

Registered number 09892988

MAREF Topco Ltd

Annual report and consolidated financial statements
for the year ended 31 December 2019



MAREF Topco Ltd

Annual report and consolidated financial statements for the year ended 31 December 2019

Contents

Company Information.....	1
Strategic report.....	2
Directors' report.....	15
Independent auditors' report.....	18
Consolidated statement of comprehensive income.....	21
Consolidated balance sheet.....	22
Company balance sheet	24
Consolidated statement of changes in equity	25
Company statement of changes in equity	26
Consolidated and company statement of cash flows.....	27
Notes to the financial statements	28

MAREF Topco Ltd

Company Information

Directors

Nicholas Edwards (resigned 30 October 2019)
Charles Ferguson-Davie
Marc Gilbard

Registered Number

09892988

Registered Office

Moorfield Group
10 Grosvenor Street
London
W1K 4QB

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

MAREF Topco Ltd

Strategic report

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31 December 2019.

Principal activities

The Group is engaged in the construction and operation of Luxury Retirement Villages.

Business review

MAREF Topco Ltd is the parent company of Audley Group Limited, together referred to as 'Audley Group'. Against a challenging political environment and a housing market still mired by uncertainty, 2019 was a strong year for Audley Group. Total revenue reported was £71.4m, up from £61.6m in 2018. Development revenue in 2019 increased to £49.2m, up from £42.3m last year.

Continued innovation is the driver of Audley Group's success, and this year two key initiatives saw the Group break new ground. In August, it formed a joint venture with the real estate arm of Schroders and Octopus Real Estate to fund the development of four new Audley villages, providing a total of over 500 units representing a total GDV in the region of £400m. Secondly, in a further joint venture, Audley Group announced its first strategic development outside of the UK. The partnership, with Danish pension company PFA, will fund the development of 10 retirement communities with up to 250 later living apartments in each, within Greater Copenhagen and Aarhus.

The strength of the dual model continued to show, with development revenue strongly complemented by growth in operations. This year saw the opening of a new village at Stanbridge Earls in Romsey and Audley Villages' first satellite site, Kenilworth Place at Binswood, bringing the total portfolio to 14 operational villages.

DEVELOPMENT REVIEW

Land acquisition and pipeline

A subdued market and local authorities taking longer to process planning applications impacted on the number of units for which planning consent was given such that the number of units that achieved planning consent in 2019 was 349, compared to 466 in 2018. A further 365 units were submitted for planning and another 484 were placed under offer. These figures include sites wholly owned by Audley and those in joint venture for where Audley is responsible for securing planning. The momentum in 2019 is further evidence of both the growth potential within the retirement living market in the UK and a testament to the Audley model. Since inception, Audley Group has achieved planning on 2,184 units.

Audley Group villages – new openings and construction

There are now 19 villages across the Audley Group.

Construction continued at Audley Nightingale Place, the Group's first London village. This village was constructed in joint venture, with Audley responsible for project management and sales and marketing. Completed in May 2020, the development contains 94 one, two and three-bedroom apartments overlooking Clapham Common, designed to offer accommodation of the highest specification and a holistic approach to a full range of wellbeing and care services to suit their needs.

Audley Chalfont Dene officially broke ground on the third phase of properties in June 2019 to add a further 58 luxury properties to the 84 already within the village.

July saw the opening of Kenilworth Place, Audley's first satellite site. Connected to Audley Binswood in Leamington Spa via pedestrian access, Kenilworth Place offers a total of 26 one, two and three-bedroom apartments and cottages.

Following the acquisition of the Scarcroft Park site in West Yorkshire, planning approval was granted in August. Audley Group's second village in Yorkshire, Audley Scarcroft Park, which will be developed within the Octopus joint venture structure, will consist of 172 retirement units and nine residential units. The planning approval also includes sympathetic restoration of the dilapidated Grade II listed Scarcroft Lodge, built in 1830. Audley Group will restore the lodge by converting it into the Audley Club, offering owners and members of the local community access to restaurant, health and spa facilities.

Planning was also granted for Sunningdale Park in August and for Cobham, Audley's second site in Surrey, in November. The sites will offer 103 and 74 apartments respectively. Both these sites will also be developed in the Octopus joint venture structure.

In November, Audley Cooper's Hill officially opened, marking the 13th fully operational village in the Audley portfolio. Formerly part of Brunel University, Audley Cooper's Hill is located within the 67 acres of the Magna Carta park development. Once complete, it will be home to 128 two-bedroom apartments, across three buildings.

Mayfield Villages

Development began at Mayfield Watford, the first aimed at the mid-market, on the village's 255 contemporary retirement properties. The village will be part of a mixed-use scheme, regenerating the Watford Riverwell area.

For events subsequent to the year end impacting the Group's villages refer to note 31.

MAREF Topco Ltd

Strategic report (continued)

Construction

In February, Audley Group appointed Zenith Construction and Henry Construction to deliver Audley Stanbridge Earls, near Romsey in Hampshire. The site was sold into the joint venture structure in August 2019 and construction continued in that vehicle. As the main contractor, Henry Construction delivered the first two phases of the new-build properties, including the swimming pool and other Audley Club facilities. Zenith Construction undertook a refurbishment of the main house.

Development sales and marketing

The wider housing market challenges did not impact the strength of Audley Group's sales pipeline in 2019. Audley are responsible for all sales and marketing activity, whether wholly owned or in joint venture. Total completions across the Group increased by 47% year on year, to 178, including 122 new stock completions (90 on balance sheet and 32 in joint venture) and 56 resales completions. The Group also ended the year in a strong position with total number of sales (including completions, exchanges, reservations and holds for both new properties and resales) of 292 (compared to 226 in 2018).

More units were available as completed stock in 2019, therefore pre-sale numbers were slightly lower than in 2018, albeit still strong at 73, vs 80 last year. Resales across the Group increased to 56 completions in 2019, up from 38 in 2018. Demand for the Group's mid-market brand, Mayfield, was also strong in 2019 with 18 properties already exchanged by the end of the year.

In line with the overall marketing objective to drive incremental customer interest, total enquiries across the Audley Group increased by 45% to 11,815. Of these, 3,430 represented online enquiries which equated to a 34% increase year on year. A further 26% were calls – 3,541 in total – from the existing Audley customer base. Audley Group villages hosted 8,222 visits this year, representing an 11% increase on 2018.

Marketing initiatives this year included Audley Group's first magazine, 'Luxury Retirement Lifestyle'. In response to insight gleaned from owners and prospects, the magazine is rich in relevant, engaging content.

Traditional marketing methods such as direct mail continue to generate the largest percentage of sales enquiries across the Group, but a growing focus on digital activity in the past 12 months has ensured Audley customers – both current and future – remain engaged throughout their journey to buying a property. A new focus was placed on Facebook and YouTube video advertising using bespoke video content, while growing demand for digital interaction amongst target customers saw Audley introduce new initiatives such as virtual reality CGI tours in the villages' onsite marketing suites.

OPERATIONS REVIEW

Audley Group continues to strive for excellence across all operational standards. At the heart of the Audley proposition remains a desire to listen to our property owners and empower our people to create a service that delivers exactly that and more.

In 2019 the operational side of the business proved increasingly significant in terms of its contribution to the Group's overall revenue, increasing to £21.9m, up from £19.3m in 2018.

To maintain its market-leading position by ensuring the Group is adequately resourced, overall headcount increased to 700 (up from 649 in 2018) by the end of 2019 with a 2% reduction in employee turnover.

Audley wellbeing

Across the Group, owners benefit from a range of care and wellbeing services tailored to suit their lifestyle and healthcare needs. The Audley Club offers a hotel-inspired experience with facilities such as swimming pools, restaurants, spas, bars and bistros. More importantly, the Audley Club acts as a focal point for meeting others and enabling owners to incorporate health and wellbeing into their daily lives, whether that be using the gym or swimming facilities, receiving a nutritional consultation with one of our chefs, or making use of the personal trainers at each village. In 2019, there were 1,076 club members across the portfolio from the local community and this figure is expected to grow in 2020 as clubs open within new villages like Cooper's Hill, Stanbridge Earls and Nightingale Place.

Within the operations revenue stream, food and beverage income increased by 22% in 2019. Across the Audley Group restaurants, there was a 24% increase in restaurant covers, from 109,000 to 134,657. Regular restaurant events and private dining bookings all drove covers, without compromising on the quality of the food. These results were reflected in 4.5 out of 5 scores on Tripadvisor (higher than Rick Stein) and there were several local food award nominations including Derbyshire, Birmingham and the South West.

Audley Care is a CQC-regulated provider, and a significant component of the wellbeing offering, giving owners and those in the local area access to everything from support with shopping to end-of-life care as and when they need it. Audley Care recorded revenue of £6.0m compared with £5.1m in 2018. Care visits equated to 41 visits per hour per day, across a 24-hour period. Audley customers remain at the heart of any innovation and development within its wellbeing offering and service excellence is crucial. Across the Group, Audley Care received 9.4 Homecare review scores and was named the winner of the "End-of-Life Care Expertise" category at the Home Care awards for its specialised level of care and attention in Clevedon.

MAREF Topco Ltd

Strategic report (continued)

Audley wellbeing (continued)

95% of clients of Audley Care in 2019 rated the service they received as 'Excellent' or 'Good'. On top of this, almost 9 in 10 clients felt Audley Care improved their lives 'Quite a lot' or 'Very much'.

These high scores for the Audley Care business were reflected across the Audley Group offering. 78% of owners said they would be likely to recommend Audley and 80% said their opinion of Audley has improved year on year, reflecting the Group's desire for continued innovation and its willingness to listen and respond to feedback. One example from the survey showed that owners rated 'friendliness and effectiveness' across the Group at 92%, up from 89% in 2018.

2019 vs 2018

2019 was in many ways transformational for the Audley Group as we created a substantial joint venture with Octopus Real Estate to develop four high quality Audley villages. Octopus is investment adviser to the Schroders Retirement Living Fund which was launched in 2019 with an initial £102m of capital, substantially all of which has been committed to this joint venture. The joint venture has been structured with Audley having a 25% interest and the Schroders Fund owning 75%.

The joint venture had acquired the Stanbridge Earls site before the year end through the purchase of an Audley entity which wholly owned the site. Subsequent to the year end the joint venture has acquired the Sunningdale site and acquired the remaining two sites during 2020 or early 2021. The sale of the Audley entity owning the Stanbridge Earls site has been treated as a disposal for accounting purposes with a profit on disposal recognised in the Group's income statement. The Group equity accounts for its share of any profits or losses recognised by the joint venture. The Group retains responsibility for the development management and sales and marketing for all four villages and receives separate fees for these services. The Group is also contracted to buy back the freeholds in each village at certain points in the future which are generally determined by when 95% of the units in each village have been sold; funded through the Group's share of the development sales at each site. The Group believes this is in its best interest as it values highly the long-term income streams that the freeholds generate.

While we believe that this joint venture will bring substantial benefits to the Group, the accounting for the joint venture makes comparison with 2018 very difficult. We have therefore, in the first instance, adjusted the reported 2019 results as if proportionally consolidated to reflect the performance for the year and, secondly, we compare those adjusted results to our performance in 2018.

	Joint venture 100%	Audley's share of joint venture	Audley 100% (excluding JV)	Total
Units sold	32	32 ¹	90	122
Revenue (£'000)	16,183	4,406	71,428	75,834
Gross profit (£'000)	123	31	16,060	16,091
(loss)/earnings before revaluations, exceptional items, interest and tax (£'000)	(435)	56	(7,978)	(7,922)
Revaluation (£'000)	(407)	(102)	(1,402)	(1,504)
Exceptional items (£'000)	-	-	(8,449)	(8,449)
Other losses (£'000)	-	-	(8,733)	(8,733)
Loss before interest and tax (£'000)	(842)	(46)	(26,562)	(26,608)

¹ Unit sales recorded as 100% as Audley are responsible for all sales and marketing

Key performance indicators

The Group regards its key performance indicators as the number of completions in the period, the gross margin, the earnings before interest and tax (EBIT) and growth in net assets.

The table below summarises these metrics for the year using the adjusted 2019 figures referred to above.

	2019	2018
Units sold	122	83
Revenue (£'000)	75,834	61,641
Gross profit (£'000)	16,091	18,876
Gross margin (%)	21.2%	30.6%
Loss before revaluations, exceptional items, interest and tax (£'000)	(7,922)	(3,600)
Revaluation (£'000)	(1,504)	(1,905)
Exceptional items (£'000)	(8,449)	(1,098)
Other losses (£'000)	(8,733)	-
Loss before interest and tax (£'000)	(26,608)	(6,603)

MAREF Topco Ltd

Strategic report (continued)

Key performance indicators (continued)

The Group regards its key performance indicators as the number of completions in the year, the gross margin, the earnings before interest and tax (EBIT) and growth in net assets.

The performance in the year was a great improvement on 2018, with 38 additional completions in the year which include 32 completions at Stanbridge Earls in the joint venture in December 2019 as the first units and club buildings were delivered in the last few months of the year. The gross margin was lower than in 2018 and this reflected the product mix and the write-off of some costs relating to projects which will not proceed and in addition a write-down in the net realisable value of our Watford site. It is not unusual in the early stages of a development for the net realisable value to be lower than cost and our results for 2019 reflect this. We expect this write-down to reverse as the project continues.

Our EBIT was significantly down on 2018, predominately by the large exceptional items in the year mostly relating to the goodwill write off of £8.3m, fair value losses on investments through profit or loss of £2.4m and expected credit loss of £6.4m, but also due to some increased administrative expenses that have been incurred as Audley build the platform for future.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income presents the results for the year to 31 December 2019. A commentary on all significant line items is set out below.

Revenue

Income of £71.4m in the year was made up of £49.2m of property sales, £12.9m of estate management fees, £6.0m of Audley Care income and £3.3m of other income. Income overall was up 16% from the year to 31 December 2018 due to a higher number of property completions in the year, as well as estate management fee income increasing in line with increased unit sales. The most significant item included within revenue of £71.4m is sales of £49.2m of on balance sheet properties, representing 90 unit sales. Of the property sales, the villages with the highest contributions were £18.1m from Cooper's Hill, £9.9m from Redwood, £8.5m from Binswood, £5.5m from Ellerslie and £1.1m from St George's. The Cooper's Hill village was launched in the year, with the first completions in October 2019, and the extension to the Binswood village was delivered in the summer.

Estate management fees contributed £12.9m to revenue in the year, an increase of £1.4m or 12.3%. This includes monthly and deferred management fees. Deferred management fees are accrued and calculated as a percentage of the property value on each anniversary of sale. Estate management fees increase with sale of units. Care business revenues for 2019 were £6.0m, an increase of £0.9m or 17.3%.

Direct costs

Direct costs for the year were £55.4m, comprising cost of sales relating to property sales of £39.3m, £11.2m of estate management cost of sales, £3.3m of care cost of sales and £1.6m of other running costs.

Loss on revaluation of investment properties

The Group has adopted investment property values at the year-end as determined by CBRE, on the basis of fair value. The valuation reflects estimated future income streams determined from the contractual arrangements contained in each lease.

Administrative expenses

Administrative expenses of £32.5m (2018: £23.6m) represent operating costs of the business, including exceptional items of £8.4m. Like for like, the administrative expenses in 2019 are £24.0m compared to £22.6m in 2018. Included in administrative expenses is £1.4m (2018: £1.7m) of fees to the MAREF fund manager.

Exceptional expenses

In 2019 the Group has exceptional items of £8.4m (2018: £1.1m). The Group impaired its carrying amount of goodwill in the year, leading to a £8.3m write down. Also included in exceptional items is a cost of £0.3m that was paid to a Director of Audley Court Limited for loss of office during the year. These costs are partially offset by a profit of £0.1m that represents the profit (net of fees) to the Group of disposing its subsidiary, Audley Stanbridge Earls Limited to the joint venture.

MAREF Topco Ltd

Strategic report (continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Other gains/(losses)

Included in other gains and losses is an amount of £6.4m in respect of expected credit losses and £2.4m for fair value losses on investments. The Group has recognised an expected credit loss of £6.4m in relation to 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 made. The Group recognised a net fair value loss on its cost of investment in Audley Nightingale Lane Limited in the year by £2.4m.

Net finance expense

Finance costs of £5.7m represent interest, facility fees and amortisation of loan arrangement costs on the Group's loan facilities. Finance income of £1.9m includes preference share interest receivable and other interest receivable.

Taxation

The net taxation expense for the year of £5.6m principally relates to the derecognition of losses as a deferred tax asset, as projects anticipated to use these losses have been sold into the joint venture and it is no longer certain when these losses will be used.

CONSOLIDATED BALANCE SHEET

Non-current assets

Intangible assets

The intangible asset is the goodwill that was created on the acquisition of Audley Court Limited in 2015. The Directors have carried out an impairment review by comparing the anticipated future cash flows from each cash-generating unit (CGU) with the amount of goodwill attributed to each CGU at the beginning of the year. The entire goodwill of £8.3m, allocated to the operations CGU, has been impaired in the year. This impairment resulted on the novation of the contracts to buy Sunningdale, Cobham, and Scarcroft to the joint venture with Octopus/Schroder's. The fair value less costs to sell of the operations CGU is now equal to the book value.

Investment properties

The investment properties include the freehold and long leasehold interest in each of the villages. The investment properties were valued by CBRE Limited at the year-end on the basis of fair value with reference to the estimated future income streams. Disposals to investment properties in the year of £2.5m represent the Stanbridge Earls property sold to the joint venture.

Right of use asset

The Group adopted IFRS 16 at the start of the year. The Group leases some of its investment properties as well as its Audley head office. On adoption of IFRS 16, a right of use asset was created, representing the net present value of future rental payments. A lease liability for the future rental commitments was also created. The right of use asset will be depreciated over the length of the leases and the lease liability will reduce as payments are made. 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.

Investments in joint ventures

As previously described, the Group formed a joint venture in the year with Octopus Real Estate. The additions to investments in joint ventures in the year of £12.5m all relate to this joint venture. The results of this joint venture are equity accounted for and the Group's share of the loss for the period was £46,000.

MAREF Topco Ltd

Strategic report (continued)

CONSOLIDATED BALANCE SHEET (continued)

Investments

During the year the Group purchased a 4% shareholding of PFA Audley PropCo P/S, a Danish joint venture with PFA Pension, to develop retirement villages in Europe. The Group also holds a 4% investment in Audley Nightingale Lane Limited, which is developing a retirement village in Clapham, South London. Owing to a longer than originally expected period to sell the remaining units at Audley Nightingale lane, it was considered appropriate to recognise a fair value on the investment of £2.4m in the year.

Property, plant and equipment

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

Trade and other receivables

The Group has £25.6m of long-term trade and other receivables. Of this, £10.7m relates to preference shares and accrued interest in Audley Nightingale Lane Limited. Accrued income for deferred management charges has been split between amounts due in greater than one year (£15.0m) and due in less than one year (£1.0m).

Accrued income represents deferred management charges that are levied on each owner upon assignment of their lease. The deferred management charge is determined from the contractual arrangements contained in each lease and is calculated as a percentage per year of occupation, or part thereof. The amount recognised in the accounts is based on management's estimate of the property values, which is calculated based on historical data of first sales and resales at each village. Any increase or decrease in the expected value of the deferred management charge is recognised in the statement of comprehensive income. These amounts have been estimated, informed by actuarial data, to classify the amounts based on the timing of expected cash flows.

Current assets

Stocks and inventories

Inventories represent land, plots under construction, completed homes ready for sale across all villages and food and beverage stocks at the villages. The inventories had additions of £75.1m in the year with the largest increases being at Cooper's Hill, Chalfont and Binswood. There were disposals of £37.7m representing the cost of sales to third parties in the year. Disposals of £38.5m represent the cost of work in progress disposed of on the sale of Stanbridge Earls to the joint venture.

Trade and other receivables

Trade and other receivables at the year-end were £7.9m. The main elements of the 2019 year-end balance were £3.8m of trade debtors, £2.1m of prepayments, £1.0m of accrued income, £0.3m of other receivables, £0.4m due to related undertakings and £0.3m of taxes and social security costs. The trade debtors include management charges and care revenue invoiced but not received, as well as £0.6m of deferred property purchase prices, secured on those properties.

Cash and cash equivalents

Cash and cash equivalents at the year-end were £20.6m. Of this amount £3.0m is held in a restricted bank account under our loan facility and can only be used to fund lifecycle costs at our villages under certain circumstances.

Deferred tax

The Group carries a deferred tax asset of £0.3m in respect of the Group's tax losses, which are expected to be utilised against future profits of the Group. This is a decrease of £6.2m from the prior year, predominantly due to the Group no longer recognising a deferred tax asset where projects have been sold into a joint venture and there is no longer certainty over timing of access to those losses. A deferred tax liability of £3.7m is in respect of property valuation surpluses recognised in these accounts.

MAREF Topco Ltd

Strategic report (continued)

CONSOLIDATED BALANCE SHEET (continued)

Current assets (continued)

Liabilities

Trade and other payables of £22.0m include £7.1m of trade payables, £2.0m of other payables and £9.8m of accruals and £3.1m of deferred income. Trade payables are all in the normal course of business; included in other payables are reservation and exchange deposits and others. Accruals include £1.3m for staff bonuses. The Group adopted IFRS 16 at the start of the year and as such a lease liability is now recognised on the balance sheet, split between due in less than one year and in greater than one year, in respect of leases the Group holds on some of its investment properties and its head office.

Loans and borrowings

The Group had borrowings of £91.5m offset by £2.8m of loan arrangement costs in respect of its £105.0m facility. The borrower under the facility is Audley Court Limited and all its assets, including all property assets of the Group, have been provided as security to the banks. After the year end the Group has renegotiated its facility. The facility has been restated to a maximum borrowing of £105.0m and amended into separate borrowing tranches for ongoing developments, completed stock, the Watford site and working capital.

Funding

In addition to the £105.0m loan facility, the Group benefits from its equity funding from MAREF. The Group drew down £25.9m of equity from MAREF during the year, with no further equity available to draw.

RISK REVIEW

The risk management process

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

Risk management starts at Board level which sets risk appetite, provides policy, maintains risk oversight and enforces risk management reporting. The Corporate Governance Committee reports to the Board and oversees the regular review of risk management activities, is informed of all risk management activity which is considered or suspected to be significant and reviews and agrees the risk management improvement plan. Audley also has a Risk Management Group. The Risk Management Group meets by exception, but for continuous monitoring of changing risks a comprehensive risk register is kept up to date with progress towards risk improvements and new or emerging risks. All members of the Risk Management Group submit a bimonthly report to the Group Health and Safety Manager, who presents the results to the Corporate Governance Committee. All identified risks on the risk register are scored on a traffic light system on the consequence and likelihood of their occurrence.

Risk appetite

Audley Group's approach is to minimise its exposure to reputational, compliance and excessive financial risk, whilst accepting and encouraging risk in a managed environment in pursuit of its missions and objectives. Audley Group recognises that its appetite for risk varies according to activity undertaken, and acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised by the Corporate Governance Committee, and that sensible measures to mitigate the risk are established.

MAREF Topco Ltd

Strategic report (continued)

Principal risks and uncertainties



Increased risk



Maintained risk








Decreased risk

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<p>THE COVID-19 PANDEMIC</p> <p>The COVID-19 pandemic and resulting government guidance on social distancing effectively shut down the UK housing and hospitality market. The Group moved swiftly to suspend all sales and marketing events and activity as well as closure of the onsite swimming pools and gym facilities, and dine-in for the restaurant and bar and bistro. Takeaway from our onsite restaurants was made available in each Audley village for our owners and an 'Audley Pantry' provided onsite for the purchase of essential items, as well as a supermarket shopping service. The effects of COVID-19 on the UK economy and consumer confidence, and the knock-on effects on transaction levels in the UK housing market in the short to medium term, are impossible to predict. There is, therefore, an inherently high degree of uncertainty in the future outlook, but in the short term it is expected to have a material reduction in income and cash flow during, and emerging from, the lockdown period. In addition, the way in which buyers, sellers, landlords, tenants and mortgage lenders will respond to social distancing measures may change the way in which they transact, with, for example, more reliance being placed on digital interactions.</p>	<p>To preserve and safeguard our business for the future, swift and decisive measures were taken, not least to reduce costs and manage liquidity including: the furloughing of staff under the government's Coronavirus Job Retention Scheme; actions to reduce discretionary marketing spend; and delaying capital expenditure where appropriate. In terms of liquidity, with the agreement of the government, the Group deferred PAYE and NI payments and benefited from other government reliefs such as the 100% relief on business rates. During the lockdown period the Group completed a restatement and amendment of the Group's £105.0m loan facility, which now includes a general working capital tranche. The Group has developed a reasonable worst case scenario that overlays the forecast impact of COVID-19 on the Group's two-year business plan (see going concern). The health and wellbeing of all our owners and employees has been paramount throughout the pandemic and Audley has complied with the government's guidance at all times. As lockdown eases, we continue to operationally respond to COVID-19 through extensive measures on health and safety to keep customers and employees safe, as well as developing new ways of working, and developing digital channels in which customers can engage with the Group.</p>	
<p>ECONOMIC AND MARKET RISK</p> <p>Changing market conditions could hinder the Group's ability to sell properties.</p> <p>As housebuilding is cyclical and dependent on the broader economy, any deterioration in the economic outlook, including interest rates rises, inflation and buyer confidence, could impact on the Group's ability to sell units and consequently negatively impact the Group's turnover and EBIT.</p> <p>This could lead to potential Audley owners being unable to sell their properties or postponing their decision to purchase. The global COVID-19 pandemic has impacted the UK economy and consumer confidence, and the knock-on effects on transaction levels in the UK housing market.</p> <p>The UK's decision to leave the EU and the subsequent ongoing Brexit negotiations have introduced uncertainty into the market.</p>	<p>Management closely monitors the market and industry indicators. The Group models different scenarios of the impact of different market conditions. The Group partners with a part-exchange company and a company which offers bridging loans to aid customers who want to buy our product but may be having difficulties selling their home due to market conditions.</p> <p>Government initiatives, such as the stamp duty holiday until March 2021, will help mitigate some of these risks.</p> <p>Investment opportunities may be more evident.</p>	
<p>LAND ACQUISITION RISK</p> <p>Failure to acquire land in identified locations with acceptable purchase conditions.</p>	<p>We have a specialist in-house land team. Land is usually acquired subject to planning permission or via an option. Unconditional land purchases are rare, reducing the risk of having to sell a site (at a potential loss) if we do not obtain planning permission.</p>	

Strategic report (continued)




Principal risks and uncertainties (continued)

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
PLANNING RISK Failure to gain planning consent or satisfactory planning consent in the C2 use class. This would either result in us having to sell the site (at a potential loss) if we have acquired it or failure to acquire if it is a subject to planning contract.	We have a specialist in-house planning team which prepares viability assessments and establishes close working relationships with senior council members and key figures in local planning authorities to garner support for our applications. A sensitive approach to local planning policy coupled with the socio-economic advantages of our type of development meeting the needs of the increasing older population has helped us achieve a 100% successful planning record to date.	
BUILD PROGRAMME AND BUILD COST RISK The Group's financial performance is dependent on its ability to deliver build programmes on time and on budget. Build programme or cost overruns could result in slower sales or reduced margins.	We partner with large 'blue chip' construction companies as well as Tier 2 contractors. We look to diversify our risk by using several different contractors for different size projects on which we carry out due diligence before contracting. The large 'blue chip' businesses have strong and robust supply chains and are able to react quickly if a key sub-contractor fails. Regular site client progress meetings are held where production rate and programme position are thoroughly appraised with early warnings on time slippage assessed and recovery strategy agreed. Construction continued on all our sites during the government lockdown, albeit at reduced rates due to social distancing requirements onsite.	
REPUTATIONAL RISK Marketing materials or websites displaying incorrect information either due to miscommunication between departments or human error in proofreading collateral, resulting in mis-selling to customers, cancelled sales, potential legal issues, negative impact on reputation and loss of revenue.	We ensure that any price changes, management fee changes, etc. are communicated between sales and marketing teams. All print materials are proofread by our agencies as well as internally. All print communications have a date printed for version control. Websites are regularly reviewed and updated.	
LOSS OF EMPLOYEES OR KEY MANAGEMENT PERSONNEL RISK The Group's continued success is reliant on its management and staff. Failure to recruit and retain sufficient staff resource of the right quality could constrain growth plans.	The Group has put in place attractive reward mechanisms for key management. We have a dedicated in-house learning and development team to provide personal development and training across the Group. During the year the Audley senior management team was strengthened with Nick Edwards joining the Audley Board as an Executive Director, having previously served as a Non-Executive Director.	
STANDARDS OF CARE A failure to meet our care obligations to our owners or to manage our health and safety obligations to our owners, contractors, employees and visitors could lead to proceedings or reputational damage.	Our care team is regularly inspected and through careful recruitment and ongoing training we aim to exceed statutory requirements. We have achieved a 'good' rating by the CQC in all our branches that have been inspected, achieving 'outstanding' in some key areas.	

MAREF Topco Ltd

Strategic report (continued)

Principal risks and uncertainties (continued)

RISK DESCRIPTION	MITIGATING ACTIONS	MOVEMENT IN YEAR
<p>HEALTH AND SAFETY RISK</p> <p>The nature of construction sites is inherently risky and could potentially expose contractors or employees to serious injury or fatality.</p> <p>The health and safety of our owners and visitors at our completed developments is equally important to us and the risk is we do not have sufficient safeguards in place.</p>	<p>Audley Group are certified through BSI under the ISO 45001 Occupational Health and Safety Management System. This means we are independently audited against an internationally recognised Standard and that we continually strive towards improvement to the safety of our village environments and our properties. 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 dedicated Group Health and Safety Manager for our completed developments who reports directly to the Managing Director – Operations to identify and address any areas of concern. In response to the COVID-19 pandemic, we worked within a business continuity framework to ensure a proportionate response and operational measures were implemented. For example, we installed hand sanitiser stations around our villages and thermal imaging cameras to detect anyone with elevated temperatures as well as implementing social distancing and assistance to those who need to quarantine.</p>	
<p>INTEREST RATE RISK</p> <p>The Group has both interest-bearing assets and liabilities. Interest-bearing assets include cash balances and preference shares, all of which earn a fixed interest rate. Interest-bearing liabilities relate to bank loans. The Group is at risk of increased interest rates on borrowings.</p>	<p>The Group has a policy of maintaining debt at fixed margin rates to ensure certainty of future cash flows. The Directors continually review the appropriateness of this policy. No hedging is currently in place but this is under regular review.</p>	
<p>RISK OF DATA OR CYBER BREACH</p> <p>The Group relies on information technology to perform effectively and any failure of those systems, particularly those relating to customer or commercially sensitive data, which could adversely impact the Group's commercial advantage and result in penalties where the information is protected by law.</p>	<p>The Group engages with and actively manages its information technology experts to ensure the systems operate effectively and that we respond to the ever-evolving IT security environment. This includes regular off-site backups. Audley takes security of personal data very seriously and continuously reviews security and use of data.</p>	

Corporate responsibility

Sustainability

This Annual Report signifies another important step in our journey to document, measure and embed our strategy for sustainability in the areas of environment, social impact and governance (ESG). Audley Group continues to responsibly manage environmental sustainability in the construction and management of its villages.

Traditionally, Audley's approach to ESG was predominantly environmentally focused. To reflect its ongoing commitment to deliver commercial success and champion the interests of its owners and people, the Audley ESG strategy now offers a multi-faceted view of the Group's operations and interactions with the wider community and environment. This approach reflects Audley's firm belief that sustainability encompasses how the Group conducts its business now and into the future.

Overall ESG strategy

2019 saw Audley Group integrate and promote greater environmental responsibility and resource-efficient processes across our operations and activities. The culmination of this increased focus can be evidenced in the publication of the Group's first ever dedicated CSR report which builds on the information reported in previous Annual Reports.

MAREF Topco Ltd

Strategic report (continued)

Overall ESG strategy (continued)

Audley Group has established an ESG Committee to oversee the sustainability approach for Audley. The Committee's sole focus is to assist the Board in building the framework, policy and actions required to become a more environmentally and socially responsible organisation.

As part of its ongoing commitment to embed this across every aspect of its business, the Group has set key performance indicators which are regularly measured and monitored. From these, the Group has also documented short-term and long-term goals and objectives, all of which are publicly available in Audley Group's CSR report.

Audley remains committed to continued innovation and a drive towards increased sustainability and as such we are expanding our ESG framework. It will incorporate elements of sustainability frameworks including the Sustainable Development Goals (SDGs) and Task Force on Climate-related Financial Disclosures (TCFD).

We have identified five pillars:

- Our environment
- Our community
- Our people
- Our owners (covered in Operational Review)
- Our governance

Global Real Estate Sustainability Benchmark (GRESB)

GRESB is an industry-driven organisation committed to assessing the environmental, social and governance (sustainability) performance of real estate portfolios globally. We have participated in GRESB since 2018, and in 2019 achieved a score of 57, which is a year-on-year improvement of 7.5%.

Audley Group continues to explore opportunities to improve ESG performance and participation in GRESB and is targeting an improvement to GRESB scores in the coming years. Despite GRESB not being used exhaustively across the UK retirement living sector, it is a useful indicator of current performance and an integral planning tool that is informing improvement plans for 2020 and beyond.

Environment

Through 2019, the initial driver has been to limit the projected energy demand and associated carbon emissions of our developments via building orientation, construction methods and sustainability.

In the future, the Group is committed to responsibly managing the short and long-term environmental impacts of its operations, including the use of natural resources such as electricity and gas and the production of waste. Integrating sustainability initiatives across operations and corporate activities will be central to this.

One example includes exploring opportunities for zero carbon status on future projects. The initial driver will be to limit the projected energy demand and associated carbon emissions of our developments.

Community

We support and empower our community partners by focusing on building positive and lasting relationships and maintaining a sustainable operation.

Our contractors are encouraged to subscribe to the Considerate Constructors Scheme, an organisation which aims to improve the image of the construction industry and its impact on the environment, the workforce and the general public.

In addition, Audley gives back to the community through fundraising and volunteering for a wide range of charities and causes including the British Heart Foundation, Cancer Research UK, the Care Workers' Charity and Parkinson's UK. Almost £30,000 was raised in 2019, up 67% on the previous year.

Employees

The Group places a high priority on ensuring that its employment policies respect the individual, and offer training, career and personal development opportunities regardless of racial or ethnic origin, gender, race, religion, nationality, disability, sexual orientation, or marital status. Appointments are made on merit, skills and expertise but with due regard to the benefits of diversity. Full and fair consideration is given to the employment of all individuals and reasonable adjustments are made to accommodate the disabilities of employees, whether those disabilities arose before or during their employment with the Group.

Diversity and inclusion

We are committed to diversity and inclusion in the workplace, because it creates opportunities for all employees to use their knowledge, skills and abilities. Audley Group is proud to be an equal opportunities employer and gender has no impact on our recruitment process. Audley Group gender pay details reveal that women's mean hourly rate is 32.7% lower than men's and women's median hourly rate is 12.1% lower than men's. This data primarily reflects the fact that

MAREF Topco Ltd

Strategic report (continued)

Diversity and inclusion (continued)

Audley Group is a business which has three key functions: property, care and hospitality. Each function has different levels of pay. For example, across care 97% of staff are female. This function accounts for nearly half of the organisation's headcount, and generally falls into the lower quartiles for pay compared to other business units. The median gender pay gap across the entire business is 12.1% which suggests that the main bulk of pay grades are relatively even and we believe that this provides a more accurate view of the overall gender pay gap.

Employee engagement survey

Each year, we conduct an employee engagement survey to understand how employees feel about their workplace and identify areas for improvement. 570 employees completed the survey in 2019, and the results were again very positive. We achieved an overall engagement score of 75%, up from 73% in 2018. Following the results, we are hosting a workshop to identify action plans and improve engagement to all senior management to enable them to plan team management and discuss their team's results as appropriate.

Our team members are our most important asset as a business, and we are dedicated to providing a working environment in which they can develop and thrive. We encourage open and honest communication and have robust policies covering everything from equality and diversity to health and safety to ensure that their wellbeing is at the core of what we do. The Audley team are central to business success and they believe in the Group: an incredible 97% of employees are proud to work at Audley Group, up from 93% in 2018.

We are in the process of launching our own charitable payroll giving system, to help our team members contribute to their favourite charities more easily, conveniently and tax efficiently. Audley is also working towards the formation of a dedicated Audley Foundation to formalise charitable giving.

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

- 2019 launched a new Associate Operations Director in Training Programme (AODIT) and a General Manager in Training Programme (GMIT), a two-year programme that provides a mix of learning opportunities, coaching and in-role experience. There are multiple vacancies on the programmes and the opportunity to apply is open to all Audley staff
- A Roadshow by the in-house Audley Academy to all open villages and head office showcasing the opportunities to all staff for training and development
- Quarterly all staff updates from the Directors
- An annual staff conference for the leadership of the organisation with special guest speakers and a staff recognition awards event in the evening
- Regional operational village management meetings (bimonthly)
- An annual staff satisfaction survey
- Care branch manager meetings (bimonthly)
- A daily '10 at 10': An update from the village general manager at 10 am at each operational village

Business relationships

In performing its duties the Board gives due consideration to its key stakeholder groups as it ensures that the activities of the Group align with its strategic plan, as well as the Group's culture and values.

In assessing its activities, the Board aims to act fairly, transparently and in the long term interests of the Group over the long term, and assesses the impact of activities on the Group's business relationships.

Suppliers

In the last 6 months of the financial year, 91% of invoices were paid within 60 days of invoice date (2018: 91 days), with 38% being paid within 30 days (2018: 31%). On average invoices are being paid within 43 days (2018: 46 days) from date of issue.

Related party transactions

During the financial year, the Company had transactions with its parent and fellow subsidiary companies. Details of related party transactions are given in note 29.

Governance

The Board of Directors is responsible for the corporate governance of Audley Group and leads by example in setting high standards of ethical behaviours and overseeing Audley's cultures and values.

MAREF Topco Ltd

Strategic report (continued)

Governance (continued)

Integrated Governance Steering Committee

The Integrated Governance Steering Committee (IGSC) reports to the Board and oversees the regular review of the following governance areas:

- Risk management
- Business continuity
- Policies

Modern slavery

As part of the property, hospitality and care sectors, we recognise that we have a responsibility to take a robust approach to slavery and human trafficking throughout our entire business. We are absolutely committed to preventing slavery and human trafficking in our business activities, and ensuring that our supply chains are free from slavery and human trafficking. Our full statement can be read at www.audleygroup.com/modernslavery-statement.

Whistle blowing

Audley Group has a clear whistle blowing policy to encourage our team members to raise any concerns. The full policy can be read at www.audleygroup.com/corporate-governance along with our Anti-Bribery Statement and Health and Safety Policy.

REGULATORY AND INDUSTRY RESPONSIBILITY

Audley Group has a responsibility for the quality of individual lives and for people's basic rights as human beings. To ensure that this quality is maintained by every carer, Audley Care follows strict guidelines, including, but not limited to:

- All branches are regulated and inspected by the Care Quality Commission (CQC)
- The most up to date regulations are complied with
- Service is also monitored through formal review meetings, the distribution of satisfaction surveys and a close review of the results
- Spot checks observe carers at work and regular contact with owners and their families ensures customers are happy with the service they receive

The sector

The retirement living sector, and notably housing with care, is an increasingly hot topic in Westminster. There is a need to reform the housing and social care sectors, and 2020's COVID-19 pandemic will only heighten the urgency.

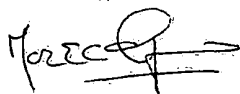
The ability to combine secure but aspirational housing with health and wellbeing services is vital in both increasing movement in the housing market and freeing up family homes and alleviating the significant pressure on the health and social care sectors.

Audley Group continues to engage with policy makers to support and propose changes to planning and housing policy that can accelerate the provision of this much-needed housing.

ARCO

Audley Group is a founding member of the Associated Retirement Community Operators (ARCO) trade body and Nick Sanderson, Audley Group Chief Executive Officer, is Chair. Membership of this organisation means we are at the forefront of setting best practice in the retirement village sector and enables us to act as a united voice representing the interests of older people in engagement with both the private and public sectors, including government.

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



Marc Gilbard

Director

Date: 08 December 2021

MAREF Topco Ltd

Directors' report

Group directors' report for the year ended 31 December 2019

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

General

MAREF Topco Ltd 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 names of all persons who were directors during the year and up to the date of signing are:
Nicholas Edwards (resigned 30 October 2019)
Charles Ferguson-Davie
Marc Gilbard

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 and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 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, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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.

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.

MAREF Topco Ltd

Directors' report (continued)

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 11 to 14;
- (c) the need to foster the company's business relationships with clients, end customers, suppliers and regulators – pages 11 to 14;
- (d) the impact of the company's operations on the community and the environment – pages 11 to 14;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct – pages 11 to 14; and
- (f) the need to act fairly between members of the company – pages 11 to 14.

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; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Results and dividends

The Group's loss for the year was £35,987,000 (2018: loss of £10,194,000). No dividends were paid in the year to 31 December 2019 (2018: £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.

Disposal of a subsidiary

On 23 August 2019 the Group disposed of a wholly owned subsidiary company, Audley Stanbridge Earls Limited. The Group received £36.2 million in consideration for the net assets of £34.4 million of that company at the date of disposal, resulting in a profit to the Group of £1.8 million. Audley Stanbridge Earls Limited was purchased by RELF Audley Retirement Living LLP, of which Audley Group Limited has a 25% share. During the year the company has invested £12.5 million in its share of RELF Audley Retirement Living LLP.

Political and charitable donations

During the year the Group did not make any political donations or incur any political expenditure (2018: £nil). During the year the Group made charitable donations of £7,000 (2018: £3,000).

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 2022 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 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.

The Group is, however, facing levels of uncertainty, principally caused by the Covid-19 pandemic, and the Group's financial modelling is sensitive to material changes in UK house prices and volumes of transactions. Under the Severe but plausible downside case there would be a breach of the Group's loan covenants, including those held within 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, 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

MAREF Topco Ltd

Directors' report (continued)

Going concern (continued)

the Severe but plausible downside case would give rise to a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

Principal risks and uncertainties

Please see the Strategic report for details of the principal risks and uncertainties on pages 2 to 14.

Financial instruments

Details of the financial instruments of the Group are described in note 23 .

Subsequent events

See note 31 for post balance sheet events.

Likely future developments

Please see the Strategic report for details of likely future developments on pages 2 to 14.

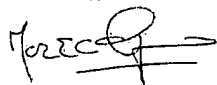
Employee and environmental matters

Information in respect of the Group's employment and environmental matters is contained within the Corporate Responsibility Report on pages 11 to 14.

Independent auditors

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

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



Marc Gilbard

Director

Date: 08 December 2021

MAREF Topco Ltd

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 2019 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- the Group and Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements, included within the Annual Report and consolidated financial statements (the "Annual Report"), which comprise: the Consolidated balance sheet and the Company balance sheet as at 31 December 2019; the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter – Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group has a £95.0m debt facility including amortising and revolving credit tranches that is secured on the net assets of Audley Court Limited and its subsidiaries. Audley Court Limited is a subsidiary of MAREF Topco Limited. Audley Group Limited and its subsidiaries are joint guarantors to debt facilities held by its joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained. The Directors have performed a detailed review of the current and projected financial position of the Group which involved preparing two forecast scenarios: a 'Base case' and a Severe but plausible 'downside' case. Under the 'downside' case:

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

MAREF Topco Ltd

Given the uncertainty, the Directors have concluded that it is necessary to draw attention to this as a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern in the disclosure of the basis of preparation to the financial statements.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 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 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 and Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

MAREF Topco Ltd

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

09 December 2021

MAREF Topco Ltd

Consolidated statement of comprehensive income For the Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	71,428	61,641
Cost of sales	3	(55,368)	(42,765)
Gross profit	3	16,060	18,876
Administrative expenses		(32,487)	(23,574)
Share of results of joint ventures	14	(46)	-
Loss on revaluation of investment properties	12	(1,402)	(1,905)
Other (losses)	5	(8,733)	-
Operating loss	4	(26,608)	(6,603)
Operating loss before exceptional items and revaluation gain		(8,024)	(3,600)
Loss on revaluation of investment properties		(1,402)	(1,905)
Exceptional items	10	(8,449)	(1,098)
Other (losses)		(8,733)	-
Operating loss after exceptional items		(26,608)	(6,603)
Finance income	8	1,911	894
Finance expense	8	(5,738)	(6,351)
Loss before income tax		(30,435)	(12,060)
Corporation tax (expense)/ credit	9	(5,552)	1,866
Loss for the financial year		(35,987)	(10,194)
Attributable to:			
- Equity holders of the parent company		(35,615)	(10,085)
- Non-controlling interest		(372)	(109)
Total comprehensive expense for the financial year		(35,987)	(10,194)

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 £11,914,000 (2018: £5,000).

Included in other gains/(losses) is a charge of £6.4m (2018: £nil) of expected credit losses relating to preference share receivables.

The notes on pages 28 to 66 are an integral part of these consolidated financial statements.

MAREF Topco Ltd

Registered number 09892988

**Consolidated balance sheet
As at 31 December 2019**

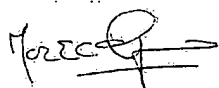
	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	11	14,706	22,965
Investment properties	12	106,718	111,043
Right of use assets	13	1,714	-
Investments in joint ventures	14	12,455	-
Other investments	16	295	2,423
Property, plant and equipment	15	1,546	1,263
Deferred tax asset	17	301	6,550
Trade and other receivables	19	25,604	26,749
Total non-current assets		163,339	170,993
Current assets			
Stock and inventories	18	161,602	160,675
Trade and other receivables	19	7,856	8,018
Cash and cash equivalents	20	20,554	10,750
Total current assets		190,012	179,443
Total assets		353,351	350,436
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	24	158,569	158,569
Capital contribution		122,400	96,500
Accumulated losses	25	(45,710)	(9,155)
Total attributable to equity holders of the Parent Company		235,259	245,914
Non-controlling interest		1,584	1,335
Total equity		236,843	247,249
Liabilities			
Non-current liabilities			
Loan and borrowings	22	88,659	76,048
Lease liabilities	13	1,972	-
Deferred tax liabilities	17	3,688	4,217
Total non-current liabilities		94,319	80,265

Consolidated balance sheet (continued)
As at 31 December 2019

Current liabilities			
Trade and other payables	21	22,041	22,922
Lease liabilities	13	148	-
Total current liabilities		22,189	22,922
Total liabilities		116,508	103,187
Total equity and liabilities		353,351	350,436

The notes on pages 28 to 66 are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the Board and were signed on its behalf by:



Marc Gilbard
Director

Date: 08 December 2021

MAREF Topco Ltd

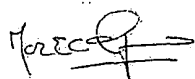
Registered number 09892988

Company balance sheet As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments	16	269,070	255,069
Total non-current assets		269,070	255,069
Total assets		269,070	255,069
Equity and liabilities			
Current liabilities			
Share capital	24	158,569	158,569
Shareholders contribution	25	122,400	96,500
Accumulated losses	25	(11,929)	(15)
Total equity		269,040	255,054
Liabilities			
Current liabilities			
Trade and other payables	21	30	15
Total current liabilities		30	15
Total liabilities		30	15
Total equity and liabilities		269,070	255,069

The notes on pages 28 to 66 are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the Board and were signed on its behalf by:



Marc Gilbard
Director
Date: 08 December 2021

MAREF Topco Ltd

Consolidated statement of changes in equity For the year to 31 December 2019

Group

	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
Balance as at 1 January 2018	158,569	72,000	930	231,499	1,444	232,943
Capital contribution	-	24,500	-	24,500	-	24,500
Total transactions with owners	-	24,500	-	24,500	-	24,500
Loss for the financial year	-	-	(10,085)	(10,085)	(109)	(10,194)
Total comprehensive expense for the financial year	-	-	(10,085)	(10,085)	(109)	(10,194)
Balance as at 31 December 2018	158,569	96,500	(9,155)	245,914	1,335	247,249
Adjustment on adoption of IFRS 16	-	-	(107)	(107)	-	(107)
Balance as at 1 January 2019	158,569	96,500	(9,262)	245,807	1,335	247,142
Loss for the financial year	-	-	(35,615)	(35,615)	(372)	(35,987)
Total comprehensive expense for the financial year	-	-	(35,615)	(35,615)	(372)	(35,987)
Loss on disposal of non-controlling interest	-	-	(833)	(833)	833	-
Addition of non-controlling interest	-	-	-	-	1,584	1,584
Disposal of non-controlling interest	-	-	-	-	(1,796)	(1,796)
Capital contribution	-	25,900	-	25,900	-	25,900
Balance as at 31 December 2019	158,569	122,400	(45,710)	235,259	1,584	236,843

The notes on pages 28 to 66 are an integral part of these consolidated financial statements.

MAREF Topco Ltd

Company statement of changes in equity For the year to 31 December 2019

	Attributable to owners of the parent			
	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 January 2018	158,569	72,000	(10)	230,559
Loss for the year	-	-	(5)	(5)
Total comprehensive expense for the financial year	-	-	(5)	(5)
Capital contribution	-	24,500	-	24,500
Balance as at 31 December 2018	158,569	96,500	(15)	255,054
Loss for the year	-	-	(11,914)	(11,914)
Total comprehensive expense for the financial year	-	-	(11,914)	(11,914)
Capital contribution	-	25,900	-	25,900
Balance as at 31 December 2019	158,569	122,400	(11,929)	269,040

The notes on pages 28 to 66 are an integral part of these consolidated financial statements.

MAREF Topco Ltd

Consolidated and company statement of cash flows For the year ended 31 December 2019

		Group	Company	Group	Company
	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Cash used in operating activities	28	(43,812)	-	(54,979)	-
Finance income received		20	-	15	-
Finance costs paid		(4,832)	-	(4,958)	-
Corporation tax paid		-	-	(6)	-
Net cash used in operating activities		(48,624)	-	(59,928)	-
Cash flows from investing activities					
Additions to investments		(245)	(25,900)	(67)	(24,500)
Additions to joint venture investments		(12,501)	-	-	-
Additions to investment properties		(1,385)	-	(19,497)	-
Additions to property, plant and equipment		(917)	-	(761)	-
Disposal of subsidiary		36,177	-	-	-
Disposal of non-controlling interest		(212)	-	-	-
Net cash generated from/(used in) investing activities		20,917	(25,900)	(20,325)	(24,500)
Cash flows from financing activities					
Proceeds from capital contribution received		25,900	25,900	24,500	24,500
New loans		49,000	-	79,000	-
Issue costs of new loans		(625)	-	(3,634)	-
Repayment of loans		(36,519)	-	(55,901)	-
Principal elements of lease payments		(245)	-	-	-
Net cash generated from financing activities		37,511	25,900	43,965	24,500
Net increase/(decrease) in cash and cash equivalents		9,804	-	(36,288)	-
Cash and cash equivalents at beginning of year		10,750	-	47,038	-
Cash and cash equivalents at end of year	20	20,554	-	10,750	-

The notes on pages 28 to 66 are an integral part of these consolidated financial statements.

MAREF Topco Ltd

Notes to the financial statements

For the year ended 31 December 2019

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 international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

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

Functional and presentation currency

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

Going concern

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. As the Directors have to make the going concern assessment over at least a 12 month period from the date of signing the financial statements, the scenario modelling has been undertaken over the period to 31 December 2022. The assessment involved the preparation of two forecast scenarios: a 'Base Case' and a Severe but plausible 'downside' case. In response to unprecedented levels of uncertainty in the market, caused by the coronavirus pandemic, the Severe but plausible downside case considers a more significant impact on the core drivers of performance than previously might have been assumed. The Group's experience of the trading environment since the first lockdown in March 2020 has been less severe than the 'downside' scenario assumes.

Financing overview

As explained in note 22, the Group has a £95m debt facility including amortising and revolving credit tranches that is secured on the net assets of Audley Court Limited and its subsidiaries. The Group's debt facility expires on 26 January 2023. Audley Court Limited is a subsidiary of MAREF Topco Limited. Audley Group Limited and its subsidiaries are joint guarantors to debt facilities held by its joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group holds a 4% equity interest which is secured on the property assets of those entities. These borrowings contain covenants that require specific financial ratios to be maintained and tested on a quarterly basis. At the date of approval of these financial statements the Group had complied with all applicable borrowing covenants. The Group had cash and cash equivalents of £14.8m at 31 December 2020 (2019: £20.6m; 2018: £10.8m).

At 31 December 2020, the Group's joint venture, RELF Audley Retirement Living LLP and Audley Nightingale Lane Limited, in which the Group has an investment, had £238.3m of secured facilities, of which the Group's proportionate share was £43.8m.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

These relate to loans secured against the property assets of these entities being the villages under development, completed villages and unsold stock at the joint venture sites at Stanbridge Earls, Sunningdale, Cobham, Scarcroft and Clapham. In addition, subsequent to the year end, the Group's new joint venture with Blackrock secured a £40.5m (Group's share: £10.1m) facility for the financing of the development at Mayfield Watford. The Mayfield Watford site is owned by Audley Group Developments 1 Limited which also holds the debt facility. The Group is a joint guarantor to these facilities in proportion to its shareholding in the respective entities that own the assets.

The facilities contain a number of financial covenants that are generally tested quarterly in March, June, September and December. At the date of approval of these financial statements, the RELF Audley Retirement Living LLP joint venture and Audley Nightingale Lane Limited complied with all applicable borrowing covenants.

Scenario assumptions and outcomes

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

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

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

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

Mitigating actions

There are two principal mitigating actions available to the Group. A reduction of discretionary costs or a deferral of costs such as capital expenditure which would improve the liquidity position. In respect of the covenant compliance, the Group continues to have supportive lenders as was demonstrated in August 2021 with an agreed reduction to the proportion of mandatory debt repayments and release of the restricted cash under the Group's banking facility. The Directors have confidence that should they be required, covenant waivers could be obtained.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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, principally caused by the Covid-19 pandemic, and the Group's financial modelling is sensitive to material changes in UK house prices and volumes of transactions.

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

- The Group's available cash is fully utilised by August 2022 and failure to achieve sufficient mitigating actions or secure additional funding for the Group would mean that the Group will be unable to repay its liabilities as they fall due from this date;
- The Group would breach the loan-to-value covenant on one specific tranche of the facility. The Directors consider that in the event of a breach there is a reasonable expectation that the lenders would provide a waiver. However, the failure to obtain a waiver would mean there is a risk that the lender could demand repayment of the loan and consequently the Group would be unable to meet its liabilities as they fall due;
- The forecast valuation decline on the land at the Cobham site acts to reduce the headroom under 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 the 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 Group has adopted IFRS 16 'Leases' for the year ended 31 December 2019. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.51%. All right of use assets relate to land and buildings.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

The adoption of IFRS 16 affected the following items in the balance sheet on 1 January 2019.

	31 December 2018 as reported £'000	Impact of adoption of IFRS 16 £'000	1 January 2019 Restated £'000
Non-current assets			
Intangible assets	22,965	-	22,965
Investment properties	111,043	269	111,312
Right of use assets	-	1,884	1,884
Other investments	2,423	-	2,423
Property, plant and equipment	1,263	-	1,263
Deferred tax asset	6,550	-	6,550
Trade and other receivables	26,749	-	26,749
Total non-current assets	170,993	2,153	173,146
Current assets			
Stock and inventories	160,675	-	160,675
Trade and other receivables	8,018	-	8,018
Cash and cash equivalents	10,750	-	10,750
Total current assets	179,443	-	179,443
Total assets	350,436	2,153	352,589
Liabilities			
Current liabilities			
Trade and other payables	(22,922)	-	(22,922)
Lease liabilities	-	(140)	(140)
Total current liabilities	(22,922)	(140)	(23,062)
Non-current liabilities			
Loan and borrowings	(76,048)	-	(76,048)
Lease liabilities	-	(2,120)	(2,120)
Deferred tax liabilities	(4,217)	-	(4,217)
Total non-current liabilities	(80,265)	(2,120)	(82,385)
Total liabilities	(103,187)	(2,260)	(105,447)
Total net assets	247,249	(107)	247,142

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

	31 December 2018 as reported £'000	Impact of adoption of IFRS 16 £'000	1 January 2019 Restated £'000
Equity			
Share capital	158,569	-	158,569
Capital contribution	96,500	-	96,500
Retained earnings	(9,155)	(107)	(9,262)
Total attributable to equity holders of the Parent Company	245,914	(107)	245,807
Non-controlling interests	1,335	-	1,335
Total equity	247,249	(107)	247,142

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations are expected to have a material impact on the consolidated financial statements of the Group.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period.

Amendments to IFRS 3 (Business Combinations) are effective for financial years commencing on or after 1 January 2020. The amendments relate to changes in the criteria for determining whether an acquisition is a business combination or an asset acquisition. These amendments will be applied to any future business combinations.

Amendments to IFRS 9 (Financial Instruments) are effective for financial years commencing on or after 1 January 2020. The amendments offer relief in meeting the criteria for hedge accounting on the transition from LIBOR to IBOR. The adoption of these amendments is not considered to have a material impact on the financial statements of the Group.

Amendments to References to the Conceptual Framework are effective for financial years commencing on or after 1 January 2020. The adoption of these amendments is not considered to have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) are also effective for financial years commencing on or after 1 January 2020. The amendments will be applied to any future changes in Accounting Policy, Accounting Estimates or Errors.

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.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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.

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.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Intangible assets

Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired in a business combination by the Group. Goodwill is capitalised as an intangible asset. Goodwill is not amortised but reviewed for impairment at least annually at each reporting date, with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 6).

Investment property

Investment property is initially measured at cost and subsequently carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the consolidated statement of comprehensive income. Additions to investment properties in the course of development or refurbishment include directly attributable internal and external costs incurred during the period of development until the properties are ready for their intended use.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value at the date of transfer less accumulated depreciation and accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on all plant and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the reporting date, of each asset over its expected useful life as follows:

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

Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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 a 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; and
- 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.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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

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

Share capital

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

Revenue recognition

The Group recognises revenue from the following major sources.

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

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

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

Revenue for each stream recognised as follows.

Property sales

Sales of residential units are recognised on legal completion.

Deferred management fees and associated accrued income

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

The cash settlement of the accrued income is realised on the 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 ten years.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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

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 to provide further understanding of the financial performance of the Group.

MAREF Topco Ltd

Notes to the financial statements (continued)

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.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Equity instruments

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

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

(i) *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 in hand and deposits with banks and other short-term, highly liquid investments with original maturities of three months or less from inception.

Trade and other receivables

Trade 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 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. 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 allowances.

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

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

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.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financial 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.

Related party transactions

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

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 critical judgements made in the financial statements to be related to:

Valuation of investment property

The fair value of investment properties is based on a valuation model using a cash flow methodology that reflects future income streams included in the village apartment leases.

The future income streams are estimated based on current contractual arrangements and non-contractual ancillary income streams. The initial cost of the investment property is dependent on an allocation based on GDV 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 12.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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 impairment of £335,000 (2018: £1.1m) in respect of two sites (2018: 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 a 10 year expected stay. If the average length of stay decreases by one year the amount recognised in current assets would increase by £588,000 (2018: £312,000) and the amount recognised in non-current assets would decrease by £588,000 (2018: £312,000). If the average length of stay increased by one year the amount recognised in current assets would decrease by £253,000 (2018: £134,000) and the amount recognised in non-current assets would increase by £253,000 (2018: £134,000).

Deferred tax

The Group has made an assessment of the recoverability of deferred tax assets, where it has been assumed that sufficient taxable profits will be available in future periods, to allow the assets to be recovered. Given the uncertainty over future profitability deferred tax losses of £6.3m (tax value) were derecognised in the year and the Group has total unrecognised gross tax losses of £61.3m. The utilisation of the remaining deferred tax asset of £0.3m is dependent on the future profitability of certain sites. In the event that these profits are not realised, the deferred tax asset may be required to be derecognised in future periods.

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. During the year, the Group disposed of its rights to four sites and consequently an impairment of £8.3m has been recognised.

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, 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 valuation of unsold stock would need to fall by 19.3% (2018: 17.9%) to result in an impairment to development CGU.

MAREF Topco Ltd

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Expected credit loss

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

The expected credit loss which has been recognised is therefore subject to a degree of uncertainty which may not prove to be accurate. The Group has recognised an expected credit loss on other receivables of £6.4 million (2018: £nil) in the year. The key inputs were a 70% expectation that the units will sell at 1 per month, a 15% expectation that they will sell at 1.5 per month and a 15% expectation that they will sell 1 every other month. A change in assumptions to 10% expectation to sell 1 every other month, 60% expectation to sell 1 per month and a 30% expectation to sell 1.5 every month would decrease the expected credit loss by £1.2m.

Investments in subsidiaries

The Directors review the investments for impairment annually. Where there are indicators of impairment or reversals of previous impairments, management performs an impairment test for the investment. The recoverable values of these investments are estimated taking into account net assets and the uplift in stock fair value above carrying value. Management is required to employ considerable judgement in assessing the fair value uplift and use an independent third party valuer to assess fair value of stock. There has been an impairment of £11,899,000 in the year (2018: £nil).

3 Revenue and gross profit

All revenue is generated in the United Kingdom.

	2019 £'000	2018 £'000
Property sales ¹	49,166	42,326
Care income ¹	6,023	5,133
Estate management fees ²	12,916	11,502
Development fee income ²	-	1,357
Other ³	3,323	1,323
Total revenue	71,428	61,641
Property cost of sales	(39,344)	(28,770)
Other	(16,024)	(13,995)
Total cost of sales	(55,368)	(42,765)
Gross profit	16,060	18,876

¹. Recognised at a point in time.

². Recognised over time.

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

MAREF Topco Ltd

Notes to the financial statements (continued)

4 Operating loss

Group	2019 £'000	2018 £'000
This has been arrived after charging:		
Impairment of goodwill	8,259	-
Depreciation of tangible fixed assets	554	427
Depreciation of right of use assets	169	-
Repairs and maintenance	51	54
Auditors' remuneration – audit of the Company	15	5
Auditors' remuneration – audit of subsidiaries	281	175
Total auditors' remuneration – audit services	296	180
Auditors' remuneration–non-audit services: tax compliance	70	68
Auditors' remuneration–non-audit services: tax advisory	122	-
Auditors' remuneration–non-audit services: transaction services	176	383
Total auditors' remuneration	664	631
Operating lease rentals:		
- Other	247	199
-Land and buildings	-	278

5 Other losses

	2019 £'000	2018 £'000
Net fair value losses on investments through profit and loss	2,373	-
Expected credit loss on financial assets at fair value through profit or loss	6,360	-
Total	8,733	-

MAREF Topco Ltd

Notes to the financial statements (continued)

6 Segmental reporting

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

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

2019

	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	49,527	21,901	-	71,428
Cost of sales	(39,344)	(16,024)	-	(55,368)
Gross Profit	10,183	5,877	-	16,060
Administrative expenses	(7,830)	(2,487)	(13,911)	(24,228)
Goodwill impairment	-	(8,259)	-	(8,259)
Other gains/(losses)	(8,733)	-	-	(8,733)
Share of results of joint ventures	(46)	-	-	(46)
Loss on revaluation of investment properties	-	(1,402)	-	(1,402)
Operating profit/(loss)	(6,426)	(6,271)	(13,911)	(26,608)
Net finance expense	-	-	(3,827)	(3,827)
Loss before income tax				(30,435)

2019

	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Intangible assets	14,706	-	-	14,706
Investment properties	-	106,718	-	106,718
Right of use assets	-	441	1,273	1,714
Investments in joint ventures	12,455	-	-	12,455
Other investments	295	-	-	295
Property, plant and equipment	272	431	843	1,546
Deferred tax assets	-	-	301	301
Trade and other receivables	10,663	14,941	-	25,604
Non-current assets	38,391	122,531	2,417	163,339

MAREF Topco Ltd

Notes to the financial statements (continued)

6 Segmental reporting (continued)

2019	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Stocks and inventories	161,510	92	-	161,602
Trade and other receivables	2,006	3,783	2,067	7,856
Cash and cash equivalents	-	3,000	17,554	20,554
Current assets	163,516	6,875	19,621	190,012
Loans and borrowings	-	-	(88,659)	(88,659)
Trade and other payables	(11,969)	(5,366)	(4,706)	(22,041)
Lease liabilities	-	(787)	(1,333)	(2,120)
Deferred tax liability	-	-	(3,688)	(3,688)
Total liabilities	(11,969)	(6,153)	(98,386)	(116,508)
Net assets	189,938	123,253	(76,348)	236,843

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

2018	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Revenue	42,326	19,315	-	61,641
Cost of sales	(28,770)	(13,995)	-	(42,765)
Gross Profit	13,556	5,320	-	18,876
Administrative expenses	(10,097)	(2,487)	(9,892)	(22,476)
Goodwill impairment	-	-	(1,098)	(1,098)
Loss on revaluation of investment properties	-	(1,905)	-	(1,905)
Operating profit/(loss)	3,459	928	(10,990)	(6,603)
Net finance expense	-	-	(5,457)	(5,457)
Loss before income tax				(12,060)

MAREF Topco Ltd

Notes to the financial statements (continued)

6 Segmental reporting (continued)

2018

	Development £'000	Operations £'000	Unallocated £'000	Total £'000
Intangible assets	14,706	8,259	-	22,965
Investment property	-	111,043	-	111,043
Investments	2,423	-	-	2,423
Property, plant and equipment	184	183	896	1,263
Deferred tax assets	-	-	6,550	6,550
Trade and other receivables	15,130	11,619	-	26,749
Non-current assets	32,443	131,104	7,446	170,993
Stocks and inventories	160,606	69	-	160,675
Trade and other receivables	5,006	2,081	931	8,018
Cash and cash equivalents	-	3,000	7,750	10,750
Current assets	165,612	5,150	8,681	179,443
Loans and borrowings	-	-	(76,048)	(76,048)
Trade and other payables	(16,046)	(2,657)	(4,219)	(22,922)
Deferred tax liability	-	-	(4,217)	(4,217)
Total liabilities	(16,046)	(2,657)	(84,484)	(103,187)
Net assets	182,009	133,597	(68,357)	247,249

7 Employees

	2019 £'000	2018 £'000
Staff costs (including Directors) comprise:		
Wages and salaries (including discretionary bonus)	17,517	15,209
Defined contribution pension costs	665	489
Social security costs	1,631	1,469
	19,813	17,167

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £665,000 (2018: £489,000), of which £73,000 (2018: £64,000) was outstanding at the period end and included within other payables.

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

MAREF Topco Ltd

Notes to the financial statements (continued)

7 Employees (continued)

	2019 Number	2018 Number
Estate management	173	152
Care provision	292	264
Restaurant	114	96
Central management and administration	51	47
Sales and marketing	58	50
	688	609

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 2019, the key senior managers within the Group are deemed to be the Executive Board members of Audley Group Limited, John Nettleton and Katherine Rose (up to her resignation), who were members of the Operations and Development Boards. No balances are outstanding from key management personnel at the year end. During the year £333,000 (2018: £nil) was paid to key management personnel in respect of compensation for loss of office. No amounts are included in respect of the Directors of MAREF Topco Limited.

During the year the key senior managers exchanged their shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 shares in Audley Group Limited.

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

	2019 £'000	2018 £'000
Wages and salaries	2,499	2,222
Defined contribution pension costs	48	47
Social security costs	335	331
	2,882	2,600

8 Finance income and expenses

Group	2019 £'000	2018 £'000
Preference share interest	1,891	879
Other interest receivable	20	15
Finance income	1,911	894
Bank interest payable	(4,261)	(2,529)
Amortisation of loan arrangement costs	(755)	(2,464)
Other finance costs (including facility fees)	(579)	(1,351)
Lease costs	(143)	(7)
Finance expense	(5,738)	(6,351)
Net finance expense	(3,827)	(5,457)

MAREF Topco Ltd

Notes to the financial statements (continued)

9 Corporation tax

Group	2019 £'000	2018 £'000
Current tax		
Corporation tax	-	(112)
Deferred tax		
In respect of revenue losses	6,081	(1,555)
In respect of revaluation gains	(529)	(199)
Total tax charge/(credit)	5,552	(1,866)

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

	2019 £'000	2018 £'000
Loss before income tax for the year	(30,435)	(12,060)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19%)	(5,783)	(2,291)
Expenses not deductible	2,578	371
Adjustments for changes in tax rates	576	94
Reversal of deferred tax previously recognised	5,883	-
Losses not recognised	2,122	-
Other	176	(40)
Total tax charge/(credit)	5,552	(1,866)

Factors that may affect future tax charges

The Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes have been measured at 19% as if this had been enacted at the balance sheet date.

10 Exceptional items

	2019 £'000	2018 £'000
Impairment of goodwill	(8,259)	-
Loss of office of key management personnel	(333)	-
Corporate structuring activity	143	(1,098)
Total exceptional costs	8,449	(1,098)

The gain of £143,000 in the year for corporate structuring activity relates to a profit of £1.8m on the sale of a subsidiary company into the Group's joint venture, net of £1.7m fees.

On 23 August 2019 the Group disposed of a wholly owned subsidiary company, Audley Stanbridge Earls Limited. The Group received £36.2 million in consideration for the net assets of £34.4 million of that company at the date of disposal, resulting in a profit to the Group of £1.8 million. Audley Stanbridge Earls Limited was purchased by RELF Audley Retirement Living LLP, of which Audley Group Limited has a 25% share. During the year the Group has invested £12.5 million in its share of RELF Audley Retirement Living LLP (see note 14).

Disposal of a subsidiary	£'000's
Net assets at disposal	(34,370)
Net cash consideration received	36,177
Gain on disposal of subsidiary	1,807

MAREF Topco Ltd

Notes to the financial statements (continued)

11 Intangible assets

	Goodwill £'000
Cost or valuation	
At 1 January 2018, 1 January 2019 and 31 December 2019	29,288
Accumulated amortisation and impairment	
At 1 January 2018 and 1 January 2019	(6,323)
Impairment	(8,259)
At 31 December 2019	(14,582)
Net book value	
At 31 December 2019	14,706
At 31 December 2018	22,965

The Group has two CGUs to which goodwill has been allocated, being development with £14,706,000 (2018: £14,706,000) and operations with £NIL (2018: £8,259,000).

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

The fair value of the operations CGU is based on the valuation of investment properties; see note 12.

As further units are sold and the Group becomes entitled to additional cash flows from those units the fair value of investment properties will be adjusted to reflect these additional cash flows. The Group has disposed of Stanbridge Earls and its rights to future sites in the year, and subsequently expected future cash flows to be generated from the investment property have reduced in the period, resulting in an impairment to the operations CGU.

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

This represents a level 3 valuation.

These assumptions are reviewed by the Board annually and revised in light of current economic conditions and the future outlook of the business. An impairment of £8,259,000 (2018: £NIL) has been recognised in the operations CGU.

12 Investment properties

	£'000
Valuation	
At 1 January 2018	93,451
Additions	19,497
Loss on revaluation	(1,905)
At 31 December 2018	111,043
Additions	1,385
Changes in accounting policy – IFRS 16	269
Disposals	(2,480)
Transfer to stocks and inventories	(2,097)
Loss on revaluation	(1,402)
At 31 December 2019	106,718

MAREF Topco Ltd

Notes to the financial statements (continued)

12 Investment properties (continued)

	2019 £'000	2018 £'000
Fair value of central facilities as determined by CBRE/Directors	121,980	123,162
Accrued income – non-current	(14,661)	(11,619)
Accrued income – current	(601)	(500)
	106,718	111,043

The historical cost of investment properties at 31 December 2019 was £95,073,000 (2018: £98,265,000).

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 2019 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 future contractual arrangements and non-contractual ancillary revenue.

The key inputs to the valuation model included:

- House price inflation (HPI);
- Discount rate assumptions;
- Average length of stay;
- Management charges (£300-£800 per unit per month);
- Deferred management charges (typically between 1.0% and 2.0% of gross development value)
- Estate management and lifecycle costs; and
- Resale fee income and ground rent

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 were higher/(lower);
- Average length of stay was lower/(higher);
- Expected management charges were higher/(lower);
- Expected deferred management charges were higher/(lower); and
- Estate management and lifecycle costs were lower/(higher).

The table below shows the sensitivity of the investment property valuation for changes to the yield assumptions.

	-100 basis points	-	+100 basis points
Investment property valuation	144,089	121,980	101,997

During the year ended 31 December 2019, £16,512,000 (2018: £14,436,000) 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). Direct operating expenses arising from investment properties that generated income amounted to £4,525,000 (2018: £4,028,000).

The Group did not incur any direct operating expenses arising from investment properties that did not generate income. Recognised in the statement of comprehensive income is a £1,402,000 (2018: £1,905,000) loss 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 2019 contractual obligations to develop investment properties amounted to £8,697,000 (2018: £4,844,000).

MAREF Topco Ltd

Notes to the financial statements (continued)

13 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 2018 and 1 January 2019		-
Change in accounting policy		1,883
Restated at 1 January 2019 and 31 December 2019		1,883
Accumulated depreciation		
At 1 January 2018 and 1 January 2019		-
Depreciation charge for the year		(169)
At 31 December 2019		(169)
Net book value		
At 31 December 2019		1,714
At 31 December 2018		-
	2019	Restated
	£'000	1 January
		2019¹
		£'000
Lease liabilities		
Current	148	140
Non-current	1,972	2,120

¹In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.

There were no additions to right of use assets in 2019.

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

	2019	2018
	£'000	£'000
Depreciation of right of use assets		
Buildings	169	-
Total depreciation of right of use assets	169	-
Interest expense (included in finance cost)	143	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative selling expenses)	247	-

The total cash outflow for leases in 2019 was £492,000.

The Group leases various offices, investment properties and vehicles. Rental contracts for investment properties range from 99 to 999 years, vehicles are typically leased for fixed periods of one to three years, and the Group's leased offices are for a period of 10 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. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases; see note 1 for details. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

MAREF Topco Ltd

Notes to the financial statements (continued)

13 Right of use assets (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which do not have recent third party financing; and
- 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; and
- 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 property 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.

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

14 Investment in Joint Ventures

Cost	£'000
At 1 January 2019	-
Additions	12,501
Share of results from joint ventures	(46)
At 31 December 2019	12,455

In the period the Group invested to hold a 25% interest in RELF Audley Retirement Living LLP. RELF Audley Retirement Living LLP was incorporated on 9 July 2019 and will develop four retirement villages. Audley Stanbridge Earls Limited was acquired by RELF Audley Retirement Living LLP from Audley Court Limited in the period, resulting in a £1.8m gain for the Group (see note 10). This is the first of the four villages to be developed in the joint venture structure. The Group retains a 25% investment in Audley Stanbridge Earls Limited by virtue of its holding a 25% interest in RELF Audley Retirement Living LLP.

The Group's share of loss from continued operations and its total comprehensive loss for the period to 31 December 2019 was £46,000 (2018: £NIL).

MAREF Topco Ltd

Notes to the financial statements (continued)

14 Investment in Joint Ventures (continued)

The tables below provide summarised financial information for the joint venture. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts.

	2019 £'000
Non-current assets	
Intangible assets	1,913
Investment properties	3,136
Property, plant and machinery	64
Total non-current assets	5,113
Current assets	
Stocks and inventories	33,706
Trade and other receivables	2,026
Cash and cash equivalents	11,291
Total current assets	47,023
Total assets	52,136
Liabilities	
Current liabilities	
Trade and other payables	(7,032)
Corporation tax	(126)
Total current liabilities	(7,158)
Total liabilities	(7,158)
Total net assets	44,978
Total members interests	
Loans and other debts due to members	44,978
Total equity	44,978

	31 December 2019 £'000
Revenue	16,183
Cost of sales	(16,060)
Gross profit	123
Administrative expenses	(558)
Loss on revaluation of investment properties	(407)
Operating loss	(842)
Net finance expense	-
Loss before tax	(842)
Tax charge	(126)
Loss and total comprehensive expense for the year	(968)

Commitments in respect of joint ventures

Following the year end, the Group has invested £4.3m into RELF Audley Retirement Living LLP and received £5.4m 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 (the first two retirement villages to be developed by the RELF joint venture). The investment from the Group of £4.3m was to acquire the site at Sunningdale Park, Berkshire. The joint venture acquired the site in February 2020 for £25.1m, funded by equity and a bank loan.

The joint venture has capital commitments of £65,828,000 of which the Group's share is £16,457,000.

MAREF Topco Ltd

Notes to the financial statements (continued)

14 Investment in Joint Ventures (continued)

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, of which Audley already own 25%; therefore, the contractual future cash outflows are £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. For two of the villages, the land has not yet been acquired but the Group's obligation will fall 50 or 77 months after the acquisition. In relation to the properties already acquired by the joint venture the obligation will fall in February 2024 and November 2024, or before depending on the success of selling the village apartments.

Related party transactions with joint ventures

The Group sold a 100% owned subsidiary company, Audley Stanbridge Earls Limited, into the joint venture. The Group received £36.2m in consideration and made a profit of £1.8m, or £0.3m net of fees.

Fees charged to the joint venture in the period were £72,000 for development management services and £162,000 for sales management services. Included in accrued income and trade debtors at year end were £162,000 and £20,000 respectively.

15 Property, plant and equipment

Group	Short-term leasehold property £'000	Fixtures and fittings £'000	Office Equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2018	601	59	618	48	1,326
Additions	151	50	547	13	761
Disposals	—	(3)	(21)	-	(24)
At 1 January 2019	752	106	1,144	61	2,063
Additions	232	69	607	9	917
Disposals	(107)	-	(2)	-	(109)
At 31 December 2019	877	175	1,749	70	2,871
Accumulated depreciation					
At 1 January 2018	30	24	290	31	375
Depreciation charge for the year	149	12	249	17	427
Depreciation on disposals	—	(1)	(1)	-	(2)
At 1 January 2019	179	35	538	48	800
Depreciation charge for the year	168	19	361	6	554
Depreciation on disposals	(27)	-	(2)	-	(29)
At 31 December 2019	320	54	897	54	1,325
Net book value					
At 31 December 2019	557	121	852	16	1,546
At 31 December 2018	573	71	606	13	1,263

MAREF Topco Ltd

Notes to the financial statements (continued)

16 Investments

Group	2019 £'000
Cost	
At 1 January 2019	2,423
Additions	245
Net fair value losses on investments through profit or loss	(2,373)
At 31 December 2019	295

At 31 December 2019 and 31 December 2018 the Group held a 4% interest in Audley Nightingale Lane Limited. The company is developing a retirement village and is registered in Jersey. The Group's share of loss from continued operations and its total comprehensive profit for the period to 31 December 2019 was £19,000 (2018: £43,000 loss). The Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.0m in 6 years' time. Both amount and timing are contingent on the successful development of the retirement village in that entity. Net fair value losses on investments through profit and loss of £2.4m in the year have been recognised on the investment in Audley Nightingale Lane Limited based on the projected future equity distributions.

During the year the Group invested in PFA Audley PropCo P/S, which is registered in Denmark. The Group owns 4% of this entity, the purpose of which is to develop retirement villages in Europe.

Company	£'000
Cost	
At 1 January 2018	230,569
Additions	24,500
At 31 December 2018	255,069
Additions	25,900
Impairments	(11,899)
At 31 December 2019	269,070

Subsidiaries

Name	Ownership interest at 31 December 2019 %	Ownership interest at 31 December 2018 %	Nature of business
Audley Group Limited	99.406	100	Holding company

MAREF Topco Ltd

Notes to the financial statements (continued)

16 Investments (continued)

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

Name	Ownership interest at 31 December 2019 %	Ownership interest at 31 December 2018 %	Nature of business
Audley Court Limited	100	98.92	The development and management of retirement villages, including the provision of domiciliary care
Audley Nightingale Lane Holdings Ltd	100	100	Holding company
Audley Nightingale Place Management Ltd	100	100	Dormant
Audley Investments No 1 Limited	100	-	Holding company
Audley Investments No 2 Limited	100	-	Holding company
Audley Investments No 3 Limited	100	-	Dormant
Audley Investments No 4 Limited	100	-	Dormant
Audley Wycliffe Management Limited	100	-	Dormant

The following are the subsidiaries that are all 100% owned by Audley Investments No 1 Limited:

Name	Ownership interest at 31 December 2019 %	Ownership interest at 31 December 2018 %	Nature of business
Audley Standbridge Earls Rent Company Limited	100	-	Dormant
Audley Sunningdale Park Rent Company Limited	100	-	Dormant
Audley Standbridge Earls Management Limited	100	-	Management company
Audley Sunningdale Park Management Limited	100	-	Dormant

MAREF Topco Ltd

Notes to the financial statements (continued)

16 Investments (continued)

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

Name	Proportion of ownership interest at 31 December 2019 %	Proportion of ownership interest at 31 December 2018 %	Nature of business
RELF Audley Retirement Living LLP	25	-	Holding company
RELF Audley Retirement Living II LLP	25	-	Holding company

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

Name	Nature of business
Audley Binswood Limited	Village development company
Audley Binswood Management Limited	Management company
Audley Care Ltd	Care provider
Audley Care White Horse Ltd	Care provider
Audley Chalfont Limited	Village development company
Audley Chalfont Management Limited	Management company
Audley Clevedon Limited	Village development company
Audley Clevedon Management Limited	Management company
Audley Coopers Hill Limited	Village development company
Audley Coopers Hill Management Limited	Management company
Audley Court Management Limited	Apartment resales
Audley Ellerslie Limited	Village development company
Audley Ellerslie Management Limited	Management company
Audley Financial Services Limited	Dormant
Audley Flete Limited	Village development company
Audley Flete Management Limited	Management company
Audley Homewood Limited	Village development company
Audley Inglewood Limited	Village development company
Audley Inglewood Management Limited	Management company
Audley Group Developments I Limited	Village development company
Audley Mote Management Limited	Management company

MAREF Topco Ltd

Notes to the financial statements (continued)

16 Investments (continued)

Name	Nature of business
Audley Redwood Limited	Village development company
Audley Redwood Management Limited	Management company
Audley St Elphins Limited	Village development company
Audley St Elphins Management Limited	Management company
Audley St George's Limited	Village development company
Audley St George's Management Limited	Management company
Audley Sunningdale Park Limited	Village development company
Audley Dormant Co Limited	Management company
Audley Willicombe Limited	Village development company
Audley Willicombe Management Limited	Management company
Mayfield Villages Limited	Village development company
Audley Group Developments 2 Ltd	Village development company
Mayfield Watford Management Limited	Dormant
Mayfield Villages Care Limited	Dormant

MAREF Topco Ltd is incorporated in the United Kingdom and it's 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.

17 Deferred tax

Group	2019 £'000	2018 £'000
Disclosed as:		
Deferred tax asset	301	6,550
Recoverable within 1 year	112	70
Recoverable after more than 1 year	189	6,480
Total deferred tax assets	301	6,550
Deferred tax liability (revaluation surpluses)	(3,688)	(4,217)
Total deferred tax liabilities	(3,688)	(4,217)
Arising after more than 1 year	(3,688)	(4,217)
	(3,387)	2,333
		£'000
At 1 January 2018		579
Movement in the year		1,754
At 31 December 2018		2,333
Movement in the year		(5,720)
At 31 December 2019		(3,387)

MAREF Topco Ltd

Notes to the financial statements (continued)

17 Deferred tax (continued)

At 31 December 2019 the Group had unused tax losses of £62,978,000 (2018: £55,125,000), of which £1,700,000 (2018: £34,645,000) has been recognised as a deferred tax asset. Tax losses of £61,278,000 (2018: £20,480,000) have not been recognised as it is not considered sufficiently certain that these losses can be utilised in future periods.

18 Stock and inventories

	2019 £'000	2018 £'000
Land and work in progress	103,481	95,498
Finished goods	58,121	65,177
	161,602	160,675
		£'000
At 1 January 2018		121,479
Additions		68,311
Disposals – cost of sales		(29,115)
At 31 December 2018		160,675
Additions		75,134
Transfers from investment properties		2,097
Disposal on sale of subsidiary		(37,774)
Disposals – cost of sales		(38,530)
At 31 December 2019		161,602

Included in stocks and inventories is a write-down of £1.159m of the Watford property to net realisable value, as assessed by CBRE Limited, an independent firm of chartered surveyors.

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

19 Trade and other receivables

Trade and other receivables – greater than one year

	2019 £'000	2018 £'000
Preference shares and accrued interest	10,663	15,130
Accrued income	14,941	11,619
	25,604	26,749

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 interest and principal amounts are recoverable based on an assessment of the underlying expected cash flows of the village development, with an expectation that the entire amount will be paid in c. 6 years time. Included in preference shares and accrued interest is an expected credit loss of £6.4m.

Included within 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:

	2019 £'000	2018 £'000
Between one and two years	588	862
Between two and five years	4,615	18,626
Greater than five years	20,401	7,261
	25,604	26,749

MAREF Topco Ltd

Notes to the financial statements (continued)

19 Trade and other receivables (continued)

Trade and other receivables – less than one year

	2019 £'000	2018 £'000
Trade receivables	3,805	2,681
Provision for impairment of trade receivables	(7)	(7)
Trade receivables (net)	3,798	2,674
Other receivables	306	3,186
Amounts due to related undertakings	387	-
Taxes and social security costs	323	810
Prepayments	2,070	703
Accrued income	972	645
	7,856	8,018

Included in other receivables in 2018 was an amount of £3.0m that was deferred consideration for the purchase of the Watford site that was held in escrow.

The ageing of trade receivables is as follows:

	2019 £'000	2018 £'000
Up to 30 days overdue	1,266	2,071
31 to 60 days overdue	310	370
61 to 90 days overdue	202	140
Over 90 days overdue	1,451	82
Total	3,229	2,663
Amounts not yet due	569	11
Trade receivables (net)	3,798	2,674

20 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents	17,554	7,750
Cash and cash equivalents – held in restricted bank accounts	3,000	3,000
Cash and cash equivalents	20,554	10,750

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.

	2019 £'000	2018 £'000
Cash and cash equivalents	20,554	10,750
Gross debt – variable interest rates	(91,481)	(79,000)
Lease liabilities	(2,120)	-
Net debt	(73,047)	(68,250)

	Other assets	Liabilities from financing activities		
	Cash £'000	Borrowings - due within one year £'000	Borrowings - due after one year £'000	Total £'000
Net debt as at 1 January 2019	10,750	—	(79,000)	(68,250)
Cash flows	9,804	—	(12,481)	(2,677)
Leases	—	(148)	(1,972)	(2,120)
Net debt as at 31 December 2019	20,554	(148)	(93,453)	(73,047)

MAREF Topco Ltd

Notes to the financial statements (continued)

21 Trade and other payables

Group and company	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade payables	7,119	-	8,500	-
Other payables	1,994	22	2,479	5
Accruals	9,837	8	10,274	10
Deferred income	3,091	-	1,669	-
	22,041	30	22,922	15

22 Loans and borrowings

Group	2019 £'000	2018 £'000
Bank loans	91,481	79,000
Loan arrangement costs	(2,822)	(2,952)
	88,659	76,048
Maturity profile		
Between one and five years	88,659	76,048
	88,659	76,048

On 24 January 2018, Audley Court Limited, an immediate subsidiary, entered into a five-year £125.0m revolving credit facility agreement. Following a repayment in the year the facility limit was reduced to £105.0m. All 34 direct subsidiaries of Audley Court Limited are guarantors to the loan and the loan is secured by means of charges over the investment properties, stock and work in progress of those entities. Interest is based on three-month LIBOR plus 3.50%. Following the year end the Group has completed a restatement and amendment of the revolving credit facility. The facility is £105.0m and subdivided into separate tranches for ongoing developments, completed stock, the Watford site and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche and LIBOR plus 4.5% for all the other tranches. The loan is secured by means of interests on the investment properties, stock and work in progress of the Audley Court Group.

Following the disposal of a subsidiary post year end (refer to note 31) the Group repaid £14.4m and the loan facility reduced by a further £10m to £95m.

23 Financial instruments

Capital risk management

The Group's primary capital management objective is to ensure the Group's ability to continue as a going concern for the foreseeable future. The Group's capital comprises equity and capital contributions from its shareholders, cash and cash equivalents and borrowings.

The Group's capital structure is managed through its budget and business plan and is monitored via daily cash flow forecasts and monthly management accounts. The Group's net debt to equity ratio is 29%.

Financial risk management

The Group's principal financial instruments at 31 December 2019 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. The risk management starts at Board level; setting risk appetite, providing policy, maintaining risk oversight and enforcing risk management reporting. A Corporate Governance Committee reports to the Board and oversees the regular review of risk management activities, is informed of all risk management activity which is considered or suspected to be significant and reviews and agrees the risk management improvement plan.

MAREF Topco Ltd

Notes to the financial statements (continued)

23 Financial instruments (continued)

Credit risk

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

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. 6 years. Based on this assessment the Group has recorded an expected credit loss of £6.4m in the year.

Cash and cash equivalents

Group	2019 £'000	2018 £'000
Cash held in restricted bank accounts	3,000	3,000
Cash at bank and in hand	17,554	7,750
Cash and cash equivalents	20,554	10,750

The cash held in the restrictive 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 2019 are shown below.

Financial institution	Long term credit rating	Cash and cash equivalents £'000
HSBC	AA-	18,836
Barclays	A+	1,604
RBS	A	114
		20,544

Price risk

The Group is exposed to commodity price risk (as pertaining to raw materials for construction) as a result of its operations. The Group manages this by the use of fixed-price construction contracts where possible. The Group has no exposure to equity securities price risk as it holds no listed equity investments.

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.

MAREF Topco Ltd

Notes to the financial statements (continued)

23 Financial instruments (continued)

Liquidity risk (continued)

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

	Carrying amount £'000	Contractual cashflows £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000
At 31 December 2019						
Trade payables	7,119	7,119	7,119	-	-	-
Other payables	1,994	1,994	1,994	-	-	-
Accruals	9,837	9,837	9,837	-	-	-
Lease liabilities	2,120	5,263	244	244	731	4,044
Bank loans	91,481	105,257	4,489	4,489	96,279	-
Total	112,551	129,470	23,683	4,733	97,010	4,044

	Carrying amount £'000	Contractual cashflows £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000
At 31 December 2018						
Trade payables	8,500	8,500	8,500	-	-	-
Other payables	2,479	2,479	2,479	-	-	-
Accruals	10,274	10,274	10,274	-	-	-
Bank loan	79,000	93,769	3,630	3,630	86,509	-
Total	100,253	115,022	24,883	3,630	86,509	-

At 31 December 2019 the Group has undrawn loan facilities of £13.5m (2018: £46.0m). Following the year end the Group has completed a restatement and amendment of the revolving credit facility. The facility is £105.0m and subdivided into separate tranches for ongoing developments, completed stock, the Watford site and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche and LIBOR plus 4.5% for all the other tranches.

Interest rate risk

The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include preference shares and cash balances, all of which earn interest at a fixed rate. Interest-bearing liabilities relate to bank loans. The Group has a policy of maintaining debt at fixed margin rates to partially mitigate the uncertainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

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

	2019 £'000	2018 £'000
0.5% increase in interest rates		
Interest in borrowings	(457)	(395)
Interest on cash and cash equivalents	103	54
Total impact on pre-tax loss and equity	(354)	(341)

	2019 £'000	2018 £'000
0.5% decrease in interest rates		
Interest in borrowings	457	395
Interest on cash and cash equivalents	(103)	(54)
Total impact on pre-tax loss and equity	354	341

MAREF Topco Ltd

Notes to the financial statements (continued)

23 Financial instruments (continued)

Categories of financial assets and financial liabilities

	2019		2018	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Non-current financial assets – amortised cost				
Accrued income	14,941	14,941	11,619	11,619
Total accrued income	14,941	14,941	11,619	11,619
Non-current financial assets – fair value through the profit and loss				
Other receivables	10,663	10,663	15,130	15,130
Total other receivables	10,663	10,663	15,130	15,130
Total non-current financial assets	25,604	25,604	26,749	26,749
Current financial assets – loans and receivables				
Cash and cash equivalents	20,554	20,554	10,750	10,750
Trade and other receivables (excluding prepayments)	4,491	4,491	5,860	5,860
Accrued income	972	972	645	645
Total current financial assets	26,017	26,017	17,255	17,255
Total financial assets	51,621	51,621	44,004	44,004
Current financial liabilities – amortised cost				
Lease liabilities	148	148	-	-
Trade payables	7,119	7,119	8,500	8,500
Other payables	11,831	11,831	12,753	12,753
Total current financial liabilities	19,098	19,098	21,253	21,253
Non-current financial liabilities – amortised cost				
Bank loans	88,659	88,659	76,048	76,048
Lease liabilities	1,972	1,972	-	-
Total non-current financial liabilities	90,631	90,631	76,048	76,048
Total financial liabilities	109,729	109,729	97,301	97,301

24 Share capital

Issued and fully paid

Company

	2019		2018	
	Number	£'000	Number	£'000
Ordinary shares of £1 each				
Issued	158,568,848	158,569	158,568,848	158,569

Movements in ordinary share capital

	Number	£'000
At 1 January 2018 and 1 January 2019	158,568,848	158,569
At 31 December 2018 and 31 December 2019	158,568,848	158,569

MAREF Topco Ltd

Notes to the financial statements (continued)

25 Reserves

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

During the year the Company received £25.9m (2018: £24.5m) in non-repayable capital contribution from the Group's ultimate controlling parties.

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

26 Contingent liabilities, capital commitments and guarantees

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

	2019 £'000	2018 £'000
Contracted but not provided for	14,578	31,761

Additionally, the Group is contracted to purchase the entire share capital of Audley Nightingale Lane Limited. The purchase price is estimated to be approximately £18.0m in c. 6 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 14 for commitments to joint ventures.

27 Leases

Operating lease commitments where the Group is the lessee

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

	2019		2018	
	Land and buildings £'000	Motor vehicles £'000	Land and buildings £'000	Motor vehicles £'000
In one year or less	-	-	244	173
Between one and five years	-	-	974	181
In five years or more	-	-	4,286	-
	-	-	5,504	354

28 Cash absorbed by operations

Group	2019 £'000	2018 £'000
Loss before income tax	(30,435)	(12,060)
Adjustments for:		
Depreciation	554	427
Loss on revaluation of investment properties	1,402	1,905
Profit on disposal of subsidiary	(1,807)	-
Share of post-tax losses from associates	46	-
Finance expense	5,738	6,351
Finance income	(1,911)	(894)
Goodwill impairment	8,259	-
Other gains/(losses)	8,733	-
Changes in working capital:		
Increase in trade and other receivables	(3,638)	(20,425)
Increase/(decrease) in trade and other payables	5,813	8,912
(Increase)/decrease in stock and inventories	(36,566)	(39,195)
Cash absorbed by operating activities	(43,812)	(54,979)

MAREF Topco Ltd

Notes to the financial statements (continued)

29 Related party transactions

During the period, the Group's ultimate controlling party, Moorfield Investment Management Limited charged £1,438,000 (2018: £1,725,000) for management services. Included in accruals at the period end was £1,737,000 (2018: £567,000). The MAREF Topco Directors, Marc Gilbard and Charles Ferguson-Davie, are also Directors of Moorfield Investment Management Limited.

During the period the Company received £25.9 m in capital contributions from the Group's ultimate controlling parties.

There is an agreement between Audley Court Limited and Audley Court Hollins Hall Limited that grants Audley Court Hollins Hall Limited a royalty-free licence to use the trademarks of Audley. Audley Court Hollins Hall is part owned by Nick Sanderson, a Director of Audley Group Limited and Audley Court Limited. During the year no (2018: £nil) amounts were received in respect of the licence agreement and no (2018: £nil) amounts were outstanding from Audley Court Hollins Hall Limited at year end.

In 2018 Audley Court Limited entered into an option, at a cost of £100,000, to acquire Audley Court Hollins Hall Limited and Audley Court Estates Limited (the management company of Hollins Hall) for consideration equal to the net asset value of the target, estimated to be in the region of £6.0m. During 2019 this option lapsed without being exercised.

During the year the Group invested in PFA Audley PropCo P/S, which is registered in Denmark. The Group owns 4% of this entity, with PFA Pension the other 96%. PFA Pension is an investor in the Moorfield Audley Real Estate Fund.

During the year the Group formed a joint venture with the real estate arm of Schroders and Octopus Real Estate. Fees charged to the joint venture in the period were £72,000 for development management services and £162,000 for sales management services. Included in accrued income and trade debtors at year end were £162,000 and £20,000, respectively. Audley Group sold a 100% owned subsidiary company, Audley Stanbridge Earls Limited, into the joint venture. The Group received £36.2m in consideration and made a profit on disposal of £1.8m, or £0.1m net of fees.

The Group charged Audley Nightingale Lane Limited, a company in which the Group holds a 4% equity investment, £321,000 (2018: £375,000) for development management services and £nil (2018: £918,000) for sales and marketing services. Included in deferred income at year end was £1,161,000 (2018: £nil). 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 2019 £10,663,000 (2018: £15,130,000) was included in trade and other receivables due in greater than one year. Included in other gains/(losses) is £(6,360,000) (2018: £nil) for the expected credit loss on the Preference shares and interest.

During the year, the Group purchased the shares in Audley Court Limited from Katherine Rose, a former Director of Audley Court Limited, and entered into a share for share exchange with Nick Sanderson, Jon Austen, Kevin Shaw, Paul Morgan and John Nettleton, Directors of Audley Court Limited, to swap shares in Audley Court Limited for shares in Audley Group Limited. The shares were independently valued and for each share held in Audley Court Limited they received 1.33 shares in Audley Group Limited. On the disposal of the non-controlling interest the Group made a loss of £343,000.

30 Immediate 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 2019.

31 Post balance sheet events

Since 31 December 2019, a global pandemic, COVID-19, has led to government advice, both in the UK and globally, that all non-essential work should be limited to reduce the spread of the virus. COVID-19 is considered to be a non-adjusting post balance sheet event and no adjustment has been made to the financial statements as a result. The Group has temporarily suspended certain aspects of our operations. These include, but are not limited to, the temporary cessation of sales and marketing activity for apartment sales, closure of the onsite swimming pools and gym facilities, and dine-in for the restaurant and bar and bistro. Takeaway from our onsite restaurants is available in each Audley village for our owners and we have provided an onsite 'Audley Pantry' for the purchase of essential items as well as a supermarket shopping service. While this is expected to have an impact on the performance of the Group in 2020 (see going concern), Audley has complied with the government's guidance at all times and the health and wellbeing of all our owners, customers and employees is paramount.

MAREF Topco Ltd

Notes to the financial statements (continued)

31 Post balance sheet events (continued)

The Group has also taken possession of Nightingale Place and the final phase of Cooper's Hill, with the first owners moving into Nightingale Place in May 2020.

Following the year end the Group has completed a restatement and amendment of the revolving credit facility. The facility limit has been reduced from £125.0m to £105.0m and subdivided into separate tranches for ongoing developments, completed stock, the Watford site and working capital. Interest is based on three-month LIBOR plus 3.75% for the development tranche or LIBOR plus 4.5% for all the other tranches.

In February 2020, the RELF joint venture acquired a site in Sunningdale, Berkshire. The Group's contribution to the purchase of this site was £5.4m. 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 (the first two retirement villages to be developed by the RELF joint venture).

The contract to acquire the site in Sunningdale, Berkshire, was exchanged with Audley Group Limited and subsequently novated to and completed in the Octopus/Schroder's joint venture. All work-in-progress performed to date was reimbursed in full to Audley Group Limited with additional income of £4.0m also received for work done to secure both the site and planning consent.

Audley Group Developments 1 Limited (AGD1), owner of Mayfield Watford land and work-in-progress, was sold to a joint-venture company on 17 May 2021. The joint venture was formed between BlackRock Europe Property Fund V SCS SIF (75% ownership) and Audley Group Limited (25% ownership). Before the transfer happened, the Mote development that existed in AGD1 was sold to Audley Group Developments 2 Limited (a 100% indirect subsidiary of Audley Group Limited). AGD1 was sold to the joint venture for a headline purchase price of £37.8m with a net cash receivable of £27.7m after deducting Audley's share of its equity contribution and shareholder loans from Audley Group Limited.

The Group repaid £14.4m of bank loans upon the sale of AGD1 from the Group. Following this repayment, the facility was further reduced by £10.0m to £95.0m.

On 10 August 2021, the newly formed Audley and Blackrock 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.