the year to 31 December

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

The notes on pages 23 to 51 form part of these financial statements.

Notes to the financial statements

1 GENERAL INFORMATION

The Group's principal activity during the financial year was that of the development and management of retirement villages, including the provision of domiciliary care. The Company is a private company limited by shares and is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 10 Grosvenor Street, London W1K 4QB.

MAREF Topco Limited ('the Company'), together with its subsidiaries and associates/joint ventures, is referred to as 'the Group'.

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

Functional and presentation currency

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

Going concern

Introduction

To ascertain whether it was appropriate to prepare the financial statements on a going concern basis, the Directors have performed a robust assessment of the principal risks facing the Group, including those risks that would threaten the Group's business model, future performance and liquidity. The principal risks facing the Group and how the Group addresses such risks are described in the Principal Risk Review section of the Strategic Report on pages 4 to 6.

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

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

Financing overview

As disclosed in note 32, the Group has a recently completed £59.3m debt facility secured on the net assets of four villages (Chalfont Dene, Cooper's Hill, Ellerslie and St Georges Place). The Group is also a joint guarantor to debt facilities held by its joint ventures, RELF Audley Retirement Living LLP, Audley Group Developments 1 Limited and Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest, which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained and tested on a quarterly basis. At the date of approval of these financial statements the Group had complied with all applicable borrowing covenants. The Group had cash and cash equivalents of £9.2m at 31 December 2021 (2020: £14.8m).

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

Scenario assumptions and outcomes

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

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

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

Mitigating actions

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

Conclusion

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

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

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

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

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

New standards and interpretations

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

New standards adopted during the year

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

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

Standards in issue but not yet effective

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

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

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 balance sheet respectively.

Joint arrangements

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

Joint ventures

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

Equity method

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

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

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 MAREF Topco Limited.

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

Intangible assets

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

Investment property

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

Shared equity

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

Property, plant and equipment

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

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

Leases

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

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

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

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

Stocks and inventories

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

Share capital

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

Revenue recognition

The Group recognises revenue from the following major sources:

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

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

2 ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

Property sales

Sales of residential units are recognised on legal completion.

Deferred management fees and associated accrued income

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

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

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

Management fees

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

Ground rent

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

Care service fees

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

Development fees

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

Restaurant including food and beverage

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

Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

Pensions

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

Exceptional items

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

2 ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

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

Equity instruments

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

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

(iv) Impairment

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

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

Financial instruments

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

Cash and cash equivalents

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

2 ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Trade and other receivables

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

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

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

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

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

Financial liabilities

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

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

Borrowings

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

Borrowing costs

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

Share-based payments

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

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

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

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

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

Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

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

2 ACCOUNTING POLICIES (CONTINUED)

Key sources of estimation uncertainty (continued)

Valuation of investment property

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

Valuation of stocks and inventories

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

Cost allocation and margin recognition

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

Accrued income

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

Deferred tax

The Group has made an assessment of the recoverability of deferred tax assets and given the uncertainty over future profitability no deferred tax asset has been recognised in the year. The Group has total unrecognised gross tax losses of £70.8m.

Impairment of goodwill

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

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

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

Expected credit loss

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

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

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3 REVENUE AND GROSS PROFIT

All revenue is generated in the United Kingdom.

	2021 £'000	2020 £'000
Property sales ¹	48,475	46,544
Estate management fees ²	18,509	16,326
Care income ¹	6,829	6,218
Development fee income ^{1,2}	2,203	711
Other ³	4,798	1,780
Total revenue	80,814	71,579
Property cost of sales	(39,898)	(36,734)
Estate management	(16,599)	(15,041)
Care	(3,851)	(3,990)
Total cost of sales	(60,348)	(55,765)
Gross profit	20,466	15,814

1. Recognised at a point in time

2. Recognised over time

3. Other revenues include restaurant and bistro sales¹, club memberships¹ and ground rents²

4 OTHER OPERATING INCOME

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

See note 11 for further details.

5 OPERATING PROFIT/(LOSS)

	2021 £'000	2020 £'000
This has been arrived at after charging:		
Impairment of goodwill	—	—
Depreciation of tangible fixed assets	651	627
Depreciation of right of use assets	196	182
Repairs and maintenance	42	103
Auditors' remuneration – audit of the Company	30	32
Auditors' remuneration – audit of subsidiaries	674	400
Total auditors' remuneration – audit services	704	432
Auditors' remuneration – non-audit services:		
tax compliance	105	70
Auditors' remuneration – non-audit services:		
tax advisory	—	102
Auditors' remuneration – non-audit services:		
transaction services	29	87
Total auditors' remuneration	838	691
Operating lease rentals:		
– Other	166	251

6 OTHER GAINS/(LOSSES)

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

See note 21 for further details.

7 SEGMENTAL REPORTING

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

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7 SEGMENTAL REPORTING (CONTINUED)

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

2021	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	50,961	29,853	—	80,814
Cost of sales	(39,767)	(20,582)	—	(60,348)
Gross profit	11,194	9,271	—	20,466
Administrative and selling expenses	(7,673)	(3,219)	(15,457)	(26,350)
Other operating income	906	—	—	906
Share of results of joint ventures	(4,217)	—	—	(4,217)
Gain on revaluation of investment properties	—	11,296	—	11,296
Other gains/(losses)	2,000	—	—	2,000
Operating profit/(loss)	2,210	17,348	(15,457)	4,101
Net finance expense	—	—	(2,584)	(2,584)
Loss before tax	2,210	17,348	(18,041)	1,517

2021	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Intangible assets	14,706	—	—	14,706
Investment properties	—	131,483	—	131,483
Right of use assets	—	6,950	945	7,895
Investments in joint ventures	24,462	—	—	24,462
Other investments	285	—	—	285
Property, plant and equipment	524	710	—	1,234
Trade and other receivables	18,890	22,426	—	41,316
Non-current assets	58,867	161,569	945	221,381
Stocks and inventories	70,116	97	—	70,213
Trade and other receivables	2,486	7,764	2,382	12,632
Cash and cash equivalents	—	—	9,201	9,201
Current assets	72,602	7,861	11,583	92,046
Loans and borrowings	—	—	(50,843)	(50,843)
Trade and other payables	(4,810)	(7,427)	(4,648)	(16,885)
Lease liabilities	—	(7,786)	(1,032)	(8,818)
Deferred tax liabilities	—	—	(10,667)	(10,667)
Total liabilities	(4,810)	(15,213)	(67,190)	(87,214)
Net assets	126,659	154,217	(54,631)	226,215

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

2020	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	47,255	24,324	—	71,579
Cost of sales	(36,734)	(19,031)	—	(55,765)
Gross profit	10,521	5,293	—	15,814
Administrative and selling expenses	(7,246)	(2,490)	(16,863)	(26,599)
Other operating income	7,808	—	—	7,808
Share of results of joint ventures	(2,130)	—	—	(2,130)
Gain on revaluation of investment properties	—	4,286	—	4,286
Other gains/(losses)	(710)	—	—	(710)
Operating profit/(loss)	8,243	7,089	(16,863)	(1,531)
Net finance expense	—	—	(3,405)	(3,405)
Loss before tax	8,243	7,089	20,268	(4,936)

7 SEGMENTAL REPORTING (CONTINUED)

	Development	Operations	Unallocated	Total
2020	£'000	£'000	£'000	£'000
Intangible assets	14,706	—	—	14,706
Investment properties	—	115,074	—	115,074
Right of use assets	—	6,981	1,109	8,090
Investments in joint ventures	13,487	—	—	13,487
Other investments	193	—	—	193
Property, plant and equipment	744	803	755	2,302
Trade and other receivables	12,085	19,966	—	32,051
Non-current assets	41,215	142,824	1,864	185,903
Stocks and inventories	148,424	83	—	148,507
Trade and other receivables	2,753	3,883	1,225	7,861
Cash and cash equivalents	—	3,000	11,794	14,794
Current assets	151,177	6,966	13,019	171,162
Loans and borrowings	—	—	(91,196)	(91,196)
Trade and other payables	(9,991)	(4,561)	(7,276)	(21,828)
Lease liabilities	—	(7,491)	(1,186)	(8,677)
Deferred tax liabilities	—	—	(5,311)	(5,311)
Total liabilities	(9,991)	(12,052)	(104,969)	(127,012)
Net assets/(liabilities)	182,401	137,738	(90,086)	230,053

8 EMPLOYEE BENEFIT EXPENSES

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

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

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

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

	2021	2020
	Number	Number
Estate management	254	220
Care provision	365	345
Restaurant	117	117
Central management and administration	82	68
Sales and marketing	51	59
	869	809

Key management personnel compensation

The compensation disclosure below relates to the key senior managers within the Group, who constitute the people having authority and responsibility for planning, directing and controlling the Group's activities. For the year ended 31 December 2020, the key senior managers within the Group are deemed to be the Audley Group Limited Board members and Group Land Director and Group HR Director, who are Directors of subsidiary companies. No amounts are included in respect of Non-Executive Directors. No balances are outstanding from key management personnel at the year end.

Directors' emoluments

The Directors received no remuneration for their services to the Group for the period. A management fee was paid to Moorfield Investment Management Limited in respect of management services, see note 29.

Key management personnel

	2021	2020
	£'000	£'000
Wages and salaries	3,335	3,034
Social security costs	448	371
Defined contribution pension costs	51	61
	3,834	3,466

9 FINANCE INCOME AND FINANCE EXPENSE

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

10 TAX CHARGE

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

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

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

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

11 EXCEPTIONAL ITEMS

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

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

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

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11 EXCEPTIONAL ITEMS (CONTINUED)

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

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

12 INTANGIBLE ASSETS

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

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

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

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

This represents a level 3 valuation.

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

13 INVESTMENT PROPERTIES

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

	2021 £'000	2020 £'000
Fair value of central facilities as determined by CBRE	150,470	133,790
Shared equity ownership	5,691	1,374
Accrued income	(24,678)	(20,090)
	131,483	115,074

in

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

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

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

13 INVESTMENT PROPERTIES (CONTINUED)

Revenue stream	Methodology	Key inputs
Deferred management fees	Discounted cash flow	<ul style="list-style-type: none"> house price inflation (HPI) (average 3.0%); discount rate (8.8% – 10.5%, average 9.5%); average length of stay (7.5 – 8.5 years); exit yield (6.0% – 6.5%); estate management and lifecycle costs; deferred management charges (typically between 1.0% and 2.0% of gross development value).
Operations, including monthly management fees, restaurant and club	Discounted cash flow	<ul style="list-style-type: none"> management charges (£797 –£995 per unit per month); discount rate (8.8% – 10.5%, average 9.5%); exit yield (6.0% – 6.5%).
Administration fees	Discounted cash flow	<ul style="list-style-type: none"> discount rate (8.8% – 10.5%, average 9.5%); exit yield (6.0% – 6.5%); average length of stay (8.5 years).
Care services	Discounted cash flow	<ul style="list-style-type: none"> discount rate (20%); exit yield (20%)
Ground rent	Income capitalisation	<ul style="list-style-type: none"> initial yield (3.5%).
Revenue stream	Methodology	Key inputs 2020
Deferred management fees	Discounted cash flow	<ul style="list-style-type: none"> house price inflation (HPI) (average 3.0%); discount rate (8.8% – 11.0%, average 9.6%); average length of stay (9 years); exit yield (6.0% – 6.5%, average 6.4%); estate management and lifecycle costs; deferred management charges (typically between 1.0% and 2.0% of gross development value).
Operations, including monthly management fees, restaurant and club	Discounted cash flow	<ul style="list-style-type: none"> management charges (£780 –£930 per unit per month); discount rate (8.8% – 11.0%, average 6.4%); exit yield (6.0% – 6.5%, average 6.4%).
Administration fees	Discounted cash flow	<ul style="list-style-type: none"> discount rate (8.8% – 11.0%, average 9.0%); exit yield (6.0% – 6.5%, average 6.4%); average length of stay (9 years).
Care services	Discounted cash flow	<ul style="list-style-type: none"> discount rate (20%); exit yield (20%)
Ground rent	Income capitalisation	<ul style="list-style-type: none"> initial yield (3.5%).

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

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

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

13 INVESTMENT PROPERTIES (CONTINUED)

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

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

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

During the year ended 31 December 2021, £23,047,000 (2020: £18,105,000) was recognised in the consolidated statement of comprehensive income in relation to income derived from investment properties (management fee income, ground rent, restaurant and club income). The Group did not incur any direct operating expenses arising from investment properties that did not generate income. Recognised in the statement of comprehensive income is a £12,799,000 gain (2020: 4,286,000) in fair value on investment properties. There are no obligations, except those already contracted, to construct or develop the Group's investment properties. At 31 December 2021 contractual obligations to develop investment properties amounted to £nil (2020: £ nil).

14 RIGHT OF USE ASSETS

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

	Right of use property assets £'000
Cost	
At 1 January 2020	1,883
Change in accounting policy	6,558
At 31 December 2020	8,441
At 31 December 2021	8,441
Accumulated depreciation	
At 1 January 2020	(169)
Depreciation charge for the year	(182)
At 31 December 2020	(351)
Depreciation charge for the year	(196)
At 31 December 2021	(547)
Net book value	
At 31 December 2021	7,895
At 31 December 2020	8,090

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

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

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

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

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

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

14 RIGHT OF USE ASSETS (CONTINUED)

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. While the Group revalues its land and buildings that are presented within investment properties, it has chosen not to do so for the right of use buildings held by the Group.

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

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

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

15 INVESTMENTS IN JOINT VENTURES

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

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

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

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15 INVESTMENTS IN JOINT VENTURES (CONTINUED)

During the year to 31 December 2021, the Group acquired a 25% share in the UK Retirement Villages SCSp joint venture and invested £7,575,000 in equity contributions and recognised a further £1,259,000 in deemed capital contributions arising due to the loan note granted to the joint venture (see note 21 for details). The Group recognised its share of total comprehensive loss for the period to 31 December 2021 from the joint venture of £2,203,000 (2020: nil).

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 MAREF Topco Ltd.'s share of those amounts.

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

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

15 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

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

Commitments in respect of joint ventures

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

A £47.5m 8% fixed rate interest development facility from Silbury Specialty Finance Limited was completed by the joint venture in December 2020 to fund the purchase and development of the site in Cobham, Surrey. During 2021, the RELF joint venture acquired the site at Scarcroft, Leeds for £11.0m, funded by equity of £1.3m and a bank loan from Bank Leumi (UK) for £9.8m at interest of three-month LIBOR plus 4% margin.

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

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

15 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

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

16 OTHER INVESTMENTS

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

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

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

A full list of the Group's subsidiaries is included in note 18 of the Company financial statements.

17 PROPERTY, PLANT AND EQUIPMENT

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

MAREF Topco Ltd

18 INVESTMENTS

Company	£'000
Cost and net book value	
At 1 January 2020	269,070
Impairment	(20,459)
At 31 December 2020	248,611
Impairment	(22,366)
At 31 December 2021	226,245

Subsidiaries

Name	Proportion of ownership interest at 31 December 2021 %	Proportion of ownership interest at 31 December 2020 %	Nature of business
Audley Group Limited	99.380	99.380	Holding company

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

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

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

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

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

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

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

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

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18 INVESTMENTS (CONTINUED)

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

Name	Nature of business
Audley Binswood Limited	Village Development company
Audley Binswood Management Limited	Management company
Audley Care Ltd	Care provider
Audley Care White Horse Ltd	Care provider
Audley Chalfont Limited	Village Development company
Audley Chalfont Management Limited	Management company
Audley Clevedon Limited	Village Development company
Audley Clevedon Management Limited	Management company
Audley Coopers Hill Limited	Village Development company
Audley Coopers Hill Management Limited	Management company
Audley Court Management Limited	Apartment resales
Audley Denmark Aps	Holding company
Audley Ellerslie Limited	Village Development company
Audley Ellerslie Management Limited	Management company
Audley Financial Services Limited	Dormant
Audley Flete Limited	Village Development company
Audley Flete Management Limited	Management company
Audley Homewood Limited	Village Development company
Audley Inglewood Limited	Village Development company
Audley Inglewood Management Limited	Management company
Audley Mote Management Limited	Management company
Audley Redwood Limited	Village Development company
Audley Redwood Management Limited	Management company
Audley St Elphin's Limited	Village Development company
Audley St Elphin's Management Limited	Management company
Audley St George's Limited	Village Development company
Audley St George's Management Limited	Management company
Audley Sunningdale Park Limited	Village Development company
Audley Dormant Co Limited	Management company
Audley Willicombe Limited	Village Development company
Audley Willicombe Management Limited	Management company
Mayfield Villages Limited	Village Development company
Audley Group Developments 2 Ltd	Village Development company
Mayfield Watford Management Limited	Dormant
Mayfield Villages Care Limited	Dormant

MAREF Topco Ltd is incorporated in the United Kingdom and its registered address is 10 Grosvenor Street, London, W1K 4QB.

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.

19 DEFERRED TAX

	2021 £'000	2020 £'000
Disclosed as:		
Deferred tax asset	—	—
Total deferred tax assets	—	—
Recoverable within one year	—	—
Recoverable after more than one year	—	—
	—	—
Deferred tax liability (revaluation surpluses)	(10,667)	(5,311)
Total deferred tax liabilities	(10,667)	(5,311)
Arising within one year	—	—
Arising after more than one year	(10,667)	(5,311)
		£'000
At 1 January 2020		(3,387)
Movement in the year		(1,924)
At 31 December 2020		(5,311)
Movement in the year		(5,356)
At 31 December 2021		(10,667)

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

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20 STOCKS AND INVENTORIES

	2021 £'000	2020 £'000
Land and work in progress	321	36,023
Finished goods	69,797	112,401
Food and beverage stocks	95	83
	70,213	148,507
		£'000
At 1 January 2020		161,602
Additions		23,639
Disposals – cost of sales		(36,734)
At 31 December 2020		148,507
Additions		8,441
Disposal on sale of subsidiary		(37,809)
Disposals – cost of sales		(48,926)
At 31 December 2021		70,213

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

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

21 TRADE AND OTHER RECEIVABLES

Trade and other receivables – greater than one year

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

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

In May 2021, Audley Group Developments 1 Limited, which holds the Watford Mayfield development, was sold by Audley Court Limited to a newly incorporated joint venture entity (Thomas Sawyer Holdings Limited) in which the Group holds 25% of the share capital via its investment in UK Retirement Villages SCS. As part of the transaction, Audley Investments Number 4 Limited (a 100% subsidiary of MAREF Topco Ltd) 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 accrued income in trade and other receivables is income that has been accrued in relation to the deferred management charges and is split between the amount due in greater than one year and due in less than one year. The Directors have estimated these amounts, informed by actuarial data, to classify the amounts based on the timing of expected cash flows.

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

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

MAREF Topco Ltd

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables – less than one year

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

The ageing of trade receivables was as follows:

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

22 CASH AND CASH EQUIVALENTS

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

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

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

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

MAREF Topco Ltd

23 TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Trade payables	3,047	4,140
Other payables	1,496	2,588
Accruals	7,577	11,341
Deferred income	4,765	3,759
	16,885	21,828

24 LOANS AND BORROWINGS

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

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

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

All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities.

25 FINANCIAL INSTRUMENTS

Capital risk management

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

Financial risk management

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

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

Credit risk

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

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

Cash and cash equivalents

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

25 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Price risk

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

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

Liquidity risk

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

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

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

At 31 December 2021	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000
Trade payables	3,047	3,047	3,047	—	—	—
Other payables	1,496	1,496	1,496	—	—	—
Accruals	7,577	7,577	7,577	—	—	—
Lease liabilities	8,818	93,133	244	244	1,453	91,193
Bank loans	50,843	55,102	3,018	52,085	—	—
Total	71,781	160,355	15,382	52,329	1,453	91,193

At 31 December 2020	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000
Trade payables	4,140	4,140	4,140	—	—	—
Other payables	2,588	2,588	2,588	—	—	—
Accruals	11,341	11,341	11,341	—	—	—
Lease liabilities	8,677	93,497	244	244	1,182	91,827
Bank loans	91,196	105,367	3,959	3,959	97,449	—
Total	117,942	216,933	22,272	4,203	98,631	91,827

During 2021 the Group repaid £14.4m of debt dedicated to the Mayfield Watford development on sale of Audley Group Developments 1 Limited and completed a further £10m reduction of the total credit facility. The facility has therefore reduced to £95m and is subdivided into separate tranches for ongoing developments, completed stock and working capital. Interest is based on three-month SONIA plus 3.75% for the development tranche and three-month SONIA plus 4.5% for the completed stock and working capital tranches. At 31 December 2021 the Group had undrawn loan facilities of £43.1m (2020: £11.8m). All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities.

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25 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 we are exposed to movements in SONIA.

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

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

Categories of financial assets and financial liabilities

	2021 Carrying value £'000	Fair value £'000	2020 Carrying value £'000	Fair value £'000
Non-current financial assets – amortised cost				
Accrued income	22,426	22,426	19,966	19,966
Total accrued income	22,426	22,426	19,966	19,966
Non-current financial assets – fair value through the profit and loss				
Other receivables	16,479	16,479	12,085	12,085
Total other receivables	16,479	16,479	12,085	12,085
Total non-current financial assets	38,904	38,904	32,051	32,051
Current financial assets – amortised cost				
Cash and cash equivalents	9,201	9,201	14,794	14,794
Trade and other receivables (excluding prepayments)	4,778	4,778	3,928	3,928
Accrued income	6,371	6,371	2,541	2,541
Total current financial assets	20,350	20,350	21,263	21,263
Total financial assets	59,255	59,255	53,314	53,314
Current financial liabilities – amortised cost				
Lease liabilities	162	162	154	154
Trade payables	3,047	3,047	4,140	4,140
Other payables	9,073	9,073	13,929	13,929
Total current financial liabilities	12,282	12,282	18,223	18,223
Non-current financial liabilities – amortised cost				
Bank loans	50,843	50,843	91,196	91,196
Lease liabilities	8,656	8,656	8,523	8,523
Total non-current financial liabilities	59,499	59,499	99,719	99,719
Total financial liabilities	71,781	71,781	117,942	117,942

26 SHARE CAPITAL

Authorised and issued

	2021		2020	
	Number	£'000	Number	£'000
Ordinary shares of £1 each				
Issued	158,568,848	158,569	158,568,848	158,569
At 31 December	158,568,848	158,569	158,568,848	158,569

Movements in ordinary share capital

	Number	£'000
At 1 January 2020 and 1 January 2021	158,568,848	158,569
At 31 December 2020 and 31 December 2021	158,568,848	158,569

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27 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.

Other reserves relates to non-repayable capital contributions from the Group's ultimate controlling parties.

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

28 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND GUARANTEES

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

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

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

See note 15 for commitments to joint ventures.

29 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

Key management personnel

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

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

30 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company's immediate Parent Companies are Moorfield Audley Real Estate Fund 'A' Limited Partnership and Moorfield Audley Real Estate Fund 'B' Limited Partnership, both 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.

MAREF Topco Ltd is the undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2021.

31 SHARE-BASED PAYMENTS

The establishment of the Audley Group Limited Management Equity Plan (MEP) was approved by a shareholder resolution on 12 March 2020. The MEP is designed to provide long-term incentives for executive directors to deliver long-term shareholder returns. Under the plan, participants have been granted shares where the share class entitlement crystallises if certain performance standards are met. Participation in the plan is at the discretion of the MEP Remuneration Committee, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of the share class entitlement that will vest depends on Audley Group Limited's total Net Asset Value and IRR to the investors. C Shares vest in full on an Exit. The C shares carry no voting rights but do carry dividend rights. If the hurdles are reached then the C shares are entitled to 10% of any growth in equity value above the Hurdle, plus an additional 5% of any growth in equity value above the Stretch Hurdle. The Hurdle is a NAV of at least £300.0m and IRR to the investors of 10%. The Group did not receive cash on the share issuance but granted an employee loan for each participant at value (£70,000).

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

Issue/transfer date	Number	Share class	Number	Price per share	Share capital
23-Mar-20	8,400,000	C	JM Austen	£0.001	8,400
23-Mar-20	16,100,000	C	N Edwards	£0.001	16,100
23-Mar-20	8,400,000	C	PD Morgan	£0.001	8,400
23-Mar-20	5,600,000	C	JW Nettleton	£0.001	5,600
23-Mar-20	23,100,000	C	MN Sanderson	£0.001	23,100
23-Mar-20	8,400,000	C	KA Shaw	£0.001	8,400
At 31 December 2020	70,000,000				70,000

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

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

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

32 POST-BALANCE SHEET EVENTS

Refinancing activities

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

New equity

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