

## BUSINESS MODEL

# High Quality

Audley Group's business model has been developed and refined over a long period, although the initial concept of providing high-quality property with an independent lifestyle, extensive facilities and flexible care on demand remains unchanged. This is at the core of our offering. The business model and lifecycle of a village falls into three distinct phases:

### **SITE ACQUISITION**

We spend a substantial amount of time and resource on site identification, narrowing our areas of search to those where we know house prices are at an appropriate level, and the local demographics indicate a sufficient depth of potential purchasers.

We then typically enter into subject-to-planning contracts to acquire a site, whereby we limit our initial outlay and capital at risk to the deposit and planning costs. We will also enter into option arrangements and other forms of securing a site but we rarely acquire sites unconditionally.

Once a contract to purchase has been exchanged we will pursue planning in a controlled but determined manner, in consultation with planners and the local community and with the aim of attaining the optimal consent in the shortest time. Clearly, planning consent requires a design and, informed by market research, customer feedback and our past experience, an extensive process is undertaken with our professional teams and in-house experts developing plans for our villages.

Often our sites have a listed building as a centrepiece and our long experience means that we can reconfigure such buildings to meet the needs of our customers, providing impressive central facilities as well as desirable apartments for sale. The central facilities form the Audley Club, which includes a bar and bistro, restaurant, library, owners' lounge, a health club with

a swimming pool, gym, treatment rooms and sauna.

Our care office, commercial kitchens and space for all our back-office functions are also planned for. We then design a number of buildings surrounding the central facility, in keeping with the architectural values, which will contain apartments for sale. Apartments mostly have two bedrooms but we also include one-bedroom and three-bedroom apartments as well as some cottages. The number and mix will depend on the size and physical layout of the site.

It is in our interests to achieve planning consent quickly in order to start building as soon as possible so we can recycle our capital into the next project. It is not our habit to hold sites with planning consent inactive for any period of time.

### **CONSTRUCTION AND SALE OF UNITS**

During the design stage, we typically engage with the small group of national contractors with whom we do repeat business. We vary the type of tender process we follow but always enter into design and build contracts where the majority of the construction risk is laid off to the contractor.

We will also usually plan a new village in a number of phases, with the Club in the first phase, so that we can enter into build contracts that allow us to use development revenues from the earlier phases to fund later phases. We also start the marketing and selling as soon as construction starts. We aim to exchange contract of sale on 50% of the units in the first phase off-plan.

A sales office is opened on the site and the website, site signage, local PR and direct marketing generate enquiries immediately.



## BUSINESS MODEL CONTINUED



### **OPERATION OF COMPLETED VILLAGE**

When the construction of the Club and first phase properties has been completed then our operations team takes possession to provide the services our owners require and which we are committed to providing.

All owners are Club members and have the use of our health and wellbeing facilities, classes and spa facilities. This membership also allows our owners to use these facilities and the guest accommodation both at the village where they own a property and at any other Audley Village. We also offer Club membership for a monthly fee to age-qualified non-residents from the local community.

All elements of the village are staffed by Audley personnel, including spa, restaurant and bar staff, a facilities manager, gardeners and a care team all run by a general manager.

### **Audley Club**

Whilst Audley makes an appropriate margin from the food and beverage and health club offerings these Clubs are also a very public face of the villages as the facilities are open and promoted to the local community. We always go to great lengths to ensure the highest standards are maintained.

### **Care**

The domiciliary care business is a vital part of our offering and we establish a separately registered and CQC-regulated branch at each village. Each branch has a Branch Manager and offers domiciliary care to owners and the wider community in the vicinity of the village.

Audley has considered different ways of providing this service, which is usually a condition of our planning consents, and has determined that the best, risk-controlled way is to own and operate the care business ourselves. Our investment in recruitment, training and development helps to maintain a high standard of carers who are the bedrock of the operation. We provide care ranging from as little as help in getting up in the morning to full 24/7 attendance at an owner's apartment.

### **Management charges**

We typically sell our units on 125-year leases. These provide that an owner is obliged to make management charge payments to us for the duration of the lease. The management charges are currently a Monthly Management Charge and then a Deferred Management Charge payable on change of owner or occupier of the property. Charge levels vary at each village depending on the brand (Audley Villages or Mayfield Villages) and geographical location. These fees are essential for covering all the ongoing and long-term costs of providing the services and upkeep of the villages and are also part of the financial return to Audley.



The Monthly Management Charges are always a fixed amount which can only increase at the rate of inflation. Importantly they are not a contribution to a service charge as is often the case with leasehold property. Our management charges give our owners certainty as to the amount they pay every month as the risk of the sums generated being less than any major expenditure remains with Audley. We maintain and repair all areas of the village except inside the owners' properties. This includes cleaning, painting, decorating, gardening and providing the village staff.

Our Deferred Management Charges are just as important as the Monthly Management Charges and are calculated as a fixed percentage of the property's sale price for each year of ownership. So, for example, where the fixed percentage is 1% and the owner sells the unit after six years then the Deferred Management Charge payable to Audley will be 6% of the sale price.

The quantum of our Deferred Management Charge is determined by the length of ownership of the property and its value on sale. As such, our interests are aligned with our owners in keeping the condition of the villages at the highest standard through ongoing investment. Additionally, in reselling properties we are also aligned in achieving the maximum sales value for our owners' properties.

Following market research and customer feedback we are now trialling a flexible approach to management charges whereby a prospective owner can choose between higher or lower Monthly Management Charges with a corresponding reduction or increase in the Deferred Management Charges.

## **FINANCE**

Audley funds its operations through a combination of equity, bank debt, recycling of sale proceeds and operational income. We generate sufficient income from the sale of units to meet all the costs of developing a village, such that once a village is complete and fully sold the ongoing capital employed is minimal and yet we will continue to enjoy the management charges for the duration of the leases we have sold.

This business model of generating development returns from selling properties coupled with the guaranteed income arising from the management fees means that the business is also very financially resilient and will continue to generate income even in a housing market downturn. This model has proved attractive to both equity investors and lenders.

