

Our key 2017 Achievements

2017 was a landmark year for Audley Group securing the first Mayfield Villages site. Part of the Watford Riverwell development, it marks the first location for a brand that will become a significant player in the mid-market retirement village space. The current business plan forecasts a target of an additional 673 units at Mayfield Village locations by 2025, demonstrating the potential of this product.

Significant progress was also achieved across Audley Villages, with 147 units completed, taking the total to 692. We secured four new sites, growing the Audley Villages portfolio to 17 villages and creating a pipeline of 628 units to be delivered in the next seven years.

Audley's business model has always been based on two complementary revenue streams and in a more challenging housing market the success of our operating business becomes even clearer. Our broader service offering continued to grow, sustaining investment in both the facilities at each village and maintaining first-class levels of customer service and care.

DEVELOPMENT REVIEW

LAND ACQUISITION AND PIPELINE

Total properties with obtained planning consent rose from 908 in 2016 to 1,261 in 2017 (a 39% uplift), with the business exchanging contracts or options to buy subject to planning on more land in 2017, equating to 347 new units (9% more than 2016).

Mayfield Villages

Following careful site consideration, Mayfield Villages' first location was acquired as part of the Watford Riverwell development.

The village will be completely new build and offers 253 units on completion. Planning permission has been secured and construction will start in summer 2018. Watford Riverwell is an ambitious regeneration scheme that, as well as being home to Mayfield, will comprise a range of multi-generational housing, commercial and retail occupiers and the opportunity for Watford Hospital to develop its facilities.

Audley Villages

Planning approval was secured in June for the first satellite site at Audley Binswood, with permission to construct 24 units and two cottages in addition to the 89 at the main site. The satellite is walking distance from the main Audley Binswood village and is on the former site of residential care home, Homewood in Leamington Spa.

An option to purchase a site in Berkhamsted, Hertfordshire, was secured in September followed swiftly in October with a JV with Apache Capital for the Group's first London village, Audley Nightingale Place. The village, overlooking Clapham Common, will comprise 94 units, with construction starting in mid-2018 and the first owners arriving in 2020. Audley have an agreement to manage the development of this village and has committed to purchase the development upon completion.

This transaction also represented our first JV, as the business has sought more creative routes to securing sites. Other land team firsts included two housebuilder partnerships (Berkeley Homes at Northcote Place and Royalton at Cooper's Hill).

CONSTRUCTION

September witnessed a groundbreaking at Audley Cooper's Hill, a village located within the 66-acre Magna Carta Park in Surrey that will house 78 luxury properties. The village, which is a renovation of grounds formerly owned by Brunel University, will welcome its first owners in the winter of 2019.

In November, ground was broken at Audley Stanbridge Earls, having achieved planning permission in September. Located just minutes from the market town of Romsey, the village, which is based in the grounds of the former Stanbridge Earls School, will house 155 luxury two-bedroom properties.

Finally, the first phase of Audley Ellerslie was completed in May, with 17 finished properties. The overall development will consist of 101 properties, creating 65 local jobs in the process. Audley Binswood's final phase also completed in June.

CONSTRUCTION HIGHLIGHTS

Audley Ellerslie: Completion of Phase 1, 17 apartments, February

Binswood: Completion of the village, May

Audley St Elphin's: Delivery of Pollard, 16 apartments and four cottages, July

St George's: Completion of 60 apartments, October

Redwood: Handover of 71 apartments, November



DEVELOPMENT CASE STUDY

Audley Redwood

Situated on the former site of the Redwood Hotel and Country Club, originally built in 1898, Audley Redwood sits in 15 acres of landscaped parkland. Now completed, the village is one of Audley's biggest, home to 126 luxury one, two and three-bedroom cottages and apartments. Total project expenditure was £63.2m incurred across two phases over a total of 30 months, from initial land purchase in October 2015 to phase two practical completion in April 2018. The project was part funded by a development bank loan from Bank Leumi UK providing £27.5m of debt.

The village is a total new build, however the architect Gaunt Francis studied local architecture in detail and has recreated some prominent local features in the design.

Groundbreaking took place in September 2016, with Balfour Beatty heading up construction following several other successful partnerships with Audley. 52% of units in phase one were exchanged or reserved prior to practical completion.

2017 REVIEW CONTINUED



SALES AND MARKETING

Audley's sales team had another positive year, achieving 147 completions in a more challenging market, compared to 155 in 2016. Including resales total completions were 187, up 5.6% year on year (YoY). A higher gross margin than budgeted was generated; this was achieved by improving the sales price per square foot (psf), alongside robust cost management.

Villages including Audley Inglewood and Audley Clevedon sold out bringing the number of completed villages to eight.

Audley St George's Place opened its doors in May, with 95 properties in total on sale. Demand was strong and all except five of the initial phase units were sold before opening.

Additionally there were significant developments in 2017 in a number of areas. We responded to customer feedback and, in a change to the business model, introduced a variable management charge option in some new villages. This gave customers more flexibility and choice on how much they pay on an ongoing basis versus when they leave the village.

The marketing team continued our insight-led ethos in the development of a completely new brand structure for Audley Group, involving consumer research and employee feedback. This generated a new Company vision and values, and logos for the Group, Audley Villages and Mayfield Villages.

The growth in the customer database size allowed our marketing team to develop a new customer lifestyle profiling model which enhanced targeting and improved direct marketing response rates. This profile was then rolled out to the land team for use when acquiring sites.

There was also an upsurge in social media marketing, and email campaign activity, with the latter seeing open rates consistently above industry average. Total digital sales enquiries were up 56% YoY.

OPERATIONS REVIEW

Audley Group's villages include two revenue streams: development and operations, which when combined make for a highly sustainable business model. In 2017 the operational side of the business continued to showcase its value, with revenue up 53.0% to £18.0m and gross profit up 61.8% to £14.4m. This reflects the importance of the guaranteed management charge income which increased £5.0m YoY as the owner base continued to grow.

The Group also increased headcount by approximately 10%, with a total of 555 employees across the entire organisation at the end of 2017.

AUDLEY CLUB

Audley owners benefit from access to a wide range of facilities once they move into their property. The Audley Club includes a swimming

pool, restaurant and bar and bistro, and the owners and the local community take advantage of having these facilities on their doorstep.

Audley delivered 95,000 restaurant/bistro covers in 2017, an increase of 11,000 on 2016. New village standards and menus were rolled out following feedback from Audley's annual owners survey.

New restaurant websites were developed across nine villages and those websites alone received 76,000 visits. Social media also played a major part in the growth in hospitality bookings and overall online restaurant bookings were up 21% YoY.

At the end of 2017 the number of Audley Club members had risen from 620 to 782, partly driven by increase in web traffic and the doubling of Audley Club brochure requests.



OPERATIONS CASE STUDY

Audley Clevedon

The success of Audley Villages does not rest solely on the quality of the properties. The facilities, including the range of food and beverage options, classes and social events, and the exceptional care on offer, all contribute to the success of the model. Audley Clevedon, as with all Audley Villages, had a strong operational year in 2017.

Total revenue was £2.4m, up 44% YoY. The revenue growth was fuelled both by management charges and strong operating performance in food and beverage up 31% to £218k, and care, up 24% to £446k.

The Club had 119 members who enjoyed a varied class timetable including aqua, pilates, and stretch, flex and tone. Events for the owners and local people included a celebration in recognition of Afternoon Tea Week and the Christmas Fair.

Care staff made 24,184 visits, which earned them a homecare score of 8.3 out of 10. The Ben Rhydding restaurant served 10,593 covers with an average TripAdvisor rating of 4.5 out of 5.

2017 REVIEW CONTINUED



242,000 hours
of care

Audley Care

2017 was another strong year for Audley Care with the opening of the 10th branch, at Ellerslie in Malvern. Care revenue was up 20.7% to £4.6m and across the business 242,000 hours of care were delivered, a 14% increase on 2016.



95,000
restaurant/bistro covers

The Care Customer annual survey saw outstanding results:

- Overall rating of the service was 90% Excellent/Good
- 90% would recommend to a friend.
- 97% agreed carers were trustworthy and 96% kind and friendly
- 97% agreed they were always treated with dignity and respect



782
Club members

Despite these very high scores, a process of ongoing improvement continues including changes to how annual self assessments are followed up, new monthly health campaigns, person centred care plans and revised training plans.

Audley Care is an award-winning, CQC-regulated, provider.